

For KCC Use: 8-13-06  
 Effective Date: 8-13-06  
 District # 1  
 SGA?  Yes  No

KANSAS CORPORATION COMMISSION  
 OIL & GAS CONSERVATION DIVISION

Form C-1  
 December 2002  
**Form must be Typed**  
**Form must be Signed**  
**All blanks must be Filled**

**NOTICE OF INTENT TO DRILL**

Must be approved by KCC five (5) days prior to commencing well

Expected Spud Date August 12 2006  
month day year

Spot NE SE NE West East  
 Sec. 28 Twp. 33 S. R. 16

OPERATOR: License# 31021  
 Name: Castelli Exploration, Inc.  
 Address: 6908 N.W. 112th St.  
 City/State/Zip: Oklahoma City, OK 73162  
 Contact Person: Tisha Braun  
 Phone: 405-722-5511

1500' feet from  N /  S Line of Section  
330' feet from  E /  W Line of Section  
 Is SECTION  Regular  Irregular?

CONTRACTOR: License# 5929  
 Name: Duke Drilling Co., Inc.

(Note: Locate well on the Section Plat on reverse side)  
 County: Comanche  
 Lease Name: Merrill Ranch Well #: 1-28  
 Field Name: Ham

Well Drilled For:  Oil  Gas  OWWO  Seismic;  Other  
 Well Class:  Enh Rec  Storage  Disposal  # of Holes  Other  
 Type Equipment:  Mud Rotary  Air Rotary  Cable

Is this a Prorated / Spaced Field?  Yes  No  
 Target Formation(s): Mississippi

Nearest Lease or unit boundary: 330'  
 Ground Surface Elevation: 1743' feet MSL

Water well within one-quarter mile:  Yes  No  
 Public water supply well within one mile:  Yes  No

Depth to bottom of fresh water: 100'  
 Depth to bottom of usable water: 180'

Surface Pipe by Alternate:  1  2  
 Length of Surface Pipe Planned to be set: 300'

Length of Conductor Pipe required: \_\_\_\_\_  
 Projected Total Depth: 5100'

Formation at Total Depth: Mississippi

Water Source for Drilling Operations:  
 Well  Farm Pond Other Hauled from Great Plains

DWR Permit #: \_\_\_\_\_

(Note: Apply for Permit with DWR )  
 Will Cores be taken?  Yes  No

If Yes, proposed zone: \_\_\_\_\_

If OWWO: old well information as follows:  
 Operator: \_\_\_\_\_  
 Well Name: \_\_\_\_\_  
 Original Completion Date: \_\_\_\_\_ Original Total Depth: \_\_\_\_\_

Directional, Deviated or Horizontal wellbore?  Yes  No

If Yes, true vertical depth: \_\_\_\_\_

Bottom Hole Location: \_\_\_\_\_

KCC DKT #: \_\_\_\_\_

**AFFIDAVIT**

**RECEIVED**  
**KANSAS CORPORATION COMMISSION**  
**AUG 07 2006**

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55 et. seq.  
 It is agreed that the following minimum requirements will be met:

**CONSERVATION DIVISION**  
**WICHITA, KS**

1. Notify the appropriate district office **prior** to spudding of well;
2. A copy of the approved notice of intent to drill **shall be** posted on each drilling rig;
3. The minimum amount of surface pipe as specified below **shall be set** by circulating cement to the top; in all cases surface pipe shall be set through all unconsolidated materials plus a minimum of 20 feet into the underlying formation.
4. If the well is dry hole, an agreement between the operator and the district office on plug length and placement is necessary **prior to plugging**;
5. The appropriate district office will be notified before well is either plugged or production casing is cemented in;
6. If an ALTERNATE II COMPLETION, production pipe shall be cemented from below any usable water to surface within **120 days** of spud date. Or pursuant to Appendix "B" - Eastern Kansas surface casing order #133,891-C, which applies to the KCC District 3 area, alternate II cementing must be completed within 30 days of the spud date or the well shall be plugged. **In all cases, NOTIFY district office** prior to any cementing.

I hereby certify that the statements made herein are true and to the best of my knowledge and belief.

Date: 8/3/06 Signature of Operator or Agent: Tisha Braun Title: Business Operations manager

**For KCC Use ONLY**  
 API # 15 - 033-21475-0000  
 Conductor pipe required None feet  
 Minimum surface pipe required 200 feet per Alt. 1  
 Approved by: KH 8-8-06  
 This authorization expires: 2-8-07  
 (This authorization void if drilling not started within 6 months of approval date.)  
 Spud date: \_\_\_\_\_ Agent: \_\_\_\_\_

**Remember to:**

- File Drill Pit Application (form CDP-1) with Intent to Drill;
- File Completion Form ACO-1 within 120 days of spud date;
- File acreage attribution plat according to field proration orders;
- Notify appropriate district office 48 hours prior to workover or re-entry;
- Submit plugging report (CP-4) after plugging is completed;
- Obtain written approval before disposing or injecting salt water.
- If this permit has expired (See: authorized expiration date) please check the box below and return to the address below.

Well Not Drilled - Permit Expired

Signature of Operator or Agent: \_\_\_\_\_  
 Date: \_\_\_\_\_

Mail to: KCC - Conservation Division, 130 S. Market - Room 2078, Wichita, Kansas 67202

28  
33  
16W

**IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW**

*Plat of acreage attributable to a well in a prorated or spaced field*

**If the intended well is in a prorated or spaced field, please fully complete this side of the form.** If the intended well is in a prorated or spaced field complete the plat below showing that the well will be properly located in relationship to other wells producing from the common source of supply. Please show all the wells and within 1 mile of the boundaries of the proposed acreage attribution unit for gas wells and within 1/2 mile of the boundaries of the proposed acreage attribution unit for oil wells.

API No. 15 - 033-21475-0000  
Operator: Castelli Exploration, Inc.  
Lease: Merrill Ranch  
Well Number: 1-28  
Field: Ham

Number of Acres attributable to well: 400  
QTR / QTR / QTR of acreage: NE - SE - NE

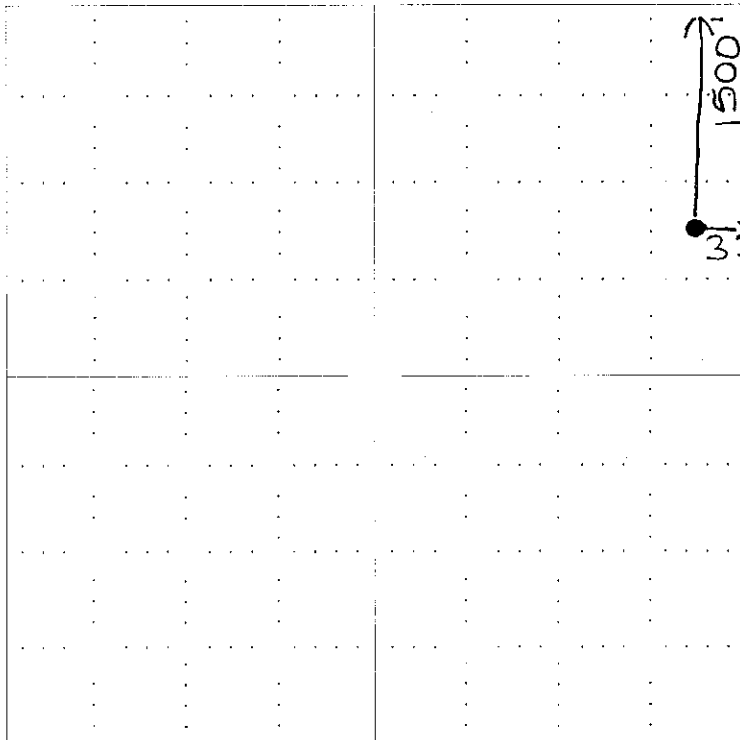
Location of Well: County: Comanche  
1500' feet from  N /  S Line of Section  
330' feet from  E /  W Line of Section  
Sec. 28 Twp. 33 S. R. 16  East  West

Is Section:  Regular or  Irregular

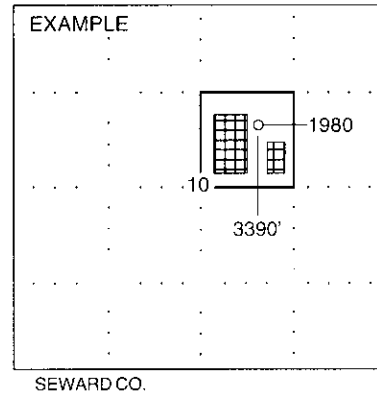
**If Section is Irregular, locate well from nearest corner boundary.**  
Section corner used:  NE  NW  SE  SW

**PLAT**

*(Show location of the well and shade attributable acreage for prorated or spaced wells.)  
(Show footage to the nearest lease or unit boundary line.)*



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**AUG 07 2006**  
**CONSERVATION DIVISION**  
**WICHITA, KS**



**NOTE: In all cases locate the spot of the proposed drilling location.**

**In plotting the proposed location of the well, you must show:**

1. The manner in which you are using the depicted plat by identifying section lines, i.e. 1 section, 1 section with 8 surrounding sections, 4 sections, etc.
2. The distance of the proposed drilling location from the section's south / north and east / west.
3. The distance to the nearest lease or unit boundary line.
4. If proposed location is located within a prorated or spaced field a certificate of acreage attribution plat must be attached: (CO-7 for oil wells; CG-8 for gas wells).

KANSAS CORPORATION COMMISSION  
OIL & GAS CONSERVATION DIVISION  
**APPLICATION FOR SURFACE PIT**

Form CDP-1  
April 2004  
Form must be Typed

Submit in Duplicate

Operator Name: <b>Castelli Exploration, Inc.</b>		License Number: <b>31021</b>
Operator Address: <b>6908 N.W. 112th St., Oklahoma City, OK 73162</b>		
Contact Person: <b>Tisha Braun</b>		Phone Number: <b>( 405 ) 722 - 5511</b>
Lease Name & Well No.: <b>Merrill Ranch 1-28</b>		Pit Location (QQQQ): <b>NE SE NE</b>
Type of Pit: <input type="checkbox"/> Emergency Pit <input type="checkbox"/> Burn Pit <input type="checkbox"/> Settling Pit <input checked="" type="checkbox"/> Drilling Pit <input type="checkbox"/> Workover Pit <input type="checkbox"/> Haul-Off Pit <small>(If WP Supply API No. or Year Drilled)</small>	Pit is: <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: <b>7000</b> (bbls)	Sec. <b>28</b> Twp. <b>33S</b> R. <b>16</b> <input type="checkbox"/> East <input checked="" type="checkbox"/> West <b>1650'</b> <sup>1500</sup> Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section <b>330'</b> Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section <b>Comanche</b> County
Is the pit located in a Sensitive Ground Water Area? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Chloride concentration: _____ mg/l <small>(For Emergency Pits and Settling Pits only)</small>
Is the bottom below ground level? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Artificial Liner? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	How is the pit lined if a plastic liner is not used? <b>Native &amp; Fresh Mud</b>
Pit dimensions (all but working pits): <b>100'</b> Length (feet) <b>100'</b> Width (feet) <b>N/A</b> : Steel Pits Depth from ground level to deepest point: <b>4'</b> (feet)		
If the pit is lined give a brief description of the liner material, thickness and installation procedure.		Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring. <div style="text-align: right;"><b>RECEIVED</b> <b>KANSAS CORPORATION COMMISSION</b> <b>AUG 07 2006</b> <b>CONSERVATION DIVISION</b> <b>WICHITA, KS</b></div>
Distance to nearest water well within one-mile of pit <b>N/A</b> feet    Depth of water well _____ feet	Depth to shallowest fresh water <b>100'</b> feet. Source of information: _____ measured    _____ well owner    _____ electric log <input checked="" type="checkbox"/> KDWR	
<b>Emergency, Settling and Burn Pits ONLY:</b> Producing Formation: _____ Number of producing wells on lease: _____ Barrels of fluid produced daily: _____ Does the slope from the tank battery allow all spilled fluids to flow into the pit? <input type="checkbox"/> Yes <input type="checkbox"/> No	<b>Drilling, Workover and Haul-Off Pits ONLY:</b> Type of material utilized in drilling/workover: <b>Mud Cuttings</b> Number of working pits to be utilized: <b>1</b> Abandonment procedure: <b>Backfill pits with native &amp; fresh mud</b> Drill pits must be closed within 365 days of spud date.	
I hereby certify that the above statements are true and correct to the best of my knowledge and belief.		
<b>8/3/06</b> Date		<b>Tisha Braun</b> Signature of Applicant or Agent

15-033-21475-0000

<b>KCC OFFICE USE ONLY</b>		<b>RFAS&amp;C</b>
Date Received: <b>8/7/06</b>	Permit Number: _____	Permit Date: <b>8/8/06</b> Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

# KANSAS

CORPORATION COMMISSION

KATHLEEN SEBELIUS, GOVERNOR

BRIAN J. MOLINE, CHAIR

ROBERT E. KREHBIEL, COMMISSIONER

MICHAEL C. MOFFET, COMMISSIONER

August 8, 2006

Ms. Tisha Braun  
Castelli Exploration, Inc.  
6908 NW 112<sup>th</sup> St.  
Oklahoma City, OK 73162

Re: Drilling Pit Application  
Merrill Ranch Lease Well No. 1-28  
NE/4 Sec. 28-33S-16W  
Comanche County, Kansas

Dear Ms. Braun:

District staff has inspected the above referenced location and has determined that the reserve pit shall be constructed **without slots**, the bottom shall be flat and reasonably level and the free fluids must be removed. The fluids are to be removed from the reserve pit as soon as the Hutchinson Salt section has been drilled through and displacement of the fluids into the reserve pit has occurred. The fluids should be removed again as soon as practical after drilling operations have ceased.

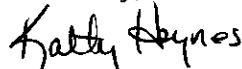
**If production casing is set all completion fluids shall be removed from the working pits daily. NO completion fluids or non-exempt wastes shall be placed in the reserve pit.**

The fluids should be taken to an authorized disposal well. Please call the District Office at (620) 225-8888 when the fluids have been removed. Please file form CDP-5 (August 2004), Exploration and Production Waste Transfer, within 30 days of fluid removal. Conservation division forms are available through our office and on the KCC web site: [www.kcc.state.ks.us/conservation/forms](http://www.kcc.state.ks.us/conservation/forms).

**A copy of this letter should be posted in the doghouse along with the approved Intent to Drill.**

If you have any questions or concerns please feel free to contact the undersigned at the above address.

Sincerely,



Kathy Haynes  
Department of Environmental Protection and Remediation

cc: File