

OCT 23 2006

For KCC Use:
Effective Date 11-4-06
District # 1
SGA? Yes No

NOTICE OF INTENT TO DRILL

CONSERVATION DIVISION
WICHITA, KS

Form must be Typed
Form must be Signed
blanks must be Filled

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

Expected Spud Date November 26 2006
month day year

Spot
Approx W2 NE Sec. 8 Twp. 29s S. R. 15 East West
1380' feet from N / S Line of Section
1980' feet from E / W Line of Section
Is SECTION Regular Irregular?

OPERATOR: License# 31980
Name: Lotus Operating Co. LLC
Address: 100 S. Main, Ste 420
City/State/Zip: Wichita, Kansas 67202
Contact Person: Tim Hellman
Phone: 316-262-1077

(Note: Locate well on the Section Plat on reverse side)
County: Pratt
Lease Name: Hanwit Well #: 3
Field Name: Springvale Northwest

CONTRACTOR: License# 5929
Name: Duke Drlg Co. Inc

Is this a Prorated / Spaced Field? Yes No
Target Formation(s): Lansing, Miss, Viola & Simpson
Nearest Lease or unit boundary: 990'

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

Ground Surface Elevation: est 2020 feet MSL
Water well within one-quarter mile: Yes No
Public water supply well within one mile: Yes No

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

Depth to bottom of fresh water: 180
Depth to bottom of usable water: 200
Surface Pipe by Alternate: 1 2

Directional, Deviated or Horizontal wellbore? Yes No

Length of Surface Pipe Planned to be set: 250
Length of Conductor Pipe required: None
Projected Total Depth: 5050

Bottom Hole Location: _____

Formation at Total Depth: Arbuckle
Water Source for Drilling Operations:
 Well Farm Pond Other XX

KCC DKT #: _____

DWR Permit #: _____
(Note: Apply for Permit with DWR)

Will Cores be taken? Yes No

If Yes, proposed zone: _____

AFFIDAVIT

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:

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: 10/23/2006 Signature of Operator or Agent: [Signature] Title: Managing Member

For KCC Use ONLY
API # 15 - 151-22248-0000
Conductor pipe required None feet
Minimum surface pipe required 220 feet per Alt. 1
Approved by: Put 10-30-06
This authorization expires: 4-30-07
(This authorization void if drilling not started within 6 months of approval date.)
Spud date: _____ Agent: _____

Remember to:

- File Drill Pit Application (form GDP-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

8
29
15W

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 - 151-22248-0000
 Operator: Lotus Operating Co. LLC
 Lease: Hanwit
 Well Number: 3
 Field: Springvale Northwest
 Number of Acres attributable to well: 10 acres
 QTR / QTR / QTR of acreage: Approx - W2 - NE

Location of Well: County: Pratt
1380' feet from N / S Line of Section
1980' feet from E / W Line of Section
 Sec. 8 Twp. 29s S. R. 15 East West

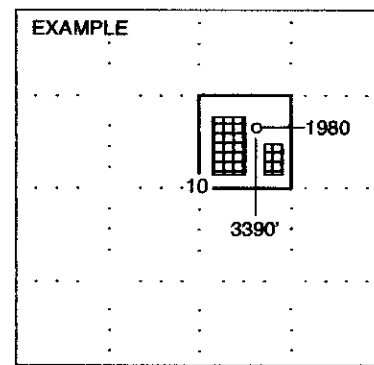
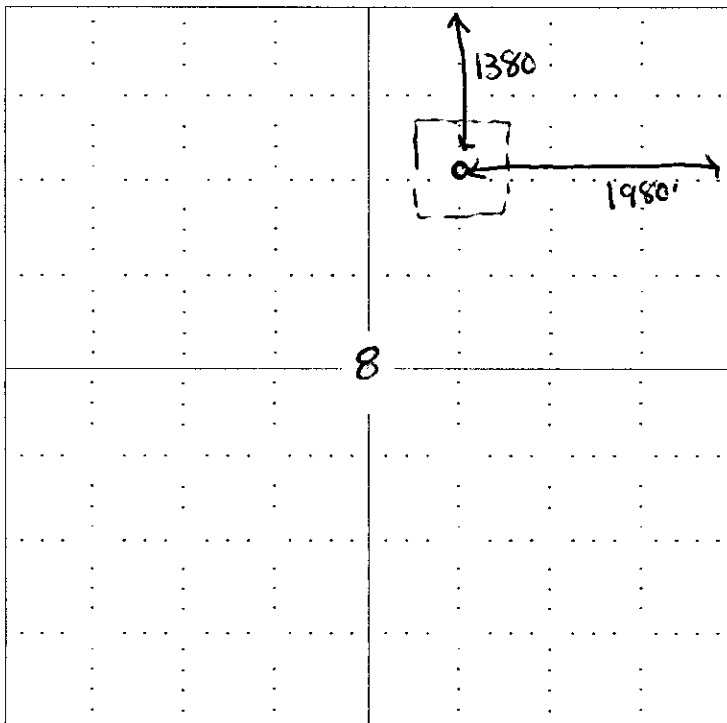
Is Section: Regular or Irregular

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.)



SEWARD CO.

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).

RECEIVED

KANSAS CORPORATION COMMISSION

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

OCT 23 2006

Form CDP-1

April 2004

Form must be Typed

APPLICATION FOR SURFACE PIT CONSERVATION DIVISION
WICHITA, KS

Submit in Duplicate

Operator Name: Lotus Operating Co. LLC		License Number: 31980
Operator Address: 100 S. Main, Ste 420 Wichita KS 67202		
Contact Person: Tim Hellman		Phone Number: (316) 262 - 1077
Lease Name & Well No.: Hanwit #3		Pit Location (QQQQ): Approx C W2 NE
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: 4800 (bbls)	Sec. 8 Twp. 29S R. 15 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 1380' Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section 1980' Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section Pratt County
Is the pit located in a Sensitive Ground Water Area? <input checked="" type="checkbox"/> Yes <input 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? Bentonite and drlg solids self seal pits.
Pit dimensions (all but working pits): 80 Length (feet) 80 Width (feet) N/A: Steel Pits Depth from ground level to deepest point: 4' (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.
Distance to nearest water well within one-mile of pit 1695 feet Depth of water well 20 feet		Depth to shallowest fresh water 50 feet. Source of information: _____ measured _____ well owner _____ electric log _____ KDWR
Emergency, Settling and Burn Pits ONLY: 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		Drilling, Workover and Haul-Off Pits ONLY: Type of material utilized in drilling/workover: _____ Number of working pits to be utilized: 3 Abandonment procedure: Pits are allowed to dry completly and backfilled when conditions allow 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.		
10/23/2006 Date		 Signature of Applicant or Agent

15-151-22248-000

KCC OFFICE USE ONLY		
Date Received: 10/23/06	Permit Number: _____	Permit Date: 10/27/06 Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

TP ends sand line w/ clay RTASac

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

KANSAS

CORPORATION COMMISSION

KATHLEEN SEBELIUS, GOVERNOR
BRIAN J. MOLINE, CHAIR
ROBERT E. KREHBIEL, COMMISSIONER
MICHAEL C. MOFFET, COMMISSIONER

October 27, 2006

Mr. Tim Hellman
Lotus Operating Co., LLC
100 S. Main Ste 420
Wichita, KS 67202

RE: Drilling Pit Application
Hanwit Lease Well No. 3
NE/4 Sec. 08-29S-15W
Pratt County, Kansas

Dear Mr. Hellman:

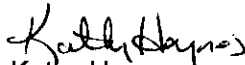
District staff has inspected the above referenced location and has determined that the reserve pit shall be constructed **without slots**, the bottom shall be flat and reasonably level, and **if sand is encountered during the construction of the reserve pit or working pits line the pits with clay**. The 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. **Please keep all pits away from any draws.**

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, 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.

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
Environmental Protection and Remediation Department

cc: S Durrant