

For KCC Use:

Effective Date: 11-18-06

District # 2

SGA? Yes No

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

NOTICE OF INTENT TO DRILL

Must be approved by the K.C.C. five (5) days prior to commencing well

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

Expected Spud Date Nov. 24 2006
SEPTEMBER month day year

90° N & 120' W of CENTER
- S/2 - SW Sec. 36 Twp. 20 S. R. 10
750 feet from N / S Line of Section
1200 feet from E / W Line of Section

Is SECTION Regular Irregular?

(Note: Locate well on the Section Plat on Reverse Side)

OPERATOR: License # 3882
Name: SAMUEL GARY JR. & ASSOCIATES, INC.
Address: 1670 BROADWAY, SUITE 3300
City/State/Zip: DENVER, CO 80202
Contact Person: TOM FERTAL
Phone: (303) 831-4673

County: RICE
Lease Name: MORGAN Well #: 1-36

Field Name: WILDCAT

Is this a Prorated / Spaced Field? Yes No

Target Formation(s): ARBUCKLE

Nearest Lease or unit boundary: 750'

Ground Surface Elevation: Est. 1705 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: 180'

Depth to bottom of usable water: 180'

Surface Pipe by Alternate: 1 2

Length of Surface Pipe Planned to be set: 280'

Length of Conductor pipe required: NONE

Projected Total Depth: 3500'

Formation at Total Depth: ARBUCKLE

Water Source for Drilling Operations:

Well Farm Pond Other

DWR Permit #: N/A

(Note: Apply for Permit with DWR)

Will Cores Be Taken? Yes No

If yes, proposed zone: N/A

CONTRACTOR: License 30141
Name: SUMMIT DRILLING

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

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

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55-101, 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 a 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 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: AUGUST 18, 2006 Signature of Operator or Agent: Thomas Fertal Title: SR. GEOLOGIST

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: _____

For KCC use ONLY
API # 15 - 159-22519-0000
Conductor pipe required None feet
Minimum surface pipe required 200 feet per Alt. 1
Approved by: PWF 11-13-06
This authorization expires: 5-13-07
(This authorization void if drilling not started within 6 months of effective date.)
Spud date: _____ Agent: _____

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

RECEIVED
KANSAS CORPORATION COMMISSION
AUG 21 2006
CONSERVATION DIVISION
WICHITA, KS

36
20
10W

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 - 159-22519-000
Operator: SAMUEL GARY JR & ASSOCIATES, INC.
Lease: MORGAN
Well Number: 1-36
Field:

Location of Well: County: RICE
750 feet from N / S Line of Section
1200 feet from E / W Line of Section
Sec. 36 Twp. 20 S. R. 10 East West

Is Section: Regular or Irregular

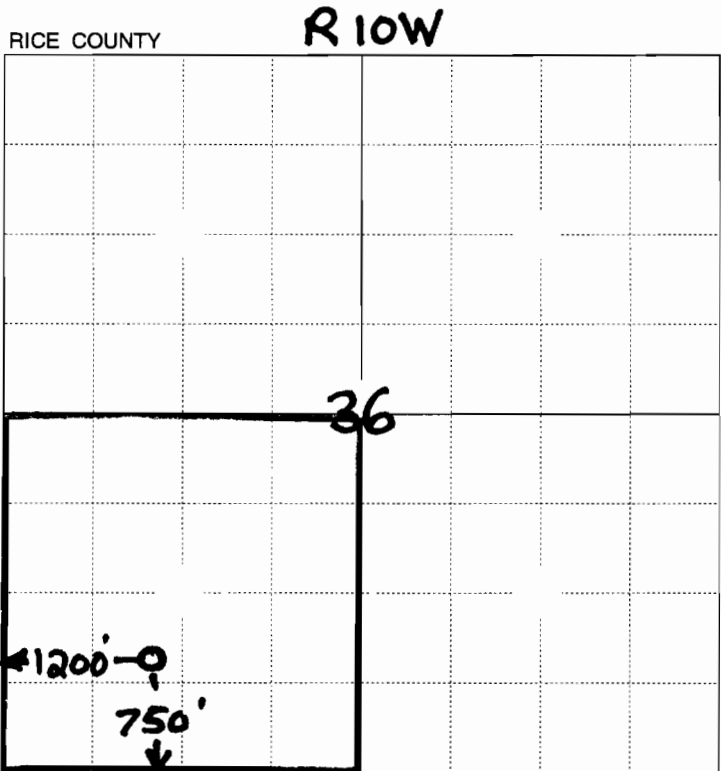
If Section is Irregular, locate well from nearest corner boundary.

Section corner used: NE NW SE SW

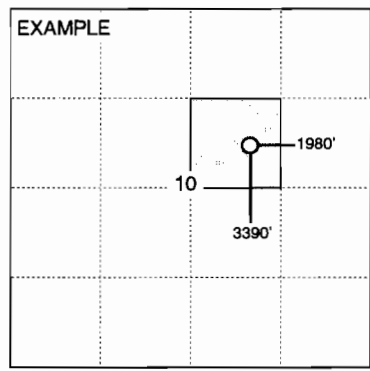
Number of Acres attributable to well:
QTR / QTR / QTR of acreage:

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.



750' from nearest lease boundary



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:

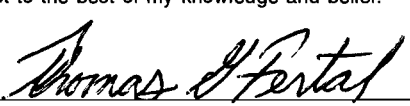
- 1. The manner in which you are using the depicted plat by identifying section lines, i.e. 1 section, 1 section with 8 surrounding sections, 4 sections, etc.
2. The distance of the proposed drilling location from the section's south / north and east / west.
3. The distance to the nearest lease or unit 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
AUG 21 2006
CONSERVATION DIVISION
WICHITA, KS

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: SAMUEL GARY JR. AND ASSOCIATES, INC.		License Number: 3882
Operator Address: 1670 BROADWAY, SUITE 3300 DENVER, CO 80202-4838		
Contact Person: TOM FERTAL		Phone Number: (303) 831 - 4673
Lease Name & Well No.: MORGAN 1-36		Pit Location (QQQQ): _____ - _____ - S/2 - SW Sec. 36 Twp. 20 R. 10 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 750 Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section 1200 Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section RICE _____ County
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: 2000 (bbls)	
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? NATIVE MUD AND CLAY
Pit dimensions (all but working pits): 75 Length (feet) 50 Width (feet) _____ N/A: Steel Pits Depth from ground level to deepest point: 3 (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.
		RECEIVED KANSAS CORPORATION COMMISSION AUG 21 2006 CONSERVATION DIVISION WICHITA, KS
Distance to nearest water well within one-mile of pit 1651 feet Depth of water well 45 feet	Depth to shallowest fresh water 12 feet. Source of information: KH K&S <input checked="" type="checkbox"/> 6 _____ measured _____ well owner _____ electric log _____ KDWR	K-1549-22519-0220
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: FRESH MUD Number of working pits to be utilized: 0 (STEEL TANKS) Abandonment procedure: REMOVE FREE FLUIDS, ALLOW TO DRY THEN BACKFILL 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.		
AUGUST 18, 2006 Date		 Signature of Applicant or Agent

KCC OFFICE USE ONLY		Line w/ Bent. RFAS + 72HRJ
Date Received: 8/21/06	Permit Number: _____	Permit Date: 11/9/06 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

November 9, 2006

Mr. Tom Fertal
Samuel Gary Jr. & Associates, Inc.
1670 Broadway Ste 3300
Denver, CO 80202

Re: Drilling Pit Application
Morgan Lease Well No. 1-36
SW/4 Sec. 36-20S-10W
Rice County, Kansas

Dear Mr. Fertal:

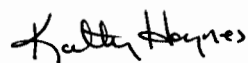
District staff has inspected the above referenced location and has determined that the reserve pit shall be constructed **without slots**, the bottom shall be flat and reasonably level, and **all pits must be lined with bentonite**. The free fluids must be removed. The fluids are to be removed from the 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 within 72 hours 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 (316) 630-4000 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.

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: Doug Louis