

For KCC Use:
 Effective Date: 1-27-07
 District # 1
 SGA? Yes No

KANSAS CORPORATION COMMISSION
 OIL & GAS CONSERVATION DIVISION
NOTICE OF INTENT TO DRILL

Form C-1
 December 2002

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

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

Expected Spud Date March 1 2007
month day year

Spot S/2 NE SE Sec. 18 Twp. 31 S. R. 40 East West

OPERATOR: License# 32426 ✓
 Name: H & L OPERATING CO., L.L.P.
 Address: P O BOX 7506
 City/State/Zip: AMARILLO TX 79114
 Contact Person: RONALD P. MOON
 Phone: 806-353-4331

1650 ✓ feet from N / S Line of Section
660 feet from E / W Line of Section
 Is SECTION Regular Irregular?

(Note: Locate well on the Section Plat on reverse side)

County: MORTON
 Lease Name: BREEDING Well #: 1-18

CONTRACTOR: License# Must be licensed by KCC
 Name: Advise on ACO-1

Field Name: _____
 Is this a Prorated / Spaced Field? Yes No

Well Drilled For:	Well Class:	Type Equipment:
<input checked="" type="checkbox"/> Oil	<input type="checkbox"/> Enh Rec	<input type="checkbox"/> Infield
<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Storage	<input type="checkbox"/> Pool Ext.
<input type="checkbox"/> OWWO	<input type="checkbox"/> Disposal	<input checked="" type="checkbox"/> Wildcat
<input type="checkbox"/> Seismic; # of Holes _____	<input type="checkbox"/> Other _____	<input type="checkbox"/> Cable
<input type="checkbox"/> Other _____		

Nearest Lease or unit boundary: 660'

Ground Surface Elevation: 3315 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: 520 ✓

Depth to bottom of usable water: 520

Surface Pipe by Alternate: 1 2

Length of Surface Pipe Planned to be set: 1800 ✓

Length of Conductor Pipe required: _____

Projected Total Depth: 5900' ✓

Formation at Total Depth: ST LOUIS

Water Source for Drilling Operations:

* Well Farm Pond Other _____

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 #: PRORATED, SPACED HUBOTAI & PANOMA

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 #132,891-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: 1/19/07 Signature of Operator or Agent: Ronald P. Moon Title: PARTNER

For KCC Use ONLY	
API # 15 - <u>129-21794-0000</u>	
Conductor pipe required <u>None</u> feet	
Minimum surface pipe required <u>540</u> feet per Alt. <u>1</u> ✓	
Approved by: <u>1-22-07</u>	
This authorization expires: <u>7-22-07</u>	
<small>(This authorization void if drilling not started within 6 months of approval date.)</small>	
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 **RECEIVED**
 KANSAS CORPORATION COMMISSION

JAN 22 2007

CONSERVATION DIVISION
 WICHITA, KS

18
31
40W

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 - 129-21794-0000
 Operator: H & L OPERATING CO., L.L.P.
 Lease: BREEDING
 Well Number: 1-18
 Field: _____
 Number of Acres attributable to well: 640
 QTR / QTR / QTR of acreage: S/2 - NE - SE

Location of Well: County: MORTON
1650 feet from N / S Line of Section
660 feet from E / W Line of Section
 Sec. 18 Twp. 31 S. R. 40 East West

Is Section: Regular or Irregular

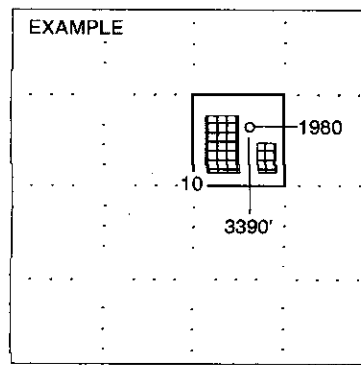
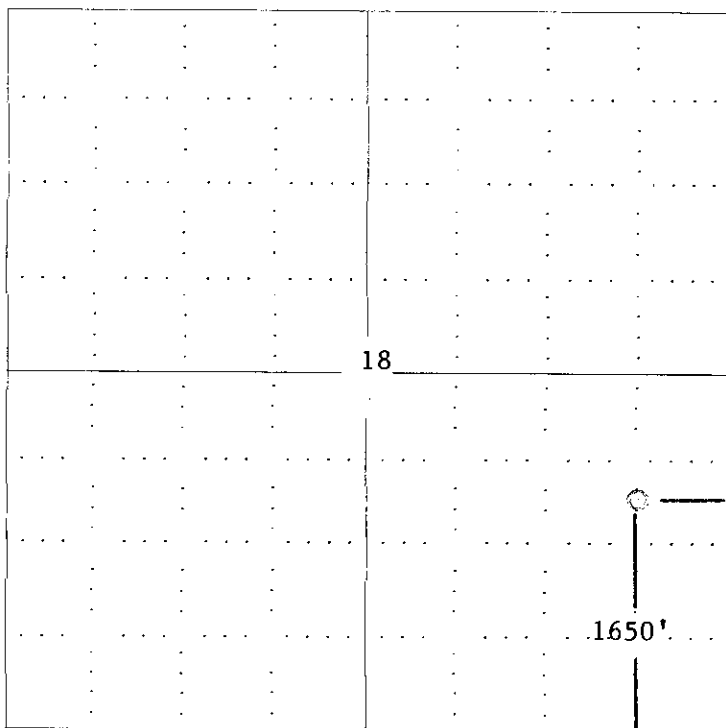
If Section is Irregular, locate well from nearest corner boundary.

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.)



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 (CG-7 for oil wells, CG-8 for gas wells).

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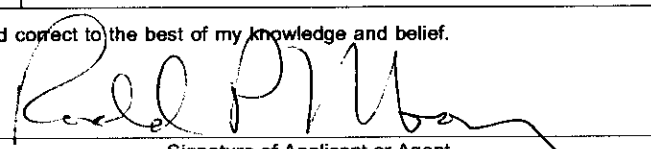
JAN 22 2007

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: H & L OPERATING CO., L.L.P.		License Number: 32426
Operator Address: P O BOX 7506 AMARILLO TX 79114		
Contact Person: RONALD P. MOON		Phone Number: (806) 353 - 4331
Lease Name & Well No.: BREEDING NO. 1-18		Pit Location (QQQQ): S/2 - NE - SE -
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: 16000 (bbls)	Sec. 18 Twp. 31S R. 40 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 1650 Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section 660 Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section MORTON 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? COMPACTED
Pit dimensions (all but working pits): 150 Length (feet) 150 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 1500 feet Depth of water well 200 feet		Depth to shallowest fresh water 200 feet. Source of information: _____ measured _____ well owner <input checked="" type="checkbox"/> 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: fresh mud Number of working pits to be utilized: one Abandonment procedure: evaporate dry, backfill & level 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.		
1/19/07 Date		 Signature of Applicant or Agent

15-129-21794-000

KCC OFFICE USE ONLY			
Date Received: 1/22/07	Permit Number: _____	Permit Date: 1/22/07	Lease Inspection: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

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

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WICKITA, KS

KANSAS

CORPORATION COMMISSION

KATHLEEN SEBELIUS, GOVERNOR

BRIAN J. MOLINE, CHAIR

ROBERT E. KREHBIEL, COMMISSIONER

MICHAEL C. MOFFET, COMMISSIONER

NOTICE TO OPERATORS DRILLING IN THE PANOMA- COUNCIL GROVE GAS POOL SPACED AREA

The enclosed intent is located within the Panoma-Council Grove gas pool space area. In May 1978, Panoma-Council Grove Proration Order (as amended), Docket No. 60,024-C (C-7058) under FINDINGS OF FACT AND LAW on page 31, the following language is stated that:

"The Commission finds that in order to prevent waste and protect correlative rights, the following stated rules pertaining to wells already completed, in the process of being drilled or for future wells to be drilled in the Panoma Council Grove Gas Pool Spaced area, and for wells producing from the Council Grove Formation outside of the Panoma Council Grove Gas Pool Spaced area within the Hugoton Gas Field, should be adopted."

1. "No dual completions between the Chase (Hugoton) and Council Grove Formations will be permitted for future wells drilled."
2. "Casing shall not be set above the top of the Council Grove Formation for a Council Grove producing well."
3. "The production casing of all new Council Grove wells should be cemented with a calculated volume of cement sufficient to encase the casing from the bottom of the casing to a point 500 feet above the Chase Formation."
4. "The casing shall be encased in cement in the interval between the base of the Council Grove and the top of the Chase Formation on all wells, irrespective of depth, completed below the Council Grove Formation, if they are located within the space area."
5. "The cement coverage heretofore required shall be confirmed by the running of a recognized survey, such as a temperature survey or cement bond log."

A copy of this survey and the cement tickets(s) showing that all cement work has been completed, must be filed with the ACO-1 Completion Report within 120 days from the wells "spud date."

Failure to comply with these provisions may cause the well to be shut-in until compliance has been achieved.

If you have any questions, please feel free to contact the Conservation Division's Production Department at (316) 337-6200.