| For KCC Use: | 2-10-07 |
|-----------------|---------|
| Effective Date: | 3-18-07 |
| District # | ··· |
| SGA? X 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 | Spot | East |
| month day year | <u>SW - SE - SE Sec. 26 Twp. 27 S</u> | i. R. ⁶ ✓ West |
| ODERATOR: Lineage 5214 | 330 feet from N / 🗸 | S Line of Section |
| OPERATOR: License# | 990feet from | W Line of Section |
| 301 S. Market | Is SECTION Regular Irregular? | |
| Michita KS 67202 | (Note: Locate well on the Section Plat on rev | rarsa sida) |
| City/State/Zip: Jay G. Schweikert | County: Kingman | croe aide) |
| Contact Person: Jay 5. Schwener: Phone: 316-265-5611 | Lease Name: Peterson | Well #: 1-26 |
| | Field Name: Wildcat | |
| CONTRACTOR: License# 33350 | Is this a Prorated / Spaced Field? | Yes VNo |
| Name: Southwind Drilling Co. | Target Formation(s): Mississippian | |
| | Nearest Lease or unit boundary: 330' | |
| Well Drilled For: Well Class: Type Equipment: | Ground Surface Elevation: 1440' | feet MSL |
| ✓ Oil ✓ Enh Rec Infield ✓ Mud Rotary | Water well within one-quarter mile: | Yes / No |
| ✓ Gas Storage Pool Ext. Air Rotary | Public water supply well within one mile: | Yes V No |
| OWWO Disposal Vildcat Cable | Depth to bottom of fresh water: 50° | |
| Seismic; # of Holes Other | Depth to bottom of usable water: | |
| Other | Surface Pipe by Alternate: 1 2 | |
| | Length of Surface Pipe Planned to be set: 260' | |
| If OWWO: old well information as follows: | Length of Conductor Pipe required: none | |
| Operator: | Leligiti of Conductor Pipe required. | - |
| Well Name: | Projected Total Depth: 4200 Formation at Total Depth: Kinderhook | |
| Original Completion Date:Original Total Depth: | · | AA - AA 1//EE |
| Directional, Deviated or Horizontal wellbore? Yes ✓ No | Water Source for Drilling Operations: Well Farm Pond Other X | |
| If Yes, true vertical depth: | | A == (A |
| | DWR Permit #: | |
| Bottom Hole Location: | (Note: Apply for Permit with DWR | |
| KCC DKT #: | Will Cores be taken? | Yes VNo |
| | If Yes, proposed zone: | |
| AFFI | DAVIT | |
| The undersigned hereby affirms that the drilling, completion and eventual plu | ugging of this well will comply with K.S.A. 55 et. seq. | |
| It is agreed that the following minimum requirements will be met: | | |
| · · | | |
| Notify the appropriate district office <i>prior</i> to spudding of well; A copy of the approved notice of intent to drill <i>shall be</i> posted on each | ch drilling rig: | |
| 3. The minimum amount of surface pipe as specified below <i>shall be se</i> . | t by circulating cement to the top; in all cases surface t | pipe shall be set |
| through all unconsolidated materials plus a minimum of 20 feet into the | e underlying formation. | |
| 4. If the well is dry hole, an agreement between the operator and the di | istrict office on plug length and placement is necessary | prior to plugging; |
| 5. The appropriate district office will be notified before well is either plug- | ged or production casing is cemented in; | |
| 6. If an ALTERNATE II COMPLETION, production pipe shall be cemented | and from below any usable water to surface within 120 c | lays of spud date. |
| Or pursuant to Appendix "B" - Eastern Kansas surface casing order must be completed within 30 days of the spud date or the well shall be | #133,891-C, which applies to the NCC district office prior | to any cementing |
| | | to any contonuing. |
| I hereby certify that the statements made herein are true and to the best of | my knowledge and belief. | |
| Date: $2/2/1$ Signature of Operator or Agent: $1/2$ | 1 / Museulli Title: Jay G. Schwe | ikert, Operations Engineer |
| Date: Signature of Operator of Agent | The state of the s | |
| /// | Remember to: | |
| For KCC Use ONLY | - File Drill Pit Application (form CDP-1) with Intent to D | |
| API # 15 - 095-22094-0000 | - File Completion Form ACO-1 within 120 days of spu | |
| 1000 | - File acreage attribution plat according to field prorat | |
| 200 | - Notify appropriate district office 48 hours prior to wor | |
| initialitati cattaco pipo ioquito | - Submit plugging report (CP-4) after plugging is com | · |
| Approved by: 24/3-13-07 | Obtain written approval before disposing or injecting | sait water. |
| This authorization expires: 9-13-07 | - If this permit has expired (See: authorized expiration | |
| (This authorization void if drilling not started within 6 months of approval date.) | check the box below and return to the address belo | Į. |
| · | Well Not Drilled - Permit Expire ECEIVED |) |
| Spud date:Agent: | Signature of Operator or Agents CORPORATION C | OMMISSION © |
| | Date: Doord Orthon | |

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.

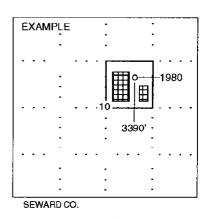
| API No. 15 - 095-22094-0000 | Location of Well: County: Kingman |
|---------------------------------------|--|
| Operator: Lario Oil & Gas Company | |
| Lease: Peterson | 990 feet from F E / W Line of Section |
| Well Number:1-26 | Sec. 26 Twp. 27 S. R. 6 East V Wes |
| Number of Acres attributable to well: | Is Section: Regular or Irregular |
| QTR / QTR / QTR of acreage: SW SE SE | 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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| · · · · · · · · · · · · · · · · · · · | 26 | • • • |
| | · · · · · · · · · | |
| | · · | • • • • |
| : | · · | · · · · |
| | | 330' 1 990' |



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

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, 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: (C0-7 for oil wells; CG-8 for gas wells).

Kansas Corporation Commission Oil & Gas Conservation Division

Form CDP-1 April 2004 Form must be Typed

APPLICATION FOR SURFACE PIT

Submit in Duplicate

| Operator Name: Lario Oil & Gas | Company | | License Number: 5214 | |
|--|---|--|--|--|
| Operator Address: 301 S. Marke | t, Wichita, KS 672 | 202 | | |
| Contact Person: Jay G. Schweikert | | | Phone Number: (316) 265 - 5611 | |
| Lease Name & Well No.: Peterson #1-26 | | | Pit Location (QQQQ): | |
| Type of Pit: | Pit is: | | <u>_</u> <u>SW _ SE _ SE</u> | |
| Emergency Pit Burn Pit | Proposed Exi | isting | Sec. <u>26 _{Twp.} 27S _{R.} 6</u> | |
| Settling Pit | If Existing, date constructed: | | Feet from North / 🗸 South Line of Section | |
| Workover Pit Haul-Off Pit | Pit capacity: | | 990 Feet from 📝 East / West Line of Section | |
| (If WP Supply API No. or Year Drilled) | 7100 | (bbls) | Kingman County | |
| Is the pit located in a Sensitive Ground Wate | - Area? ✓ Yes No | <u> </u> | Chloride concentration:mg/l | |
| | | | (For Emergency Pits and Settling Pits only) | |
| Is the bottom below ground level? Yes No | Artificial Liner? ☐ Yes ✓ No | : | How is the pit lined if a plastic liner is not used? | |
| The differences (all but working pits). | OO Length (feet) | 100 | Width (feet) N/A: Steel Pits | |
| 1309 1683 feet Depth of water well 50 3 feet | | epth to shallowest fresh water 50 20 feet. | | |
| | | | redwell owneretectric log KDWR | |
| | | ing, Work | over and Haul-Off Pits ONLY: | |
| Producing Formation: | | measured well owner efectric log KDWR Drilling, Workover and Haul-Off Pits ONLY: Type of material utilized in drilling/workover: Bentonite Mud Number of working pits to be utilized: 2 | | |
| Number of producing wells on lease: | | | | |
| Barrels of fluid produced daily: | | | Abandonment procedure: Allow for evaporation. | |
| | Aban | ndonment | procedure. | |
| Does the slope from the tank battery allow a flow into the pit? Yes No | I spilled fluids to | | Fill in & cover pits. De closed within 365 days of spud date. | |
| | I spilled fluids to Drill p | pits must be to the best | Fill in & cover pits. De closed within 365 days of spud date. To find knowledge and belief. RECEIVED ANSAS CORPORATION COMM Jegnature of Applicant or Agent | |
| flow into the pit? Yes No | Il spilled fluids to Drill primer and correct to Jay G. Schwe | pits must be to the best | Fill in & cover pits. De closed within 365 days of spud date. The of my knowledge and belief. The cover pits. The cover p | |
| flow into the pit? Yes No I hereby certify that the above state Date | I spilled fluids to Drill primary and correct to Jay G. Schwerk KCC OFFICE | o the best co the best cikent Si | Fill in & cover pits. De closed within 365 days of spud date. The of my knowledge and belief. The cover pits. The cover p | |



CORPORATION COMMISSION

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

March 12, 2007

Mr. Jay Schweikert Lario Oil & Gas Company 301 S. Market Wichita, KS 67202

Re: Drilling Pit Application

Peterson Lease Well No. 1-26 SE/4 Sec. 26-27S-06W Kingman County, Kansas

Dear Mr. Schweikert:

District staff has inspected the above referenced location and has determined that the reserve pit shall be constructed <u>without slots</u>, 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: File