



For KCC Use: **Gas Storage Area - Blowout Preventer Required**  
 Effective Date: 5-23-07  
 District # 3  
 SGA?  Yes  No

KANSAS CORPORATION COMMISSION 1009385  
 OIL & GAS CONSERVATION DIVISION

Form C-1  
 November 2005  
 Form must be Typed  
 Form must be Signed  
 Blanks must be Filled

**NOTICE OF INTENT TO DRILL**  
*Must be approved by KCC five (5) days prior to commencing well*

Expected Spud Date: 05/18/2007  
 month day year

OPERATOR: License# 5150  
 Name: Colt Energy Inc  
 Address 1: P.O. Box 388  
 Address 2: \_\_\_\_\_  
 City: Iola State: KS Zip: 66749 + \_\_\_\_\_  
 Contact Person: DENNIS KERSHNER  
 Phone: 620-365-3111

CONTRACTOR: License# 5989  
 Name: Finney, Kurt

Spot Description: NW  
NW - SW - NE - NW Sec. 33 Twp. 33 S. R. 17  E  W  
 (2/2/2/2) 875 feet from  N /  S Line of Section  
1,370 feet from  E /  W Line of Section

Is SECTION:  Regular  Irregular?  
 (Note: Locate well on the Section Plat on reverse side)  
 County: Montgomery  
 Lease Name: BENNING/MULLER Well #: 3-33  
 Field Name: COFFEYVILLE-CHERRYVALE

Is this a Prorated / Spaced Field?  Yes  No  
 Target Formation(s): PENNSYLVANIAN COALS  
 Nearest Lease or unit boundary line (in footage): 875

Ground Surface Elevation: 753 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: 150  
 Surface Pipe by Alternate:  I  II  
 Length of Surface Pipe Planned to be set: 250  
 Length of Conductor Pipe (if any): \_\_\_\_\_  
 Projected Total Depth: 1100  
 Formation at Total Depth: MISSISSIPPI

Water Source for Drilling Operations:  
 Well  Farm Pond  Other: FRESH WATER W/MUD TO TD  
 DWR Permit #: \_\_\_\_\_  
 (Note: Apply for Permit with DWR )

Will Cores be taken?  Yes  No  
 If Yes, proposed zone: \_\_\_\_\_

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Well Drilled For: Well Class: Type Equipment:

<input type="checkbox"/> Oil	<input type="checkbox"/> Enh Rec	<input type="checkbox"/> Infield	<input checked="" type="checkbox"/> Mud Rotary
<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Storage	<input checked="" type="checkbox"/> Pool Ext.	<input type="checkbox"/> Air Rotary
<input type="checkbox"/> Seismic ; _____ # of Holes	<input type="checkbox"/> Disposal	<input type="checkbox"/> Wildcat	<input type="checkbox"/> Cable
<input type="checkbox"/> Other: _____	<input type="checkbox"/> Other		

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 #: \_\_\_\_\_

**LOCATED WITHIN BOUNDARIES OF LIBERTY GAS STORAGE AREA.**

**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: 5-11-07 Signature of Operator or Agent: Shirley Stetler Title: Production Clerk

**For KCC Use ONLY**

API # 15 - 125-31373-0000

Conductor pipe required 0 feet

Minimum surface pipe required 250 feet per ALT.  I  II

Approved by: cutt 5-18-07

This authorization expires: 11-18-07  
 (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 (within 60 days);
- 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 Date: \_\_\_\_\_  
 Signature of Operator or Agent: \_\_\_\_\_

33  
 33  
 17  
 E  
 W



1009385

**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 - 125-31373-0000  
Operator: Colt Energy Inc  
Lease: BENNING/MULLER  
Well Number: 3-33  
Field: COFFEYVILLE-CHERRYVALE

Location of Well: County: Montgomery  
875 feet from  N /  S Line of Section  
1,370 feet from  E /  W Line of Section  
Sec. 33 Twp. 33 S. R. 17  E  W

Number of Acres attributable to well: \_\_\_\_\_  
QTR/QTR/QTR/QTR of acreage: NW - SW - NE - NW

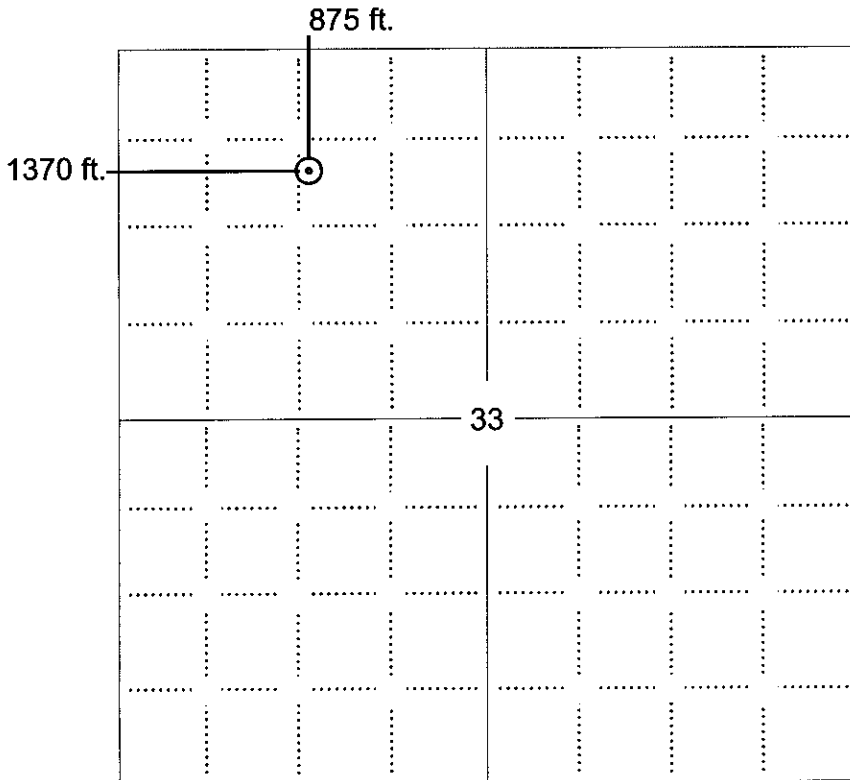
Is Section:  Regular or  Irregular

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

Section corner used:  NE  NW  SE  SW

**PLAT**

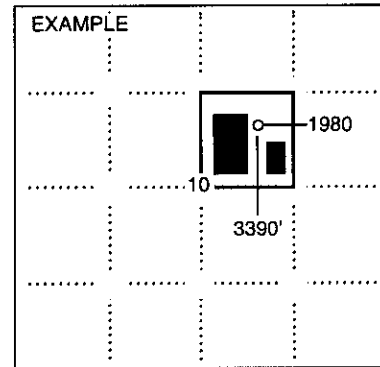
*(Show location of the well and shade attributable acreage for prorated or spaced wells.)  
(Show footage to the nearest lease or unit boundary line.)*



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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 south / north and east / west outside section lines.
3. The distance to the nearest lease or unit boundary line (in footage).
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 1009385  
OIL & GAS CONSERVATION DIVISION

Form CDP-1  
April 2004  
Form must be Typed

APPLICATION FOR SURFACE PIT

Submit in Duplicate

Operator Name: <b>Colt Energy Inc</b>		License Number: <b>5150</b>
Operator Address: <b>P.O. Box 388</b>		<b>Iola KS 66749</b>
Contact Person: <b>DENNIS KERSHNER</b>		Phone Number: <b>620-365-3111</b>
Lease Name & Well No.: <b>BENNING/MULLER 3-33</b>		Pit Location (QQQQ): <b>NW SW NE NW</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 <i>(If W/P Supply API No. or Year Drilled)</i>	Pit is: <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: <b>80</b> (bbls)	Sec. <b>33</b> Twp. <b>33</b> R. <b>17</b> <input checked="" type="checkbox"/> East <input type="checkbox"/> West <b>875</b> Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section <b>1,370</b> Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section <b>Montgomery</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 <i>(For Emergency Pits and Settling Pits only)</i>
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 CLAY SOIL</b>
Pit dimensions (all but working pits): <b>30</b> Length (feet) <b>15</b> Width (feet) <input type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: <b>5</b> (feet) <input type="checkbox"/> No Pit		
If the pit is lined give a brief description of the liner material, thickness and installation procedure.		Describe procedures for periodic maintenance and determine liner integrity, including any special monitoring.
		<b>RECEIVED</b> <b>MAY 16 2007</b> CONSERVATION DIVISION WICHITA, KS
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 _____ feet. Source of information: <input type="checkbox"/> measured <input type="checkbox"/> well owner <input type="checkbox"/> 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>NATIVE SOIL</b> Number of working pits to be utilized: <b>1</b> Abandonment procedure: <b>PUMPED OUT - PUSH IN</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>5-11-07</b> Date		<i>Shirley Stotler</i> Signature of Applicant or Agent

15785-31373-0000

<b>KCC OFFICE USE ONLY</b>		Steel Pit <input type="checkbox"/>	RFAC <input type="checkbox"/>	RFAS <input type="checkbox"/>
Date Received: <b>5/16/07</b>	Permit Number: _____	Permit Date: <b>5/16/07</b>	Lease Inspection: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

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



*Kathleen Sebelius, Governor  
Brian J. Moline, Chair  
Robert E. Krehbiel, Commissioner  
Michael C. Moffet, Commissioner*

May 11, 2007

DENNIS KERSHNER  
Colt Energy Inc  
P.O. Box 388  
Iola, KS66749

Re: Notice of Intent to Drill  
BENNING/MULLER Lease Well No. 3-33  
NW/4 Sec.33-33S-17E  
Montgomery County, Kansas

Dear DENNIS KERSHNER:

After reviewing your intent to drill, it was noted that the location falls within the boundaries of the Liberty South gas storage field operated by Atmos Energy. Please refer to K.A.R.82-3-311 of the KCC rules and regulations, which outlines the procedure to be used for wells to be drilled in underground gas storage areas. Please review this regulation and take the appropriate steps as outlined in the regulation. Matthew Frihart with Atmos Energy may be contacted at the following address and phone number:

Atmos Energy  
377 Riverside Drive, Suite 201  
Franklin, Tennessee 37064-5393  
615-261-2264

I may be contacted at 316-337-6200 if you need additional information.

Rick Hestermann  
Production Department

cc: Matthew Frihart

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CONSERVATION DIVISION  
Finney State Office Building, 130 S. Market, Room 2078, Wichita, KS 67202-3802  
(316) 337-6200 • Fax: (316) 337-6211 • <http://kcc.ks.gov/>

CONSERVATION DIVISION  
WICHITA, KS

# COLT

## ENERGY, INC.

CORPORATE OFFICE

P.O. Box 388 • 1112 Rhode Island Rd. • Iola, Ks. 66749  
Phone (620) 365-3111 • Fax (620) 365-3170

Friday, May 11, 2007

Attn: Matt Frihart  
Atmos Energy Corporation  
377 Riverside Dr. Ste 201  
Franklin, TN 37064

Dear Matt,

This letter serves as a **30 day notification** to Atmos Energy as required by Kansas Corporation Commission Regulation 82-3-311 concerning the Benning/Muller 3-33 and Pape/Muller 11-33 wells to be drilled within the boundaries of the Liberty Gas Storage Field. A copy has been sent to your Independence, Kansas office.

Enclosed with this letter is a map evidencing Colt Energy's proposed and existing wellsites near Liberty, Kansas. Colt Energy, Inc. is planning to drill two wells, in the month of June, within the limits of the Liberty gas storage field. The Benning/Muller 3-33 well is located approximately 875 feet from the north section line and 1370 feet from the west section line of Section 33, Township 33 South, Range 17 East in Montgomery County, Kansas. The Pape/Muller 11-33 well is located approximately 1775 feet from the south section line and 1345 feet from the west section line of Section 33, Township 33 South, Range 17 East in Montgomery County, Kansas. Both wells are located in the section directly north of the Wishall 3-4 drilled last year. Our sole purpose for drilling is to exploit and produce coalbed methane gas in numerous coal seams of Pennsylvanian age.

Colt Energy, Inc. intends to comply fully with state regulations and requirements of Atmos Energy within the gas storage unit. In addition, we are willing to share information to Atmos only regarding any wells drilled surrounding your storage field.

Expected spud dates for these wells are between June 4, 2007 and July, 2007. Kurt Finney Drilling has been contacted and should be available between the dates mentioned. This is the same drilling contractor we have utilized for 4 wells in and around this gas storage field in the past year.

In the event of a blow-out, Colt's procedure is to close the BOP, kill the well with gelled and weighted mud, establish circulation, and finish drilling the well to total depth 60-100 feet into the Mississippian Limestone. An open hole log will be attempted (CDL and DIL). The wells will be cemented with a sodium metasilicate flush and thixotropic cement by Consolidated Oil Well Services. This will be done while maintaining the mudweight required to kill the well.

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I look forward to your reply.

Respectfully,

Jim Stegeman  
Director of Geology  
Colt Energy, Inc.  
913-236-0016  
620-365-9807 (c)

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Mr. Rick Hestermann  
Kansas Corporation Commission  
130 S. Market, Room 2078  
Wichita, KS 67202-3802

Re: **Benning/Muller #3-33**

May 11, 2007

**SENT VIA FACSIMILE (w/ original mailed via USPS)**

Dear Mr. Hestermann:

I am in receipt of your letter requesting my approval of Colt Energy's drilling of the Benning/Muller #3-33. I have requested a copy of the C-1 from Colt Energy and have not received such as of this writing. Because Colt will be in the active portion of our storage reservoir I am waiting for confirmation that they will be drilling with mud, not air. Also, when the oil and gas rights were separated from the gas storage rights, and given back to the landowner, there was protective language inserted for any future drilling. I am attaching a copy of those requirements. I am waiting for confirmation that they will be setting 250 feet of surface casing, and installing a blowout preventor before drilling out from the surface casing.

Up to this point I have only been given assurances in written e-mails that all requirements will be met. Once I have seen it in the intent I will release our objections. If the intent you currently hold meets these restrictions please fax it to 615.790.9337 and I will expedite my approval back to you.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Frihart".

Matthew C. Frihart  
Director – Storage & Gas Control Operations  
Atmos Energy Corporation  
377 Riverside Drive, Suite 201  
Franklin, TN 37064  
(615) 261 – 2264 office  
(615) 790 – 9337 fax  
(615) 416 – 3734 cell

cc: Colt Energy via fax & USPS

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be conducted by the Lessor, its successors, assigns, or subsequent lessees, the party undertaking such operations (Operator) shall perform the following acts:

- a. Operator shall deliver to Union Gas System, Inc., a copy of Kansas Notice of Intent to Drill no less than five (5) days prior to spudding in any well;
- b. Operator shall not drill any well within 440 feet of gas storage wells of Union Gas System, Inc.;
- c. Operator shall grant free access to Union Gas System, Inc., to the well site and the drilling platform during the conduct of any operations for the purpose of inspections;
- d. Operator shall set and cement surface casing to a depth of 250 feet below the surface and maintain good industry standards of operation at all times;
- e. Operator shall immediately install and use a blowout preventer upon the surface pipe before drilling below the surface casing;
- f. If in testing for oil or gas the gas storage zone is penetrated, Operator shall set production casing of not less than 4 1/2 inches diameter to a depth not less than 50 feet below the base of the Squirrel Sandstone, and shall circulate cement to the surface.
- g. Operator shall perform Gamma Ray/Neutron and Cement Bond logs from Total Depth to Surface and promptly furnish Union Gas System, Inc., with two field and two final correct copies of each, as well as two copies of the operator's log and the KCC Completion Forms.
- h. Operator shall notify Union Gas System, Inc., at its Independence, Kansas, office three (3) days in advance of commencing well completion or workover operations of any sort as well as the methods to be employed therein; Operator shall also furnish Union a copy of Kansas Notice of Intent to Abandon Well five (5) days in advance of commencing plugging operations, and, subsequent to plugging, furnish Union a copy of Affidavit of Plugging

B. OIL AND GAS LEASE PROVISIONS:

1. Continuing Term. Lessee shall have the continuing Oil and Gas Lease rights to explore, prospect, drill, develop, operate, produce, and save oil, gas and other hydrocarbons for a primary term of three (3) years from the date hereof, and as long thereafter as oil, gas, or other hydrocarbons are produced in paying quantities. Upon expiration of the Oil and Gas Lease rights, the oil and gas rights below the Gas Storage zone shall revert to Lessor, subject to Lessee's

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Mr. Rick Hestermann  
Kansas Corporation Commission  
130 S. Market, Room 2078  
Wichita, KS 67202

**Re: Benning/Muller 3-33 and Pape/Muller 11-33**

**VIA FAX**

May 18, 2007

Dear Mr. Hestermann:

Based on the revised intents Atmos Energy Corporation, operator of the North Liberty Storage Field, does not protest the drilling of the aforementioned wells. We will require notification of spud, as we will likely have a representative at the wellsite.

Please advise if you require any further information.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Frihart".

Matthew C. Frihart  
Director – Storage & Gas Control Operations  
Atmos Energy Corporation  
377 Riverside Drive, Suite 201  
Franklin, TN 37064  
(615) 261 – 2264 office  
(615) 790 – 9337 fax  
(615) 416 – 3734 cell

cc: Colt Energy via fax

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