

* ~~Storage Area~~
Blowout Preventer Required



For KCC Use:
Effective Date: 5-23-07
District # 3
SGA? Yes No

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION
1009386

Form C-1
November 2005

NOTICE OF INTENT TO DRILL

* ~~Storage Area~~
Blowout Preventer Required
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: 05/18/2007
month day year

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

CONTRACTOR: License# 5989
Name: Finney, Kurt

Well Drilled For: Oil Gas Seismic; # of Holes _____
 Enh Rec Storage Disposal Other: _____
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 #: _____

LOCATED WITHIN BOUNDARIES OF LIBERTY GAS STORAGE AREA.

Spot Description: SW
NW - SW - NE - SE Sec. 33 Twp. 33 S. R. 17 E W
1,775 feet from N / S Line of Section
1,345 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: PAPE/MULLER Well #: 11-33
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): 850

Ground Surface Elevation: 756 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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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

MAY 16 2007

CONSERVATION DIVISION
WICHITA, KS

For KCC Use ONLY
API # 15 - 125-31374-0000
Conductor pipe required 0 feet
Minimum surface pipe required 250 feet per ALT. I II
Approved by: 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



1009386

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 - 125-31374-0000
Operator: Colt Energy Inc
Lease: PAPE/MULLER
Well Number: 11-33
Field: COFFEYVILLE-CHERRYVALE

Location of Well: County: Montgomery
1,775 feet from N / S Line of Section
1,345 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 - SW

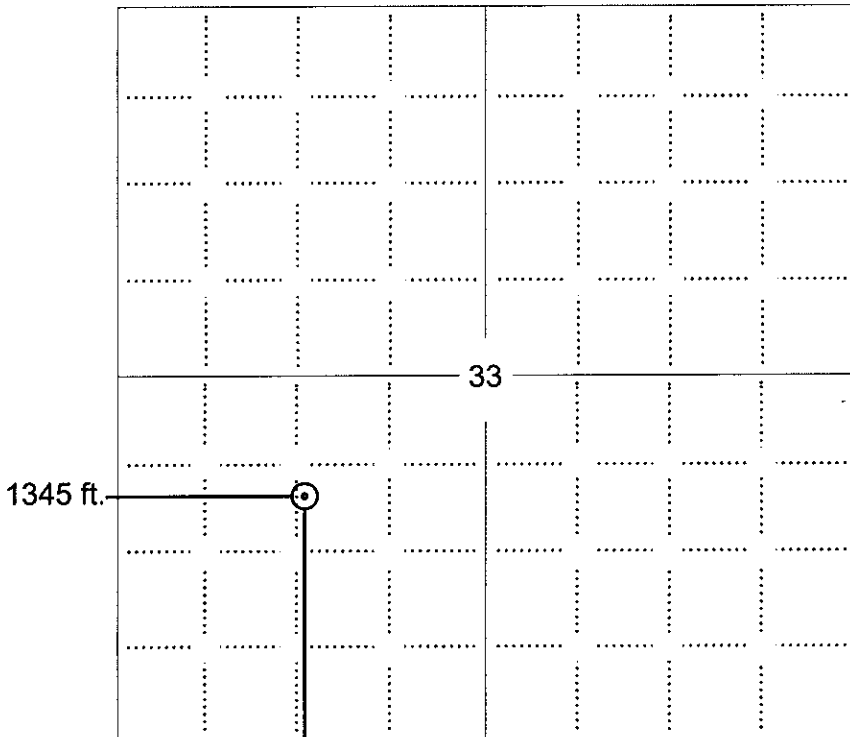
Is Section: Regular or Irregular

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.)*



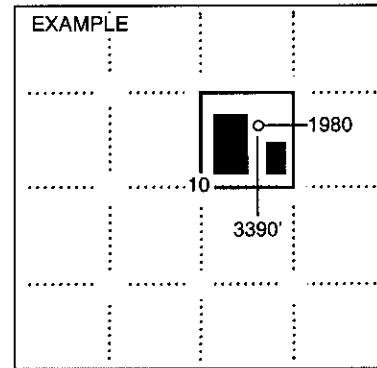
NOTE: In all cases locate the spot of the proposed drilling location.

1775 ft.

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

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SEWARD CO.



KANSAS CORPORATION COMMISSION 1009386
OIL & GAS CONSERVATION DIVISION

Form CDP-1
April 2004
Form must be Typed

APPLICATION FOR SURFACE PIT

Submit in Duplicate

Operator Name: Colt Energy Inc		License Number: 5150	
Operator Address: P.O. Box 388		Iola KS 66749	
Contact Person: DENNIS KERSHNER		Phone Number: 620-365-3111	
Lease Name & Well No.: PAPE/MULLER 11-33		Pit Location (QQQQ): NW SW NE SW	
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: 80 (bbls)	
Is the pit located in a Sensitive Ground Water Area? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Sec. 33 Twp. 33 R. 17 <input checked="" type="checkbox"/> East <input type="checkbox"/> West 1,775 Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section 1,345 Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section Montgomery County	
Is the bottom below ground level? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Chloride concentration: _____ mg/l <small>(For Emergency Pits and Settling Pits only)</small>	
Artificial Liner? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		How is the pit lined if a plastic liner is not used? NATIVE CLAY SOIL	
Pit dimensions (all but working pits): <u>30</u> Length (feet) <u>15</u> Width (feet) <input type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: <u>5</u> (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 determining liner integrity, including any special monitoring.	
		RECEIVED KANSAS CORPORATION COMMISSION MAY 16 2007 CONSERVATION DIVISION WICHITA, KS	
Distance to nearest water well within one-mile of pit <u>N/A</u> 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	
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: <u>NATIVE SOIL</u> Number of working pits to be utilized: <u>1</u> Abandonment procedure: <u>PUMP PIT - PUSH IN</u> 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.			
<u>5-11-07</u> Date		<u>Shirley Stotler</u> Signature of Applicant or Agent	
KCC OFFICE USE ONLY Steel Pit <input type="checkbox"/> RFAC <input type="checkbox"/> RFAS <input type="checkbox"/>			
Date Received: <u>5/16/07</u> Permit Number: _____ Permit Date: <u>5/16/07</u> Lease Inspection: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			

15-185-31374-0000



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

May 11, 2007

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

Re: Notice of Intent to Drill
PAPE/MULLER Lease Well No. 11-33
SW/4 Sec.33-33S-17E
Montgomery County, Kansas

Dear Mr. 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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WICHITA, KS



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

Re: **Pape/Muller #11-33**

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 Pape/Muller #11-33. 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", written in a cursive style.

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

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CONSERVATION DIVISION
WICHITA, KS

cc: Colt Energy via fax & USPS

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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MAY 17 2007



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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