

Blowout Preventer Required

For KCC Use:
Effective Date: 9-22-07
District # 3
SGA? Yes No

**KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION**

Form C-1

December 2002

Form must be Typed

Form must be Signed

All blanks must be Filled

NOTICE OF INTENT TO DRILL

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

Expected Spud Date 10/7/2007
month day year

OPERATOR: License# 7076
Name: Black Diamond Oil, Inc.
Address: P.O. Box 641
City/State/Zip: Hays, KS 67601
Contact Person: Kenneth Vehige
Phone: 785-625-5891

CONTRACTOR: License# 31548
Name: Discovery Drilling Co., Inc.

Well Drilled For: Oil Gas OWWO Seismic; # of Holes Other
 Enh Rec Storage Disposal Other
Well Class: Infield Pool Ext. Wildcat
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 #: _____

Spot Appx.
W/2 - W/2 - SE Sec. 5 Twp. 8 S. R. 20
 East West
1400 feet from N / S Line of Section
2510 feet from E / W Line of Section
Is SECTION Regular Irregular?

(Note: Locate well on the Section Plat on reverse side)
County: Rooks
Lease Name: ThyLand Well #: 1
Field Name: Wildcat

Is this a Prorated / Spaced Field? Yes No
Target Formation(s): Arbuckle
Nearest Lease or unit boundary: 530 (Unit Declaration Attached.)

Ground Surface Elevation: 1945 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: 800
Surface Pipe by Alternate: 1 2

Length of Surface Pipe Planned to be set: 200+ (Unconsolidated + 20 min.)
Length of Conductor Pipe required: None
Projected Total Depth: 3450
Formation at Total Depth: Arbuckle

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: _____

AFFIDAVIT

RECEIVED
KANSAS CORPORATION COMMISSION

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:

SEP 14 2007

CONSERVATION DIVISION
WICHITA, KS

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: 9/12/2007 Signature of Operator or Agent: [Signature] Title: President

For KCC Use ONLY **Blowout Preventer Required.**
API # 15 - 163-23647-0000
Conductor pipe required None feet
Minimum surface pipe required 200 feet per Alt. 10
Approved by: [Signature]
This authorization expires: 3-17-08
(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;
- 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

5
8
2007

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 - 163-23647-0000
 Operator: Black Diamond Oil, Inc.
 Lease: ThyLand
 Well Number: 1
 Field: Wildcat
 Number of Acres attributable to well: 10
 QTR / QTR / QTR of acreage: W/2 - W/2 - SE

Location of Well: County: Rooks
 1400 feet from N / S Line of Section
 2510 feet from E / W Line of Section
 Sec. 5 Twp. 8 S. R. 20 East West

Is Section: Regular or Irregular

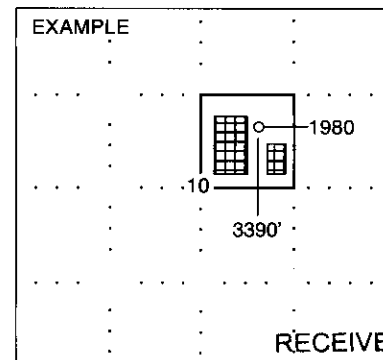
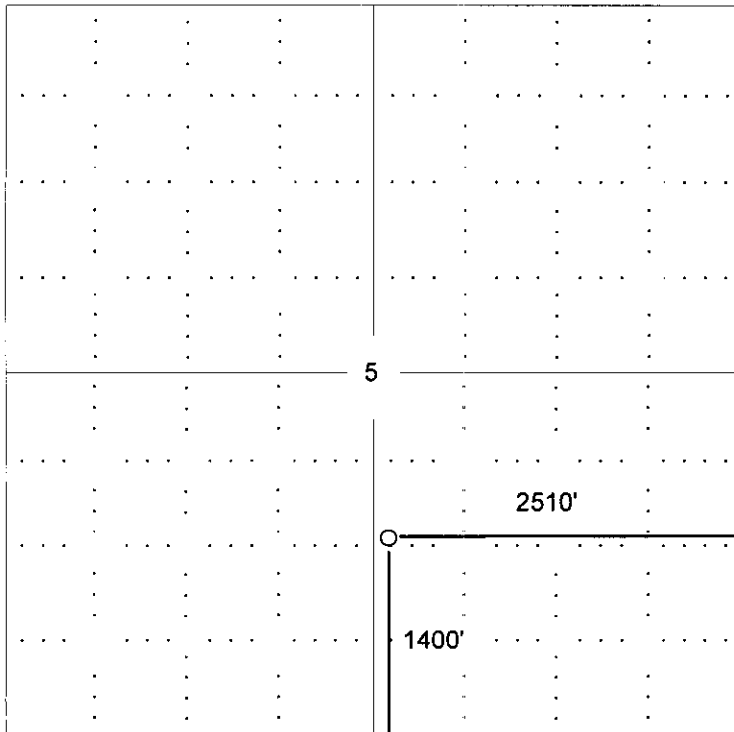
If Section is Irregular, locate well from nearest corner boundary.

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.)



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 SEWARD CO. KANSAS CORPORATION COMMISSION

SEP 14 2007

CONSERVATION DIVISION
 WICHITA, KS

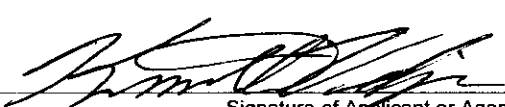
In plotting the proposed location of the well, you must show:

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

**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: Black Diamond Oil, Inc.		License Number: 7076
Operator Address: P.O. Box 641 Hays, KS 67601		
Contact Person: Kenneth Vehige		Phone Number: (785) 625 - 5891
Lease Name & Well No.:		Pit Location (QQQQ): Appx C W/2 W/2 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: 1000 (bbls)	Sec. 5 Twp. 8 R. 20 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 1400 Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section 2510 Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section Rocks _____ 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? Native Mud
Pit dimensions (all but working pits): 65 Length (feet) 65 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.
Distance to nearest water well within one-mile of pit 2185 feet Depth of water well 36 feet		Depth to shallowest fresh water 15 feet. Source of information: _____ measured _____ well owner _____ electric log (6) 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: Drilling Mud Number of working pits to be utilized: 3 Abandonment procedure: Haul Free Fluids, Air dry, Back fill _____ 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.		
9/12/2007 Date	 Signature of Applicant or Agent	RECEIVED KANSAS CORPORATION COMMISSION SEP 14 2007 CONSERVATION DIVISION WICHITA, KS
KCC OFFICE USE ONLY		
Date Received: 9/14/07	Permit Number: _____	Permit Date: 9/17/07 Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

15763-2364720000



*Kathleen Sebelius, Governor
Thomas E. Wright, Chairman
Michael C. Moffet, Commissioner
Joseph F. Harkins, Commissioner*

September 17, 2007

Mr. Kenneth Vehige
Black Diamond Oil, Inc.
PO Box 641
Hays, KS 67601

RE: Drilling Pit Application
ThyLand Lease Well No. 1
SE/4 Sec. 05-08S-20W
Rooks County, Kansas

Dear Mr. Vehige:

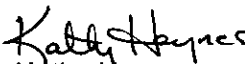
District staff has inspected the above referenced location and has determined that the reserve pit shall be constructed **without slots**, the bottom shall be flat and reasonably level, and the free fluids must be removed. The fluids are to be removed from the reserve pit as soon as practical after drilling operations have ceased. **Please keep all pits away from any draws.**

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 (785) 625-0550 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

Minimum Surface Casing Requirements

Minimum surface casing requirements for protecting fresh and usable water and to meet alternate #1 on Intent to Drill cards, Form C-1
S=Section, T=Township, R=Range

Rooks County

In T.6S, T.9S and T.10S, cement surface pipe through the Dakota formation plus 20 feet into the underlying formation except where local areas of usable water occur in the Cheyenne sandstone, in which case, protection must be extended 20 feet into the Permian.

The following options are open:

- (a) cement surface pipe through the Dakota plus 20 feet into the underlying formation or
- (b) cement surface pipe through all fresh water and/or unconsolidated material plus 20 feet below the base of the Dakota to the surface.

If (b) is used and the hole is dry, refer to K.A.R. 82-3-114. In all cases, a minimum of 50 feet of surface pipe is required.

In T.7S and T.8S, protection shall be as outlined above except in the following areas:

- Township 7 South, R.17W, below surface elevation 1860 feet
- Townships 7 and 8 South, R.18W, below surface elevation 1880 feet
- Townships 7 and 8 South, R.19W, below surface elevation 1920 feet
- • Townships 7 and 8 South, R.20W, below surface elevation 1960 feet

Within these areas, large surface pipe or 8 5/8 inch surface pipe systems may be used. If the large surface pipe is used, surface pipe of at least 13 3/8 inches in diameter shall be cemented through all unconsolidated material plus a minimum of 20 feet into the underlying formation with a minimum of 40 feet being used. Then the following options are open:

- (a) set intermediate pipe to the Stone Corral (Anhydrite) and cement from the Stone Corral to surface or
- (b) cement the production string from the Anhydrite to surface immediately after it has been set.

If (b) is used and the hole is dry, plug per K.A.R. 82-3-114.

→ If 8 5/8 inch surface pipe is used, it will be set and cemented through all unconsolidated material plus a minimum of 20 feet into the underlying formation. A blowout preventor will be installed and maintained on the surface pipe until pipe is set or the hole plugged. If serious flow problems occur, the hole will be plugged per K.A.R. 82-3-114.

If the hole is completed and production pipe installed, cement the production string from the Stone Corral Anhydrite to surface immediately after it has been set. If the hole is dry, plug the hole per K.A.R. 82-3-114.

If Alternate II is used in the above described special area, follow the procedure outlined in K.A.R. 82-3-106. The option for 120 days to complete cementing is not available and the operator shall cement production casing from Stone Corral (Anhydrite) to surface immediately.