

For KCC Use: 10-1307
Effective Date: 4
District # 4
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 October 15 2007
month day year

OPERATOR: License# 33906 ✓
Name: GNAD OIL, LLC
Address: 1411 Mount Pleasant Road
City/State/Zip: Hays, KS 67601
Contact Person: Mike Gnad
Phone: (785) 650-7128

CONTRACTOR: License# 31548 ✓
Name: Discovery Drilling

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"/> Mud Rotary ✓
<input type="checkbox"/> Gas <input type="checkbox"/> Storage	<input type="checkbox"/> Pool Ext.	<input type="checkbox"/> Air Rotary
<input type="checkbox"/> OWWO <input type="checkbox"/> Disposal	<input checked="" type="checkbox"/> Wildcat ✓	<input type="checkbox"/> Cable
<input type="checkbox"/> Seismic; # of Holes	<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 #: _____

Spot 104'S & 110'W of East
C - SW - NW Sec. 5 Twp. 15 S. R. 20W West
2084 ✓ feet from N / S Line of Section
550 feet from E / W Line of Section
Is SECTION Regular Irregular?

(Note: Locate well on the Section Plat on reverse side)
County: Ellis
Lease Name: SMOKY HILL WEST Well #: 1
Field Name: Wildcat
Is this a Prorated / Spaced Field? Yes No
Target Information(s): LKC & Cherokee ✓
Nearest Lease or unit boundary: 550' ✓
Ground Surface Elevation: 2012 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: 150'
Depth to bottom of usable water: 800' 480'
Surface Pipe by Alternate: 1 2
Length of Surface Pipe Planned to be set: 1200'
Length of Conductor Pipe required: None ✓
Projected Total Depth: 4150' ✓
Formation at Total Depth: Cherokee ✓
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

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 58-5401. It is agreed that the following minimum requirements will be met:

OCT 05 2007

KANSAS CORPORATION COMMISSION
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: 3 Oct. 2007 Signature of Operator or Agent: Thomas Title: Agent

For KCC Use ONLY
API # 15 - 051-25698000
Conductor pipe required None feet
Minimum surface pipe required 500 feet per Alt 1
Approved by RH 10-8-07
This authorization expires: 4-8-08
(This authorization void if drilling not started within 6 months of effective 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
15
ADW

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 - 051-25698-000
 Operator: GNAD OIL, LLC
 Lease: SMOKY HILL WEST
 Well Number: 1
 Field: Wildcat
 Number of Acres attributable to well: _____
 QTR / QTR / QTR of acreage: _____ - _____ - _____

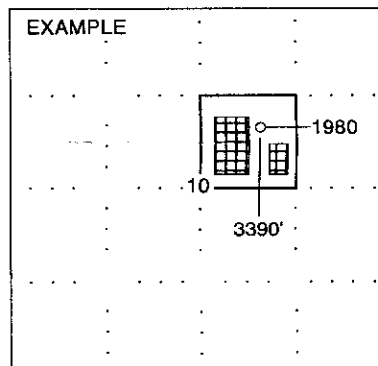
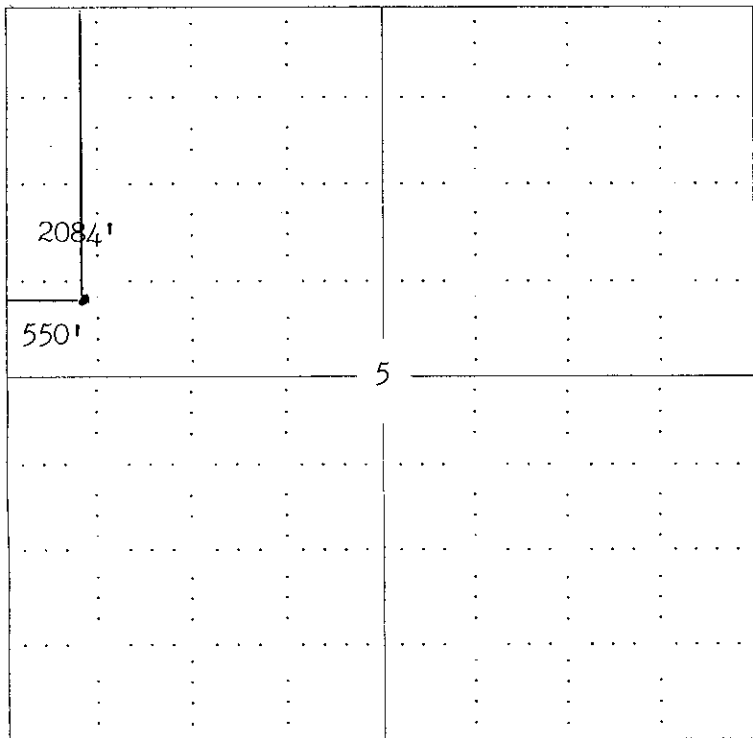
Location of Well: County: Ellis
2084 feet from N / S Line of Section
550 feet from E / W Line of Section
 Sec. 5 Twp. 15 S. R. 20W East West

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.)*



SEWARD CO.

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

Ellis Co., KS

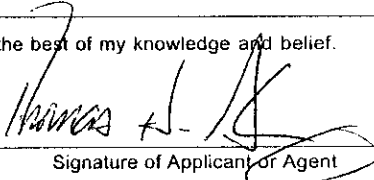
In plotting the proposed location of the well, you must show:

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: (CO-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: GNAD OIL, LLC		License Number: 33906
Operator Address: 1411 Mount Pleasant Road Hays, KS 67601		
Contact Person: Mike Gnad		Phone Number: (785) 650 - 7128
Lease Name & Well No.: SMOKY HILL WEST # 1		Pit Location (QQQQ): 104'S & 110'W of C . SW . NW .
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: 3000 (bbls)	Sec. 5 Twp. 15 R. 20W <input type="checkbox"/> East <input checked="" type="checkbox"/> West 2084 Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section 550 Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section Ellis County
Is the pit located in a Sensitive Ground Water Area? <input checked="" type="checkbox"/> Yes <input checked="" 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? Clay soil, native and fresh mud.
Pit dimensions (all but working pits): <u>70</u> Length (feet) <u>70</u> Width (feet) N/A: Steel Pits Depth from ground level to deepest point: <u>5</u> (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.
		RECEIVED KANSAS CORPORATION COMMISSION OCT 05 2007 CONSERVATION DIVISION WICHITA, KS
Distance to nearest water well within one-mile of pit <u>1724</u> feet Depth of water well <u>48</u> feet	Depth to shallowest fresh water <u>10</u> feet. Source of information: _____ measured _____ well owner _____ electric log <u>(2)</u> 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>Fresh Mud</u> Number of working pits to be utilized: <u>3</u> Abandonment procedure: <u>Haul free fluids, let cuttings dry and backfill.</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>October 3, 2007</u> Date	 Signature of Applicant or Agent	
KCC OFFICE USE ONLY		
Date Received: <u>10/5/07</u> Permit Number: _____ Permit Date: <u>10/5/07</u> Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	R FASH SAND	

15-051-25698-0002



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

October 5, 2007

Mr. Mike Gnad
Gnad Oil, LLC
1411 Mount Pleasant Rd
Hays, KS 67601

RE: Drilling Pit Application
Smoky Hill West Lease Well No. 1
NW/4 Sec. 05-15S-20W
Ellis County, Kansas

Dear Mr. Gnad:

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 **if sand is encountered during the construction of the reserve pit or working pits, please call the District Office at (785) 625-0550**. The 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 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, 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