

Owwo

For KCC Use: Effective Date: 10-16-07 District #: 1 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 9 1 2007 month day year

Spot NW SW SE Sec. 5 Twp. 34 S. R. 20 East West

OPERATOR: License# 33770 Name: ARES Energy, Ltd. Address: 303 W. Wall St., Suite 900 City/State/Zip: Midland, TX 79701 Contact Person: Robert L. Dimit Phone: 432.685.1960

1,100 feet from N / S Line of Section 2,500 feet from E / W Line of Section Is SECTION Regular Irregular?

CONTRACTOR: License# Will be licensed by KCC Name: Will advise on ACO-1

County: Comanche Case Name: Bluff Creek Well #: 5-15 Field Name: Wildcat

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Well Drilled For: Oil Gas OWWO Enh Rec Storage Disposal Infield Pool Ext Wildcat Other Well Class: Type Equipment: Mud Rotary Air Rotary Cable

Is this a Prorated / Spaced Field? Target Formation(s): Morrow Nearest Lease or unit boundary: 140 feet

If OWWO: old well information as follows: Operator: Samuel Gary Jr. & Assoc., Inc. Well Name: Bluff Creek 5-15 Original Completion Date: 3-25-93 Original Total Depth: 5,430'

Ground Surface Elevation: 1,774 feet MSL Water well within one-quarter mile: Public water supply well within one mile:

Directional, Deviated or Horizontal wellbore? If Yes, true vertical depth: Bottom Hole Location: KCC DKT #:

Depth to bottom of fresh water: 180' Depth to bottom of usable water: 180' Surface Pipe by Alternate: 1 2 Length of Surface Pipe Planned to be set: 675 feet currently set

Length of Conductor Pipe required: 40 feet Projected Total Depth: 5,430 feet Formation at Total Depth: Mississippian

Water Source for Drilling Operations: Well Farm Pond Other X DWR Permit #: N/A

(Note: Apply for Permit with DWR) Will Cores be taken? N/A

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: 8/27/2007 Signature of Operator or Agent: Robert J. Daniel Title: Managing Partner

For KCC Use ONLY API # 15 - 033-20871-0001 Conductor pipe required NONE feet Minimum surface pipe required 075 feet per Alt. 1 X Approved by: WHM 10-11-07 This authorization expires: 4-11-08 (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:

34 20W

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 - 033-20871 ~ 000
 Operator: ARES Energy, Ltd.
 Lease: Bluff Creek
 Well Number: 5-15
 Field: Wildcat
 Number of Acres attributable to well: 160
 QTR / QTR / QTR of acreage: NW - SW - SE

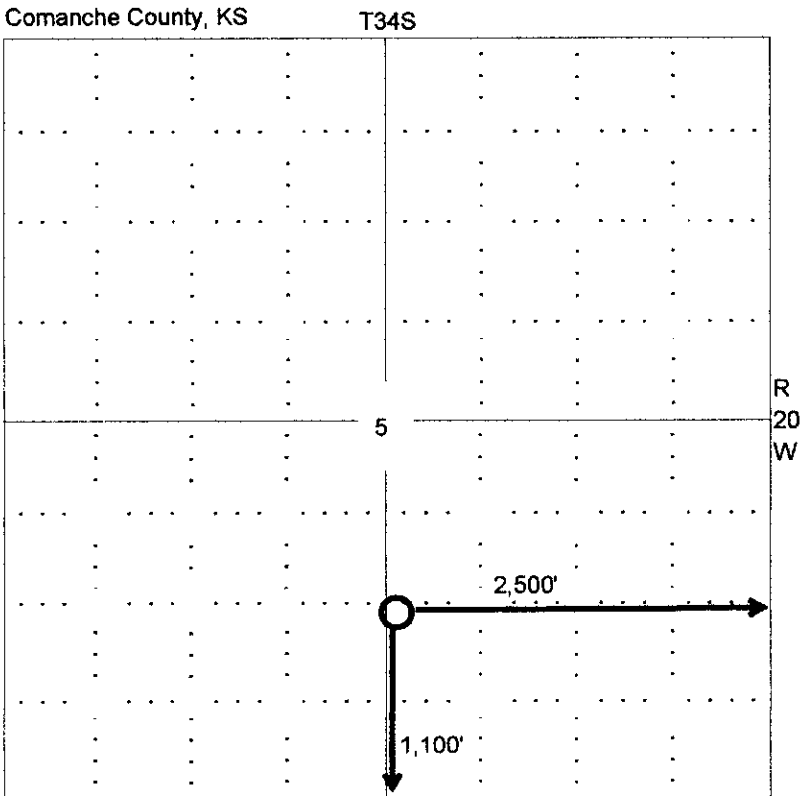
Location of Well: County: Comanche
1,100 feet from N / S Line of Section
2,500 feet from E / W Line of Section
 Sec. 5 Twp. 34 S. R. 20 East West

Is Section: Regular or Irregular

If Section is Irregular, locate well from nearest corner boundary.
 Section corner used: NE NW SE SW

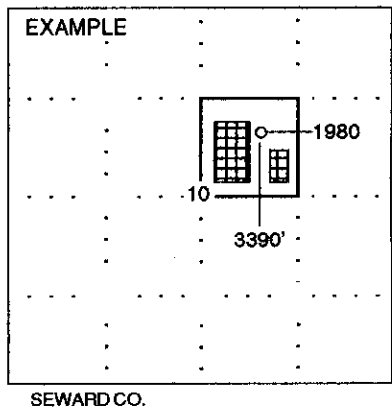
PLAT

*(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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140' from nearest lease line



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 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

Form CDP-1
April 2004
Form must be Typed

APPLICATION FOR SURFACE PIT

Submit in Duplicate

Operator Name: ARES Energy, Ltd.		License Number: 33770	
Operator Address: 303 W. Wall St., Suite 900, Midland, TX 79701			
Contact Person: Robert L. Dimit		Phone Number: (432) 685 - 1960	
Lease Name & Well No.: Bluff Creek 5-15		Pit Location (QQQQ): _____ NW _____ SW _____ SE Sec. 5 Twp. 34 R. 20 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 1,100 Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section 2,500 Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section Comanche County	
Type of Pit: <input type="checkbox"/> Emergency Pit <input type="checkbox"/> Burn Pit <input type="checkbox"/> Settling Pit <input type="checkbox"/> Drilling Pit <input checked="" type="checkbox"/> Workover Pit <input type="checkbox"/> Haul-Off Pit (If WP Supply API No. or Year Drilled)		Pit is: <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: 6,400 (bbls)	
Is the pit located in a Sensitive Ground Water Area? <input checked="" type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Chloride concentration: _____ mg/l (For Emergency Pits and Settling Pits only)	
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 and clay			
Pit dimensions (all but working pits): 80 Length (feet) 80 Width (feet) _____ N/A: Steel Pits Depth from ground level to deepest point: 5 (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 1928 feet Depth of water well 40 feet		Depth to shallowest fresh water 19 feet. Source of information: _____ measured _____ well owner _____ 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: Fresh Water Mud Number of working pits to be utilized: 1 Abandonment procedure: Allow to dry, then backfill. 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.			
8/27/2007 Date		<i>Robert L. Dimit</i> Signature of Applicant or Agent	

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WICHITA, KS

15-033-20871-0601

KCC OFFICE USE ONLY

line w/ clay / Bot
RFAC

Date Received: **8/31/07** Permit Number: _____ Permit Date: **10/5/07** Lease Inspection: Yes No



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

October 5, 2007

Mr. Robert L. Dimit
ARES Energy, Ltd.
303 W. Wall St., Ste 900
Midland, TX 79701

RE: Drilling Pit Application
Bluff Creek Lease Well No. 5-15
SE/4 Sec. 05-34S-20W
Comanche County, Kansas

Dear Mr. Dimit:

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 be lined with **bentonite or clay**. The free fluids should be removed as soon as practical 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 (620) 225-8888 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

15033-20871-0001