

* Gas Storage Area - Blowout Preventer Required *

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For KCC Use: Effective Date: 1-15-08 District # 3 SGA? Yes No

KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

Form C-1 October 2007

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: 1-13-08 month day year

OPERATOR: License# 32887 Name: Endeavor Energy Resources, LP Address 1: PO Box 40 Address 2: City: Delaware State: OK Zip: 74027 Contact Person: Joe Driskill Phone: 918-467-3111

CONTRACTOR: License# 33072 Name: Well Refined Drilling

Well Drilled For: Oil Gas Enh Rec Storage Disposal Seismic Other: well to be drilled w/air to 400' then mud to TD # of Holes: Other: If OWWO: old well information as follows:

Well Class: Infield Pool Ext. Wildcat Other

Type Equipment: Mud Rotary Air Rotary Cable

Operator: NA 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 Description: SE SE NE Sec. 3 Twp. 34 S. R. 17 E W 2,310 feet from N / S Line of Section 330 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: Graybill Well #: 1 Field Name: Coffeyville

Is this Prorated / Spaced Field? Yes No

Target Formation(s): Weir - Pittsburg Coal Nearest Lease or unit boundary line (in footage): 330

Ground Surface Elevation: 761.3 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: 20' Depth to bottom of usable water: 150'

Surface Pipe by Alternate: I II Length of Surface Pipe Planned to be set: 40' Length of Conductor Pipe (if any): none

Projected Total Depth: 1000' Formation at Total Depth: Mississippi 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

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:

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- 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 correct to the best of my knowledge and belief.

Date: 1-7-08 Signature of Operator or Agent: Joe Driskill Title: Operations Superintendent

For KCC Use ONLY API # 15 - 125-31520-0000 Conductor pipe required None feet Minimum surface pipe required 20 feet per ALT. I II Approved by: [Signature] 1-10-08 This authorization expires: 1-10-09 (This authorization void if drilling not started within 12 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:

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 - 125-31520-0000
Operator: Endeavor Energy Resources, LP
Lease: Graybill
Well Number: 1
Field: Coffeyville
Number of Acres attributable to well: 160
QTR/QTR/QTR/QTR of acreage: SE SE NE

Location of Well: County: Montgomery
2,310 feet from N / S Line of Section
330 feet from E / W Line of Section
Sec. 3 Twp. 34 S. R. 17 E W

Is Section: Regular or Irregular

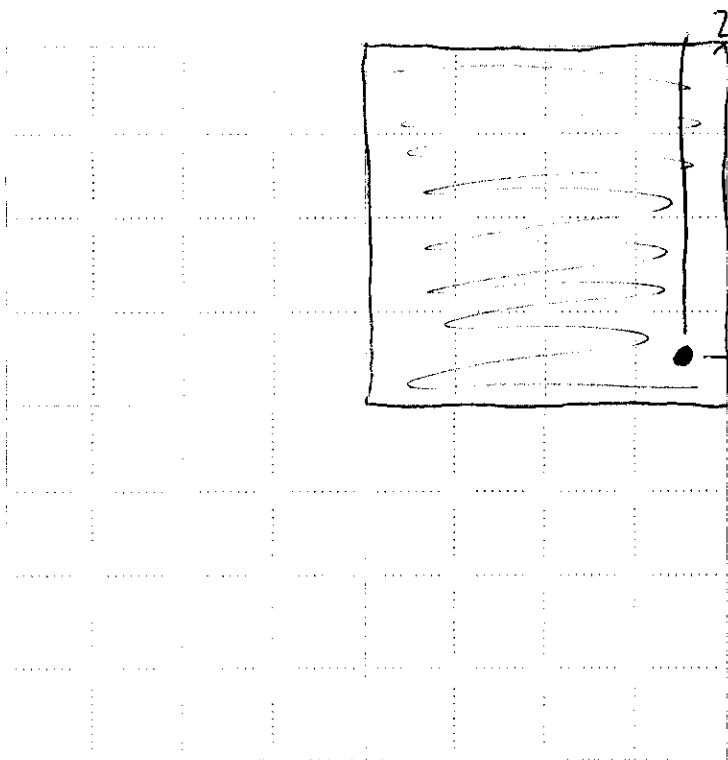
If Section is Irregular, locate well from nearest corner boundary.

Section corner used: NE NW SE SW

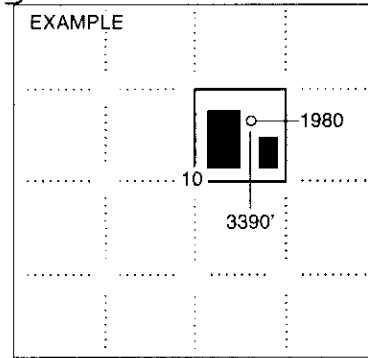
PLAT

(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 locaton.


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
OIL & GAS CONSERVATION DIVISION
APPLICATION FOR SURFACE PIT**

Form CDP-1
April 2004
Form must be Typed

Submit in Duplicate

Operator Name: Endeavor Energy Resources, LP		License Number: 32887
Operator Address: PO Box 40		Delaware OK 74027
Contact Person: Joe Driskill		Phone Number: 918-467-3111
Lease Name & Well No.: Graybill 1		Pit Location (QQQQ): SE SE NE
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: _____ (bbls)	Sec. <u>3</u> Twp. <u>34</u> R. <u>17</u> <input checked="" type="checkbox"/> East <input type="checkbox"/> West <u>2,310</u> Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section <u>330</u> Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section Montgomery County
Is the pit located in a Sensitive Ground Water Area? <input 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 type="checkbox"/> No	How is the pit lined if a plastic liner is not used? natural clay / earth
Pit dimensions (all but working pits): <u>30</u> Length (feet) <u>10</u> Width (feet) <input type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: <u>6</u> (feet) <input type="checkbox"/> No Pit		
If the pit is lined give a brief description of the liner material, thickness and installation procedure. NA		Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring. NA
Distance to nearest water well within one-mile of pit <u>NA</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 checked="" type="checkbox"/> electric log <input 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>mud</u> Number of working pits to be utilized: <u>2</u> Abandonment procedure: <u>haul off and dispose</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.		
Date: <u>1-7-08</u>		 Signature of Applicant or Agent
KCC OFFICE USE ONLY		
Date Received: <u>1/9/08</u> Permit Number: _____		Steel Pit <input type="checkbox"/> RFAC <input type="checkbox"/> RFAS <input type="checkbox"/>
Permit Date: <u>1/9/08</u> Lease Inspection: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		

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15-125-21520-0000

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

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FAX COVER

PLEASE DELIVER IMMEDIATELY

TO: BRUCE LOCKE
FAX: 918 488 1860
COMPANY: ENDEAVOR ENERGY

FROM: MATT FRIHART
FAX: (615) 790 - 9337
COMPANY: ATMOS

DATE: 10-29-07 TIME: 10:50 AM

NUMBER OF PAGES INCLUDING COVER SHEET 9

IF YOU HAVE ANY QUESTIONS CONCERNING THIS FAX, PLEASE CALL

(615) 595 - 7700

GRAYBILL STORAGE LEASE. REQUIREMENTS
START ON PAGE 3 5a-t.

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- URGENT
- FOR REVIEW
- PLEASE COMMENT
- PLEASE REPLY
- PLEASE RECYCLE

15-125-31520-0000
K-2-79

2009

Union Gas
P.O. Box 347
Indep

GAS STORAGE LEASE AGREEMENT

THIS AGREEMENT, entered into this 14 day of May, 19 87 by and between Johnnie and Linda Graybill, husband and wife, hereinafter called Lessor, and the Union Gas System, Inc., a Kansas Corporation, hereinafter called Lessee.

WITNESSETH:

That Lessor for and in consideration of the sum of settlement agreement Dollars, in hand paid, and of the agreements hereinafter contained to be performed by the Lessee, hereby grants and leases unto the Lessee for the purpose of developing and conducting gas storage operations, laying pipelines and other structures thereon necessary to transport, store, save and remove storage gas on the following described land from the surface down to a depth of fifty (50) feet below the geological formation known as the Squirrel Sand or a depth of 200 feet below the base of the Oswego Limestone (the "Gas Storage Zone"), whichever is greater, to-wit:

NE/4 of Section 3, Township 34, Range 17

Montgomery County, Kansas and containing 160 acres, more or less, it being the purpose and intent of the Lessor herein to lease, and Lessor does hereby lease unto the Lessee, all of the lands, however described, owned by the Lessor which lie in the section or sections herein specified and all lands and interests therein contiguous to or appurtenant to the described lands owned or claimed by the Lessor and in the event any appurtenant parcel of land not now owned by the Lessor, lying within the external limits of or across the land leased herein, or adjacent or contiguous thereto, such as a tract used for school purposes, railroad right of way, roadway, highway or other purpose, be vacated and title thereto revert to or be conveyed by deed or in any manner come into the possession of the Lessor or successors in title to the land herein described, while this lease is in force, then such additional land shall thereupon automatically be included hereunder.

1. This lease shall remain in force for a term of twenty-five years, hereinafter referred to as the primary term, and as long thereafter as gas storage operations on or in the vicinity of the said land are continued as herein provided.

2. The Lessee shall have the right to utilize the land herein described for gas storage purposes, including the right to construct, maintain and operate pipelines upon and across said land, and further including the right to drill, equip, maintain and operate a well or wells on said land and through any well or

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poses in the principal residence of the Lessor located on said land not to exceed 150 Mcf for each calendar year. For any gas used in excess of 150 Mcf per calendar year, Lessor will pay to Union the then current rate for gas used for domestic purposes as filed with the Kansas Corporation Commission. It is provided, however, that to prevent waste and loss, Lessee, shall retain the right to meter and gauge the gas so used. In the event of waste or other loss resulting from leaks or deficiencies in Lessor's service lines or equipment, Lessee may by written notice to Lessor require that such leak be repaired or deficiency remedied, and should Lessor fail to repair or remedy such condition, Lessee shall have the right to repair or remedy at the cost of Lessor. Lessor recognizes that the supply of natural gas is subject to varying pressures, failure, freeze-offs, line breaks, and other interruptions of service, and agrees that failure of such supply for any reason shall in no way operate to invalidate this Agreement. In the event, for any reason, it appears impractical or impossible to provide a supply of gas or in the event that the Lessor does not maintain a residence on said land, then in lieu of providing gas for domestic purposes, Lessee shall pay, in addition to the Gas Storage Rental provided for above, the sum of \$1.00 per acre per annum payable on the anniversary date of the Gas Storage Agreement referred to hereinabove, at the same time and manner in which the Gas Storage Rental is paid.

4. In the event that Lessee shall subsequently require the permanent use or occupancy of any additional portion of the lands subject to this Agreement for the construction, erection, or installation of surface facilities for the conduct of gas storage operations, Lessee shall pay Lessor the market value of the surface so used or occupied.

5. The parties acknowledge that due care and caution must be exercised in drilling and conducting oil and/or gas production operations from formations above and below the gas storage zone. Should drilling or production operations be conducted by the Lessor, its successors, assigns, or subsequent lessees, the party undertaking such operations agrees as follows:

- a. To deliver to Lessee a copy of Kansas Notice of Intent to Drill no less than five (5) days prior to commencement of drilling operations and to indicate proposed depth and zones of interest;
- b. To drill with chemical mud only. Exceptions, outside the active part of the storage field, only with the written permission of Lessee;
- c. To not drill any well within 400 feet of gas storage wells of Lessee;
- d. To grant free access to Lessee to the well site and the drilling platform during the conduct of any operations for the purpose of inspections;

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- e. To immediately install and use a blow out preventer upon the surface pipe before drilling below the surface casing;
- f. To supply daily drilling and progress reports to Lessee;
- g. To run open hole compensated density and induction electrical logs on all wells drilled and provide copies to Lessee.
- h. To take ten foot drill cutting samples from 200 feet to total depth.
- i. If requested by Lessee to take a core from the gas storage reservoir, the Squirrel Sand, at Lessee's expense.
- j. If in testing for oil or gas the gas storage zone is penetrated, to set production casing of not less than 4½ inches diameter to a depth not less than 50 feet below the base of the Squirrel Sand, and circulate cement to the surface or plug the well within 24 hours by placing a continuous cement plug from total depth to surface.
- k. During completion, to place centralizers on the production casing straddling the Squirrel Sand to ensure an even cement sheath over the gas storage reservoir.
- l. To run a cement bond log on all wells completed to verify the integrity of the cement bond particularly in the vicinity of the gas storage reservoir. Supply a copy of the cement bond log to Lessee.
- m. To provide Lessee with copies of the drilling permit, drillers log, open and cased hole logs, geology reports, gas analyses, core reports, Kansas Corporation Commission completion report and any other pertinent information where applicable.
- n. To notify Lessee 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; to also furnish Lessee a copy of Kansas Notice of Intent to Abandon Well five (5) days in advance of commencing plugging operations, unless well is plugged within 24 hrs. of reaching total depth, and, subsequent to plugging, furnish Lessee a copy of Affidavit of Plugging.
- o. To provide Lessee the option to take possession of, at operators salvage value, any abandoned well or wells.
- p. To not complete any wells in the gas storage reservoir, the Squirrel Sand.

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- q. If a well is completed for gas production, provide Lessee, prior to gas sales, a copy of the gas analysis, shut-in pressure, gas flow test and perforation intervals.
- r. To shut-in and squeeze or plug to the satisfaction of Lessee, any wells that are proven to be in direct communication with the storage formation by pressure observation and/or other methods.
- s. To furnish Lessee, upon request, the following:
- (i) all drilling samples, cores, or other cuttings, and copies of all reports of analyses thereof;
 - (ii) copies of all drillstem or production test reports.
- t. To run a Gamma Ray/Neutron log from Total Depth to Surface and promptly furnish Union Gas System, Inc. with two field and two final correct copies.
6. For each well commenced on the said lands during the continuing term of this Gas Storage Lease, Lessee its successors or assigns, shall pay as liquidated damages, the sum of \$250.00 per well, said payment to be made prior to commencement of drilling operations. Provided, further, that upon cessation of drilling or producing operations, all pits shall be filled, and the surface leveled and returned to its original condition insofar as is possible.
7. All sums hereafter payable under this agreement are to be made or tendered to the credit of Lessor's agent _____, in the

Bank of _____ or its successors, which bank and its successors are also Lessor's agent and shall continue as the depository of any and all sums payable hereunder. All payments or tenders may be made by check or draft of Lessee or any assignee thereof, mailed or delivered on or before the annual storage rental paying date. No forfeiture for non-payment of such annual storage rental shall be had until after fifteen (15) days' written notice by Lessor to Lessee at its Independence, Kansas office during which said time Lessee shall have the right to make the payment then in default, adding two percent (2%) of the sum due as a penalty for the delay, and thus continuing this agreement in good standing and in full force and effect. And it is understood and agree that the consideration first recited herein, the down payment, covers not only the privileges granted for one year to the date when the next storage rental is payable as aforesaid, but also the Lessee's option of extending that period as aforesaid, and any and all other rights conferred.

8. If said Lessor owns a less interest in the above described land than the entire undivided fee simple estate therein, then the rentals herein provided shall be paid the Lessor only in the proportion which his interest bears to the whole and undivided fee.

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MICHAEL C. MOFFET, COMMISSIONER

January 2, 2008

Joe Driskill
Endeavor Energy Resources, LP
PO Box 40
Delaware, OK 74027

Re: Notice of Intent to Drill
Graybill #1
SE NE NE Sec. 3-T34S-R17E
Montgomery County, Kansas

Dear Mr. Driskill:

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.

Sincerely,

Rick Hestermann
Production Department

cc: Matthew Frihart