



For KCC Use:
 Effective Date: 01/05/2008
 District # 4
 SGA? Yes No

KANSAS CORPORATION COMMISSION 1015201
 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: 01/21/2008
 month day year

Spot Description:
 SW NW NE Sec. 20 Twp. 8 S. R. 24 E W
 990 feet from N / S Line of Section
 330 feet from E / W Line of Section

OPERATOR: License# 34055
 Name: H & M Petroleum Corporation
 Address 1: 731 N WEBER ST, STE 200
 Address 2:
 City: COLORADO SPGS State: CO Zip: 80903 + 1070
 Contact Person: David Allen
 Phone: 719-590-6060

Is SECTION: Regular Irregular?

(Note: Locate well on the Section Plat on reverse side)

CONTRACTOR: License# 33575
 Name: WW Drilling, LLC

County: Graham
 Lease Name: Penland Well #: 3
 Field Name: Penland

Is this a Prorated / Spaced Field? Yes No
 Target Formation(s): Lansing Kansas City Super Group

Well Drilled For: Oil Gas Seismic; Other:
 Well Class: Enh Rec Storage Disposal # of Holes
 Type Equipment: Mud Rotary Air Rotary Cable Wildcat Other

Nearest Lease or unit boundary line (in footage): 330
 Ground Surface Elevation: 2274 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: 1150

Surface Pipe by Alternate: I II
 Length of Surface Pipe Planned to be set: 200

Length of Conductor Pipe (if any):
 Projected Total Depth: 3890

Formation at Total Depth: Lansing Kansas City Super Group
 Water Source for Drilling Operations:
 Well Farm Pond Other: Haul

If OWWO: old well information as follows:
 Operator:
 Well Name:
 Original Completion Date: Original Total Depth:

DWR Permit #:
 (Note: Apply for Permit with DWR)

Directional, Deviated or Horizontal wellbore? Yes No
 If Yes, true vertical depth:
 Bottom Hole Location:
 KCC DKT #:

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:

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.

Submitted Electronically

For KCC Use ONLY
 API # 15 15-065-23397-00-00
 Conductor pipe required 0 feet
 Minimum surface pipe required 200 feet per ALT I II
 Approved by: Rick Hestermann 12/31/2007
 This authorization expires: 12/31/2008
 (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:

20 8 24
 E
 W



1015201

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 - 15-065-23397-00-00

Operator: H & M Petroleum Corporation

Lease: Penland

Well Number: 3

Field: Penland

Location of Well: County: Graham

990 feet from N / S Line of Section

330 feet from E / W Line of Section

Sec. 20 Twp. 8 S. R. 24 E W

Number of Acres attributable to well: _____

QTR/QTR/QTR/QTR of acreage: - SW - NW - NW

Is Section: Regular or Irregular

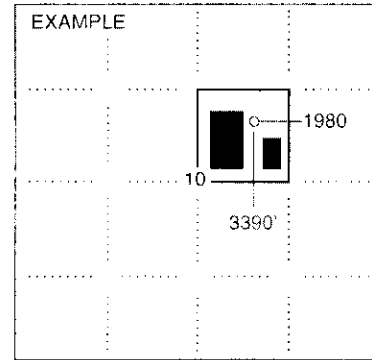
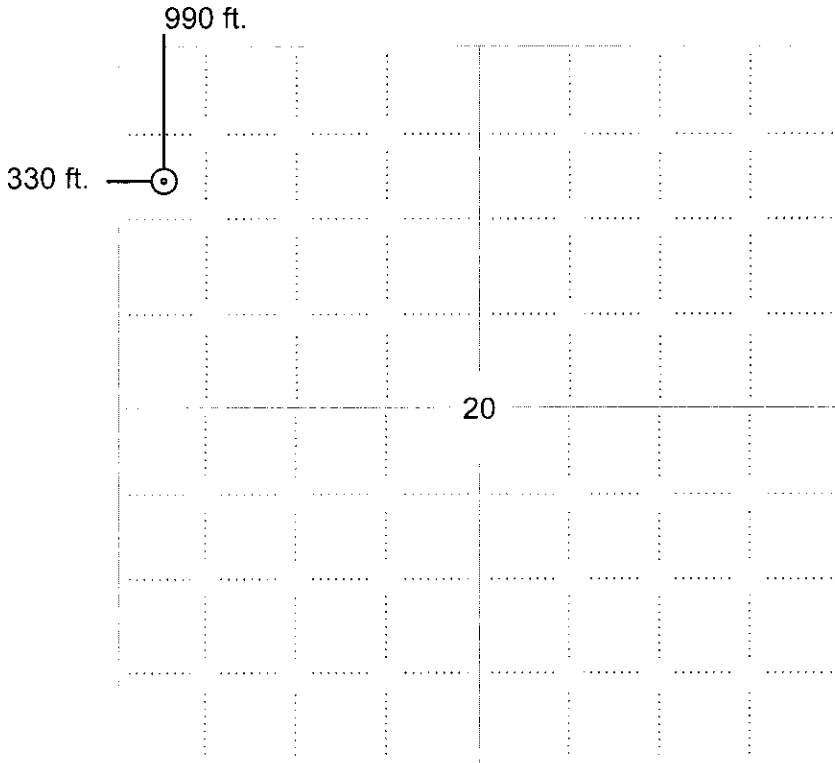
If Section is Irregular, locate well from nearest corner boundary.

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.)

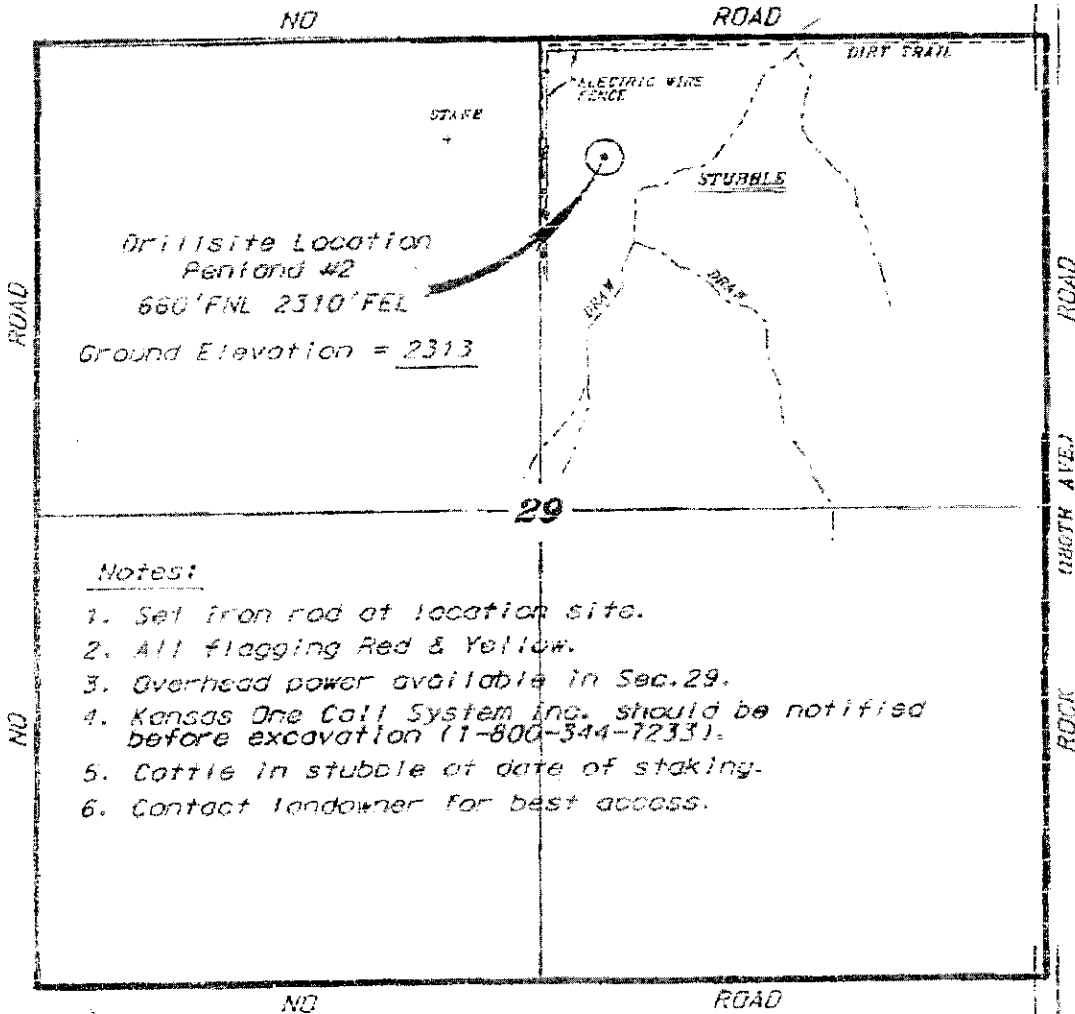


NOTE: In all cases locate the spot of the proposed drilling location.

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

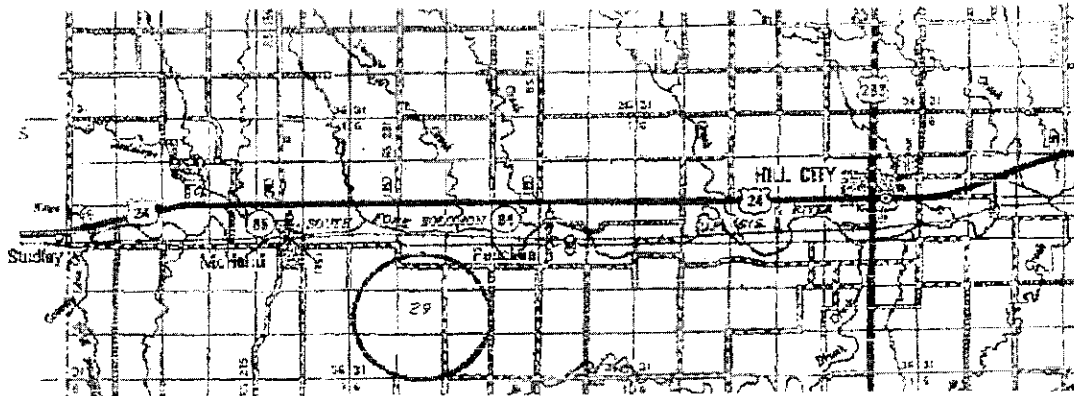
1. The manner in which you are using the depicted plat by identifying section lines, i.e. 1 section, 1 section with 8 surrounding sections, 4 sections, etc.
2. The distance of the proposed drilling location from the south / north and east / west outside section lines.
3. The distance to the nearest lease 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).

H & M PETROLEUM CORPORATION
PENLAND LEASE
NE 1/4, SECTION 29, T8S, R24W
GRAHAM COUNTY, KANSAS



Notes:

1. Set iron rod at location site.
2. All flagging Red & Yellow.
3. Overhead power available in Sec.29.
4. Kansas One Call System Inc. should be notified before excavation (1-800-344-7233).
5. Cattle in stubble at date of staking.
6. Contact landowner for best access.



All property and acreage to location as shown on this plan is for use only and may not be legally owned for public use. Contact landowner, proper and verify road department for access.

SCALE 1" = 1000'

* Contouring data is based upon the best data and information available to us and does not represent a regular section of land containing 320 acres.
 * Metabolic section lines were determined using the normal standards of care of oilfield surveys and are not necessarily intended, and the exact location of the drill site location in the section is not guaranteed. Therefore, the operator accepting this service and accepting this plan and all other parties, including the landowner, shall assume all risks and liabilities. No liability will be assumed for any and all expenses incurred from oil, gas, water, and other services provided free of charge by the operator.
 * Elevations derived from National Geodetic Vertical datum.

December 5, 2007

Date



KANSAS CORPORATION COMMISSION 1015201
OIL & GAS CONSERVATION DIVISION

Form CDP-1
April 2004
Form must be Typed

APPLICATION FOR SURFACE PIT

Submit in Duplicate

Operator Name: H & M Petroleum Corporation		License Number: 34055	
Operator Address: 731 N WEBER ST, STE 200		COLORADO SPGS CO 80903	
Contact Person: David Allen		Phone Number: 719-590-6060	
Lease Name & Well No.: Penland 3		Pit Location (QQQQ): SW NW 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: 200 (bbls)	
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 clay			
Pit dimensions (all but working pits): 25 Length (feet) 50 Width (feet) <input type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: 5 (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.	
Distance to nearest water well within one-mile of pit 1913 feet Depth of water well 31 feet		Depth to shallowest fresh water 12 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: drilling mud Number of working pits to be utilized: 4 Abandonment procedure: Remove drilling fluids and backfill _____ Drill pits must be closed within 365 days of spud date.	
Submitted Electronically			

KCC OFFICE USE ONLY		Steel Pit <input type="checkbox"/>	RFAC <input type="checkbox"/>	RFAS <input type="checkbox"/>
Date Received: 12/30/2007	Permit Number: 15-065-23397-00-00	Permit Date: 12/31/2007	Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	

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

**HAUL-OFF PIT APPLICATION
FILING REQUIREMENTS**

82-3-607.

DISPOSAL OF DIKE AND PIT CONTENTS.

- (a) Each operator shall perform one of the following when disposing of dike or pit contents:
- (1) Remove the liquid contents to a disposal well or other oil and gas operation approved by the commission or to road maintenance or construction locations approved by the department;
 - (2) dispose of reserve pit waste down the annular space of a well completed according to the alternate I requirements of K.A.R. 82-3-106, if the waste to be disposed of was generated during the drilling and completion of the well; or
 - (3) dispose of the remaining solid contents in any manner required by the commission. The requirements may include any of the following:
 - (A) Burial in place, in accordance with the grading and restoration requirements in K.A.R. 82-3-602 (f);
 - (B) removal and placement of the contents in an on-site disposal area approved by the commission;
 - (C) removal and placement of the contents in an off-site disposal area on acreage owned by the same landowner or to another producing lease or unit operated by the same operator, if prior written permission from the landowner has been obtained; or
 - (D) removal of the contents to a permitted off-site disposal area approved by the department.
- (b) Each violation of this regulation shall be punishable by the following:
- (1) A \$1,000 penalty for the first violation;
 - (2) a \$2,500 penalty for the second violation; and
 - (3) a \$5,000 penalty and an operator license review for the third violation.

Complete and return with Haul-Off Pit Application, Form CDP1(2004)

Haul-off pit will be located in an on-site disposal area: ___ Yes ___ No

Haul-off pit is located in an off-site disposal area on acreage owned by the same landowner: ___ Yes ___ No If yes, written permission from the land owner must be obtained. Attach written permission to haul-off pit application.

Haul-off pit is located in an off-site disposal area on another **producing** lease or unit operated by the same operator: ___ Yes ___ No If yes, written permission from the land owner must be obtained. Attach permission and a copy of the lease assignment that covers the acreage where the haul-off pit is to be located, to the haul-off pit application.



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

December 31, 2007

David Allen
H & M Petroleum Corporation
731 N WEBER ST, STE 200
COLORADO SPGS, CO80903-1070

Re: Drilling Pit Application
Penland Lease Well No. 3
NW/4 Sec.20-08S-24W
Graham County, Kansas

Dear David Allen:

District staff has inspected the location and has determined that an unsealed condition will present a pollution threat to water resources.

District staff has recommended that the reserve pit be lined with plastic. The plastic liner must have a minimum thickness of 10 mil. Integrity of the liner must be maintained at all times. The well location is under a center pivot. Remove contents of all pits and haul to approved alternate reserve pit. Restore site as near as possible to original condition.

An application for the alternate reserve/haul-off pit must be filed. Please file form CDP-1 (April 2004), Application for Surface Pit. This location will have to be inspected prior to approval of the haul-off pit application.

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.

Please call the District Office at (785) 625-0550 when the contents of the pits have been removed. Please file form CDP-5 (August 2004), Exploration and Production Waste Transfer, within 30 days of pit waste removal. Conservation division forms are available through our office and on the KCC web site: kcc.ks.gov/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 District Office at (785) 625-0550.