

For KCC Use: 2-19-08
 Effective Date: 4
 District # _____
 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: March 1, 2008
 month day year

OPERATOR: License# 33335 ✓
 Name: IA Operating, Inc.
 Address 1: 9915 W 21st Street N
 Address 2: Suite B
 City: Wichita State: KS Zip: 67205 + _____
 Contact Person: Hal Porter
 Phone: 316-721-0036
 CONTRACTOR: License# 30606 ✓
 Name: Murfin Drilling Company, Inc.

Spot Description: _____
 NW - NW - SW - Sec. 25 Twp. 11 S. R. 16 E W
 (00/00) 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: Ellis
 Lease Name: Peggy Well #: 25-5
 Field Name: Blue Hill North

Is this a Prorated / Spaced Field? Yes No
 Target Formation(s): Lansing Kansas City
 Nearest Lease or unit boundary line (in footage): 330

Ground Surface Elevation: 1750 Approx 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: 200 feet 180
 Depth to bottom of usable water: 500 400
 Surface Pipe by Alternate: I II
 Length of Surface Pipe Planned to be set: 900 feet
 Length of Conductor Pipe (if any): None

Projected Total Depth: 3600
 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: _____

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

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 correct to the best of my knowledge and belief.

Date: 2/12/08 Signature of Operator or Agent: Hal Porter Title: President

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 FEB 13 2008

CONSERVATION DIVISION
 WICHITA, KS

For KCC Use ONLY
 API # 15 - 051-25746-0000
 Conductor pipe required 0 feet
 Minimum surface pipe required 400 feet per ALT. I II
 Approved by: Porter 2-14-08
 This authorization expires: 2-14-09
 (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: _____

25 11 16 E W

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 - 051-25746-0000

Operator: IA Operating, Inc.

Lease: Peggy

Well Number: 25-5

Field: Blue Hill North

Number of Acres attributable to well: _____

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

Location of Well: County: Ellis

2,310 feet from N / S Line of Section

330 feet from E / W Line of Section

Sec. 25 Twp. 11 S. R. 16 E W

Is Section: Regular or Irregular

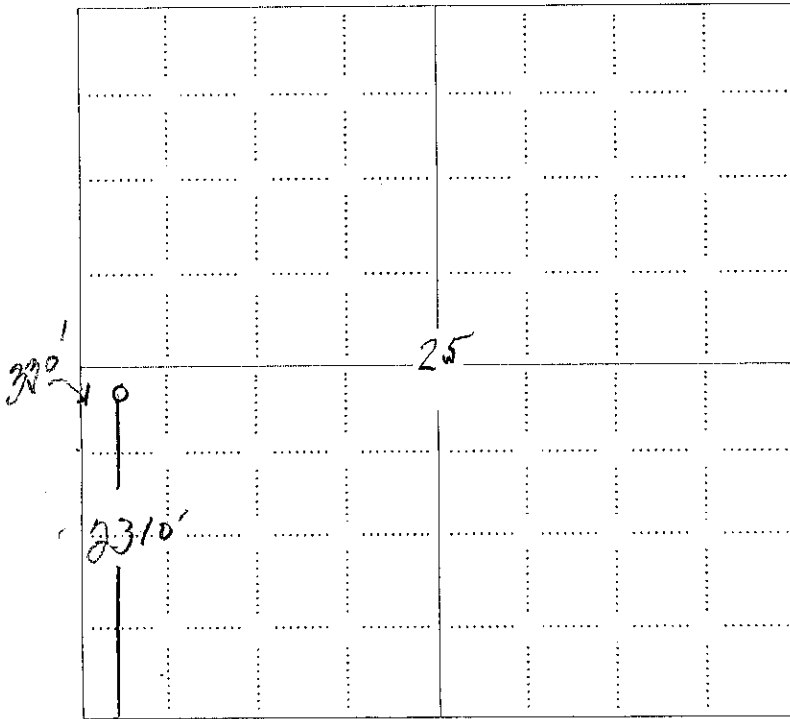
If Section is Irregular, locate well from nearest corner boundary.

Section corner used: NE NW SE SW

PLAT

(Show location of the well and shade attributable acreage for prorated or spaced wells.)

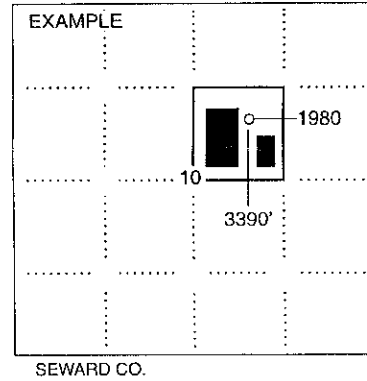
(Show footage to the nearest lease or unit boundary line.)



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CONSERVATION DIVISION
WICHITA, KS



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

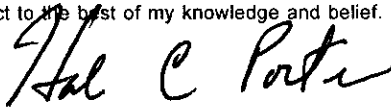
In plotting the proposed location of the well, you must show:

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).

**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: IA Operating, Inc.		License Number: 33335	
Operator Address: 9915 W 21st Street N		Suite B Wichita KS 67205	
Contact Person: Hal Porter		Phone Number: 316-721-0036	
Lease Name & Well No.: Peggy 25-5		Pit Location (QQQQ): NW - NW - SW - Sec. 25 Twp. 11 R. 16 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 2,310 Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section 330 Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section Ellis County	
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 <i>(If WP Supply API No. or Year Drilled)</i>		Pit is: <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: 600 _____ (bbls)	
Is the pit located in a Sensitive Ground Water Area? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Chloride concentration: _____ mg/l <i>(For Emergency Pits and Settling Pits only)</i>	
Is the bottom below ground level? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Artificial Liner? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
How is the pit lined if a plastic liner is not used?			
Pit dimensions (all but working pits): 100 Length (feet) 100 Width (feet) <input type="checkbox"/> N/A: Steel Pits		Depth from ground level to deepest point: 4 (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.	
		RECEIVED KANSAS CORPORATION COMMISSION FEB 13 2008 CONSERVATION DIVISION WICHITA, KS	
Distance to nearest water well within one-mile of pit N/A 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 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: Bentonite Number of working pits to be utilized: 4 Abandonment procedure: allow to dry, backfill and level 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.			
February 12, 2008 Date		Signature of Applicant or Agent 	

15-051-25 7460000

KCC OFFICE USE ONLY		Steel Pit <input type="checkbox"/>	RFAC <input checked="" type="checkbox"/>	RFAS <input type="checkbox"/>
Date Received: 2/13/08	Permit Number: _____	Permit Date: 2/14/08	Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	

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



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

February 14, 2008

Mr. Hal Porter
IA Operating, Inc.
9915 W 21st St N Ste B
Wichita, KS 67205

RE: Drilling Pit Application
Peggy Lease Well No. 25-5
SW/4 Sec. 25-11S-16W
Ellis County, Kansas

Dear Mr. Porter:

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