

For KCC Use: 5-18-08
 Effective Date: _____
 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: JUNE 1, 2008
 month day year

OPERATOR: License# 34058
 Name: MUSGROVE ENERGY INC
 Address 1: P O BOX 2287
 Address 2: _____
 City: PONCA CITY State: OK Zip: 74602 + 2287
 Contact Person: CASEY MUSGROVE
 Phone: 580-761-3320
 CONTRACTOR: License# 33323
 Name: PETROMARK DRILLING LLC

Spot Description: MW
 NW NW SW Sec. 26 Twp. 22 S. R. 12 E W
 (a/a/a/a) 330 feet from N / S Line of Section
 520 feet from E / W Line of Section

Is SECTION: Regular Irregular?

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

County: STAFFORD
 Lease Name: McCCUNE A Well #: 2
 Field Name: PLEASANT GROVE SOUTH

Is this a Prorated / Spaced Field? Yes No

Target Formation(s): LANSING

Nearest Lease or unit boundary line (in footage): 580'

Ground Surface Elevation: 1832 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: 120'

Depth to bottom of usable water: 180'

Surface Pipe by Alternate: I II

Length of Surface Pipe Planned to be set: 220'

Length of Conductor Pipe (if any): NA

Projected Total Depth: 3700'

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 Enh Rec Storage Disposal Seismic: _____ # of Holes 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: 4-28-08 Signature of Operator or Agent: Casey Musgrove Title: PROD SUP

For KCC Use ONLY

API # 15 - 185-23525-0000
 Conductor pipe required None feet
 Minimum surface pipe required 200 feet per ALT. I II
 Approved by: MW 5-13-08
 This authorization expires: 5-13-09
 (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: _____

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

MAY 09 2008

CONSERVATION DIVISION

UNIVERSITY MICROFILMS

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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 - 185-23525-0000
 Operator: MUSGROVE ENERGY INC
 Lease: McCUNE A
 Well Number: 2
 Field: PLEASANT GROVE SOUTH

Location of Well: County: STAFFORD
 330 feet from N / S Line of Section
 520 feet from E / W Line of Section
 Sec. 26 Twp. 22 S. R. 12 E W

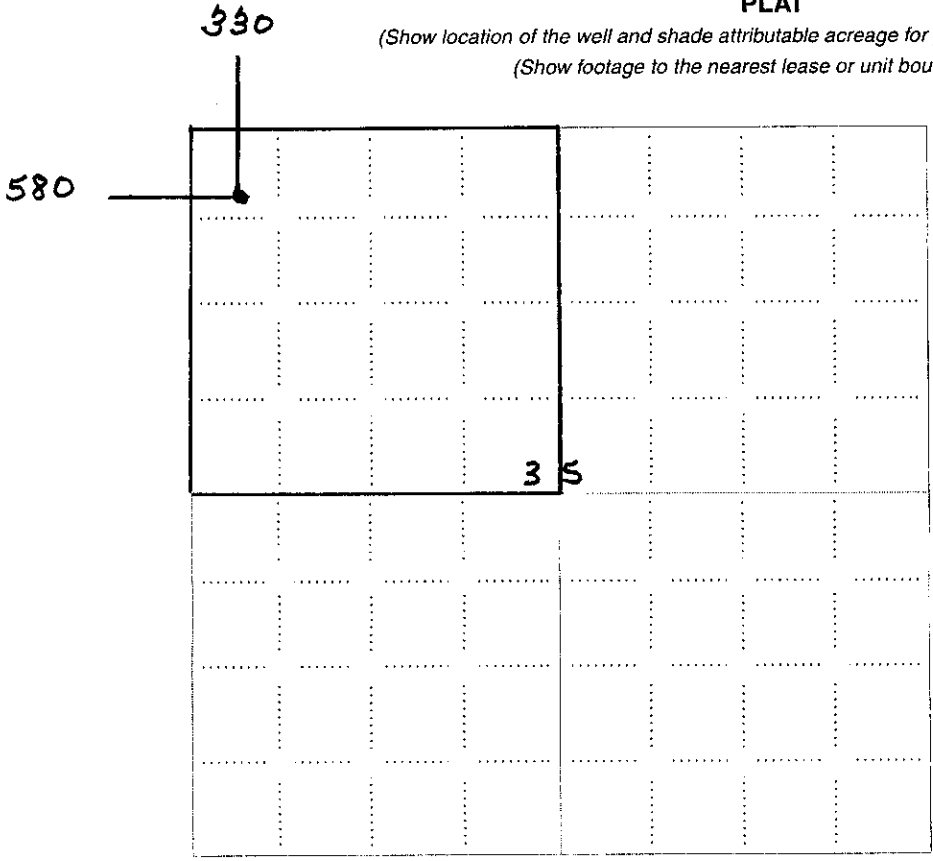
Number of Acres attributable to well: 160
 QTR/QTR/QTR/QTR of acreage: NW - NW - SW -

Is Section: Regular or Irregular

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

PLAT

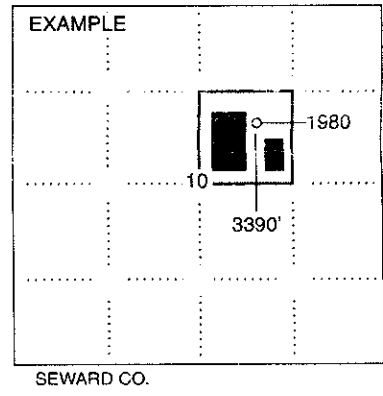
*(Show location of the well and shade attributable acreage for prorated or spaced wells.)
 (Show footage to the nearest lease or unit boundary line.)*



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

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 WICHITA, 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 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).

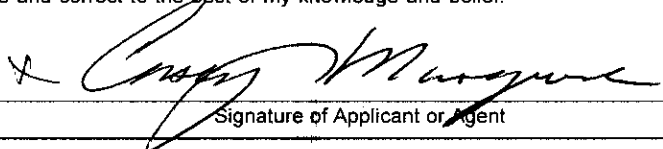
KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION
APPLICATION FOR SURFACE PIT

MAY 09 2008

CONSERVATION DIVISION
WICHITA, KS

Form CDP-1
April 2004
Form must be Typed

Submit in Duplicate

Operator Name: MUSGROVE ENERGY INC		License Number: 34058	
Operator Address: P O BOX 2287		PONCA CITY OK 74602	
Contact Person: CASEY MUSGROVE		Phone Number: 580-761-3320	
Lease Name & Well No.: McCCUNE A 2		Pit Location (QQQQ): NW NW NW	
Type of Pit: <input type="checkbox"/> Emergency Pit <input type="checkbox"/> Burn Pit <input type="checkbox"/> Settling Pit <input type="checkbox"/> Drilling Pit <input type="checkbox"/> Workover Pit <input checked="" 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: _____ (bbls)	
Is the pit located in a Sensitive Ground Water Area? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Chloride concentration: _____ mg/l (For Emergency Pits and Settling Pits only)	
Is the bottom below ground level? <input type="checkbox"/> Yes <input checked="" 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?		Sec. 26 Twp. 22 R. 12 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 330 Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section 520 Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section STAFFORD County	
Pit dimensions (all but working pits): _____ Length (feet) _____ Width (feet) Depth from ground level to deepest point: _____ (feet)		<input checked="" type="checkbox"/> N/A: Steel Pits <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 3000 ⁸¹³ feet Depth of water well 60 ¹⁰⁰ feet		Depth to shallowest fresh water 14 feet. Source of information: <input checked="" 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: CHEMICAL MUD / BENTENITE Number of working pits to be utilized: 2 Abandonment procedure: FLUID OFFLOADED AND PIT REMOVED 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.			
5-6-08 Date		 Signature of Applicant or Agent	
KCC OFFICE USE ONLY			
Date Received: 5/9/08 Permit Number: _____		Steel Pit <input checked="" type="checkbox"/> RFAC <input checked="" type="checkbox"/> RFAS <input type="checkbox"/> Permit Date: 5/9/08 Lease Inspection: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

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MAY 01 2008

CONSERVATION DIVISION
WICHITA, KS

15-185-235-250000



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

May 9, 2008

Mr. Gary Anstine
Anstine & Musgrove, Inc.
PO Box 391
Ponca City, OK 74602-0391

RE: Drilling Pit Application
McCCune A Lease Well No. 2
SW/4 Sec. 26-22S-12W
Stafford County, Kansas

Dear Mr. Anstine:

According to the drilling pit application referenced above, no earthen pits are to be used at this location. Steel pits are to be used. Please inform the Commission in writing as to which disposal well you utilized to dispose of the contents in the steel pits and the amount of fluid that was disposed. Please file form CDP-5 (August 2004), Exploration and Production Waste Transfer, within 30 days of fluid removal.

Should a haul-off pit be necessary please file form CDP-1 (April 2004), Application for Surface Pit. The Haul-Off Pit Application Filing Requirement checklist must also be completed. This location will have to be inspected prior to approval of the haul-off pit application. 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 District Office at (620) 225-8888.



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

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 landowner 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 landowner 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.

CONSERVATION DIVISION

Finney State Office Building, 130 S. Market, Room 2078, Wichita, KS 67202-3802
(316) 337-6200 • Fax: (316) 337-6211 • <http://kcc.ks.gov/>