

For KCC Use: 6-8-08  
 Effective Date: \_\_\_\_\_  
 District # 2  
 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 5 1 2008  
month day year

OPERATOR: License# 33770  
 Name: ARES Energy, Ltd.  
 Address: 303 W. Wall St., Suite 900  
 City/State/Zip: Midland, TX 79701  
 Contact Person: Henry N. Clanton  
 Phone: 432.685.1960  
 CONTRACTOR: License# 8273  
 Name: Excell Services, Inc.

<b>Well Drilled For:</b>	<b>Well Class:</b>	<b>Type Equipment:</b>
<input checked="" type="checkbox"/> Oil	<input type="checkbox"/> Enh Rec	<input checked="" type="checkbox"/> Mud Rotary
<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Storage	<input type="checkbox"/> Air Rotary
<input type="checkbox"/> OWO	<input type="checkbox"/> Disposal	<input type="checkbox"/> Cable
<input type="checkbox"/> Seismic; # of Holes _____	<input checked="" type="checkbox"/> Wildcat	<input type="checkbox"/> Other _____
<input type="checkbox"/> Other _____		

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 #: \_\_\_\_\_

Spot  East  
 W/2 SE SE Sec. 28 Twp. 18 S. R. 9  West  
660 feet from  N /  S Line of Section  
1,320 feet from  E /  W Line of Section  
 Is SECTION  Regular  Irregular?

(Note: Locate well on the Section Plat on reverse side)  
 County: Rice  
 Lease Name: Skiles Well #: 2-28  
 Field Name: Wildcat  
 Is this a Prorated / Spaced Field?  Yes  No  
 Target Formation(s): Arbuckle  
 Nearest Lease or unit boundary: 660 feet  
 Ground Surface Elevation: 1,712 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: 100'  
 Depth to bottom of usable water: 300' 200'  
 Surface Pipe by Alternate:  1  2  
 Length of Surface Pipe Planned to be set: 350 feet  
 Length of Conductor Pipe required: None  
 Projected Total Depth: 3,500 feet  
 Formation at Total Depth: Arbuckle  
 Water Source for Drilling Operations:  
 Well  Farm Pond Other N/A  
 DWR Permit #: \_\_\_\_\_  
 (Note: Apply for Permit with DWR   
 Will Cores be taken?  Yes  No  
 If Yes, proposed zone: N/A

**AFFIDAVIT**

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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:

APR 25 2008

CONSERVATION DIVISION  
 WICHITA, KS

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: 4/25/2008 Signature of Operator or Agent: Robert L. Demuth Title: Managing Partner

**For KCC Use ONLY**  
 API # 15 - 159-22573-0000  
 Conductor pipe required None feet  
 Minimum surface pipe required 300 feet per AL 1  
 Approved by: [Signature]  
 This authorization expires: 6-3-09  
 (This authorization void if drilling not started within 6 months of approval date.)  
 Spud date: \_\_\_\_\_ Agent: 1/2

**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: \_\_\_\_\_

28  
 18  
 MW

**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 - 159-22573-0000

Operator: ARES Energy, Ltd.

Lease: Skiles

Well Number: 2-28

Field: Wildcat

Number of Acres attributable to well: \_\_\_\_\_

QTR / QTR / QTR of acreage: W/2 - SE - SE

Location of Well: County: Rice

660 feet from  N /  S Line of Section

1,320 feet from  E /  W Line of Section

Sec. 28 Twp. 18 S. R. 9  East  West

Is Section:  Regular or  Irregular

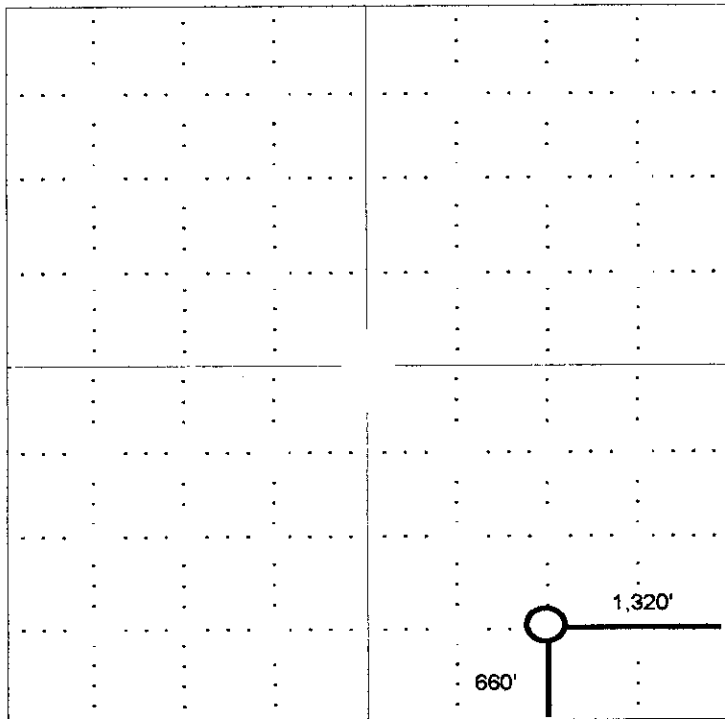
If Section is irregular, locate well from nearest corner boundary.

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.)*



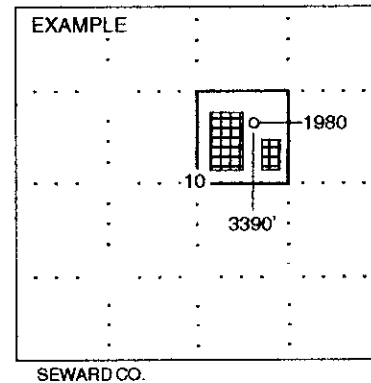
**NOTE: In all cases locate the spot of the proposed drilling locaton.**

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660' from nearest lease line.

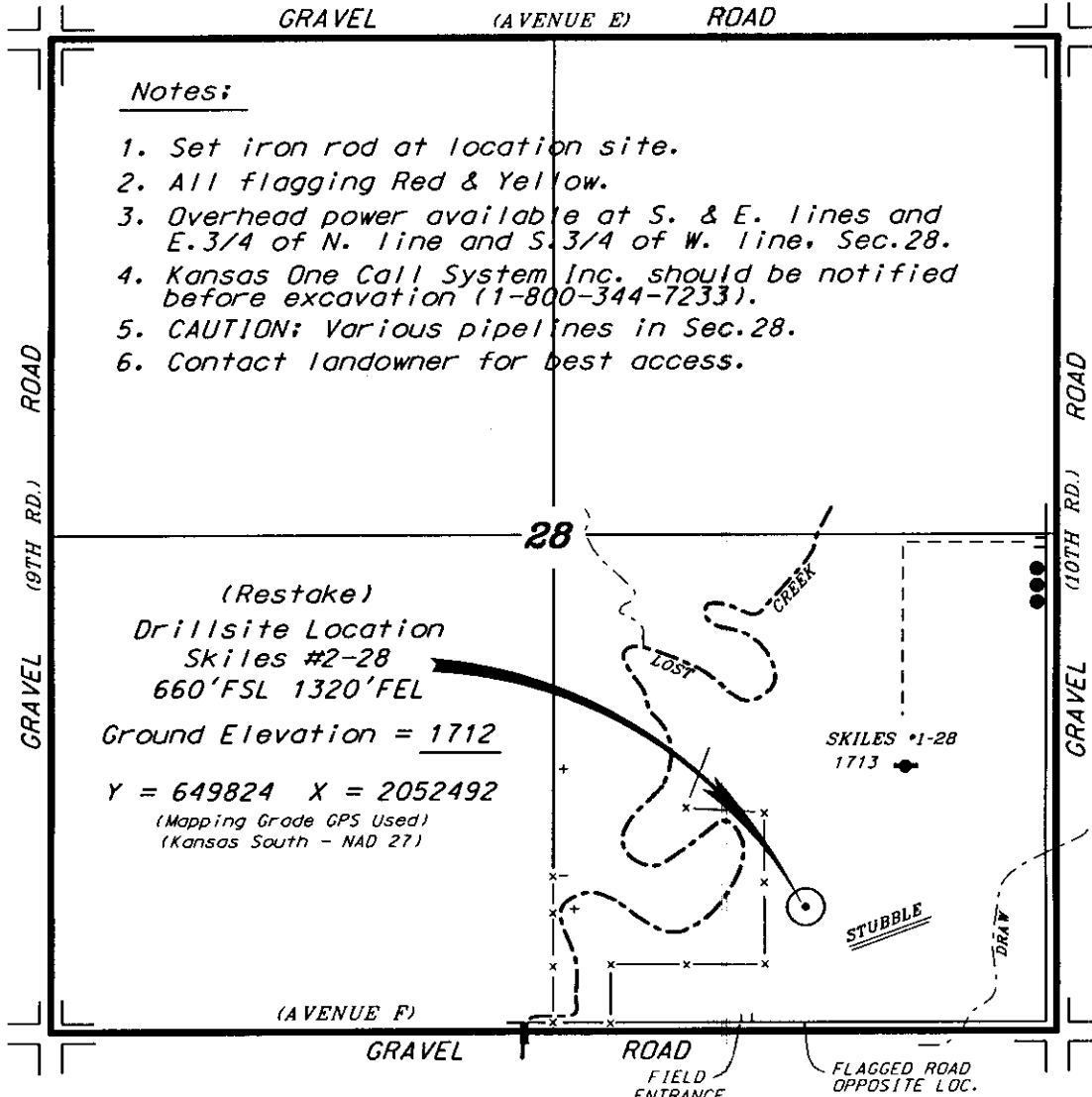


**In plotting the proposed location of the well, you must show:**

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).

ARES ENERGY, LTD  
 SKILES LEASE  
 SE. 1/4, SECTION 28, T18S, R9W  
 RICE COUNTY, KANSAS

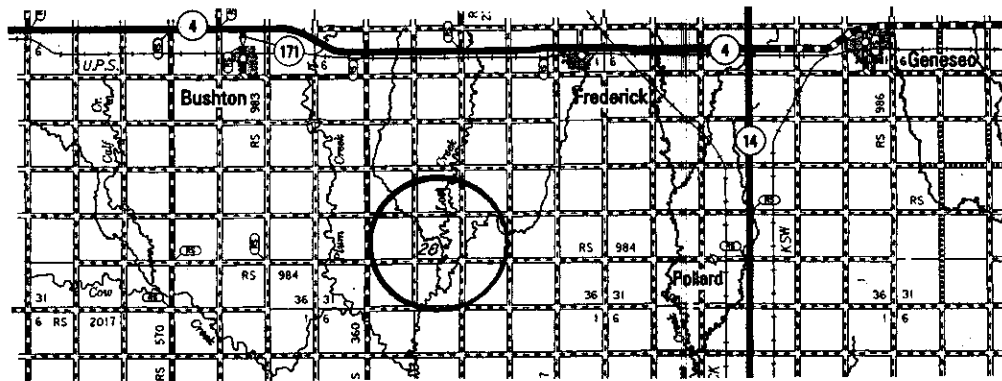
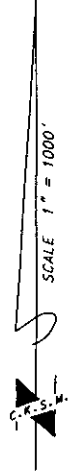
15159-22573000



Notes:

1. Set iron rod at location site.
2. All flagging Red & Yellow.
3. Overhead power available at S. & E. lines and E. 3/4 of N. line and S. 3/4 of W. line, Sec. 28.
4. Kansas One Call System Inc. should be notified before excavation (1-800-344-7233).
5. CAUTION: Various pipelines in Sec. 28.
6. Contact landowner for best access.

\*Ingress and egress to location as shown on this plot is per usage only and may not be legally opened for public use. Contact landowner, tenant and county road department for access.



\* Controlling data is based upon the best maps and photographs available to us and upon a regular section of land containing 360 acres.  
 \* Approximate section lines were determined using the normal standard of care of oilfield surveyors practicing in the state of Kansas. The section corners, which establish the precise section lines, were not necessarily located, and the exact location of the drillsite location in the section is not guaranteed. Therefore, the operator securing this service and accepting this plot and all other parties relying thereon agree to hold Central Kansas Oilfield Services, Inc., its officers and employees harmless from all losses, costs and expenses and said entities released from any liability from incidental or consequential damages.  
 \* Elevations derived from National Geodetic Vertical Datum.

Date March 24, 2008

**CENTRAL KANSAS OILFIELD SERVICES, INC. (620)792-1977**

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CONSERVATION DIVISION  
 WICHITA, KS

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

Form GDP-1  
April 2004  
Form must be Typed

*Submit in Duplicate*

Operator Name: <b>ARES Energy, Ltd.</b>		License Number: <b>33770</b>
Operator Address: <b>303 W. Wall St., Suite 900, Midland, TX 79701</b>		
Contact Person: <b>Henry N. Clanton</b>		Phone Number: ( <b>432</b> ) <b>685 - 1960</b>
Lease Name & Well No.: <b>Skiles 2-28</b>		Pit Location (QQQQ): <b>W/2 SE SE</b>
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: <b>6,400</b> (bbls)	Sec. <b>28</b> Twp. <b>18</b> R. <b>9</b> <input type="checkbox"/> East <input checked="" type="checkbox"/> West <b>660</b> Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section <b>1,320</b> Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section <b>Rice</b> County
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? <b>Native mud and clay</b>
Pit dimensions (all but working pits): <b>80</b> Length (feet) <b>80</b> Width (feet)    N/A: Steel Pits Depth from ground level to deepest point: <b>5</b> (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 <b>2244</b> feet    Depth of water well <b>144</b> feet		Depth to shallowest fresh water <b>10</b> feet. Source of information: _____ measured    _____ well owner    _____ electric log <b>(6)</b> KDWR
<b>Emergency, Settling and Burn Pits ONLY:</b> 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		<b>Drilling, Workover and Haul-Off Pits ONLY:</b> Type of material utilized in drilling/workover: <b>Fresh Water Mud</b> Number of working pits to be utilized: <b>3</b> Abandonment procedure: <b>Allow to dry, then backfill.</b>  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.		<b>RECEIVED</b> KANSAS CORPORATION COMMISSION
<u>4/25/2008</u> Date	 Signature of Applicant or Agent	<b>APR 25 2008</b> CONSERVATION DIVISION WICHITA, KS
<b>KCC OFFICE USE ONLY</b>		
Date Received: <u>4/25/08</u> Permit Number: _____	Permit Date: <u>6/3/08</u> Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<b>Bent</b> <b>RF Sec 7246</b>

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

15159-22573-0000



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

June 3, 2008

Mr. Henry Clanton  
ARES Energy, Ltd.  
303 W. Wall St. Ste 900  
Midland, TX 79701

Re: Drilling Pit Application  
Skiles Lease Well No. 2-28  
SE/4 Sec. 28-18S-09W  
Rice County, Kansas

Dear Mr. Clanton:

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 **all pits must be lined with bentonite**. The free fluids must be removed. The fluids are to be removed from the reserve pit as soon as the Hutchinson Salt section has been drilled through and displacement of the fluids into the reserve pit has occurred. The fluids should be removed again within 72 hours 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 (316) 630-4000 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](http://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