

For KCC Use: Effective Date: 7-16-08 District # 4 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 July 19 2008 month day year

OPERATOR: License# 33625 Name: HERTEL OIL COMPANY, LLC Address: 704 East 12th Street City/State/Zip: Hays, KS 67601 Contact Person: Dave Hertel Phone: (785) 628-2445 CONTRACTOR: License# 31548 Name: Discovery Drilling Co., Inc.

Spot 75'S & 75'E of C NW SW Sec. 16 Twp. 14 S. R. 17W 1905 feet from N / S Line of Section 735 feet from E / W Line of Section Is SECTION X Regular Irregular?

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

County: Ellis Lease Name: BILLINGER Well #: 2 Field Name: Younger

Is this a Prorated / Spaced Field? Yes No Target Information(s): LKC & Arbuckle Nearest Lease or unit boundary: 735'

Ground Surface Elevation: 1989 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: 180'

Depth to bottom of usable water: 500' SSD

Surface Pipe by Alternate: 1 2

Length of Surface Pipe Planned to be set: 200' +

Length of Conductor Pipe required: 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 OWWO Seismic: # of Holes Other Well Class: Enh Rec Storage Disposal Wildcat Other Type Equipment: Infield Pool Ext. Wildcat Cable Mud Rotary Air Rotary

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 to the best of my knowledge and belief.

Date: July 9, 2008 Signature of Operator or Agent: [Signature] Title: Agent

RECEIVED KANSAS CORPORATION COMMISSION

JUL 11 2008

CONSERVATION DIVISION

For KCC Use ONLY API # 15 - 051-25800-0000 Conductor pipe required: None feet Minimum surface pipe required: 200 feet per Alt. Approved by: [Signature] This authorization expires: 7-11-09 (This authorization void if drilling not started within 12 months of effective date.) Spud date: Agent: [Signature]

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:

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

16 14 17W

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 - 051-25800-0000
 Operator: HERTEL OIL COMPANY, LLC
 Lease: BILLINGER
 Well Number: 2
 Field: Younger
 Number of Acres attributable to well: _____
 QTR / QTR / QTR of acreage: _____

Location of Well: County: Ellis
1905 feet from N / S Line of Section
735 feet from E / W Line of Section
 Sec. 16 Twp. 14 S. R. 17W East West

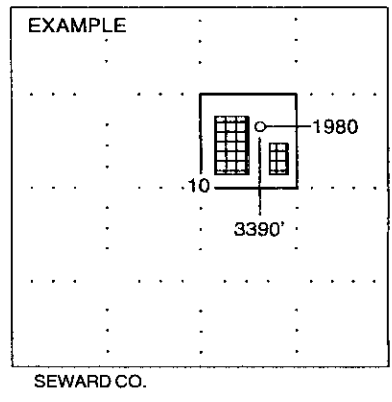
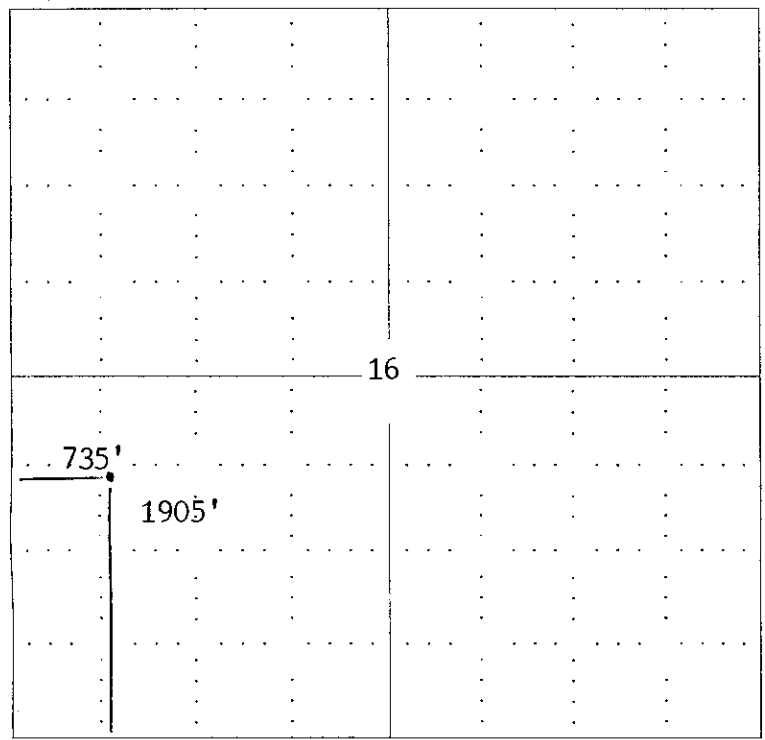
Is Section: Regular or Irregular

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.
 Ellis Co., KS

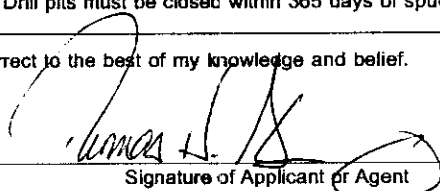
In plotting the proposed location of the well, you must show:

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 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).

**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: HERTEL OIL COMPANY, LLC		License Number: 33625
Operator Address: 704 East 12th Street Hays, KS 67601		
Contact Person: Dave Hertel		Phone Number: (785) 628 - 2445
Lease Name & Well No.: BILLINGER # 2		Pit Location (QQQQ): 75'E & 75'S of C NW SW
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: 3000 (bbls)	Sec. 16 Twp. 14S R. 17W <input type="checkbox"/> East <input checked="" type="checkbox"/> West 1905 Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section 735 Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section Ellis 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 checked="" type="checkbox"/> No	How is the pit lined if a plastic liner is not used? Clay soil, native and fresh mud.
Pit dimensions (all but working pits): 70 Length (feet) 70 Width (feet) N/A: Steel Pits Depth from ground level to deepest point: 5 (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 4266 feet Depth of water well 38 feet		Depth to shallowest fresh water 28 feet. Source of information: _____ measured _____ well owner _____ 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: Fresh Mud Number of working pits to be utilized: 3 Abandonment procedure: Allow liquid contents to evaporate, let cuttings dry and backfill. 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.		RECEIVED KANSAS CORPORATION COMMISSION
July 9, 2008 Date	 Signature of Applicant or Agent	JUL 11 2008 CONSERVATION DIVISION WICHITA, KS
KCC OFFICE USE ONLY		
Date Received: 7/11/08 Permit Number: _____ Permit Date: 7/11/08 Lease Inspection: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		

15-051-25800-0000

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

KCC -- Conservation Division Forms -- 11/01/2007

Internet KCC Home Page -- <http://kcc.ks.gov>

Conservation Division Home Page -- <http://kcc.ks.gov/conservation/index.htm>

Conservation Division Forms -- <http://kcc.ks.gov/conservation/forms/index.htm>

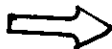
ADOBE FILL-IN FORM ON INTERNET

FORM DATE

General Administrative

- 09/2005 ■ License Application OPL-1
- 04/2004 ■ Request for Change of Operator; Transfer of Injection or Surface Pit Permit T-1

Well Permitting



- 10/2007 ■ Notice of Intent to Drill C-1 Please use updated form on future filings.
- 04/2004 ■ Application for Surface Pit CDP-1
- 12/1993 ■ Cathodic Protection Borehole Intent to Drill CB-1

Well Completion Reports and Other Well Application

- 09/1999 ■ Well Completion Form ACO-1
- 09/2005 ■ Commingling Application ACO-4
- 05/1988 ■ Dual Completion Report ACO-5
- 09/2005 ■ Well Location Exception Application Check List ACO-17
- 09/2005 ■ Venting-Flaring of Gas ACO-18
- 09/2005 ■ Extended Gas Venting Affidavit CG-3
- 09/2005 ■ Coalbed Natural Gas Venting Affidavit CG-4
- 10/2004 ■ Temporary Abandonment Application CP-111
- 09/2003 ■ Verified Affidavit For Vacuum Operations V-1

Surface Pits and Waste Transfer

- 04/2004 ■ Application for Surface Pit CDP-1
- 04/2004 ■ Closure of Surface Pit CDP-4
- 04/2004 ■ Exploration and Production Waste Transfer CDP-5

Well Plugging Report

- 09/2003 ■ Well Plugging Application CP-1
- 12/2003 ■ Well Plugging Record CP-4
- 08/2003 ■ Seismic Hole Affidavit

Oil & Gas Well Testing Report

- 10/1996 ■ Oil Productivity Test & GOR Report C-5
- 10/1996 ■ Multi-Point Back Pressure Test CG-1
- 07/2003 ■ One Point Stabilized Open Flow or Deliverability Test G-2

Gas Gathering Report

- 04/1998 ■ Gas Gathering Report GG-1
- 04/1998 ■ Gas Gathering Segment Report GG-1a

Oil and Gas Producer's Report

- 06/1989 ■ Summary of Oil Producers Report CO-8, CO-8A
- 08/2000 ■ Gas Producer/Purchaser Monthly Report CG-7, CG-7A

Acreage Attribution and Well Spacing Report

- 12/1994 ■ Oil Acreage Attribution Plat CO-7
- 12/1994 ■ Gas Acreage Attribution Plat CG-8
- 05/1989 ■ Application for Well Spacing ACO-7

New Pool and Certificate of Enhancement Projects (Severance Tax Exemptions) Request

- 10/2005 ■ New Pool Determination-Discovery Allowable ACO-16
- 10/1999 ■ Application for Enhanced Recovery Project Certification CER-1, and
Calculation Sheet Base Production Calculation and Certification CER 1-A

Underground Injection Control Report

- 07/2003 ■ UIC Application U-1
- 07/2003 ■ Annual Report U3-C. This form is required on an annual basis due each March 1.
- 07/2003 ■ Notice of Injection (of commencement or termination of injection) U-5
- 07/2003 ■ Application to Amend Injection Order U-8
- 07/2003 ■ Notice to Modify Injection Order U-9

Wireline Service

- 08/2003 ■ Monthly Wireline Service Company Report MWSC-1