

For KCC Use: 8-11-08
 Effective Date: _____
 District # 1
 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: September 20th 2008
month day year

OPERATOR: License# 32787 ✓
 Name: Kansas Natural Gas Operating, Inc.
 Address 1: P.O. Box 815
 Address 2: _____
 City: Sublette State: KS Zip: 67877 + _____
 Contact Person: Steve Lehning
 Phone: 620-675-8185
 CONTRACTOR: License# 33784 ✓
 Name: Trinidad Drilling, Inc.

Spot Description: NE SW SE 1/4
 NE SW SE 1/4 Sec. 24 Twp. 24 S. R. 35 E W
(1/4/4/4)
1,250 feet from N / S Line of Section
1,720 feet from E / W Line of Section

Is SECTION: Regular Irregular?

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

County: Kearny
 Lease Name: Cannon Well #: 1-3
 Field Name: Hugoton

Is this a Prorated / Spaced Field? Yes No

Target Formation(s): Hugoton-Chase

Nearest Lease or unit boundary line (in footage): 1250' FSL

Ground Surface Elevation: 2937' 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: 450' 350'

Depth to bottom of usable water: 800' 840' (Log)

Surface Pipe by Alternate: I II

Length of Surface Pipe Planned to be set: 900'

Length of Conductor Pipe (if any): None

Projected Total Depth: 2700'

Formation at Total Depth: Chase

Water Source for Drilling Operations: Well Farm Pond Other: (Hauled Fresh Water)

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 Other: _____
 Well Class: Enh Rec Storage Disposal Other
 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 #: _____

PRORATED & SPACED: HUGOTON-PANOMA

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: 7/30/08 Signature of Operator or Agent: Steven M. Lehning Title: Supt.

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CONSERVATION DIVISION
 WICHITA, KS

For KCC Use ONLY
 API # 15 - 093-21836-0000
 Conductor pipe required None feet
 Minimum surface pipe required 860 feet per ALT. I II
 Approved by: 620-86-08
 This authorization expires: 8-6-09
 (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: _____

24
 24
 35
 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 - ~~New Well Infield~~ **15-093-21836-0000**
 Operator: Kansas Natural Gas Operating, Inc.
 Lease: Cannon
 Well Number: 1-3
 Field: Hugoton

Number of Acres attributable to well: 640
 QTR/QTR/QTR/QTR of acreage: NE - SW - SE - **1/4**

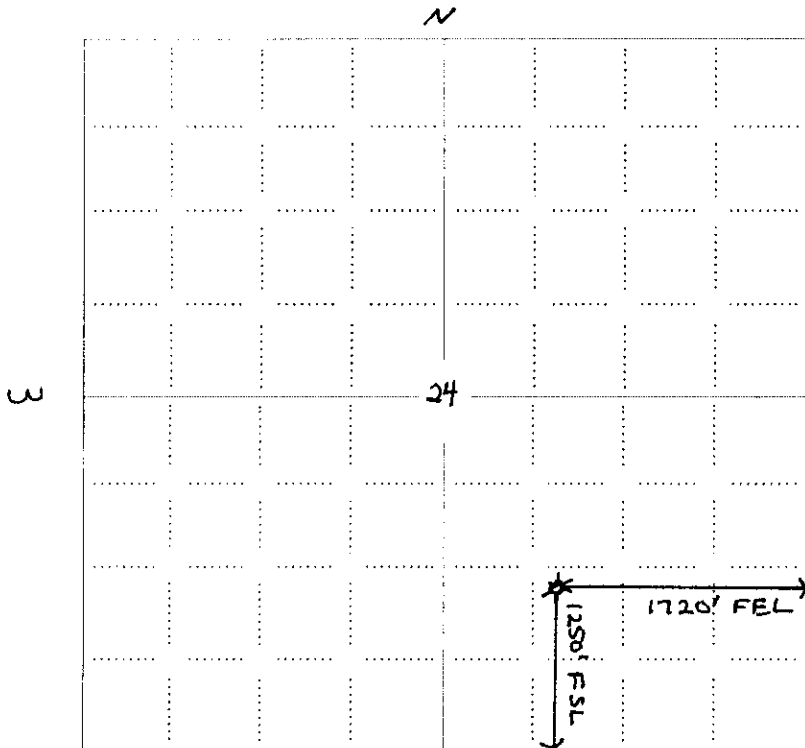
Location of Well: County: Kearny
 1,250 feet from N / S Line of Section
 1,720 feet from E / W Line of Section
 Sec. 24 Twp. 24 S. R. 35 E W

Is Section: Regular or Irregular

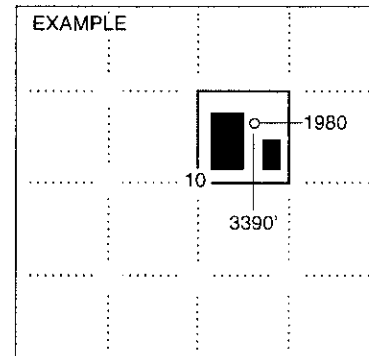
If Section is Irregular, locate well from nearest corner boundary.
 Section corner used: NE NW SE SW

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.)



Unit Comprised of all of
 Sec. 24-24S-35W
 Total of 640 Acres



SEWARD CO.

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

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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).

PLAT AND CERTIFICATION OF ACREAGE ATTRIBUTABLE TO A GAS WELL

Kansas Corporation Commission, Conservation Division
 Finney State Office Building, 130 South Market, Room 2078
 Wichita, Kansas 67202

API NUMBER 15- 093-21836-0000
New Well - Infield

LOCATION OF WELL: COUNTY Kearny Co.

OPERATOR Kansas Natural Gas Operating, Inc.

LEASE Cannon

1250 feet from south/north line of section

WELL NUMBER 1-3

1720 feet from east/west line of section

FIELD Hugoton

SECTION 24 TWP 24 (S) RG 35 E/W (W)

NUMBER OF ACRES ATTRIBUTABLE TO WELL 640

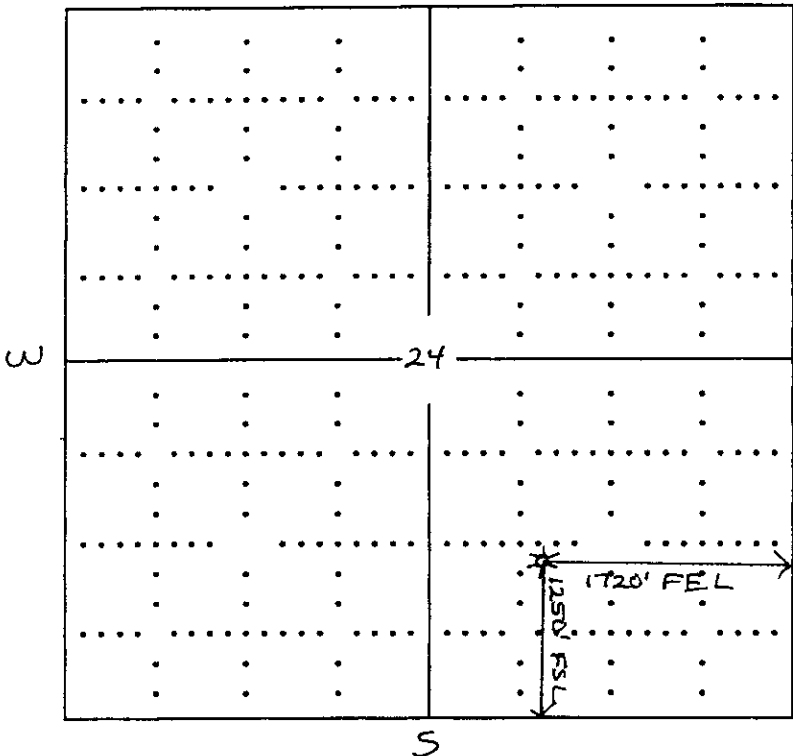
IS SECTION X REGULAR or IRREGULAR

QTR/QTR/QTR OF ACREAGE NE - SW - SE

IF SECTION IS IRREGULAR, LOCATE WELL FROM
 NEAREST CORNER BOUNDARY. (check line below)

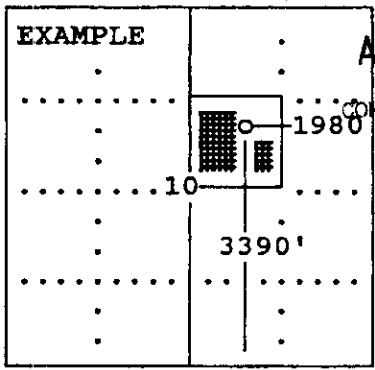
Section corner used: NE NW SE SW

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



Unit Comprised of all of
 Section 24-24S-35W
 Total of 640 Acres

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CONSERVATION DIVISION
 WICHITA, KS

The undersigned hereby certifies as Superintendent (title) for

Kansas Natural Gas Operating, Inc. (Co.), a duly authorized agent, that all
 information shown hereon is true and correct to the best of my knowledge and belief, that all
 acreage claimed attributable to the well named herein is held by production from that well
 and hereby make application for an allowable to be assigned to the well upon the filing of
 this form and the State test, whichever is later.

Signature Steven M. Lehning

Subscribed and sworn to before me on this 30th day of July, 19 2008

Kraig L. Gross
 Notary Public

My Commission expires _____

FORM CG-B (12/94)



**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: Kansas Natural Gas, Operating, Inc.		License Number: 32787
Operator Address: P.O. Box 815 Sublette, KS 67877		
Contact Person: Steve Lehning		Phone Number: 620-675-8185
Lease Name & Well No.: Cannon 1-3		Pit Location (QQQQ): NE SW SE 1/4 Sec. 24 Twp. 24 R. 35 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 1,240 ^{<i>1250</i>} Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section 1,650 ^{<i>1700</i>} Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section Kearny 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 checked="" 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: 500 (bbls)	
Is the pit located in a Sensitive Ground Water Area? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Chloride concentration: N/A 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? Gel-Mud
Pit dimensions (all but working pits): 70 Length (feet) 10 Width (feet) <input type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: 6 (feet) <input type="checkbox"/> No Pit		
If the pit is lined give a brief description of the liner material, thickness and installation procedure. N/A		Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring. N/A
Distance to nearest water well within one-mile of pit 448 feet Depth of water well 560 feet		Depth to shallowest fresh water 450 feet. Source of information: <input type="checkbox"/> measured <input checked="" 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: Fresh Water - Drill Mud Number of working pits to be utilized: 1 Abandonment procedure: Evaporate Till Dry. Backfill and Spread Manure over Location. 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
<u>7/30/08</u> Date	<u>Steven M. Lehning</u> , Supr. Signature of Applicant or Agent	AUG 01 2008 CONSERVATION DIVISION WICHITA, KS
KCC OFFICE USE ONLY		
Date Received: <u>8/1/08</u> Permit Number: _____		Steel Pit <input type="checkbox"/> RFAC <input type="checkbox"/> RFAS <input type="checkbox"/> <i>Normal</i>
Permit Date: <u>8/6/08</u> Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		

15-093-21836-0000