

For KCC Use:
 Effective Date: 8-19-08
 District #: 2
 SGA? Yes No

KANSAS CORPORATION COMMISSION
 OIL & GAS CONSERVATION DIVISION

Conductor Pipe Required

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: August 14, 2008
month day year

OPERATOR: License# 3833 ✓
 Name: John H. Shaida
 Address 1: 4126 Sweet Bay Circle
 Address 2: _____
 City: Wichita State: KS Zip: 67226 + _____
 Contact Person: John Shaida
 Phone: 316.636.2525
 CONTRACTOR: License# 32701 ✓
 Name: C & G Drilling Company

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 #: _____

Spot Description: _____
 C - SW - NW - NE Sec. 10 Twp. 24 S. R. 3 E W
 (a/a/a/a) 990 feet from N / S Line of Section
2,310 feet from E / W Line of Section

Is SECTION: Regular Irregular?
 (Note: Locate well on the Section Plat on reverse side)

County: Harvey
 Lease Name: Schrag Well #: 1
 Field Name: Burton Northeast

Is this a Prorated / Spaced Field? Yes No
 Target Formation(s): Lansing ✓
 Nearest Lease or unit boundary line (in footage): 990 ✓

Ground Surface Elevation: 1437 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: 100' 240' ✓
 Surface Pipe by Alternate: I II ✓
 Length of Surface Pipe Planned to be set: 250' ✓
 Length of Conductor Pipe (if any): 260' 12" diameter ✓

Projected Total Depth: 3200'
 Formation at Total Depth: Lansing

Water Source for Drilling Operations:
 Well Farm Pond Other: Haul ✓

DWR Permit #: _____ (Note: Apply for Permit with DWR)
 Will Cores be taken? Yes No ✓
 If Yes, proposed zone: _____

AFFIDAVIT

RECEIVED
 KANSAS CORPORATION COMMISSION

AUG 08 2008

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.

CONSERVATION DIVISION
 WICHITA, KS

I hereby certify that the statements made herein are true and correct to the best of my knowledge and belief.

Date: 8.7.08 Signature of Operator or Agent: _____ Title: Operator

For KCC Use ONLY
 API # 15 - 079-20677-0000
 → Conductor pipe required 260' (12" diameter) feet
 Minimum surface pipe required 260 feet per ALT. I II
 Approved by: RWA 81408
 This authorization expires: 8-14-09
 (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: _____

10
24
3
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 - 079-20677-0000
 Operator: John H. Shaida
 Lease: Schrag
 Well Number: 1
 Field: Burton Northeast

Location of Well: County: Harvey
 990 feet from N / S Line of Section
 2,310 feet from E / W Line of Section
 Sec. 10 Twp. 24 S. R. 3 E W

Number of Acres attributable to well: _____
 QTR/QTR/QTR/QTR of acreage: C - SW - NW - NE

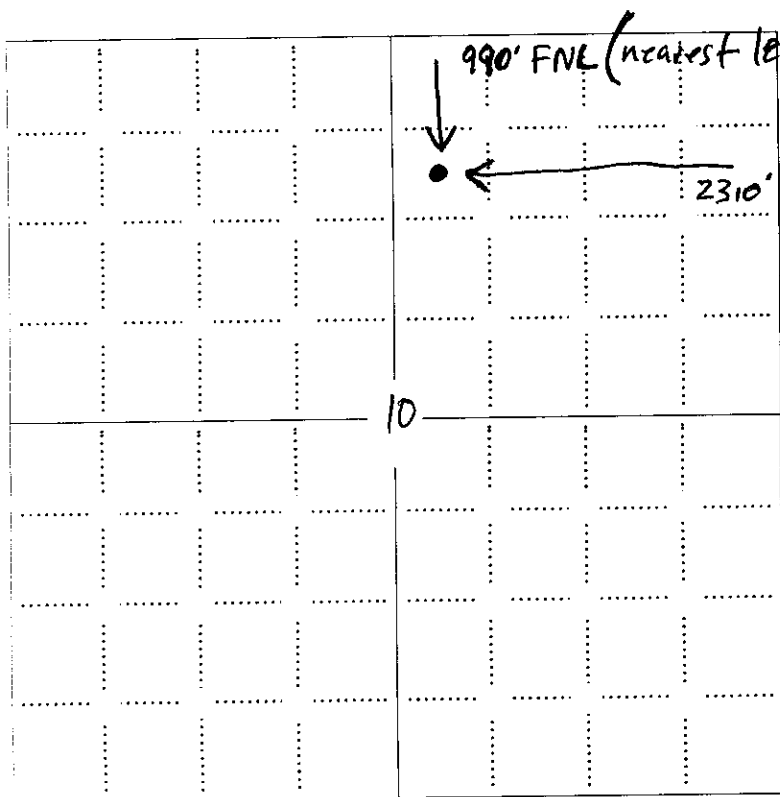
Is Section: Regular or Irregular

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.)*

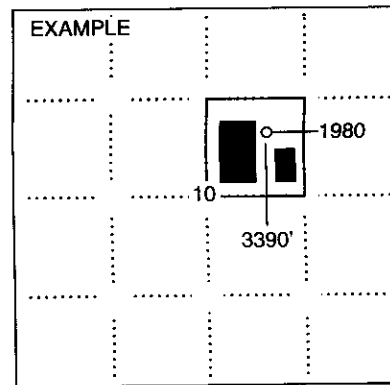


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AUG 08 2008

CONSERVATION DIVISION
 WICHITA, KS

Entire Plat is
 One Section



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

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

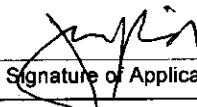
1. The manner in which you are using the depicted plat by identifying section lines, i.e. 1 section, 1 section with 8 surrounding sections, 4 sections, etc.
2. The distance of the proposed drilling location from the south / north and east / west outside section lines.
3. The distance to the nearest lease 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: (C0-7 for oil wells; CG-8 for gas wells).

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

Form CDP-1
April 2004
Form must be Typed

APPLICATION FOR SURFACE PIT

Submit in Duplicate

Operator Name: John H. Shaida		License Number: 3833
Operator Address: 4126 Sweet Bay Circle		Wichita KS 67226
Contact Person: John Shaida		Phone Number: 316.636.2525
Lease Name & Well No.: Schrag 1		Pit Location (QQQQ): C SW NW NE
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: 400 (bbls)	Sec. 10 Twp. 24 R. 3 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 990 Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section 2,310 Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section Harvey 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? native clay
Pit dimensions (all but working pits): 60 Length (feet) 60 Width (feet) <input type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: 5 (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. <div style="text-align: right;">RECEIVED KANSAS CORPORATION COMMISSION AUG 08 2008</div>
Distance to nearest water well within one-mile of pit 1400 feet Depth of water well 94 feet		Depth to shallowest fresh water 94 feet. CONSERVATION DIVISION WICHITA, KS Source of information: <input type="checkbox"/> measured <input checked="" type="checkbox"/> well owner <input type="checkbox"/> 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: premix/fresh water Number of working pits to be utilized: 4 Abandonment procedure: evaporation/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.		
Date: 8.7.08		Signature of Applicant or Agent: 

15-079-20677-0000

KCC OFFICE USE ONLY

Steel Pit RFAC RFAS

Date Received: **8/8/08** Permit Number: _____ Permit Date: **8/13/08** Lease Inspection: Yes 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*

August 13, 2008

John Shaida
4126 Sweet Bay Circle
Wichita, KS 67226

Re: Drilling Pit Application
Schrag Lease Well No. 1
NE/4 Sec. 10-24S-03W
Harvey County, Kansas

Dear Mr. Shaida:

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 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.

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,

A handwritten signature in black ink that reads "Kathy Haynes".

Kathy Haynes
Environmental Protection and Remediation Department

cc: File

Minimum Surface Casing Requirements--Appendix A

Definition of conductor pipe

A large diameter steel casing, having a minimum diameter of 12 inches, installed in an oil-and-gas-related well to protect fresh and usable water and stabilize unconsolidated materials when drilling in an area where the possibility of lost circulation zones exist at deeper depths.

Addition to minimum surface casing table

Within the sections listed below in this Appendix, the following rule shall be used for drilling any oil, gas, injection, disposal or service well: Conductor pipe shall be installed as soon as drilling penetrates twenty feet into the consolidated formation underlying the unconsolidated material. The annular space between the conductor pipe and the borehole shall be cemented from bottom to ground surface.

Conductor pipe, in addition to having a minimum diameter of 12 inches, shall be of sufficient size that if a lost circulation zone is encountered, the standard surface pipe can be installed through that zone. In areas where instability occurs within the unconsolidated materials, a pipe of sufficient diameter must be utilized to stabilize that portion of the borehole so that the minimum required amount of conductor pipe can be installed 20 feet into the underlying formation.

In those areas where the Appendix A list of sections includes sites that do not appear to have the unconsolidated material, a sufficient length of conductor pipe shall be on hand at the drilling site. In all cases, if unconsolidated material is encountered, conductor pipe shall be installed. If unconsolidated material is not encountered, the minimum required surface pipe shall be installed.

Section designated as having Wellington Aquifer with Hutchinson Salt Member present

Twp. 13S R. 3W Sec. 4, 5, 8-10, 15-17, 20-23, 25-29, 32-36

Twp. 14S R. 3W Sec. 1-5, 8-17, 20-29, 32-36

Twp. 15S R. 3W Sec. ALL

Twp. 15S R. 2W Sec. 6, 7, 18, 19, 30, 31

Twp. 16S R. 4W Sec. 1, 12, 13, 24, 25, 36

Twp. 16S R. 3W Sec. 4-9, 18, 19, 30, 31

Twp. 17S R. 4W Sec. 1, 12-14, 23-27, 34-36

Twp. 17S R. 3W Sec. 4-10, 16-20, 29-32

Twp. 18S R. 4W Sec. 1-4, 8-17, 20-29, 32-36

Twp. 18S R. 3W Sec. 6, 7, 18, 19, 30, 31

Twp. 19S R. 4W Sec. 1-5, 8-17, 20-29, 32-36

Twp. 19S R. 3W Sec. 6, 7, 18, 19, 30, 31

Twp. 20S R. 4W Sec. 1-5, 9-16, 21-28, 33-36

Twp. 20S R. 3W Sec. 30, 31

Twp. 21S R. 4W Sec. 1-5, 8-17, 20-36

Twp. 21S R. 3W Sec. 6, 7, 18, 19, 30, 31

Twp. 22S R. 5W Sec. 1, 12, 13, 24, 25, 36

Twp. 22S R. 4W Sec. ALL

Twp. 22S R. 3W Sec. 6-8, 17-20, 28-33

Twp. 23S R. 5W Sec. 1, 11-14, 23-26-35, 36

Twp. 23S R. 4W Sec. ALL

Twp. 23S R. 3W Sec. 4-9, 16-21, 28-33

Twp. 24S R. 5W Sec. 1, 2, 12

Twp. 24S R. 4W Sec. 1-18, 20-27, 35, 36

Twp. 24S R. 3W Sec. ALL except 1, 2, 12
Twp. 24S R. 2W Sec. 19, 20, 27-35
Twp. 25S R. 4W Sec. 1
Twp. 25S R. 3W Sec. ALL except 18, 19, 29-33
Twp. 25S R. 2W Sec. ALL
Twp. 25S R. 1W Sec. 7, 17-21, 27-35
Twp. 26S R. 3W Sec. 1, 2, 12, 13
Twp. 26S R. 2W Sec. ALL except 1, 12, 11, 12
Twp. 26S R. 1W Sec. ALL
Twp. 26S R. 1E Sec. 18, 19, 29-32
Twp. 27S R. 2W Sec. 1-5, 8-17, 21-28, 33-36
Twp. 27S R. 1W Sec. ALL
Twp. 27S R. 1E Sec. 5-9, 16-21, 28-33
Twp. 28S R. 2W Sec. 1-3, 10-15, 22-27, 35, 36
Twp. 28S R. 1W Sec. ALL (36 No salt)
Twp. 28S R. 1E Sec. 4-10, 15-22, 26-35
Twp. 29S R. 2W Sec. 1, 2, 11-14, 23-26, 35, 36
Twp. 29S R. 1W Sec. ALL
Twp. 29S R. 1E Sec. ALL except 1
Twp. 30S R. 1W Sec. ALL except 18-20, 39-32
Twp. 30S R. 1E Sec. ALL
Twp. 30S R. 2E Sec. 6, 7, 17-21, 28-34
Twp. 31S R. 1W Sec. 1-3, 10-14, 23-26, 35, 36
Twp. 31S R. 1E Sec. ALL except 28, 29, 32, 33, 34
Twp. 31S R. 2E Sec. 3-11, 14-22, 28-31
Twp. 32S R. 1E Sec. 1
Twp. 32S R. 2E Sec. 5, 6
Twp. 33S R. 1E Sec. 31, 32
Twp. 34S R. 1E Sec. 1-3, 11-13
Twp. 34S R. 2E Sec. 6-8, 17-20