

For KCC Use:

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: 11/08/2008
month day year

OPERATOR: License# 5447 ✓
Name: OXY USA, Inc.
Address 1: P O Box 2528
Address 2:
City: Liberal State: KS Zip: 67880 +
Contact Person: Jarod Powell
Phone: 620-629-4227

CONTRACTOR: License# 30606 ✓
Name: Murfin Drilling Co., Inc.

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 #:

Oil & Gas Lease Attached
PRORATED & SPACED: HUBBARD - PANOMA

Spot Description:
NE NE SW Sec. 18 Twp. 27 S. R. 33 E W
(0/0/0) 2,512 feet from N / S Line of Section
2,106 feet from E / W Line of Section

Is SECTION: Regular Irregular?

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

Lease Name: Frey "I" Well #: 3

Field Name: Atkins Southwest

Is this a Prorated / Spaced Field? Yes No

Target Formation(s): St Louis

Nearest Lease or unit boundary line (in footage): 2106.34

Ground Surface Elevation: 2960.06 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: 490

Depth to bottom of usable water: 820

Surface Pipe by Alternate: I II

Length of Surface Pipe Planned to be set: 1760'

Length of Conductor Pipe (if any):

Projected Total Depth: 5500

Formation at Total Depth: St Louis

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:

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:

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KANSAS CORPORATION COMMISSION

OCT 31 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 correct to the best of my knowledge and belief.

Date: 10/30/2008 Signature of Operator or Agent: Jarod Powell Title: Capital Assets

For KCC Use ONLY

API # 15 - 081-218520000

Conductor pipe required None feet

Minimum surface pipe required 840 feet per ALT. I II

Approved by: Jarod Powell 11-6-08

This authorization expires: 11-6-09
(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:

18
27
33
 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 - 081-21852-0000
Operator: OXY USA, Inc.
Lease: Frey "I"
Well Number: 3
Field: Atkins Southwest

Location of Well: County: Haskell
2,512 feet from N / S Line of Section
2,106 feet from E / W Line of Section
Sec. 18 Twp. 27 S. R. 33 E W

Number of Acres attributable to well: 10
QTR/QTR/QTR/QTR of acreage: NE NE SW

Is Section: Regular or Irregular

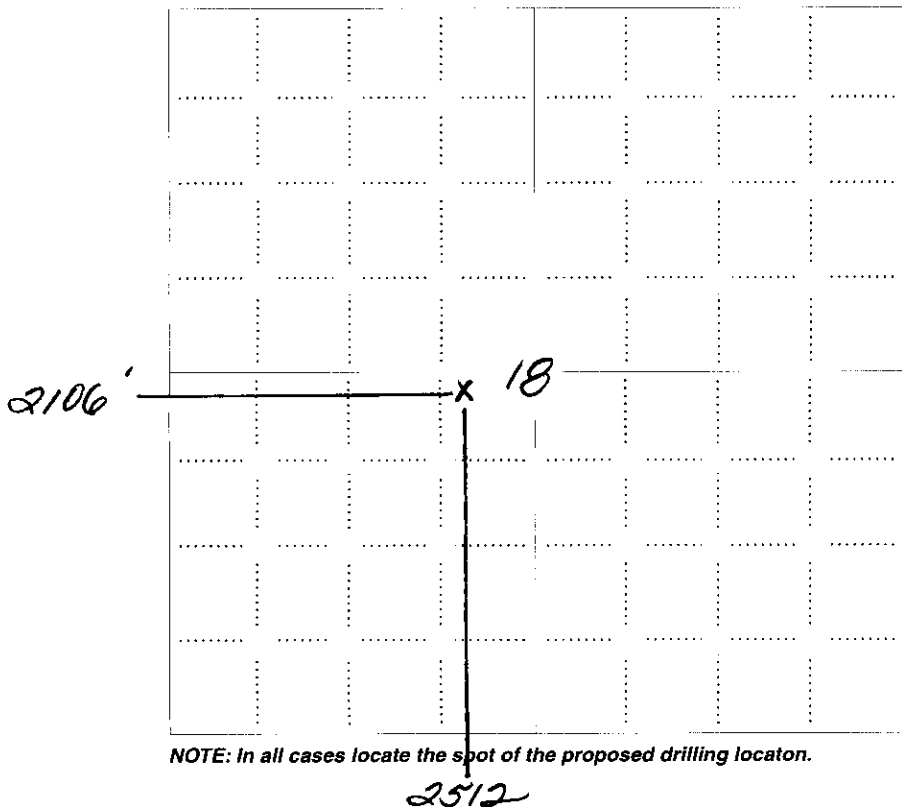
If Section is Irregular, locate well from nearest corner boundary.

Section corner used: NE NW SE SW

PLAT

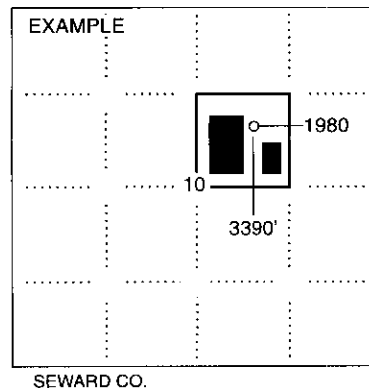
(Show location of the well and shade attributable acreage for prorated or spaced wells.)

(Show footage to the nearest lease or unit boundary line.)



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

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CONSERVATION DIVISION
WICHITA, KS



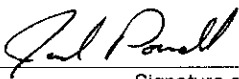
In plotting the proposed location of the well, you must show:

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**

Form CDP-1
April 2004
Form must be Typed

Submit in Duplicate

Operator Name: OXY USA Inc.		License Number: 5447
Operator Address: P. O. Box 2528, Liberal, KS 67901		
Contact Person: Jimmy Welch		Phone Number: (620) 277 - 2203
Lease Name & Well No.: Frey "I" #3		Pit Location (QQQQ): NE NE 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: 16000 (bbls)	Sec. 18 Twp. 27S R. 33 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 2512.16 Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section 2106.34 Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section Haskell 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? Bentonite & Cuttings
Pit dimensions (all but working pits): 150 Length (feet) 150 Width (feet) N/A: Steel Pits Depth from ground level to deepest point: 4 (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. <div style="text-align: right;">RECEIVED KANSAS CORPORATION COMMISSION OCT 31 2008 CONSERVATION DIVISION WICHITA, KS /</div>
Distance to nearest water well within one-mile of pit 2182 feet Depth of water well 500 feet		Depth to shallowest fresh water 260 feet. Source of information: JR-KGS _____ measured _____ well owner _____ electric log _____ 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 Mud Number of working pits to be utilized: _____ Abandonment procedure: Evaporation 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. <div style="display: flex; justify-content: space-between;"><div>Date: <u>10/30/2008</u></div><div> Signature of Applicant or Agent</div></div>		
KCC OFFICE USE ONLY RFAC		
Date Received: <u>10/31/08</u> Permit Number: _____ Permit Date: <u>11/5/08</u> Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		

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

15-081-2185-2-0000



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

November 5, 2008

OXY USA, Inc.
PO Box 2528
Liberal, KS 67905

Re: Drilling Pit Application
Frey I Lease Well No. 3
SW/4 Sec. 18-27S-33W
Haskell County, Kansas

Dear Sir or Madam:

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 within 96 hours of drilling completion.

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 (620) 225-8888 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,


Kathy Haynes

Environmental Protection and Remediation Department

cc: File

OIL AND GAS LEASE

K-177

KANSAS PRINT CO.

15-081-21852-0000

THIS AGREEMENT, Entered into this the 3rd day of August, 1946

between Geo. S. Frey and Clara Frey, his wife

and Columbian Fuel Corporation

1. That lessor, for and in consideration of the sum of One and no/100 Dollars (\$ 1.00)

in hand paid, and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted and leased and hereby grants, leases and lets unto the lessee for the purpose of mining and operating for and producing oil and gas, casinghead gas and casinghead gasoline, laying pipe lines, building tanks, storing oil, building povers, stations, telephone lines and other structures thereon to produce, save, take care of and manufacture all of such substances, and for housing and boarding employees, the following described tract of land in Haskell

County Kansas to-wit: the West Half (W 1/2)

in Section 18 Township 27 South Range 33 West and containing 320 acres, more or less

2. This lease shall remain in force for a term ending June 28th, 1955 and as long thereafter as oil, gas, casinghead gas, casinghead gasoline, or any of them is produced.

3. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in the pipe line to which lessee may connect its wells the equal one-eighth part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for such one-eighth royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line, or into storage tanks.

4. The lessee shall monthly pay lessor as royalty on gas marketed from each well where gas only is found, one-eighth (1/8) of the proceeds if sold at the well or if marketed by lessee off the leased premises, then one-eighth (1/8) of its market value at the well. The lessee shall pay the lessor: (a) one-eighth (1/8) of the proceeds if sold at the well or if marketed by lessee off the leased premises, then one-eighth (1/8) of its market value at the well, at the mouth of the well, computed at the prevailing market price, of the casinghead gas, produced from any oil well and used by lessee off the leased premises for any purpose or used on the leased premises by the lessee for purposes other than the development and operation thereof. Lessor shall have the privilege at his own risk and expense of using gas from any gas well on said land for stoves and inside lights in the principal dwelling located on the leased premises by making his own connections there.

Where gas from a well or wells, capable of producing gas only, is not sold or used for a period of one year, lessee shall pay or tender as royalty, an amount equal to the delay rental as provided in paragraph (5) hereof, payable annually at the end of each year during which such gas is not sold or used, and while said royalty is so paid or tendered this lease shall be held as a producing property under paragraph numbered two hereof.

5. If operations for the drilling of a well for oil or gas on said land or for gas, on a consolidated leasehold estate of which this land is a part thereof, as contemplated in paragraph 9, are not commenced on or before June 28th, 1947 this lease shall terminate as to both parties unless the lease shall on or before that date, pay or tender to the lessor, or to the lessor's credit in the

The Fidelity State Bank at Garden City, Kansas

its successors, which bank and its successors are the lessor's agent and shall continue as the depository of any and all sums payable under this lease, regardless of changes of ownership in said land or in the oil and gas, or in the rentals to accrue thereunder, the sum of

One hundred sixty and no/100 Dollars (\$ 160.00) which shall operate as

rental and cover the privilege of deferring the commencement of drilling operations for a period of one year. In like manner and upon like payments or tenders, the commencement of drilling operations may be further deferred for like periods successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. Notwithstanding the death of the lessor, or his successors in interest, the payment or tender of rentals in the manner provided above shall be binding on the heirs, devisees, executors, and administrators of such persons.

6. If at any time prior to the discovery of oil or gas on this land and during the term of this lease, the lessee shall drill a dry hole, or holes, on this land, this lease shall not terminate, provided operations for the drilling of a well shall be commenced by the next ensuing rental paying date, or provided the lessee begins or resumes the payment of rentals in the manner and amount herein above provided; and in this event, the preceding paragraphs hereof governing the payment of rentals and the manner and effect thereof shall continue in force.

7. In case said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided for shall be paid the said lessor only in the proportion which his interest bears to the whole and undivided fee.

8. The lessee shall have the right to use free of cost, gas, oil and water found on said land for its operations thereon, except water from the wells of the lessee. Where required by lessor, the lessee shall bury pipe lines below plow depth and shall pay for damage caused by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during or after the expiration of this lease to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing.

9. As to the gas leasehold estate hereby granted (excluding casinghead gas produced from oil wells), lessee is expressly granted the right and privilege to consolidate said gas leasehold with any other adjacent or contiguous gas leasehold estates to form a consolidated gas leasehold estate which shall not exceed a total area of 640 acres; and in the event lessee exercises the right and privilege of consolidation, as herein granted, the consolidated gas leasehold estate shall be deemed, treated and operated in the same manner as though the entire consolidated leasehold estate were originally covered by and included in this lease, and all royalties which shall accrue on gas (excluding casinghead gas produced from oil wells), produced and marketed from the consolidated estate, including all royalties payable hereunder, shall be prorated and paid to the lessors of the various estates included in the consolidated estate in the same proportion that the acreage of each said lease bears to the total acreage of the consolidated estate, and a producing gas well on any portion of the consolidated estate shall operate to continue the oil and gas leasehold estate hereby granted so long as gas is produced therefrom.

10. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in the rentals or royalties shall be binding on the lessee until after notice to the lessee and it has been furnished with the written transfer or assignment or a certified copy thereof.

11. If the leased premises shall hereafter be owned in severally or in separate tracts, the premises, nevertheless, shall be developed and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion that the acreage owned by each such separate owner bears to the entire leased acreage. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks. It is hereby agreed that, in the event this lease shall be assigned as to a part or as to parts of the above described lands, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessee or any assignee hereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties desiring to drill a well on the leased premises or on the consolidated gas leasehold estate within one hundred twenty (120) days from such cessation, and transfer orders on behalf of said parties and their respective successors in title.

12. Lessor hereby warrants and agrees to defend the title to the land herein described and agree that the lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and, in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

13. Notwithstanding anything in this lease contained to the contrary it is expressly agreed that if lessee shall commence drilling operations at any time while this lease is in force, this lease shall remain in force and its term shall continue so long as such operations are prosecuted and, if production results therefrom, then as long as production continues.

14. If, within the primary term of this lease, the well or wells on the leased premises, or on the consolidated gas leasehold estate, shall cease to be productive, this lease shall not terminate, provided operations for the drilling of a well on the leased premises, or on the consolidated gas leasehold estate, shall be commenced before or on the next ensuing rental payment date; or, provided lessee begins or resumes the payment of rentals in the manner and amount hereinbefore provided. It is agreed, however, that the completion of a well producing or capable of producing gas, upon the property hereinabove described, or the inclusion of such property in a consolidation not producing or capable of producing gas as provided by paragraph number 9 hereof, shall constitute full and complete development with respect to the gas leasehold estate hereby granted, if, upon, or after the expiration of the primary term of this lease, the well or wells on the leased premises, or on the consolidated gas leasehold estate, shall be incapable of producing, this lease shall not terminate provided lessee resumes operations for drilling a well on the leased premises or on the consolidated gas leasehold estate within one hundred twenty (120) days from such cessation, and this lease shall remain in force during the prosecution of such operations and, if production results therefrom, then as long as production continues.

15. It is contemplated and agreed by both lessor and lessee that this lease shall at all times and in all respects be subject to valid orders, rules and regulations of any duly constituted authority having jurisdiction of the subject matter hereof.

16. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all the heirs, grantees, administrators or assigns of said Lessor or Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Signature of Clara V. Frey

K 1770 K-177

KU 1121

15-091-21852-0000

STATE OF KANSAS } ss. ACKNOWLEDGMENT FOR INDIVIDUAL (Oklahoma and Kansas)
COUNTY OF FINNEY }
Before me, the undersigned, a Notary Public, within and for said County and State, on this 3rd
day of August, 19 46, personally appeared Geo. S. Frey
and Clara V. Frey (husband and wife)

to me personally known to be the identical person he who executed the within and foregoing instrument and acknowledged to me
that they executed the same as their free and voluntary act and deed for the uses and purposes therein set forth.
IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.
My commission expires April 10th, 1950
[Signature]
Notary Public

STATE OF _____ } ss. ACKNOWLEDGMENT FOR INDIVIDUAL (Oklahoma and Kansas)
COUNTY OF _____ }
Before me, the undersigned, a Notary Public, within and for said County and State, on this _____
day of _____, 19 _____, personally appeared _____
and _____

to me personally known to be the identical person _____ who executed the within and foregoing instrument and acknowledged to me
that _____ executed the same as _____ free and voluntary act and deed for the uses and purposes therein set forth.
IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.
My commission expires _____
Notary Public

STATE OF _____ } ss. ACKNOWLEDGMENT FOR CORPORATION
COUNTY OF _____ }
Be it remembered that on this _____ day of _____, 19 _____, before me, the undersigned, a
Notary Public, duly commissioned, in and for the county and state aforesaid, came _____
_____ president of _____

a corporation of the State of _____, personally known to me to be such officer, and to be
the same person who executed as such officer the foregoing instrument of writing in behalf of said corporation, and he duly ac-
knowledged the execution of the same for himself and for said corporation for the uses and purposes therein set forth.
IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year last above written.
My commission expires _____
Notary Public

No. _____
OIL AND GAS LEASE
FROM _____
TO _____
Date _____, 19 _____
Section _____ Twp. _____ Rge. _____
No. of Acres _____ Term _____
County _____
STATE OF Kansas } ss:
County of Harmon }
This instrument was filed for record on the
15th day of Aug, 19 46
at 9:30 o'clock A.M., and duly recorded
in Book _____ Page 117 of
the records of this office.
[Signature]
By _____
When recorded, return to _____
THE KANSAS BLUE PRINT CO.
141 NORTH MARKET ST. WICHITA, KANSAS
PHOTOGRAPH SERVICE - 6-10-DAY OIL MAPS

NOTE: When signature by mark in Kansas, said mark to be witnessed by at least one person and also acknowledged.
For acknowledgment by mark, use regular Kansas acknowledgment.

STATE OF _____ } ss. ACKNOWLEDGMENT FOR INDIVIDUAL (Oklahoma, Kansas and Colorado)
COUNTY OF _____ }
Before me, the undersigned, a Notary Public, within and for said County and State, on this _____
day of _____, 19 _____, personally appeared _____
and _____

to me personally known to be the identical person _____ who executed the within and foregoing instrument and acknowledged to me
that _____ executed the same as _____ free and voluntary act and deed for the uses and purposes therein set forth.
IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.
My commission expires _____
Notary Public