

For KCC Use:  
 Effective Date: 12-9-08  
 District # 4  
 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: December 12 2008  
month day year

OPERATOR: License# 34132 ✓  
 Name: Mikol Oil, LLC  
 Address 1: 1000 West 37th Street  
 Address 2: \_\_\_\_\_  
 City: Hays State: Kansas Zip: 67801 + \_\_\_\_\_  
 Contact Person: Larry Denning  
 Phone: 785-259-2360  
 CONTRACTOR: License# 33493 ✓  
 Name: American Eagle Drilling, LLC

Spot Description: 2369-G-1-2020-W of NE-NE-SW 14  
 (XXXX) NE NE SW Sec. 14 Twp. 10 S. R. 17  E  W  
2,369 feet from  N /  S Line of Section  
2,626 feet from  E /  W Line of Section  
 Is SECTION:  Regular  Irregular?

(Note: Locate well on the Section Plat on reverse side)  
 County: ROOKS COUNTY KANSAS  
 Lease Name: GOSSER Well #: 1  
 Field Name: WILDCAT

Is this a Prorated / Spaced Field?  Yes  No  
 Target Formation(s): ARBUCKLE

Nearest Lease or unit boundary line (in footage): 2369' FSL  
 Ground Surface Elevation: 2073' GROUND 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: APPROXIMATELY 180'  
 Depth to bottom of usable water: APPROXIMATELY 800'

Surface Pipe by Alternate:  I  II  
 Length of Surface Pipe Planned to be set: ESTIMATED 200'

Length of Conductor Pipe (if any): N/A  
 Projected Total Depth: 3980'  
 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  
 Enh Rec  Storage  Disposal  
 Seismic; # of Holes \_\_\_\_\_  
 Other: \_\_\_\_\_  
 If OWWO: old well information as follows:

Well Class:  Infield  Pool Ext.  Wildcat  Other  
 Type Equipment:  Mud Rotary  Air Rotary  Cable

Operator: N/A  
 Well Name: N/A  
 Original Completion Date: N/A Original Total Depth: N/A

Directional, Deviated or Horizontal wellbore?  Yes  No  
 If Yes, true vertical depth: \_\_\_\_\_  
 Bottom Hole Location: \_\_\_\_\_  
 KCC DKT #: \_\_\_\_\_

*Oil & Gas lease submitted.*

**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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 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: NOVEMBER 24, 08 Signature of Operator or Agent: Larry Denning Title: PARTNER

**For KCC Use ONLY**  
 API # 15 - 163-23788-0000  
 Conductor pipe required None feet  
 Minimum surface pipe required 200 feet per ALT.  I  II  
 Approved by: [Signature] 12-4-08  
 This authorization expires: 12-4-09  
 (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: \_\_\_\_\_

14  
10  
17  
 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 - 16323788-0000  
 Operator: Mikol Oil, LLC  
 Lease: Gosser  
 Well Number: 1  
 Field: Wildcat

Number of Acres attributable to well: \_\_\_\_\_  
 QTR/QTR/QTR/QTR of acreage: \_\_\_\_\_ - NE - NE - SW

Location of Well: County: Rooks County, Kansas  
 2,369 feet from  N /  S Line of Section  
 2,626 feet from  E /  W Line of Section  
 Sec. 14 Twp. 10 S. R. 17  E  W

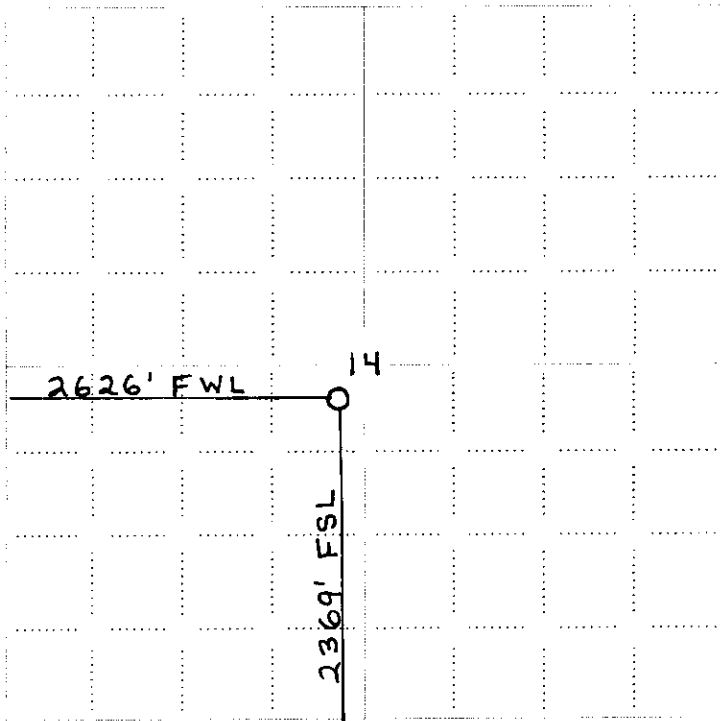
Is Section:  Regular or  Irregular

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

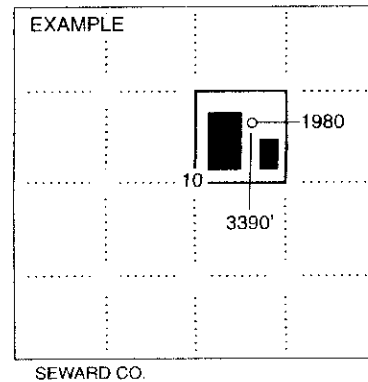
Section corner used:  NE  NW  SE  SW

**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.)*



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**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: (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: <b>Mikol Oil, LLC</b>		License Number: <b>34132</b>	
Operator Address: <b>1000 W. 37th Street Hays, Kansas 67601</b>			
Contact Person: <b>Larry Denning</b>		Phone Number: <b>785-259-2360</b>	
Lease Name & Well No.: <b>Gosser 1</b>		Pit Location (QQQQ): <b>NE NE SW</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 <i>(If WP Supply API No. or Year Drilled)</i>		Pit is: <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: <b>500</b> (bbls)	
Is the pit located in a Sensitive Ground Water Area? <input checked="" type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Chloride concentration: _____ mg/l <i>(For Emergency Pits and Settling Pits only)</i>	
Is the bottom below ground level? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Artificial Liner? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
How is the pit lined if a plastic liner is not used?			
Pit dimensions (all but working pits): <u>40</u> Length (feet) <u>12</u> Width (feet) <input type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: <u>6</u> (feet) <input type="checkbox"/> No Pit			
If the pit is lined give a brief description of the liner material, thickness and installation procedure. <b>Standard black plastic</b>		Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring. <b>Daily visual inspection</b>	
Distance to nearest water well within one-mile of pit <b>NW NW NW OF S13-105-17W APPROX. 3300'</b> approx. <u>2,970</u> feet    Depth of water well <u>37</u> feet		Depth to shallowest fresh water <u>14</u> feet. Source of information: <input checked="" type="checkbox"/> measured <input type="checkbox"/> well owner <input type="checkbox"/> electric log <input type="checkbox"/> 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: <u>ROTARY MUD</u> Number of working pits to be utilized: <u>3</u> Abandonment procedure: <u>waste will be transferred, pit will be allowed to air dry; pit will be filled back in to ground level.</u> 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 <b>DEC 03 2008</b> KANSAS CORPORATION COMMISSION CONSERVATION DIVISION WICHITA, KS	
November 24, 2008 Date		_____ Signature of Applicant or Agent	
<b>KCC OFFICE USE ONLY</b> Steel Pit <input type="checkbox"/> RFAC <input checked="" type="checkbox"/> RFAS <input type="checkbox"/>			
Date Received: <u>12/3/08</u> Permit Number: _____    Permit Date: <u>12/3/08</u> Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			

15-163-23-788-0000



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

December 3, 2008

Mikol Oil, LLC  
1000 West 37<sup>th</sup> St  
Hays, KS 67601

RE: Drilling Pit Application  
Gosser Lease Well No. 1  
SW/4 Sec. 14-10S-17W  
Rooks 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 as soon as practical after drilling operations have ceased. **Keep pits away from the draw.**

**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 (785) 625-0550 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: district

Form 88 (Producers) B

BK 039 | PG 301

15-163-23788-0000

Corrected  
OIL AND GAS LEASE

AGREEMENT, Made and entered into (date) July 10th 2008

by and between:

Allen L. Gosser and Donna J. Gosser Husband and wife  
1001 Codell Road  
Codell Kansas, 67663

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WICHITA, KS

Party of the first part, hereinafter called lessor (whether one or more) and

Mikol Oil, LLC

Party of the second part, hereinafter called lessee (whether one or more).

WITNESSETH, That the said lessor, for and in consideration of \$ 4,000.00 DOLLARS, cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of lease to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto said lessee, for the sole and only purpose of mining and operating for oil and gas, and laying pipe lines, and building tanks, power stations and structures thereon to produce, save and take care of said products, all that certain tract of land, "together with any reversionary rights therein," situated in the County of Rooks State of Kansas, described as follows, to-wit:

The Northwest Quarter (N/W4) of Section Thirteen (13). The South Half (S/2) of the Northwest Quarter (N/W4) of Section Fourteen (14). The South Half (S/2) of the Northeast Quarter (N/E4) of Section Fourteen (14). The Southeast Quarter (S/E4) of Section Fourteen (14). The Southwest Quarter (S/W4) of Section Fourteen (14). The Northwest Quarter (N/W4) of Section Twenty Three (23). Township Ten (10) Range Seventeen (17) West.

Of Section Township Range and containing 800 acres more or less.

It is agreed that this lease shall remain in full force for a term of Three years from this date, and as long thereafter as oil or gas, or either of them, is produced from said land by the lessee, or the premises are being developed or operated.

In consideration of the premises the said lessee covenants and agrees:

1<sup>st</sup> To deliver to the credit of the lessor, free of cost, in the pipe line to which he may connect his wells, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

2<sup>nd</sup> The lessee shall pay to lessor for gas produced from any oil well and used by the lessee for the manufacture of gasoline or any other product as royalty 1/8 of the market value of such gas at the mouth of the well: If said gas is sold by the lessee, then as royalty 1/8 of the proceeds of the sale thereof at the mouth of the well. The lessee shall pay the lessor as royalty 1/8 of the proceeds from the sale of gas as such at the mouth of the well where gas only is found and where such gas is not sold or used, lessee shall pay or tender annually at the end of each yearly period during which such gas is not sold or used as royalty, an amount equal to the delay rental provided in the next succeeding paragraph hereof, and while said royalty is so paid or tendered this lease shall be held as a producing lease under the above term paragraph hereof: the lessor to have gas free of charge from any gas well, the use of such gas to be at the lessor's sole risk and expense.

If no well be commenced on said land on or before July 10th 2011 this lease shall terminate as to both parties, unless the lessee on or before that date shall pay or tender to the lessor, or to the lessor's credit in Bank at or its successors, which shall continue as the depository regardless of changes in the ownership of said land, the sum of

DOLLARS, which shall operate as a rental and cover the privilege of deferring the commencement of a well for twelve months from said date. In like manner and upon like payments or tenders the commencement of a well may be further deferred for like periods or the same number of months successively. All such payments or tenders of rental may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date either direct to lessor or assigns or to said depository bank. And it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privileges granted to the date when said first rental is payable as aforesaid, but also the lessee's option of extending that period aforesaid, and any and all other rights conferred. Lessee may at any time execute and deliver to Lessor, or Place of record, a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered, and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered hereon is reduced by said release or releases.

Should the first well drilled on the above described land be a dry hole, then, and in that event, if a second well is not commenced on said land within twelve months from the expiration of the last rental period for which rental has been paid, this lease shall terminate as to both parties, unless the lessee on or before the expiration of said twelve months shall resume the payment of rentals in the same amount and in the same manner as herein before provided And it is agreed that upon the resumption of the payment of rentals, as above provided, that the last preceding paragraph hereof, governing the payment rentals and the effect thereof, shall continue in force just as though there had been no interruption in the rental payments.

If 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 shall be paid the lessor only in the proportion which his interest bears to the whole and undivided fee. However, such rental shall be increased at the next succeeding rental anniversary after any reversion occurs to cover the interest so acquired.

Lessee shall have the right to use, free of cost, gas, oil, and water produced on said land for its operation thereon, except water from wells of lessor.

When requested by lessor, lessee shall bury his pipe lines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the lessor.

Lessee shall pay for damages caused by its operation to growing crops on said land.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

If the lessee shall commence to drill a well within the term of this lease or any extension thereof, the lessee shall have the right to drill such well to completion with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with the like effect as if such well had been completed within the term of years herein first mentioned.

BK0391PG302

Form 88 (Producers) B

502  
400  
115 W. 23rd St  
P.O. Box 65  
Harris

If the estate of either party hereto is transferred, and the privilege of transferring in whole or in part is expressly allowed, or if the rights hereunder of either party hereto are vested by descent or devise, the covenants hereof shall extend to and be binding on the heirs, devisees, executors, administrators, successors, or assigns, but no change in the ownership of said land or of any right hereunder shall be binding on the lessee until after lessee has been furnished with the original or a certified copy thereof of any transfer by lessor or with a certified copy of the will of lessor together with a transcript of probate thereof or, in the event lessor dies intestate and his estate is being administered, with a transcript of the administration proceedings or, in the event of the death of lessor and no administration being had on the estate, with an instrument satisfactory to lessee executed by lessor's heirs authorizing payment or deposit or tender for deposit to their credit as hereinbefore provided, at least thirty days before said rentals and royalties are payable or due, and it is hereby agreed in the event this lease shall be assigned as to parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents 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 lands upon which the said lessee or any assignee thereof shall make due payments of said rentals. In case lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment. If the leased premises are now or hereafter owned severally or in separate tracts, the premises, nevertheless, may be developed and operated as an entirety, and the royalties shall be paid to each separate owner in the proportion that the acreage owned by him bears to the entire leased area. 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 hereafter be divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks for the oil produced from such separate tracts.

Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to redeem for lessor by payment; any mortgages, taxes or other liens on the above described lands, in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof and may reimburse itself from any rental or royalties accruing hereunder.

The terms, covenants, and conditions hereof shall run with said land and herewith and shall be binding upon the parties hereto, their heirs, administrators, devisees, executors, successors and assigns; however, all express or implied covenants of this lease shall be subject to all Federal and State Laws. Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor lessee held liable for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation.

This corrected Oil and Gas lease is given to correct an Oil and Gas lease dated July 10, 2008, from Allen L.

Gosser and Donna J. Gosser, Lessor, to Mikol Oil, LLC, Lessee, recorded in Book 387, page 320 of the records of the Rooks County, Kansas, Register of Deeds.

Whereof witness our hands as of the day and year first above written.

Allen L. Gosser ALLEN L. GOSSER (seal)  
Donna J. Gosser DONNA J. GOSSER (seal)

STATE OF Kansas  
COUNTY OF Rooks  
The foregoing instrument was acknowledged before me this 7<sup>th</sup> day of November, 2008  
by Allen L. Gosser  
My commission expires 2-24-2009  
(seal)

ACKNOWLEDGEMENT FOR INDIVIDUAL  
Notary Public  
Jackie J. Langholz  
NOTARY PUBLIC - State of Kansas  
My Comm. Expires 2-24-09

STATE OF Kansas  
COUNTY OF Rooks  
The foregoing instrument was acknowledged before me this 7<sup>th</sup> day of November, 2008  
by Donna J. Gosser  
My commission expires 2-24-2009  
(seal)

ACKNOWLEDGEMENT FOR INDIVIDUAL  
Notary Public  
Jackie J. Langholz  
NOTARY PUBLIC - State of Kansas  
My Comm. Expires 2-24-09

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_  
The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2008  
By \_\_\_\_\_ of \_\_\_\_\_ corporation, on behalf of the corporation.  
My commission expires \_\_\_\_\_  
(seal)

ACKNOWLEDGEMENT FOR CORPORATION  
Notary Public

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DEC 04 2008

CONSERVATION DIVISION  
WICHITA, KS

OIL AND GAS LEASE  
STATE OF Kansas  
COUNTY OF Rooks  
This instrument was filed for record on the 7 day of November, 2008, at 12:45 o'clock P. M. and duly recorded in Book 391 Page 301 of the records of this office.

Rosalie Sprick  
Register of Deeds

By \_\_\_\_\_