

KANSAS CORPORATION COMMISSION  
OIL & GAS CONSERVATION DIVISION

AUG 06 2003

Form C-1  
December 2002

For KCC Use:

Effective Date: 8-11-03

District # 4

SGA?  Yes  No

NOTICE OF INTENT TO DRILL KCC WICHITA

Must be approved by KCC five (5) days prior to commencing well

Form must be Typed  
Form must be Signed  
All blanks must be Filled

Expected Spud Date August 12-15, 2003

Spot 190' s. - 230' e. of ~~NE 1/4 SW 26~~  East  
NE NE SW Sec. 26 Twp. 10 S. R. 34  West  
2120 feet from  N /  S Line of Section  
2540 feet from  E /  W Line of Section  
Is SECTION  Regular  Irregular?

OPERATOR: License# 31900  
Name: Nor-West Kansas Oil, L.L.C.  
Address: RR 2, Box 14,  
City/State/Zip: WaKeeney, Kansas 67672  
Contact Person: Patrick Waner  
Phone: 785-743-2769

CONTRACTOR: License# 30606  
Name: Murfin Drilling Company, Inc.

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

County: Thomas  
Lease Name: Warren H. Hills Trust Well #: 1  
Field Name: South Fork

Is this a Prorated / Spaced Field?  Yes  No

Target Information(s): Lansing Kansas City

Nearest Lease or unit boundary: 520' from north line (Lease Att)

Ground Surface Elevation: 3161 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: 440 feet 200

Depth to bottom of usable water: base Dakota 1640

Surface Pipe by Alternate:  1  2

Length of Surface Pipe Planned to be set: 250 feet

Length of Conductor Pipe required: \_\_\_\_\_

Projected Total Depth: 4785 feet

Formation at Total Depth: Miss.

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: \_\_\_\_\_ Well Class: \_\_\_\_\_ Type Equipment: \_\_\_\_\_

- |  |                                   |   |  |
|--|-----------------------------------|---|--|
| <input checked="" type="checkbox"/> Oil            | <input type="checkbox"/> Enh Rec  | <input type="checkbox"/> Infield            | <input checked="" type="checkbox"/> Mud Rotary |
| <input type="checkbox"/> Gas                       | <input type="checkbox"/> Storage  | <input type="checkbox"/> Pool Ext.          | <input type="checkbox"/> Air Rotary            |
| <input type="checkbox"/> OWWO                      | <input type="checkbox"/> Disposal | <input checked="" type="checkbox"/> Wildcat | <input type="checkbox"/> Cable                 |
| <input type="checkbox"/> Seismic: _____ # of Holes | <input type="checkbox"/> Other    |   |  |
| <input type="checkbox"/> Other                     |                                   |   |  |

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: August 5, 2003 Signature of Operator or Agent: Patrick Waner Title: Secretary-Treasurer

**For KCC Use ONLY**

API # 15 - 193-20687-00-00

Conductor pipe required None feet

Minimum surface pipe required 250 feet per Alt. (2)

Approved by: RSP 8-6-03

This authorization expires: 2-6-04

(This authorization void if drilling not started within 6 months of effective 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;
- 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: \_\_\_\_\_

26  
10  
343

**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.

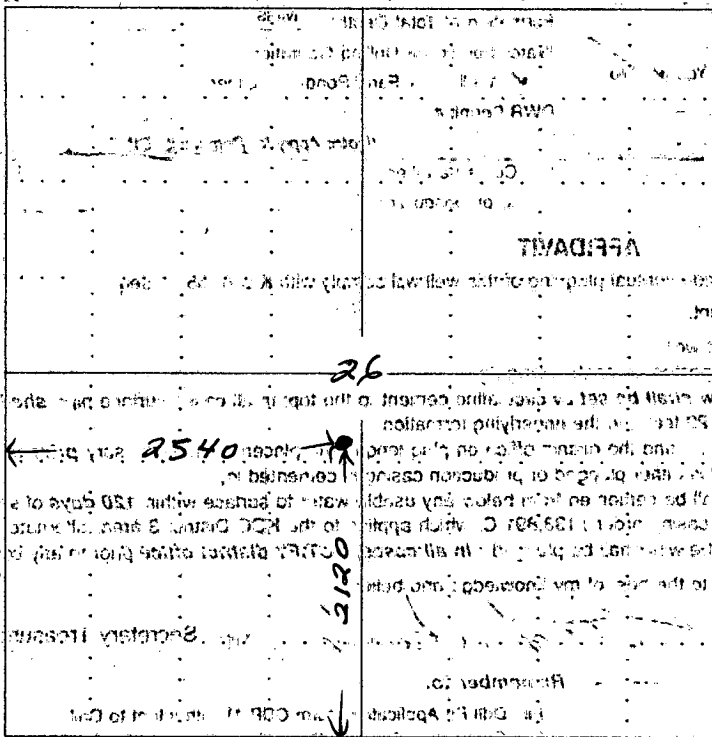
API No. 15 - \_\_\_\_\_  
 Operator: Nor-West Kansas Oil, L.L.C.  
 Lease: Warren H. Hills Trust  
 Well Number: \_\_\_\_\_  
 Field: South Fork  
 Number of Acres attributable to well: \_\_\_\_\_  
 QTR / QTR / QTR of acreage: \_\_\_\_\_

Location of Well: County: Thomas  
 2120 feet from  N /  S Line of Section  
 2540 feet from  E /  W Line of Section  
 Sec. 26 Twp. 10 S. R. 34  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.)



**EXAMPLE**

**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 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).

OIL AND GAS LEASE



Reorder No. 09-115

KANSAS BLUE PRINT CO. INC. 316-264-9344 • P.O. Box 790 • Wichita, KS 67201-0793

AGREEMENT, Made and entered into the 21st day of February, 2005 XXXX

by and between Cynthia C. Moses and Jerry Arensdorf, Co-Trustees of the Warren H. Hills Trust #1 dated June 4, 1979

RECEIVED AUG 06 2003

whose mailing address is 1601 County Road T, Colby, KS 67701 hereinafter called Lessor (whether one or more) and NorWest Kansas Oil, L.L.C. hereinafter called Lessee.

Lessor, in consideration of Ten Dollars (\$10.00) and OVC (XXXXXX) in hand paid, receipt of which is here acknowledged and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, mining and operating for and producing oil, liquid hydrocarbons, all gases, and their respective constituent products, injecting gas, water, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, telephone lines, and other structures and things thereon to produce, save, take care of, treat, manufacture, process, store and transport said oil, liquid hydrocarbons, gases and their respective constituent products and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land, together with any reversionary rights and after-acquired interest, therein situated in County of Thomas State of Kansas described as follows, to-wit:

South Half (S/2)

In Section 26 Township 10 South Range 34 West and containing 320 acres, more or less, and all accretions thereto.

Subject to the provisions herein contained, this lease shall remain in force for a term of three years from this date (called "primary term"), and as long thereafter as oil, liquid hydrocarbons, gas or other respective constituent products, or any of them, is produced from said land or land with which said land is pooled.

In consideration of the premises the said lessee covenants and agrees: 1st. To deliver to the credit of lessor, free of cost, in the pipe line to which lessee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises. 2nd. To pay lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth (1/8) at the market price at the well, (but, as to gas sold by lessee, in no event more than one-eighth (1/8) of the proceeds received by lessee from such sales), for the gas sold, used off the premises, or in the manufacture of products therefrom, said payments to be made monthly. Where gas from a well producing gas only is not sold or used, lessee may pay or tender as royalty One Dollar (\$1.00) per year per net mineral acre retained hereunder, and if such payment or tender is made it will be considered that gas is being produced within the meaning of the preceding paragraph.

This lease may be maintained during the primary term hereof without further payment or drilling operations. 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 like effect as if such well had been completed within the term of years first mentioned.

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

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

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

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

Lessee shall pay for damages caused by lessee's operations 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 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 their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment or a true copy thereof. 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.

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.

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 in damages, 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.

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 the undersigned lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, in so far as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said lease premises so as to promote the conservation of oil, gas or other minerals in and under and that may be produced from said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit or units not exceeding 640 acres each in the event of a gas well. Lessee shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated an instrument identifying and describing the pooled acreage. The entire acreage so found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before one (1) year from this date, Lessee shall pay or tender to the Lessor a rental of Six Hundred Forty Dollars (\$640.00) which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of the same number of months, each during the primary term. Payment or tender may be made to the Lessor. The payment or tender of rental may be made by check or draft or Lessee, mailed or delivered to Lessor, or either Lessor if more than one, on or before the rental paying date. The payment or tender of rentals in the manner provided herein shall be binding upon the Lessors successors in interest.

IN WITNESS WHEREOF, the undersigned execute this instrument as of the day and year first above written.

Witnesses:

WARREN H. HILLS TRUST #1 dated June 4, 1979

By: Cynthia C. Moses, Co-Trustee

By: Jerry Arensdorf, Co-Trustee

COPY