

7-1-07 For KCC Use: Gas Storage Area - Blowout Preventer Required
 Effective Date: 3
 District # 3
 SGA? Yes No

KANSAS CORPORATION COMMISSION
 OIL & GAS CONSERVATION DIVISION

Gas Storage Area - Blowout Preventer 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: 7-15-2008
 month day year

OPERATOR: License# 32316
 Name: Global Energy Solutions, Inc
 Address 1: 201 S. Union
 Address 2:
 City: McLouth State: KS Zip: 66054
 Contact Person: Larry Alex
 Phone: 913-796-6763

CONTRACTOR: License# 32548
 Name: Kan-Drill Inc

Well Drilled For: Oil Gas Enn 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: SE NW SW NW
 SE NW SW NW Sec. 4 Twp. 10 S. R. 20 E W
 3.455 feet from N / S Line of Section
 4.750 feet from E / W Line of Section
 is SECTION: Regular Irregular?

(Note: Locate well on the Section Plat on reverse side)
 County: Jefferson
 Lease Name: WILLITS Well #: 2B
 Field Name: McLouth Storage Field

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

Nearest Lease or unit boundary line (in footage): 660 ft
 Ground Surface Elevation: NA 1083 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 ft
 Depth to bottom of usable water: 275 ft
 Surface Pipe by Alternate: I II
 Length of Surface Pipe Planned to be set: 100 ft

Length of Conductor Pipe (if any):
 Projected Total Depth: 1800 ft
 Formation at Total Depth: Hunton

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:

* See attached correspondence for drilling & completion requirements.

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: July 31, 2008 Signature of Operator or Agent: Larry V. Alex Title: Gen. Manager

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AUG 04 2008

CONSERVATION DIVISION
 WICHITA, KS

For KCC Use ONLY
 API # 15 - 087-20648-00-00
 Conductor pipe required None feet
 Minimum surface pipe required 40 feet per ALT I II
 Approved by: [Signature] 6-26-2009
 This authorization expires: 6-26-2010
 (This authorization void if drilling not started within 12 months of approval date.)
 Spud date: Agent:

- Remember to:
- File Drill Pit Application (form GDP-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:

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

4
 10
 20
 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 - 087-20648-00-00
Operator: Global Energy Solutions, Inc
Lease: WILLITS
Well Number: 2B
Field: McLouth Storage Field

Location of Well: County: Jefferson
3,455 feet from N / S Line of Section
4,750 feet from E / W Line of Section
Sec. 4 Twp. 10 S. R. 20 E W

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

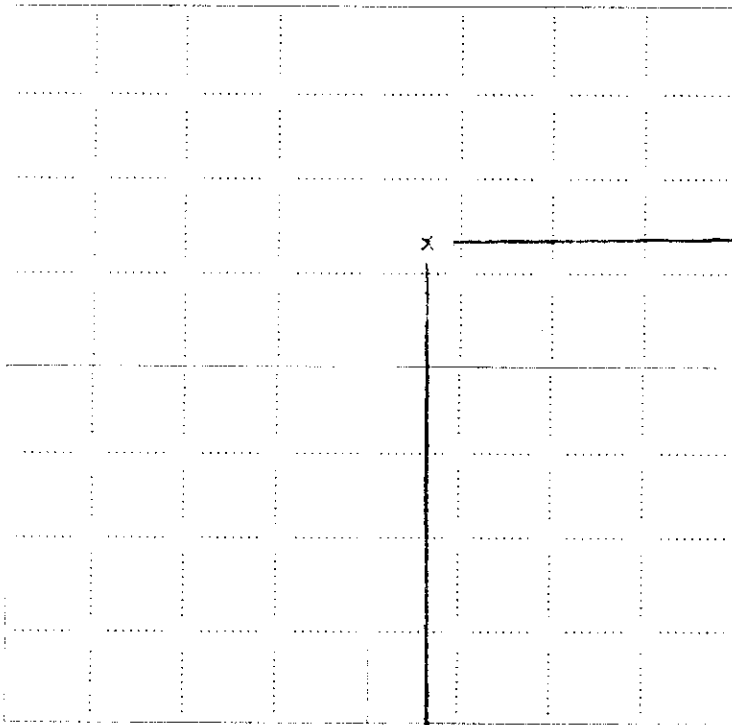
Is Section: Regular or Irregular

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.)*

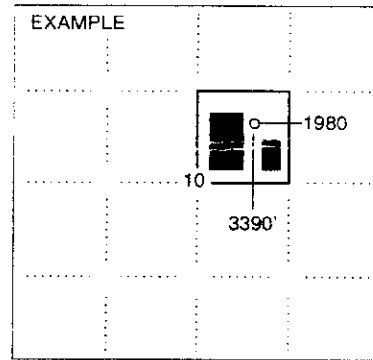


NOTE: In all cases locate the spot of the proposed drilling location.

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WICHITA, KS



SEWARD CO.

4750'

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 GDP-1
April 2004
Form must be Typed

Submit in Duplicate

Operator Name: Global Energy Solutions, Inc		License Number: 32316	
Operator Address: 201 S. Union		McLouth KS 66054	
Contact Person: Larry Alex		Phone Number: 913-796-6763	
Lease Name & Well No.: WILLITS 2B		Pit Location (QQQQ): SE NW SW NW	
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: 1,600 (bbls)	
Is the pit located in a Sensitive Ground Water Area? <input type="checkbox"/> Yes <input checked="" 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? COMPACTED CLAY			
Pit dimensions (all but working pits): <u>50</u> Length (feet) <u>10</u> Width (feet) <input type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: <u>10</u> (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.	
Distance to nearest water well within one-mile of pit <u>3025</u> feet Depth of water well <u>80</u> feet		Depth to shallowest fresh water <u>15</u> feet. Source of information: <u>JR-KGS</u> <input type="checkbox"/> measured <input 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: <u>Fresh Mud</u> Number of working pits to be utilized: <u>3</u> Abandonment procedure: <u>AIR DRY AND COVER</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 KANSAS CORPORATION COMMISSION	
Date: <u>7-31-08</u>		AUG 04 2008 CONSERVATION DIVISION WICHITA, KS	
Signature of Applicant or Agent: <u>Larry D. Alex</u>			

15-087-20648-0000

KCC OFFICE USE ONLY			
Date Received: <u>8/4/08</u>	Permit Number: _____	Permit Date: <u>8/5/08</u>	Lease Inspection: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Steel Pit <input type="checkbox"/>		RFAC <input type="checkbox"/> RFAS <input type="checkbox"/>	

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

15087-20648-0000



Southern Star Central Gas Pipeline, Inc.
4700 Hwy 56
P.O. Box 20010
Owensboro, Kentucky 42301
Phone 270/852-5000

August 11, 2008

Sent via E-mail and US Postal Service

Kansas Corporation Commission
130 S. Market, Room 2078
Wichita, KS 67202-3802
Attn: Mr. John McCannon

Re: Global Energy Solutions, Inc. Notice of Intent to Drill Oil Wells,
Sec 4, T10S, R20E, Jefferson County, KS

Dear Mr. McCannon:

Southern Star Central Gas Pipeline, Inc ("Southern Star") is the owner and operator of the McLouth Gas Storage Field in Jefferson and Leavenworth Counties, KS. Global Energy Solutions, Inc. ("Global") has provided Southern Star notice of Intent to Drill Oil Wells in Section 4, Township 10S, Range 20E, in Jefferson County, Kansas. Global apparently plans to drill two wells (Willits #1B and Willits #2B) within the boundaries of the McLouth Gas Storage Field. The approximate location of the Willits #1B is 3,150 feet from the south section line and 4,750 feet from the east section line; the approximate location of the Willits #2B is 3,455 feet from the south section line and 4,750 feet from the east section line.

Southern Star submits this letter pursuant to K.A.R. 82-3-311 (d), which permits a natural gas storage field operator to respond to a 30-day notification of an oil operator of their intent to drill through the storage field. The rule permits the storage field operator to recommend the manner, methods and materials be used in drilling and completing wells drilled through the storage field. Southern Star submits the following recommendations:

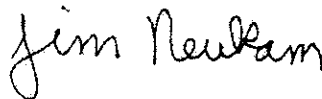
- 1) Global shall set surface casing in accordance with Commission requirement;
- 2) Global shall install, test and maintain blowout prevention valves and related equipment;
- 3) Global shall employ rotary drilling methods and use drilling mud of sufficient weight and with proper additives to contain the pressure of the storage field (Request the current bottom hole pressure from Southern Star prior to commencing drilling operations);
- 4) Global shall add an adequate amount of biocide to prevent any contamination by drilling and completion fluids carrying or containing sulfate reducing bacteria and/or acid producing bacteria.
- 5) Global shall cement all casing strings with cement circulated to the surface;

- 6) Global shall use all reasonable precautions during drilling operations to protect the McLouth storage reservoir and in the event of any emergency in any way affecting the storage reservoir, Global shall immediately notify Southern Star and the KCC, and shall utilize all methods and procedures; available to protect the public, fresh water and the McLouth storage reservoir;
- 7) Global shall notify Southern Star at least one week before drilling commences;
- 8) Global shall furnish Southern Star a copy of all tests and well logs following completion of the well;
- 9) In the event hole is lost or abandoned and Global decides to plug and abandon the well, Global shall clean out the well to total depth drilled and shall plug the well with solid with Class A cement;
- 10) Global shall provide Southern Star access to the well site at all times during the drilling, completion, operation or plugging of the well and access to all records relating to the drilling, equipping, maintenance, operation, or plugging of the well;
- 11) Global shall provide Southern Star access to the well to inspect or test the well and review all operational records during the life of the well;
- 12) Global shall conduct its operations, within the McLouth Gas Storage Field, while gas is stored under these lands, to prevent the escape of gas from and the intrusion of water or other substances into any formation in which gas is so stored;
- 13) Global shall not commence any manner or form of secondary or tertiary recovery within the McLouth Gas Storage Field; and
- 14) Global shall not utilize well/formation fracture treatments, water/steam flooding, and/or other well stimulation techniques within the McLouth Gas Storage Field. Global shall not initiate fractures within the McLouth Storage Reservoir and/or through the overlying or underlying strata.

In sum, Southern Star does not object to Global's proposed drilling of the Willits #1A and #2A wells, as long as the above conditions are imposed on Global. Southern Star's position in the Willits case does not alter or change its position in Docket No. 08-CONS-052-CMSC involving the Bower Wells, since the proposed Willits wells are new and do not involve re-completion of poorly maintained wells. Southern Star reserves its right to comment and be heard in any and all formal proceedings before the KCC related to the proposed wells referenced above.

If you have any questions, please give me a call at 270-852-4665.

Respectfully Submitted,



Jim Neukam
Manager, Storage Services

Copies to:

Global Energy Solutions, Inc.
Attn: Mr. Larry Alex

Dan Fredlund
KCC UGPGS-Wichita

May 28, 2009

Mr. Richard Stocke
Principal Engineer – Storage Service
Southern Star Central Gas Pipeline

Richard Hesteman
130 S. Market Room 2078
Wichita, KS 67202

Dear Sirs:

Following many months of conversation by phone and email where all of the various concerns were expressed, clarifications arrived at and procedures agreed upon the following terms and conditions are agreed to in this exact reproduction of the email of May 27, 2009, with agreed terms, from Stocke to Alex. By adding the various signatures of the parties the conditions are sustained.

“Dear Richard,

This is the follow up letter you requested spelling out my concerns of Jim Neukam’s letter of Aug. 11, 2008, where not only the KCC requirements for drilling through a storage field are laid out but also the concern and the requirements of SS. As required by KCC regulation K.A.R. 82-3-311, Global Energy sent the drilling intent form to the KCC and a copy to SS.

As I read the storage lease on the Bower property, the storage lease stops at a point 20 feet into the top of the Mississippian limestone formation and my understanding of the KCC regulations are that certain precautions and protective measures must be taken to protect the storage zone down to 20 feet into the Mississippian limestone. I realize beyond that 20 feet designation SS has no control but I understand their concerns about potential problems either existing or projected. It is the responsibility of the Operator of the production from that area below the 20 feet marker to address the issues. We will be fully insured to protect the storage zone and will meet the KCC requirements.

My concerns are in language in paragraph #'s 13 and 14 of Jim’s letter of Aug. 11, 2008. SS has given qualified approval to a drilling intent filed by Global Energy Solutions, Inc. The letter of Aug. 11, 2008, was confusing in that it referred to Storage Field and Storage Zone as if both represented the same area, that being from surface down beyond the 20’ marker identified in the storage lease. Global Energy will not perform any type of hydraulic fracturing in their wells in the McLouth Storage field. However, Global needs to be allowed to do normal stimulations techniques which are done in a limestone reservoir. This could involve acidizing (not acid fracturing), the use of water blocking polymer and other processes that may come into consideration in the Mississippian Zones. In event a well or wells are drilled deeper, Global will not perform any hydraulic fracturing in other Mississippian Zones, however in zones below that, Global reserves the right to utilize other stimulation methods. Global will notify Southern Star Central Gas Pipeline 2 weeks before any stimulation treatments to review

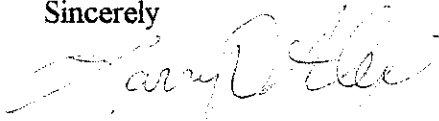
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the procedure. Southern Star Central Gas Pipeline employees will be allowed access to the well site in order to observe any well stimulation treatments.

Global Energy has every intent to follow the K.S.R 82-3-311 and work with SS down to 20 feet into the Mississippian limestone, but beyond, the decisions will be prudent decisions based on sound business practices within the oil industry. Global will keep SS informed of its actions.

Sincerely



Larry Alex



Richard Stocke
Southern Star Central Gas Pipeline
13400 W. 99th Street
Shawnee Mission, KS 66215
(913) 310-7617

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