

For KCC Use:
 Effective Date: 7-11-2009
 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: July 12 2009
month day year

OPERATOR: License# 33906
 Name: GNAD OIL, LLC
 Address 1: 1411 Mount Pleasant Road
 Address 2: _____
 City: Hays State: KS Zip: 67601 + _____
 Contact Person: Mike Gnad
 Phone: (785) 650-7128
 CONTRACTOR: License# 31548
 Name: Discovery Drilling Co., Inc.

Spot Description: 80'N & 120'E of
SE SE Sec. 23 Twp. 11 S. R. 27W E W
(a/a/a) 740 feet from N / S Line of Section
540 feet from E / W Line of Section
 Is SECTION: Regular Irregular?

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

County: Gove
 Lease Name: HERL Well #: 1-23
 Field Name: Wildcat

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

Nearest Lease or unit boundary line (in footage): 540
 Ground Surface Elevation: 2678 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: 150' 170'
 Depth to bottom of usable water: 1350'

Surface Pipe by Alternate: I II
 Length of Surface Pipe Planned to be set: 200' + 220 min

Length of Conductor Pipe (if any): None
 Projected Total Depth: 4550'

Formation at Total Depth: Mississippian

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 Seismic; # of Holes _____
 Enh Rec Storage Disposal Other: _____
 Infield Pool Ext. Wildcat Other: _____
 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 #: _____

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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 KCC WICHITA

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 1, 2009 Signature of Operator or Agent: [Signature] Title: Agent

For KCC Use ONLY
 API # 15 - 063-21789-00-00
 Conductor pipe required None feet
 Minimum surface pipe required 220 feet per ALT. I II
 Approved by: [Signature] 7-6-2009
 This authorization expires: 7-6-2010
(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: _____

23 11 27
 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 - 063-21789-00-00
 Operator: GNAD OIL, LLC
 Lease: HERL
 Well Number: 1-23
 Field: Wildcat

Location of Well: County: Gove
740 feet from N / S Line of Section
540 feet from E / W Line of Section
 Sec. 23 Twp. 11 S. R. 27W E W

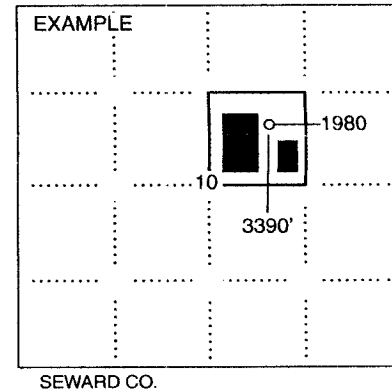
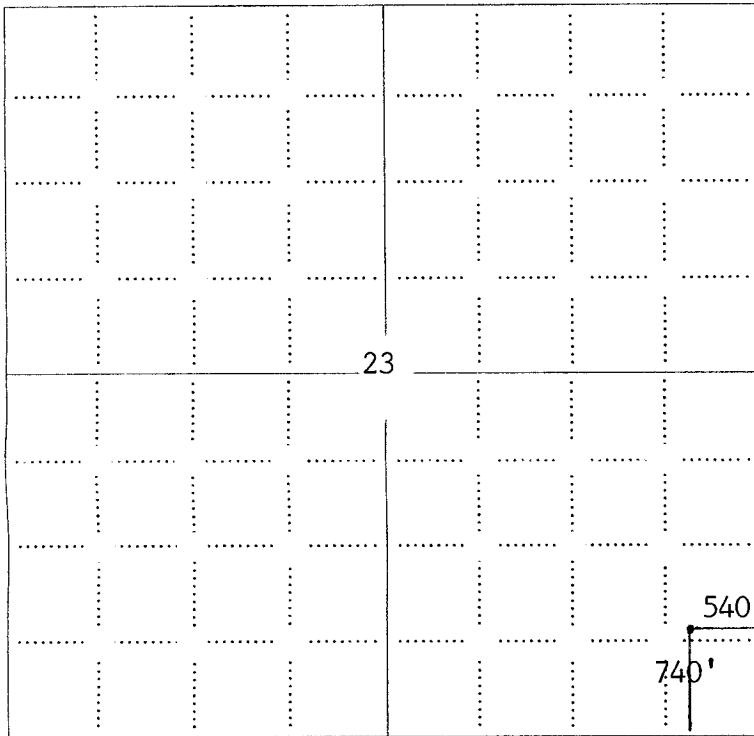
Number of Acres attributable to well: _____
 QTR/QTR/QTR/QTR of acreage: _____ - _____ - _____ - _____

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 locaton.
 Ellis Co., KS

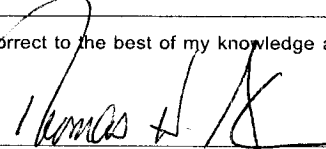
In plotting the proposed location of the well, you must show:

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: GNAD OIL, LLC		License Number: 33906
Operator Address: 1411 Mount Pleasant Road Hays, KS 67601		
Contact Person: Mike Gnad		Phone Number: (785) 650 - 7128
Lease Name & Well No.: HERL # 1-23		Pit Location (QQQQ): 80'N & 120'E of - C - SE - SE Sec. 23 Twp. 11S R. 27W <input type="checkbox"/> East <input checked="" type="checkbox"/> West 740 Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section 540 Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section Gove County
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: 3000 (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? Clay soil, native and Fresh mud.
Pit dimensions (all but working pits): 70 Length (feet) 70 Width (feet) N/A: Steel Pits Depth from ground level to deepest point: 5 (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.
Distance to nearest water well within one-mile of pit N/A feet Depth of water well _____ feet		Depth to shallowest fresh water _____ feet. KCC WICHITA Source of information: _____ 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 Mud Number of working pits to be utilized: 3 Abandonment procedure: Allow liquid contents to evaporate, let cuttings dry 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.		
July 1, 2009 Date		 Signature of Applicant or Agent

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15-09-3-21789-00-00

KCC OFFICE USE ONLY			
Date Received: 7/6/09	Permit Number: _____	Permit Date: 7/6/09	Lease Inspection: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

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