

Gas Storage Area - Blowout Preventer Required

OWWO

For KCC Use: 10-62-009
 Effective Date: 10-6-2009
 District #: 2
 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: September 26 2009
month day year

OPERATOR: License# 3880
 Name: KC Resources
 Address 1: 110 Midland Ave.
 Address 2: _____
 City: Basalt State: CO Zip: 81621
 Contact Person: Reiner Klawiter
 Phone: 970-927-2764

CONTRACTOR: License# 31466 / 34307 *per operator*
 Name: Horton State Line Well Service LLC

Well Drilled For: Oil Enh Rec Infield Pool Ext. Wildcat Other
 Gas Storage Disposal Cable
 Seismic; # of Holes _____
 Other: Well to be deepened from upper Lansing/Kansas City to Base of Lansing/Kansas City

If OWWO: old well information as follows:
 Operator: KC Resources
 Well Name: Miles B-5
 Original Completion Date: 7-29-1954 Original Total Depth: 3505 ft

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

** Do Not Exceed Projected TD*
** Do Not Drill Below Kansas City.*

Spot Description: 990' FNL, 440' FWL of SE Corner
SE/4 NE SE SE Sec. 19 Twp. 27 S. R. 10 E W
(a/a/a/a) 990 feet from N / S Line of Section
440 feet from E / W Line of Section

Is SECTION: Regular Irregular?
 (Note: Locate well on the Section Plat on reverse side)

County: Kingman
 Lease Name: "Miles B" Well #: 5
 Field Name: Cunningham

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

Nearest Lease or unit boundary line (in footage): 440 ft
 Ground Surface Elevation: 1712 ft 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 120
 Depth to bottom of usable water: 72 ft 180

Surface Pipe by Alternate: I II
 Length of Surface Pipe Planned to be set: 359 ft (Deepen Existing Well)

Length of Conductor Pipe (if any): N/A
 Projected Total Depth: Deepen to 3810 ft

Formation at Total Depth: Lansing Kansas City Base @ 3810 ft
 Water Source for Drilling Operations:

Well Farm Pond Other: Produced Water from Tank Battery
 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:

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: September 22, 2009 Signature of Operator or Agent: [Signature] Title: Chief Executive Officer

For KCC Use ONLY
 API # 15 - 095-01616-00-03
 Conductor pipe required None feet
 Minimum surface pipe required 359 feet per ALT. I II
 Approved by: [Signature] 10-1-2009
 This authorization expires: 10-1-2010
(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: _____

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 SEP 24 2009
 KCC WICHITA

19
 27
 10
 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 - 095-01616-0002
 Operator: KC Resources
 Lease: "Miles B"
 Well Number: 5
 Field: Cunningham
 Number of Acres attributable to well: 40
 QTR/QTR/QTR/QTR of acreage: SE/4 - NE - SE - SE

Location of Well: County: Kingman
990 feet from N / S Line of Section
440 feet from E / W Line of Section
 Sec. 19 Twp. 27 S. R. 10 E W

Is Section: Regular or Irregular

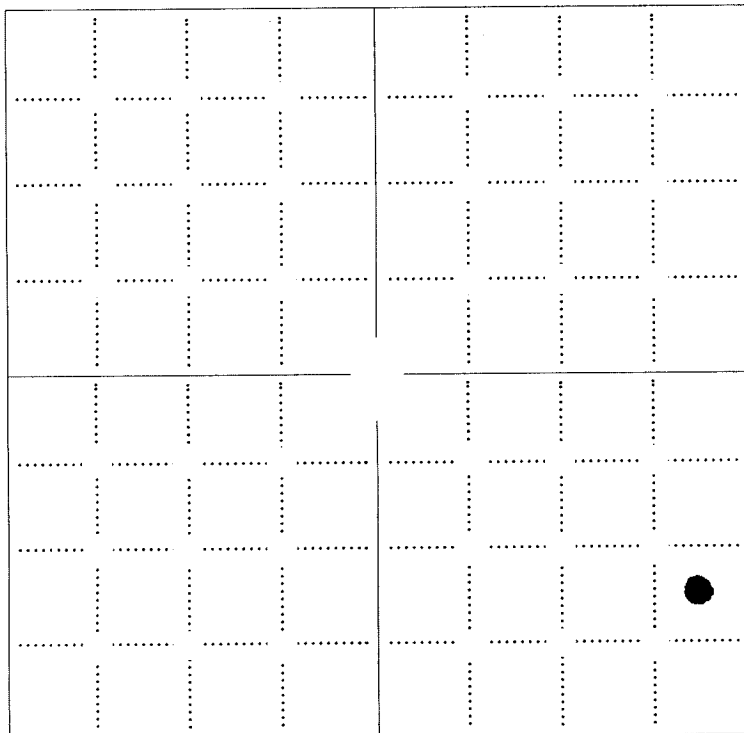
If Section is Irregular, locate well from nearest corner boundary.

Section corner used: NE NW SE SW

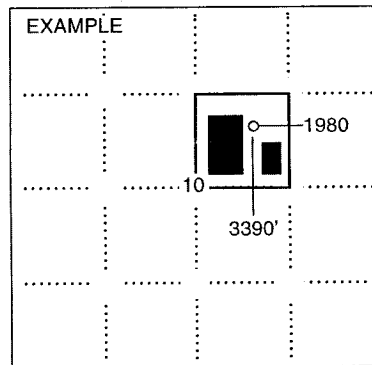
PLAT

(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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SEWARD CO.

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

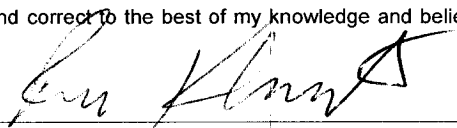
In plotting the proposed location of the well, you must show:

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: KC Resources		License Number: 3880
Operator Address: 110 Midland Ave.		Basalt CO 81621
Contact Person: Reiner Klawiter		Phone Number: 970-927-2764
Lease Name & Well No.: "Miles B" 5		Pit Location (QQQQ): NE SE SE
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 checked="" type="checkbox"/> Haul-Off Pit <small>(If WP Supply API No. or Year Drilled)</small>	Pit is: <input type="checkbox"/> Proposed <input checked="" type="checkbox"/> Existing If Existing, date constructed: 2005 Pit capacity: 100 (bbls)	Sec. 19 Twp. 27 R. 10 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 990 Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section 440 Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section Kingman County
Is the pit located in a Sensitive Ground Water Area? <input checked="" 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 type="checkbox"/> Yes <input checked="" 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? Pit is a Steel Tank
Pit dimensions (all but working pits): 20 Length (feet) 10 Width (feet) <input checked="" type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: _____ (feet) <input type="checkbox"/> No Pit		
If the pit is lined give a brief description of the liner material, thickness and installation procedure. Pit is a Steel Tank		Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring. Pit is a Steel Tank
Distance to nearest water well within one-mile of pit 660 feet Depth of water well 72 feet		Depth to shallowest fresh water 100 feet. KCC WICHITA Source of information: <input type="checkbox"/> measured <input type="checkbox"/> well owner <input type="checkbox"/> electric log <input checked="" type="checkbox"/> KDWR
Emergency, Settling and Burn Pits ONLY: Producing Formation: Lansing/Kansas City Number of producing wells on lease: 5 Barrels of fluid produced daily: 10 Does the slope from the tank battery allow all spilled fluids to flow into the pit? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Drilling, Workover and Haul-Off Pits ONLY: Type of material utilized in drilling/workover: Chemical Mud Number of working pits to be utilized: 1 Abandonment procedure: Mud will be pumped out of pit into pump truck and pit tank will be hauled off location 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.		
September 22, 2009 Date	 Signature of Applicant or Agent	RECEIVED SEP 24 2009 KCC WICHITA 15-095-01616-00-03

KCC OFFICE USE ONLY		Steel Pit <input checked="" type="checkbox"/> RFAC <input checked="" type="checkbox"/> RFAS <input type="checkbox"/>
Date Received: 9/24/09	Permit Number: _____	Permit Date: 9/24/09 Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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



*Mark Parkinson, Governor
Thomas E. Wright, Chairman
Michael C. Moffet, Commissioner
Joseph F. Harkins, Commissioner*

September 24, 2009

KC Resources
110 Midland Ave
Basalt, CO 81621

RE: Drilling Pit Application
Miles B Lease Well No. 5
SE/4 Sec. 19-27S-10W
Kingman County, Kansas

According to the drilling pit application referenced above, no earthen pits will be used at this location. Steel pits will be used. Please inform the Commission in writing as to which disposal well you utilized to dispose of the contents in the steel pits and the amount of fluid that was disposed. Please file form CDP-5 (August 2004), Exploration and Production Waste Transfer, within 30 days of fluid removal.

Should a haul-off pit be necessary please file form CDP-1 (April 2004), Application for Surface Pit, This location will have to be inspected prior to approval of the haul-off pit application.

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 District Office at (316) 630-4000.

CONSERVATION DIVISION

Finney State Office Building, 130 S. Market, Room 2078, Wichita, KS 67202-3802
(316) 337-6200 • Fax: (316) 337-6211 • <http://kcc.ks.gov/>



Mark Parkinson, Governor
Thomas E. Wright, Chairman
Michael C. Moffet, Commissioner
Joseph F. Harkins, Commissioner

**HAUL-OFF PIT APPLICATION
FILING REQUIREMENTS**

82-3-607. DISPOSAL OF DIKE AND PIT CONTENTS.

- (a) Each operator shall perform one of the following when disposing of dike or pit contents:
 - (1) Remove the liquid contents to a disposal well or other oil and gas operation approved by the commission or to road maintenance or construction locations approved by the department;
 - (2) dispose of reserve pit waste down the annular space of a well completed according to the alternate I requirements of K.A.R. 82-3-106, if the waste to be disposed of was generated during the drilling and completion of the well; or
 - (3) dispose of the remaining solid contents in any manner required by the commission. The requirements may include any of the following:
 - (A) Burial in place, in accordance with the grading and restoration requirements in K.A.R. 82-3-602 (f);
 - (B) removal and placement of the contents in an on-site disposal area approved by the commission;
 - (C) removal and placement of the contents in an off-site disposal area on acreage owned by the same landowner or to another producing lease or unit operated by the same operator, if prior written permission from the landowner has been obtained; or
 - (D) removal of the contents to a permitted off-site disposal area approved by the department.
- (b) Each violation of this regulation shall be punishable by the following:
 - (1) A \$1,000 penalty for the first violation;
 - (2) a \$2,500 penalty for the second violation; and
 - (3) a \$5,000 penalty and an operator license review for the third violation.

Complete and return with Haul-Off Pit Application, Form CDP1(2004)

Haul-off pit will be located in an on-site disposal area: Yes No

Haul-off pit is located in an off-site disposal area on acreage owned by the same landowner: Yes No If yes, written permission from the land owner must be obtained. Attach written permission to haul-off pit application.

Haul-off pit is located in an off-site disposal area on another **producing** lease or unit operated by the same operator: Yes No If yes, written permission from the land owner must be obtained. Attach permission and a copy of the lease assignment that covers the acreage where the haul-off pit is to be located, to the haul-off pit application.