

15-065-22926-00-00

For KCC Use: 8-3-03
Effective Date: 8-3-03
District #: 4
SGA? Yes No

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

Form C-1
December 2002
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 30, 2003
month day year

Spot East
SWSW SW NE Sec. 29 Twp. 7 S. R. 24 West

OPERATOR: License# 6861
Name: Ron's Oil Operation, Inc.
Address: 1889 200th Avenue
City/State/Zip: Penokee, KS 67659
Contact Person: Ron Nickelson
Phone: (785) 421-2409

2772 feet from N / S Line of Section
2537 feet from E / W Line of Section
Is SECTION Regular Irregular?

CONTRACTOR: License# 30076
Name: Andy Anderson dba A & A Production

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

Well Drilled For: Well Class: Type Equipment:
 Oil Enh Rec Infield Mud Rotary
 Gas Storage Pool Ext. Air Rotary
 OWWO Disposal Wildcat Cable
 Seismic; # of Holes Other
 Other

Lease Name: B-Morris Well #: 1
Field Name _____
Is this a Prorated / Spaced Field? Yes No
Target Information(s): Kansas City
Nearest Lease or unit boundary: (2537' - Unit)
Ground Surface Elevation: 2450 est. 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'
Depth to bottom of usable water: 1250'

If OWWO: old well information as follows:
Operator: _____
Well Name: _____
Original Completion Date: _____ Original Total Depth: _____

Surface Pipe by Alternate: 1 2
Length of Surface Pipe Planned to be set: 200' RECEIVED
Length of Conductor Pipe required: none KANSAS CORPORATION COMMISSION
Projected Total Depth: 3,600' JUL 29 2003

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

Formation at Total Depth: Kansas City
Water Source for Drilling Operations: CONSERVATION DIVISION
 Well Farm Pond Other _____ WICHITA, KS
DWR Permit #: _____

*Lease Attached

(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 to the best of my knowledge and belief.

Date: July 29, 2003 Signature of Operator or Agent: Donna Thanda Title: Agent

For KCC Use ONLY
API # 15 - 065-22926.00-00
Conductor pipe required None feet
Minimum surface pipe required 200 feet per Alt. 4-2
Approved by: RJP 7-29-03
This authorization expires: 1-29-04
(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: _____

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

29
7
24W

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

Plat of acreage attributable to a well in a prorated or spaced field

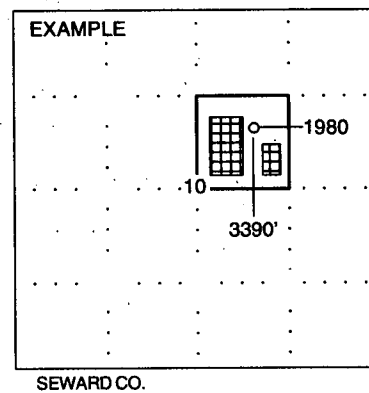
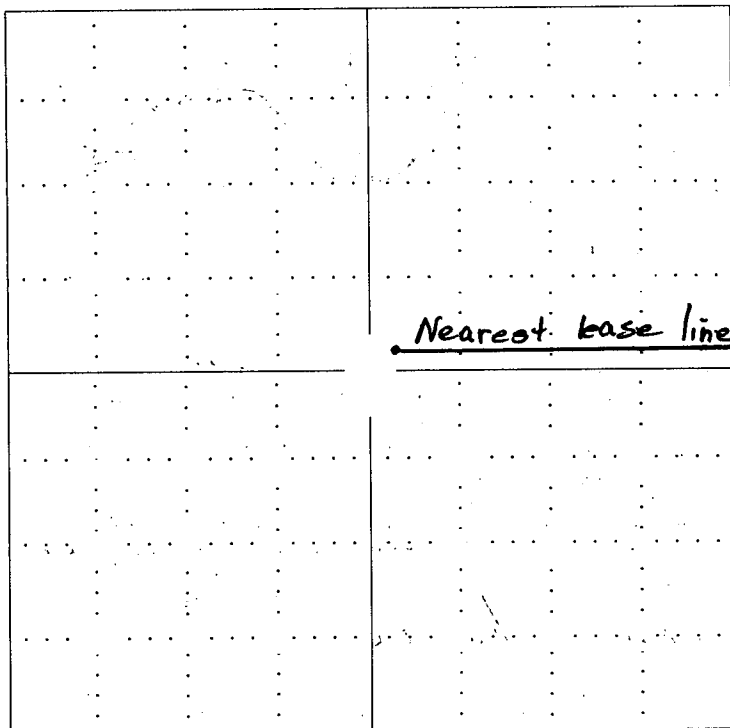
If the intended well is in a prorated or spaced field, please fully complete this side of the form. If the intended well is in a prorated or spaced field complete the plat below showing that the well will be properly located in relationship to other wells producing from the common source of supply. Please 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: Ron's Oil Operation, Inc. _____
 Lease: B-Morris _____
 Well Number: 1 _____
 Field: Fabricius _____
 Number of Acres attributable to well: _____
 QTR / QTR / QTR of acreage: SWS - SW - NE

Location of Well: County: Graham _____
 2772 _____ feet from N / S Line of Section
 2537 _____ feet from E / W Line of Section
 Sec. 29 Twp. 7 S. R. 24 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.)*



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).

JUL 29 2003

CONSERVATION DIVISION
WICHITA, KS

206 205

Form 88—(Producers)
1-43

B

OIL AND GAS LEASE

Microfilmed ...
Direct ...
Indirect ...
Indexed ...
Serialized ...
Filed ...

AGREEMENT, Made and entered into June 1, 2003, by and between:
B & M Farms Inc.

Party of the first part, hereinafter called lessor (whether one or more) and
Ron's Oil Inc. Party of the second part, hereinafter called lessee.

WITNESSETH, That the said lessor, for and in consideration of Ten and more DOLLARS, cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements herein after contained on the part of lessee 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 Graham State of Kansas described as follows, to-wit:

SW-NF-29-7-24, SE-NW-29-7-24, NE-SW-29-7-24, SE-1/4-29-7-24

of Section 29 Township 7 Range 24 and containing .280 acres more or less.

It is agreed that this lease shall remain in full force for a term of Two (2) 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:

1st To deliver to the credit of 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.

2nd 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 1/4 of the market value of such gas at the mouth of the well; if said gas is sold by the lessee, then as royalty 1/4 of the proceeds of the sale thereof at the mouth of the well. The lessee shall pay lessor as royalty 1/4 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 year during which such gas is not sold or used as royalty, an amount equal to the daily rental provided in the next succeeding paragraph hereof, and while said royalty is so paid or tendered this lease shall not terminate and the lessee shall have the right to use, free of charge from any gas well on the leased premises for the principal dwelling house on said land by making his own connections with the 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 June 1 2005, 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 the Bank at

ship of said land, the sum of Eleven hundred twenty dollars 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 the 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 assignee or to said depository bank. And if it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privileges granted to said lessee but also the lessor's option of extending that period as aforesaid, and any and all other rights conferred, Lessee may at any time exercise 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 of 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 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 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.

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 notice in writing 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 the 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 his estate, with an instrument satisfactory to lessee executed by lessor's heirs payable or due, and it is hereby agreed in the event this lease shall be assigned as to a part or 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 respects to the assigned portion or portions arising subsequent to the date of assignment. If the leased premises are now or hereafter owned in severalty 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, this lease shall not be terminated, in whole or in part, nor shall it 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 shall it be subject to all Federal and State laws, Executive Orders, Rules or Regulations, if such failure is the result of, any such Law, Order, Rule or Regulation.

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

Bern James, Inc
By Robin Hanna, pres

STATE OF Kansas
COUNTY OF Graham } ss. ACKNOWLEDGMENT FOR INDIVIDUAL (Kans. Cklu. and Colo.)

Before me, the undersigned, a Notary Public, within and for said County and State, on this 3 day of June, 2003, personally appeared Robin Hanna and

to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that _____ executed the same as _____ free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires 9-1-2006

