

For KCC Use:
 Effective Date: 5-26-2010
 District # 3
 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: 5-17-10
month day year

OPERATOR: License# 6168 ✓
 Name: Lester Scheuneman ✓
 Address 1: 27800 Pleasant Valley Rd.
 Address 2:
 City: Wellsville State: Ks Zip: 66092+
 Contact Person: Lester Scheuneman
 Phone: 913-710-9760
 CONTRACTOR: License# Not known will notify ✓
 Name: Will have KCC number ✓

Spot Description:
NE - SE - SE - NE Sec. 22 Twp. 20 S. R. 20 E W
(0°/0°/0°)
2153 2975 feet from N / S Line of Section
2875 153 feet from E / W Line of Section
 Is SECTION: Regular Irregular?

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

County: Anderson
 Lease Name: Banks Well #: 2
 Field Name: Garnett Shoestring ✓

Is this a Prorated / Spaced Field? Yes No

Target Formation(s): Squirrel

Nearest Lease or unit boundary line (in footage): 335 ✓

Ground Surface Elevation: 925 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: 50 ✓

Depth to bottom of usable water: 125

Surface Pipe by Alternate: I II ✓

Length of Surface Pipe Planned to be set: 20 ✓

Length of Conductor Pipe (if any):

Projected Total Depth: 700 ✓

Formation at Total Depth: Squirrel ✓

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 Other:
 Well Class: Enh Rec Storage Disposal Other:
 Type Equipment: Mud Rotary Air Rotary Cable

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 #:

Oil & Gas Lease Submitted.

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: 5/9/10 Signature of Operator or Agent: Lester Scheuneman Title: owner/operator

For KCC Use ONLY
 API # 15 - 003-24784-00-00
 Conductor pipe required None feet
 Minimum surface pipe required 20 feet per ALT. I II
 Approved by: KCH 5-21-2010
 This authorization expires: 5-21-2011
(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:

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

RECEIVED
 MAY 13 2010

KCC WICHITA

22-20-20

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

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

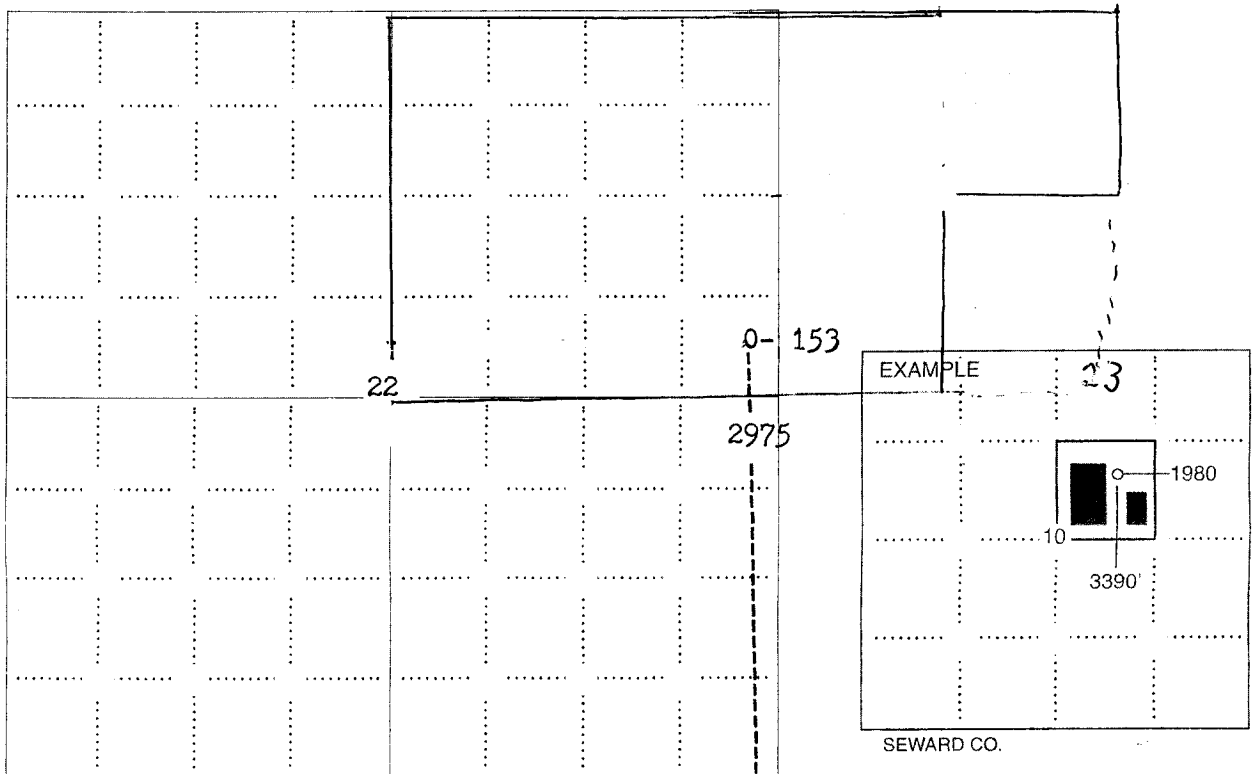
If the intended well is in a prorated or spaced field, please fully complete this side of the form. If the intended well is in a prorated or spaced field complete the plat below showing that the well will be properly located in relationship to other wells producing from the common source of supply. Please 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 - 003-24784-00-00
 Operator: Lester Scheuneman
 Lease: Banks
 Well Number: 2
 Field: Garnett Shoestring
 Number of Acres attributable to well: 280
 QTR/QTR/QTR/QTR of acreage: NE - SE - SE - NE

Location of Well: County: Anderson
2975 feet from N / S Line of Section
153 feet from E / W Line of Section
 Sec. 22 Twp. 20 S. R. 20 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.)*



NOTE: In all cases locate the spot of the proposed drilling locaton. Anderson Co.

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: <u>Lester Scheuneman</u>		License Number: <u>6168</u>
Operator Address: <u>27800 Pleasant Valley Rd. Wellsville Ks. 66092</u>		
Contact Person: <u>Lester Scheuneman</u>		Phone Number: (<u>913 710-9760</u>)
Lease Name & Well No.: <u>Banks. 2</u>		Pit Location (QQQQ): <u>NE - SE - SE - NE</u>
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: <u>80</u> (bbls)	Sec. <u>22</u> Twp. <u>20</u> R. <u>20</u> <input checked="" type="checkbox"/> East <input type="checkbox"/> West <u>2975</u> Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section <u>153</u> Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section <u>Anderson</u> County
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 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? <u>clay</u>
Pit dimensions (all but working pits): <u>30</u> Length (feet) <u>8</u> Width (feet) _____ N/A: Steel Pits Depth from ground level to deepest point: <u>4</u> (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 <u>none</u> feet Depth of water well _____ feet		Depth to shallowest fresh water <u>none</u> feet. 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: <u>fresh water</u> Number of working pits to be utilized: <u>one</u> Abandonment procedure: _____ <u>air dry push in.</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 MAY 13 2010 KCC
<u>5/9/10</u> Date	<u>Lester Scheuneman</u> Signature of Applicant or Agent	
KCC OFFICE USE ONLY		
Date Received: <u>5-13-10</u> Permit Number: _____	Permit Date: <u>5-14-10</u> Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<u>R FAC</u>

15003-24784-03-00

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

May 14, 2010

Lester Scheuneman
27800 Pleasant Valley Rd
Wellsville, KS 66092

RE: Drilling Pit Application
Banks Lease Well No. 2
NE/4 Sec. 22-20S-20E
Anderson County, Kansas

Dear Sir or Madam:

District staff has inspected the above referenced location and has determined that the reserve pit shall be constructed **without slots**, the bottom shall be flat and reasonably level, and the free fluids must be removed. The fluids are to be removed from the reserve pit as soon as practical after drilling operations have ceased.

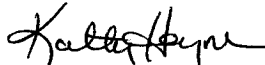
If production casing is set all completion fluids shall be removed from the working pits daily. NO completion fluids or non-exempt wastes shall be placed in the reserve pit.

The fluids should be taken to an authorized disposal well. Please call the District Office at (620) 432-2300 when the fluids have been removed. Please file form CDP-5 (August 2004), Exploration and Production Waste Transfer, within 30 days of fluid removal. 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 undersigned at the above address.

Sincerely,



Kathy Haynes
Environmental Protection and Remediation Department

cc: File

OIL AND GAS LEASE

AGREEMENT Made and entered into the 24th day of February, 2010
by and between James D. and or Walter L. Banks

of New Franklin, Missouri 65274 Party of the first part, hereafter called lessor (whether one or more)
and Lester Scheuneman, party of the second part, lessee.

WITNESSETH, That the said lessor, for and in consideration of one DOLLARS cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said lessee, for the sole and only purpose of mining and operating for oil and gas, and laying pipe lines, and building tanks, powers, stations and structures thereon to produce, save and take care of said product, all that certain tract of land situate in the County of Anderson described as follows, to-wit:

The Northeast Quarter less 14.2 acres in the Northeast Quarter of the Northeast Quarter leaving 14.7 acres in Section 22-20-20E and the North half of the Northwest Quarter and the Southwest Quarter of the Northwest Quarter and containing 120 acres in Section 23. Township 20 Range 20E

of Section 22+23 Township 20 Range 20E and containing 261.7 acres, more or less.

It is agreed that this lease shall remain in force for a term of one years from this date, and as long thereafter as oil or gas, or either of them, is produced from said land by the lessee.

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 his wells, or other conveyance, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

2nd. To pay lessor as royalty one-eighth of the proceeds from the sale of gas from each well where gas only is found, for all gas used off the premises, and lessor to have gas free of cost from any such well for all stoves and all inside lights in the principal dwelling house on said land during the same time by lessor making own connections with the well at lessor's own risk and expense.

3rd. To pay lessor for gas produced from any oil well and used off the premises, or for the manufacture of casing-head gas, one-eighth (1/8) of the proceeds at the prevailing market rate for the gas used, for the time during which such gas shall be used, said payments to be made when tank is full and sold to purchaser

If no well be commenced on said land on or before the 24th day of February, 2011 this lease shall terminate as to both parties,

NO OIL WELLS TO BE DRILLED ON CROP LAND UNTIL CROPS ARE HARVESTED FOR 2010 Ag. year. JDB UB

OIL WELLS TO BE DRILLED ON CRP LAND ONLY UNTIL CROP REMOVAL IS COMPLETE FOR 2010. JDB UB

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.

Lessee shall have the right to use, free of cost, gas, oil, and water produced on said land for its operations thereon, except water from 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 the written consent of the 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; 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 thereof shall make due payment of said rental.

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.

In Testimony Whereof We Sign, this the 14th day of April, 2010

Witness.

County of Boone
State of Missouri

Karen S. Rohrer
Notary Public

KAREN S. ROHRER
Notary Public - Notary Seal
STATE OF MISSOURI
County of Boone
My Commission Expires 11/18/2010
Commission # 06452155

James D. Banks (SEAL)
Walter L. Banks (SEAL)

RECEIVED
KANSAS CORPORATION COMMISSION

MAY 20 2010