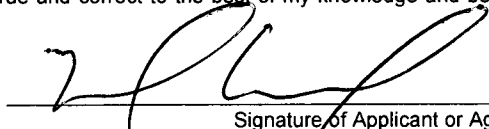


**KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION
APPLICATION FOR SURFACE PIT**

Form CDP-1
April 2004
Form must be Typed

Submit in Duplicate

Operator Name: Dixon Energy Inc.		License Number: 3372
Operator Address: 8100 E 22nd St. N. Bld. 300 Suite 200		
Contact Person: Micheal Dixon		Phone Number: 316-264-9632
Lease Name & Well No.: Spangenberg #1		Pit Location (QQQQ): SE - NW - NW - NE
Type of Pit: <input type="checkbox"/> Emergency Pit <input type="checkbox"/> Burn Pit <input type="checkbox"/> Settling Pit <input type="checkbox"/> Drilling Pit <input type="checkbox"/> Workover Pit <input checked="" type="checkbox"/> Haul-Off Pit <small>(If W/P Supply API No. or Year Drilled)</small>	Pit is: <input type="checkbox"/> Proposed <input checked="" type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: _____ (bbls)	Sec. <u>33</u> Twp. <u>22</u> R. <u>12</u> <input type="checkbox"/> East <input checked="" type="checkbox"/> West <u>550</u> Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section <u>2,100</u> Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section Stafford _____ County
Is the pit located in a Sensitive Ground Water Area? <input checked="" type="checkbox"/> Yes <input 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?
Pit dimensions (all but working pits): <u>50</u> Length (feet) <u>50</u> Width (feet) <input type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: <u>5</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.
		RECEIVED KANSAS CORPORATION COMMISSION JUL 23 2008 CONSERVATION DIVISION WICHITA, KS
Distance to nearest water well within one-mile of pit <u>1100</u> ¹²⁴⁸ feet Depth of water well <u>100</u> ⁸⁵ feet		Depth to shallowest fresh water <u>150</u> ²⁸ feet. Source of information: <input checked="" 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: _____ 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>Drilling Mud</u> Number of working pits to be utilized: <u>1</u> Abandonment procedure: <u>Let dry and backfill</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.		
<u>7-23-08</u> Date		 Signature of Applicant or Agent

KCC OFFICE USE ONLY		Steel Pit <input type="checkbox"/>	RFAC <input type="checkbox"/> RFAS <input checked="" type="checkbox"/>
Date Received: <u>7/23/08</u>	Permit Number: <u>15-185-23543-000</u>	Permit Date: <u>7/24/08</u>	Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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



*Kathleen Sebelius, Governor
Thomas E. Wright, Chairman
Michael C. Moffet, Commissioner
Joseph F. Harkins, Commissioner*

July 24, 2008

Mr. Mike Dixon
Dixon Energy, Inc.
8100 E 22nd St N Bldg 300 Ste 200
Wichita, KS 67226

RE: Haul-Off Pit Application
Spangenberg Well No. 1
NE/4 Sec. 33-22S-12W
Stafford County, Kansas

Dear Mr. Dixon:

District staff has inspected the above referenced location and has determined that the haul-off 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 haul-off pit as soon as the Hutchinson Salt section has been drilled through and displacement of the fluids into the haul-off pit has occurred. The fluids should be removed again within 96 hours after haul-off operations have ceased.

NO completion fluids or non-exempt wastes shall be placed in the haul-off pit.

The fluids should be taken to an authorized disposal well. Please call the District Office at (620) 225-8888 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,

A handwritten signature in black ink that reads "Kathy Haynes".

Kathy Haynes
Environmental Protection and Remediation Department

cc: district office

**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.

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WICHITA, KS

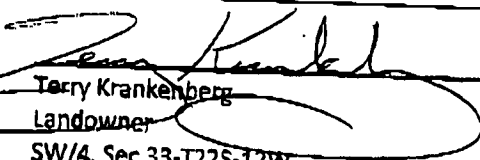
Complete and return with Haul-Off Pit Application, Form CDP1(2004)

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.

This letter will serve as permission per the Kansas Corporation Commission requirements to allow Dixon Energy, Inc. to transfer drilling fluids from the drilling of the #1 Spangenberg located in the SW/4 of Sec.33-T22S-12W, Stafford County, Kansas to the existing reserve pit located on the NE/4 of Sec.33-T22S-12W, Stafford County, Kansas, of which I am the landowner and Dixon Energy, Inc. is the operator of the #1 & #2 Krankenberg oil wells.



Terry Krankenberg
Landowner
SW/4, Sec.33-T22S-12W
Stafford County, Kansas

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JUL 23 2008

CONSERVATION DIVISION
WICHITA, KS

#417

17

STATE OF KANSAS } SS. Fee \$ 10⁰⁰
Stafford County }

ASSIGNMENT OF OIL AND GAS LEASE

This instrument was filed for record on
the 19th day of March 1993 at
9:18 o'clock A M, and duly recorded in
book 118 of Microfilm page 528
Lynette Bonnington Register
Deputy

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, Richland Royalty hereinafter called Assignor (whether one or more), for and in consideration of Ten Dollars (\$10.00) the receipt whereof is hereby acknowledged, does hereby sell, assign, transfer and set over unto

Morrison-Dixon Oil Operations, Inc.

(hereinafter called Assignee), all right, title and interest, subject to the overriding royalty reservation hereinafter set out, in and to the oil and gas leases, all located in Stafford County, Kansas, as set out in Exhibit "A" attached hereto and made a part hereof together with the rights incident thereto and the personal property thereon, appurtenant thereto, or used or obtained in connection therewith.

The Assignor herein and hereby expressly excepts, reserves and retains title to an undivided 5.5% of 8/8ths of all oil, gas and casinghead gas produced, saved and marketed from the above described land under the provisions of the aforesaid lease, or any extension or renewal thereof, as an overriding royalty, free and clear of any cost and expense of the development and operation thereof, excepting taxes applicable to said interest and the production therefrom.

And for the same consideration the Assignor covenants with the Assignee, its or his heirs, successors or assigns: That the Assignor is the lawful owner of and has good title to the interest above assigned in and to said lease, estate, rights and property, free and clear from all liens, encumbrances or adverse claims; That said lease is a valid and subsisting lease on the land above described, and all rentals and royalties due thereunder have been paid and all conditions necessary to keep the same in full force have been duly performed, and that the Assignor will warrant and forever defend the same against all persons whomsoever, lawfully claiming or to claim the same.

EXECUTED, This 15th day of January, 1993

RICHLAND ROYALTY

[Signature]
Jeffrey A. Burk, Owner

STATE OF Kansas)
COUNTY OF Sedgwick) ss. ACKNOWLEDGMENT FOR INDIVIDUAL (KS. OK. & CO.)

Before me, the undersigned, a Notary Public, within and for said County and State, on this 15th day of January, 1993, personally appeared Jeffrey A. Burk d/b/a Richland Royalty to me personally known to be the identical person who executed the within foregoing instrument and acknowledged to me that he executed the same as his 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 08/29/95

[Signature]
Notary Public



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JUL 23 2008

EXHIBIT "A"

Attached to and made a part of that certain Assignment of Oil & Gas Leases, dated January 15, 1993 between RICHLAND ROYALTY, as Assignor and Morrison-Dixon Oil Operations, Inc., as Assignee.

HUDSON PROSPECT

E. E. Krankenberg Fischer Lease

Lessor: Elizabeth Elaine Krankenberg Fischer & Gary R. Fischer, her husband; Elizabeth Elaine Krankenberg Fischer, Attorney-in-Fact for Debra K. Krankenberg Miller & Gerald D. Miller, her husband AND Terry J. Krankenberg & Michele A. Krankenberg, his wife; E. P. Krankenberg, a single man; Gene G. Krankenberg & Chiemi Krankenberg, his wife; Zelda M. Brensing & Alvin A. Brensing, her husband
 Lessee: J. Fred Hambright
 Lease Date: October 07, 1992
 Term: Three (3) years (Paid-Up)
 Lease Description: Township 22 South, Range 12 West Section 33: NE/4 & N/2 SE/4
 Recorded: Book 116, Page 412

D. R. Krankenberg Lease

Lessor: Danny R. Krankenberg and Pamela Krankenberg, his wife
 Lessee: J. Fred Hambright
 Lease Date: October 07, 1992
 Term: Three (3) years
 Lease Description: Township 22 South, Range 12 West Section 33: NE/4 & N/2 SE/4
 Recorded: Book 116, Page 414

V. L. Krankenberg Lease

Lessor: Verlin L. Krankenberg and Shirley Ann Krankenberg, his wife
 Lessee: J. Fred Hambright
 Lease Date: October 14, 1992
 Term: Three (3) years (Paid-Up)
 Lease Description: Township 22 South, Range 12 West Section 33: NE/4 & N/2 SE/4
 Recorded: Book 116, Page 576

R. L. Flair Lease

Lessor: Robert L. Flair and Veda L. Flair, his wife
 Lessee: J. Fred Hambright
 Lease Date: October 13, 1992
 Term: Three (3) years (Paid-Up)
 Lease Description: Township 22 South, Range 12 West Section 34: NW/4
 Recorded: Book 116, Page 444

G. F. Carpenter Lease

Lessor: Glennis F. Carpenter
 Lessee: J. Fred Hambright
 Lease Date: October 13, 1992
 Term: Three (3) years (Paid-Up)
 Lease Description: Township 22 South, Range 12 West Section 34: NW/4
 Recorded: Book 116, Page 442