

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

Form CDP-1
April 2004
Form must be Typed

~~AMENDED~~

Submit in Duplicate

Operator Name: Lario Oil & Gas Company		License Number: 5214
Operator Address: 301 S. Market		Wichita KS 67202
Contact Person: Jay Schweikert		Phone Number: 316-265-5611
Lease Name & Well No.: Young G 2-34 RE		Pit Location (QQQQ): _____ NE _____ SE _____ 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 <i>(If WP Supply API No. or Year Drilled)</i>		Pit is: <input type="checkbox"/> Proposed <input checked="" type="checkbox"/> Existing If Existing, date constructed: _____ 6-4-08 Pit capacity: 7,100 _____ (bbls)
Is the pit located in a Sensitive Ground Water Area? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Chloride concentration: _____ mg/l <i>(For Emergency Pits and Settling Pits only)</i>
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): _____ 100 _____ Length (feet) _____ 100 _____ Width (feet) <input type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: _____ 4 _____ (feet) <input type="checkbox"/> No Pit		
If the pit is lined give a brief description of material, thickness and installation procedure.		Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring.
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Distance to nearest water well within one-mile of pit _____ 1044 ⁷⁹ _____ feet Depth of water well _____ 65 ⁵⁴ _____ feet		Depth to shallowest fresh water _____ 19 ³ _____ feet. 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: _____ 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>Bentonite Mud</u> Number of working pits to be utilized: <u>2</u> Abandonment procedure: <u>Allow for evaporation. Fill in and cover pits.</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.		
_____ Date		_____ Signature of Applicant or Agent
KCC OFFICE USE ONLY Steel Pit <input type="checkbox"/> RFAC <input checked="" type="checkbox"/> RFAS <input type="checkbox"/>		
Date Received: <u>7/31/08</u> Permit Number: <u>15-095-001110001</u> Permit Date: <u>8/6/08</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

HAUL-OFF PIT APPLICATION
FILING REQUIREMENTS

for Young G #2-34 RE
34-27-SW

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 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.

Young G - 2-34 RE
15-095-001110001
Sec. 34-27-SW
330' N
330' W

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 landowner 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 landowner 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.

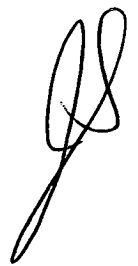
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CONSERVATION DIVISION

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

CONSERVATION DIVISION
WICHITA, KS



OIL AND GAS LEASE



Reorder No. 09-115



316-264-9344 • P.O. Box 793 • Wichita, KS 67201-0793

AGREEMENT, Made and entered into the 7th day of February, 2004

by and between F.L. Young and Nyla J. Young, husband and wife

whose mailing address is 271 NE 130 Ave., Cheney, KS 67025 hereinafter called Lessor (whether one or more), and J. Fred Hambright, Inc., 125 N. Market-#1415, Wichita, KS 67202

hereinafter called Lessee: Lessor, in consideration of ten and more Dollars (\$ 10.00+) in hand paid, receipt of which is here acknowledged and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring by geophysical and other means, prospecting drilling, mining and operating for and producing oil, liquid hydrocarbons, all gases, and their respective constituent products, injecting gas, water, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, telephone lines, and other structures and things thereon to produce, save, take care of, treat, manufacture, process, store and transport said oil, liquid hydrocarbons, gases and their respective constituent products and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land, together with any reversionary rights and after-acquired interest, therein situated in County of Kingman State of Kansas described as follows to-wit:

Township 27 South, Range 5 West Section 33: NE 1/4, except a tract of land described as beginning at the NW/c of the NE 1/4 being 1320' N&S By 450'E&W and containing 13 ac., more or less

In Section Township Range and containing 147 acres, more or less, and all accretions thereto.

Subject to the provisions herein contained, this lease shall remain in force for a term of three(3) years from this date (called "primary term"). and as long thereafter as oil, liquid hydrocarbons, gas or other respective constituent products, or any of them, is produced from said land or land with which said land is pooled.

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 wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

2nd. To pay lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth (1/8), at the market price at the well, (but, as to gas sold by lessee, in no event more than one-eighth (1/8) of the proceeds received by lessee from such sales), for the gas sold, used off the premises, or in the manufacture of products therefrom, said payments to be made monthly. Where gas from a well producing gas only is not sold or used, lessee may pay or tender as royalty One Dollar (\$1.00) per year per net mineral acre retained hereunder, and if such payment or tender is made it will be considered that gas is being produced within the meaning of the preceding paragraph.

This lease may be maintained during the primary term hereof without further payment or drilling operations. 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 like effect as if such well had been completed within the term of years first mentioned.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided for shall be paid the said lessor only in the proportion which lessor's 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 lessee's operation thereon, except water from the 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 written consent of 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. In case lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

Lessee may at any time execute 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.

All express or implied covenants of this lease shall 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 lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation.

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 the undersigned lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, in so far as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said lease premises so as to promote the conservation of oil, gas or other minerals in and under and that may be produced from said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit or units not exceeding 80 acres each in the event of a gas well. Lessee shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

Lessee or assigns agree to restore the surface contours to their original condition as reasonably as is practicable as a result of their drilling operations on the leased premises.

See "RIDER" attached hereto and made a part hereof.



STATE OF KANSAS, Kingman County, ss: This instrument was filed for record on the 7 day of April, A.D. 2004 at 11:00 o'clock A.M. and duly recorded in Book 012 page 130 Fee \$16.00 KATHARINE BRUSH Recorder of Deeds By James Sullivan Deputy

IN WITNESS WHEREOF, the undersigned execute this instrument as of the day and year first above written. Witnesses: Nyla J. Young (Nyla J. Young)

F.L. Young (F.L. Young) SS#

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CONSERVATION DIVISION WICHITA KS

STATE OF Kansas

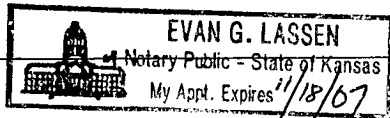
COUNTY OF Kingman

ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)

The foregoing instrument was acknowledged before me this 12th day of February, 2004

by F. L. Young and Nyla J. Young, husband and wife

My commission expires _____



[Signature]
Notary Public
EVAN G. LASSEN
Evan G. Lassen

STATE OF _____

COUNTY OF _____

ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)

The foregoing instrument was acknowledged before me this _____ day of _____,

by _____ and _____

My commission expires _____

Notary Public

STATE OF _____

COUNTY OF _____

ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)

The foregoing instrument was acknowledged before me this _____ day of _____,

by _____ and _____

My commission expires _____

Notary Public

STATE OF _____

COUNTY OF _____

ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)

The foregoing instrument was acknowledged before me this _____ day of _____,

by _____ and _____

My commission expires _____

Notary Public

No. _____

OIL AND GAS LEASE

FROM

TO

Date

Section

Twp.

Rge.

No. of Acres

Term

County

STATE OF

County

This instrument was filed for record on the _____

day of _____

at _____ o'clock _____ M., and duly recorded

in Book _____

Page _____

of _____ of the records of this office.

Register of Deeds.

By _____

When recorded, return to _____

STATE OF _____

COUNTY OF _____

ACKNOWLEDGMENT FOR CORPORATION (KsOkCoNe)

The foregoing instrument was acknowledged before me this _____ day of _____,

by _____

of _____ a _____

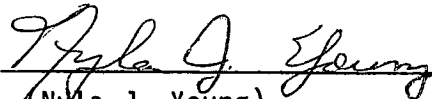
corporation, on behalf of the corporation.

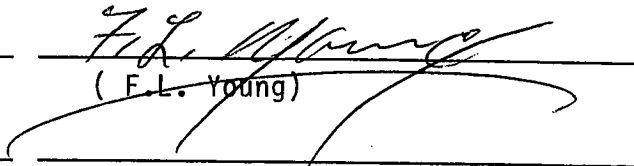
My commission expires _____

Notary Public

RIDER

If at the end of the primary term, this lease is not otherwise continued in force under the provisions hereof, this lease shall expire, unless Lessee on or before the end of the primary term shall pay or tender to Lessor, the sum of \$ 7.00 multiplied by the number of net mineral acres owned by Lessor in the land above described and then subject to this lease; and subject to the other provisions of this lease, the primary term shall be extended for an additional term of two(2) years from the end of the primary term hereof.


(Nyta J. Young)


(F.L. Young)

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CONSERVATION DIVISION
WICHITA, KS

230

AGREEMENT TO PROVIDE DISPOSAL OF DRILLING MUD

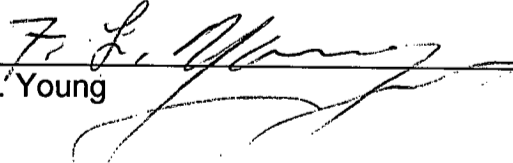
WHEREAS F. L. Young and Nyla Young, 271 NE 130th Avenue, Cheney, Kansas 67025 (hereinafter referred to as Landowners) have agreed to provide Lario Oil & Gas Company an area on the F.L. Young & Nyla Young property in the in E/2 NE/4 of Section 33-27S-5W to use for the disposal of drilling mud associated with the drilling of the Young G 2-34 RE well located NW NW NW of Section 34-27S-5W, Kingman County, Kansas.

It is mutually agreed as follows:

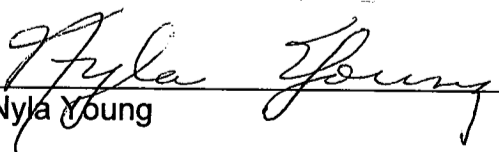
1. Lario Oil & Gas Company shall utilize the existing pit in which all drilling mud from the drilling operation of the Young G 2-34 RE will be disposed.
3. Landowners hereby grant to Lario the right to dispose of all drilling mud during the drilling operation of the Young G 2-34 RE. Lario will not use the pit to dispose of any completion fluids as mandated by the Kansas Corporation Commission. The Landowners agrees that this access shall be for so long as it is needed by Lario to complete the drilling of said well.
4. Upon completion of operations of said well, Lario shall, as soon as practical, close said pit and restore the premises
5. Lario shall pay to Landowners the sum of One Thousand Dollars (\$1000.00), upon execution of this agreement, for access and use of said lands.
6. Landowners represent that they have they are the owners of said property and have the right to enter into this agreement

EXECUTED THIS 2 day of August, 2008

LANDOWNERS:



F. L. Young



Nyla Young

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CONSERVATION DIVISION
WICHITA KS



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

August 6, 2008

Mr. Jay Schweikert
Lario Oil & Gas Company
301 S Market
Wichita, KS 67202

Re: Haul-Off Pit Application
Young G Lease Well No. 2-34RE
NE/4 Sec. 33-27S-05W
Kingman County, Kansas

Dear Mr. Schweikert:

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 within 72 hours after drilling 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 (316) 630-4000 when the fluids have been removed. Please file form CDP-5, Exploration and Production Waster 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: district

CONSERVATION DIVISION

Fimney State Office Building, 130 S. Market, Room 2078, Wichita, KS 67202-3802

(316) 337-6200 • Fax: (316) 337-6211 • <http://kcc.ks.gov/>