

For KCC Use: 6-8-2010
 Effective Date: _____
 District #: _____
 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: June 10 2010
month day year

OPERATOR: License# 9313 ✓
 Name: James D. Lorenz
 Address 1: 543A 22000 Road
 Address 2: _____
 City: Cherryvale State: KS Zip: 67335 + 8515
 Contact Person: James D. Lorenz
 Phone: 620-328-4433

CONTRACTOR: License# 5831 ✓
 Name: Will be contractor licensed by KCC NOKAT Drilling

Well Drilled For: Oil Gas Seismic; # of Holes _____
 Enh Rec Storage Disposal Other: _____
 Infield Pool Ext. Wildcat Other: _____
 Mud Rotary Air Rotary Cable
 If OWWO: old well information as follows: _____
 Operator: _____
 Well Name: _____
 Original Completion Date: _____ Original Total Depth: _____

Directional, Deviated or Horizontal wellbore? Yes No
 If Yes, true vertical depth: RECEIVED
 Bottom Hole Location: _____
 KCC DKT #: JUN 02 2010

Spot Description: _____
 SW - SW - SW - SW Sec. 14 Twp. 32 S. R. 18 E W
 (0000) 165 feet from N / S Line of Section ✓
5,180 feet from E / W Line of Section ✓

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

County: Labette
 Lease Name: Jones Well #: 2
 Field Name: Mound Valley

Is this a Prorated / Spaced Field? Yes No
 Target Formation(s): Bartlesville
 Nearest Lease or unit boundary line (in footage): 165

Ground Surface Elevation: 912 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+
 Depth to bottom of usable water: 150 ✓
 Surface Pipe by Alternate: I II ✓
 Length of Surface Pipe Planned to be set: 20' of 8 5/8" ✓
 Length of Conductor Pipe (if any): none
 Projected Total Depth: 900'
 Formation at Total Depth: Mississippian ✓

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: _____

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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: 06/01/2010 Signature of Operator or Agent: [Signature] Title: Agent

For KCC Use ONLY
 API # 15 - 099-24600-00-00
 Conductor pipe required NONE feet
 Minimum surface pipe required 20 feet per ALT. I II
 Approved by: AS 6-3-10
 This authorization expires: 6-3-2010
 (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: _____

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

14
32
18
 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 - 099-24600-00-00

Operator: James D. Lorenz

Lease: Jones

Well Number: 2

Field: Mound Valley

Number of Acres attributable to well: 2 1/2

QTR/QTR/QTR/QTR of acreage: SW - SW - SW - SW

Location of Well: County: Labette

165 feet from N / S Line of Section

5,180 feet from E / W Line of Section

Sec. 14 Twp. 32 S. R. 18 E W

Is Section: Regular or Irregular

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

Section corner used: NE NW SE SW

RECEIVED

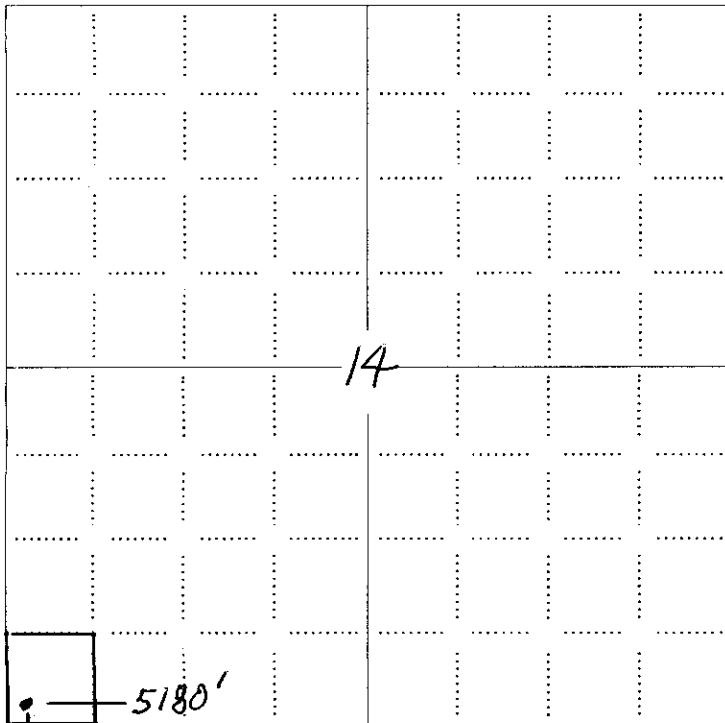
JUN 02 2010

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PLAT

(Show location of the well and shade attributable acreage for prorated or spaced wells.)

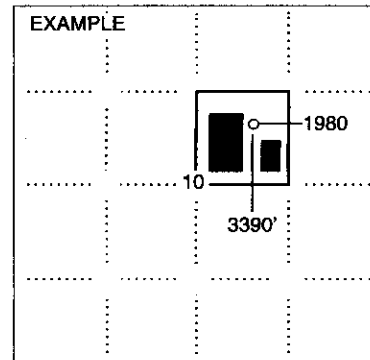
(Show footage to the nearest lease or unit boundary line.)



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

165'

*2 1/2 ACRE oil location
Lease of ADJOINING Property
(ADD THIS Property) Included
WITH INTENT - Same Landowner*



SEWARD 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).



AGREEMENT, Made and entered into

MAY 28th 2010

2010

ALAN A. AND DEANNA JONES, HUSBAND & WIFE D.B.A. DEANNA L. JONES REVOCABLE LIVING TRUST AND ALAN A. JONES REVOCABLE LIVING TRUST

Party of the first part, hereinafter called lessor (whether one or more) and Party of the second part, hereinafter called lessee

WITNESSETH, That the said lessor, for and in consideration of DOLLARS cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto said lessee, for the purpose of in vestigating, exploring by geophysical and other means, prospecting, drilling, mining and operating for and producing oil, liquid hydrocarbons, all gases, in their respective constituent products: injecting gas, waters, other fluids, and air into subsurface strata; laying pipe lines, storing oil, building tanks, power stations, roadways, and other structures and things thereon to produce, save, take care of, treat, process, store, transport and market said oil, liquid hydro carbons, gases, and their respective constituent products, the following described land together with any reversionary rights and after-acquired interest therein, situated in the County of LABETTE State of KANSAS

described as follows, to-wit: SEC 11 - SW 1/4 OF THE SW 1/4 (80 ACRES) SEC 14 - NW 1/4; NORTH 65 ACRES OF THE SW 1/4; WEST 50 ACRES OF THE SOUTH 95 ACRES OF THE SW 1/4 SEC 15 - NE 1/4 AND THE SW 1/4

of Section 11, 14, 15 Township 32S Range 18E and containing 835 acres more or less

It is agreed that this lease shall remain in full force for a term of 3 (THREE) 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 amount of 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 a royalty of the market value of such gas at the mouth of the well; if said gas is sold by the lessee, then as royalty 1/3 of the proceeds of the sale thereof at the mouth of the well. The lessee shall pay to lessor as royalty 1/3 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 to lessor the proceeds from the sale of gas as such at the mouth of the well where gas only is royalty, an amount equal to the delay rental provided in the next succeeding paragraph hereof, and while said royalty is so paid or tendered this lease shall be held as a producing lease under the above term paragraph hereof; the lessor to have gas free of charge from any gas well on the leased premises to use stoves and inside lights in 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 this lease shall terminate as to both parties, unless the lessee or or before that date shall pay or tender to the lessor, or to the lessor's credit in The Bank at

or its successors, which shall continue as the depository regardless of changes in the owner- ship of said land, the sum of DOLLARS, which shall operate as a rental and cover

the privileges of deferring the commencement of a well for twelve months from said date. In like manner and upon like payments or tenders the commence- ment 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 or by assignment thereof, or delivered or before the rental paying date either direct to lessor or assigns or to said de- pository bank. And it is understood and agreed that the consideration first recited herein, that the lessee shall pay or tender only the privileges granted to the Lessee when said first rental is payable as aforesaid, but also the lessee's option of extending that period as aforesaid, and all other rights conferred by 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 describe 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 herein 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 or 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 rental 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 300 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 privileges 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 after lessee 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 the estate, with an instrument satisfactory to lessee executed by lessor's heirs authorizing payment or deposit or tender for deposit to their credit as hereinbefore provided, at least thirty days before said rentals and royalties are payable or due, and if 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 payments of said rentals. 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. 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 or 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 re deem 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.

IN THE FIRST YEAR (TWO) WELLS HAVE TO BE DRILLED & PRODUCTION ESTABLISHED TO MAINTAIN A VALID LEASE. \$500.00 TO BE PAID PER DRILLING LOCATION FOR DAMAGES N.R.F. IS 3/16" AND NOT THE 1/8" AS PRINTED IN CONTRACT THIS EXTENDS TO OIL AND GAS

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

Alan A. Jones Trust X ALAN A. JONES (TRUSTEE)

Deanna L. Jones, Trustee X DEANNA L. JONES (TRUSTEE)

RECEIVED JUN 02 2010

KCC-11011714

15-099-241000-00-00

RECEIVED

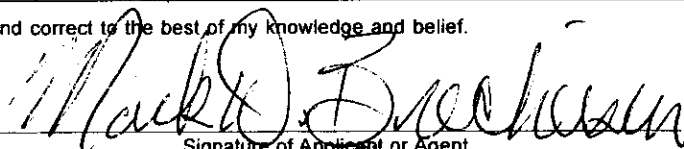
JUN 02 2010

KCC WICHITA

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

Form GDP-1
April 2004
Form must be Typed

Submit in Duplicate

Operator Name: James D. Lorenz		License Number: 9313	
Operator Address: 543A 22000 Road		Cherryvale KS 67335	
Contact Person: James D. Lorenz		Phone Number: 620-328-4433	
Lease Name & Well No.: Jones 2		Pit Location (QQQQ): SW SW SW SW	
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: 300 (bbls)	
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 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? clay			
Pit dimensions (all but working pits): 20 Length (feet) 20 Width (feet)		<input type="checkbox"/> N/A: Steel Pits	
Depth from ground level to deepest point: 5 (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.	
Distance to nearest water well within one-mile of pit N/A feet Depth of water well _____ feet		Depth to shallowest fresh water 15 feet. Source of information: <input checked="" type="checkbox"/> measured <input type="checkbox"/> well owner <input type="checkbox"/> electric log <input 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: Fresh Water - Injected Number of working pits to be utilized: 1 Abandonment procedure: Let Dry and Fill In 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.			
06/01/2010 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: 6/2/10		Permit Number: _____ Permit Date: 6-3-10 Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	

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

15-099-2400-0000



Mark Parkinson, Governor
Thomas E. Wright, Chairman
Joseph F. Harkins, Commissioner
Ward Loyd, Commissioner

June 3, 2010

James D. Lorenz
543A 22000 Road
Cherryvale, KS 67335-8515

RE: Drilling Pit Application
Jones Lease Well No. 2
SW/4 Sec. 14-32S-18E
Labette 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,

A handwritten signature in black ink, appearing to read "Kathy Haynes".

Kathy Haynes
Environmental Protection and Remediation Department

cc: File