

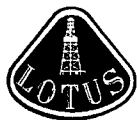
**KANSAS CORPORATION COMMISSION  
OIL & GAS CONSERVATION DIVISION  
APPLICATION FOR SURFACE PIT**

Form CDP-1  
April 2004  
Form must be Typed

*Submit in Duplicate*

Operator Name: Lotus Operating Co. LLC		License Number: 31980	
Operator Address: 100 S. Main, Ste 420		Wichita Kansas 67202	
Contact Person: Tim Hellman		Phone Number: 316-262-1077	
Lease Name & Well No.: #1 Lee		Pit Location (QQQQ): SE 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> 15-151-22340		Pit is: <input type="checkbox"/> Proposed <input checked="" type="checkbox"/> Existing If Existing, date constructed: 8-2009 Pit capacity: 3,200 (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? Bentonite & drilling solids self seal pit			
Pit dimensions (all but working pits): _____ 90 _____ Length (feet) _____ 90 _____ 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 the liner material, thickness and installation procedure.		Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring.	
		RECEIVED JUN 03 2010 KCC WICHITA	
Distance to nearest water well within one-mile of pit _____ 1480 _____ feet    Depth of water well _____ 180 _____ feet		Depth to shallowest fresh water _____ 97 _____ feet. Source of information: <input type="checkbox"/> measured <input type="checkbox"/> well owner <input type="checkbox"/> electric log <input checked="" type="checkbox"/> KDWR	
<b>Emergency, Settling and Burn Pits ONLY:</b> 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		<b>Drilling, Workover and Haul-Off Pits ONLY:</b> Type of material utilized in drilling/workover: Chemical Mud Number of working pits to be utilized: _____ 1 _____ Abandonment procedure: Pits are allowed to dry completely and backfilled when conditions allow 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.			
_____ 6/3/2010 Date		_____ Signature of Applicant or Agent	
<b>KCC OFFICE USE ONLY</b>			
		Steel Pit <input type="checkbox"/> RFAC <input checked="" type="checkbox"/> RFAS <input checked="" type="checkbox"/>	
Date Received: 6-3-10    Permit Number: 15-151-22354.00-00    Permit Date: 6-4-10    Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			

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



Lotus Operating Company LLC

100 S. MAIN, SUITE 420  
WICHITA, KANSAS 67202  
(316) 262-1077  
FAX (316) 219-1217  
thellman@lotusoperating.com

Kansas Corporation Commission  
130 S. Market, Room 2078  
Wichita, KS 67202

RE: CDP-1 Application

Dear Sirs,

Lotus Operating Co. LLC is preparing to drill a well call the #1 Lee in the SW SW NE of section 19-T29s-R15w, Pratt County, Kansas.

In August of 2009, VAL Energy, Inc. drilled a #1-19 Lee in the SE SE NE of section 19. That pit has not been filled yet. Lotus Operating Co. LLC, has been given permission from Mr. Bill Lee, the landowner and mineral owner, to use that pit along with approval from VAL Energy. We told both parties that we will be responsible for filling in the pit.

Lotus Operating Co. wishes to utilize the old Val Energy reserve / drilling pit for our location and Mr. Lee approved the idea because there was one less pit on the property.

We request the approval of transfer of reserve pit and that we have the customary one year after the transfer to close the pit.

Please call or email if there are any questions.

Thank you.

Sincerely

Timothy D. Hellman  
Lotus Operating Co. LLC

KCC WICHITA  
JUN 03 2010  
RECEIVED

The logo for the Kansas Corporation Commission features the word "KANSAS" in a large, bold, sans-serif font. Above the letters "A" and "S" is a stylized graphic of a star with a curved line trailing behind it, suggesting a comet or a path. Below "KANSAS" is the text "CORPORATION COMMISSION" in a smaller, all-caps, sans-serif font.

**KANSAS**  
CORPORATION COMMISSION

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

June 4, 2010

Lotus Operating Co., LLC  
100 S. Main Ste 420  
Wichita, KS 67202

RE: Haul-Off Pit Application  
Lee Lease Well No. 1  
NE/4 Sec. 19-29S-15W  
Pratt County, Kansas

Dear Sir or Madam:

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 after haul-off operations have ceased.

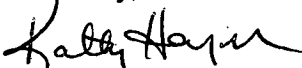
**NO completion fluids or non-exempt wastes shall be placed in the haul-off pit.**

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](http://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". The signature is written in a cursive style.

Kathy Haynes  
Environmental Protection and Remediation Department

cc: district office