

For KCC Use:
 Effective Date: 3-16-2011
 District # 2
 SGA? Yes No

KANSAS CORPORATION COMMISSION
 OIL & GAS CONSERVATION DIVISION

Form C-1
 March 2010
 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
 Form KSONA-1, Certification of Compliance with the Kansas Surface Owner Notification Act, MUST be submitted with this form.

Expected Spud Date: 4/12/11
 month day year

Spot Description:
 SE - SE - SE - Sec. 5 Twp. 22 S. R. 4 E W
 (0000) 420 feet from N / S Line of Section
 330 feet from E / W Line of Section

OPERATOR: License# 6131
 Name: Drillers & Producers, Inc.
 Address 1: P.O. Box 385
 Address 2:
 City: Newton State: Ks Zip: 67114 +
 Contact Person: Bill Hanson
 Phone: 316-841-0022

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

CONTRACTOR: License# 32701
 Name: C & G Drilling

County: Marion
 Lease Name: Hanson Well #: 3
 Field Name: Peabody

Well Drilled For: Oil Gas Seismic; # of Holes Other:
 Well Class: Infield Pool Ext. Wildcat Other
 Type Equipment: Mud Rotary Air Rotary Cable

Is this a Prorated / Spaced Field? Yes No
 Target Formation(s): Hunton
 Nearest Lease or unit boundary line (in footage): 330

Ground Surface Elevation: 1433 feet MSL
 Water well within one-quarter mile: Yes No
 Public water supply well within one mile: Yes No

Operator:
 Well Name:
 Original Completion Date: Original Total Depth:

Depth to bottom of fresh water: 50 / 100
 Depth to bottom of usable water: 180
 Surface Pipe by Alternate: II
 Length of Surface Pipe Planned to be set: 200+

Directional, Deviated or Horizontal wellbore? Yes No

Length of Conductor Pipe (if any): n/a
 Projected Total Depth: 2470
 Formation at Total Depth: Hunton

If Yes, true vertical depth:
 Bottom Hole Location:
 KCC DKT #:

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:

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 to the best of my knowledge and belief.

Date: 3/9/11 Signature of Operator or Agent: William Hanson Title: VP

For KCC Use ONLY
 API # 15 - 115-21420-0000
 Conductor pipe required None feet
 Minimum surface pipe required 200 feet per ALT. II
 Approved by: Luna 3-11-2011
 This authorization expires: 3-11-2012
 (This authorization void if drilling not started within 12 months of approval date.)
 Spud date: Agent:

Remember to:

- File Certification of Compliance with the Kansas Surface Owner Notification Act (KSONA-1) with Intent to Drill;
- 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 well will not be drilled or permit has expired (See: authorized expiration date) please check the box below and return to the address below.

Well will not be drilled or Permit Expired Date:
 Signature of Operator or Agent: RECEIVED

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

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**MAR 10 2011
 KCC WICHITA**

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For KCC Use ONLY

API # 15 - 115-21420-0000

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

In all cases, please fully complete this side of the form. Include items 1 through 5 at the bottom of this page.

Operator: Drillers & Producers, Inc.
 Lease: Hanson
 Well Number: 3
 Field: Peabody

Location of Well: County: Marion
420 feet from N / S Line of Section
330 feet from E / W Line of Section
 Sec. 5 Twp. 22 S. R. 4 E W

Number of Acres attributable to well: _____
 QTR/QTR/QTR/QTR of acreage: SE - SE - SE - _____

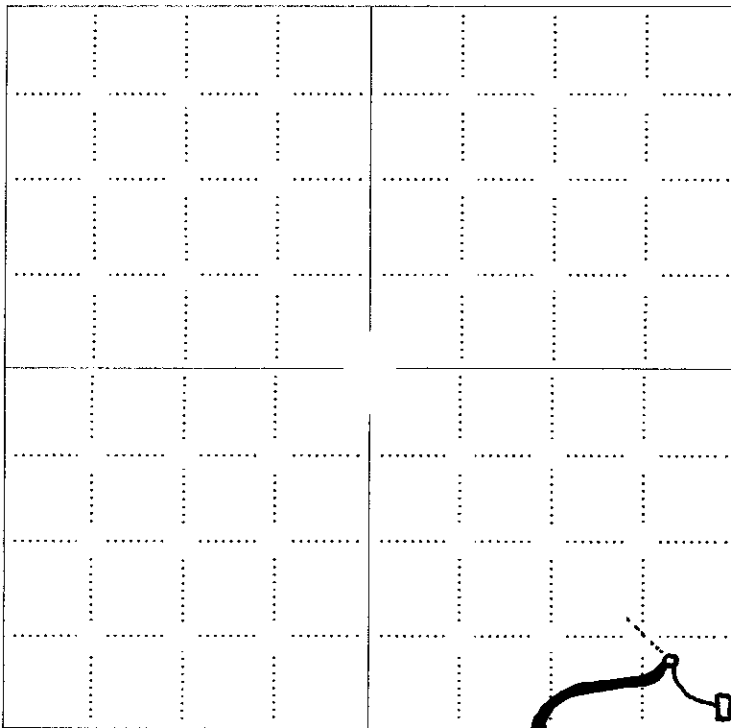
Is Section: Regular or Irregular

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

Section corner used: NE NW SE SW

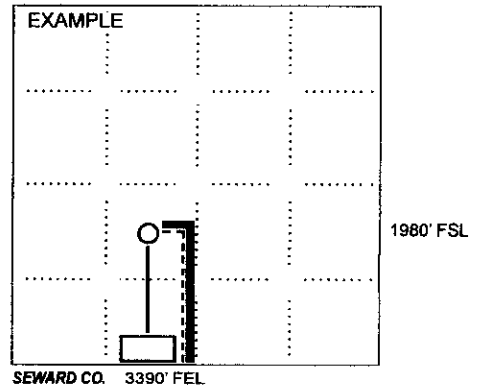
PLAT

Show location of the well. Show footage to the nearest lease or unit boundary line. Show the predicted locations of lease roads, tank batteries, pipelines and electrical lines, as required by the Kansas Surface Owner Notice Act (House Bill 2032). You may attach a separate plat if desired.



LEGEND

- Well Location
- Tank Battery Location
- Pipeline Location
- - - - Electric Line Location
- Lease Road Location



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

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: (C0-7 for oil wells; CG-8 for gas wells).
5. The predicted locations of lease roads, tank batteries, pipelines, and electrical lines.

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 MAR 10 2011
 KCC WICHITA

CERTIFICATION OF COMPLIANCE WITH THE KANSAS SURFACE OWNER NOTIFICATION ACT

This form must be submitted with all Forms C-1 (Notice of Intent to Drill); CB-1 (Cathodic Protection Borehole Intent); T-1 (Request for Change of Operator Transfer of Injection or Surface Pit Permit); and CP-1 (Well Plugging Application). Any such form submitted without an accompanying Form KSONA-1 will be returned.

Select the corresponding form being filed: C-1 (Intent) CB-1 (Cathodic Protection Borehole Intent) T-1 (Transfer) CP-1 (Plugging Application)

OPERATOR: License # 6131
Name: Drillers & Producers, Inc.
Address 1: P.O. Box 385
Address 2:
City: Newton State: Ks Zip: 67114 +
Contact Person: Bill Hanson
Phone: (316) 841-0022 Fax: (316) 283-3613
Email Address: crudeoil3@aol.com

Well Location:
SE SE SE Sec. 5 Twp. 22 S. R. 4 East West
County: Marion
Lease Name: Hanson Well #: 3

If filing a Form T-1 for multiple wells on a lease, enter the legal description of the lease below:

KSONA FEE PAID

Surface Owner Information:

Name: Klee Watchous
Address 1: 4924 S.E. 84th St.
Address 2:
City: Newton State: Ks Zip: 67114 +

When filing a Form T-1 involving multiple surface owners, attach an additional sheet listing all of the information to the left for each surface owner. Surface owner information can be found in the records of the register of deeds for the county, and in the real estate property tax records of the county treasurer.

If this form is being submitted with a Form C-1 (Intent) or CB-1 (Cathodic Protection Borehole Intent), you must supply the surface owners and the KCC with a plat showing the predicted locations of lease roads, tank batteries, pipelines, and electrical lines. The locations shown on the plat are preliminary non-binding estimates. The locations may be entered on the Form C-1 plat, Form CB-1 plat, or a separate plat may be submitted.

Select one of the following:

I certify that, pursuant to the Kansas Surface Owner Notice Act (House Bill 2032), I have provided the following to the surface owner(s) of the land upon which the subject well is or will be located: 1) a copy of the Form C-1, Form CB-1, Form T-1, or Form CP-1 that I am filing in connection with this form; 2) if the form being filed is a Form C-1 or Form CB-1, the plat(s) required by this form; and 3) my operator name, address, phone number, fax, and email address.

I have not provided this information to the surface owner(s). I acknowledge that, because I have not provided this information, the KCC will be required to send this information to the surface owner(s). To mitigate the additional cost of the KCC performing this task, I acknowledge that I am being charged a \$30.00 handling fee, payable to the KCC, which is enclosed with this form.

If choosing the second option, submit payment of the \$30.00 handling fee with this form. If the fee is not received with this form, the KSONA-1 form and the associated Form C-1, Form CB-1, Form T-1, or Form CP-1 will be returned.

I hereby certify that the statements made herein are true and correct to the best of my knowledge and belief.

Date: 3/9/11 Signature of Operator or Agent: William Hanson Title: VP

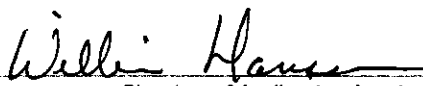
Mail to: KCC - Conservation Division, 130 S. Market - Room 2078, Wichita, Kansas 67202

RECEIVED
MAR 10 2011
KCC WICHITA

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

Form CDP-1
May 2010
Form must be Typed

Submit in Duplicate

Operator Name: Drillers & Producers, Inc.		License Number: 6131
Operator Address: P.O. Box 385		Newton Ks 67114
Contact Person: Bill Hanson		Phone Number: 316-841-0022
Lease Name & Well No.: Hanson 3		Pit Location (QQQQ): _____ Sec. 5 Twp. 22 R. 4 <input checked="" type="checkbox"/> East <input type="checkbox"/> West _____ Feet from <input type="checkbox"/> North / <input type="checkbox"/> South Line of Section _____ Feet from <input type="checkbox"/> East / <input type="checkbox"/> West Line of Section Marion County
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: _____ (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? Bentonite
Pit dimensions (all but working pits): <u>70</u> Length (feet) <u>9</u> Width (feet) <input type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: <u>4</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.
Distance to nearest water well within one-mile of pit: <u>2500</u> feet Depth of water well <u>100</u> feet		Depth to shallowest fresh water <u>22</u> feet. <input checked="" type="checkbox"/> 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>water/mud</u> Number of working pits to be utilized: <u>3</u> Abandonment procedure: <u>let dry return to original</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>3/9/11</u> Date		 Signature of Applicant or Agent

1511-02112-511-51

KCC OFFICE USE ONLY			
Date Received: <u>3/10/11</u>	Permit Number: _____	Permit Date: <u>3/11/11</u>	Lease Inspection: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Liner <input type="checkbox"/> Steel Pit <input type="checkbox"/> RFAC <input type="checkbox"/> RFAS			

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

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MAR 10 2011
KCC WICHITA**

Conservation Division
Finney State Office Building
130 S. Market, Rm. 2078
Wichita, KS 67202-3802



phone: 316-337-6200
fax: 316-337-6211
<http://kcc.ks.gov/>

Thomas E. Wright, Chairman
Ward Loyd, Commissioner

Corporation Commission

Sam Brownback, Governor

March 11, 2011

Klee Watchous
4924 S.E. 84th St.
Newton, KS 67114

RE: Kansas Surface Owners Notice Act

Dear Mr. Watchous:

The 2009 Legislature passed House Bill 2032, known as the Kansas Surface Owners Notice Act. This Act requires the KCC to provide copies of drilling intents, operator transfers, and well plugging applications to the surface owner, if they are not provided by the lease operator. The operator has advised us they have not provided you with a copy of the attached forms. Therefore, this letter and the attached form shall serve as notice of the operator's action. You do not need to respond to the KCC. Please contact the operator listed on the form if you have any questions.

Sincerely,

Rick Hestermann
Production Department