

15-071-20761-0000

For KCC Use: Effective Date: 3-23-03 District # 1 SGA? Yes No

KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

Form C-1 September 1999 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 4-20-2003 month day year

Spot Appx. se - se - SW Sec. 22 Twp. 16S S. R. 42W East West 300 feet from (S) N (circle one) Line of Section 2270 feet from E (W) (circle one) Line of Section Is SECTION Regular Irregular?

OPERATOR: License# 5474 Name: Northern Lights Oil Co., LC Address: P.O. Box 164 City/State/Zip: Andover, KS 67002 Contact Person: Kurt Smith Phone: 3167331515

(Note: Locate well on the Section Plat on reverse side) County: Greely Lease Name: Sherry Well #: 1 Field Name: Sidney South

CONTRACTOR: License# 30606 Name: Murfin Drilling Company, Inc.

Is this a Prorated / Spaced Field? Yes No Target Formation(s): Morrow

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

Nearest Lease or unit boundary: 300 Ground Surface Elevation: 3820 feet MSL

If OWWO: old well information as follows: Operator: Well Name: Original Completion Date: Original Total Depth:

Water well within one-quarter mile: Public water supply well within one mile: Depth to bottom of fresh water: 300' Depth to bottom of usable water: 1850'

Directional, Deviated or Horizontal wellbore? Yes No

Surface Pipe by Alternate: 1 x 2 Length of Surface Pipe Planned to be set: 400'

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

Length of Conductor Pipe required: Projected Total Depth: 5200 Formation at Total Depth: Mississippian

Directional, Deviated or Horizontal wellbore? Yes No

Water Source for Drilling Operations: Well Farm Pond X Other DWR Permit #: Will Cores be taken? Yes No

Directional, Deviated or Horizontal wellbore? Yes No

(Note: Apply for Permit with DWR) Will Cores be taken? Yes No

Directional, Deviated or Horizontal wellbore? Yes No

(Note: Apply for Permit with DWR) Will Cores be taken? Yes No

* Pooling unit agreement attached (DW/KCC).

MAR 18 2003

KCC WICHITA AFFIDAVIT

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55-101, 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. 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: 3-14-2003 Signature of Operator or Agent: Title: Exploration Manager

For KCC Use ONLY API # 15 - 071-20761-00-00 Conductor pipe required NONE feet Minimum surface pipe required 320' feet per Alt. X(2) Approved by: DW 3-18-03 This authorization expires: 9-18-03 (This authorization void if drilling not started within 6 months of effective 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; - Obtain written approval before disposing or injecting salt water.

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

22 10 42w

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 - _____
Operator: _____
Lease: _____
Well Number: _____
Field: _____

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

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MAR 18 2003

KCC WICHITA

PLAT

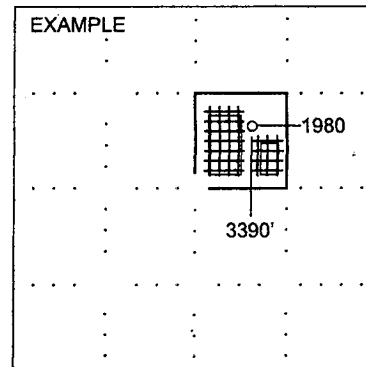
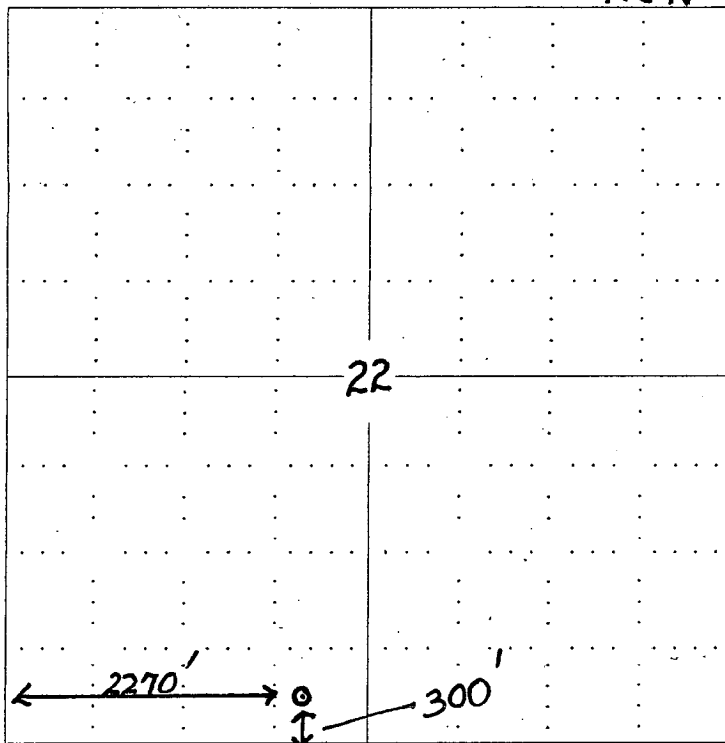
(Show location of the well and shade attributable acreage for prorated or spaced wells.)

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

GREELY Co., KS.

42W

16S.



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 section's south / north and east / west.
3. The distance to the nearest lease or unit boundary line.
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).

15-071-20761-00-00

63U (Rev. 1993)

OIL AND GAS LEASE

Reorder No. 09-115



P.O. Box 793 Wichita, KS, 67201-0793 1-800-4K5BLUE 1-316-264-8344 Wichita 1-316-264-5185 fax www.kbp.com • kbp@kbp.com

AGREEMENT, Made and entered into the 3rd day of February, 2003

by and between Ralph W. Young and Carrol D. Young, his wife; Sherry K. Peter and Alan Peter, her husband; Connie F. Shafer and Ken P. Shafer, her husband; Lisa A. Holthaus and Douglas S. Holthaus, her husband; Billie Jo Kuhlman and Dale F. Kuhlman, her husband

whose mailing address is P. O. Box 155, Tribune, Kansas 67879 hereinafter called Lessor (whether one or more), and Northern Lights Oil Co., LC, P. O. Box 164, Andover, Kansas 67002

hereinafter called Lessee:

Lessor, in consideration of ten and more Dollars (\$ 10.00 & more) 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 Greeley State of Kansas described as follows to-wit:

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MAR 18 2003

Northwest Quarter (NW/4)

KCC WICHITA

In Section 27 Township 16 South Range 42 West and containing 160 acres, more or less, and all accretions thereto.

Subject to the provisions herein contained, this lease shall remain in force for a term of one (1) year 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) 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 to 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 in a below blow 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 to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

If the estate of either party herein 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.

Lessee 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 640 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.

All Lease consideration is to be paid to Ralph W. Young as Agent for all Lessors.

See Exhibit "A" attached hereto and made a part hereof.

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63U (Rev. 1993)

OIL AND GAS LEASE



Reorder No. 09-115

KANSAS BLUE PRINT CO. INC. 316-264-9344 • P.O. Box 793 • Wichita, KS 67201-0793

Used AFF OF POSS MAIN PERCE

Ralph

316-376-4228 BANK

15-071-20761-00-00

AGREEMENT, Made and entered into the 11th day of December, 2000

by and between Ralph W. Young and Carrol D. Young, his wife; Sherry K. Peter and Alan Peter, her husband; Connie F. Shafer and Ken P. Shafer, her husband; Lisa A. Holthaus and Douglas S. Holthaus, her husband; Billie Jo Kuhlman and Dale F. Kuhlman, her husband

whose mailing address is P. O. Box 155, Tribune, Kansas 67879 hereinafter called Lessor (whether one or more), and Osage Resources, P. O. Box 164, Andover, Kansas 67002

hereinafter called Lessee: Lessor, in consideration of ten and more - - - Dollars (\$10.00 & more) 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 RECEIVED Greeley State of Kansas described as follows to-wit:

MAR 18 2003

South Half (S/2)

KCC WICHITA

In Section 22 Township 16 South Range 42 West and containing 320 acres, more or less, and all accretions thereto.

Subject to the provisions herein contained, this lease shall remain in force for a term of One (1) 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 that of a divided 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 line to a sufficient depth.

No well shall be drilled nearer than 200 feet to the house or other building 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 release 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 of 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 640 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.

This lease is subject to the rights and privileges, if any, of Lessee in that certain Oil and Gas Lease recorded in Book 118, Pages 271-273 in the Register of Deeds Office in Greeley County, Kansas.

All lease consideration is to be paid to Ralph W. Young as Agent for all Lessors in his account #20 947 3 in the First National Bank of Tribune, Kansas.

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