

FOR KCC USE:

FORM MUST BE TYPED
FORM MUST BE SIGNED
ALL BLANKS MUST BE FILLED

EFFECTIVE DATE: 9-13-2000

State of Kansas

DISTRICT # 4

NOTICE OF INTENTION TO DRILL

SGA? Yes No

Must be approved by the K.C.C. five (5) days prior to commencing well.

Expected Spud Date September 8, 2000
month day year

Spot Approx w2w2w2w2 Sec 33 Twp 14S S, Rg 41 West

OPERATOR: License # 5086
Name: Pintail Petroleum, Ltd.
Address: 225 N. Market, Ste. 300
City/State/Zip: Wichita, KS 67202
Contact Person: Innes Phillips
Phone: (316) 263-2243

2640 feet from South/North line of Section
100 feet from East/West line of Section
IS SECTION X REGULAR IRREGULAR?

CONTRACTOR: License #: 30606
Name: Murfin Drilling

(NOTE: Locate well on the Section Plat on Reverse Side)
County: Wallace
Lease Name: Schemm Well #: 1
Field Name: W.S.

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

Is this a Prorated/Spaced Field? yes X no
Target Formation(s): Morrow
Nearest lease or unit boundary: 2640'
Ground Surface Elevation: EST 3825 feet MSL

If OWWO: old well information as follows:
Operator:
Well Name:
Comp. Date: Old Total Depth

Water well within one-quarter mile: yes X no
Public water supply well within one mile: yes X no
Depth to bottom of fresh water: 330
Depth to bottom of usable water: 1775
Surface Pipe by Alternate: 1 X 2
Length of Surface Pipe Planned to be set: 380'

Directional, Deviated or Horizontal wellbore? yes X no
If yes, true vertical depth:
Bottom Hole Location:

Length of Conductor pipe required:
Projected Total Depth: 5300'
Formation at Total Depth: Mississippi
Water Source for Drilling Operations:
... well ... farm pond X other

Will Cores Be Taken? yes X no
If yes, proposed zone:

AFFIDAVIT

*LEASE COVERS E/2 OF SEC 32-14-41W.

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: 8/31/2000 Signature of Operator or Agent: Bert A. Jern Title: Geologist

FOR KCC USE:
API # 15- 199-20283-0000
Conductor pipe required NONE feet
Minimum surface pipe required 380 feet per Alt. X(2)
Approved by: JK 9-8-2000
This authorization expires: 3-8-2001
(This authorization void if drilling not started within 6 months of effective date.)
Spud date: Agent:

RECEIVED
STATE CORPORATION COMMISSION
SEP 01 2000
CONSERVATION DIVISION

33
14
41W

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.

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 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.

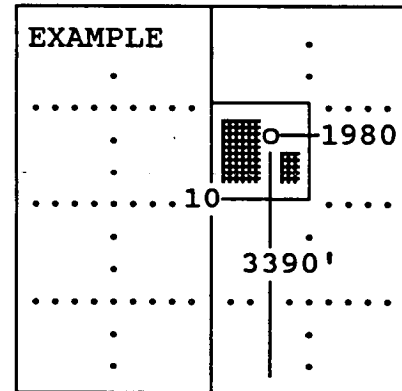
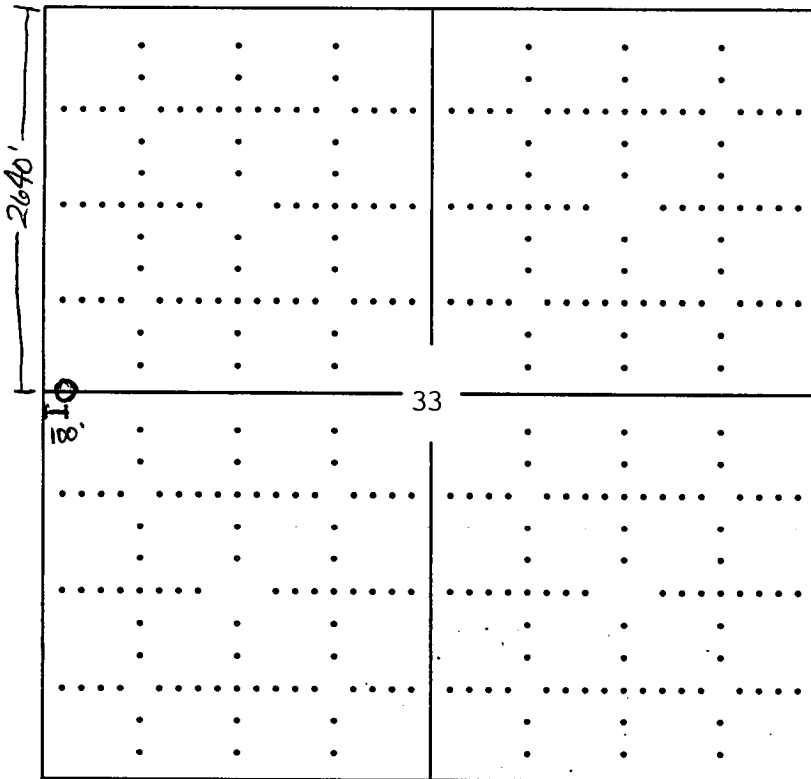
API NO. 15- _____
 OPERATOR _____ LOCATION OF WELL: COUNTY _____
 LEASE _____ feet from south/north line of section
 WELL NUMBER _____ feet from east/west line of section
 FIELD _____ SECTION _____ TWP _____ RG _____

NUMBER OF ACRES ATTRIBUTABLE TO WELL _____ IS SECTION _____ REGULAR or _____ IRREGULAR
 QTR/QTR/QTR OF ACREAGE _____ - _____ - _____ **IF SECTION IS IRREGULAR, LOCATE WELL FROM NEAREST CORNER BOUNDARY.**

Section corner used: _____ NE _____ NW _____ SE _____ SW

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.)



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

Attn:
Jeff Klock

15-199-20283-00-00
BOOK 135 PAGE 321

UNITIZATION AGREEMENT

THIS UNITIZATION AGREEMENT IS MADE AND ENTERED this 10 day of August, 1999, by and between Ronald E. Schemm, a married man dealing in his sole and separate property, Ronald E. Schemm, Trustee of the Ronald Schemm Trust U/T/A dated April 1, 1994, as Lessors, and Pintail Petroleum, Ltd., as Lessee:

PINTAIL PETROLEUM
SCHEMM #1

WITNESSETH:

In consideration of Ten and No/100 Dollars (\$10.00) in hand paid, and in further consideration of the premises and the mutual benefits, covenants and agreements herein contained, it is agreed by and between the Lessors and Lessee as follows:

1. Lessors and Lessee hereby agree that for the purposes of drilling, development and production of oil or gas, and division of royalties on oil or gas, including shut-in gas royalties, the oil and gas leases described in Exhibit "A", attached hereto and incorporated herein by reference, insofar as they cover the East Half (E/2) of Section 32, and the West Half (W/2) of Section 33, all in Township 14 South, Range 41 West, Wallace County, Kansas, containing 640 acres, more or less (designated as the "consolidated area"), however the same may now or hereafter be divided in ownership, shall be and remain a single unit, and shall be developed and operated as such and all royalties accruing from oil or gas produced from any well or wells located anywhere on said consolidated area, and shut-in gas royalties, shall be divided among and paid to the several lessors, their heirs, successors and assigns, in proportion that the acreage owned by them respectively in the consolidated area bears to the total acreage contained in said consolidated area. Until Lessee is furnished instruments of title proving changes of the ownership as set out below, the royalties herein shall be apportioned as follows:

<u>Name</u>	<u>Division of Royalty Interest</u>
Ronald E. Schemm, a married man, dealing in his Sole and separate property	480/640 of 1/8 RI
Ronald E. Schemm, Trustee of the Ronald Schemm Trust, U/T/A dated April 1, 1994	160/640 of 1/8 RI

2. The commencement of operations for drilling a well, which upon completion produces oil or gas in paying quantities, within the consolidated area, shall perpetuate the oil and gas rights of Lessee under all of said leases in said entire consolidated area, and relieve Lessee from all further obligation to drill and/or pay delay rentals under any and all leases covering lands within said area. Lessee shall not be expressly or impliedly required to drill more than one (a) well upon the consolidated area, or to offset oil or gas wells on contiguous or adjacent premises, regardless of when, where or by whom drilled.
3. Lessee is hereby authorized by Lessors to connect such oil or gas well or wells as may be completed on the consolidated area to such pipeline or pipelines Lessee may choose, including pipelines of Lessee, and in the event such connection is made to Lessee's pipeline, and for the consideration provided herein, Lessee is granted the right-of-way and easement to install, construct, operate, maintain, repair and/or remove said pipeline or pipelines, and all associated equipment, for the transportation of all gas, oil and other minerals, and liquids and gases associated therewith, whether produced on or off the premises, over, under and across the consolidated premises, and the oil or gas from any well or wells located upon the consolidated premises shall become the property of the Lessee at the mouth of said well or wells, and the royalty payable to Lessors therefrom shall be an amount of money attributable to all of the Lessors collectively in the consolidated area equal to:
 - A. For gas, gas condensate, gas distillate, casinghead gas and all other gases, including their constituent parts, one-eighth (1/8th) of the gross proceeds, received from the sale of such produced substances where the same is sold at the mouth of the well, or if not sold at the mouth of the well, then one-eighth (1/8th) of the market value thereof at the mouth of the well, but in no event more than one-eighth (1/8th) of the actual amount received by lessee from the sale thereof.
 - B. For oil, one-eighth (1/8th) part of all oil produced and saved from the consolidated area, or at lessee's option to pay to the Lessor one-eighth (1/8th) of the market price at the

15-199-20283-00-00

EXHIBIT 'A'

ATTACHED TO THE UNITIZATION AGREEMENT, DATED Aug 10, 99
1999, BY AND BETWEEN Ronald E. Schemm, a married man, dealing in his sole and separate property, Ronald E. Schemm, Trustee of the Ronald Schemm Trust U/T/A dated April 1, 1994, as Lessors, and Pintail Petroleum Ltd., as Lessee:

- A. Oil and Gas Lease, dated September 18, 1997, by and between Ronald E. Schemm, a married person, dealing in his sole and separate property, as Lessor, and Pintail Petroleum Ltd., Wichita, Kansas, as Lessee, covering the Southeast Quarter (SE/4) of Section 32, Township 14 South, Range 41 West, Wallace County, Kansas for a primary term of thirteen (13) months, said Oil and Gas Lease being recorded in Book 130 on Page 201-203 of the records in the office of the Register of deeds of Wallace County, Kansas, and Extension of Lease Term executed by Ronald E. Schemm, extending the term of said Lease for a period of two (2) years from October 18, 1998, and as long thereafter as oil or gas (including casinghead gas) is or can be produced from any well on the land covered by said lease, said Extension of Lease Term being recorded in Book 134 on Page 152 of the records in the office of the Register of Deeds of Wallace County, Kansas; and
- B. Oil and Gas Lease, dated October 18, 1997, by and between Ronald E. Schemm, a married person, dealing in his sole and separate property, as Lessor, and Pintail Petroleum Ltd., Wichita, Kansas, as Lessee, covering the Northwest Quarter (NW/4) of Section 33, Township 14 South, Range 41 West, Wallace County, Kansas for a primary term of one (1) year, said Oil and Gas Lease being recorded in Book 130 on Pages 198-200 of the records in the office of the Register of Deeds of Wallace County, Kansas, and Extension of Lease Term executed by Ronald E. Schemm, a married man dealing in his sole and separate property, extending the term of said Lease for a period of two (2) years from October 18, 1998, and as long thereafter as oil or gas (including casinghead gas) is or can be produced from any well on the land covered by said lease, said Extension of Lease Term being recorded in Book 134 on Page 153 of the records in the office of the Register of Deeds of Wallace County, Kansas; and
- C. Oil and Gas Lease, dated October 18, 1997, by and between Ronald E. Schemm, a married person, dealing in his sole and separate property, as Lessor, and Pintail Petroleum Ltd., Wichita, Kansas, as Lessee, covering the Northeast Quarter (NE/4) of Section 32, Township 14 South, Range 41 West, Wallace County, Kansas, for a primary term of one (1) years, said Oil and Gas Lease being recorded in Book 130 on Page 204-206 of the records in the office of the Register of Deeds of Wallace County, Kansas; and Extension of Lease Term executed by Ronald E. Schemm, a married man dealing in his sole and separate property, extending the term of said Lease for a period of two (2) years from October 18, 1998, and as long thereafter as oil or gas (including casinghead gas) is or can be produced from any well on the land covered by said lease, said Extension of Lease Term being recorded in Book 134 on Pages 151 of the records in the office of the Register of Deeds of Wallace County, Kansas; and
- D. Oil and Gas Lease, dated October 7, 1998, by and between Ronald Schemm, Trustee of the Ronald Schemm Trust, as Lessor, and Pintail Petroleum Ltd., Wichita, Kansas, as Lessee, covering the Southwest Quarter (SW/4) of Section 33, Township 14 South, Range 41 West, Wallace County, Kansas, for a primary term of 18 months from April 14, 1999, said Oil and Gas Lease being recorded in Book 135 on Page 84-86 of the records in the office of the Register of Deeds of Wallace County, Kansas.

15-199-2028300-00

The Lessors, for themselves represent and warrant that the land covered by above-described oil and gas leases are owned, in severalty, as follows:

<u>Name</u>	<u>Description</u>
Ronald E. Schemm, a married man dealing In his sole and separate property	E/2 Sec. 32 & NW/4 Sec. 33, in T14S-41W of the Sixth P.M., Wallace County Kansas, containing 480 acres, more or less
Ronald E. Schemm, Trustee of the Ronald Schemm Trust, U/T/A dated April 1, 1994	SW/4 Sec. 33-T14S-41W of the Sixth P.M., Wallace County, Kansas, containing 160 acres, more or less

MICROFILM

Normalized
Checked Index
Printed Index

State of Kansas }
Wallace County } on
Filed for Record 8-19 19 99 AD
at 2:00 o'clock A.M. Book 135 Page 321-325

William F. Schmitt
Register of Deeds

