



KANSAS CORPORATION COMMISSION 1054164
OIL & GAS CONSERVATION DIVISION

Form CDP-1
May 2010
Form must be Typed

APPLICATION FOR SURFACE PIT

Submit in Duplicate

Operator Name: L. D. Drilling, Inc.		License Number: 6039	
Operator Address: 7 SW 26TH AVE		GREAT BEND KS 67530	
Contact Person: L. D. DAVIS		Phone Number: 620-793-3051	
Lease Name & Well No.: ANTHONY "B" 3-27		Pit Location (QQQQ): NW ³ SW - NW ^S - NW ^S	
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 <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: 3,000 (bbls)	
Is the pit located in a Sensitive Ground Water Area? <input checked="" type="checkbox"/> Yes <input 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 & SOLIDS FROM DRILLING OPERATION			
Pit dimensions (all but working pits): 100 Length (feet) 100 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: 714 feet Depth of water well 115 feet		Depth to shallowest fresh water 20 feet. 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: DRILLING FLUID CUTTINGS Number of working pits to be utilized: 1 Abandonment procedure: PITS ALLOWED TO EVAPORATE UNTIL DRY THEN BACKFILL WHEN CONDITIONS ALLOW Drill pits must be closed within 365 days of spud date.	
Submitted Electronically			

KCC OFFICE USE ONLY			
Date Received: 04/25/2011		Permit Number: 15-097-21692-00-00	
Permit Date: 04/25/2011		Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<input type="checkbox"/> Liner		<input type="checkbox"/> Steel Pit <input checked="" type="checkbox"/> RFAC <input checked="" type="checkbox"/> RFAS	

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

Kansas Corporation Commission Oil & Gas Conservation Division

HAUL-OFF PIT APPLICATION FILING REQUIREMENTS

82-3-607. DISPOSAL OF DIKE AND PIT CONTENTS.

- (a) Each operator shall perform one of the following when disposing of dike or pit contents:
- (1) Remove the liquid contents to a disposal well or other oil and gas operation approved by the commission or to road maintenance or construction locations approved by the department;
 - (2) dispose of reserve pit waste down the annular space of a well completed according to the alternate requirements of K.A.R. 82-3-106, if the waste to be disposed of was generated during the drilling and completion of the well; or
 - (3) dispose of the remaining solid contents in any manner required by the commission. The requirements may include any of the following:
 - (A) Burial in place, in accordance with the grading and restoration requirements in K.A.R. 82-3-602 (f);
 - (B) removal and placement of the contents in an on-site disposal area approved by the commission;
 - (C) removal and placement of the contents in an off-site disposal area on acreage owned by the same landowner or to another producing lease or unit operated by the same operator, if prior written permission from the landowner has been obtained; or
 - (D) removal of the contents to a permitted off-site disposal area approved by the department.
- (b) Each violation of this regulation shall be punishable by the following:
- (1) A \$1,000 penalty for the first violation;
 - (2) a \$2,500 penalty for the second violation; and
 - (3) a \$5,000 penalty and an operator license review for the third violation.

Complete and return with Haul-Off Pit Application, Form CDP1(2004)

Haul-off pit will be located in an on-site disposal area: Yes No

Haul-off pit is located in an off-site disposal area on acreage owned by the same landowner:
 Yes No If yes, written permission from the land owner must be obtained. Attach written permission to haul-off pit application.

Haul-off pit is located in an off-site disposal area on another **producing** lease or unit operated by the same operator: Yes No If yes, written permission from the land owner must be obtained. Attach permission and a copy of the lease assignment that covers the acreage where the haul-off pit is to be located, to the haul-off pit application.

CONSERVATION DIVISION

Jinney State Office Building, 130 S. Market, Room 2078, Wichita, KS 67202-3802
(316) 337-6200 • Fax: (316) 337-6211 • <http://kcc.ks.gov/>

THIS AGREEMENT, Entered into this the _____ day of _____, 2010, by and between:

Allen Wade Anthony and Deborah Anthony, his wife, 317 N. Oak Street, Pratt, KS 67124 hereinafter called lessor,
and
L. D. Davis, 7 SW 26th Street, Great Bend, KS 67530. hereinafter called lessee, does witness

1. That lessor, for and in consideration of Ten (\$10.00) and more Dollars, in hand paid, and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted, leased and let and by these presents does hereby grant, lease and let exclusively unto the lessee the hereinafter described land, with any reversionary rights therein, for the purpose of carrying on geological, geophysical and other exploratory work thereon, including seismic operations and the drilling, mining, and operating for, producing and saving all of the oil, gas, gas condensate, gas distillate, casing head gasoline, and their respective constituent vapors, and all other gases, found thereon, the exclusive right of injecting water, brine, and other fluids and substances into the subsurface strata, and for constructing roads, laying pipe lines, building tanks, storing oil, building power stations, electrical lines and other structures thereon necessary or convenient for the economical operation of said land alone or conjointly with neighboring lands, to produce, save, take care of, and manufacture all of such substances, and the injection of water, brine, and other substances into the subsurface strata, said tract of land being situated in the County of KIOWA, State of Kansas, described as follows:

SOUTH WEST
Township 27 West, Range 18 South
Section: 34 N/2 NW/4

containing 80 acres more or less.

2. This lease shall remain in force for a term of One (1) year from the above date (called "primary term") and as long thereafter as oil, gas, casing head gas, casing head gasoline or any of the products covered by this lease produced in paying quantities.

3. The lessee shall deliver to lessor as royalty, free of cost, on the lease, or into the pipe line to which lessee may connect its wells the equal 5/32nds part of all oil produced and saved from the leased premises, or at the lessee's option may pay to the lessor for such 5/32nds royalty the market price at the wellhead for oil of like grade and gravity prevailing on the day such oil is run into the pipe line or into storage tanks.

4. The lessee shall pay to the lessor, as a royalty, 5/32nds of the proceeds received by the lessee from the sale of gas, gas condensate, gas distillate, casing head gas, gas used for the manufacture of gasoline or any other product, and all other gases, including their constituent parts, produced from the land herein leased. If such gas is not sold by the lessee, lessee may pay or tender annually at or before the end of each yearly period during which such gas is not sold, as a shut-in royalty, whether one or more wells, an amount equal to \$5.00 per acre multiplied by the number of acres covered by this lease. While said shut in royalty is so paid or tendered, it will be considered under all provisions of this lease that gas is being produced in paying quantities. The first yearly period during which such gas is not sold shall begin on the date the first well is completed for production of gas.

5. This lease is a paid up lease and may be maintained during the primary term without further payments or drilling operations.

6. In the event said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein then the royalties and rentals herein provided for shall be paid to said lessor only in the proportion which his interest bears to the whole and undivided fee, however; in the event the title to any interest in said land should revert to lessor, or his heirs, or his or their grantee, this lease shall cover such reversion, and rentals hereunder shall be increased at the next succeeding rental anniversary after written notice of such reversion by lessor to lessee, provided said notice is received by lessee at least 30 days prior to any such rental anniversary.

7. The lessee shall have the right to use, free of cost, gas, oil and water found on said land for its operations thereon, except water from existing wells of the lessor. The use of water provided for under this Lease is limited to use for drilling operations only. Lessee shall specifically not have any right to use fresh water from the above described premises for the purpose of water flooding or ejection in any water flooding program. Lessee shall bury its pipe lines below plow depth (at least 36 inches below the surface) and shall pay for damage caused by its operations on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during, or after the expiration of this lease to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing. The lessee agrees to exercise any rights with respect to removal and recovery of materials, buildings, casings, etc. set forth in this Lease within one (1) year of the expiration of this Lease. The failure of the lessee to exercise this right within one (1) year will vest the title to all said materials, buildings, casings, etc., absolutely and unconditionally in the lessor, its heirs and assigns.

8. 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 the heirs, devisees, executors, administrators, successors and assigns, but no change or division in ownership of the land, rentals, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee, and no change of ownership in the land or in the rentals or royalties or any sum due under this lease shall be binding on the lessee until it has been furnished with either the original recorded instrument of conveyance or a duly certified copy thereof, or a certified copy of the will of any deceased owner and of the probate thereof, or a certified copy of the proceedings showing appointment of an administrator for the estate of any deceased owner, whichever is appropriate, together with all original recorded instruments of conveyance or duly certified copies thereof necessary in showing a complete chain of title back to lessor of the full interest claimed, and all advance payments of rentals made hereunder before receipt of said documents shall be binding on any direct or indirect assignee, grantee, devisee, or administrator, executor, or heir of lessor.

9. If the leased premises are now or shall hereafter be owned in severally or in separate tracts, the premises may nonetheless be developed and operated as one lease, and all royalties and rentals accruing hereunder shall be divided among and paid to such separate owners in the proportion that the acreage owned by each separate owner bears to the entire leased acreage. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may now or hereafter be divided by sale, devise, descent or otherwise, or to furnish separate measuring or receiving tanks.

10. Lessor hereby agrees that the lessee, at its option, may pay and discharge in whole or in part any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and, in event it exercises such options it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

11. If at the expiration of the primary term oil or gas is not being produced on said land, but lessee is then engaged in drilling or reworking operations thereon, the lease shall remain in force so long as operations are prosecuted either on the same well or any other well thereafter commenced, with no cessation of more than one hundred twenty (120) consecutive days, and if they result in the production of oil or gas, this lease shall remain in effect so long thereafter as there is production of oil or gas under any provision of this lease.

12. Lessee may at any time surrender or cancel this lease in whole or in part by delivering or mailing such release to the lessor, or by placing same of record in the proper county. In case said lease is surrendered and canceled as to only a portion of the acreage covered thereby, then all payments and liabilities thereafter accruing under the terms of said lease as to the portion canceled shall cease and determine and any rentals thereafter paid may be apportioned on an acreage basis, but as to the portion of the acreage not released the terms and provisions of this lease shall continue and remain in full force and effect for all purposes.

13. All provisions hereof, express or implied, shall be subject to all federal and state laws and the orders, rules, or regulations (and interpretations thereof) of all governmental agencies administering the same, and this lease shall not be in any way terminated wholly or partially nor shall the lessee be liable in damages for failure to comply with any of the express or implied provisions hereof if such failure accords with any such laws, orders, rules or regulations (or interpretations thereof). If lessee should be prevented during the last six months of the primary term hereof from drilling a well hereunder by the order of any constituted authority having jurisdiction thereover, the primary term of this lease shall continue until six months after said order is suspended.

14. The lessor shall be consulted by the Lessee with respect to the location of tank batteries and lease roads erected or constructed on the land. Any and all roads shall be used and maintained by lessee as narrow as possible, and in no case wider than twenty (20) feet.

15. It is the intention of the parties hereto to cause as little interference with farming operations on said land as possible, including, but not specifically limited to, the operation of pivotal irrigation sprinkler systems. Any equipment required for production of oil or gas will be placed on the land with the height of such equipment at a level which will permit circular sprinkler systems to operate on said land without interference and without the use of earthen or metal ramps. Lessee agrees to not place leasehold equipment in the path of the irrigation wheels. All tank batteries shall be located in a corner of the land outside the path of the irrigation system. Lessee agrees to utilize low profile pumping units on all wells on the land which will not interfere with the overhead passage of the irrigation system. Lessee shall conduct all drilling operations of wells during months when no growing crops are on the land which need to be irrigated. Lessor recognizes that reworking equipment may be required on the well during irrigation periods. However, the location of the same on the well during such periods shall be

coordinated with the Lessor, or the Tenant, to coincide with periods when irrigation is not required.

16. All pits constructed on said premises in connection with drilling operations shall be at least six (6) feet deep, that all top soil to a depth of 2 feet, which is removed in digging pits shall be segregated and retained so that upon refilling of the pits such topsoil can be restored to the surface of the land. Lessee agrees to maintain any well sight, storage tank location, or any other area used in its lease operations free and clear of weeds, but without the use of salt substances in said weed control.

17. Upon abandonment of any well or wells on the land described in this Lease the Lessee and its assigns agree to restore as near as possible the ground areas where the damage occurs from drilling operations and be responsible for and promptly pay all crop damages. The ground area will be restored as near as possible to its original condition. In the event the property is not restored as near as possible to its original condition, the Lessee agrees to pay to the Lessor the actual costs of restoration of the ground including the correction of any conditions caused to soil due to contamination by salt water and oil.

18. Lessee covenants and agrees to release of record all formations, strata and substratum 100 feet below the deepest formations, strata and substratum penetrated, six (6) months after the expiration of the primary one (1) year term of this Lease.

19. Lessee agrees that without obtaining from the Lessor a separate written agreement regarding the same, no well on the leased premises will be used to dispose of saltwater produced from Leases or units other than this Lease, and then only if there are at least two (2) producing wells on this Lease, will said well be so used. The Lessee agrees to notify the landowner before beginning installation of the operational equipment. No open water pits or unlined pits shall be permitted for saltwater disposal purposes. The Lessee shall not be permitted to use more than 1/4 acre of the surface for saltwater disposal facilities. If a leak is discovered in any of the operational equipment or pipe, the Lessee agrees to promptly repair the same in not more than four (4) days from such time as the leak is discovered and the Lessee or any of its operational employees are notified of the same.

20. Lessor shall have the right to purchase gas at the wellhead price not to exceed an amount equal to their royalty, from any gas well on the land above described, for farming and agriculture purposes, which right shall be subject to the following terms and conditions:

- (a) Any gas so purchased by Lessor shall be taken at or near the mouth of the well at the point to be designated by Lessee. All equipment necessary for the taking of gas and the measuring of the same shall be furnished by Lessor at his own expense.
- (b) The method of taking of gas and the point of connection for taking must be such as to not interfere with the operation of the well and must be submitted to Lessee or his assigns and accepted by him or it before gas is taken.
- (c) Lessee shall bill Lessor monthly, quarterly, semiannually, or annually at Lessee's option for gas so taken by Lessor.
- (d) Lessee, or his assigns, shall not be liable to Lessor, Lessor's agents or employees, or any other person as regards the gas taken, the use thereof, the equipment used, the manner of its use, the use to which put or anything incident thereto or resulting therefrom. Lessee or his assigns shall not be under any obligation to produce gas from any well unless practical or economical to do so.
- (e) Lessee or his assigns shall at all times have access to and from and around any equipment used by Lessor for taking gas and metering the same.

21. Lessor reserves all rights to grant, lease, and mine gravel and/or minerals from said lands except interests in oil and gas and their constituent products herein leased to Lessee. Lessor specifically reserves the ownership of all radioactive substances, including those, which may be produced with or derived and/or extracted from any gas or liquids, produced by the Lessee.

17. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said lessor and lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Allen Wade Anthony
Allen Wade Anthony

Deborah Anthony
Deborah Anthony

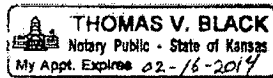
STATE OF KANSAS COUNTY OF PRATT SS

Before me, the undersigned, a Notary Public, within and for said county and state, on this 04 day of March, 2010, personally appeared Allen Wade Anthony and Deborah Anthony, his wife, to me personally known to be the identical persons who executed the within and foregoing instrument and acknowledged to me that they executed the same as their free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires _____

Thomas V. Black
Notary Public



State of Kansas, Kiowa County
Register of Deeds Marilyn Brown
Book: 20 Page: 2570
Pages Recorded: 2 Recording Fee: \$12.00
Date Recorded: 3/8/2010 8:10:00 AM



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

April 25, 2011

L. D. DAVIS
L. D. Drilling, Inc.
7 SW 26TH AVE
GREAT BEND, KS 67530-6525

Re: Drilling Pit Application
ANTHONY "B" 3-27
Sec.34-27S-18W
Kiowa County, Kansas

Dear L. D. DAVIS:

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 as soon as practical after drilling 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 2008), Exploration and Production Waste Transfer, through KOLAR within 30 days of fluid removal.

If you have any questions or concerns please feel free to contact the District Office at (620) 225-8888.

25th April 2011

L. D. Drilling, Inc.
7 SW 26th Avenue
Great Bend, Kansas 67530

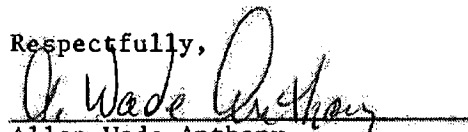
RE: N/2 NW/4 Sec. 34-T27S-R18W
Kiowa County, Kansas

Kansas Corporation Commission
Wichita, Ks.

To Whom It May Concern:

Please consider this correspondence, my approval to L. D. Drilling, Inc. to put a Haul Off Pit on my property on the North Half of the Northwest Quarter of Sec. 34-T27S-R18W, Kiowa County.

Respectfully,


Allan Wade Anthony

awa/bd