

For KCC Use: 4-17-2012
 Effective Date: _____
 District #: 4
 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: 04/16/2012
 month day year

OPERATOR: License# 3175 3715
 Name: S.E. Oil Co.
 Address 1: 921 W. 41st Street
 Address 2: _____
 City: Hays State: KS Zip: 67601
 Contact Person: Chris Gottschalk
 Phone: 785-623-1524
 CONTRACTOR: License# 31548
 Name: Discovery Drilling

Spot Description: 340' N & 130' E of 34 per oper 4-11-12
 NE - NE - NW - SE Sec. 34 Twp. 7 S. R. 21 E W
 (a/a/a/a) 2,620 feet from N / S Line of Section
1,520 feet from E / W Line of Section

Is SECTION: Regular Irregular?

(Note: Locate well on the Section Plat on reverse side)

County: Graham
 Lease Name: Stehno Farms Well #: 1
 Field Name: Kanyon NE - Unnamed

Is this a Prorated / Spaced Field? Yes No

Target Formation(s): Arbuckle

Nearest Lease or unit boundary line (in footage): 1520

Ground Surface Elevation: 2049 feet MSL

Water well within one-quarter mile: Yes No

Public water supply well within one mile: Yes No

Depth to bottom of fresh water: 150

Depth to bottom of usable water: 800 820

Surface Pipe by Alternate: I II

Length of Surface Pipe Planned to be set: 200+

Length of Conductor Pipe (if any): _____

Projected Total Depth: 3650

Formation at Total Depth: Arbuckle

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: _____

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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: 04/10/2012 Signature of Operator or Agent: Chris Gottschalk Title: _____

For KCC Use ONLY
 API # 15 - 065-23828-0000
 Conductor pipe required None feet
 Minimum surface pipe required 200 feet per ALT. I II
 Approved by: Feb 4-12-2012
 This authorization expires: 4-12-2013
 (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: _____

24 7 21 E W

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

For KCC Use ONLY

API # 15 - 065-238280000

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: S-B Oil Co.
Lease: Stehno Farms
Well Number: 1
Field: Kenyon NE

Location of Well: County: Graham
2,620 feet from [] N / [X] S Line of Section
1,520 feet from [X] E / [] W Line of Section
Sec. 34 Twp. 7 S. R. 21 [] E [X] W

Number of Acres attributable to well: 640
QTR/QTR/QTR/QTR of acreage: NE - NE - NW - SE

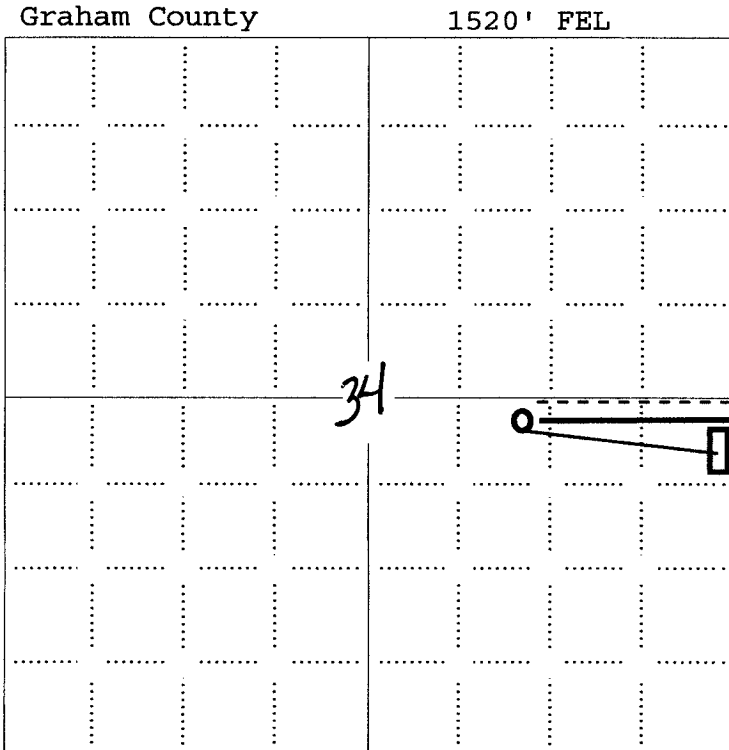
Is Section: [X] Regular or [] Irregular

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

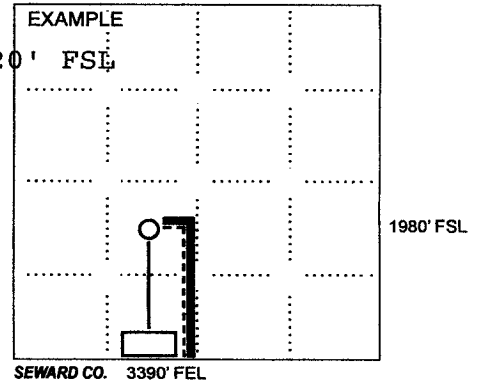
Section corner used: [] NE [] NW [] SE [] SW

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 (circle)
Tank Battery Location (rectangle)
Pipeline Location (solid line)
Electric Line Location (dashed line)
Lease Road Location (thick solid line)



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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KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

Form KSONA-1
July 2010
Form Must Be Typed
Form must be Signed
All blanks must be Filled

CERTIFICATION OF COMPLIANCE WITH THE
KANSAS SURFACE OWNER NOTIFICATION ACT

15-065-23828-0000

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 # 3175
Name: S-B Oil Co.
Address 1: 921 W. 41st Street
Address 2:
City: Hays State: KS Zip: 67601 +
Contact Person:
Phone: () Fax: ()
Email Address:

Well Location:
NE NE NW SE Sec. 34 Twp. 7 S. R. 21 East West
County: Graham
Lease Name: Stehno Farms Well #: 1

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

Surface Owner Information:

Name: Ed Stehno
Address 1: 921 W. 41st Street
Address 2:
City: Hays State: KS Zip: 67601 +

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: 04/10/2012 Signature of Operator or Agent:  Title:

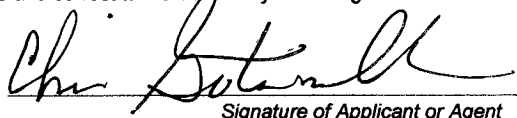
Mail to: KCC - Conservation Division, 130 S. Market - Room 2078, Wichita, Kansas 67202

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**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: S-B Oil Co.		License Number: 3175	
Operator Address: 921 W. 41st Street		Hays	KS 67601
Contact Person: Chris Gottschalk		Phone Number: 785-623-1524	
Lease Name & Well No.: Stehno Farms 1		Pit Location (QQQQ): <u>NE NW SE</u> Sec. <u>2434</u> Twp. <u>7</u> R. <u>21</u> <input type="checkbox"/> East <input checked="" type="checkbox"/> West <u>2,620</u> Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section <u>1,520</u> Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section <u>Graham</u> 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: <u>3,000</u> (bbls)	
Is the pit located in a Sensitive Ground Water Area? <input checked="" 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? Clay Soil, Native and fresh mud			
Pit dimensions (all but working pits): <u>70</u> Length (feet) <u>70</u> Width (feet)		<input type="checkbox"/> N/A: Steel Pits	
Depth from ground level to deepest point: <u>5</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>2292</u> feet Depth of water well <u>25</u> feet		Depth to shallowest fresh water <u>15</u> 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: <u>drilling mud</u> Number of working pits to be utilized: <u>3</u> Abandonment procedure: <u>Allow liquids to evaporate, let cutting dry then backfill.</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>04/10/2012</u> Date	 Signature of Applicant or Agent		

15065-23828-09-025

KCC OFFICE USE ONLY			
		<input type="checkbox"/> Liner <input type="checkbox"/> Steel Pit <input checked="" type="checkbox"/> RFAC <input type="checkbox"/> RFAS	
Date Received: <u>4-11-12</u>	Permit Number: _____	Permit Date: <u>4-12-12</u>	Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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

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NOTICE

Nearest Lease or Unit Boundary Line

K.A.R. 82-3-108 provides that all oil and gas well locations must comply with setback requirements, unless an exception has been granted by the Commission. Depending upon whether the subject well is an oil well or gas well, and also depending upon the county in which the well is located, the setback may be 330 feet or 165 feet from the nearest lease or unit boundary.

This Intent to Drill ("C-1") form indicates that the distance between the well and the nearest lease or unit boundary will comply with the setback requirement. Accordingly, the C-1 has been approved. However, the C-1 also stated that the well location is very near a boundary line of a Section or a Quarter-Section. This notice is being sent as a courtesy reminder, in case an error was made on the C-1.

As the operator of the proposed well, you must independently verify that the proposed well location complies with the applicable regulatory setback. If at any time it should appear that a well does not comply with the regulatory setback, the well may be subject to being shut-in pending Commission approval of an application for a well location exception. In addition, if such an application is not granted by the Commission, you may be required to plug the well.

If the proposed well location will comply with the regulatory setback, this notice may be disregarded. Please contact the KCC Production Department with any questions or concerns.

Mark Sievers, Chairman
Ward Loyd, Commissioner
Thomas E. Wright, Commissioner

Sam Brownback, Governor

April 12, 2012

S-B Oil Co.
921 W. 41st St
Hays, KS 67601

RE: Drilling Pit Application
Stehno Farms Lease Well No. 1
SE/4 Sec. 34-07S-21W
Graham County, Kansas

Dear Sir or Madam:

District staff has inspected the above referenced location and has determined that the reserve pit shall be constructed **without slots**, the bottom shall be flat and reasonably level, and free fluids must be removed. The fluids are to be removed from the reserve pit after drilling operations have ceased. Keep pits away from draw/drainage.

If production casing is set all completion fluids shall be removed from the working pits daily. NO completion fluids or non-exempt wastes shall be placed in the reserve pit.

The fluids should be taken to an authorized disposal well. Please call the District Office at (785) 625-0550 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.

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,


Kathy Haynes
Environmental Protection and Remediation Department

cc: district