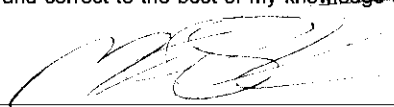


KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION
APPLICATION FOR SURFACE PIT

Form CDP-1
April 2004
Form must be Typed

Submit in Duplicate

Operator Name: Mull Drilling Company, Inc.		License Number: 5144
Operator Address: P.O. Box 2758 Wichita KS 67201-2758		
Contact Person: Mark Shreve		Phone Number: (316) 264 - 6366
Lease Name & Well No.: Borell "A" #1-14		Pit Location (QQQQ): NE - NW - SE - NW
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: _____ (bbls)	Sec. <u>15</u> Twp. <u>17S</u> R. <u>28</u> <input type="checkbox"/> East <input checked="" type="checkbox"/> West <u>1476</u> Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section <u>1722</u> Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section <u>Lane</u> _____ County
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 type="checkbox"/> Yes <input checked="" 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?
Pit dimensions (all but working pits): <u>185</u> Length (feet) <u>185</u> Width (feet) * <u>N/A</u> Steel Pits Depth from ground level to deepest point: <u>4.5</u> (feet)		
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>3393</u> feet Depth of water well <u>148</u> feet		Depth to shallowest fresh water _____ feet. Source of information: _____ measured _____ well owned <input checked="" type="checkbox"/> electric log _____ 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>Bentonite Sealer/Mud</u> Number of working pits to be utilized: <u>3</u> Abandonment procedure: <u>Allow to evaporate and backfill with original soil.</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>1/18/07</u> Date		 Signature of Applicant or Agent

15-101-22000

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JAN 25 2007
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KCC OFFICE USE ONLY			
Date Received: <u>1/25/07</u>	Permit Number: <u>15-101-22000-00-00</u>	Permit Date: <u>2/2/07</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

Also Acc #15-101-22005
15-101-22004

KANSAS

CORPORATION COMMISSION

KATHLEEN SEBELIUS, GOVERNOR
BRIAN J. MOLINE, CHAIR
ROBERT E. KREHBIEL, COMMISSIONER
MICHAEL C. MOFFET, COMMISSIONER

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 I 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, Finney State Office Building, 130 S. Market, Room 2078, Wichita, KS 67202-3802

Voice 316.337.6200 Fax 316.337.6211 www.kcc.state.ks.us

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Permission to Use Off-Site Haul-Off Pit

Kent D. and Carrie Borell are the owners of the NW/4 of Section 15-T17S-R28W. Mull Drilling Company is preparing to drill the Borell 'A' #1-14 (SW/4 14-T17S-R28W), Borell 'B' #1-14 (NE/4 14-T17S-R28W) and the Borell 'C' #1-11 (SW/4 11-T17S-R28W). By signing below, Kent D. and Carrie Borell are granting permission for Mull Drilling Company to haul drilling fluids and cuttings from the Borell 'A' #1-14, Borell 'B' #1-14 and from the Borell 'C' #1-11 to an off-site pit located in the SE NW of Section 15-T17S-R28W (drilling reserve pit on the Mull Drilling Company Borell Lease).

Dated this 22nd day of January, 2007.

By: Kent D. Borell
Kent D. Borell

By: Carrie Borell
Carrie Borell

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OIL AND GAS LEASE

K2844

AGREEMENT, Made and entered into the 23rd day of January, 2004 by and between Kent D. Borell and Carrie M. Borell, his wife

whose mailing address is 165 N. Rowdy Rd., Dighton, KS 67839 hereinafter called Lessor (whether one or more) and MULL DRILLING COMPANY, INC., P.O. Box 2758, Wichita, Kansas 67201 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, including but not limited to 3-D seismic, and other means, prospecting, drilling, mining and operating for and producing oil, liquid hydrocarbons, all gases, including but not limited to gas associated with coal, and their respective constituent products, including helium, 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 revisionary rights and after acquired interest, therein situated in

County of Lane State of Kansas described as follows to-wit Township 17 South, Range 28 West Section 15: NW/4

In Section XX Township XX Range XX 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 three (3) 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 the entire and undivided 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 lines below plow 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 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 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.

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 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 80 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.

SEE RIDER ATTACHED HERETO AND MADE A PART HEREOF.

Lessee agrees to consult with Lessor regarding routes of ingress and egress prior to commencing operations.

Lessee further agrees to restore the surface to its original condition as nearly as practicable upon completion of operations, including backfilling all pits when dried and restoring terraces disturbed by operations.

IN WITNESS WHEREOF, the undersigned execute this instrument as of the day and year first above written.

Witnesses:

Kent D. Borell

Kent D. Borell

Carrie M. Borell

Carrie M. Borell

S.S. #: 512-62-1766

No. _____

OIL AND GAS LEASE

FROM

TO

Date _____, 19____

Section _____ Twp. _____ Rge. _____

No. of Acres _____ Term _____

County _____

STATE OF Kansas

County Lawrence

This instrument was filed for record on the 15

day of March, 2004

at 8:30 o'clock A. M., and duly recorded

in Book 106 Page 214 of

the records of this office.

By Randy Johnson
Register of Deeds.

When recorded, return to _____

- NUMERICAL
- DIRECT
- INDIRECT
- COMP. ORIG.
- COMPUTER

STATE OF _____ COUNTY OF _____
The foregoing instrument was acknowledged before me this _____ day of _____, 19____
by _____ of _____
corporation, on behalf of the corporation.
My commission expires _____

Notary Public

STATE OF _____ COUNTY OF _____
The foregoing instrument was acknowledged before me this _____ day of _____, 19____
by _____ and _____

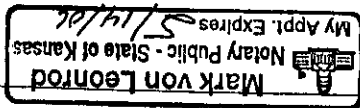
Notary Public

STATE OF _____ COUNTY OF _____
The foregoing instrument was acknowledged before me this _____ day of _____, 19____
by _____ and _____

Notary Public

STATE OF _____ COUNTY OF _____
The foregoing instrument was acknowledged before me this _____ day of _____, 19____
by _____ and _____

Notary Public



STATE OF Kansas COUNTY OF Lane
The foregoing instrument was acknowledged before me this 19th day of February, 2004
by Kent D. Borell and Carrie M. Borell,
as husband and wife

ACKNOWLEDGMENT FOR INDIVIDUAL (KsOKC0Ne)

RIDER

If the lands covered hereby are irrigated by the use of a self-propelled overhead sprinkler system, presently in operation or installed hereafter, the Lessee, prior to conducting operations hereon, shall consult with the Lessor in regard to said drilling operations. Said operations shall be conducted in such a manner as will least disturb or interfere with Lessor's irrigation system or the surface contours of the leased premises. Should any alterations to the surface contours be caused by its operations, Lessee, or his assigns, shall restore said surface contours to their former condition as nearly as is practicable. In the event of production and continued use of the surface, Lessee, or his assigns, will restore or prepare the surface and situate and install all equipment needed in connection therewith, so that Lessee's use thereof will not interfere with the passage of said overhead sprinkler irrigation system. Lessee shall consult with Lessor in regard to the route of ingress and egress on said premises for the purpose of drilling and production.

Lessor shall have the right to take, in kind, in lieu of money royalty, gas produced from any gas well drilled on the land herein described or on any land with which it is unitized, solely for use as fuel to pump water for irrigation of crops grown on the land herein described or on other lands farmed by Lessor; which right shall be subject to the following terms and conditions:

- (1) The quantity of gas taken shall not exceed the fraction of gas produced each month which Lessor is entitled to receive as royalty from the gas produced from such well, and a corresponding reduction shall be made in gas royalty payments under the terms of this lease. The value of said gas being based upon well head price.
- (2) Any gas so purchased by Lessor shall be purchased at a point to be designated by Lessee at or near the mouth of the well.
- (3) The Lessee shall install, operate and maintain at or near said designated point all connections, regulators and meters necessary to control and measure such gas, at the sole cost of Lessor.
- (4) All such meters and appurtenant equipment shall remain the property of Lessee. Lessor, at his own risk and expense and at locations that will not interfere with Lessee's lease operations, shall install, operate and maintain the line necessary to service the engine operating the pumping equipment.
- (5) The equipment and facilities used in the purchase measurement and transportation of such gas and utilization and operation thereof shall at all times be in compliance with all reasonable current requirements of Lessee. Lessor will at all times hold Lessee harmless from all claims and liabilities arising from the taking, transportation and use of such gas.
- (6) Nothing herein contained shall operate by implication to enlarge or increase the obligations which Lessee would have in the absence of this section as to the operation of said well or impair any right it would otherwise have to determine the quantity of gas it shall produce at any particular time; and the purchase, transportation and use of such gas shall be without interference with or danger to Lessee's property or its rights and operations under the lease.
- (7) Should a breach of Lessor's obligation occur under this paragraph, Lessee shall notify Lessor in writing of such breach and Lessor shall remedy same within thirty (30) days, or Lessor's privilege, hereunder, to purchase such gas shall be revoked.
- (8) The well head price hereunder shall be the price per Mmbtu, including all escalations, adjustments and allowances, received by Lessee for the sale of its gas produced from the leased premises.
- (9) It is understood that the gas supplied to Lessor is raw gas as produced at the well, and Lessee shall have no obligation to odorize the same; that the gas may contain water, natural gasoline or other liquids; that the pressure at the delivery point may fluctuate, and Lessor assumes the risk thereof.

The leased premises is now under flood irrigation. At such time as Lessee desires to commence drilling operations thereon, Lessee shall consult with Lessor in regard to and shall conduct its operations in such a manner as will least disturb, interfere with, or damage Lessor's irrigation system or the surface contours of the leased premises. Lessee shall promptly restore any damage caused by it to said irrigation system and/or surface contours to their former condition as nearly as possible. In the event of production and continued use of the surface, Lessee will restore or prepare the surface so that Lessee's use thereof will not prohibit use of remaining ground. Lessee shall consult with Lessor in regard to the route of ingress and egress on said premises for the purpose of drilling and production as to use of the surface for such ingress and egress.

Lessee agrees to pay Lessor a reasonable amount, but not less than \$1,000.00 for dry lands, \$2,000 for cultivated land, and \$3000.00 for irrigated land for each drill site location on the leased premises. Acceptance of the minimum well site damage payment by the lessor does not prevent lessor from obtaining additional damages if the total of damages exceeds the amount of such payment.

All bonus monies and rental monies due and to become due under the terms of this lease shall be paid to Kent D. Borell and Carrie M. Borell.


Kent D. Borell


Carrie M. Borell

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