NOTICE OF INTENT TO DRILL

Must be approved by KCC five (5) days prior to commencing well

Expected Spud Date: 9 25 2007

Spotted Approx.

NE NW SW Sec. 22 Twp. 12 S R. 12 E

2310 feet from N / W Line of Section

1160 feet from E / W Line of Section

Is SECTION X Regular X Irregular

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

County: Stafford

Lease Name: Teichmann

Well #: 1

Field Name: German Valley

Is this a Prorated / Spaced Field? Yes X No

Target Formation(s): Arbuckle

Nearest Lease or unit boundary: 330'

Ground Surface Elevation: 1864' feet MSL

Public water supply well within one mile:

Water well within one-quarter mile:

Depth to bottom of fresh water: 240'

Depth to bottom of usable water: 240'

If OWWO: old well information as follows:

Operator:

Well Name:

Original Completion Date: Original Total Depth:

If Yes, true vertical depth:

Bottom Hole Location:

KCC DKT #:

Well Drilled For:

Gas Storage

Gas Enh Rec

Oil

Disposal

Mud Rotary

Infield

Pool Ext.

Air Rotary

9 Other

Type Equipment:

If Yes, true vertical depth:

If Yes, true vertical depth:

Directional, Deviated or Horizontal wellbore? Yes X No

To be submitted by Sterling Drilling Company

received

KANSAS CORPORATION COMMISSION

9-21-07 Signature of Operator or Agent:

Pres.

For KCC Use ONLY

API #15: 185-23473-0000

Conductor pipe required: None

Minimum surface pipe required: 200 feet per Acre

Approved by 9-19-07-07

This authorization expires: 3-31-08

(This authorization void if drilling not started within 6 months of approval date.)

Spud date: Agent:

4-28-07

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

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 promotion orders;
- Notify appropriate district office 48 hours prior to workover or re-entry;
- Submit plugging report (CP-4) after drilling is completed;
- Obtain written approval before disposing or injecting salt water.
- If this permit has expired (See: authorized expiration date) please check the box below and return to the address below.

Well Not Drilled X Permit Expired

Signature of Operator or Agent:

Date:
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 - 185-23473-0000
Operator: Charter Energy, Inc.
Lease: Teichmann
Well Number: 1
Field: German Valley
Number of Acres attributable to well:
QTR / QTR / QTR of acreage: NE NW SW

Location of Well: County: Stafford
2310 feet from N Line of Section
1160 feet from E Line of Section
Sec. 4 Twp. 22 S. R. 12 E West
Is Section: 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 and shade attributable acreage for prorated or spaced wells.)
(Show footing to the nearest lease or unit boundary 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 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).
Operator Name: Charter Energy, Inc.  License Number: 9090
Operator Address: P O Box 252, Great Bend, KS 67530
Contact Person: Steve Baize  Phone Number: (620) 793-9090
Lease Name & Well No.: Teichmann #1
Type of Pit:  Pit Location (QQQQ):
☐ Emergency Pit  approq NE, NW, SW
☐ Burn Pit
☐ Setting Pit  Sec. 4  Twp. 22  R. 12  ☐ East  ☑ West
☐ Drilling Pit  2310  Feet from  ☐ North  ☑ South Line of Section
☐ Workover Pit  1160  Feet from  ☐ East  ☑ West Line of Section
☐ Haul-Off Pit  Stafford  County
(IF WP Supply API No. or Year Drilled)
If Existing, date constructed:
Pit capacity: 3600 (bbls)

Is the pit located in a Sensitive Ground Water Area? ☑ Yes  ☐ No
Chloride concentration: mg/l  (For Emergency Pits and Setting Pits only)
Is the bottom below ground level? ☑ Yes  ☐ No
Artificial Liner? ☐ Yes  ☑ No
How is the pit lined if a plastic liner is not used?
Bentonite - Drilling Mud
Pit dimensions (all but working pits): 80 (Length (feet))  80 (Width (feet))  N/A: Steel Pits
Depth from ground level to deepest point: 4 (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:
N/A 1259  feet  Depth of water well 20  feet

Depth to shallowest fresh water: 21  feet.  Source of information: ___________ measured  ___________  well owner  ___________  electric log  L  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? ☑ Yes  ☐ No

Drilling, Workover and Haul-Off Pits ONLY:
Type of material utilized in drilling/workover: Fresh Mud
Number of working pits to be utilized: 3
Abandonment procedure: Allow to dry & backfill
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.

9 - 21 - 07  Signature of Applicant or Agent

KCC OFFICE USE ONLY
Date Received: 9/24/07  Permit Number: 11  Permit Date: 9/26/07  Lease Inspection: ☑ Yes  ☐ No
Mail to: KCC - Conservation Division, 130 S. Market - Room 2078, Wichita, Kansas 67202
September 25, 2007

Mr. Steve Baize
Charter Energy, Inc.
PO Box 252
Great Bend, KS 67530

RE: Drilling Pit Application
    Teichmann Lease Well No. 1
    SW/4 Sec. 04-22S-12W
    Stafford County, Kansas

Dear Mr. Baize:

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 the free fluids must be removed. The fluids are to be removed from the reserve pit as soon as the Hutchinson Salt section has been drilled through and displacement of the fluids into the reserve pit has occurred. The fluids should be removed again as soon as practical after drilling operations have ceased.

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 (620) 225-8888 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
Department of Environmental Protection and Remediation

cc: File