



CERTIFIED MAIL - RRR

September 15, 2010

State of North Dakota  
State Land Department  
PO Box 5523  
Bismarck, ND 58506-5523

THIS COPY FOR YOUR FILES

**Re: Slawson Well Proposal – SUBMARINER FEDERAL #1-23-24H  
Sections 23 & 24-151N-92W  
Mountrail County, North Dakota  
East Nesson Project**

Dear Owner:

This letter will serve as notice pursuant to the provisions of Section 38-08-08 and/or 38-08-09.4 of the North Dakota Century Code and Section 43-02-03-16.3 of the North Dakota Administrative Code, of the plans of Slawson Exploration Company, Inc., (“Slawson”) to drill the above-referenced well.

Slawson proposes to drill the Submariner Federal #1-23-24H well from a surface location in the NWNW of Section 23-151N-92W, Mountrail County, North Dakota. This well will test the Bakken formation and will be drilled to an approximate total vertical depth not to exceed 10,200 feet, with a single lateral terminating in the SENE of Section 24-151N-92W. This is a 1,280-acre spacing unit comprised of the above-referenced sections. The AFE is attached with costs of \$4,026,925 dry hole and \$6,810,575 completed. The Submariner Federal #1-23-24H well is expected to spud on or before October 30, 2010.

A recent records check indicates that you have a leasehold or mineral interest in this spacing unit, and you are offered participation in the Submariner Federal #1-23-24H well based upon your ownership.

Please indicate your participation election for the Submariner Federal #1-23-24H well in the space provided below. If you elect to participate in this well, please also sign the attached AFE and return the signed letter and AFE, along with your well data requirements.

In the event you elect to NOT participate in the drilling of the Submariner Federal #1-23-24H well, please indicate such election below and return a signed copy of this letter. Please be advised that Slawson plans to impose a risk penalty in accordance with North Dakota law. You may object to the risk penalty by filing an application or request for hearing with the North Dakota Industrial Commission.

According to North Dakota Industrial Commission rules effective April 1, 2010, your election must be received by Slawson within 30 days of the date this proposal was received by you and must be returned by personal service, certified U.S. mail, or overnight courier. Failure to respond within 30 days shall be deemed an election NOT to participate. Please send your election to:

Slawson Exploration Company, Inc.  
Land Department  
727 N. Waco, Suite 400  
Wichita, KS 67203

For questions regarding **land issues**, please contact Coni Stokes:  
[cstokes@slawsoncompanies.com](mailto:cstokes@slawsoncompanies.com)  
(316) 263-3201, extension 524

For questions regarding **operations issues**, please contact Matt Houston:  
[mhouston@slawsoncompanies.com](mailto:mhouston@slawsoncompanies.com)  
(720) 897-8759

Sincerely,



R. Todd Slawson

Attachment

The undersigned elects (to     ) (not to     ) participate in the Submariner Federal #1-23-24H well with its proportionate interest.

State of North Dakota

By: \_\_\_\_\_ Date: \_\_\_\_\_

# AUTHORITY FOR EXPENDITURE



WELL: SUBMARINER FEDERAL #1-23-24H  
 LOCATION: 23-151N-92W 23/151N/92W

OPERATOR: SLAWSON EXPLORATION CO, INC  
 COUNTY/STATE: MOUNTRAIL/NORTH DAKOTA

AFE#: 04217  
 PREPARED: July 22, 2010

PURPOSE: DRILL AND STAGE-FRAC A HORIZONTAL MIDDLE BAKKEN DOLMITE WELL ON A 1,280 ACRE SPACING

INTANGIBLES		DRY HOLE	PRODUCER	TANGIBLES		DRY HOLE	PRODUCER
080	SURVEYING AND PERMITS	25,000	25,000	610	CASING		
090	DAMAGES, RIGHT-OF-WAY, CLEANUP	35,000	35,000	630	SURF. 1,800' OF 9-5/8" 36.0# J-55	39,600	39,600
100	LOCATION COST, ROADS, DIRTWORK	140,000	170,000	640	INT. 9,100' OF 7" 29# HCP-110	263,900	263,900
105	DRILLING SUPERVISION	68,000	68,000	700	INT. 1,500' OF 7" 32.0# P-110	51,000	51,000
110	CONDUCTOR HOLE AND SERVICES	13,000	13,000		LNR_9,750' OF 4-1/2" 11.6# P-110 LTC		149,250
120	WATER	70,000	70,000		FLOAT EQUIPMENT		
	DRILLING CONTRACT			720	SURFACE	4,500	4,500
140	MOVE RIG-UP, RIG-DOWN	175,000	175,000	730	INTERMEDIATE	12,000	12,000
160	DAYWORK - DAYS@\$/DAY	860,000	860,000		TUBING		
175	CREW LODGING & PER DIEM	65,000	65,000	770	'OF ___" ___' ___		
180	FUEL	230,000	230,000	790	PACKERS		58,200
190	DRILLING MUD & ADDITIVES	260,000	260,000	800	CSGHDS., TBGHDS., XMAS TREE		500,000
200	BITS & REAMERS	90,000	90,000	820	PUMPING UNIT	7,500	20,000
210	RENTAL DRILL STRING	180,000	180,000	830	PRIME MOVER		150,000
215	DIRECTIONAL DRILLING SERVICES	650,000	650,000	840	SUCKER RODS		45,000
230	SURFACE EQUIPMENT RENTALS	250,000	250,000	850	SUBSURFACE PUMP		50,000
260	SURFACE CMT & CMTG	32,000	32,000	860	SURF. CONNS., VALVES & LINES		7,500
270	INTERMEDIATE CMT & CMTG	40,000	40,000	890	STOCK TANKS		70,000
320	MUD LOGGING SERVICES	8,000	8,000	910	HEATER-TREATER OR GUN BBL.		50,000
330	OPEN HOLE LOGS	65,000	65,000	930	LABOR, TRUCKING, WELDING		48,000
340	GEOLOG. & ENGRG. SERVICES	50,000	60,000	960	SALT WATER DISPOSAL EQUIPMENT		40,000
350	FREIGHT & TRUCKING	150,000	171,500	980	PIPELINE CONNECTIONS		12,000
360	CONTRACT LABOR	18,000	22,125		TOTAL TANGIBLES	\$378,500	\$1,580,950
370	ADMINISTRATIVE OVERHEAD	42,000	42,000		TOTAL WELL COSTS	\$4,026,925	\$6,810,575
380	INSURANCE	3,000	3,000				
385	COMMUNICATIONS	12,000	45,000				
410	POWER TONGS & CASING CREWS	15,000	20,000				
420	CEMENT SQUEEZE	7,500	7,500				
425	WIRELINE SERVICES		112,500				
430	COMPL. RIG, 15 DAYS@\$7,500/DAY		7,500				
440	COMPLETION TOOL RENTALS		1,300,000				
460	FORMATION STIMULATION		22,500				
470	COMPLETION SUPERVISION		65,000				
490	SALES TAX ON EQUIPMENT	29,925	29,925				
	TOTAL INTANGIBLES	\$3,648,425	\$5,229,625				

THIS AUTHORITY FOR EXPENDITURE IS BASED ON COST ESTIMATES.  
 BILLING WILL REFLECT YOUR PROPORTIONATE SHARE OF ACTUAL INVOICE COSTS.

COMPANY: SLAWSON EXPLORATION COMPANY

APPROVED BY: RTS DATE: July 22, 2010

WORKING INTEREST OWNER: State of North Dakota (84400)

APPROVED BY: \_\_\_\_\_ DATE: \_\_\_\_\_  
 BCP WORKING INTEREST: 3.125000%  
 ACP WORKING INTEREST: 3.125000%  
 BPO WORKING INTEREST: 3.125000%

ANY PARTY CARRYING ITS OWN CONTROL OF WELL INSURANCE MUST ATTACH A  
 CERTIFICATE OF INSURANCE TO THIS ELECTION RESPONSE OR BE REQUIRED  
 TO INSURE WITH SLAWSON.