

DEACON GEOLOGY INC.
3223 SwW McClure Rd
Topeka, Ks66614-4037
785-272-4383

GEOLOGISTS REPORT

For

WAGNER 3-A

API No. 103-21823-00-00

C, W1/2, NE, sec. 3, T9S, R20E

LEAVENWORTH, COUNTY, KS

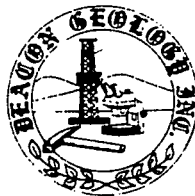
APRIL 2003

By

GEORGE E PETERSEN R.G., C.P.G.

DEACON GEOLOGY INC

George E. Petersen, c.p.g.s.
consulting geologist



3923 Mc Clure Rd.
Topeka, Kansas 66614 913-272-4383

fax 785-273-6252

April 11, 2003

STATEMENT OF CHARGES
Geological Supervision WAGNER A-1

Well Site Supervision @ \$425.00/day	April 8, 9, 2003	\$850.00
Mileage @ \$.50/mi	260 mi	\$130.00
Meals and lodging		-----
Total		\$980.00

Payable upon receipt. Unpaid balance will have will have a service charge of 1 ½% per month added after 10 days.

DEACON GEOLOGY INC
3223 SW Mc Clure Rd
Topeka, KS 66614-4037

Mr. REID SCOFIELD
KLM EXPLORATION CO. INC.
600 LAKE, P.O. Box 151
McLouth, KS 66054

Re: WAGNER 3-A

Dear Sirs:

Enclosed are two copies of the Geologists Report and a statement of charges for the Wagner 3-A .Copies of the Geologists log will be forwarded as soon as copies can be made. There are no copy facilities in Topeka so the log will be sent off today to be copied.

Should additional information be required please contact me.

Sincerely,



George E Petersen R.G., C. P. G.
DEACON GEOLOGY INC.,

GEOLOGISTS REPORT

WAGNER 3-A

April 8, 2003: Arrived on location @ 9 am, drlg at 1082.

Left loc. at 7:40 pm.

April 9, 2003: Arrived on location @ 8:45 am, drill just back on bottom.

Left location at 10:30 pm upon completion of logging.

ELEVATION : 1016.5 GL (All measurements from 1016 GL)

<u>FORMATION TOPS</u>	<u>LOG DEPTHS</u>	<u>DATUM</u>	<u>THICKNESS</u>
Base KC	720	+296	
Marmaton	851	+165	96'
Cherokee	947	+69	488'
"Coal Marker"	1366	-350	4'
"U McLouth Sd"	1414	-398	13'
"M McLouth Sd"	1427	-411	9'
"L McLouth Sd "	1436	-420	8'
Miss. Lm	1445	-429	
"40' Zn"	1513	-497	12'
"Burlington Keokuk"	1612	-596	47'
LTD	1682		
RTD	1681		

Sample returns were examined from a drilled depth of 1350' to TD for the presence of visible hydrocarbons. Formation tops and intervals for this report were picked from the Dual Compensated Porosity Log, sample returns and the drilling time log. There was no visible evidence of the presence of hydrocarbons in any of the geologic units above the "McLouth sands". The sand intervals between 1156 and 1168, and 1274 and 1286 have been observed to carry gas in other wells in this area. These intervals need to be studied and evaluated before eventual abandonment of the well. The various coal intervals found in the Cherokee section should also be studied further as there were occasional gas bubbles observed in the coal samples.

CHEROKEE GROUP:

The top of the Cherokee Group was reached at a log depth of 947 feet (+69). There appear to be no intervals above the "McLouth sands" which could be considered commercially productive. The sand intervals mentioned in the preceding section along with the various coal beds have not been tested to determine the potential for the production of gas in this area.

The "McLouth sands" were reached at a log depth of 1414 feet. The sands were divided into an upper sand (1414-1427), middle sand (1427-1436) and lower

sand (1436-1445) for mapping and correlation purposes. The first oil show was observed in the 1420-1430 sample. The oil show became increasingly more as the sand was penetrated. The oil was medium to dark brown and a strong odor was noted from 1430 on thru the sand section. Although there was no gas observed in the samples, there was a gas effect shown on the log between 1442-1445. There was a very good show of oil on the pits during the drilling of the lower sand section.

The upper sand is a medium to coarse grained, sub-rounded, dirty quartz sand with some apparent visible porosity. There was a very slight oil show thru this upper sand.

The middle sand section appears to be very shaly on the logs. The samples contained increasingly larger amounts of pyrite.

The lower sand had a good show of medium to dark brown free oil. There was a strong petroleum odor present in the samples. The application of trichlorethano to the samples yielded bright yellow streaming cuts.

Log calculations were prepared on location by Mr Butch Drylie of Log Tech Inc. using the following values: $M=1.8$, $R_w=.2$.

<u>INTERVAL</u>	<u>O</u>	<u>Rt</u>	<u>Sw</u>
1436-38	17	22	40%
1438-40	20	28	36%
1440-42	18	23	42%

Based on the oil show, the gas effect on the log and the Sw values that were calculated, this sand should be a good productive interval. The calculated Sw may be very conservative as there was abundant pyrite observed in the samples that can adversely affect the Sw values.

MISSISSIPPIAN:

The top of the Mississippian was reached at a log depth of 1445 (-429). Sample returns from the upper portion of the interval consisted of a white to light tan, very crystalline limestone which contained some glauconite. There was abundant chert present along with a good show of medium to dark brown free oil. There was a strong petroleum odor present and a moderate show of oil on the pits. The porosity break from 1450-1456 was calculated using the following values: $M=2.0$, $R_w=1.7$.

<u>INTERVAL</u>	<u>O</u>	<u>Rt</u>	<u>Sw</u>
1440-42	9	30	81
1442-44	8	70	60
1444-46	5	50	100

This interval appears to have the potential to produce commercial quantities of oil. It may be possible to co-produce this interval along with the lower McLouth.

The so called "40' " zone was reached at a log depth of 1513 feet. This interval consisted of a gray sacroidal dolomite that contained a very slight show of oil. Log calculations indicated that this interval is 100% wet. No production attempt should be considered for this zone.

The "Burlington Keokuk" was topped at a log depth of 1612 (-596). Sample returns consisted of a light to medium tan, sacroidal limestone to sucrosic dolomite along with large quantities of white to blue chert. There was a slight show of medium brown free oil and a faint odor was present in the samples. The top two feet of the interval from 1616-18 calculated 90% Sw, while the remainder had Sw values of 100%. It is doubtful that this zone can produce commercial quantities of oil in this well.

CONCLUSIONS AND RECOMMENDATIONS:

Based on the show of oil on the pits, in the samples and favorable log response, it appears the upper Mississippian and the lower McLouth sand have the potential to produce economic quantities of oil along with possibly some gas from the sand.

This well compares favorably with nearby wells that were produced in the past. At some point in time consideration should be given to looking at the possibility of water flooding. Some of the original wells in this field were cored and the results are available from Mr. Verne Dow, Dow Geological Services.

Respectfully submitted

George E Petersen R. G. , C. P. G.
Deacon geology Inc.

