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JAN 20 2004

KCC WICHITA

Form C-1

December 2002

Form must be Typed

Form must be Signed

All blanks must be Filled

For KCC Use: Effective Date: 1-26-04 District #: 4 SGA? Yes No

KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION NOTICE OF INTENT TO DRILL

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

Expected Spud Date February 14, 2004 month day year

OPERATOR: License# 33335 Name: IA Operating, Inc. Address: 900 N Tyler Road #14 City/State/Zip: Wichita KS 67212 Contact Person: Hal Porter Phone: 316-721-0036

CONTRACTOR: License# 30606 Name: Murfin Drilling Company, Inc.

Spot Elz SE SE NW Sec. 25 Twp. 11S S. R. 16 East West 2260 feet from N / S Line of Section 2550 feet from E / W Line of Section Is SECTION Regular Irregular?

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

County: Ellis Lease Name: Peggy Unit Well #: 25-3 Field Name: Wildcat R.C.B.

Is this a Prorated / Spaced Field? Yes No Target Formation(s): Toronto, LKC, ARB

Nearest Lease or unit boundary: 660 (Unit) Ground Surface Elevation: 1740 approx. 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: 180 Depth to bottom of usable water: 520

Surface Pipe by Alternate: 1 2 Length of Surface Pipe Planned to be set: 900

Length of Conductor Pipe required: None Projected Total Depth: 3400

Formation at Total Depth: ARB Water Source for Drilling Operations: Well Farm Pond Other X

DWR Permit #: (Note: Apply for Permit with DWR)

Will Cores be taken? Yes No If Yes, proposed zone:

Well Drilled For: Well Class: Type Equipment: Oil Gas OWWO Seismic; # of Holes Other Enh Rec Storage Disposal Infield Pool Ext. Wildcat Other Mud Rotary Air Rotary Cable

If OWWO: old well information as follows: Operator: Well Name: Original Completion Date: Original Total Depth:

Directional, Deviated or Horizontal wellbore? Yes No

If Yes, true vertical depth: Bottom Hole Location: KCC DKT #:

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: January 3, 2004 Signature of Operator or Agent: Hal C Porter Title: President

For KCC Use ONLY API # 15 - 051-25276-00.00 Conductor pipe required NONE feet Minimum surface pipe required 540 feet per Alt. 1 Approved by: RJPI-21-04 This authorization expires: 7-21-04 (This authorization void if drilling not started within 6 months of effective date.) Spud date: Agent:

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 proration orders; - Notify appropriate district office 48 hours prior to workover or re-entry; - Submit plugging report (CP-4) after plugging 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 - Permit Expired Signature of Operator or Agent: Date:

25 11 16w

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 - _____
Operator: IA Operating, Inc. _____
Lease: Paggy Unit _____
Well Number: 25-3 _____
Field: Wildcat _____

Location of Well: County: Ellis _____
2260 _____ feet from N / S Line of Section
2550 _____ feet from E / W Line of Section
Sec. 25 Twp. 11S S. R. 16 East West

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

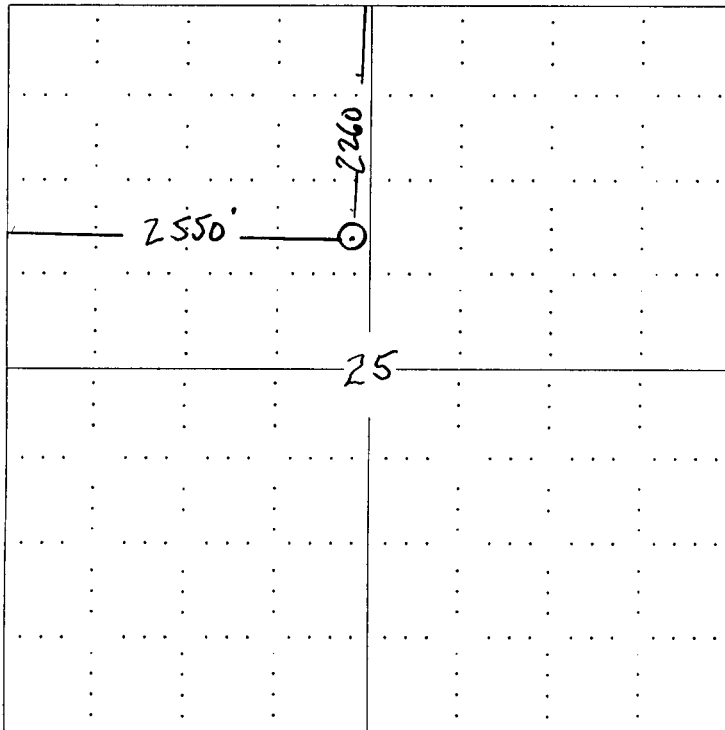
Is Section: Regular or Irregular

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

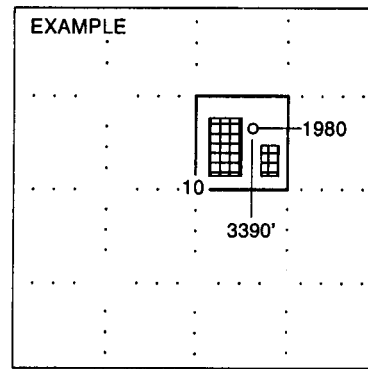
Section corner used: NE NW SE SW

PLAT

*(Show location of the well and shade attributable acreage for prorated or spaced wells.)
(Show footage to the nearest lease or unit boundary line.)*



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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).



KANSAS

CORPORATION COMMISSION

KATHLEEN SEBELIUS, GOVERNOR

BRIAN J. MOLINE, CHAIR

JOHN WINE, COMMISSIONER

ROBERT E. KREHBIEL, COMMISSIONER

January 21, 2004

Mr. Hal Porter
IA Operating, Inc.
900 N. Tyler Rd #14
Wichita, KS 67212

RE: Drilling Pit Application
Paggy Unit Lease Well No. 25-3
NW/4 Sec. 25-11S-16W
Ellis County, Kansas

Dear Mr. Porter:

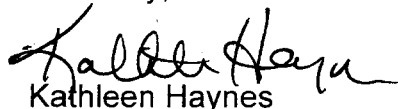
District staff has inspected the above referenced location and has determined that the reserve pit shall be constructed **without slots**, the bottom shall be flat and reasonably level, and the free fluids must be removed. The fluids are to be removed from the reserve pit as soon as practical after drilling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

If production casing is set all completion fluids shall be removed on a daily basis.

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. Also, please file the enclosed CDP-5 form, Surface Pond Waste Transfer, within 30 days of fluid removal.

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,



Kathleen Haynes

Environmental Protection and Remediation Department

cc: H Deines