

For KCC Use: 5-2-04
Effective Date: _____
District #: 2
SGA? Yes No

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

Form C-1
December 2002
Form must be Typed
Form must be Signed
All blanks must be Filled

Expected Spud Date 4/02/04

OPERATOR: License# 32825
Name: PIONEER EXPLORATION, LTD.
Address: 15603 KUYKENDAHL SUITE 200
City/State/Zip: HOUSTON, TEXAS 77090
Contact Person: DANA BURNSIDES
Phone: 281-893-9400 EXT. 222

CONTRACTOR: License# 33006
Name: ACE DRILLING

- | | | | |
|--|-----------------------------------|---|--|
| <input checked="" type="checkbox"/> Oil | <input type="checkbox"/> Enh Rec | <input checked="" type="checkbox"/> Infield | <input checked="" type="checkbox"/> Mud Rotary |
| <input type="checkbox"/> Gas | <input type="checkbox"/> Storage | <input type="checkbox"/> Pool Ext. | <input type="checkbox"/> Air Rotary |
| <input type="checkbox"/> OWWO | <input type="checkbox"/> Disposal | <input type="checkbox"/> Wildcat | <input type="checkbox"/> Cable |
| <input type="checkbox"/> Seismic; _____ # of Holes | <input type="checkbox"/> Other | | |
| <input type="checkbox"/> Other | | | |

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 #: _____

CONSERVATION DIVISION
WICHITA, KS

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 to spudding of well;
2. A copy of the approved notice of intent to drill posted on each drilling rig;
3. The minimum amount of surface pipe as specified below by circulating cement to the top; in all cases surface pipe 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
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 _____ 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.

I hereby certify that the statements made herein are true and to the best of my knowledge and belief.

Date: MARCH 24, 2004 Signature of Operator or Agent: Dana S Burnside Title: Reservoir Engineer

For KCC Use ONLY
API # 15 - 077-21480-00-00
Conductor pipe required NONE feet
Minimum surface pipe required 200 feet per Alt. 1
Approved by: RJP 4-27-04
This authorization expires: 10-27-04
Spud date: _____ Agent: _____

Spot
W 1/2 - W 1/2 - NE Sec. 8 Twp. 31 S. R. 8
 East
 West
1320 feet from N / S Line of Section
2310 feet from E / W Line of Section

Is SECTION Regular Irregular?

County: HARPER
Lease Name: B & A SMITH Well #: 3
Field Name: SPIVEY-GRABS-BASIL

Is this a Prorated / Spaced Field? Yes No

Target Formation(s): MISSISSIPPIAN CHAT

Nearest Lease or unit boundary: 1320'

Ground Surface Elevation: 1661' 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: 140' - 150

Depth to bottom of usable water: 200' - 180

Surface Pipe by Alternate: 1 2

Length of Surface Pipe Planned to be set: 200

Length of Conductor Pipe required: N/A NONE

Projected Total Depth: 4500'

Formation at Total Depth: MISSISSIPPIAN CHAT

Water Source for Drilling Operations:

Well Farm Pond Other _____

DWR Permit #: _____

Will Cores be taken? Yes No

If Yes, proposed zone: _____

- 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 please check the box below and return to the address below.

Well Not Drilled - Permit Expired

Signature of Operator or Agent: _____

Date: _____

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

8
31
83

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

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: PIONEER EXPLORATION, LTD.
 Lease: B & A SMITH
 Well Number: 3
 Field: SPIVEY-GRABS-BASIL

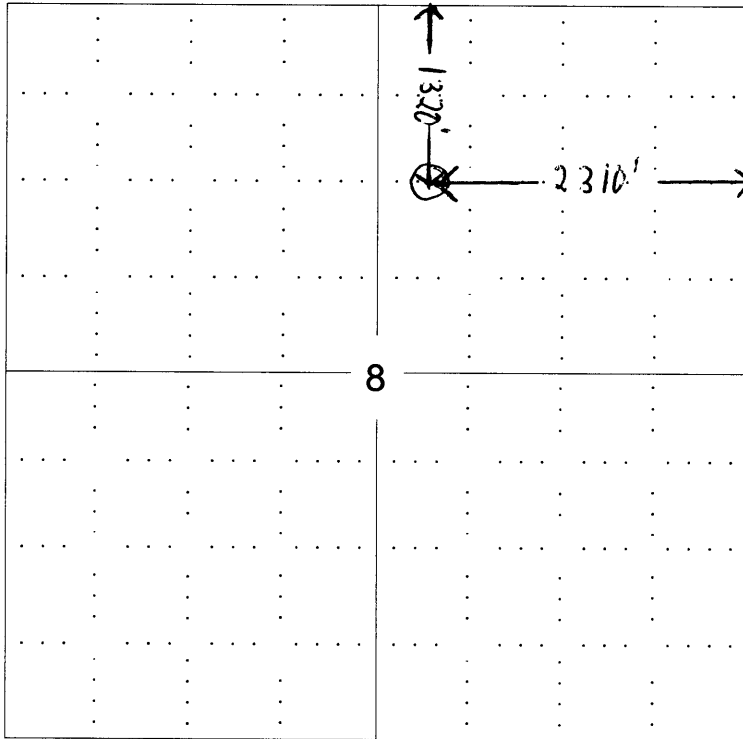
Number of Acres attributable to well: _____
 QTR / QTR / QTR of acreage: W 1/2 - W 1/2 - NE

Location of Well: County: HARPER
1320 feet from N / S Line of Section
2310 feet from E / W Line of Section
 Sec. 8 Twp. 31 S. R. 8 East West

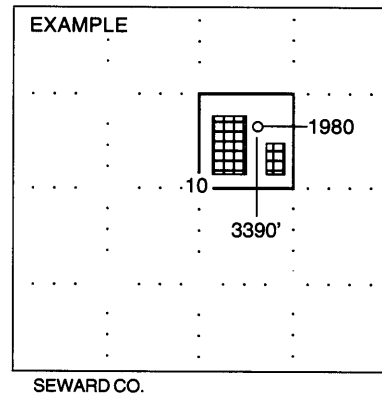
Is Section: Regular or Irregular

If Section is Irregular, locate well from nearest corner boundary.
 Section corner used: NE NW SE SW

PLAT



RECEIVED
 KANSAS CORPORATION COMMISSION
MAR 26 2004
 CONSERVATION DIVISION
 WICHITA, KS



In plotting the proposed location of the well,

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: (C0-7 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

April 27, 2004

Mr. Dana Burnsides
Pioneer Exploration, LTD
15603 Kuykendahl, Ste 200
Houston, TX 77090

Re: Drilling Pit Application
B & A Smith Lease Well No. 3
NE/4 Sec. 08-31S-08W
Harper County, Kansas

Dear Mr. Burnsides:

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 **all pits must be lined with bentonite**. 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 within 72 hours 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 (316) 337-6231 when the fluids have been removed. Also, please file the enclosed CDP-5, 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: Doug Louis