

Gas Storage Area - Blowout Preventer Required

OWWO

For KCC Use: Effective Date: 5.30.04 District #: 2 SGA? [X] 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

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

Expected Spud Date: 05 24 2004 (month day year)

Section: NE SE SE Sec. 19 Twp. 27 S. R. 10 Line of Section: 990 feet from N/S, 440 feet from E/W

OPERATOR: License# 3880 Name: K.C. Resources Inc Address: P.O. Box 118 City/State/Zip: Cardiff, CA 92007 Contact Person: Reiner Klawiter Phone: (760) 753-3330

County: Kingman Lease Name: Miles "B" Well #: 5 Field Name: Cunningham

CONTRACTOR: License# 7023 Name: Klima Well Servicing LLC

Is this a Prorated / Spaced Field? [] Yes [X] No Target Formation(s): Lansing Kansas City Nearest Lease or unit boundary: Miles Ground Surface Elevation: 1700 feet MSL

- Well Drilled For: Oil, Gas, OWWO, Seismic, Other (Deepen Wellbore) Well Class: Enh Rec, Storage, Disposal, Other Infield, Pool Ext, Wildcat, Other Type Equipment: Mud Rotary, Air Rotary, Cable

Water well within one-quarter mile: [X] Yes [] No Public water supply well within one mile: [] Yes [X] No Depth to bottom of fresh water: 180 Depth to bottom of usable water: 180

If OWWO: old well information as follows: Operator: K.C. Resources Inc Well Name: Miles B # 5 Original Completion Date: 1/35 Original Total Depth: 3505

Surface Pipe by Alternate: [X] 1 [] 2 Length of Surface Pipe: 359' Length of Conductor Pipe required: Projected Total Depth: 3810' 3,780' Formation at Total Depth: 3890' 3,810'

Directional, Deviated or Horizontal: [] Yes [X] No Bottom Hole Location: MAY 25 2004 KCC DKT #: MAY 25 2004

Water Source for Drilling Operations: [] Well [] Farm Pond Other: Lease Water DWR Permit #: (Note: Apply for Permit with DWR [])

CONSERVATION DIVISION WICHITA, KS

AFFIDAVIT

*Do not Exceed projected TD.

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55 et seq.

*Do not Drill below Kansas City

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: 5/24/04 Signature of Operator or Agent: [Signature] Title: UP-LAND MKTG

For KCC Use ONLY API # 15: 095-01616-00-01 Conductor pipe required: NONE feet Minimum surface pipe required: 359' set feet per Alt. Approved by: RJS-25-04 This authorization expires: 11-25-04 (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 pronation 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:

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

B.O.P. REQUIRED - GAS-STORAGE AREA

19 27 10M

Side Two

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 - 095-01616
 Operator: KC Resources
 Lease: Miles "B"
 Well Number: 5
 Field: Cunningham
 Number of Acres attributable to well: 160
 QTR / QTR / QTR of acreage: NE - SE - SE

Location of Well: County: Kingman
990 feet from N / S Line of Section
440 feet from E / W Line of Section
 Sec. 19 Twp. 27 S. R. 10 East West

Is Section: Regular or Irregular

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

Section corner used: NE NW SE SW

RECEIVED
KANSAS CORPORATION COMMISSION

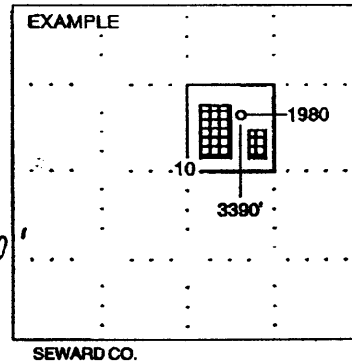
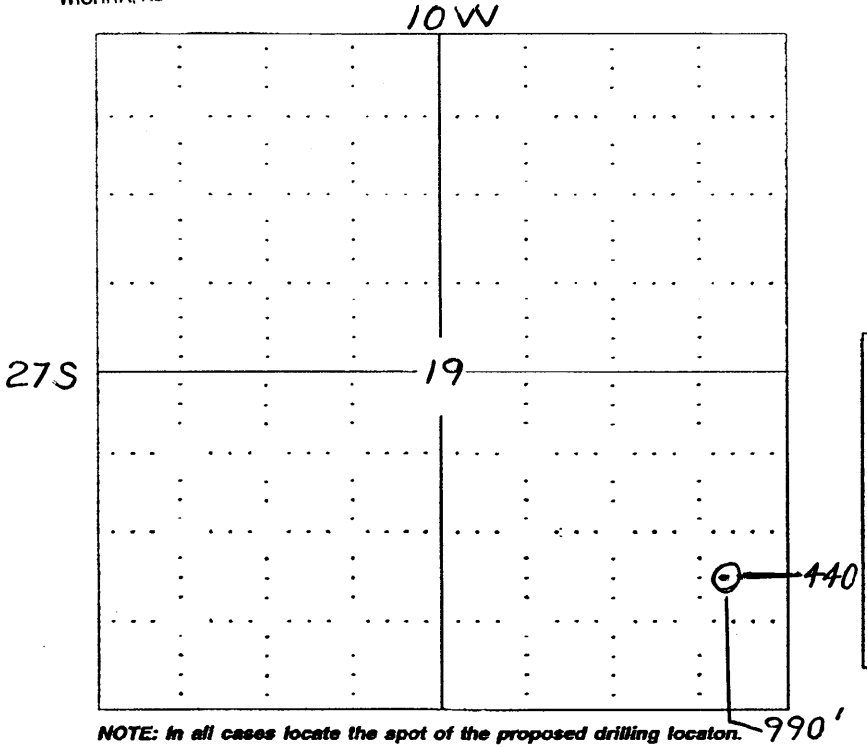
MAY 25 2004

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.)

CONSERVATION DIVISION
WICHITA, KS



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

May 24, 2004

Mr. Reiner Klawiter
KC Resources, Inc.
PO Box 118
Cardiff, CA 92007

RE: Drilling Pit Application
Miles B Lease Well No. 5
SE/4 Sec. 19-27S-10W
Kingman County, Kansas

Dear Mr. Klawiter:

District staff has inspected the above referenced location and informed this office that the pit is lined but fluids must be removed. The fluids are to be removed from the reserve pit within 24 hours of drilling completion.

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 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: Doug Louis