

For KCC Use:
Effective Date: 11-5-02
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

Form C-1

September 1999

Form must be Typed

Form must be Signed

All blanks must be Filled

Expected Spud Date November 5, 2002
month day year

OPERATOR: License# 30606
Name: Murfin Drilling Company, Inc.
Address: 250 N. Water, Suite 300
City/State/Zip: Wichita, KS 67202
Contact Person: C. Scott Robinson
Phone: 316-267-3241

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

Spot 125' W & 215' S East
SE - SW - SW Sec. 7 Twp. 3 S. R. 41 West
115 feet from S (circle one) Line of Section
865 feet from W (circle one) Line of Section

Is SECTION Regular Irregular?

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

County: Cheyenne

Lease Name: Dunn Well #: #1-7

Field Name: Wildcat

Is this a Prorated / Spaced Field? Yes No

Target Formation(s): Lansing Kansas City

Nearest Lease or unit boundary: * 455' - 510'

Ground Surface Elevation: 3577 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: 300'

Depth to bottom of usable water: 300'

Surface Pipe by Alternate: X 1 2

Length of Surface Pipe Planned to be set: 360'

Length of Conductor Pipe required: none

Projected Total Depth: 5000'

Formation at Total Depth: Marmaton

Water Source for Drilling Operations:

Well Farm Pond Other

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:

<input checked="" type="checkbox"/> Oil	<input type="checkbox"/> Enh Rec	<input 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 checked="" type="checkbox"/> Wildcat	<input type="checkbox"/> Cable
<input type="checkbox"/> Seismic;	<input type="checkbox"/> # 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 #: _____

* 455' to unit boundary; UNIT EXTENDS INTO SEC. 18.

AFFIDAVIT

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55-101, 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. **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: 10/30/02 Signature of Operator or Agent: Shauna Gumpelmaier Title: Agent

For KCC Use ONLY

API # 15 - 023-20443-00-00

Conductor pipe required NONE feet

Minimum surface pipe required 350 feet per Alt. 1

Approved by: RJP 10-31-02

This authorization expires: 5-1-03

(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.

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

* See attached Declaration of Pooling

7
3
4/16

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: _____
 Lease: _____
 Well Number: _____
 Field: _____

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

Location of Well: County: Cheyenne
115 feet from S (circle one) Line of Section
865 feet from W (circle one) Line of Section
 Sec. 7 Twp. 3 S. R. 41 East West

Is Section Regular or Irregular

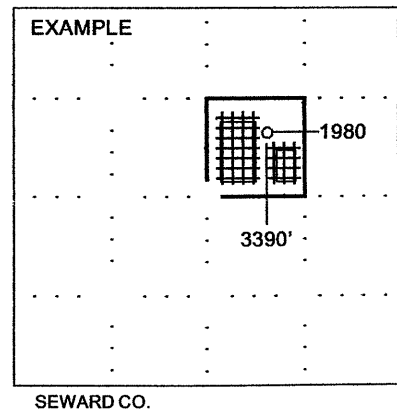
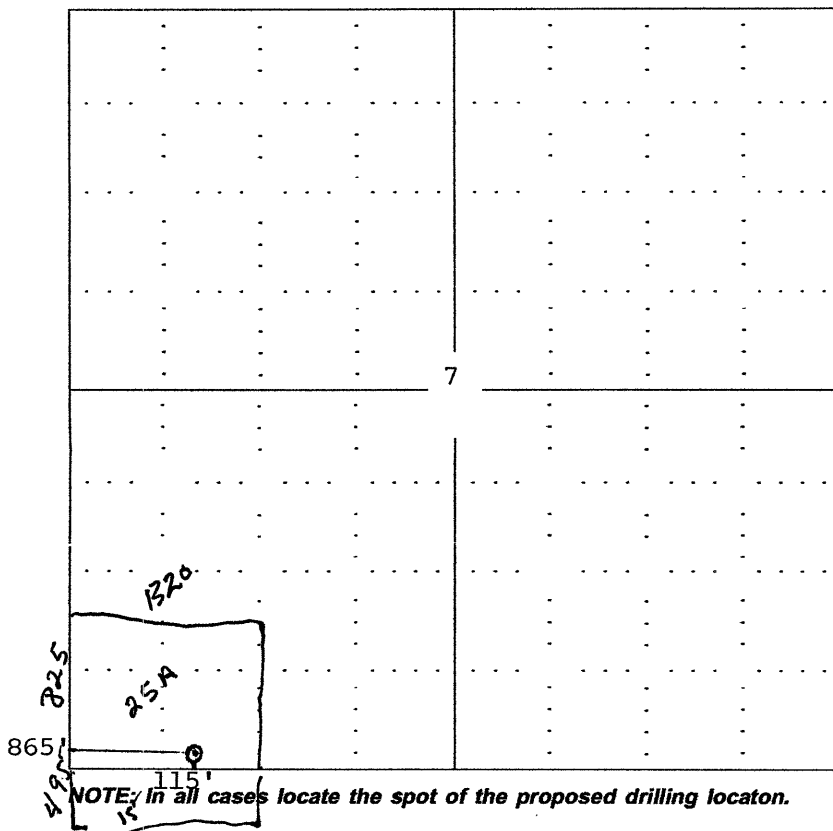
If Section is Irregular, locate well from nearest corner boundary.

Section corner used: NE NW SE SW

PLAT

(Show location of the well and shade attributable acreage for prorated or spaced wells.)

(Show footage to the nearest lease or unit boundary line.)



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: (C0-7 for oil wells; CG-8 for gas wells).

DECLARATION OF POOLING

RECEIVED
OCT 31 2002
KCC WICHITA

KNOWN ALL MEN BY THESE PRESENTS:

WHEREAS, PRIORITY OIL & GAS, LLC, hereinafter referred to as Priority, is the owner of the oil and gas leases described on Exhibit "A", attached hereto and made a part hereof, insofar as said leases cover the following lands in Cheyenne County, Kansas as described herein to-wit:

TOWNSHIP 3 SOUTH - RANGE 41 WEST
SECTION 7: (SW/4)
SECTION 18: (NW/4)
Cheyenne County, Kansas

WHEREAS, each of the oil and gas leases numbered 1, 2, 3, 4, and 5 described in Exhibit "A" contains a pooling clause which states:

"Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of drilling or production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the issued premises, whether or not similar pooling authority exists with respect to such other lands or interests. The creation of a unit by such pooling shall be based on the following criteria (hereinafter called "pooling criteria"): A unit for an oil well (other than a horizontal completion) shall exceed 40 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage to tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. In the event a unit is formed hereunder before the unit well is drilled and completed, so that the applicable pooling criteria are not yet known, the unit shall be based on the pooling criteria Lessee expects in good faith to apply upon completion of the well; provided that within a reasonable time after completion of the well, the unit shall be revised if necessary to conform to the pooling criteria that actually exist. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any production acreage determination made by such governmental authority. To revise a unit hereunder, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute cross-conveyance of interests."

Dunn Unit
Cheyenne County, KS

WHEREAS, each of the oil and gas leases numbered 6 described in Exhibit "A" contains a pooling clause which states:

"Lessee is hereby granted the right, at its option, to pool or unitize all or any part of said land and of this lease as to any or all minerals or horizons thereunder, with other lands, lease or leases, or portion or portions thereof, or mineral or horizon thereunder, so as to establish units containing not more than 40 surface acres plus 10% acreage tolerance; provided, however, a unit may be established or an existing unit may be enlarged to contain not more than 320 acres plus 10% acreage tolerance, if unitized only as to gas or only as to gas liquid hydrocarbons (condensate) which are not a liquid in the subsurface reservoir. If larger units are required, under any governmental rule or order, for the drilling or operation of a well at a regular location, or for obtaining maximum allowable, from any well to be drilled, drilling, or already drilled, any such unit may be established or enlarged, to conform to the size required by such governmental order or ruled. Lessee shall exercise and option as to each desired unit by executing an instrument identifying such unit and filing it for record in the public office in which this Lease is recorded. Each of said options may be exercised by Lessee from time to time, and whether before or after production has been established either on said land or on the portion of said land included in the unit or on other land unitized therewith and any such unit may include any well to be drilled, being drilled or already completed. A unit established hereunder shall be valid and effective for all purposes of this Lease even though there may be land or mineral, royalty or leasehold interests in land within the unit which are not pooled or unitized. Any operations conducted on any part of such unitized land shall be considered, for all purposes, except the payment of royalty, operations conducted under this Lease. There shall be allocated to the land covered by this lease included in any such unit that proportion of the total production of unitized minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this Lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, overriding royalty, and any other payments out of production, to be the entire production of unitized minerals from the portion of said land covered hereby and included in such unit in the same manner as though produced from said land under the terms of this Lease. The owner of the reversionary estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term requiring production of oil or gas. The formation of such unit shall not have the effect of changing the ownership of any shut-in production royalty which may become payable under this Lease. Neither shall it impair the right of Lessee to release from this Lease all or any portion of said land, except that Lessee may dissolve any unit established hereunder by filing for record in the public office where this Lease is recorded a declaration to that effect, if at that time no operations are being conducted hereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit once established hereunder shall remain in force so long as any lease subject thereon shall remain in force. A unit may be so established, modified or dissolved during the life of this Lease."

WHEREAS, the undersigned, Priority, desires to pool all oil and gas leases described in Exhibit "A", insofar and only insofar as the same cover the following described lands, to-wit:

TOWNSHIP 3 SOUTH, RANGE 41 WEST

Section 7: Point of Beginning (PoB) being Southwest corner of Southwest Quarter (SW/c SW/4), thence North 825', thence East 1320', thence South 825', thence West 1320' to PoB (25 acres).

Section 18: Point of Beginning (PoB) being Northwest of the NW/4 (NW/c NW/4), thence South 495', thence East 1320', thence North 495', thence West 1320' to PoB (15 acres).

said last lands, containing forty (40) acres, more or less, now being identified as "THE POOLED AREA" for production of oil and/or gas and associated hydrocarbons from all zones and formations.

NOW THEREFORE, the undersigned, PRIORITY, does hereby pool the above described lands into one pooled area, containing forty (40) acres, provided that said pooling is limited to production of oil and/or gas associated hydrocarbons from all zones and formations.

The royalties accruing from any well located on said unit shall be prorated and paid to lessors of the various tracts included in the POOLED in the same proportion that each tract of said lessor bears to the total of the POOLED.

This instrument may be executed in any number of counterparts, each which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this DECLARATION OF POOLING, was executed this 15 day of October, 2002.

PRIORITY OIL & GAS LLC

Robbie Gries
By: Robbie Gries
Title: President

ACKNOWLEDGMENT

STATE OF Colorado)
)ss
COUNTY OF Denver)

Before me, the undersigned, A Notary Public, within and for said County and State, on this 15th day of October, 2002 personally appeared Robbie Gries of Priority Oil & Gas LLC, to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes set forth therein.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal this day.

MY COMMISSION EXPIRES: 3/29/05 J. S. [Signature]

EXHIBIT "A"
attached to and made a part of that certain
Declaration of Pooling

Lease 1

LESSOR: James Dunn and Jeanne D. Dunn
LESSEE: Priority Oil & Gas LLC
LEASE DATE: August 13, 2001
DESCRIPTION: Township 3 South, Range 41 West
Section 7: S/2 also described as Lots 3, 4, E/2 SW/4, SE/4
Cheyenne County, Kansas
RECORDING DATA: Book 128, Page 16

Lease 2

LESSOR: Carolyn A. McDonald
LESSEE: Priority Oil & Gas LLC
LEASE DATE: April 11, 2001
DESCRIPTION: Township 3 South, Range 41 West
Section 18: NE/4
Cheyenne County, Kansas
RECORDING DATA: Book 124, Page 326

Lease 3

LESSOR: Verna M. Miller & James W. Miller
LESSEE: Priority Oil & Gas LLC
LEASE DATE: March 29, 2001
DESCRIPTION: Township 3 South, Range 41 West
Section 18: Lots 1, 2, E/2 NW/4, NE/4
Cheyenne County, Kansas
RECORDING DATA: Book 123, Page 443

Lease 4

LESSOR: The Kansas University Endowment Association
LESSEE: Priority Oil & Gas LLC
LEASE DATE: April 4, 2001
DESCRIPTION: Township 3 South, Range 41 West
Section 18: Lots 1, 2, E/2 NW/4, NE/4
Cheyenne County, Kansas
RECORDING DATA: Book 123, Page 524

Lease 5

LESSOR: The Kansas University Endowment Association
LESSEE: Priority Oil & Gas LLC
LEASE DATE: April 4, 2001
DESCRIPTION: Township 3 South, Range 41 West
Section 18: NE/4
Cheyenne County, Kansas
RECORDING DATA: Book 123, Page 524

Lease 6

LESSOR: Southwest Royalties, Inc.
LESSEE: Priority Oil & Gas LLC
LEASE DATE: October 16, 2002
DESCRIPTION: Township 3 South, Range 41 West
Section 18: Lot 1 (41.01), Lot 2 (40.95), E/2 NW/4 & NE/4
Cheyenne County, Kansas
RECORDING DATA: Book 129, Page 438