

For KCC Use: 10-27-04
 Effective Date: 10-27-04
 District # 3
 SGA? Yes No

KANSAS CORPORATION COMMISSION
 OIL & GAS CONSERVATION DIVISION

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

NOTICE OF INTENT TO DRILL
 Must be approved by KCC five (5) days prior to commencing well

Expected Spud Date October 22, 2004
 month day year

OPERATOR: License# 33138
 Name: Meritage KCM Exploration, LLC
 Address: 411 Winterthur Way
 City/State/Zip: Highlands Ranch, CO 80129
 Contact Person: Jeff Vaughan
 Phone: 303-263-0126

CONTRACTOR: License# 5831
 Name: Mokat Drilling

Spot East
 NE - NW - NE Sec. 27 Twp. 19 S. R. 19 West
335' feet from N / S Line of Section
1683' feet from E / W Line of Section
 Is SECTION Regular Irregular?

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

County: Anderson
 Lease Name: Buzzard Well #: 27-31 POW

Field Name: _____
 Is this a Prorated / Spaced Field? Yes No

Target Formation(s): Riverton Coal
 Nearest Lease or unit boundary: 335'

Ground Surface Elevation: 960' 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: 100'

Depth to bottom of usable water: 120'

Surface Pipe by Alternate: 1 2

Length of Surface Pipe Planned to be set: 20' minimum

Length of Conductor Pipe required: None

Projected Total Depth: 1230'

Formation at Total Depth: Mississippian

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: _____

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CONSERVATION DIVISION

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: 10-21-04 Signature of Operator or Agent: [Signature] Title: Agent

For KCC Use ONLY
 API # 15 - 003-24266-00-00
 Conductor pipe required NONE feet
 Minimum surface pipe required 20 feet per Alt. + (2)
 Approved by: RJP 10-22-04
 This authorization expires: 4-22-05
 (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: _____

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

27
19
19E

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: Meritage KCM Exploration, LLC
 Lease: Buzzard
 Well Number: 27-31 POW
 Field: _____
 Number of Acres attributable to well: _____
 QTR / QTR / QTR of acreage: NE - NW - NE

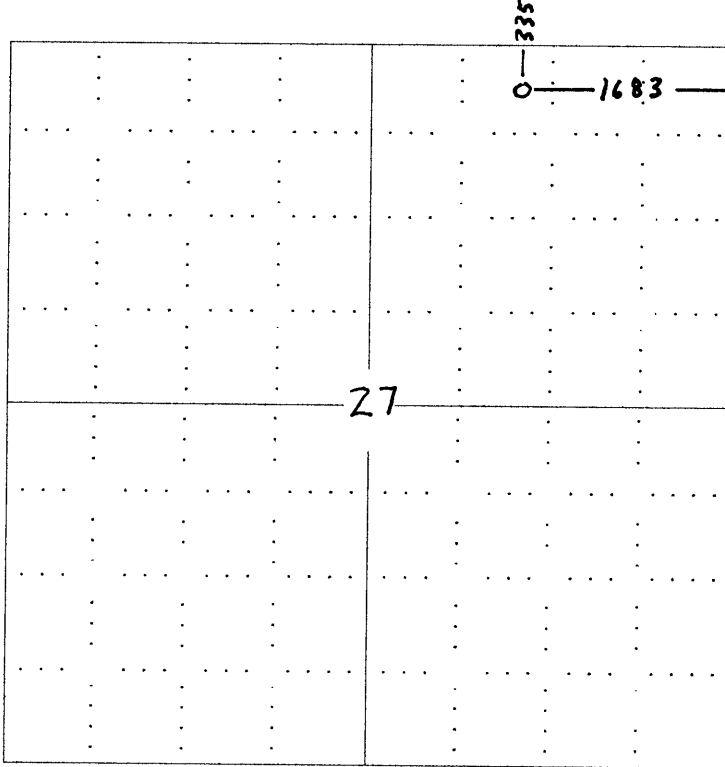
Location of Well: County: Anderson
 335' _____ feet from N / S Line of Section
 1683' _____ feet from E / W Line of Section
 Sec. 27 Twp. 19 S. R. 19 East West

Is Section: Regular or Irregular

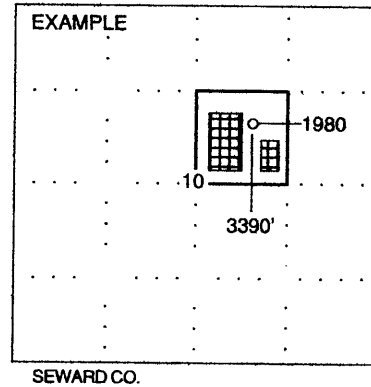
If Section Is Irregular, locate well from nearest corner boundary.
 Section corner used: NE NW SE SW

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.)*



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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).