

For KCC Use:
Effective Date: 12-27-04
District # 1
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

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

Expected Spud Date 01/27/05
month day year

Spot: East West
APNW NW - SE - NW Sec. 1 Twp. 29S R. 37

OPERATOR: License # 5447

1390 feet from N / S Line of Section

Name: OXY USA Inc.

1390 feet from E / W Line of Section

Address: P.O. Box 2528

Is SECTION Regular Irregular?

City/State/Zip: Liberal, KS 67905

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

Contact Person: Vicki Carder

County: Grant

Phone: (620) 629-4242

Lease Name: Hoffman J Well #: 4

CONTRACTOR: License # 33375

Field Name: Panoma Council Grove

Name: Cheyenne Drilling, Inc. LP

Is this a Prorated / Spaced Field? Yes No

Well Drilled For: Well Class: Type Equipment:

Target Formation(s): Council Grove

- Oil Enh Rec Infield Mud Rotary
- Gas Storage Pool Ext Air Rotary
- OWWO Disposal Wildcat Cable
- Seismic: # of Holes Other Replacement Well For Hoffman J-2
- Other

Nearest Lease or unit Boundary: 1250

Ground Surface Elevation: 2974 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: 420

Depth to bottom of usable water: 600

If OWWO: old well information as follows:

Operator: _____
Well Name: _____
Original Completion Date: _____ Original Total Depth: _____

Surface Pipe by Alternate: 1 2

Length of Surface Pipe Planned to be set: 630

Length of Conductor Pipe Required: NONE

Projected Total Depth: 3100

Formation at Total Depth: Council Grove

Water Source for Drilling Operations:

Directional, Deviated or Horizontal wellbore? Yes No

Well Farm Pond Other X

IF Yes, true vertical depth _____

DWR Permit # _____

Bottom Hole Location _____

KCC DKT #: _____

(Note: Apply for Permit with DWR)

Will Cores be Taken? Yes No

If Yes, Proposed zone: _____

* Prorated & Spaced
Hugoton & Panoma

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. 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: December 8, 2004 Signature of Operator or Agent: Vicki Carder Title: Capital Project

For KCC Use ONLY

API # 15 - 067-21599-00-00
Conductor pipe required NONE feet
Minimum Surface pipe required 620 feet per Alt. 1
Approved by: RSP 12-22-04
This authorization expires: 6-22-05
(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 proaction 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: _____

RECEIVED
DEC 13 2004
KCC-WICHITA

1
29
37
1-23
20

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: OXY USA Inc.
 Lease: Hoffman J
 Well Number: 4
 Field: Panoma Council Grove

Location of Well: County _____ Grant _____
 _____ 1390 _____ feet from N / S Line of Section
 _____ 1390 _____ feet from E / W Line of Section
 Sec. 1 Twp. 29S R. 37 East West

Number of Acres attributable to well: 640
 QTR / QTR / QTR of acreage: NW - SE - NW

Is Section Regular or Irregular

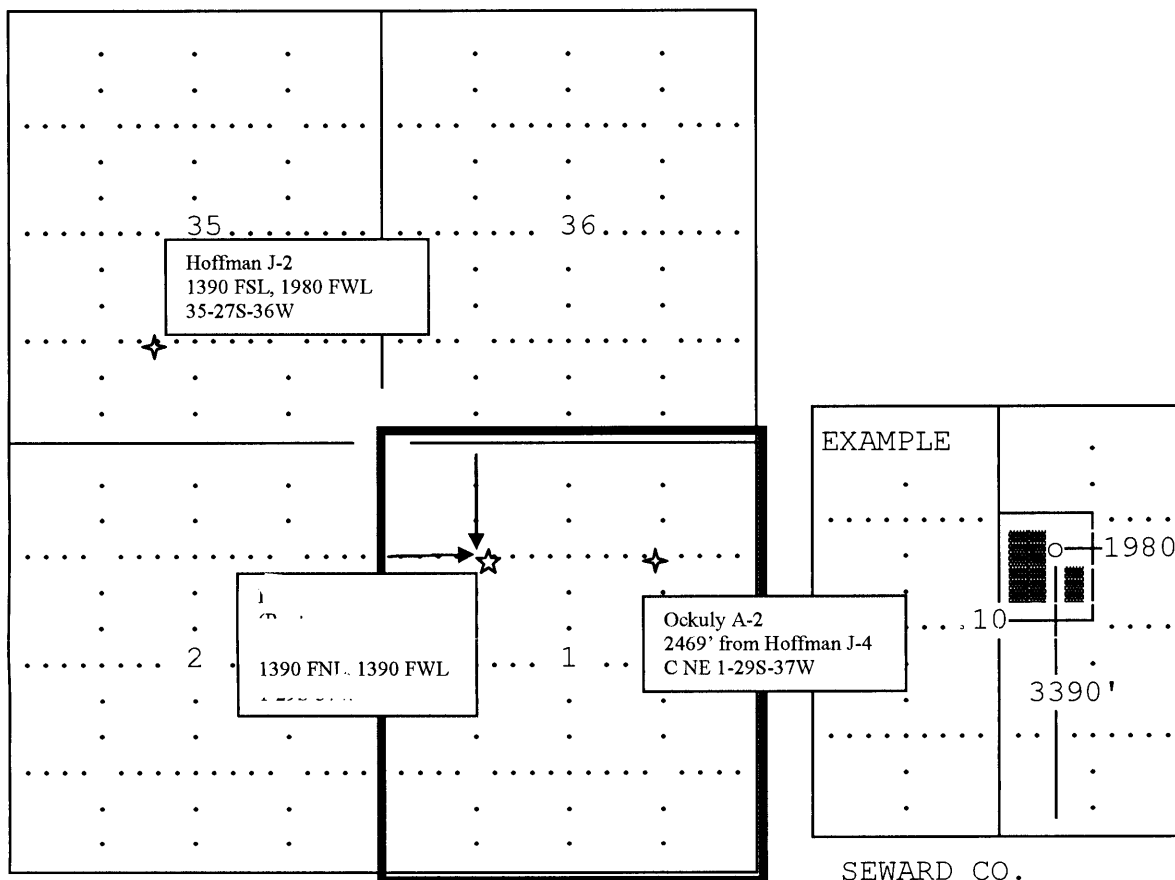
IF Section is Irregular, locate well from nearest corner boundary.

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.)



Note: In all cases locate the spot of the proposed drilling location.

Grant County

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 sections 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
ROBERT E. KREHBIEL, COMMISSIONER
MICHAEL C. MOFFET, COMMISSIONER

December 21, 2004

Ms. Vicki Carder
OXY USA, Inc.
PO Box 2528
Liberal, KS 67905

Re: Drilling Pit Application
Hoffman J Lease Well No. 4
NW/4 Sec. 01-29S-37W
Grant County, Kansas

Dear Ms. Carder:

District staff has inspected the above referenced location and has determined that the reserve pit must be lined. If a plastic liner is used it must have a minimum thickness of 10 mil. Integrity of the liner must be maintained at all times. If plastic is not used the pit must be lined with native clay and pack the bottom and sides of the pit.

The free fluids in the reserve pit are to be removed as soon as practical after drilling operations have ceased. The fluids should be taken to an authorized disposal well. Please call the District Office at (620) 225-8888 when the fluids have been removed. 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,



Kathy Haynes

Environmental Protection and Remediation Department

cc: S Durrant



KANSAS

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JOHN WINE, COMMISSIONER

ROBERT E. KREHBIEL, COMMISSIONER

NOTICE TO OPERATORS DRILLING IN THE PANOMA- COUNCIL GROVE GAS POOL SPACED AREA

The enclosed intent is located within the Panoma-Council Grove gas pool space area. In May 1978, Panoma-Council Grove Proration Order (as amended), Docket No. 60,024-C (C-7058) under FINDINGS OF FACT AND LAW on page 31, the following language is stated that:

“The Commission finds that in order to prevent waste and protect correlative rights, the following stated rules pertaining to wells already completed, in the process of being drilled or for future wells to be drilled in the Panoma Council Grove Gas Pool Spaced area, and for wells producing from the Council Grove Formation outside of the Panoma Council Grove Gas Pool Spaced area within the Hugoton Gas Field, should be adopted.”

1. “No dual completions between the Chase (Hugoton) and Council Grove Formations will be permitted for future wells drilled.”
2. “Casing shall not be set above the top of the Council Grove Formation for a Council Grove producing well.”
3. “The production casing of all new Council Grove wells should be cemented with a calculated volume of cement sufficient to encase the casing from the bottom of the casing to a point 500 feet above the Chase Formation.”
4. “The casing shall be encased in cement in the interval between the base of the Council Grove and the top of the Chase Formation on all wells, irrespective of depth, completed below the Council Grove Formation, if they are located within the space area.”
5. “The cement coverage heretofore required shall be confirmed by the running of a recognized survey, such as a temperature survey or cement bond log.”

A copy of this survey and the cement tickets(s) showing that all cement work has been completed, must be filed with the ACO-1 Completion Report within 120 days from the wells “spud date.”

Failure to comply with these provisions may cause the well to be shut-in until compliance has been achieved.

If you have any questions, please feel free to contact the Conservation Division’s Production Department at (316) 337-6200.