For KCC Use: 5-15-04

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

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

Effective Date:

District # 2

SGA? □ Yes □ No

Expected Spud Date 07/15/04

OPERATOR: License # 5447

Name: OXY USA Inc.

Address: P.O. Box 2528

City/State/Zip: Liberal, KS 67905

Contact Person: Vicki Carter

Phone: (620) 629-4242

CONTRACTOR: License # □ 1

Name: □ ADVISE ON ACO-1; MUST BE LICENSED WITH KCC

Well Drilled For: □ Oil □ Enh Rec □ Infield □ Mud Rotary

Well Class: □ Gas □ Storage □ Pool Ext □ Air Rotary

□ OWWO □ Disposal □ Wildcat □ Cable

□ Seismic: □ # of Holes □ Other □ Field Extension

If OWWO: old well information as follows:

Operator:

Well Name:

Original Completion Date: Original Total Depth:

Directional, Deviated or Horizontal wellbore? □ Yes □ No

IP Yes, True vertical depth

Bottom Hole Location:

KCC DKT #: □ Prorated □ Spaced

KCC WICHITA

RECEIVED

MAY 7, 2004

Spot: NE - SW - SW Sec: 18 Twp 27S R 33

1250 feet from □ N / □ S Line of Section

1250 feet from □ E / □ W Line of Section

Is SECTION □ Regular □ Irregular?

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

County: Haskell

Lease Name: Frey B

Well #: 4

Field Name: Panama Field

Is this a Prorated / Spaced Field? □ Yes □ No

Target Formation(s): Council Grove

Nearest Lease or unit Boundary:

Ground Surface Elevation: 2920 feet MSL

Water well within one-quarter mile

Public water supply well within one mile:

Depth to bottom of fresh water:

Depth to bottom of usable water:

Surface Pipe by Alternate: □ 1 □ 2

Length of Surface Pipe Planned to be set: 1000

Length of Conductor Pipe Required: NONE

Projected Total Depth:

Formation at Total Depth: Council Grove

Water Source for Drilling Operations:

□ Well □ Farm Pond □ Other □ X

DWR Permit # (Note: Apply for Permit with DWR)

Will Cores be Taken? □ Yes □ No

If Yes, Proposed zone:

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 un consolidated 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: May 5, 2004 Signature of Operator or Agent: [Signature]

Title: Capital Project

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 proportion 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: [Signature]

Date: [Date]

Mail to: KCC – Conservation Division, 130 S. Market – Room 2078, Wichita, Kansas 67202
IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW
Plot 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.

Location of Well: County _____________________________ Haskell

1250 ________________feet from N / S Line of Section

1250 ________________feet from E / W Line of Section

Sec: 18  Twp. 27S  R. 33

Is Section                  □ Regular or □ Irregular

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

Number of Acres attributable to well: 640

QTR / QTR / QTR of acreage: NE - SW - SW

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

Haskell 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).
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.