NOTICE OF INTENT TO DRILL

Expected Spud Date: 11-19-04

OPERATOR: License#: 30420  615065
Name: Y.J.I. Natural Resources Inc.
Address: 30-38 48th St.
City/State/Zip: Astoria, New York 11103
Contact Person: Jason Bangs
Phone: 785-625-9360

CONTRACTOR: License#: 33237  583055
Name: Anderson Drilling Co.

Well Drilled For: Oil  Gas  QWQ  Seismic  Other
Well Class:  Infield  Disposal  Wildcat  Other
Equipment: Mud Rotary  Air Rotary  Cable

Is this a Prorated / Spaced Field?  Yes  No
Target Formation(s): Reagan Sand

Nearest Lease or unit boundary: 330
Ground Surface Elevation: 2005 east
Water well within one-quarter mile:  Yes  No
Public water supply well within one mile:  Yes  No
Depth to bottom of fresh water: 40 feet
Depth to bottom of usable water: 500 feet

Well Name: Kraus  Well #: 1

If OWWO: old well information as follows:
Original Completion Date:  Original Total Depth:  

Directional, Deviated or Horizontal wellbore?  Yes  No
If Yes, true vertical depth:

Bottom Hole Location:
KCC DKT:  RECEIVED

KCC WICHITA

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: 11-9-04  Signature of Operator or Agent:  

Remember to:
- File Drill Pit Application (form CDP-1) with Intent to Drill;
- File Completion Form ACC-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.

For KCC Use ONLY
API #: 251-25368-00-00
Conductor pipe required:  None  feet
Minimum surface pipe required:  200 feet per Alt.
Approved by:  RJP 19-04
Number of holes drilled:  8
This authorization expires:  5-19-05
Spud date: 11-19-04

Mail to: KCC - Conservation Division, 130 S. Market - Room 2078, Wichita, Kansas 67202
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: V.J.I. Natural Resources Inc.
Lease: Kraus
Well Number: 1
Field: 
Number of Acres attributable to well: _______________________
QTR / QTR / QTR of acreage: _______________________

Location of Well: County: Ellis
2475 feet from S / N (circle one) Line of Section
330 feet from E / W (circle one) Line of Section
Sec. 16 Twp. 15 S. R. 19
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.

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).
November 16, 2004

Mr. Jason Dinges
V.J.I. Natural Resources, Inc.
30 -38 48th St.
Astoria, New York  11103

RE: Drilling Pit Application
Kraus Lease Well No. 1
NE/4 Sec. 16-15S-19W
Ellis County, Kansas

Dear Mr. Dinges:

District staff has inspected the above referenced location and has determined that the reserve pit shall be constructed without slots, the bottom shall be flat and reasonably level, and the free fluids must be removed. The fluids are to be removed from the reserve pit as soon as the Hutchinson Salt section has been drilled through and displacement of the fluids into the reserve pit has occurred. The fluids should be removed again as soon as practical after drilling operations have ceased. Be aware of artesian flow if elevations are low. Please keep all pits away from any draws.

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 (785) 625-0550 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,

Kathy Haynes
Environmental Protection and Remediation Department

cc: H Deines