Expected Spud Date: November 30, 2004

OPERATOR: License#: 33335
Name: IA Operating, Inc.
Address: 900 N Tyler Road #14
City/State/Zip: Wichita KS 67212
Contact Person: Hal Porter
Phone: 316-721-0036

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

Well Drilled For: Oil
Well Class: Enh Rec
Type Equipment: Mud Rotary

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

Directional, DeViated or Horizontal wellbore? Yes
If Yes, true vertical depth:
Bottom Hole Location:
KCC DKT #: 12345

Spot SW . NW . SW Sec 16 Twp 14 S R 20

Operated: 1560 feet from N Line of Section
390 feet from E Line of Section

Is SECTION: Regular

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

County: Ellis
Lease Name: Carolina
Well #: 16-1
Field Name:
Is this a Prone/Spaced Field? Yes
Target Formation(s): LKC, ARB, Reagan Sand
Ground Surface Elevation: 2160 approx

Water well within one-quarter mile: Yes
Public water supply well within one mile: Yes
Depth to bottom of fresh water: 160
Depth to bottom of usable water: 720

Surface Pipe by Alternate: 1
Length of Surface Pipe Planned to be set: 200 feet
Length of Conductor Pipe required: None
Projected Total Depth: 3850

DWR Permit #: 1234

Will Cores be taken? Yes
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 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 #139,891-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: November 10, 2004
Signature of Operator or Agent: [Signature]
Title: President

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.

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: ________________________________ Location of Well: County: Ellis
Operator: IA Operating, Inc. 1560 feet from N /  ✓ S Line of Section
Lease: Carolina 390 feet from E /  ✓ W Line of Section
Well Number: 16-1 Sec. 16  Twp. 14  S.  R. 20  □ East  ✓ West
Field: ________________________________

Number of Acres attributable to well: □ Regular or □ Irregular
QTR / QTR / QTR of acreage: SW  -  NW  -  SW

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: (CD-7 for oil wells; CG-8 for gas wells).
November 12, 2004

Mr. Hal Porter
IA Operating, Inc.
900 N. Tyler Rd #14
Wichita, KS 67212

RE: Drilling Pit Application
   Carolina Lease Well No. 16-1
   SW/4 Sec. 16-14S-20W
   Ellis County, Kansas

Dear Mr. Porter:

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. 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