KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

NOTICE OF INTENT TO DRILL

Must be approved by KCC 90 days prior to commencing well

For KCC Use:

Effective Date: 1-8-05

District #

SCOAT

KCC WICHITA

Expected Spud Date: 25/05

OPERATOR: Lic# 3532

Name: DMC, Inc.

Address: 159 N. Main, Suite 1028

City/State/Zip: Wichita, KS 67202

Contact Person: Douglas H. Mccandless II

Phone: 316-269-9602

CONTRACTOR: Lic# 2926

Name: Make Drilling Co.

Well Order For:

[Blank fields]

Well Date: [Blank fields]

Type Equipment:

[Blank fields]

Gas Storage: None

Well Ext. & Rig: [Blank fields]

Air Rotary

Drill Pipe:

[Blank fields]

Cable:

[Blank fields]

If OWWD: old well information as follows:

Operator:

Well Name:

Original Completion Date:

Original Total Depth:

Directional, Deviated or Horizontal: No

If Yes, true vertical depth:

[Blank fields]

Bottom Hole Location: [Blank fields]

KCC DRNT #

Spot

NW NE SE SW

900 feet from

1,850 feet from

Line of Section

Line of Section

(Referred to in this Section Position)

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

COUNTY:

Barber

Lease Name:

Chain Ranch

Well:

3

Is this a Pumped / Spaced Field?: Yes

Target Formation(s):

Arborite

Nearest Lease or Unit boundary: 900

Depth of bottom of water: [Blank fields]

Surface Pipe by Alternative: [Blank fields]

Length of Surface Pipe Planned to be set:

Length of Conductor Pipe required:

Projected Total Depth:

Ground Surface Elevation:

West N:\ 360

West B:\

[Blank fields]

Water Source for Drilling Operations:

[Blank fields]

DWR Permit #: [Blank fields]

WI Wells to be Shown: [Blank fields]

If Yes, proposed zone:

1105

180

RECEIVED

JAN 1, 2005

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 pipeline as specified below shall be set by circulating to beyond the top; in all cases surface pipeline shall be set through all unconsolidated materials plus a minimum of 20 feet into the underlying formation.

4. If the well is on dry hole, an agreement between the operator and the district prior to 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 extended below any usable water to surface within 120 days of spud date.

OR pursuant to Appendix "F" - Eastern Kansas surface casing over 1413.4' MVC, 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 the district office prior to any cementing.

I hereby certify that the statements made herein are true to the best of my knowledge and belief.

Date: 1/7/05

Signature of Operator or Agent:

Title: President

Remember to:

- File Drill Plan Application (form CDP-1) with Intent to Drill.
- File Completion Form ACD-1 within 150 days of spud date;
- File acreage attribution plat according to field precision ordnance;
- 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 rejecting 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

Name of Operator or Agent:

Signature of Operator or Agent:

Date:

Mail to: KCC - Conservation Division, 130 S. Martel - 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: CMX Inc.
Lessee: Chain Ranch

Well Number: 3
Field: ILS

Number of Acres attributable to well
40 / 40 / 40 of acreage

Location of Well: County: Barber

90°

Line of Section
1650

Line of Section
18

Sec. NE SW NE SW

Is Section: □ Regular or □ Irregular

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

Puissance corner used: □ SE □ NE □ NW □ SW

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 deposited plat by identifying section lines, i.e., 2 section, 4 section, 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; CO-8 for gas wells).
January 14, 2005

Mr. Douglas H. McGinness II  
CMX, Inc.  
150 N. Main Ste 1026  
Wichita, KS 67202  

RE: Drilling Pit Application  
Chain Ranch Lease Well No. 3  
NW/4 Sec. 18-31S-11W  
Barber County, Kansas

Dear Mr. McGinness:

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.

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 (620) 225-8888 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: S Durrant