NOTICE OF INTENT TO DRILL

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

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

Expected Mapped Date: February 15, 2005

OPERATOR:
Name: Perez Western, LLC
Address: 175 S. Sherman St., Suite 22080
City: Denver, Colorado 80203
Contact Person: Richard J. Gray
Phone: 303-847-5070

CONTRACTOR: License # 32399
Name: Muffin Drilling Company, PO Box 6066
Phone: 303-847-5070

NORTHING: 23500
EASTING: 1680

County: Kearny

Lease Name: Miles
Lease #: 1-1128

Field: Wichita

Is this a Spaced or Potted Field? Yes

Target Formation(s): Mississippian

Nearest Lodge or unit boundary: 340 North

Ground Surface Elevation: 2920' MSL

Well Name: 

Ground Water Level: 2920' MSL

Water well within one-quarter mile: Yes

Public water supply well within one mile: Yes

Depth to bottom of fresh water: 

Depth to bottom of usable water: 

Surface Pipe by Alternate:

Length of Surface Pipe Planned to be Set: 1720'

Length of Conductor Pipe required: None

Projected Total Depth: 5120'

Formation at Total Depth: St. Louis

Water Source for Drilling Operations: Other

DWR Permit #: 

Will Core be taken? Yes

If Yes, proposed zone: 

KCC DRILL #:

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 cementing to the top; in all cases, surise 120 days during construction.
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 933,891-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 correct, and that the same is made with belief that they are true.

Day: February 8, 2005
Signature of Operator or Agent:

Mail to: KCC - Conservation Division, 130 S. Market - Room 207B, Wichita, Kansas 67202

Form G-1
December 2000
Form must be Taped
All blanks must be filled

Mail to: KCC - Conservation Division, 130 S. Market - Room 207B, 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: Spera Western, LLC
Lease: Miles
Well Number: 1-1128
Field: Wifclot

Location of Well: County: Kearny
Location from: feet from
2000 N / E
1680 S / E
Sec. 28
Twp. 23
S. R. 37

Line of Section

Is Section: Regular or Irregular

Number of Acres attributable to well: 80
QTR / QTR / QTR of acreage: NE . 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 surounds, 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. 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).
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 ticket(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.