NOTICE OF INTENT TO DRILL

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

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

Expected Spud Date: August 24, 2005

OPERATOR: Licensee
Name: Pioneer Exploration, LTD
Address: 19503 Kuykendahl Suite 200
City/StaZip: Houston, Texas, 77090
Contact Person: John Houghton
Phone: 713-893-9400 ext. 253

CONTRACTOR: Licensee
Name: Ace Drilling
Address: Ace drilling, Inc.
Phone:

Well: 32725

Type Equipment:
Well Class: Oil
Drill: Rig Rotary
Wellbore: Medium Hole
Disposal: Storage
Type: Oil
Depth: 1590 ft

Well Info: as of 8-19-2005

Yes: No

of Holes

Other:

IF DWRS: and well information as follows:
Operator:
Name:
Original Completion Date:
Original Total Depth:

DENIED or Horizontal well:

Yes: No

Bottom Hole Location:

KCC Dkt. #

CONSERVATION DIVISION
Affidavit

The undersigned hereby attests that the drilling operation and eventual plugging of this well will comply with K.S.A. 55-5, 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 rigging;
3. The minimum amount of surface pipe as specified below shall be set by clogging cement to the top of all casing surface pipe shall be set through all uncedmented materials plus a minimum of 20 feet into the underlying formation;
4. If the well is dry hole, an agreement between the sponsor 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;
6. As an ALTERATE II COMPLETION, production pipe shall be connected from below allowable surface within 120 days of spud date.

or pursuant to Appendix "B", Eastern Kansas surface casing not to exceed 113,891 C, which applies to the KCC District 3 area, alternate II cements shall be completed within 30 days of the spud date or the well shall be plugged in all cases, NPPSY district office prior to any cementing.

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

Date: August 18, 2005

Signature of Operator or Agent:

Remember to:

1. File Oil & Gas Permit Application (Form COP-1) with Intent to Drill.
2. Submit Completion Form ACO-1 within 120 days of spudding date.
3. File appropriate notice of intent to drill according to field jurisdiction orders.
4. Notify appropriate district office 48 hours prior to equipping or re-entry.
5. Submit plugging report (CP-4) after plugging is completed.
6. 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 applicant below.

Will Not Drilled - Permit Expired

Mail to: KCC - Conservation Division, 130 S. Market - Room 208, 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 compare 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 oil wells and within 1/2 mile of the boundaries of the proposed acreage attribution unit for gas wells.

API No. 15: ________
Operator: Pioneer Exploration, LTD.
Lease: Kernohan
Well Number: 8-7
Field: Spivey-Grabs-Basil
Number of Acres attributable to well: SW SW NE
QTR / QTR / QTR of acreage: ________

Location of Well: County: Harper
2310 feet from
1980 feet from
Sec: ________
Twp: ________
S. R. ________
W. Line of Section
E. Line of Section

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 acreage attributable to a well for prorated or spaced wells.)
(Show footage to the nearest lease or well 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 well boundary line.
4. If proposed location is located within a prorated or spaced field a certificate of acreage attribution plat must be attached (CG-7 for oil wells; CG-8 for gas wells).
August 25, 2005

Mr. John Houghton
Pioneer Exploration, Ltd.
15603 Kuykendahl Ste 200
Houston, TX 77090

Re: Drilling Pit Application
Kernohan Lease Well No. 8-7
NE/4 Sec. 07-31S-06W
Harper County, Kansas

Dear Mr. Houghton:

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 all pits must be lined with bentonite. 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 within 72 hours 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 (316) 630-4000 when the fluids have been removed. Please file form CDP-5, Exploration and Production Waste Transfer, within 30 days of fluid removal. Conservation division forms are available through our office and on the KCC web site www.kcc.state.ks.us/conservation/forms.

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 under-signed at the above address.

Sincerely,

Kathy Reynolds
Environmental Protection and Remediation Department

cc: Doug Louis