

For KCC	Use:			
Effective	Date:			
District #				
0040		□		

Kansas Corporation Commission Oil & Gas Conservation Division

Form C-1 October 2007 Form must be Typed

Spot Description: Spot	must be approved by NOO live	(5) days prior to commencing well
Sec. Twp. S. R. E Work S. Line of Section Name: Sec. Twp. S. Line of Section Name: Section	Expected Spud Date:	Spot Description:
SECTION: Geat from Feet	montn day year	Sec Twp S. R
Name:	OPERATOR: License#	feet from N / S Line of Section
Address 1:		feet from E / W Line of Section
Address 2:		
CONTRACTOR: License# Well Drilled For: Well Class: Type Equipment: Well Drilled For: Well Class: Type Equipment: Well Drilled For: Well Class: Type Equipment: Gas Storage Pool Ext. Air Rotary Disposal Widdat Cable Seismic: # of Holes Other Offinal Completion Date: Original Total Depth: Original Completion Date: Original Total Depth: Formation at Total Depth: Well Claston: Well Claston: Well Claston: Well Fire Proposed Zone: Directional, Deviated or Horizontal wellbore? Yes No If Yes, true vertical depth: Well Air Botary Well 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 appropriate district office prior to spudding of well; 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 "Breater and remaining in the menting in the plug to the KCC District 3 area, alternate II becementing		
Contract Person: Phone:	City: State: Zin: +	,
Phone:		•
Field Name:		Lease Name: Well #:
Name:		
Well Drilled For: Well Class: Type Equipment: Nearest Lease or unit boundary line (in footage): feet MSL	CONTRACTOR: License#	Is this a Prorated / Spaced Field?
Ground Surface Elevation: feet MSL	Name:	Target Formation(s):
Gas Storage Pool Ext. Air Rotary Water well within one-quarter mile: Yes No Depth to bottom of fresh water: Gas Storage Pool Ext. Air Rotary Public water supply well within one mile: Yes No Depth to bottom of fresh water:	Well Drilled For: Well Class: Type Equipment:	Nearest Lease or unit boundary line (in footage):
Gas Storage Pool Ext. Air Rotary Water well within one-quarter mile: Yes No Disposal Wildcat Cable Wildcat Cable Public water supply well within one mile: Yes No No Seismic; # of Holes Other Other: Depth to bottom of fresh water: Depth to bottom of usable water: Surface Pipe by Alternate: I II Length of Surface Pipe Planned to be set: Depth to bottom of usable water: Surface Pipe Planned to be set: Depth to Bottom of Surface Pipe Planned to be set: Depth to Bottom of Surface Pipe Planned to be set: Depth to Surface Pipe Pipe Planned to be set: Depth to Surface Pipe Pipe Planned to be set: Depth to Surface Pipe Pipe Planned to be set: Depth to Surface Pipe Pipe Planned to be set: Depth to Surface Pipe Pipe Planned to be set: Depth to Surface Pipe Pipe Planned to be set: Depth to Surface Pipe Pipe Planned to be set: Depth to Surface Pipe Pipe Planned to be set: Depth to Surface Pipe Pipe Planned to be set: Depth to Surface Pipe Pipe Planned to be set: Depth to Surface Pipe Pipe Planned to be set: Depth to Surface Pipe Pipe Planned to Be set: Depth to Surface Pipe Pipe Planned to Be set: Depth to Surface Pipe Pipe Planned to Be set: Depth to Surface Pipe Pipe Planned to Be set: Depth to Surface Pipe Pipe Planned to Be set: Depth to Surface Pipe Pipe Planned to Be set: Depth to Surface Pipe Pipe Planned to Be set: Depth to Surface Pipe Pipe Planned to Be set: Depth to Surface Pipe Pipe Planned to Be set: Depth to Surface Pipe Pipe Planned to Be set: Depth to Surface Pipe Pipe Planned to Be set: Depth to Surface Pipe Pipe Planned to Be set: Depth to Surface Pipe Pipe Planned to Be set: Depth to Surface Pipe Pipe Planned to Be set: Depth to Surface Pipe Planned to Be set: Depth to Surface Pipe Planned to Be set: Depth to Surface Pipe Planned to Pipe Planned to Pipe Planned to		Ground Surface Elevation:feet MSL
Disposal Wildcat Cable Public water supply well within one mile: Yes No Depth to bottom of fresh water: Depth to bottom of fresh water: Depth to bottom of usable water: Depth to bottom of usable water: Surface Pipe by Alternate: I II Length of Surface Pipe Planned to be set: Length of Surface Pipe Planned to be set: Length of Surface Pipe Planned to be set: Length of Conductor Pipe (if any): Projected Total Depth: Formation at Total Depth: Formation at Total Depth: Water Source for Drilling Operations: Water Source for Drilling Operations: Well Farm Pond Other: DWR Permit #: (Note: Apply for Permit with DWR) Will Cores be taken? If Yes, proposed zone: Water Source for Drilling Operations If Yes, proposed zone: It is agreed that the following minimum requirements will be met: 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. 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 #133.891-C, which applies to the KCC District 3 area, alternate II cementing		Water well within one-quarter mile:
Depth to bottom of fresh water: Depth to bottom of fresh water: Depth to bottom of usable water: Depth to bottom of usable water: Depth to bottom of usable water: Surface Pipe by Alternate: I II Length of Surface Pipe by Alternate: I II Length of Surface Pipe Planned to be set: Length of Conductor Pipe (if any): Projected Total Depth: Projected Total Depth: Projected Total Depth: Projected Total Depth: Water Source for Drilling Operations: Water Source for Drilling Operations: Well Farm Pond Other: DWR Permit #: (Note: Apply for Permit with DWR) Will Cores be taken? Yes No If Yes, proposed zone: Will Cores be taken? Yes No If Yes, proposed zone: If yes No If Yes, proposed zone: If yes No If Yes I		Public water supply well within one mile:
Other: Depth to bottom of usable water: Surface Pipe by Alternate: I II II Length of Surface Pipe by Alternate: I II II		Depth to bottom of fresh water:
Surface Pipe by Alternate:		Depth to bottom of usable water:
Length of Surface Pipe Planned to be set: Operator: Well Name: Original Completion Date: Original Total Depth: Directional, Deviated or Horizontal wellbore? Well Name: Bottom Hole Location: KCC DKT #: Will Cores be taken? 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 cented from below any usable water to surface within 120 DAYS of spud date. Or pursuant to Appendix "B" - Eastern Kansas surface casing order #133,891-C, which applies to the KCC District 3 area, alternate II cementing	Outer.	
Operator:	If OWWO: old well information as follows:	
Well Name: Original Completion Date: Original Total Depth: Formation at Total Depth: Water Source for Drilling Operations: Well Farm Pond Other:		·
Original Completion Date: Original Total Depth: Formation at Total Depth: Water Source for Drilling Operations:	•	,
Directional, Deviated or Horizontal wellbore?		
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Bottom Hole Location:		
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		Freedorm and all the state of the prior to drift containing.
	Submitted Electronically	

	Remember to:
For KCC Use ONLY	- File Drill Pit Application (form CDP-1) with Intent to Drill;
API # 15	- File Completion Form ACO-1 within 120 days of spud date;
Conductor pipe requiredfeet	 File acreage attribution plat according to field proration orders; Notify appropriate district office 48 hours prior to workover or re-entry;
Minimum surface pipe requiredfeet per ALT. I II	- Submit plugging report (CP-4) after plugging is completed (within 60 days);
Approved by:	- Obtain written approval before disposing or injecting salt water.
This authorization expires:	- If this permit has expired (See: authorized expiration date) please check the box below and return to the address below. Well Not Prilled Powert Expired Potes:
Spud date: Agent:	Well Not Drilled - Permit Expired Date: Signature of Operator or Agent:



IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

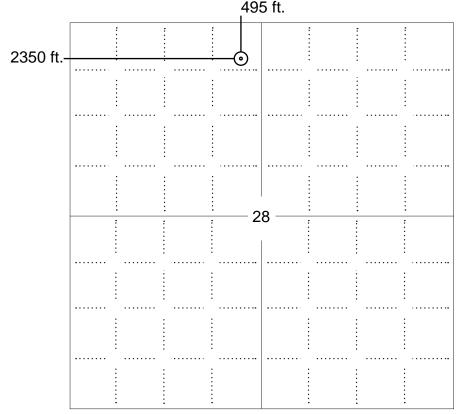
Plat of acreage attributable to a well in a prorated or spaced field

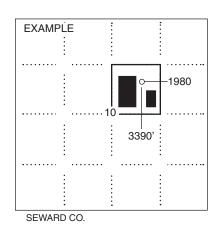
If the intended well is in a prorated or spaced field, please fully complete this side of the form. If the intended well is in a prorated or spaced field complete the plat below showing that the well will be properly located in relationship to other wells producing from the common source of supply. Please 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:	Location of Well: County:
Lease:	feet from N / S Line of Section
Well Number:	feet from E / W Line of Section
Field:	Sec Twp S. R 🗌 E 🗍 W
Number of Acres attributable to well:	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 locaton.

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,
- 2. The distance of the proposed drilling location from the south / north and east / west outside section lines.
- 3. The distance to the nearest lease or unit boundary line (in footage).
- 4. If proposed location is located within a prorated or spaced field a certificate of acreage attribution plat must be attached: (C0-7 for oil wells; CG-8 for gas wells).



KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

1031467

Form CDP-1 April 2004 Form must be Typed

APPLICATION FOR SURFACE PIT

Submit in Duplicate

Operator Name:			License Number:			
Operator Address:						
Contact Person:		Phone Number:				
Lease Name & Well No.:			Pit Location (QQQQ):			
Type of Pit:	Pit is:					
Emergency Pit Burn Pit	Proposed	Existing	SecTwp	_R East West		
Settling Pit Drilling Pit	If Existing, date co	onstructed:	Feet fror	m North / South Line of Section		
Workover Pit Haul-Off Pit	Pit capacity:		Feet fror	m East / West Line of Section		
(If WP Supply API No. or Year Drilled)		(bbls)		County		
Is the pit located in a Sensitive Ground Water	Area? Yes] No	Chloride concentration:	mg/l		
			(For Emerge	ency Pits and Settling Pits only)		
Is the bottom below ground level? Yes No	Artificial Liner?	No	How is the pit lined if a	plastic liner is not used?		
Pit dimensions (all but working pits):	Length (fe	eet)	Width (feet)	N/A: Steel Pits		
Depth fro	om ground level to de	eepest point:	(feet)	No Pit		
material, thickness and installation procedure		esegy,	ncluding any special monit	.co.m.g.		
Distance to nearest water well within one-mile	of pit	Depth to shallor Source of infor	west fresh water mation:	feet.		
feet Depth of water well	feet	measu	redwell owner _	electric logKDWR		
Emergency, Settling and Burn Pits ONLY:		Drilling, Work	over and Haul-Off Pits (ONLY:		
Producing Formation:		Type of materia	al utilized in drilling/workov	/er:		
Number of producing wells on lease:		Number of worl	king pits to be utilized:			
Barrels of fluid produced daily:	Abandonment	procedure:				
Does the slope from the tank battery allow all flow into the pit? Yes No	Drill pits must b	pe closed within 365 days	of spud date.			
Submitted Electronically						
	ксс	OFFICE USE OF	NLY Steel Pit	RFAC RFAS		
Date Received: Permit Numl	ber:	Permi	t Date:	Lease Inspection: Yes No		



BOX 8604 - PRATT, KS 67124 (620) 672-6491

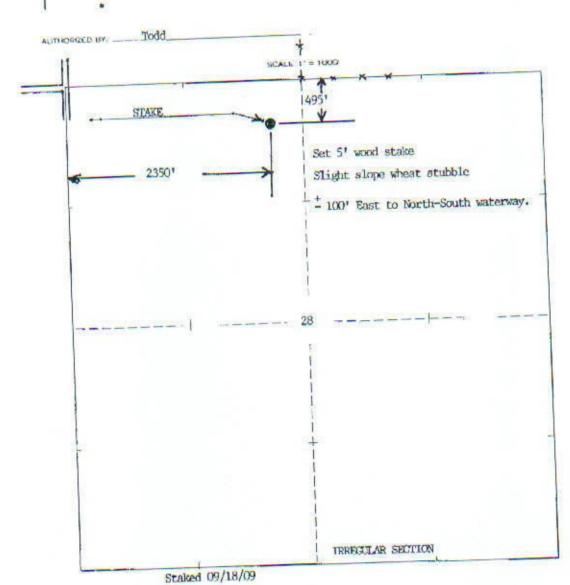
INVOICE NO.

VAI, ENERCY INC
OPERATOR

Barber 28 34s 11w 75' West of S/2 NE_NE_NN
COUNTY S T R

ELEVATION: __1355.'_ gr

VAL ENERGY INC
200 W Douglas Ste 520
Wichita KS 67202-3005



Kathleen Paxton and Kenneth Paxton Co-Trustees of the Kathleen Paxton Revocable Trust dated November 17, 1999; as amended 6402 E. 11th Wichita, Kansas 67206

Christine Kubik and J. F. Kubik 8315 E. Tamarac St. Wichita, Kansas 67206-2337

Re: Oil and Gas Leases

SW/4 Section 21 & N/2 Section 28-T34S-R11W

Barber County, Kansas

Dear Lessors:

This letter will serve as a written memorandum of our agreement with respect to the following matters concerning the Oil and Gas Leases now owned by VAL Energy, Inc. ("VAL") listed below:

- Oil and Gas Lease dated December 31, 2005 from Kathleen Paxton, aka Kathleen W. Paxton, and Kenneth Paxton, aka Kenneth E. Paxton, Co-Trustees of the Kathleen Paxton Revocable Trust UAD November 17, 1999; and Christine Kubik, aka Christine W. Kubik, and J. F. Kubik, her husband, as lessor, to Lotus Operating Co., LLC, as lessee, covering the Southwest Quarter (SW/4) of Section 21, Township 34 South, Range 11 West, Barber County, Kansas, recorded in the office of the Register of Deeds, Barber County, Kansas in O&G Book 309 at Page 349;
- Oil and Gas Lease dated December 31, 2005 from Kathleen Paxton, aka Kathleen W. Paxton, and Kenneth Paxton, aka Kenneth E. Paxton, Co-Trustees of the Kathleen Paxton Revocable Trust UAD November 17, 1999; and Christine Kubik, aka Christine W. Kubik, and J. F. Kubik, her husband, as lessor, to Lotus Operating Co., LLC, as lessee, covering the Northwest Quarter (NW/4) of Section 28, Township 34 South, Range 11 West, Barber County, Kansas, recorded in the office of the Register of Deeds, Barber County, Kansas in O&G Book 309 at Page 346; and
- 3. Oil and Gas Lease dated December 31, 2005 from Kathleen Paxton, aka Kathleen W. Paxton,

and Kenneth Paxton, aka Kenneth E. Paxton, Co-Trustees of the Kathleen Paxton Revocable Trust UAD November 17, 1999; and Christine Kubik, aka Christine W. Kubik, and J. F. Kubik, her husband, as lessor, to Lotus Operating Co., LLC, as lessee, covering the Northeast Quarter (NE/4) of Section 28, Township 34 South, Range 11 West, Barber County, Kansas, except two tracts more fully described therein, recorded in the office of the Register of Deeds, Barber County, Kansas in O&G Book 309 at Page 352.

First, the parties acknowledge that VAL has heretofore drilled three (3) wells capable of producing commercial quantities of gas in the Southwest Quarter (SW/4) of Section 21, Township 34 South, Range 11 West, Barber County, Kansas, which wells are sufficient to extend the terms of the above-described Oil and Gas Leases pursuant to the recorded Declaration of Unitization consolidating the same. VAL shall further explore said leases by drilling up to thirteen (13) additional wells at locations of its choice thereon, and testing all prospective oil and gas formations encountered in each well, by December 31, 2010. It is agreed that, upon the completion of said additional wells, VAL shall have fully complied with all obligations to develop and explore the above-described Oil and Gas Leases implied by the terms thereof. Should the production of gas from existing wells cease at any time and for any reason prior to December 31, 2010, you agree to execute, without additional consideration, extensions of the Oil and Gas Leases as necessary to permit their further exploration and development.

Second, if any well drilled by VAL pursuant to the preceding paragraph is incapable of producing oil or gas in commercial quantities, VAL shall be permitted to convert said well to salt water injection and operate the same under terms consistent with those previously agreed to for the abandoned NCRA Wiley No. 1 well located in the Northwest Quarter of the Northwest Quarter of the Northwest Quarter (NW/4 NW/4 NW/4) of Section 28, Township 34 South, Range 11 West, Barber County, Kansas under the Saltwater Disposal Facility Agreement dated June 16, 2008.

Third, VAL shall be permitted to construct and maintain hard-surfaced roads on the lease premises using oil and gas production by-products, following such routes and directions as you and/or your surface tenant in possession may agree.

Fourth, all damages payable pursuant to the terms of the above-described Oil and Gas Leases arising out of its operations hereunder shall be remitted by VAL to you, and you agree to bear full responsibility for settlement of damages claimed by your tenant in possession.

This letter supplements and amends our prior letter agreement dated June 12, 2008, sets forth our entire agreement with respect to the subject matter hereof, and supercedes and replaces any and all prior oral or written representations or agreements with respect to the same. The terms of the agreement stated in this letter shall be binding upon, and inure to the benefit of, the parties hereto, and their respective heirs, successors, administrators, agents, representatives and assigns, and shall be considered to run with the lands and Oil and Gas Leases subject hereto.

If the foregoing accurately states the terms of our agreement, please so indicate by executing a copy of this letter in the spaces provided below and returning it to us. Thank you for your consideration.

Sincerely,

VAL ENERGY, INC.

K. Todd Allam, President

The foregoing is accepted and approved as our agreement this \(\frac{1}{5} \) day of \(\frac{1}{5} \) day of \(\frac{1}{5} \) and \(\frac{1}{5} \) day of \(\frac{1}{5} \) and \(\frac{1}{5} \) and \(\frac{1}{5} \) day of \(\frac{1}{5} \) and \(\frac{1}{5} \) day of \(\frac{1}{5} \) and \(\frac{1}{5} \) day of \(\frac{1}{5} \) day of

The Kathleen Paxton Revocable Trust dated November 17, 1999, as amended

Kathleen Paxton, aka Kathleen W. Paxton,

Co-Trustee

Kenneth Paxton, aka Kenneth E. Paxton,

Co-Trustee

Christine Kubik, aka Christine W. Kubik

J. F. Kubik



Mark Parkinson, Governor Thomas E. Wright, Chairman Michael C. Moffet, Commissioner Joseph F. Harkins, Commissioner

September 30, 2009

K. TODD ALLAM Val Energy, Inc. 200 W DOUGLAS AVE STE 520 WICHITA, KS67202-3005

Re: Drilling Pit Application PAXTON KUBIK 7-28 NW/4 Sec.28-34S-11W Barber County, Kansas

Dear K. TODD ALLAM:

District staff has inspected the above referenced location and has determined that the reserve pit shall be constructed <u>without slots</u>, 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 within 96 hours after drilling operations have ceased. KEEP PITS away from draw/drainage.KEEP PITS on West side of stake.

If production casing is set all completion fluids shall be removed from the working pits daily. NO completion fluids or non-exempt wastes shall be placed in the reserve pit.

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. Please file form CDP-5 (August 2008), Exploration and Production Waste Transfer, through SOLAR 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 District Office at (620) 225-8888.