

MAY 15 2006

Form C-1

December 2002

Form must be Typed

Form must be Signed

All blanks must be Filled

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

NOTICE OF INTENT TO DRILL

CONSERVATION DIVISION
WICHITA, KS

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

For KCC Use:
Effective Date: 5-22-06
District #: 1
SGA? Yes No

Expected Spud Date 6 / 1 / 06
month day year

OPERATOR: License# 5822
Name: VAL Energy Inc.
Address: 200 W. Douglas #520
City/State/Zip: Wichita, Ks. 67202
Contact Person: K. Todd Allam
Phone: 316-263-6688

CONTRACTOR: License# 5822
Name: _____

Well Drilled For: Oil Gas OWWO Seismic; # of Holes _____ Other _____
Well Class: Enh Rec Storage Disposal Other _____
Type Equipment: Mud Rotary Air Rotary Cable Pool Ext. Infield Wildcat Other _____

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

Directional, Deviated or Horizontal wellbore? Yes No

If Yes, true vertical depth: _____
Bottom Hole Location: _____
KCC DKT #: _____

Spot _____ East
NWSE SW NE Sec. 31 Twp. 33S S. R. 10W West
3135 feet from N / S Line of Section
1815 feet from E / W Line of Section

Is SECTION Regular Irregular?
(Note: Locate well on the Section Plat on reverse side)

County: Barber
Lease Name: VANNDY Well #: 1-31
Field Name: Kochia

Is this a Prorated / Spaced Field? Yes No
Target Formation(s): Mississippian

Nearest Lease or unit boundary: 495'
Ground Surface Elevation: _____ feet MSL

Water well within one-quarter mile: Yes No
Public water supply well within one mile: Yes No

Depth to bottom of fresh water: 150
Depth to bottom of usable water: 180

Surface Pipe by Alternate: 1 2
Length of Surface Pipe Planned to be set: 275

Length of Conductor Pipe required: none
Projected Total Depth: 4700

Formation at Total Depth: Mississippian
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: _____

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 #133,891-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: 5/8/06 Signature of Operator or Agent: K Todd Allam Title: President

For KCC Use ONLY
API # 15 - 007-23025-0000
Conductor pipe required None feet
Minimum surface pipe required 200 feet per Alt. 1
Approved by: RH 5-17-06
This authorization expires: 11-17-06
(This authorization void if drilling not started within 6 months of approval date.)
Spud date: _____ Agent: _____

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.

Well Not Drilled - Permit Expired
Signature of Operator or Agent: _____
Date: _____

Mail to: KCC - Conservation Division, 130 S. Market - Room 2078, Wichita, Kansas 67202

31
33
10W

MAY 15 2006

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

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

CONSERVATION DIVISION
WICHITA, KS

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 - 007-23025-0000
Operator: VAL Energy Inc.
Lease: VANNDY
Well Number: 1-31
Field: Kochia

Location of Well: County: Barber
3135 feet from N / S Line of Section
1815 feet from E / W Line of Section
Sec. 31 Twp. 33S S. R. 10W East West

Number of Acres attributable to well: _____
QTR / QTR / QTR of acreage: NWSE - SW - NE

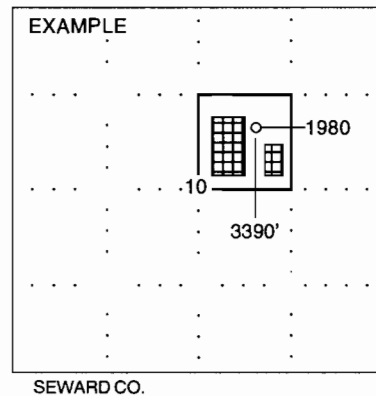
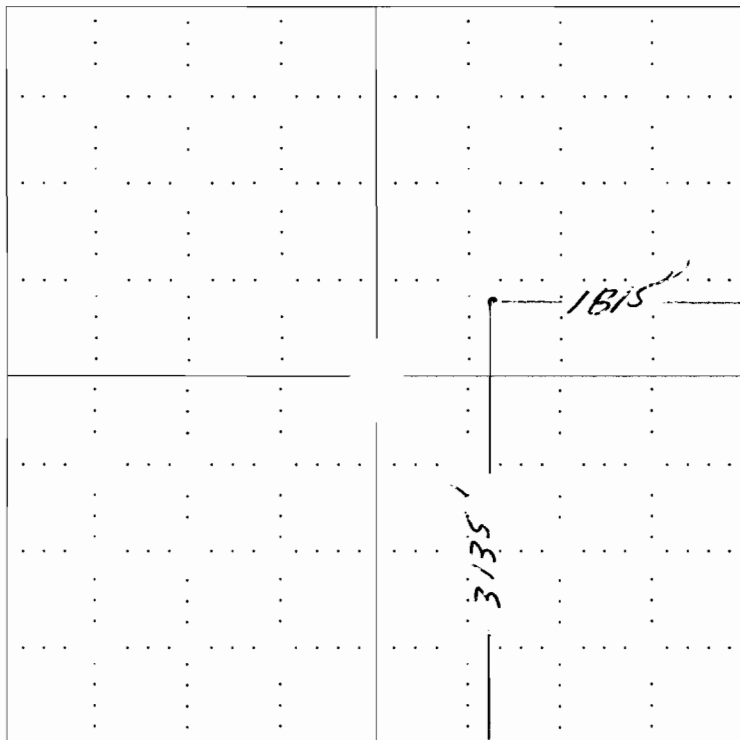
Is Section: Regular or Irregular

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, 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: (C0-7 for oil wells; CG-8 for gas wells).

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

RECEIVED
KANSAS CORPORATION COMMISSION Form CDP-1
April 2004
MAY 15 2006 Form must be Typed

APPLICATION FOR SURFACE PIT

CONSERVATION DIVISION
WICHITA, KS

Submit in Duplicate

Operator Name: VAL Energy Inc.		License Number: 5822
Operator Address: 200 W. Douglas #520 Wichita, Ks. 67202		
Contact Person: K. Todd Allam		Phone Number: (316) 263 - 6688
Lease Name & Well No.: VANNDY 1-31		Pit Location (QQQQ): NW SE SW NW
Type of Pit: <input type="checkbox"/> Emergency Pit <input type="checkbox"/> Burn Pit <input type="checkbox"/> Settling Pit <input checked="" type="checkbox"/> Drilling Pit <input type="checkbox"/> Workover Pit <input type="checkbox"/> Haul-Off Pit <small>(If WP Supply API No. or Year Drilled)</small>	Pit is: <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: 4000 (bbls)	Sec. 31 .wp. 33S R. 10W <input type="checkbox"/> East <input checked="" type="checkbox"/> West 3135 Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section 1815 Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section Barber _____ County
Is the pit located in a Sensitive Ground Water Area? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Chloride concentration: _____ mg/l <small>(For Emergency Pits and Settling Pits only)</small>
Is the bottom below ground level? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Artificial Liner? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	How is the pit lined if a plastic liner is not used? Clay Bottom
Pit dimensions (all but working pits): 120 Length (feet) 120 Width (feet) 1 N/A: Steel Pits Depth from ground level to deepest point: 5 (feet)		
If the pit is lined give a brief description of the liner material, thickness and installation procedure.		Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring.
Distance to nearest water well within one-mile of pit N/A feet Depth of water well _____ feet		Depth to shallowest fresh water _____ feet. Source of information: _____ measured _____ well owner _____ electric log _____ KDWR
Emergency, Settling and Burn Pits ONLY: Producing Formation: _____ Number of producing wells on lease: _____ Barrels of fluid produced daily: _____ Does the slope from the tank battery allow all spilled fluids to flow into the pit? <input type="checkbox"/> Yes <input type="checkbox"/> No		Drilling, Workover and Haul-Off Pits ONLY: Type of material utilized in drilling/workover: Chemical mud Number of working pits to be utilized: steel Abandonment procedure: let dry and cover _____ Drill pits must be closed within 365 days of spud date.
I hereby certify that the above statements are true and correct to the best of my knowledge and belief.		
5/8/06 Date		K. Todd Allam Signature of Applicant or Agent

15-007-03025-0822

KCC OFFICE USE ONLY		RFAS4C
Date Received: 5/5/06	Permit Number: _____	Permit Date: 5/16/06 Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Mail to: KCC - Conservation Division, 130 S. Market - Room 2078, Wichita, Kansas 67202

KANSAS

CORPORATION COMMISSION

KATHLEEN SEBELIUS, GOVERNOR

BRIAN J. MOLINE, CHAIR

ROBERT E. KREHBIEL, COMMISSIONER

MICHAEL C. MOFFET, COMMISSIONER

May 16, 2006

Mr. K. Todd Allam
Val Energy, Inc.
200 W. Douglas #520
Wichita, KS 67202

Re: Drilling Pit Application
Vandy Lease Well No. 1-31
NE/4 Sec. 31-33S-10W
Barber County, Kansas

Dear Mr. Allam:

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.

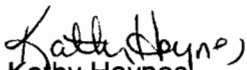
If production casing is set all completion fluids shall be removed from the working pits daily. NO completion fluids or non-exempt wastes shall be placed in the reserve pit.

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 2004), 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 undersigned at the above address.

Sincerely,


Kathy Haynes

Department of Environmental Protection and Remediation

cc: File