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MAY 22 2006

For KCC Use: Effective Date: 5-28-06 District # 1 SGA? Yes No

KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION NOTICE OF INTENT TO DRILL

KCC WICHITA

Form C-1 December 2002 Form must be Typed Form must be Signed All blanks must be Filled

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

Expected Spud Date JULY 1 2006 month day year

OPERATOR: License# 6039 Name: L. D. DRILLING, INC. Address: 7 SW 26 AVE City/State/Zip: GREAT BEND, KS 67530 Contact Person: L. D. DAVIS Phone: 620-793-3051

CONTRACTOR: License# 5822 Name: Val Energy Inc.

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

If OWWO: old well information as follows: Operator, Well Name, Original Completion Date, Original Total Depth, Directional, Deviated or Horizontal wellbore, Bottom Hole Location, KCC DKT #.

Spot SE SE NW Sec. 16 Twp. 33 S. R. 27 2310 feet from N S Line of Section 2310 feet from E W Line of Section Is SECTION Regular Irregular?

County: MEADE Lease Name: LOEWEN Well #: 1-16 Field Name:

Is this a Prorated / Spaced Field? Target Formation(s): CHESTOR Nearest Lease or unit boundary: 330'

Ground Surface Elevation: APX 2440 feet MSL Water well within one-quarter mile: Public water supply well within one mile:

Depth to bottom of fresh water: 550' Depth to bottom of usable water: 550'

Surface Pipe by Alternate: 1 2 Length of Surface Pipe Planned to be set: 1450'

Length of Conductor Pipe required: NONE Projected Total Depth: 5870' Formation at Total Depth: CHESTOR

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:

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;
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.

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

Date: 5/19/06 Signature of Operator or Agent: [Signature] Title: SEC/TREAS

For KCC Use ONLY API # 15 - 119-21171-0000 Conductor pipe required None feet Minimum surface pipe required 580 feet per Alt. 1 Approved by: [Signature] This authorization expires: 1/23/06 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. Well Not Drilled - Permit Expired Signature of Operator or Agent: Date:

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

16 33 27W

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 - 119-21171-0000

Operator: L. D. DRILLING, INC.

Lease: LOEWEN

Well Number: 1-16

Field:

Number of Acres attributable to well: 10

QTR / QTR / QTR of acreage: SE - SE - NW

Location of Well: County: MEADE

2310 feet from [X] N / [] S Line of Section

2310 feet from [] E / [X] W Line of Section

Sec. 16 Twp. 33 S. R. 27 [] East [X] West

Is Section: [X] Regular or [] Irregular

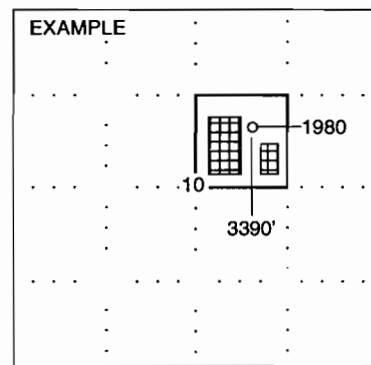
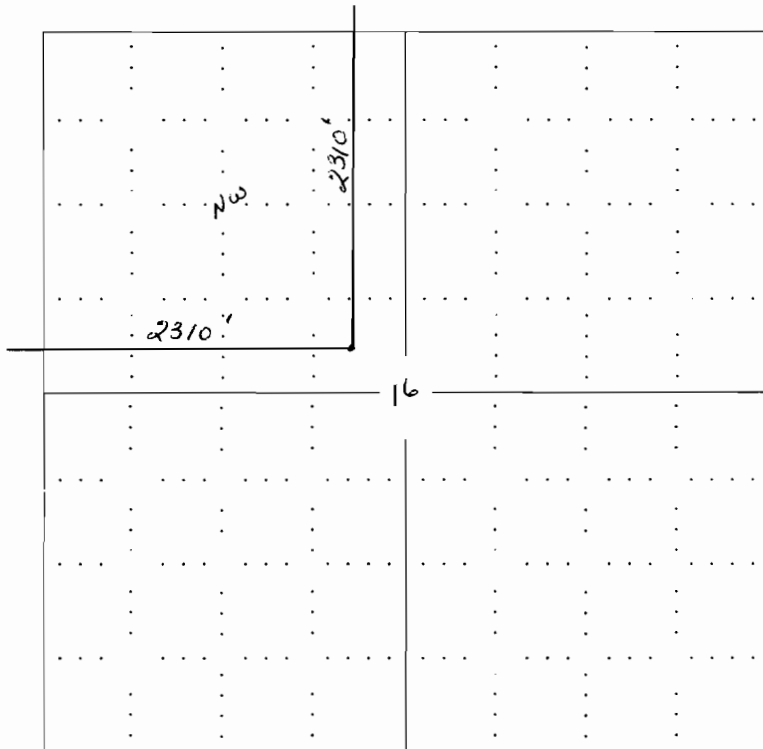
If Section Is Irregular, locate well from nearest corner boundary.

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 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 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; CG-8 for gas wells).

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION
APPLICATION FOR SURFACE PIT

RECEIVED
MAY 22 2006
KCC WICHITA

Form CDP-1
April 2004
Form must be Typed

Submit in Duplicate

Operator Name: L. D. DRILLING, INC.		License Number: 6039
Operator Address: 7 SW 26 AVE, GREAT BEND, KS 67530		
Contact Person: L.D. DAVIS		Phone Number: (620) 793 3051
Lease Name & Well No.: LOEWEN # 1-16		Pit Location (QQQQ): SE SE 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: 3490 (bbls)	Sec. 16 Twp. 33 R. 27 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 2310 Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section 2310 Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section MEADE 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 type="checkbox"/> No	How is the pit lined if a plastic liner is not used? BENTONITE SOLIDS FROM DRLG OPER
Pit dimensions (all but working pits): 70 Length (feet) 70 Width (feet) N/A: Steel Pits Depth from ground level to deepest point: 4 (feet)		
If the pit is lined give a brief description of the liner material, thickness and installation procedure. IF REQUIRED 10 MIL PLASTIC LINER EDGE COVERED WITH DIRT		Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring. VISUAL CHECK
Distance to nearest water well within one-mile of pit 2380 feet Depth of water well 180 feet		Depth to shallowest fresh water 146 feet. 1 Source of information: JR-HGS _____ 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: DRILLING FLUID CUTTINGS Number of working pits to be utilized: (3) SUCTION, SHALE, RESERVE Abandonment procedure: PITS ALLOWED TO EVAPORATE UNTIL DRY THEN BACKFILL WHEN CONDITIONS ALLOW 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.		
_____ 5/19/06 Date		_____ <i>Bessie Dewey</i> Signature of Applicant or Agent
KCC OFFICE USE ONLY		
Date Received: 5/22/06 Permit Number: _____ Permit Date: 5/22/06 Lease Inspection: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		

15-119-21171-0000

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