

For KCC Use:
 Effective Date: 5-28-06
 District # 2
 SGA? Yes No

KANSAS CORPORATION COMMISSION
 OIL & GAS CONSERVATION DIVISION

RECEIVED
 KANSAS CORPORATION COMMISSION

Form C-1
 December 2002

MAY 19 2006

Form must be Typed
 Form must be Signed
 All blanks must be Filled

NOTICE OF INTENT TO DRILL

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

CONSERVATION DIVISION
 WICHITA, KS

Expected Spud Date May 15 2006
month day year

Spot C SW NE Sec. 15 Twp. 31S S. R. 7W East West
3300 feet from N / S Line of Section
1980 feet from E / W Line of Section
 Is SECTION Regular Irregular?

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

(Note: Locate well on the Section Plat on reverse side)
 County: Harper
 Lease Name: Mollohon Well #: 1-15
 Field Name: _____

CONTRACTOR: License# 5822 ✓
 Name: VAL Energy Inc.

Is this a Prorated / Spaced Field? Yes No
 Target Formation(s): Simpson
 Nearest Lease or unit boundary: 660

Well Drilled For:	Well Class:	Type Equipment:
<input checked="" type="checkbox"/> Oil	<input type="checkbox"/> Enh Rec	<input checked="" type="checkbox"/> Mud Rotary
<input type="checkbox"/> Gas	<input type="checkbox"/> Storage	<input type="checkbox"/> Air Rotary
<input type="checkbox"/> CWVO	<input type="checkbox"/> Disposal	<input type="checkbox"/> Cable
<input type="checkbox"/> Seismic; # of Holes _____	<input checked="" type="checkbox"/> Wildcat	
<input type="checkbox"/> Other _____	<input type="checkbox"/> Infield	
	<input type="checkbox"/> Pool Ext.	
	<input type="checkbox"/> Other _____	

Ground Surface Elevation: 1572' feet MSL
 Water well within one-quarter mile: Yes No
 Public water supply well within one mile: Yes No

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

Depth to bottom of fresh water: 180
 Depth to bottom of usable water: 180
 Surface Pipe by Alternate: 1 2
 Length of Surface Pipe Planned to be set: 250
 Length of Conductor Pipe required: none
 Projected Total Depth: 4750
 Formation at Total Depth: Simpson

Directional, Deviated or Horizontal wellbore? Yes No

Water Source for Drilling Operations:
 Well Farm Pond Other _____
 DWR Permit #: _____

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

(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: 5-1-2006 Signature of Operator or Agent: [Signature] Title: President

For KCC Use ONLY

API # 15 - 077-21553-0000

Conductor pipe required None feet

Minimum surface pipe required 200 feet per Alt. 1

Approved by: [Signature] 5-23-06

This authorization expires: 11-23-06
(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

15
31
7W

MAY 19 2005

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 - 077-21553-0000

Operator: VAL Energy Inc.

Lease: Mollohon

Well Number: 1-15

Field: _____

Number of Acres attributable to well: _____

QTR / QTR / QTR of acreage: C - SW - NE

Location of Well: County: Harper

3300 feet from N / S Line of Section

1980 feet from E / W Line of Section

Sec. 15 Twp. 31S S. R. 7W East West

Is Section: Regular or Irregular

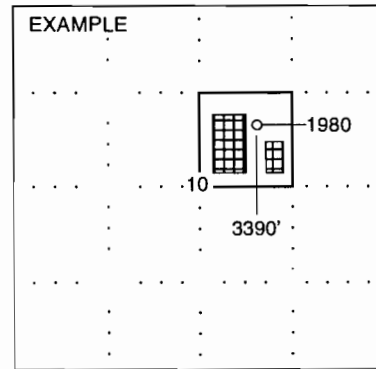
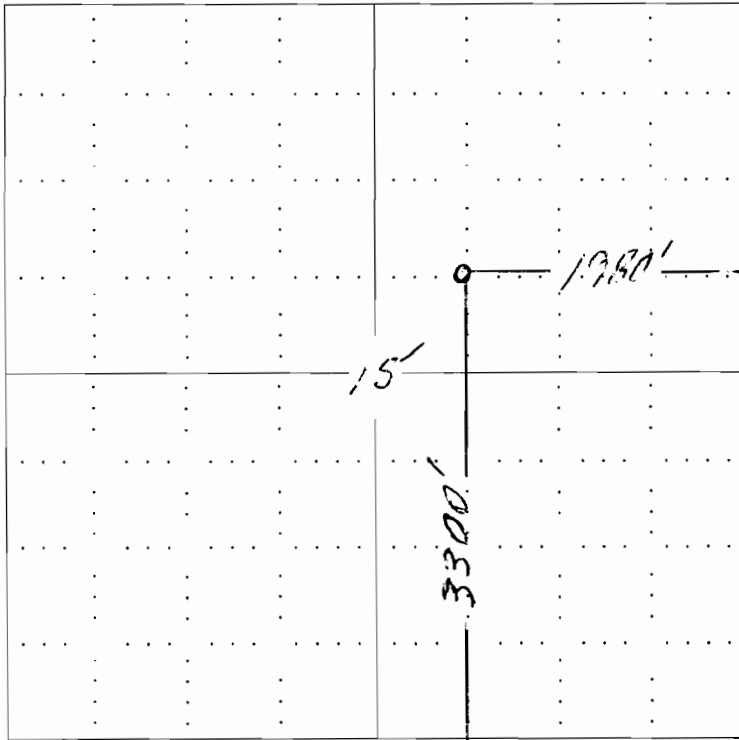
If Section is Irregular, locate well from nearest corner boundary.

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

RECEIVED
KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION
APPLICATION FOR SURFACE PIT
Submit in Duplicate

Form CDP-1
 April 2004
 Form must be Typed

CONSERVATION DIVISION
WICHITA, KS

MAY 19 2006

Operator Name: VAL Energy Inc.		License Number:	
Operator Address: 200 W. Douglas #520 Wichita, Ks. 67202			
Contact Person: K. Todd Allam		Phone Number: (316) 263 - 6688	
Lease Name & Well No.: Mollohon 1-15		Pit Location (QQQQ): C SW NE/4	
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 (If WP Supply API No. or Year Drilled)		Pit is: <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: 3000 (bbls)	
Is the pit located in a Sensitive Ground Water Area? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Chloride concentration: _____ mg/l (For Emergency Pits and Settling Pits only)	
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): 100 Length (feet) 100 Width (feet) 1 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.		Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring.	
Distance to nearest water well within one-mile of pit 3365 feet Depth of water well 60 feet		Depth to shallowest fresh water 35 feet. Source of information: KAKW _____ measured _____ well owner _____ electric log <input checked="" type="checkbox"/> 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: Fresh Mud Number of working pits to be utilized: 1 ea. 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.			
_____ 5-1-2006 Date		_____ Signature of Applicant or Agent	
KCC OFFICE USE ONLY			
Date Received: 5/19/06 Permit Number: _____ Permit Date: 5/23/06 Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			

15-077-21553-0000

KANSAS

CORPORATION COMMISSION

KATHLEEN SEBELIUS, GOVERNOR

BRIAN J. MOLINE, CHAIR

ROBERT E. KREHBIEL, COMMISSIONER

MICHAEL C. MOFFET, COMMISSIONER

May 23, 2006

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

Re: Drilling Pit Application
Mollohon Lease Well No. 1-15
NE/4 Sec. 15-31S-07W
Harper 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 **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 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 (316) 630-4000 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

Environmental Protection and Remediation Department

cc: Doug Louis

Conservation Division, Finney State Office Building, 130 S. Market, Room 2078, Wichita, KS 67202-3802
Voice 316.337.6200 Fax 316.337.6211 www.kcc.state.ks.us