

For KCC Use:
 Effective Date: 10-28-06
 District # 1
 SGA? Yes No

KANSAS CORPORATION COMMISSION
 OIL & GAS CONSERVATION DIVISION

Form C-1

December 2002

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 well

Expected Spud Date 11 22 2006
month day year

OPERATOR: License# 33770 ✓
 Name: ARES Energy, Ltd.
 Address: 303 W. Wall St., Suite 900
 City/State/Zip: Midland, TX 79701
 Contact Person: Henry N. Clanton
 Phone: 432.685.1960

CONTRACTOR: License# 5822 ✓
 Name: Val Energy, Inc.

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

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 _____ NW _____ NE _____ Sec. 3 Twp. 33 S. R. 19 East West

710 feet from N / S Line of Section
2,030 feet from E / W Line of Section

Is SECTION Regular Irregular?

(Note: Locate well on the Section Plat on reverse side)

County: Comanche

Lease Name: Webster Well #: 3-2

Field Name: Colter West

Is this a Prorated / Spaced Field? Yes No

Target Formation(s): Mississippian

Nearest Lease or unit boundary: 660 feet

Ground Surface Elevation: 1,936 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: 200

Depth to bottom of usable water: 200

Surface Pipe by Alternate: 1 2

Length of Surface Pipe Planned to be set: 650 feet ✓

Length of Conductor Pipe required: 60 feet ✓

Projected Total Depth: 5,400 feet ✓

Formation at Total Depth: Mississippian

Water Source for Drilling Operations: Well Farm Pond Other ✓

DWR Permit #: N/A

(Note: Apply for Permit with DWR)

Will Cores be taken? Yes No

If Yes, proposed zone: N/A

AFFIDAVIT

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55-61-301

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: 10/12/2006 Signature of Operator or Agent: Henry N. Clanton Title: Managing Partner

For KCC Use ONLY
 API # 15 - 033-21483-0000
 Conductor pipe required None feet
 Minimum surface pipe required 220 feet per Alt. 1
 Approved by: put 10-23-06
 This authorization expires: 4-23-07
 (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

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 OCT 18 2006
 CONSERVATION DIVISION
 WICHITA, KS

3
33
19W

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 - 033-21483-0000
 Operator: ARES Energy, Ltd.
 Lease: Webster
 Well Number: 3-2
 Field: Colter West

Number of Acres attributable to well: _____
 QTR / QTR / QTR of acreage: _____ NW _____ NE

Location of Well: County: Comanche
 _____ 710 feet from N / S Line of Section
 _____ 2,030 feet from E / W Line of Section
 Sec. 3 Twp. 33 S. R. 19 East West

Is Section: Regular or Irregular

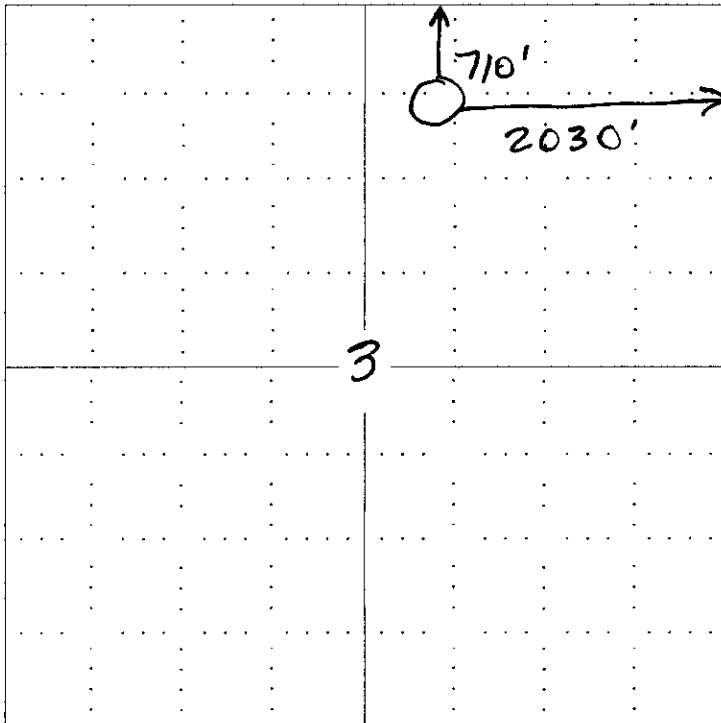
If Section is irregular, locate well from nearest corner boundary.
 Section corner used: NE NW SE SW

PLAT

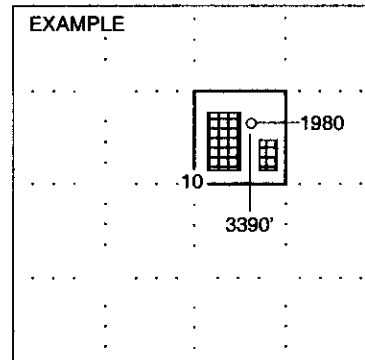
(Show location of the well and shade attributable acreage for prorated or spaced wells.)

(Show footage to the nearest lease or unit boundary line.)

T 33S Comanche Co.



660' from nearest lease line.



SEWARD CO.

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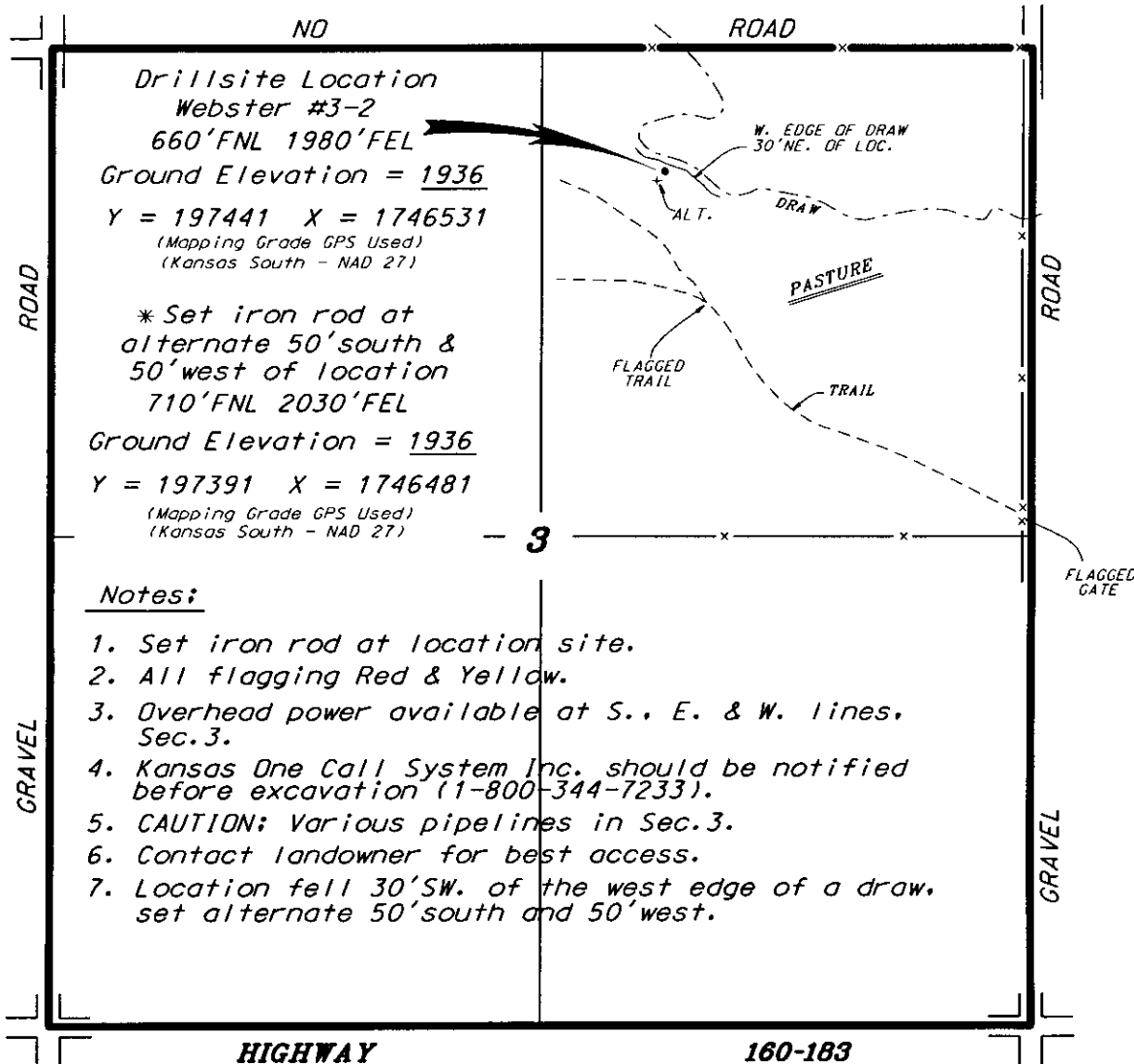
CONSERVATION DIVISION
WICHITA, KS

In plotting the proposed location of the well, you must show:

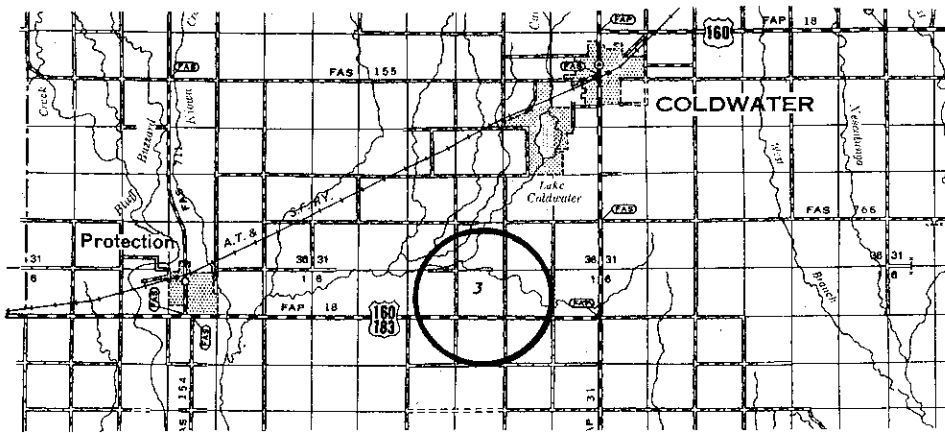
1. The manner in which you are using the depicted plat by identifying section lines, i.e. 1 section, 1 section with 8 surrounding 4 sections, etc.
2. The distance of the proposed drilling location from the section's south / north and east / west.
3. The distance to the nearest lease or unit boundary 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).

ARES ENERGY, LTD
 WEBSTER LEASE
 NE.1/4, SECTION 3, T33S, R19W
 COMANCHE COUNTY, KANSAS

15033-21483-0000



*Ingress and egress to location as shown on this plot is per usage only and may not be legally opened for public use. Contact landowner, tenant and county road department for access.



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 WICHITA, KS

* Controlling data is based upon the best maps and photographs available to us and upon a regular section of land containing 640 acres.
 * Approximate section lines were determined using the normal standard of care of oilfield surveyors practicing in the state of Kansas. The section corners, which establish the precise section lines, were not necessarily located, and the exact location of the drillsite location in the section is not guaranteed. Therefore, the operator securing this service and accepting this plot and all other parties relying thereon agree to hold Central Kansas Oilfield Services, Inc., its officers and employees harmless from all losses, costs and expenses and said entities released from any liability from incidental or consequential damages.
 * Elevations derived from National Geodetic Vertical Datum.

Date October 10, 2006

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

Form CDP-1
April 2004
Form must be Typed

Submit in Duplicate

Operator Name: ARES Energy, Ltd.		License Number: 33770
Operator Address: 303 W. Wall St., Suite 900, Midland, TX 79701		
Contact Person: Henry N. Clanton		Phone Number: (432) 685 - 1960
Lease Name & Well No.: Webster 3-2		Pit Location (QQQQ): _____ NW _____ NE Sec. 3 Twp. 33 R. 19 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 710 Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section 2,030 Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section Comanche County
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: 6,400 (bbls)
Is the pit located in a Sensitive Ground Water Area? <input checked="" type="checkbox"/> Yes <input 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? Native mud and clay
Pit dimensions (all but working pits): 80 Length (feet) 80 Width (feet) _____ 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 395 feet Depth of water well 63 feet		Depth to shallowest fresh water 23 feet. Source of information: KHKS (1) _____ 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: Fresh Water Mud Number of working pits to be utilized: 3 Abandonment procedure: Allow to dry, then backfill. _____ 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.		RECEIVED KANSAS CORPORATION COMMISSION OCT 18 2006 CONSERVATION DIVISION WICHITA, KS
10/12/2006 Date	<i>Henry N. Clanton</i> Signature of Applicant or Agent	
KCC OFFICE USE ONLY		
Date Received: 10/18/06	Permit Number: _____	Permit Date: 10/20/06 Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

15-033-21483-0300

Use Alternate Stake - REAS

KANSAS

CORPORATION COMMISSION

KATHLEEN SEBELIUS, GOVERNOR

BRIAN J. MOLINE, CHAIR

ROBERT E. KREHBIEL, COMMISSIONER

MICHAEL C. MOFFET, COMMISSIONER

October 20, 2006

Mr. Henry N. Clanton
ARES Energy, Ltd.
303 W. Wall St., Ste 900
Midland, TX 79701

RE: Drilling Pit Application
Webster Lease Well No. 3-2
NE/4 Sec. 03-33S-19W
Comanche County, Kansas

Dear Mr. Greenbaum:

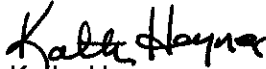
District staff has inspected the above referenced location and has determined that the **alternate location must be used**. The reserve pit shall be constructed **without slots**, the bottom shall be flat and reasonably level, and lined with bentonite. The free fluids must be removed. The fluids are 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 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
Environmental Protection and Remediation Department

cc: S Durrant