

For KCC Use: Effective Date: 1-8-07 District # 3 SGA? Yes No

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

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 January 2 2007 month day year

OPERATOR: License# 4485 Name: Verde Oil Company Address: 1020 NE Loop 410, Suite 555 City/State/Zip: San Antonio, TX 78209 Contact Person: Jeffrey L. Dale Phone: (620) 754-3800

CONTRACTOR: License# 5675 Name: McPherson Drilling

Well Drilled For: Oil, Gas, OWWO, Seismic, Other. Well Class: Enh Rec, Storage, Disposal, # of Holes, Infield, Pool Ext, Wildcat, Other. Type Equipment: 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? If Yes, true vertical depth: Bottom Hole Location: KCC DKT #:

Spot NW - NW - NW Sec. 29 Twp. 26 S. R. 20 East West 330 feet from N / S Line of Section 330 feet from E / W Line of Section Is SECTION Regular Irregular?

(Note: Locate well on the Section Plat on reverse side) County: Allen Lease Name: Carpenter Well #: W-31 Field Name: Humboldt/Chanute Is this a Prorated / Spaced Field? Target Formation(s): Bartlesville/Tucker Nearest Lease or unit boundary: 330 Ground Surface Elevation: 980' Est. feet MSL Water well within one-quarter mile: Public water supply well within one mile: Depth to bottom of fresh water: 120' Depth to bottom of usable water: 175' Surface Pipe by Alternate: 1 2 Length of Surface Pipe Planned to be set: 20' Length of Conductor Pipe required: None Projected Total Depth: 900' Formation at Total Depth: Bartlesville/Tucker Water Source for Drilling Operations: Well Farm Pond Other Air Drilled DWR Permit #: 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: January 2, 2007 Signature of Operator or Agent: Jeffrey L. Dale by D. Ballant Title: Geologist

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For KCC Use ONLY API # 15 - 001-29567-0000 Conductor pipe required None feet Minimum surface pipe required 20 feet per Alt. X(2) Approved by: [Signature] 1-3-07 This authorization expires: 7-3-07 (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:

29 26 20E

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 - 001-29567-0000
Operator: Verde Oil Company
Lease: Carpenter
Well Number: W-31
Field: Humboldt/Chanute
Number of Acres attributable to well: _____
QTR / QTR / QTR of acreage: NW - NW - NW

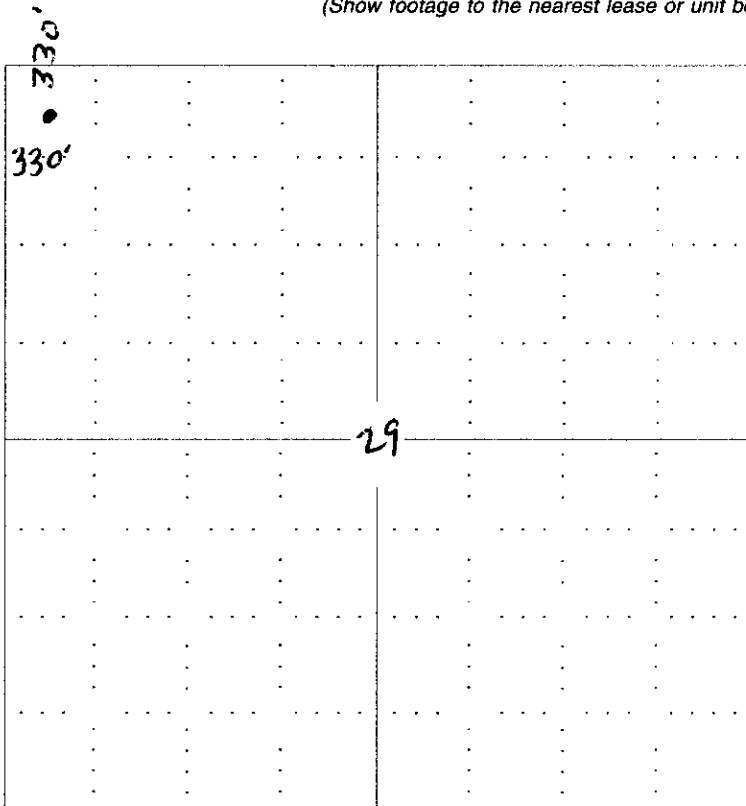
Location of Well: County: Allen
330 feet from N / S Line of Section
330 feet from E / W Line of Section
Sec. 29 Twp. 26 S. R. 20 East West

Is Section: Regular or Irregular

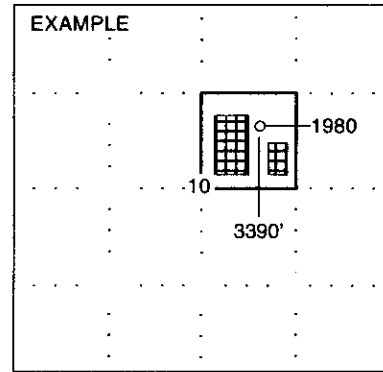
If Section is Irregular, locate well from nearest corner boundary.
Section corner used: NE NW SE SW

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.)*



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CONSERVATION DIVISION
WICHITA, KS



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).

**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: Verde Oil Company | | License Number: 4485 |
| Operator Address: 1020 NE Loop 410, Suite 555, San Antonio, TX 78209 | | |
| Contact Person: Jeffrey L. Dale | | Phone Number: (620) 754 - 3800 |
| Lease Name & Well No.: Carpenter W-31 | | Pit Location (QQQQ): NW NW 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: _____ (bbls) | Sec. 29 Twp. 26 R. 20 <input checked="" type="checkbox"/> East <input type="checkbox"/> West 330 Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section 330 Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section Allen _____ 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/Silt Lined |
| Pit dimensions (all but working pits): 40 Length (feet) 6 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. | | Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring. <div align="right">RECEIVED KANSAS CORPORATION COMMISSION JAN 03 2007 CONSERVATION DIVISION WICHITA, KS</div> |
| 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: Fresh Water Number of working pits to be utilized: One Abandonment procedure: Allow to evaporate & 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. | | |
| January 2, 2007 Date | <i>Jeffrey L. Dale by D. Ballantyne</i> Signature of Applicant or Agent | |

15-001-29567-0000

| | | | |
|------------------------------|----------------------|----------------------------|---|
| KCC OFFICE USE ONLY | | | |
| Date Received: 1/3/07 | Permit Number: _____ | Permit Date: 1/3/07 | Lease Inspection: <input type="checkbox"/> Yes <input checked="" 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

NOTICE TO OPERATORS FILING INTENT TO DRILL FOR DISPOSAL OR ENHANCED RECOVERY INJECTION WELLS, (CLASS II INJECTION WELL)

The attached approved Notice of Intent to Drill indicates the proposed well is to be used for injection. An approved "Intent to Drill" does not approve injection authority as a Class II Injection Well in Kansas.

Before any well is used for injection purposes, the operator must file an application for injection authority in accordance with K.A.R. 82-3-401 and provide notice in accordance with K.A.R. 82-3-402. The Conservation Division must issue a written permit granting the application before commencement of injection.

The Conservation Division requirements and restrictions associated with Class II Injection are identified in **K.A.R. 82-3-400 et seq** of our regulations. Associated regulations governing drilling, completion and injection applications may be found in K.A.R. 82-3-135, Table I, Table II, in the Cedar Hills Sandstone Moratorium, (Docket #156,397-C), and the Eastern Kansas Surface Casing Order, (Docket #133,891-C).

If you have questions regarding the approval of injection authority, an injection application may be filed as a "Design Approval" before actual drilling and completion of the well occurs. If you have any questions or concerns regarding Class II injection wells or regulations, call the Underground Injection Control Department at 316-337-6200.

Failure to obtain commission approval before beginning injection is punishable by a penalty, shut-in of the well or both.