

For KCC Use: 1-23-07
 Effective Date: 1-23-07
 District # 1
 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 16, 2007
 month day year

OPERATOR: License# 3273
 Name: Herman L. Loeb
 Address: P. O. Box 524
 City/State/Zip: Lawrenceville, IL 62439
 Contact Person: George A. Payne
 Phone: (812) 853-3813

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 type="checkbox"/> Pool Ext.
<input type="checkbox"/> QWVO	<input type="checkbox"/> Disposal	<input type="checkbox"/> Wildcat
<input type="checkbox"/> Seismic; # of Holes	<input type="checkbox"/> Other	<input type="checkbox"/> Cable
<input type="checkbox"/> Other		

If QWVO: 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 Sec. 26 Twp. 32 S. R. 14 East West
1320 1230 feet from N / S Line of Section
1320 1100 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: Hinz Well #: 2-26
 Field Name: Elesa East
 Is this a Prorated / Spaced Field? Yes No
 Target Formation(s): Mississippian, Viola, Simpson
 Nearest Lease or unit boundary: 1320 1100
 Ground Surface Elevation: 4,825 1798 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: 100 ft
 Depth to bottom of usable water: 180 ft
 Surface Pipe by Alternate: 1 2
 Length of Surface Pipe Planned to be set: 200 ft
 Length of Conductor Pipe required: _____
 Projected Total Depth: 5,250 ft
 Formation at Total Depth: Arbuckle
 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

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 JAN 12 2007

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 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: January 11, 2007 Signature of Operator or Agent: George A. Payne Title: Petroleum Engineer

CONSERVATION DIVISION
 WICHITA, KS

For KCC Use ONLY
 API # 15 - 007-23112-0000
 Conductor pipe required None feet
 Minimum surface pipe required 200 feet per Alt. 1
 Approved by: PAF-18-07
 This authorization expires: 7-18-07
 (This authorization void if drilling not started within 6 months of effective 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: _____

26
32
14W

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 - 007-23112-0200
Operator: Herman L. Loeb
Lease: Hinz
Well Number: 2-26
Field: Elsea East
Number of Acres attributable to well: _____
QTR / QTR / QTR of acreage: _____ - _____ - _____ NW

Location of Well: County: Barber
1220 1230 feet from N / S Line of Section
1220 1160 feet from E / W Line of Section
Sec. 26 Twp. 32 S. R. 14 East West

Is Section: Regular or Irregular

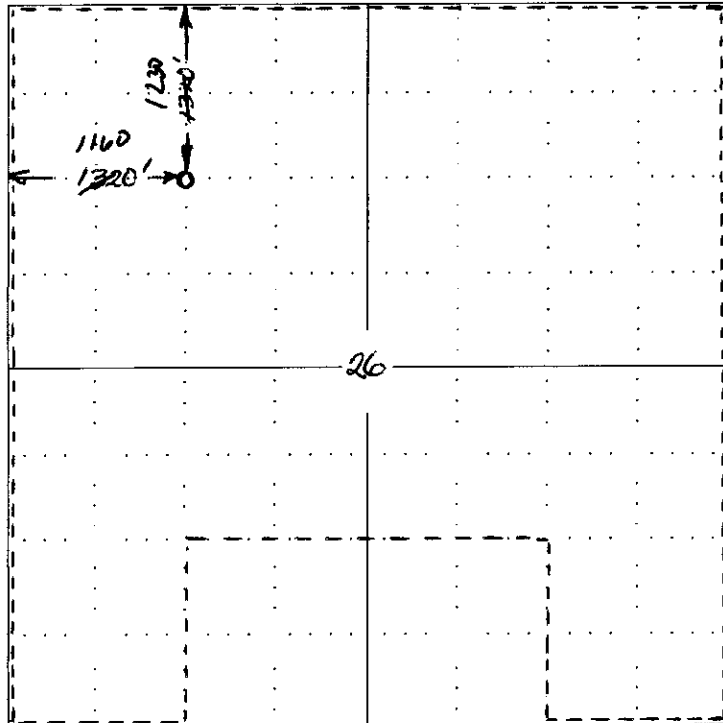
If Section is Irregular, locate well from nearest corner boundary.

Section corner used: NE NW SE SW

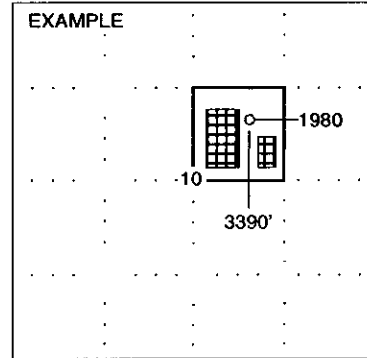
PLAT

*(Show location of the well and shade attributable acreage for prorated or spaced wells.)
(Show footage to the nearest lease or unit boundary line.)*

Per Survey



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CONSERVATION DIVISION
WICHITA, KS



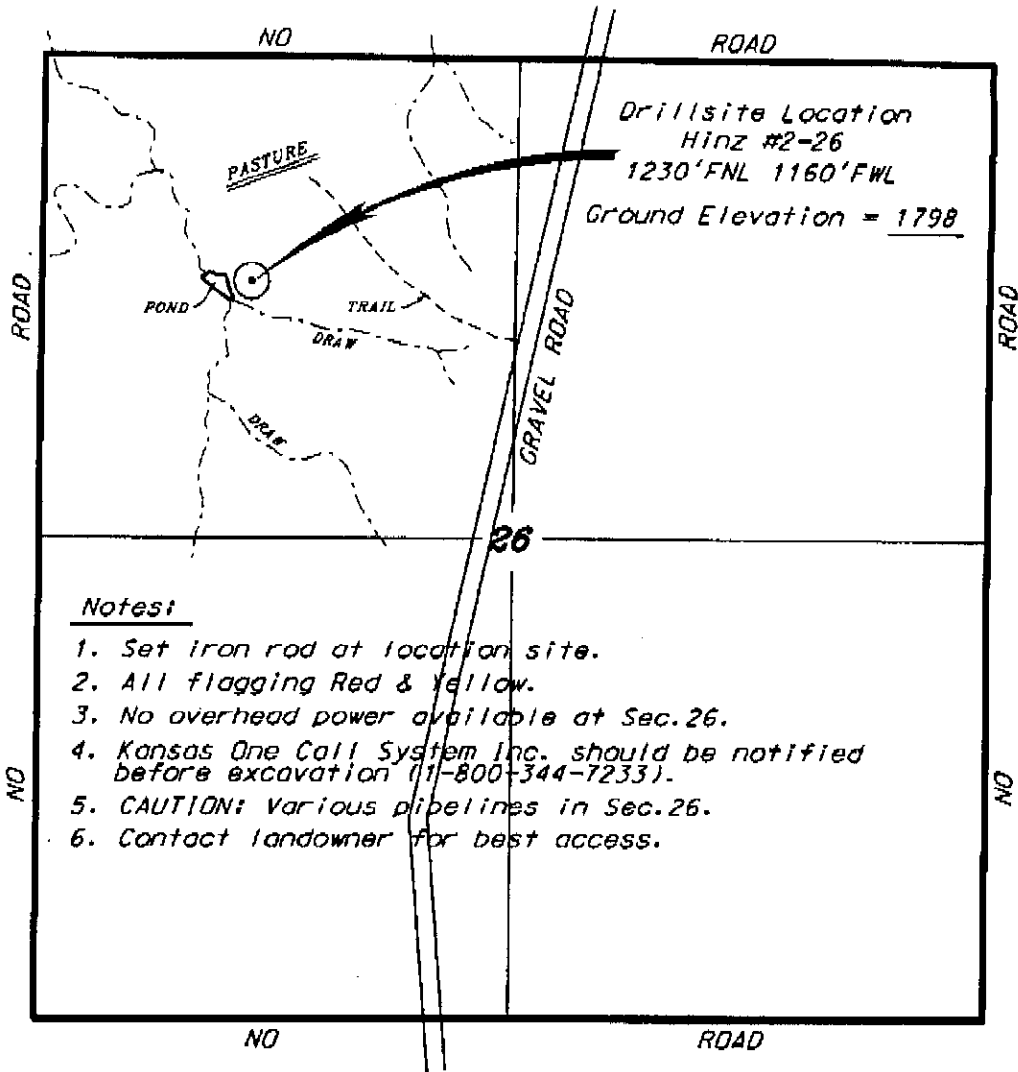
SEWARD CO.

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).

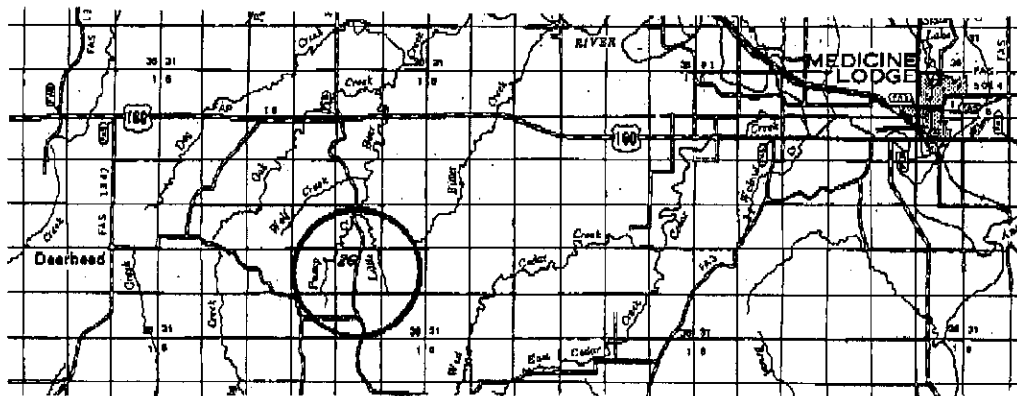
HERMAN LOEB
HINZ LEASE
NW. 1/4, SECTION 26, T32S, R14W
BARBER COUNTY, KANSAS



Notes:

1. Set iron rod at location site.
2. All flagging Red & yellow.
3. No overhead power available at Sec. 26.
4. Kansas One Call System Inc. should be notified before excavation (1-800-344-7233).
5. CAUTION: Various pipelines in Sec. 26.
6. Contact landowner for best access.

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



* 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 occupying this area 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 warranties released from any liability from incidental or consequential damages.

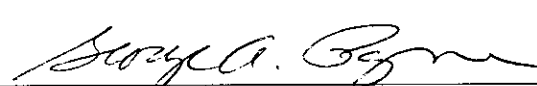
* Elevations derived from National Geodetic Vertical Datum

Date January 16, 2007

**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: Herman L. Loeb		License Number: 3273
Operator Address: P O Box 524 Lawrenceville, IL 62439		
Contact Person: George A. Payne		Phone Number: (812) 853 - 3813
Lease Name & Well No.: Hinz #2-26		Pit Location (QQQQ): <u>SE NW NW</u> Sec. <u>26</u> Twp. <u>32S</u> R. <u>14</u> <input type="checkbox"/> East <input checked="" type="checkbox"/> West <u>1320 1230</u> Feet from <input checked="" type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section <u>1320 1160</u> Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section Barber 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: _____ (bbbls)	
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? clay
Pit dimensions (all but working pits): <u>100</u> Length (feet) <u>100</u> Width (feet) <u>N/A</u> : Steel Pits Depth from ground level to deepest point: <u>5</u> (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.
		RECEIVED KANSAS CORPORATION COMMISSION JAN 12 2007 CONSERVATION DIVISION WICHITA, KS
Distance to nearest water well within one-mile of pit <u>8,250</u> ^{N/A} feet Depth of water well <u>108</u> feet	Depth to shallowest fresh water <u>40</u> feet. Source of information: _____ 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: <u>Bentonite</u> Number of working pits to be utilized: <u>one</u> Abandonment procedure: <u>Vent sides, allow water to evaporate, backfill & smooth.</u> 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.		
<u>January 11, 2007</u> Date	 Signature of Applicant or Agent	
KCC OFFICE USE ONLY		
Date Received: <u>1/12/07</u> Permit Number: _____ Permit Date: <u>1/12/07</u> Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<i>Pit away pond RFASAC</i>	

15-007-23112-0000

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

January 17, 2007

Mr. George A. Payne
Herman L. Loeb
PO Box 524
Lawrenceville, IL 62439

RE: Drilling Pit Application
Hinz Lease Well No. 2-26
NW/4 Sec. 26-32S-14W
Barber County, Kansas

Dear Mr. Payne:

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. **The pits need to be kept be away from the pond.**

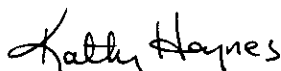
If production casing is set all completion fluids shall be removed from the working pits daily. NO completion fluids or non-exempt wastes shall be placed in the reserve pit.

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, 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: File