

For KCC Use:  
 Effective Date: 12-5-07  
 District # 1  
 SGA?  Yes  No

KANSAS CORPORATION COMMISSION  
 OIL & GAS CONSERVATION DIVISION

Form C-1  
 October 2007  
 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: 12 month 27 day 2007 year

OPERATOR: License# 5822  
 Name: VAL Energy Inc.  
 Address 1: 200 West Douglas #520  
 Address 2: \_\_\_\_\_  
 City: Wichita State: Ks Zip: 67202 + \_\_\_\_\_  
 Contact Person: K Todd Allam  
 Phone: 316-263-6688

CONTRACTOR: License# 5822  
 Name: VAL Energy Inc.

Well Drilled For:  Oil  Gas  Seismic; # of Holes \_\_\_\_\_  
 Enh Rec  Storage  Disposal  Other: \_\_\_\_\_  
 Well Class:  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?  Yes  No  
 If Yes, true vertical depth: \_\_\_\_\_  
 Bottom Hole Location: \_\_\_\_\_  
 KCC DKT #: \_\_\_\_\_

Spot Description: C SW/4  
(arara) - C - SW Sec. 16 Twp. 34 S. R. 11  E  W  
1,320 feet from  N /  S Line of Section  
1,320 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: Stan Michel Well #: 1-16  
 Field Name: \_\_\_\_\_

Is this a Prorated / Spaced Field?  Yes  No  
 Target Formation(s): Miss.

Nearest Lease or unit boundary line (in footage): 495  
 Ground Surface Elevation: unknown. 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: 180  
 Depth to bottom of usable water: 180

Surface Pipe by Alternate:  I  II  
 Length of Surface Pipe Planned to be set: 200+

Length of Conductor Pipe (if any): \_\_\_\_\_  
 Projected Total Depth: 4850  
 Formation at Total Depth: Miss.

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**

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 correct to the best of my knowledge and belief.

Date: 11-15-2007 Signature of Operator or Agent: K Todd Allam Title: President

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NOV 27 2007

CONSERVATION DIVISION  
 WICHITA, KS

**For KCC Use ONLY**  
 API # 15 - 007-23242-0000  
 Conductor pipe required None feet  
 Minimum surface pipe required 200 feet per ALT:  I  II  
 Approved by: Pun 11-30-07  
 This authorization expires: 11-30-08  
 (This authorization void if drilling not started within 12 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 (within 60 days);
- 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 Date: \_\_\_\_\_  
 Signature of Operator or Agent: \_\_\_\_\_

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

16 34 11  
 E  W

**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 - 007-23242-0000  
 Operator: VAL Energy Inc.  
 Lease: Stan Michel  
 Well Number: 1-16  
 Field: \_\_\_\_\_  
 Number of Acres attributable to well: \_\_\_\_\_  
 QTR/QTR/QTR/QTR of acreage: \_\_\_\_\_ - \_\_\_\_\_ - C - SW

Location of Well: County: Barber  
 \_\_\_\_\_ feet from  N /  S Line of Section  
 \_\_\_\_\_ feet from  E /  W Line of Section  
 Sec. 16 Twp. 34 S. R. 11  E  W

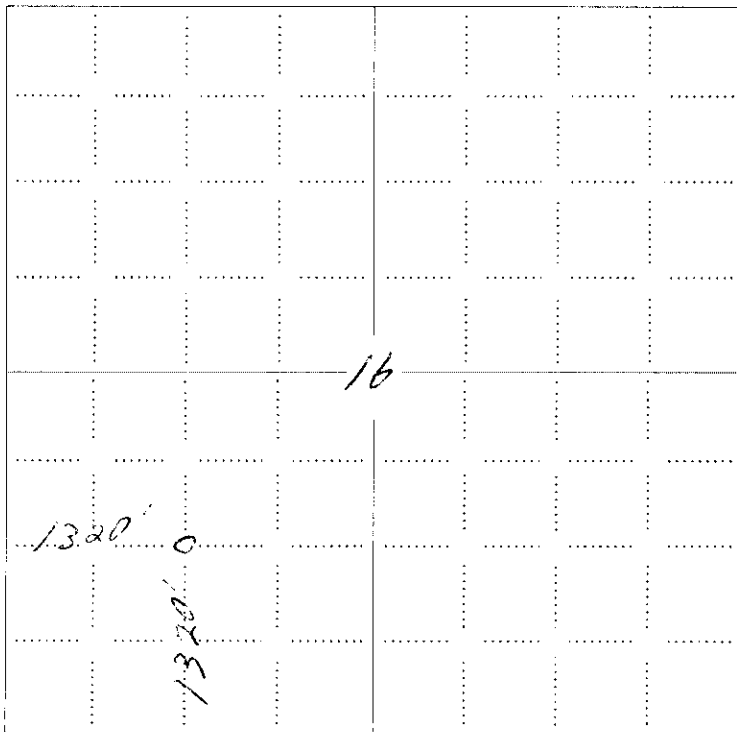
Is Section:  Regular or  Irregular

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

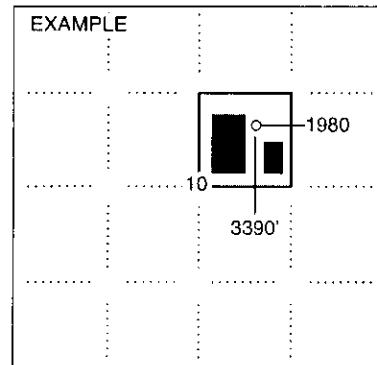
Section corner used:  NE  NW  SE  SW

**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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 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:**

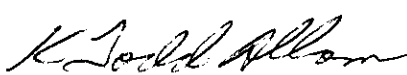
1. The manner in which you are using the depicted plat by identifying section lines, i.e. 1 section, 1 section with 8 surrounding sections, 4 sections, etc.
2. The distance of the proposed drilling location from the south / north and east / west outside section lines.
3. The distance to the nearest lease or unit boundary line (in footage).
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  
KANSAS CORPORATION COMMISSION  
Form CDP-1  
April 2004  
Form to be Typed  
**NOV 27 2007**

CONSERVATION DIVISION  
WICHITA, KS

*Submit in Duplicate*

Operator Name: VAL Energy Inc.		License Number: 5822
Operator Address: 200 West Douglas #520		Wichita Ks 67202
Contact Person: K Todd Allam		Phone Number: 316-263-6688
Lease Name & Well No.: Stan Michel 1-16		Pit Location (QQQQ): C SW
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 <i>(If W/P Supply API No. or Year Drilled)</i>		Pit is: <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: 3,000 (bbls)
Is the pit located in a Sensitive Ground Water Area? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Chloride concentration: _____ mg/l <i>(For Emergency Pits and Settling Pits only)</i>
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?		Sec. 16 Twp. 34 R. 11 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 1,320 Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section 1,320 Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section Barber County
Pit dimensions (all but working pits):    120 Length (feet)    120 Width (feet) Depth from ground level to deepest point:    5 (feet)		<input checked="" type="checkbox"/> N/A: Steel Pits <input checked="" type="checkbox"/> No Pit
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 3898 feet    Depth of water well 32 feet		Depth to shallowest fresh water 4 feet. Source of information: <input type="checkbox"/> measured <input type="checkbox"/> well owner <input type="checkbox"/> electric log <input checked="" type="checkbox"/> KDWR
<b>Emergency, Settling and Burn Pits ONLY:</b> 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		<b>Drilling, Workover and Haul-Off Pits ONLY:</b> Type of material utilized in drilling/workover: fresh mud Number of working pits to be utilized: 1 Abandonment procedure: let dry & 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.		
11-15-2007 Date		 Signature of Applicant or Agent

15-007-23242-0000

<b>KCC OFFICE USE ONLY</b>		Steel Pit <input type="checkbox"/>	RFAC <input checked="" type="checkbox"/>	RFAS <input checked="" type="checkbox"/>
Date Received: 11/27/07	Permit Number: _____	Permit Date: 11/30/07	Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	

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



Kathleen Sebelius, Governor  
Thomas E. Wright, Chairman  
Michael C. Moffet, Commissioner  
Joseph F. Harkins, Commissioner

November 30, 2007

K Todd Allam  
VAL Energy Inc.  
200 West Douglas, Ste 520  
Wichita, KS 67202

Re: Drilling Pit Application  
Stan Michel Lease Well No. 1-16  
SW/4 16-34S-11W  
Barber 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 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: <http://kcc.ks.gov/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,

A handwritten signature in cursive script that reads "Jonelle Rains".

Jonelle Rains, Supervisor  
Department of Environmental Protection and Remediation

cc: Steve Durrant  
File