

Effective Date: 10-21-08
District # 1
SGA? Yes No

OIL & GAS CORPORATION NOTICE OF INTENT TO DRILL

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 11 15 2008
month day year

Spot SW4 Sec. 7 Twp. 33 S. R. 19 East West
2160' feet from N / S Line of Section
3475 feet from E / W Line of Section
Is SECTION Regular Irregular?

OPERATOR: License# 33921
Name: GRA EX, LLC
Address: PO BOX 32 1603 N WALNUT
City/State/Zip: KINGMAN KS 67068
Contact Person: DON GRABER
Phone: 620-532-6290

(Note: Locate well on the Section Plat on reverse side)
County: COMANCHE
Lease Name: LYON Well #: 1
Field Name:
Is this a Prorated / Spaced Field? Yes No

CONTRACTOR: License# 5822
Name: VAL ENERGY/ VAL DRILLING

Target Formation(s): MISS
Nearest Lease or unit boundary:
Ground Surface Elevation: 1890 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: 1 2
Length of Surface Pipe Planned to be set: 710'
Length of Conductor Pipe required:
Projected Total Depth: 6200
Formation at Total Depth: VIOLA

Well Drilled For: Well Class: Type Equipment:
 Oil Enh Rec Infield Mud Rotary
 Gas Storage Pool Ext. Air Rotary
 ONNO Disposal Wildcat Cable
 Seismic; # of Holes Other
 Other

Water Source for Drilling Operations:
 Well Farm Pond Other
DWR Permit #: 20080449
(Note: Apply for Permit with DWR)
Will Cores be taken? Yes No
If Yes, proposed zone:

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 #:

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: 10-19-2008 Signature of Operator or Agent: Don Graber Title: OFFICE MGR

For KCC Use ONLY
API # 15 - 033-21542-00-00
Conductor pipe required None feet
Minimum surface pipe required 200 feet per Alt. 1 2
Approved by: SB 10-24-08
This authorization expires: 10-24-09
(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 2678, Wichita, Kansas 67202

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OCT 21 2008
CONSERVATION DIVISION
WICHITA, KS

7
33
1911

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

Plat of acreage attributable to a well in a prorated or spaced field

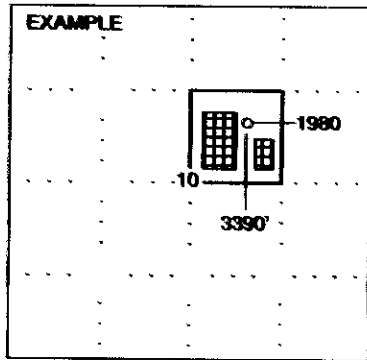
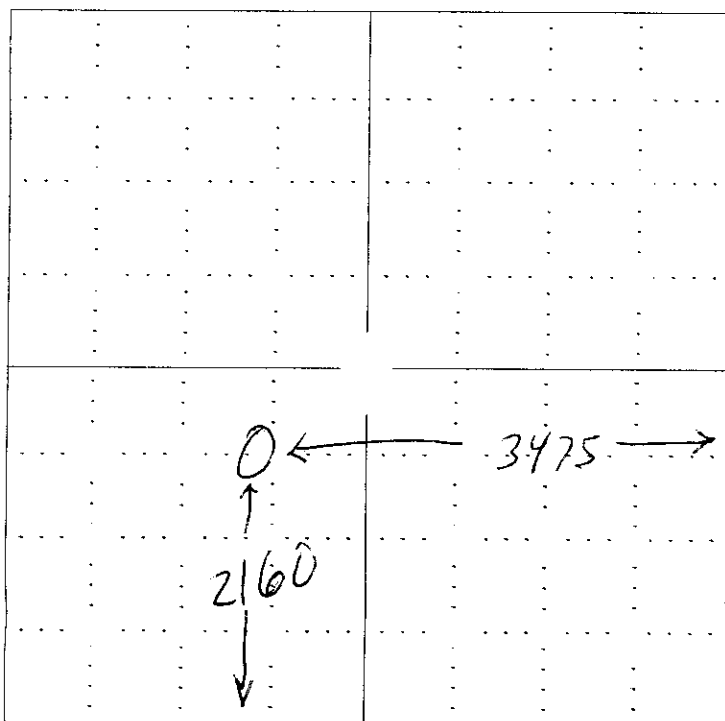
If the intended well is in a prorated or spaced field, please fully complete this side of the form. If the intended well is in a prorated or spaced field complete the plat below showing that the well will be properly located in relationship to other wells producing from the common source of supply. Please 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 - 033-21542-00-00
 Operator: GRA EX, LLC
 Lease: LYON
 Well Number: 1
 Field: _____
 Number of Acres attributable to well: 160
 QTR / QTR / QTR of acreage: _____ - SW4 - _____

Location of Well: County: COMANCHE
 2160' feet from N / S Line of Section
 3475 feet from E / W Line of Section
 Sec. 7 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.)*



SEWARD CO.

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NOTE: In all cases locate the spot of the proposed drilling location.

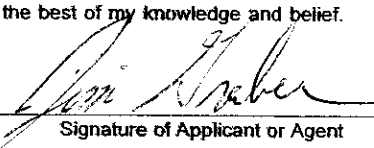
In plotting the proposed location of the well, you must show:

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).

**OIL & GAS CONSERVATION DIVISION
APPLICATION FOR SURFACE PIT**

April 2004
Form must be Typed

Submit in Duplicate

Operator Name: GRA EX, LLC		License Number: 33921	
Operator Address: PO BOX 32 1603 N WALNUT KINGMAN, KS 67068			
Contact Person: DON GRABER		Phone Number: 620-532-6290	
Lease Name & Well No.: LYON #1		Pit Location (QQQQ): SW4 NW NE 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 WP Supply API No. or Year Drilled)</i>		Pit is: <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: 5,500 (bbls)	
Is the pit located in a Sensitive Ground Water Area? <input type="checkbox"/> Yes <input checked="" 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? DRILLING MUD			
Pit dimensions (all but working pits): <u>100</u> Length (feet) <u>100</u> Width (feet) <input type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: <u>5</u> (feet) <input 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.	
		RECEIVED KANSAS CORPORATION COMMISSION OCT 21 2008 CONSERVATION DIVISION WICHITA, KS	
Distance to nearest water well within one-mile of pit <u>718</u> feet Depth of water well <u>75</u> feet		Depth to shallowest fresh water <u>40</u> feet. Source of information: <input type="checkbox"/> measured <input type="checkbox"/> well owner <input type="checkbox"/> 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>MUD & FRESH WATER</u> Number of working pits to be utilized: <u>3</u> Abandonment procedure: <u>AIRDRY & BACKFILL</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.			
_____ 10-19-2008 Date		 Signature of Applicant or Agent	
KCC OFFICE USE ONLY			
		Steel Pit <input type="checkbox"/> RFAC <input type="checkbox"/> RFAS <input checked="" type="checkbox"/>	
Date Received: <u>10/21/08</u> Permit Number: _____ Permit Date: <u>10/24/08</u> Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			

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

15-033-21542-00-00



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

October 24, 2008

GRA EX LLC
PO Box 32
1603 N Walnut
Kingman, KS 67068

RE: Drilling Pit Application
Lyon Lease Well No. 1
SW/4 Sec. 07-33S-19W
Comanche County, Kansas

Dear Sir or Madam:

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 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
Department of Environmental Protection and Remediation

cc: File

15-033-21542-00-00