

For KCC Use:

Effective Date:

District #

SGA? Yes No

KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

NOTICE OF INTENT TO DRILL

Must be approved by KCC five (5) days prior to commencing well

Form C-1

October 2007

Form must be Typed Form must be Signed

All blanks must be Filled

Expected Spud Date: 8/16/2009 month day year

OPERATOR: License# 5822 Name: VAL Energy Inc. Address 1: 200 W Douglas Suite 520 Address 2: City: Wichita State: KS Zip: 67202 Contact Person: Todd Allam Phone: 316-263-6688

CONTRACTOR: License# 5822 Name: VAL Energy

Well Drilled For: Oil, Gas, Seismic, Other; Well Class: Enh Rec, Storage, Disposal, Other; Type Equipment: Mud Rotary, Air Rotary, Cable

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: CN/2-NW-NW-NE CN/2 NW NW NE Sec. 5 Twp. 35 S. R. 11 165 feet from N / S Line of Section 2,310 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: Goldman/Melcher Well #: 2-5

Field Name: Is this a Prorated / Spaced Field? Yes No

Target Formation(s): Mississippian

Nearest Lease or unit boundary line (in footage): 495'

Ground Surface Elevation: 1352' 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:

Common tank battery's gas meter Agreement submitted.

AFFIDAVIT

KANSAS CORPORATION COMMISSION

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:

AUG 10 2009 RECEIVED

- 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: 08/10/2009 Signature of Operator or Agent: Todd Allam Title: President

For KCC Use ONLY API # 15 - 007-23444-00-00 Conductor pipe required None feet Minimum surface pipe required 200 feet per ALT. I II Approved by: [Signature] 8-11-2009 This authorization expires: 8-11-2010 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:

5 35 11

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 - 007-23444-00-00

Operator: VAL Energy Inc.

Lease: Goldman/Melcher

Well Number: 2-5

Field: _____

Number of Acres attributable to well: _____

QTR/QTR/QTR/QTR of acreage: CN/2 - NW - NW - NE

Location of Well: County: Barber

165 feet from N / S Line of Section

2,310 feet from E / W Line of Section

Sec. 5 Twp. 35 S. R. 11 E W

Is Section: Regular or Irregular

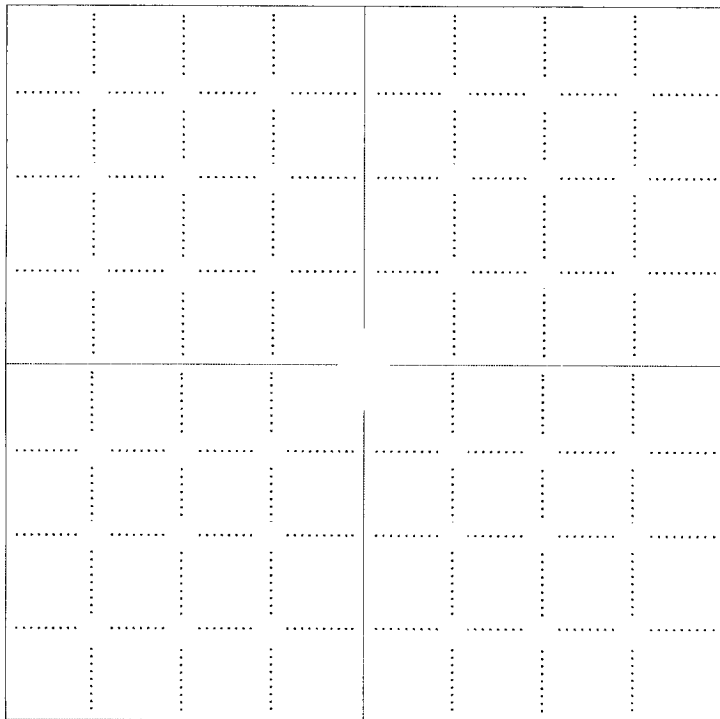
If Section is Irregular, locate well from nearest corner boundary.

Section corner used: NE NW SE SW

PLAT

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

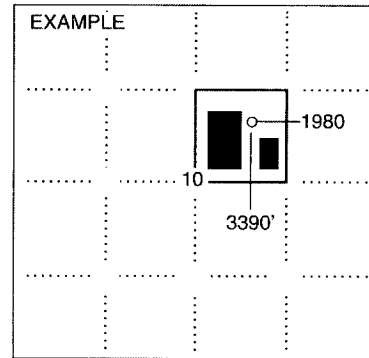
(Show footage to the nearest lease or unit boundary line.)



KANSAS CORPORATION COMMISSION

AUG 10 2009

RECEIVED



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

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).

15-007-23444-00-00

ADVANTAGE ELEVATIONS

OIL FIELD SURVEYORS

BOX 8604 - PRATT, KS 67124
(620) 672-6491

85091
INVOICE NO.

VAL ENERGY INC
OPERATOR

Goldman/Melcher
FARM

Barber COUNTY 5 S 35 T 11 W R

330' FNL & 2310' FEL
LOCATION

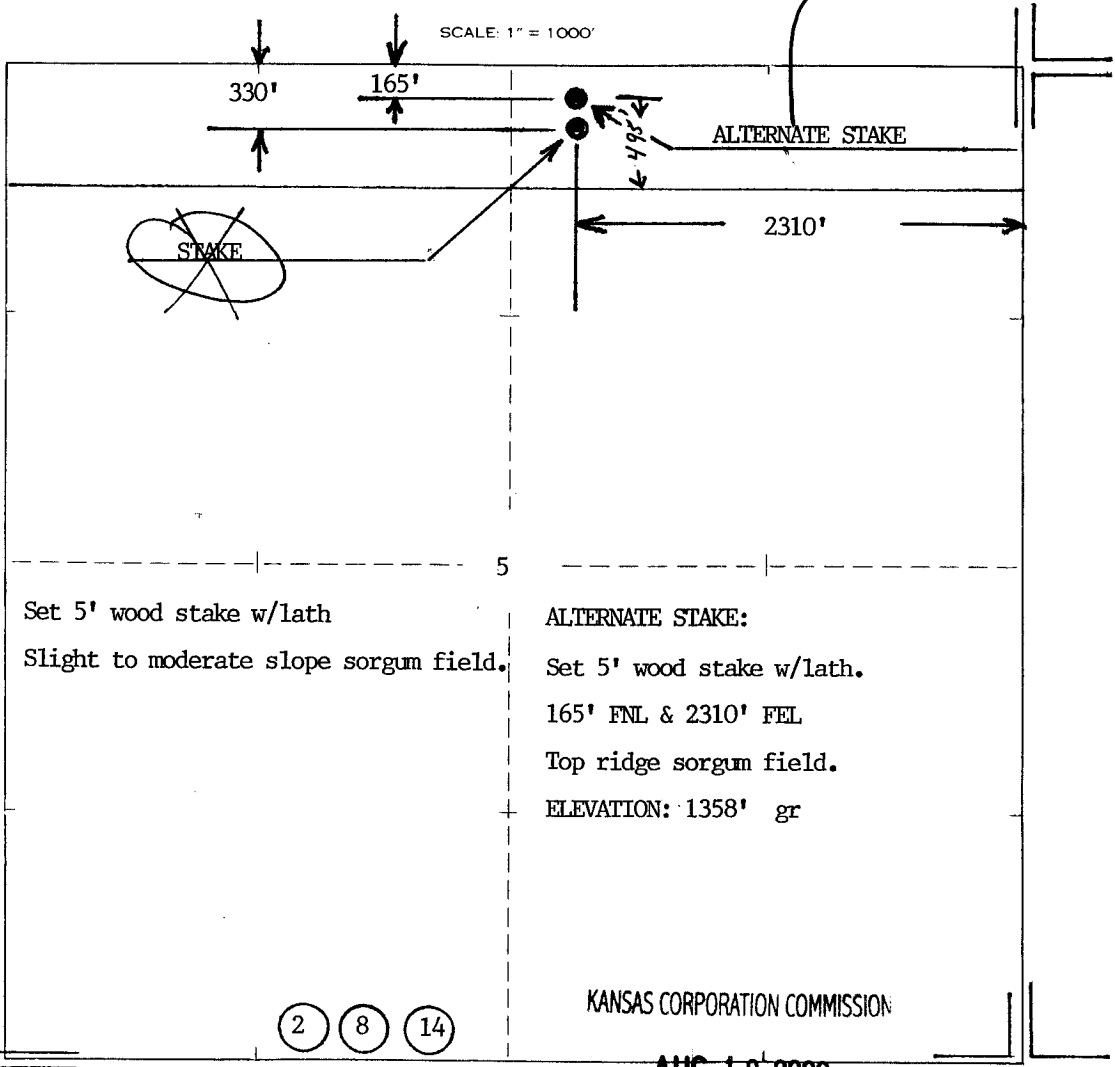
ELEVATION: 1352' gr



VAL ENERGY INC
200 W Douglas Ste 520
Wichita KS 67202-3005

AUTHORIZED BY Todd Allam

To be drilled



Set 5' wood stake w/lath
Slight to moderate slope sorgum field.

ALTERNATE STAKE:
Set 5' wood stake w/lath.
165' FNL & 2310' FEL
Top ridge sorgum field.
ELEVATION: 1358' gr

(2) (8) (14)

KANSAS CORPORATION COMMISSION

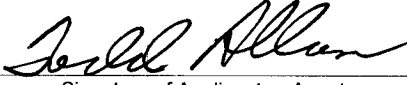
Staked 08/05/09

AUG 10 2009
RECEIVED

**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: VAL Energy Inc.		License Number: 5822	
Operator Address: 200 W Douglas Suite 520		Wichita KS 67202	
Contact Person: Todd Allam		Phone Number: 316-263-6688	
Lease Name & Well No.: Goldman/Melcher 2-5		Pit Location (QQQQ): CN/2 NW NW NE	
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: 3,000 (bbis)	
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?		Barber _____ County	
Pit dimensions (all but working pits): 100 Length (feet) 100 Width (feet) <input type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: 4 (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.	
		KANSAS CORPORATION COMMISSION AUG 10 2009 RECEIVED	
Distance to nearest water well within one-mile of pit <u>N/A</u> feet Depth of water well _____ feet		Depth to shallowest fresh water _____ feet. Source of information: <input type="checkbox"/> measured <input type="checkbox"/> well owner <input type="checkbox"/> electric log <input 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: Fresh Mud Number of working pits to be utilized: 1 Abandonment procedure: Pull fluids, let dry, and 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.			
08/10/2009 Date		 Signature of Applicant or Agent	
KCC OFFICE USE ONLY			
Date Received: 8/10/09		Permit Number: _____	
Permit Date: 8/11/09		Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Steel Pit <input type="checkbox"/> RFAC <input checked="" type="checkbox"/> RFAS <input checked="" type="checkbox"/>			

15-007-23444-00-00

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



Mark Parkinson, Governor
Thomas E. Wright, Chairman
Michael C. Moffet, Commissioner
Joseph F. Harkins, Commissioner

August 11, 2009

Val Energy, Inc.
200 W. Douglas Ste 520
Wichita, KS 67202

RE: Drilling Pit Application
Goldman/Melcher Lease Well No. 2-5
NE/4 Sec. 05-35S-11W
Barber 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,

A handwritten signature in black ink that reads "Kathy Haynes".

Kathy Haynes
Department of Environmental Protection and Remediation

cc: File