

  
**KANSAS**  
CORPORATION COMMISSION

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

August 21, 2009

VAL ENERGY INC  
200 W DOUGLAS AVE STE 520  
WICHITA KS 67202

RE: LEASE: SMITH/MARKAM 1-7  
LEGAL: 495'FNL-2145'FEL 07-34S-10W  
COUNTY: BARBER  
API NO: 15007233190000

Dear Sir/Madam:

This letter is to inform you that you have been granted an extension of time in which to close the drilling pits associated with the drilling of the Smith/Markam 1-7 well.

The original 365 days for closure expired August 9, 2009. This extension will expire February 9, 2010. We urge you to make every effort to close these pits within this time frame. In the event there is water standing in these pits, please dewater and dispose of fluids in an authorized disposal facility to expedite closure. Extension of this time frame automatically extends the time period for filing the Closure of Surface Pit form.

*Failure to close the pit or request an additional extension prior to the expiration date may result in a fine in accordance with K.A.R. 82-3-602(a). An additional extension will only be granted for good cause and after K.C.C. field staff has made an inspection of the site. Should field staff discover that said pit has been closed before the date of extension request, an administrative penalty may be assessed to you through K.C.C. invoice.*

If you have any questions in this regard, please do not hesitate to contact Jonelle Rains at (316) 337-6226.

Very sincerely yours,

  
Doug Louis  
Director

cc: Jonelle Rains  
District #1



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

Val Energy, Inc.  
200 W DOUGLAS AVE STE 520  
WICHITA KS 67202

August 3, 2009

Re: Closure of Drilling Pits  
SMITH/MARKAM Lease Well No. 1-7  
SENWNWNE 7-34S-10W  
BARBER County, Kansas  
API No. 15007233190000

Dear Sirs:

The above referenced well was spudded on 8/9/2008. According to K.A.R. 82-3-602, "Drilling pits ... shall be closed within a maximum of 365 calendar days after the spud date of a well". The subject drilling pits must be closed by 8/9/2009. A Closure of Surface Pit, form CDP-4 (April 2004), should be filed within 30 days after the drilling pits are closed. **Conservation division forms are available through our office and on the KCC web site: <http://kcc.ks.gov/conservation/forms/>**

Should an extension be warranted, it must be received by 8/9/2009. **TO FILE FOR AN EXTENSION, PLEASE SEND A COPY OF THIS LETTER WITH THE FOLLOWING INFORMATION COMPLETED:**

Date of location inspection by operator/agent: 8/7/09

Reason for extension: Pits to Wet to Close

Estimated period of time until pit closure: 6 months

**Failure to timely close the pit, file a request for an extension or file the closure form within the allotted time periods may result in assessment of an administrative penalty.**

Your cooperation in this process is appreciated. If you have any questions or concerns, please call **Sammy Flaharty** at (316) 337-6227.

KANSAS CORPORATION COMMISSION

AUG 14 2009

RECEIVED