NOTICE OF INTENT TO DRILL

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

For KCC Use:

Effective Date: 8-15-04
District #: 1
SGA? No

Expected Spud Date: 9 1 04

OPERATOR: License# 5822
Name: VAL Energy Inc.
Address: Box 116
City/State/Zip: Wichita, Ks. 67201
Contact Person: Todd Allam
Phone: 316-261-6688

CONTRACTOR: License# 6039
Name: LD Drilling Inc.

Well Drilled For: Oil
Well Class: Enh Rec
Type Equipment: Mud Rotary

If OWWO: old well information as follows:

Operator:
Well Name:
Original Completion Date: Original Total Depth:

Directional, Deviated or Horizontal wellbore? No
If Yes, true vertical depth:
Bottom Hole Location:
KCC DKT #:

Spot: W/2 NW NW Sec. 25 Twp. 18SS. R. 26W

Is SECTION Regular Irregular?

(Note: Locate well on the Section Plat on reverse side)

County: Ness
Lease Name: Mauch
Field Name: Ness
Target Formation(s): Mississippian

Nearest Lease or unit boundary: 330 feet

Ground Surface Elevation: feet MSL
Water well within one-quarter mile:
Public water supply well within one mile:
Depth to bottom of fresh water:
Surface Pipe by Alternate:
Length of Surface Pipe Planned to be set:
Length of Conductor Pipe required:
Projected Total Depth:
Formation at Total Depth: Mississippian

Water Source for Drilling Operations:

Well: Farm Pond Other

DWR Permit #:

(Note: Apply for Permit with DWR)

Will Cores be taken? 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. 55-101, et seq.

It is agreed that the following minimum requirements will be met:

1. Notify the appropriate district office prior to spudding 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. 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: 8/15/04 Signature of Operator or Agent: Todd Allam
Title: President

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

For KCC Use ONLY

API #: 185-24304.00.00
Conductor pipe required: None
Minimum surface pipe required: 210 feet per Alt.
Approved by: R5PB-10-04
This authorization expires: 2-10-05
(This authorization void if drilling not started within 6 months of effective date.)

Spud date:

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 ploration 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.
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 ___________________________ Location of Well: County: NESS
Operator: VAL Energy Inc. 660 feet from S (circle one) Line of Section
Lease: Mauch 330 feet from E (circle one) Line of Section
Well Number: 1-25
Field: Sec. 25 Twp. 18 S R. 26 W

Is Section ___ Regular or ___ Irregular

If Section is Irregular, locate well from nearest corner boundary.
Section corner used: ___ NE ___ NW ___ SE ___ SW

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: (CG-7 for oil wells; CG-8 for gas wells).