KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION
NOTICE OF INTENT TO DRILL

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

RECEIVED
KANSAS CORPORATION COMMISSION
CONSERVATION DIVISION
WICHITA, KS

DEC 2 8 2005

For KCC Use

Date: 1-4-06

District #: 1

GSA?: Yes No

Expect Spud Date 01/15/2006

If Drilled: Yes No

FOR REDUCTION OF THIS FORM talk on reverse side.

OPERATOR: License #: 1S22
Name: VAL Energy Inc.
Address: 200 W. Douglas
City/State/Zip: Wichita, KS 67202
Contact Person: K. Todd Altim
Phone: 316/263-6088

CONTRACTOR: License #: NA
Name: NA

Well Drilled For:

Oil Gas Storage

Well Class:

Gas Pool

Well Equipment:

1000 ft. fly

QHOD:

Disposal

Surface:

# of Holes

If OWNED: Yes No

Well Name:

Original Completion Date:

Original Total Depth:

Directional: Deviated or Horizontal wellbore? Yes No

If Yes, True Vertical Depth:

KCC OKT #: 229.65-00-00

Spud Date:

SNE SE SW NW

SW

33S 10W

S, S. R.

West

East

2145 ft

31 feet

455 ft

In Section

Yes No

County:

Barber

Lease Name:

Carlton

Well #: 7-31

First Name:

Kochia

Is this a Paved / Gravel Road? Yes No

Target Formation(s):

Mississippian

Nearest Lease or Unit Boundary:

N

W

Line of Section

Yes No

Ground Surface Elevation:

MIL

Water well within one-quarter mile:

Public water supply well within one mile:

Depth to bottom of usable water:

Surface Pipe by Alternate:

Length of Surface Pipe Planned to be:

Practical Total Depth:

Formation at Total Depth:

Mississippian

Water Stopped for Drilling Operations:

Well:

Yes No

Farm Pond

Other

DWR Permit #: 1

Will Core be taken? Yes No

If Yes, proposed zone:

(Please Apply for Permit with DWR)

Date: 12/24/05
Signature of Operator or Agent: President:

AFFIDAVIT

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 65a et seq.

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

1. Notify the appropriate district office prior to spudding vi well;
2. A copy of the approved notice of intent to drill shall be forwarded on each drilling rig;
3. The minimum amount of surface pipe as specified below shal 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 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 500 feet below any usable water to surface within 120 days of spud date.

Or pursuant to Appendix B: Eastern Kansas surface casing order 153-65-1-C, which applies to the KCC District 3 area, alternate II cementing must be completed within 30 days of the spud date on the well shall be plugged. In all cases, NOTIFIED 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.

For KCC Use ONLY

API #: 229.65-00-00

Conductor pipe required: N O N

Minimum surface pipe required: 400

Approved: 01/16/90 1000

(This authorization void if drilling not started within 6 months of approval)

Spar date:

Agent:

Mail to: KCC - Conservation Division, 130 S. Maize - Room 207B, Wichita, Kansas 67202

Remember:

- File Drill Pit Application (form CDP-1) with Intent to Drill;
- File Completion Form ADD-1 within 120 days of spud date;
- File spoolage attribution plot including to field isolation 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. Maize - Room 207B, Wichita, Kansas 67202
IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW:

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 oil wells and within 1/2 mile of the boundaries of the proposed acreage attribution unit for gas wells.

API No. 15:  
Operator: VAL Energy Inc.  
Lease: Comm  
Well number: 1-31  
Field: Koches

Location of Well: County: Barber  
Sec: 31  
Twp: 33S  
R. 12W

\( \frac{495}{6} \) feet from N. Line of Section  
\( \frac{12W}{6} \) feet from W. Line of Section

\( \frac{7}{6} \) Regular or \( \frac{7}{6} \) Irregular

If Section is irregular, locate well from nearest corner boundary.  
Section corner used: \( \frac{7}{6} \) NE \( \frac{7}{6} \) NW \( \frac{7}{6} \) SE \( \frac{7}{6} \) SW

**PLAT**

(Show location of the well and shade acres attributable to prorated or spaced wells.)  
(Show footage to the nearest lease or unit boundary line.)

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 deplotted plat by identifying section lines, i.e., section 1 with 8 surrounding sections.
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. (CO-7 for oil wells; CO-8 for gas wells.)
December 29, 2005

Mr. K. Todd Allam
Val Energy, Inc.
200 W. Douglas #520
Wichita, KS 67202

Re: Drilling Pits Application
Cammi Lease Well No. 1-31
SE/4 Sec. 31-33S-10W
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 chilled 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 (820) 225-8838 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: Steve Durrant
File

KANSAS CORPORATION COMMISSION
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BRIAN J. HOLME, CHAIR
ROBERT E. BRENNEL, COMMISSIONER
MICHAEL C. MAYS, COMMISSIONER