KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION
NOTICE OF INTENT TO DRILL
Must be approved by KCC five (5) days prior to commencing well

For KCC Use Only:
AP # 47 - 29978.90.00

Spud date: Agent: __________
Authorized Apr 15 - __________
Minimum surface area required: __________

For KCC Use ONLY
AP # 15 - 0077 - 29977.90.00
Conductor pipe required: __________
Minimum surface area required: __________
Approval by Operator: __________
This authorization expires: __________
(The authorization void if drilling not started within 6 months of approval date.)

CONSERVATION DIVISION
Received: 9:15 29977.90.00
Jan 25 2006

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

Remember to:
- File Drill Pit Application (form CDP-4) with Intent to Drill;
- File Completion Form ACO-1 within 120 days of spud date;
- File assurance plan according to field protection orders;
- Notify appropriate district office 48 hours prior to vanishing 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 Has Drilled - Permit Expires

Signature of Operator or Agent: ______________________
Title: President

For KCC Use:
AP # 15 - 0077 - 29977.90.00

Minimum surface area required: __________
Approved by Operator: __________
This authorization expires: __________
(The authorization void if drilling not started within 6 months of approval date.)

For KCC Use Only:
AP # 47 - 29978.90.00

Minimum surface area required: __________
Approved by Operator: __________
This authorization expires: __________
(The authorization void if drilling not started within 6 months of approval date.)
IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW.

Plot 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 1/2 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
Operator: VAL Energy Inc.
Lease: Circle
Well Number: 1-32
Field: Kocich

Number of Acres attributable to well: 3 QTR / QTR / QTR of acreage: S\NE\W\NW\SW

Location of Well:
County: Barber
2145 feet from N / W Line of Section
2 330' feet from S / W Line of Section
Sec. 32 Twp. 33S R. 10W
Is Section: Yes Regular or No Irregular
In Section: Yes Regular or No Irregular
If Section is Irregular, locate well from nearest corner boundary. Section corner used: Yes NE No NW Yes SE No 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.)

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 / norm 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 plath must be attached (GC-7 for oil wells; GC-6 for gas wells).
January 25, 2006

Mr. K. Todd Alam
Val Energy, Inc.
200 W. Douglas Ste 520
Wichita, KS 67202

Re: Drilling Pit Application
Circle Lease Well No. 1-32
SW/4 Sec. 32-33S-10W
Baker County, Kansas

Dear Mr. Alam:

District staff has inspected the location and has determined that an unsealed condition will present a pollution threat to water resources.

District staff has instructed that no earthen posts are to be used at the location. Steel pits are to be used. Please inform the Commission in writing as to which disposal well you will utilize to dispose of the contents in the steel pits and the amount of fluid that will be disposed. If a haul-off pit is necessary please file, form CDP-1, Application for Surface Pit. This location will have to be inspected prior to approval of the haul-off pit application.

If fluids are taken to an authorized disposal well, please call the District Office at (620) 225-8888. Please file form CDP-5, 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.

Sincerely,

Kathy Haynes
Environmental Protection and Remediation Department
Cc: S Durant