For KCC Use:

Effective D	Date:
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District	#	
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## KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

Form C-1 October 2007 Form must be Typed Form must be Signed

All blanks must be Filled

1033463

## NOTICE OF INTENT TO DRILL

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

Expected Spud Date:	Spot Description:
month day year	
OPERATOR: License#	
Name:	feet from E / W Line of Section
Address 1:	Is SECTION: Regular Irregular?
Address 2:	(Note: Locate well on the Section Plat on reverse side)
City: State: Zip: +	County:
Contact Person:	Lease Name: Well #:
Phone:	Field Name:
CONTRACTOR: License#	Is this a Prorated / Spaced Field?
Name:	Target Formation(s):
Well Drilled For:     Well Class:     Type Equipment:       Oil     Enh Rec     Infield     Mud Rotary	Nearest Lease or unit boundary line (in footage):feet MSL
Gas Storage Pool Ext. Air Rotary Disposal Wildcat Cable	Water well within one-quarter mile:       Yes       No         Public water supply well within one mile:       Yes       No         Depth to bottom of fresh water:
Seismic ; # of Holes Other	Depth to bottom of usable water:
Other:	Surface Pipe by Alternate:
If OWWO: old well information as follows:	
	Length of Surface Pipe Planned to be set:
Operator:	Length of Conductor Pipe (if any):
Well Name:	Projected Total Depth:
Original Completion Date: Original Total Depth:	Formation at Total Depth:
Directional, Deviated or Horizontal wellbore? Yes No	Water Source for Drilling Operations:         Well         Farm Pond         Other:
Bottom Hole Location:	DWR Permit #:
	( <b>Note:</b> Apply for Permit with DWR )
KCC DKT #:	Will Cores be taken?
	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 et. seq. It is agreed that the following minimum requirements will be met:

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.

## Submitted Electronically

	Remember to:
For KCC Use ONLY	<ul> <li>File Drill Pit Application (form CDP-1) with Intent to Drill;</li> </ul>
API # 15	- File Completion Form ACO-1 within 120 days of spud date;
Conductor pipe required feet	<ul> <li>File acreage attribution plat according to field proration orders;</li> <li>Notify appropriate district office 48 hours prior to workover or re-entry;</li> </ul>
Minimum surface pipe required feet per ALT. I II	- Submit plugging report (CP-4) after plugging is completed (within 60 days);
Approved by:	- Obtain written approval before disposing or injecting salt water.
This authorization expires:         (This authorization void if drilling not started within 12 months of approval date.)	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:
Spud date: Agent:	Signature of Operator or Agent:



1033463

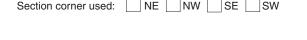
## IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

Side Two

Plat of acreage attributable to a well in a prorated or spaced field

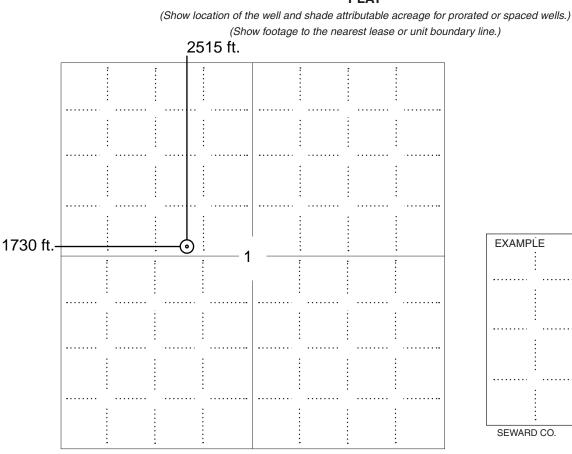
If the intended well is in a prorated or spaced field, please fully complete this side of the form. If the intended well is in a prorated or spaced field complete the plat below showing that the well will be properly located in relationship to other wells producing from the common source of supply. Please 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 gas 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 gas 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 gas 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 gas 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 gas 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 gas 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 gas 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 gas wells and within 1/2 mile of the boundaries of the proposed acreage attribution unit for gas wells and wells at the proposed acreage attribution unit for gas wells at the proposed acreage attribution unit for gas wells at the proposed acrea

API No. 15			
Operator:	Location of Well: County:		
Lease:	feet from N / S Line of Section		
Well Number:	feet from E / W Line of Section		
Field:	Sec Twp S. R E W		
Number of Acres attributable to well: QTR/QTR/QTR/QTR of acreage:	Is Section: Regular or Irregular		
	If Section is Irregular, locate well from nearest corner boundary.		



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3390



#### PLAT

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: (C0-7 for oil wells; CG-8 for gas wells).

KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

1033463

Form CDP-1 April 2004 Form must be Typed

## **APPLICATION FOR SURFACE PIT**

Submit in Duplicate

Operator Name:		-	License Number:	
Operator Address:		I	Ι	
Contact Person:		Phone Number:		
Lease Name & Well No.:			Pit Location (QQQQ):	
Type of Pit:	Pit is:		- 	
Emergency Pit Burn Pit	Proposed	Existing	SecTwpR East West	
Settling Pit Drilling Pit	If Existing, date constructed:		Feet from North / South Line of Sec	ction
Workover Pit Haul-Off Pit (If WP Supply API No. or Year Drilled)	Pit capacity:	(bbls)	Feet from East / West Line of Sec	
Is the pit located in a Sensitive Ground Water	Area? Yes	No	Chloride concentration: m (For Emergency Pits and Settling Pits only)	ng/l
Is the bottom below ground level?	Artificial Liner?	No	How is the pit lined if a plastic liner is not used?	
Pit dimensions (all but working pits):	Length (fe	eet)	Width (feet) N/A: Steel Pits	
Depth fr	om ground level to d	eepest point:	(feet) No Pit	
Distance to nearest water well within one-mile		Source of infor		
feet Depth of water well			uredwell ownerelectric logKDWR	ł
Emergency, Settling and Burn Pits ONLY:			over and Haul-Off Pits ONLY:	
Producing Formation:			al utilized in drilling/workover:	
			procedure:	
Does the slope from the tank battery allow all spilled fluids to		Drill pits must t	Drill pits must be closed within 365 days of spud date.	
Submitted Electronically				
KCC OFFICE USE ONLY Steel Pit RFAC RFAS				
Date Received: Permit Num	ber:	Permi	it Date: Lease Inspection: Yes No	0

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

This instrument was filed for record o day of A.D. 20 o'clock ecorded in Book .M. and du -ee REGI

### FORM 88 - (PRODUCERS SPECIAL)(PAID-UPW/OPT) 63U (Rev. 2004 CRI)

## OIL & GAS LEASE

AGREEMENT, Made and entered into the 22<sup>nd</sup> day of September, 2008, by and between Jeffrey L. Proffitt and Sherla M. Proffitt, husband and wife, whose mailing address is 10002 N. Sterling Rd., Sterling, KS 67579 hereinafter called Lessor (whether one or more), and CAPTIVA II, LLC, 1658 Cole Boulevard, Suite 205, Lakewood, CO 80401, hereinafter called Lessee:

Lessor, in consideration of Ten and more Dollars (\$10.00) in hand paid, receipt of isherebyacknowledged and of the royalties herein provided and of the agreements of the Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, mining and operating for and producing oil, liquid hydrocarbons, all gases and their respective constituent products, injectinggas, water, other fluids and air into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, telephone lines, and other structures and things thereon to produce, save, take care of, treat, manufacture, process, store and transport said oil, liquid hydrocarbons, gases and their respective constituent products and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land, together with any reversionary rights and after-acquired interest, therein situated in County of Reno, State of Kansas described as follows, to-wit:

# TOWNSHIP 22 SOUTH, RANGE 9 WEST OF THE 6<sup>TH</sup> PRINCIPAL MERIDIAN Section <u>1:JSW/4</u>, S/2NW/4

containing 240.00 acres, more or less, and all accretions thereto.

Subject to the provisions herein contained, this lease shall remain in force for a term of Three (3) years from this date (called term"), and as long thereafter as oil, liquid hydrocarbons, gas or other respective constituent products, or any of them, is produced from said land or land with which said land is pooled.

In consideration of the premises the said Lessee covenants and agrees:

- 1st. To deliver to the credit of Lessor, free of cost, in the pipe line to which Lessee may connect wells on said land, the equal one eighth (1/8th) part of all oil produced and saved from the leased premises.
  - 2<sup>nd</sup>. To pay Lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth (1/8th), at the market price at the well, (but, as to gas sold by Lessee, in no event more than one-eighth (1/8th) of the proceeds received by Lessee from such sales), for the gas sold, used off the premises, or in the manufacture of products therefrom, said payments to be made monthly. Where gas from a well producing gas only is not sold or used, Lessee may payor tender as royalty One Dollar (\$1.00) per year per net mineral acre retained hereunder, and if such payment or tender is made it will be considered that gas is being produced within the meaning of the preceding paragraph.

This lease **may** be maintained during the primary term hereof without further payment or drilling operations. If the Lessee shall commence to drill a well within the term of this lease or any extension thereof, the Lessee shall have the right to drill such well to completion with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed within the term of years first mentioned.

If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided for the said Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operations thereon, except water from the wells of Lessor.

When requested by Lessor, Lessee shall bury Lessee's pipe lines below plow depth.

No well shall be drilled nearer than 200 feet to the house or bam now located on said premises without written consent of Lessor.

Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the Lessee until after the Lessee has been furnished with a written transfer or assignment or a true copy thereof. In case Lessee assigns this lease, in whole or in part, Lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described or portions and be relieved of all obligations as to the acreage surrendered.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated in whole or in nor lessee held liable in damages, for failure to comply therewith, if is prevented or if such failure is the result any such Rule or Regulation.

Lessor hereby and agrees to defend the title to the lands herein described, and agrees that the Lesse shall have the right at any time to redeem for Lessor, by paymentany mortgages, taxes or described lands, in the event of default of paymentby Lessor, and be subrogated to the rights of the noder and the undersigned , for themselves and their heirs, and assigns, hereby surrender and releaseall right of dower homestead in the premises described herein, in so far as said right of dower, and homestead may many way affect the purposes for which this lease is made, as recited herein.

Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof withother land, lease or

another and to be into a unit or units not exceeding 40 acress each in the event of an oil well, or into a unit or units not exceeding acress each in the event of a gas shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated an identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the on production from the pooled anit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if productionis hadfrom this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein on production a unit so pooled only, such portion of the royalty stipulated herein as the amount of his in the unit or his royalty interest therein on a acreage bears to the total acreage so pooled in the particular unit involved.

secondary term of this lease, to elect to extend the term of all or any part of said lease for a term of two (2) years by tendering to Lessor hereunder the sum of \$15.00 per net mineralacre owned by Lessor and selected by Lessee. Lessee shall file an Affidavit of Extension in the of RenoCounty, upon its election to exercise the foregoing option.

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IN WIINESS WHEREOF, the undersigned execute this as of the day and year first above written.

Nal ... KAKS TR Sherla M. Proff

STATE OF Kansas \$.

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 2211 day of \_\_\_\_\_\_\_\_.2008. personally appeared

Jeffiely L. Proffitt and Sherla M. Proffitt, husband and wife

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 Notary Public - State of Kansas My Appt. Expires 2/21/26/ the state of the s

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AENO COUNTY



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

December 09, 2009

Chris Gottschalk Shelby Resources LLC 2717 Canal Blvd Suite C Hays, KS 67601

Re: Drilling Pit Application Proffitt 1-1 NW/4 Sec.01-22S-09W Reno County, Kansas

Dear Chris Gottschalk:

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

District staff has recommended that the reserve pit be lined with bentonite or native clay, constructed <u>without slots</u>, 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 within 72 hours after drilling operations have ceased.

## If production casing is set all completion fluids shall be removed from the working pits daily. <u>NO</u> 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 (316) 630-4000 when the fluids have been removed. Please file form CDP-5 (August 2008), Exploration and Production Waste Transfer, through SOLAR within 30 days of fluid removal.

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 District Office at (316) 630-4000.