

For KCC Use:

Effective Date:

District #

SGA? Yes No

7-3-05

2

KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

NOTICE OF INTENT TO DRILL

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

Form C-1

December 2002

Form must be Typed

Form must be Signed

All blanks must be Filled

Expected Spud Date June 28 2005

OPERATOR: License# 32924 Name: Gilbert-Stewart Operating LLC Address: 1801 Broadway Suite 450 City/State/Zip: Denver, CO 80202 Contact Person: Kent L. Gilbert Phone: 303-534-1686

CONTRACTOR: License# 5142 Name: Sterling Drilling

Well Drilled For: Oil, Gas, OWWO, Seismic, Other. Well Class: Infield, Pool Ext, Wildcat, Other. Type Equipment: Mud Rotary, Air Rotary, Cable.

If OWWO: old well information as follows: Operator, Well Name, Original Completion Date, Original Total Depth.

Directional, Deviated or Horizontal well? If Yes, true vertical depth: Bottom Hole Location: KCC DKT #: JUN 22 2005

Spot NE SW NW Sec. 17 Twp. 20 S. R. 10. 1700' feet from N / S Line of Section. 970' feet from E / W Line of Section. Is SECTION Regular Irregular?

(Note: Locate well on the Section Plat on reverse side) County: Rice Lease Name: Big Red Well #: 2 Field Name: Chase Silica Is this a Prorated / Spaced Field? Target Formation(s): Arbuckle Nearest Lease or unit boundary: 380' Ground Surface Elevation: 1790' feet MSL Water well within one-quarter mile: Public water supply well within one mile: Depth to bottom of fresh water: 150' Depth to bottom of usable water: 240' - Permian Surface Pipe by Alternate: 1 2 Length of Surface Pipe Planned to be set: 300' Length of Conductor Pipe required: NONE Projected Total Depth: 3400' Formation at Total Depth: Arbuckle Water Source for Drilling Operations: Well Farm Pond Other Possible Haul DWR Permit #: Will Cores be taken? If Yes, proposed zone:

CONSERVATION DIVISION WICHITA, KS

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;
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.

I hereby certify that the statements made herein are true and to the best of my knowledge and belief.

Date: 6-21-05 Signature of Operator or Agent: Kent L. Gilbert Title: Manager

For KCC Use ONLY API # 15- 159-22466-00-00 Conductor pipe required NONE feet Minimum surface pipe required 260 feet per Alt. 1 Approved by: RJP 6-28-05 This authorization expires: 12-28-05 Spud date: Agent:

- 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 proration 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.

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

17 20 10W

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 - _____
 Operator: Gilbert-Stewart Operating LLC
 Lease: Big Red
 Well Number: 2
 Field: Chase Silica

Location of Well: County: Rice
 1700' _____ feet from N / S Line of Section
 970' _____ feet from E / W Line of Section
 Sec. 17 Twp. 20 S. R. 10 East West

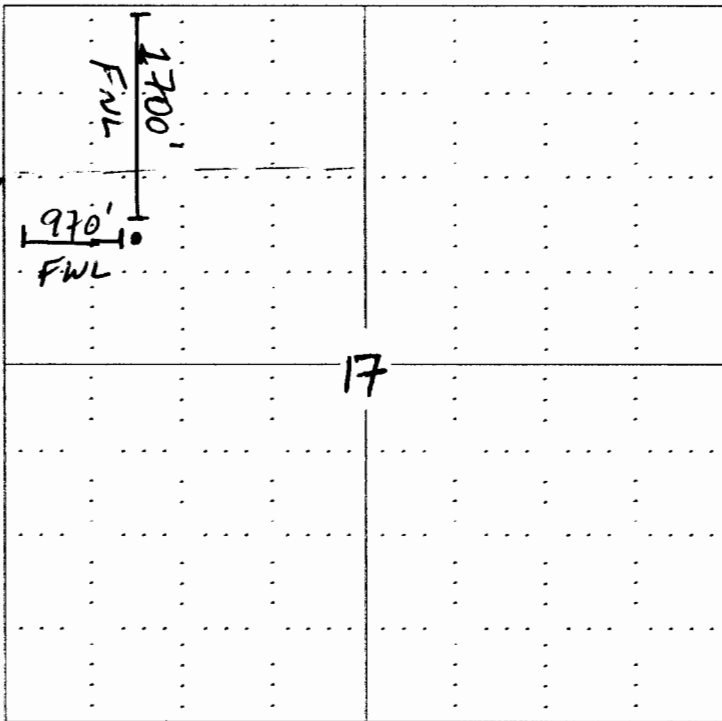
Number of Acres attributable to well: _____
 QTR / QTR / QTR of acreage: NE - SW - NW

Is Section: Regular or Irregular

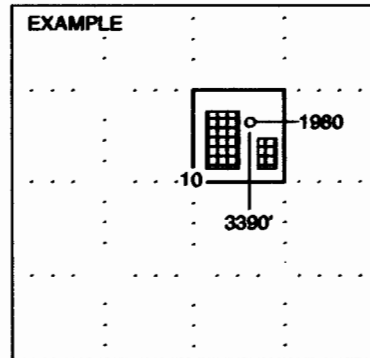
If Section is Irregular, locate well from nearest corner boundary.
 Section corner used: NE NW SE SW

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.)*



RECEIVED
 KANSAS CORPORATION COMMISSION
 JUN 22 2005
 CONSERVATION DIVISION
 WICHITA KS



SEWARD CO.

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

KANSAS

CORPORATION COMMISSION

KATHLEEN SEBELIUS, GOVERNOR

BRIAN J. MOLINE, CHAIR

ROBERT E. KREHBIEL, COMMISSIONER

MICHAEL C. MOFFET, COMMISSIONER

June 27, 2005

Mr. Kent L. Gilbert
Gilbert-Stewart Operating, LLC
1801 Broadway Ste 450
Denver, CO 80202

Re: Drilling Pit Application
Big Red Lease Well No. 2
NW/4 Sec. 17-20S-10W
Rice County, Kansas

Dear Mr. Gilbert:

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 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.

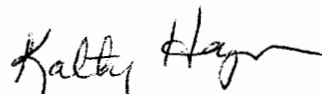
If production casing is set all completion fluids shall be removed on a daily basis.

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. Also, please file the enclosed CDP-5, Surface Pond Waste Transfer, 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 undersigned at the above address.

Sincerely,



Kathy Haynes
Environmental Protection and Remediation Department

cc: Doug Louis



Conservation Division, Finney State Office Building, 130 S. Market, Room 2078, Wichita, KS 67202-3802

Voice 316.337.6200 Fax 316.337.6211 www.kcc.state.ks.us