

For KCC Use: 2-8 05
 Effective Date: 4
 District # _____
 SGA? Yes No

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

Form C-1
 December 2002
Form must be Typed
Form must be Signed
All blanks must be Filled

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

Expected Spud Date FEBRUARY 15, 2006
 month day year
 Spot S/2 SW SW SW/4 Sec. 19 Twp. 20 S. R. 11 East West

OPERATOR: License# 31725 ✓
 Name: SHELBY RESOURCES, LLC
 Address: 5893 SADDLE CREEK TRAIL
 City/State/Zip: PARKER, COLORADO 80134
 Contact Person: BRIAN KARLIN
 Phone: 785-623-3290

150' _____ feet from N / S Line of Section
 450' _____ feet from E / W Line of Section
 Is SECTION Regular Irregular?

CONTRACTOR: License# 5142 ✓
 Name: STERLING DRILLING COMPANY

(Note: Locate well on the Section Plat on reverse side)
 County: BARTON
 Lease Name: RUGAN - SOEKEN Well #: 1-19
 Field Name: CHASE - SILICA

Well Drilled For: Oil Enh Rec Infield Mud Rotary
 Gas Storage Pool Ext. Air Rotary
 OWWO Disposal Wildcat Cable
 Seismic; _____ # of Holes Other _____
 Other _____

Is this a Prorated / Spaced Field? Yes No
 Target Formation(s): ARBUCKLE
 Nearest Lease or unit boundary: 150'

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

Ground Surface Elevation: 1804 feet MSL
 Water well within one-quarter mile: Yes No
 Public water supply well within one mile: Yes No

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

Depth to bottom of fresh water: 150'
 Depth to bottom of usable water: 230'
 Surface Pipe by Alternate: 1 2
 Length of Surface Pipe Planned to be set: +/- 500'
 Length of Conductor Pipe required: NONE
 Projected Total Depth: 3400'

*UNIT INFO ATT.

Formation at Total Depth: ARBUCKLE
 Water Source for Drilling Operations: Well Farm Pond Other _____

DWR Permit #: CONTRACTOR APPLYING FOR PERMIT
 (Note: Apply for Permit with DWR)
 Will Cores be taken? Yes 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 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.

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

Date: 01-31-2006 Signature of Operator or Agent: Brian Karlin Title: OPERATIONS MANAGER

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For KCC Use ONLY
 API # 15 - 009-24904-0000
 Conductor pipe required NONE feet
 Minimum surface pipe required 250 feet per Alt. 1
 Approved by: RJP 2-3-06
 This authorization expires: 8-3-06
 (This authorization void if drilling not started within 6 months of approval date.)
 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.
- 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. Market - Room 2078, Wichita, Kansas 67202

19
20
11W

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

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

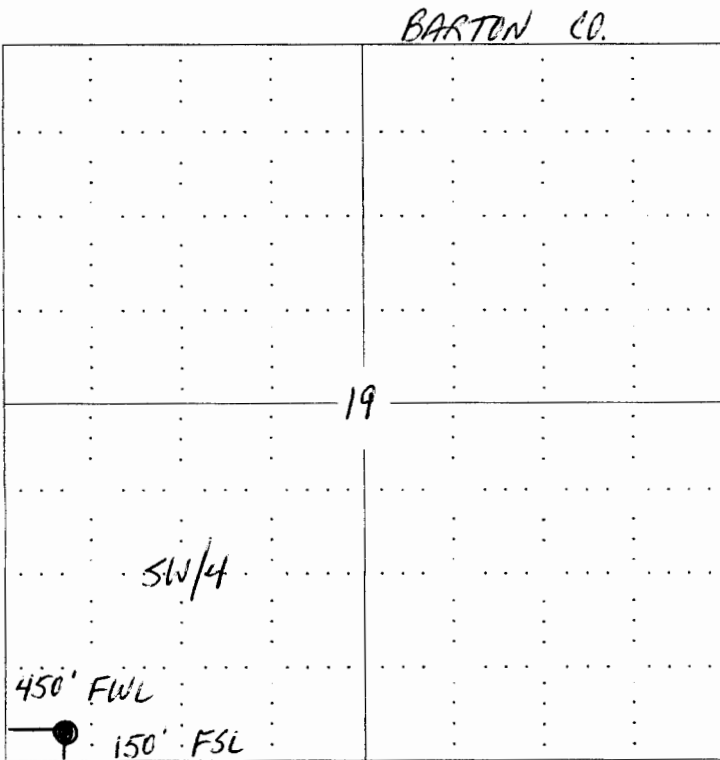
If the intended well is in a prorated or spaced field, please fully complete this side of the form. If the intended well is in a prorated or spaced field complete the plat below showing that the well will be properly located in relationship to other wells producing from the common source of supply. Please 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: SHELBY RESOURCES, LLC
 Lease: RUGAN - SOEKEN
 Well Number: 1-19
 Field: CHASE - SILICA
 Number of Acres attributable to well: _____
 QTR / QTR / QTR of acreage: _____ - _____ - _____ SW/4

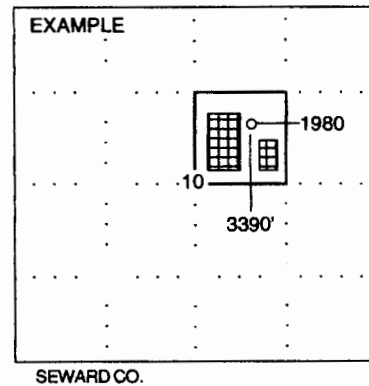
Location of Well: County: BARTON
 150' _____ feet from N / S Line of Section
 450' _____ feet from E / W Line of Section
 Sec. 19 Twp. 20 S. R. 11 East West
 Is Section: Regular or Irregular
If Section is Irregular, locate well from nearest corner boundary.
 Section corner used: NE NW SE SW

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.)*



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 FEB 02 2006
 KCC WICHITA**



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: (C0-7 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

February 3, 2006

Mr. Brian Karlin
Shelby Resources, LLC
5893 Saddle Creek Trail
Parker, CO 80134

RE: Drilling Pit Application
Rugan-Soeken Lease Well No. 1-19
SW/4 Sec. 19-20S-11W
Barton County, Kansas

Dear Mr. Karlin:

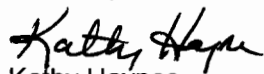
District staff has inspected the above referenced location and has determined that the reserve pit shall be constructed **without slots**, the bottom shall be flat and reasonably level, and **if sand is encountered during the construction of the reserve pit or working pits line the pits with clay and contact the District Office at (785) 625-0550**. The 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 as soon as practical after drilling operations have ceased. **Please keep all pits away from any draws.**

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 (785) 625-0550 when the fluids have been removed. 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.

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: H Deines