

For KCC Use:
 Effective Date: 5-9-06
 District # 1
 SGA? Yes No

KANSAS CORPORATION COMMISSION
 OIL & GAS CONSERVATION DIVISION

Form C-1

December 2002

Form must be Typed

Form must be Signed

All blanks must be Filled

NOTICE OF INTENT TO DRILL

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

Expected Spud Date May 10, 2006
 month day year

OPERATOR: License# 31725
 Name: Shelby Resources, LLC
 Address: P.O. Box 1213
Hays, Kansas 67601
 City/State/Zip:
 Contact Person: Brian Karlin
 Phone: 785-623-3290

CONTRACTOR: License# 5142
 Name: Sterling Drilling Company

Well Drilled For:	Well Class:	Type Equipment:
<input checked="" type="checkbox"/> Oil	<input type="checkbox"/> Enh Rec	<input type="checkbox"/> Infield
<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Storage	<input checked="" type="checkbox"/> Pool Ext.
<input type="checkbox"/> OMMO	<input type="checkbox"/> Disposal	<input type="checkbox"/> Wildcat
<input type="checkbox"/> Seismic; # of Holes	<input type="checkbox"/> Other	<input type="checkbox"/> Cable
<input type="checkbox"/> Other		

If OWWO: old well information as follows:
 Operator: _____
 Well Name: _____
 Original Completion Date: _____ Original Total Depth: _____
 Directional, Deviated or Horizontal wellbore? Yes No
 If Yes, true vertical depth: _____
 Bottom Hole Location: _____
 KCC DKT #: _____

Spot 185' N & 290' E of
 NW SW NE Sec. 7 Twp. 31 S. R. 14
1465' feet from N / S Line of Section
2020' feet from E / W Line of Section
 Is SECTION Regular Irregular?

(Note: Locate well on the Section Plat on reverse side)
 County: Barber
 Lease Name: Thunderbird Ranch Well #: 2-7
 Field Name: Skinner

Is this a Prorated / Spaced Field? Yes No
 Target Formation(s): Arbuckle
 Nearest Lease or unit boundary: 1465'
 Ground Surface Elevation: 1648 feet MSL
 Water well within one-quarter mile: Yes No
 Public water supply well within one mile: Yes No
 Depth to bottom of fresh water: 150'
 Depth to bottom of usable water: 180'

Surface Pipe by Alternate: 1 2
 Length of Surface Pipe Planned to be set: 225'
 Length of Conductor Pipe required: Possible
 Projected Total Depth: 4650'
 Formation at Total Depth: Arbuckle
 Water Source for Drilling Operations:
 Well Farm Pond Other Medicine Lodge River
 DWR Permit #: Contractor to apply 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. **RECEIVED MAY 03 2006**

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: 5-02-2006 Signature of Operator or Agent: Brian Karlin Title: Operations Manager

For KCC Use ONLY
 API # 15 - 007-23021-0000
 Conductor pipe required None feet
 Minimum surface pipe required 200 feet per Alt. **1**
 Approved by: RH 5-4-06
 This authorization expires: 11-4-06
 (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

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31
MW

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 - 007-23021-0000
 Operator: Shelby Resources, LLC
 Lease: Thunderbird Ranch
 Well Number: 2-7
 Field: Skinner

Location of Well: County: Barber
 1465' feet from N / S Line of Section
 2020' feet from E / W Line of Section
 Sec. 7 Twp. 31 S. R. 14 East West

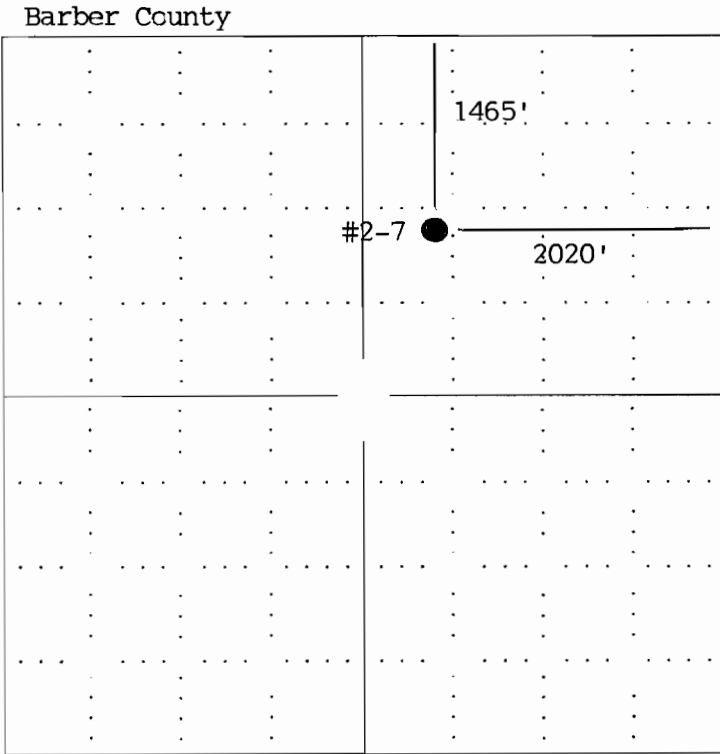
Number of Acres attributable to well: _____
 QTR / QTR / QTR of acreage: NW - SW - NE
 185' N & 290' E of

Is Section: Regular or Irregular

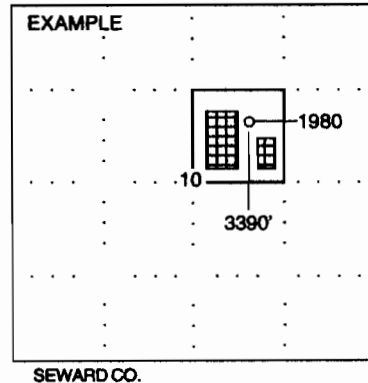
If Section is Irregular, locate well from nearest corner boundary.
 Section corner used: NE NW SE SW

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
 MAY 13 2005
 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: (CO-7 for oil wells; CG-8 for gas wells).

**KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION
APPLICATION FOR SURFACE PIT**

Form CDP-1
April 2004
Form must be Typed

Submit in Duplicate

Operator Name: Shelby Resources, LLC		License Number: 31725
Operator Address: P.O. Box 1213, Hays, Kansas 67601		
Contact Person: Brian Karlin		Phone Number: (785) 623 - 3290
Lease Name & Well No.: Thunderbird Ranch #2-7		Pit Location (QQQQ): 185' N & 290' E of _____ NW _____ SW _____ NE
Type of Pit: <input type="checkbox"/> Emergency Pit <input type="checkbox"/> Burn Pit <input type="checkbox"/> Settling Pit <input checked="" type="checkbox"/> Drilling Pit <input type="checkbox"/> Workover Pit <input type="checkbox"/> Haul-Off Pit <small>(If WP Supply API No. or Year Drilled)</small>	Pit is: <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: 1000 (bbls)	Sec. 7 Twp. 31 R. 14 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 1465' Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section 2020' Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section Barber County
Is the pit located in a Sensitive Ground Water Area? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Chloride concentration: _____ mg/l <small>(For Emergency Pits and Settling Pits only)</small>
Is the bottom below ground level? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Artificial Liner? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	How is the pit lined if a plastic liner is not used?
Pit dimensions (all but working pits): 80' Length (feet) 30' Width (feet) Yes N/A: Steel Pits Depth from ground level to deepest point: 3' (feet)		
If the pit is lined give a brief description of the liner material, thickness and installation procedure. Black 40' x 100' 6 mil plastic liner will be used.		Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring. The pit will be emptied daily to a haul off pit. <div style="text-align: right;">RECEIVED MAY 03 2006 KCC WICHITA</div>
Distance to nearest water well within one-mile of pit 1824 None _____ feet Depth of water well NA 42 feet	Depth to shallowest fresh water 25' 24 feet. Source of information: KMK60 _____ measured _____ well owner _____ electric log <input checked="" type="checkbox"/> KDWR	
Emergency, Settling and Burn Pits ONLY: Producing Formation: _____ Number of producing wells on lease: _____ Barrels of fluid produced daily: _____ Does the slope from the tank battery allow all spilled fluids to flow into the pit? <input type="checkbox"/> Yes <input type="checkbox"/> No	Drilling, Workover and Haul-Off Pits ONLY: Type of material utilized in drilling/workover: Chemical drilling mud. Number of working pits to be utilized: One Abandonment procedure: Haul off excess fluid. Allow the remainder to evaporate, and then refill with excavated dirt. Drill pits must be closed within 365 days of spud date.	
I hereby certify that the above statements are true and correct to the best of my knowledge and belief. 5-02-2006 _____ Date Signature of Applicant or Agent		
KCC OFFICE USE ONLY		
Date Received: 5/3/06 Permit Number: _____ Permit Date: 5/4/06 Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Steel Pits	

15-007-23021-0000

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

KANSAS

CORPORATION COMMISSION

KATHLEEN SEBELIUS, GOVERNOR
BRIAN J. MOLINE, CHAIR
ROBERT E. KREHBIEL, COMMISSIONER
MICHAEL C. MOFFET, COMMISSIONER

May 4, 2006

Mr. Brian Karlin
Shelby Resources, LLC
PO Box 1213
Hays, KS 67601

Re: Drilling Pit Application
Thunderbird Ranch Lease Well No. 2-7
NE/4 Sec. 07-31S-14W
Barber County, Kansas

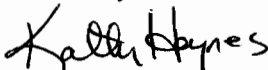
Dear Mr. Karlin:

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 pits 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 Durrant