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AUG 14 2006

KCC WICHITA

Form C-1
December 2002

For KCC Use:
Effective Date: 10-3-06
District # 2
SGA? Yes No

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 must be Typed
Form must be Signed
All blanks must be Filled

Expected Spud Date SEPTEMBER 8 2006
month day year

OPERATOR: License# 33513 ✓
Name: Five Star Energy Inc.
Address: 215 E. 14th
City/State/Zip: Harper, KS. 67058
Contact Person: Howard Short President
Phone: 620-896-2710

CONTRACTOR: License# 5123 ✓
Name: PICKRELL DRILLING CO. INC.

Well Drilled For: Oil Enh Rec Gas OWWO Seismic; # of Holes 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 wellbore? Yes No
If Yes, true vertical depth: _____
Bottom Hole Location: _____
KCC DKT #: _____

Spot NW-SE-SE East
SE NW SW West
Sec. 34 Twp. 30S S. R. 7W
950 feet from N / S Line of Section
1200 feet from E / W Line of Section
Is SECTION Regular Irregular?

(Note: Locate well on the Section Plat on reverse side)
County: Kingman
Lease Name: SMITH Well #: 3
Field Name: Ruth NE Ext
Is this a Prorated / Spaced Field? Yes No
Target Formation(s): Simpson
Nearest Lease or unit boundary: 950
Ground Surface Elevation: 1583 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: 250
Length of Conductor Pipe required: NONE
Projected Total Depth: 4750
Formation at Total Depth: Simpson
Water Source for Drilling Operations:
 Well Farm Pond Other WELL & HAUL IF NEEDED
DWR 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: 8/11/06 Signature of Operator or Agent: Howard Short Title: PRES.

For KCC Use ONLY
API # 15 - 095-22059-000
Conductor pipe required None feet
Minimum surface pipe required 200 feet per Alt. 000
Approved by: RH 9-28-06
This authorization expires: 3-28-07
(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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KCC WICHITA

34
30
7W

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 - 095-22059-000
 Operator: Five Star Energy Inc.
 Lease: SMITH
 Well Number: 3
 Field: Ruth NE Ext
 Number of Acres attributable to well: _____
 QTR / QTR / QTR of acreage: SE - NW - SW

Location of Well: County: Kingman
950 feet from N / S Line of Section
1200 feet from E / W Line of Section
 Sec. 34 Twp. 30S S. R. 7W East West

Is Section: Regular or Irregular

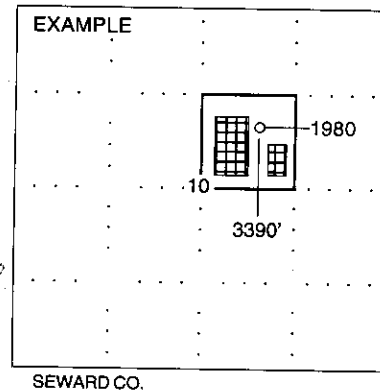
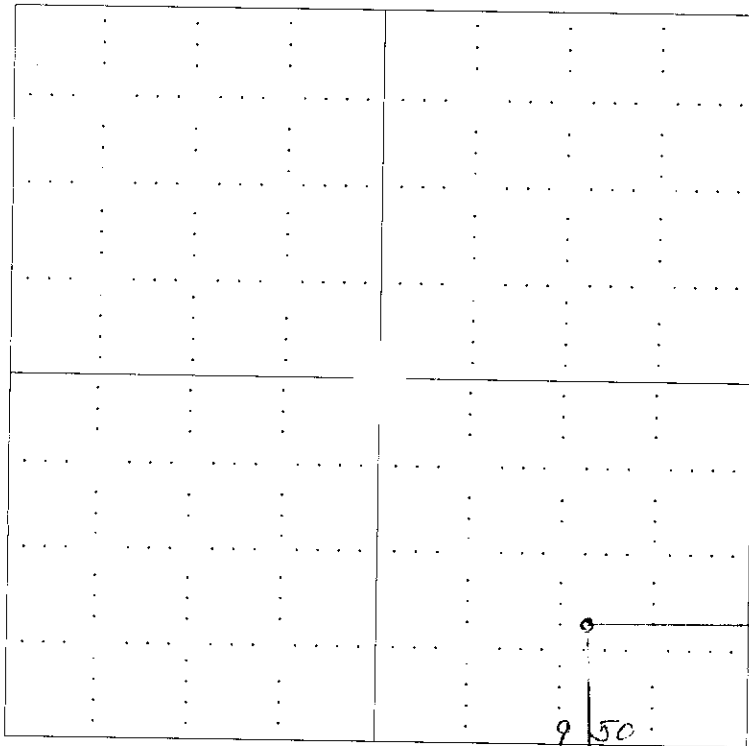
If Section is Irregular, locate well from nearest corner boundary.

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.)



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).

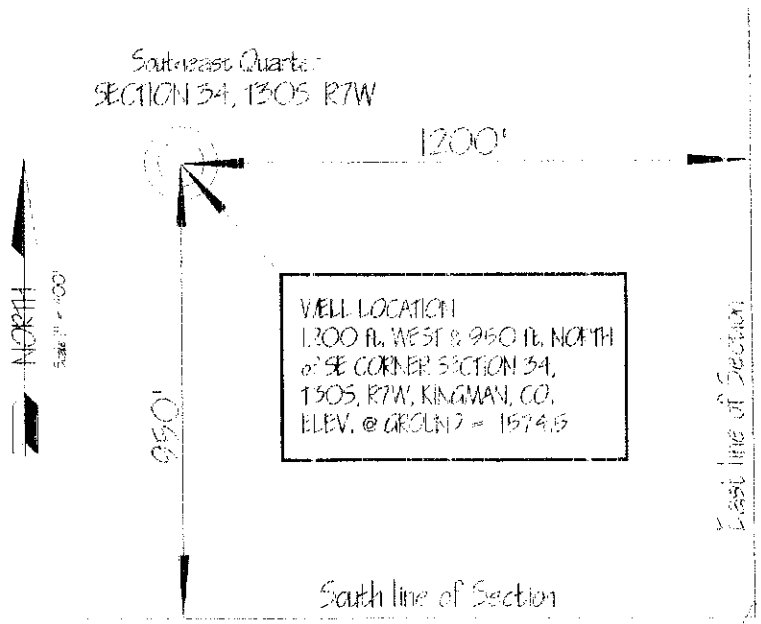
15-095-2205-560-5/

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KCC WICHITA

WELL LOCATION IS 1200 FEET WEST OF THE EAST LINE AND 950 NORTH OF THE SOUTH LINE OF THE SOUTHEAST QUARTER OF SECTION 34, TOWNSHIP 30 SOUTH, RANGE 7 WEST, OF THE 6TH P.M. IN KINGMAN COUNTY, KANSAS.



NOTE:

The controlling data is based upon the best maps and photographs available to us. The controlling data used was the East and South line of the Section. A Survey in the Southeast corner of the Southeast Quarter was located and used.

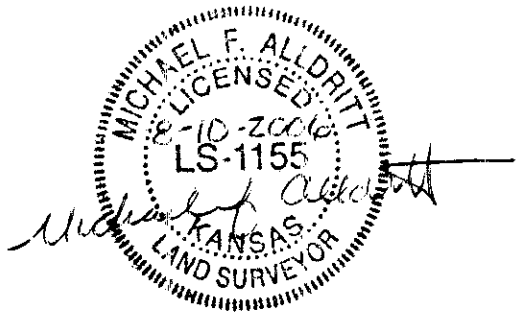
All the section corners which establish the precise section lines were not necessarily located, and the exact location of the drillsite location in the section is not guaranteed.

Elevations were based on USGS Benchmark "7309" Elevation = 582.74 (feet) Adjusted NAVD 88

Due-South Professional Land Surveying, Inc.
 Michael F. Alldritt, Registered Land Surveyor
 17276 SW 25th Ave. Harper, Kansas 67058
 620.532.3056 or 620.532.6684
 Date of Field Work: August 9th, 2006
 Well Stake: August 9th, 2006

Southeast Corner
Sec. 34, 30S, R7W
Found 5/8" Rebar

Legend
 (M) Measured Distance
 (R) Recorded Distance
 (C) Calculated Distance
 Δ Found Section Corner

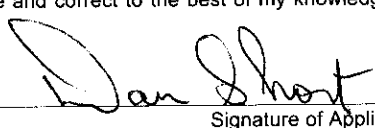


RECEIVED
AUG 16 2006
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KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION
APPLICATION FOR SURFACE PIT

Form CDP-1
April 2004
Form must be Typed

Submit in Duplicate

Operator Name: FIVE STAR ENERGY INC.		License Number: 33513
Operator Address: 215 E. 14th Harper KS. 67058		
Contact Person: Howard Short President		Phone Number: (620) 896 2710
Lease Name & Well No.: Smith 3-34		Pit Location (QQQQ): NW SE SE SE NW SW
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: 800 (bbls)	Sec. 34S Twp. 30S R. 7W <input type="checkbox"/> East <input checked="" type="checkbox"/> West 950 Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section 1200 Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section Kingman 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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No	How is the pit lined if a plastic liner is not used? CLAY BOTTOM/FRESH DRILLING MUD
Pit dimensions (all but working pits): <u>100</u> Length (feet) <u>100</u> Width (feet) N/A: Steel Pits Depth from ground level to deepest point: <u>4</u> (feet)		
If the pit is lined give a brief description of the liner material, thickness and installation procedure.		Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring.
Distance to nearest water well within one-mile of pit <u>1400</u> feet Depth of water well <u>80</u> feet		Depth to shallowest fresh water <u>40</u> feet. Source of information: _____ measured <input checked="" type="checkbox"/> well owner _____ electric log _____ 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: <u>FRESH MUD</u> Number of working pits to be utilized: <u>ONE</u> Abandonment procedure: <u>PULL FREE FLUIDS, LET DRY COVER WITHIN 360 DAYS</u> 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.		
<u>8/15/06</u> Date		 Signature of Applicant or Agent

15-095-22059-0000

KCC OFFICE USE ONLY		<i>RFASTY2HAJ</i>
Date Received: <u>8/16/06</u>	Permit Number: _____	Permit Date: <u>9/28/06</u> Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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

September 28, 2006

Mr. Howard Short
Five Star Energy, Inc.
215 E. 14th
Harper, KS 67058

Re: Drilling Pit Application
Smith Lease Well No. 3
SW/4 Sec. 34-30S-07W
Kingman County, Kansas

Dear Mr. Short:

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 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 (316) 630-4000 when the fluids have been removed. Please file form CDP-5 (August 2004), 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: File