

For KCC Use:
 Effective Date: 5-26-07
 District #: _____
 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 23, 2007
 month day year

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

RECEIVED

MAY 17 2007

CONTRACTOR: License# 5142
 Name: Sterling Drilling Company

CONSERVATION DIVISION
 WICHITA, KS

Well Drilled For:	Well Class:	Type Equipment:
<input checked="" type="checkbox"/> Oil	<input type="checkbox"/> Enh Rec	<input checked="" type="checkbox"/> Mud Rotary
<input type="checkbox"/> Gas	<input type="checkbox"/> Storage	<input type="checkbox"/> Air Rotary
<input type="checkbox"/> OWWO	<input type="checkbox"/> Disposal	<input type="checkbox"/> Cable
<input type="checkbox"/> Seismic; # of Holes	<input type="checkbox"/> Wildcat	
<input type="checkbox"/> Other	<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 app. N/2 SE/4 Sec. 35 Twp. 27 S. R. 12
 1879' feet from N / S Line of Section
 1350' feet from E / W Line of Section
 Is SECTION Regular Irregular?

(Note: Locate well on the Section Plat on reverse side)

County: Pratt
 Lease Name: Schmisser Farms Well #: 1-35
 Field Name: Barnes Southwest

Is this a Prorated / Spaced Field? Yes No

Target Formation(s): Arbuckle
 Nearest Lease or unit boundary: 1091' FNL

Ground Surface Elevation: 1760 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: 70'

Depth to bottom of usable water: 140'

Surface Pipe by Alternate: 1 2

Length of Surface Pipe Planned to be set: 850' (pending)

Length of Conductor Pipe required: 220'

Projected Total Depth: 4500'

Formation at Total Depth: Arbuckle

Water Source for Drilling Operations:

Well Farm Pond Other _____

DWR Permit #: _____

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: 5-15-2007 Signature of Operator or Agent: Brian Karlin Title: Operations Manager

For KCC Use ONLY
 API # 15 - 151-22271-00-00
 Conductor pipe required None feet
 Minimum surface pipe required 200 feet per Alt. 1
 Approved by: WTHM 5-21-07
 This authorization expires: 11-21-07
 (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

35
27
12W

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 - 151-22271-00-00
 Operator: Shelby Resources, LLC
 Lease: Schmisser Farms
 Well Number: 1-35
 Field: Barnes Southwest

Number of Acres attributable to well: _____
 QTR / QTR / QTR of acreage: app. - N/2 - SE4

Location of Well: County: Pratt
 1879' _____ feet from N / S Line of Section
 1350' _____ feet from E / W Line of Section
 Sec. 35 Twp. 27 S. R. 12 East West

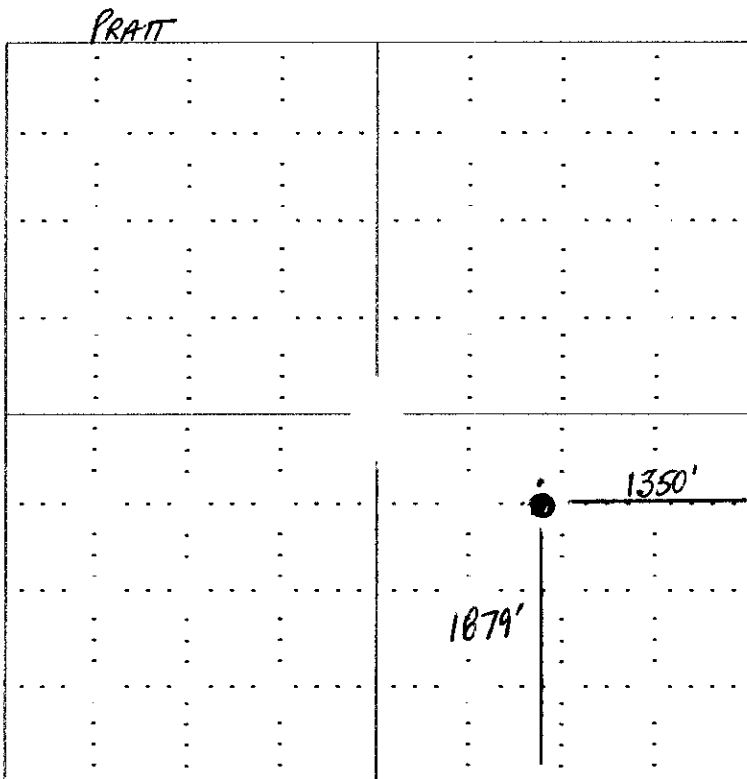
Is Section: Regular or Irregular

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

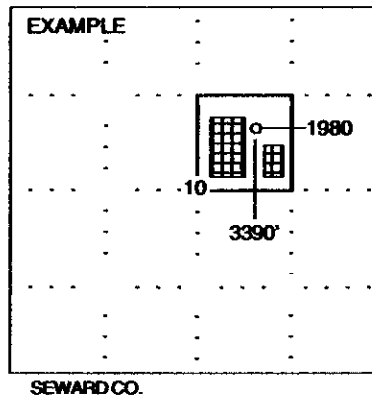
Section corner used: NE NW SE SW

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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 MAY 17 2007
 CONSERVATION DIVISION
 WICHITA, KS



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).

MAY 17 2007

APPLICATION FOR SURFACE PIT

CONSERVATION DIVISION

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.: Schmisser Farms #1-35		Pit Location (QQQQ): _____ app. N/2 SE Sec. 35 Twp. 27S R. 12 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 1879' Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section 1350' Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section Pratt _____ County
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: 3000 _____ (bbls)	
Is the pit located in a Sensitive Ground Water Area? <input checked="" type="checkbox"/> Yes <input checked="" 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? Native and chemical mud.
Pit dimensions (all but working pits): 80' Length (feet) 80' Width (feet) _____ N/A: Steel Pits Depth from ground level to deepest point: 5' (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 1865 feet Depth of water well 115 feet		Depth to shallowest fresh water 35 feet Source of information: _____ measured _____ well owner (1) 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: chemical drilling mud Number of working pits to be utilized: 3 Abandonment procedure: Haul off free fluids. Allow cuttings to dry and then backfill. 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.		
_____ Date 5-15-2007		_____ Signature of Applicant or Agent <i>Brian Karlin</i>

15-151-22271-0002

KCC OFFICE USE ONLY		<i>RFASTC</i>
Date Received: 5/17/07	Permit Number: _____	Permit Date: 5/18/07 Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No



Kathleen Sebelius, Governor
Brian J. Moline, Chair
Robert E. Krehbiel, Commissioner
Michael C. Moffet, Commissioner

May 18, 2007

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

Re: Drilling Pit Application
Schmisser Farms Lease Well No. 1-35
SE/4 35-27S-12W
Pratt 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 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 as soon as practical 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 (620) 225-8888 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 forms are available through our office and on the KCC web site: <http://kcc.ks.gov/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,

Jonelle Rains, Supervisor
Department of Environmental Protection and Remediation

cc: Steve Durrant
File

15-151-22271-0800