

For KCC Use: 7-8-07  
Effective Date: \_\_\_\_\_  
District # 1  
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 July 20, 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

CONTRACTOR: License# 5142 ✓  
Name: Sterling Drilling Company

<b>Well Drilled For:</b>	<b>Well Class:</b>	<b>Type Equipment:</b>
<input checked="" type="checkbox"/> Oil <input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Enth Rec <input type="checkbox"/> Storage <input type="checkbox"/> Disposal	<input checked="" type="checkbox"/> Infield <input type="checkbox"/> Pool Ext. <input type="checkbox"/> Wildcat <input type="checkbox"/> Other
<input type="checkbox"/> OWWO <input type="checkbox"/> Seismic; # of Holes <input type="checkbox"/> Other		<input checked="" type="checkbox"/> Mud Rotary <input type="checkbox"/> Air Rotary <input type="checkbox"/> 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 SE NW SW Sec. 8 Twp. 31 S. R. 14  East  West  
1736' feet from  N /  S Line of Section  
990' 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: Thompson Trust Well #: 2-8  
Field Name: Skinner  
Is this a Prorated / Spaced Field?  Yes  No  
Target Formation(s): Arbuckle  
Nearest Lease or unit boundary: 990' FWL ✓  
Ground Surface Elevation: 1637 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 +/- 1100' ✓  
Length of Surface Pipe Planned to be set: \_\_\_\_\_  
Length of Conductor Pipe required: 45'  
Projected Total Depth: +/- 4700'  
Formation at Total Depth: Arbuckle ✓  
Water Source for Drilling Operations:  
 Well  Farm Pond  Other \_\_\_\_\_  
DWR Permit #: 20069103 ✓

(Note: Apply for Permit with DWR  )

Will Cores be taken?  Yes  No  
If Yes, proposed zone: \_\_\_\_\_  
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**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: 6-28-2007 Signature of Operator or Agent: Brian Karlin Title: Operations Manager

For KCC Use ONLY  
API # 15 - 007-23169-0000  
Conductor pipe required None feet  
Minimum surface pipe required 200 feet per Alt. 1 ✓  
Approved by: KW 7-3-07  
This authorization expires: 1-3-08  
(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

JUL 02 2007

CONSERVATION DIVISION  
WICHITA, KS

8  
31  
15W

**IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW**

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

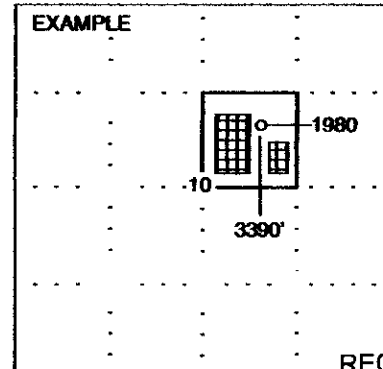
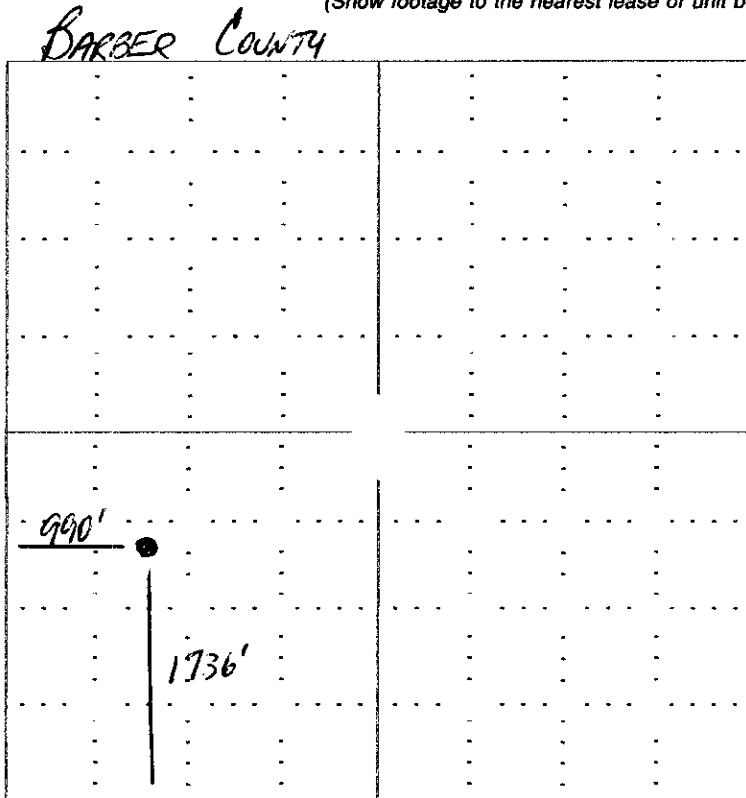
*If the intended well is in a prorated or spaced field, please fully complete this side of the form. If the intended well is in a prorated or spaced field complete the plat below showing that the well will be properly located in relationship to other wells producing from the common source of supply. 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 - 007-23169-0000  
 Operator: Shelby Resources, LLC  
 Lease: Thompson Trust  
 Well Number: 2-8  
 Field: Skinner  
 Number of Acres attributable to well: \_\_\_\_\_  
 QTR / QTR / QTR of acreage: SE - NW - SW

Location of Well: County: Barber  
 1736' \_\_\_\_\_ feet from  N /  S Line of Section  
 990' \_\_\_\_\_ feet from  E /  W Line of Section  
 Sec. 8 Twp. 31 S. R. 14  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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JUL 02 2007

CONSERVATION DIVISION  
 WICHITA, KS

**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  
OIL & GAS CONSERVATION DIVISION  
APPLICATION FOR SURFACE PIT**

Form CDP-1  
April 2004  
Form must be Typed

*Submit in Duplicate*

Operator Name: <b>Shelby Resources, LLC</b>		License Number: <b>31725</b>
Operator Address: <b>P.O. Box 1213, Hays, Kansas 67601</b>		
Contact Person: <b>Brian Karlin</b>		Phone Number: ( <b>785</b> ) <b>623 - 3290</b>
Lease Name & Well No.: <b>Thompson Trust #2-8</b>		Pit Location (QQQQ): <b>app SE NW SW</b>
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 W/P Supply API No. or Year Drilled)</small>	Pit is: <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: _____ (bbls)	Sec. <b>8</b> Twp. <b>31S</b> R. <b>14</b> <input type="checkbox"/> East <input checked="" type="checkbox"/> West <b>1736'</b> Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section <b>990'</b> Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section <b>Barber</b> _____ 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 type="checkbox"/> Yes <input checked="" 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): _____ Length (feet) _____ Width (feet) <small>Will be used</small> <b>N/A: Steel Pits</b> Depth from ground level to deepest point: _____ (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 <b>1913</b> feet    Depth of water well <b>22</b> feet		Depth to shallowest fresh water <b>11</b> feet. Source of information: _____ measured    _____ well owner    _____ electric log <b>(1) KDWR</b>
<b>Emergency, Settling and Burn Pits ONLY:</b> 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		<b>Drilling, Workover and Haul-Off Pits ONLY:</b> Type of material utilized in drilling/workover: <b>chemical drilling mud</b> Number of working pits to be utilized: <b>steel pits</b> Abandonment procedure: <b>haul off free fluids</b> _____ 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.		<b>RECEIVED</b> KANSAS CORPORATION COMMISSION
6-28-2007 Date	<i>Brian Karlin</i> Signature of Applicant or Agent	<b>JUL 02 2007</b> CONSERVATION DIVISION WICHITA, KS
<b>KCC OFFICE USE ONLY</b>		
Date Received: <b>7/2/07</b>	Permit Number: _____	Permit Date: <b>7/2/07</b> Lease Inspection: <input type="checkbox"/> Yes <input type="checkbox"/> No

15-007-23169-0000

**Steel Pit**



*Kathleen Sebelius, Governor  
Thomas E. Wright, Chairman  
Robert E. Krehbiel, Commissioner  
Michael C. Moffet, Commissioner*

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July 2, 2007

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

RE: Drilling Pit Application  
Thompson Trust Lease Well No. 2-8  
SW/4 Sec. 08-31S-14W  
Barber County, Kansas

Dear Mr. Karlin:

This office has been informed that steel pits are to be used at the above referenced location. **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](http://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 District Office at (620) 225-8888.

CONSERVATION DIVISION

Finney State Office Building, 130 S. Market, Room 2078, Wichita, KS 67202-3802  
(316) 337-6200 • Fax: (316) 337-6211 • <http://kcc.ks.gov/>

**HAUL-OFF PIT APPLICATION  
FILING REQUIREMENTS**

**82-3-607. DISPOSAL OF DIKE AND PIT CONTENTS.**

- (a) Each operator shall perform one of the following when disposing of dike or pit contents:
- (1) Remove the liquid contents to a disposal well or other oil and gas operation approved by the commission or to road maintenance or construction locations approved by the department;
  - (2) dispose of reserve pit waste down the annular space of a well completed according to the alternate I requirements of K.A.R. 82-3-106, if the waste to be disposed of was generated during the drilling and completion of the well; or
  - (3) dispose of the remaining solid contents in any manner required by the commission. The requirements may include any of the following:
    - (A) Burial in place, in accordance with the grading and restoration requirements in K.A.R. 82-3-602 (f);
    - (B) removal and placement of the contents in an on-site disposal area approved by the commission;
    - (C) removal and placement of the contents in an off-site disposal area on acreage owned by the same landowner or to another producing lease or unit operated by the same operator, if prior written permission from the landowner has been obtained; or
    - (D) removal of the contents to a permitted off-site disposal area approved by the department.
- (b) Each violation of this regulation shall be punishable by the following:
- (1) A \$1,000 penalty for the first violation;
  - (2) a \$2,500 penalty for the second violation; and
  - (3) a \$5,000 penalty and an operator license review for the third violation.

**Complete and return with Haul-Off Pit Application, Form CDP1(2004)**

Haul-off pit will be located in an on-site disposal area: Yes  No

Haul-off pit is located in an off-site disposal area on acreage owned by the same landowner: Yes  No  If yes, written permission from the land owner must be obtained. Attach written permission to haul-off pit application.

Haul-off pit is located in an off-site disposal area on another **producing** lease or unit operated by the same operator: Yes  No  If yes, written permission from the land owner must be obtained. Attach permission and a copy of the lease assignment that covers the acreage where the haul-off pit is to be located, to the haul-off pit application.