

For KCC Use: 7-14-07  
 Effective Date: \_\_\_\_\_  
 District #: \_\_\_\_\_  
 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 C-1  
 December 2002  
 Form must be Typed  
 Form must be Signed  
 All blanks must be Filled

Expected Spud Date: July 7, 2007  
 month day year

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

CONTRACTOR: License# 5142  
 Name: Starling Drilling Company

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

If ONWO: 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 NE SW NE Sec. 16 Twp. 31 S. R. 14  East  West  
1594' feet from  N /  S Line of Section  
1362' 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: Jacobs Well #: 1-16  
 Field Name: Skinner

Is this a Prorated / Spaced Field?  Yes  No  
 Target Formation(s): Arbuckle  
 Nearest Lease or unit boundary: 1362' FEL

Ground Surface Elevation: 1622 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 \_\_\_\_\_  
 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. JUN 29 2007  
 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: 6-27-2007 Signature of Operator or Agent: Brian Karlin Title: Operations Manager

**For KCC Use ONLY**  
 API # 15 - 007-23174-0000  
 Conductor pipe required None feet  
 Minimum surface pipe required 200 feet per Alt. 1  
 Approved by: Kurt 7-9-07  
 This authorization expires: 1-9-08  
 (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

16 31 14W

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

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

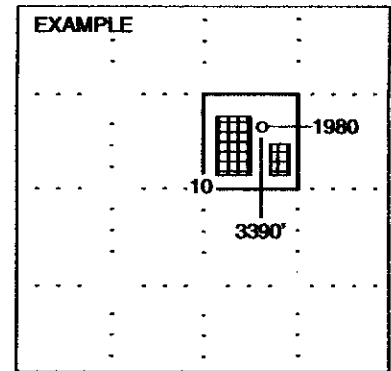
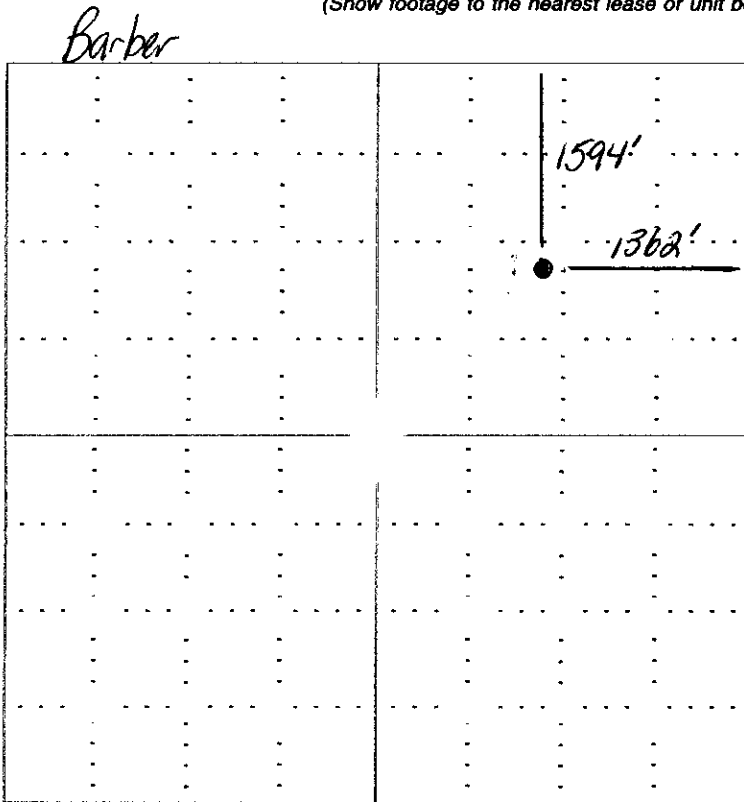
*If the intended well is in a prorated or spaced field, please fully complete this side of the form. If the intended well is in a prorated or spaced field complete the plat below showing that the well will be properly located in relationship to other wells producing from the common source of supply. 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 - 007-23174-0000  
 Operator: Shelby Resources, LLC  
 Lease: Jacobs  
 Well Number: 1-16  
 Field: \_\_\_\_\_  
 Number of Acres attributable to well: \_\_\_\_\_  
 QTR / QTR / QTR of acreage: NE - SW - NE

Location of Well: County: Barber  
 1594' feet from  N /  S Line of Section  
 1362' feet from  E /  W Line of Section  
 Sec. 16 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.)*



SEWARD CO.

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JUN 29 2007

CONSERVATION DIVISION  
 WICHITA, KS

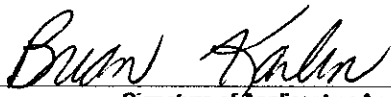
**In plotting the proposed location of the well, you must show:**

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: (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: <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>Jacobs #1-16</b>		Pit Location (QQQQ): <b>app. NE SW NE</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 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: <b>3000</b> (bbls)	Sec. <b>16</b> Twp. <b>31</b> R. <b>14</b> <input type="checkbox"/> East <input checked="" type="checkbox"/> West <b>1594'</b> Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section <b>1362'</b> Feet from <input checked="" type="checkbox"/> East / <input 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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No	How is the pit lined if a plastic liner is not used?
Pit dimensions (all but working pits): <b>80'</b> Length (feet) <b>80'</b> Width (feet) <b>N/A: Steel Pits</b> Depth from ground level to deepest point: <b>4'</b> (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>NA 1188</b> feet    Depth of water well <b>NA 10</b> feet		Depth to shallowest fresh water <b>25' 7</b> feet. Source of information: _____ measured    _____ well owner    _____ electric log <input checked="" type="checkbox"/> <b>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>3</b> Abandonment procedure: <b>Evaporation and then backfill.</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.		
6-27-2007 Date	 Signature of Applicant or Agent	RECEIVED KANSAS CORPORATION COMMISSION <b>JUN 29 2007</b> CONSERVATION DIVISION WICHITA, KS
<b>KCC OFFICE USE ONLY</b>		
Date Received: <b>6/29/07</b>	Permit Number: _____	Permit Date: <b>7/9/07</b> Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

15-007-23174-0000



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

July 9, 2007

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

Re: Drilling Pit Application  
Jacobs Lease Well No. 1-16  
NE/4 Sec. 16-31S-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](http://www.kcc.state.ks.us/conservation/forms).

Sincerely,

A handwritten signature in black ink that reads "Kathy Haynes". The signature is written in a cursive style with a large initial "K".

Kathy Haynes  
Environmental Protection and Remediation Department

Cc: File

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.