

For KCC Use:
Effective Date: 11-26-07
District #: 4
SGA? Yes No

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

NOV 20 2007

NOTICE OF INTENT TO DRILL

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

Expected Spud Date: November 26, 2007
month day year

OPERATOR: License# 31725
Name: Shelby Resources, LLC
Address 1: P.O. Box 1213
Address 2:
City: Hays State: KS Zip: 67601
Contact Person: Brian Karlin
Phone: 785-623-3290

CONTRACTOR: License# 5142
Name: Sterling Drilling Company

Well Drilled For: Oil Gas Seismic; # of Holes: Other:
 Enh Rec Storage Disposal
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 Description: 72' S and 367' W
SW (a.o.a.o) NW NE SW Sec. 23 Twp. 17 S. R. 13 E W
2,238 feet from N / S Line of Section
1,343 feet from E / W Line of Section

Is SECTION: Regular Irregular?
(Note: Locate well on the Section Plat on reverse side)

County: Barton
Lease Name: Hoffman Ranch Well #: 1-23
Field Name: Hoisington East

Is this a Prorated / Spaced Field? Yes No
Target Formation(s): Arbuckle

Nearest Lease or unit boundary line (in footage): 1343
Ground Surface Elevation: 1856 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: 200'
Depth to bottom of usable water: 380'

Surface Pipe by Alternate: I II
Length of Surface Pipe Planned to be set: +/- 800'

Length of Conductor Pipe (if any): none
Projected Total Depth: +/- 3500'

Formation at Total Depth: Arbuckle
Water Source for Drilling Operations:
 Well Farm Pond Other:

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 correct to the best of my knowledge and belief.

Date: 11-19-2007 Signature of Operator or Agent: Brian Karlin Title: Operations Manager

For KCC Use ONLY
API # 15 - 009-25132-0000
Conductor pipe required NONE feet
Minimum surface pipe required 400 feet per ALT. I II
Approved by: Witum 11-21-07
This authorization expires: 11-21-08
(This authorization void if drilling not started within 12 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 (within 60 days);
- 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 Date: Signature of Operator or Agent:

23
17
13
 E
 W

NOV 20 2007

CONSERVATION DIVISION
WICHITA, KS

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 - 009-25132-0000
 Operator: Shelby Resources, LLC
 Lease: Hoffman Ranch
 Well Number: 1-23
 Field: Hoisington East

Location of Well: County: Barton
 2,238 feet from N / S Line of Section
 1,343 feet from E / W Line of Section
 Sec. 23 Twp. 17 S. R. 13 E W

Number of Acres attributable to well: _____
 QTR/QTR/QTR/QTR of acreage: _____ - NW - NE - SW

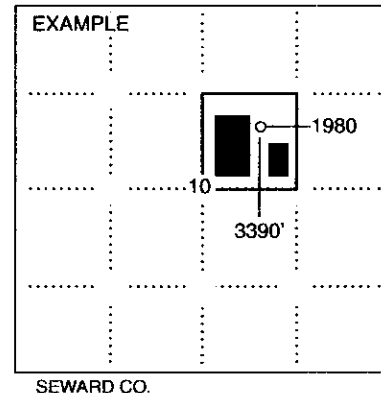
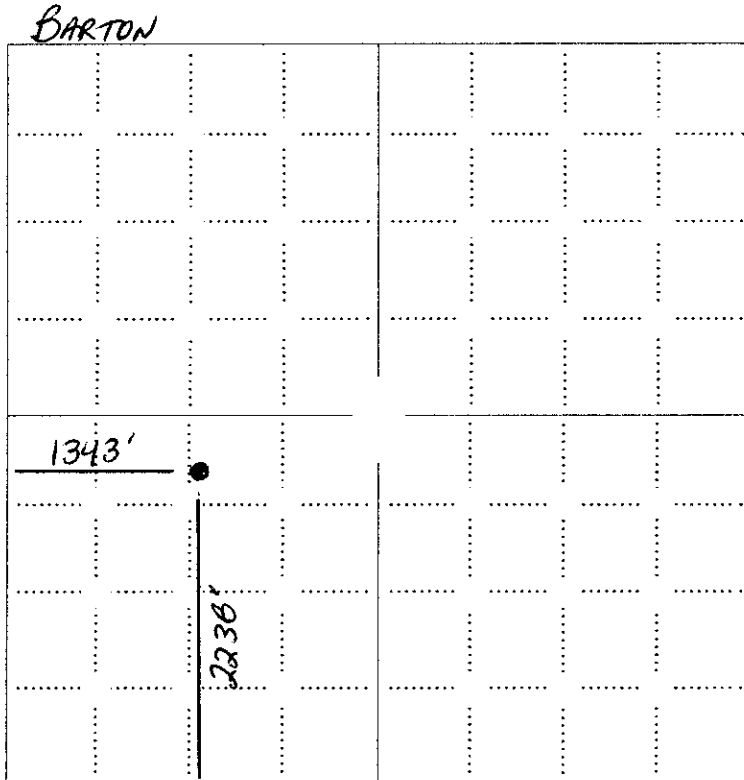
Is Section: Regular or Irregular

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 south / north and east / west outside section lines.
3. The distance to the nearest lease or unit boundary line (in footage).
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

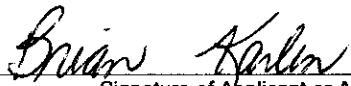
RECEIVED
KANSAS CORPORATION COMMISSION Form GDP-1
April 2004
Form must be Typed

APPLICATION FOR SURFACE PIT

NOV 20 2007

Submit in Duplicate

CONSERVATION DIVISION
WICHITA, KS

| | | | |
|---|--|---|--|
| Operator Name: Shelby Resources, LLC | | License Number: 31725 | |
| Operator Address: P.O. Box 1213 | | Hays KS 67601 | |
| Contact Person: Brian Karlin | | Phone Number: 785-623-3290 | |
| Lease Name & Well No.: Hoffman Ranch 1-23 | | Pit Location (QQQQ): app NW NE 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 <i>(If WP Supply API No. or Year Drilled)</i> | | Pit is: <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: 3,000 (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 <i>(For Emergency Pits and Settling Pits only)</i> | |
| 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? Lined with soil and drilling mud. | | | |
| Pit dimensions (all but working pits): <u>70</u> Length (feet) <u>70</u> Width (feet) <input type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: <u>5</u> (feet) <input type="checkbox"/> No Pit | | | |
| 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>3236</u> feet Depth of water well <u>50</u> feet | | Depth to shallowest fresh water <u>12</u> feet. Source of information: <input type="checkbox"/> measured <input type="checkbox"/> well owner <input type="checkbox"/> 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: <u>Drilling mud.</u> Number of working pits to be utilized: <u>3</u> Abandonment procedure: <u>Allow liquid to evaporate. Let the cuttings dry and then backfill.</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. | | | |
| November 19, 2007 Date | |  Signature of Applicant or Agent | |

15-609-25132-0825

| | | | | |
|--------------------------------|----------------------|------------------------------------|---|-------------------------------|
| KCC OFFICE USE ONLY | | Steel Pit <input type="checkbox"/> | RFAC <input checked="" type="checkbox"/> | RFAS <input type="checkbox"/> |
| Date Received: <u>11/20/07</u> | Permit Number: _____ | Permit Date: <u>11/20/07</u> | Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | |



Kathleen Sebelius, Governor
Thomas E. Wright, Chairman
Michael C. Moffet, Commissioner
Joseph F. Harkins, Commissioner

November 20, 2007

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

RE: Drilling Pit Application
Hoffman Ranch Lease Well No. 1-23
SW/4 Sec. 23-17S-13W
Barton 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 practical after drilling operations have ceased. **Please keep all pits away from any draws.**

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 (785) 625-0550 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

15-009-25132-0000