

15-007-23174-0000

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: 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.: Jacobs #1-16		Pit Location (QQQQ): app. ^E <u>NW</u> - ^W <u>SE</u> - <u>NE</u> Sec. <u>16</u> Twp. <u>31S</u> R. <u>14</u> <input type="checkbox"/> East <input checked="" type="checkbox"/> West <u>1740'</u> Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section <u>990'</u> Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section <u>Barber</u> County
Type of Pit: <input type="checkbox"/> Emergency Pit <input type="checkbox"/> Burn Pit <input type="checkbox"/> Settling Pit <input type="checkbox"/> Drilling Pit <input type="checkbox"/> Workover Pit <input checked="" type="checkbox"/> Haul-Off Pit <small>(If WP Supply API No. or Year Drilled)</small>	Pit is: <input type="checkbox"/> Proposed <input checked="" type="checkbox"/> Existing If Existing, date constructed: <u>5-20-2006</u> Pit capacity: <u>4000</u> (bbls)	
Is the pit located in a Sensitive Ground Water Area? <input 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?
Pit dimensions (all but working pits): <u>80'</u> Length (feet) <u>80'</u> Width (feet) <u>NA</u> : 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>none</u> ⁴²⁷⁶ feet Depth of water well <u>NA</u> ⁵⁹ feet		Depth to shallowest fresh water <u>25'</u> <u>20</u> feet. Source of information: _____ measured _____ well owner _____ 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>chemical drilling mud.</u> Number of working pits to be utilized: <u>none</u> Abandonment procedure: <u>allow to evaporate 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.		
Date: <u>July 10, 2007</u>		Signature of Applicant or Agent: <u>Brian Karlin</u> RECEIVED KANSAS CORPORATION COMMISSION JUL 13 2007

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KCC OFFICE USE ONLY		CONSERVATION DIVISION WICHITA, KS REAS+C
Date Received: <u>7/13/07</u>	Permit Number: <u>15-007-23174-0000</u>	Permit Date: <u>7/19/07</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



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

July 19, 2007

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

RE: Haul-Off Pit Application
Jacobs Lease Well No. 1-16
NE/4 Sec. 17-31S-14W
Barber County, Kansas

Dear Mr. Karlin:

District staff has inspected the above referenced location and has determined that the haul-off pit shall be constructed **without slots**, the bottom shall be flat and reasonably level, and free fluids must be removed. The fluids are to be removed from the haul-off pit as soon as the Hutchinson Salt section has been drilled through and displacement of the fluids into the haul-off 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 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: district office

Jul 19 07 11:57a

Chris A. Gottschalk

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Jul 19 07 09:48a

CADDIS RESOURCES

9707041767

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2007/JUL/19/THU 11:20 AM

FIRST NATIONAL BANK

FAX No. 6206723633

P. 002

Jul 19 07 08:27a

CADDIS RESOURCES

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P.2

SHELBY RESOURCES, LLC

1656 COLE BOULEVARD, SUITE 205 • LAKEWOOD, COLORADO 80401
(720)274-4682 Fax (720)274-4685

July 19, 2007

Mr. Don Peters
First National Bank in Pratt
223 S. Main
Pratt, KS 67124

RE: Pit Usage
Thompson Trust #2-17 Well
Barber County, Kansas

Dear Mr. Peters:

Pursuant to our recent conversation, this letter is written to set forth in writing our verbal agreement permitting Shelby Resources, LLC ("Shelby") to use the pits located at the captioned well for the disposal of drilling fluids from the Jacobs #1-16 well under the following terms and conditions:

1. Shelby shall pay to the First National Bank in Pratt, as the Appointed Agent for Mickey Kay Dickinson, Elizabeth J. Thompson and Pat Henry Thompson ("Thompson Agency") the sum of Fifteen Hundred Dollars (\$1,500.00) for the use of the hereinabove mentioned pits. Shelby acknowledges that the area around the pits is currently planted in wheat and Shelby shall be responsible for actual crop damages sustained by the tenant farmer due to Shelby's operations in using the pits.
2. Once the pits have sufficiently evaporated Shelby shall fill and reclaim the area around said pits to a condition as nearly as practicable to that which existed prior to Shelby's operations.

If the foregoing correctly states our verbal agreement, please so indicate by signing in the space provided below and fax back to me at (970)704-1767.

Very truly yours,
Shelby Resources, LLC


Douglas G. Liller
Land Manager

The First National Bank in Pratt, as the Appointed
Agent of Elizabeth J. Thompson, Pat Henry Thompson
and Mickey Kay Dickinson

X 
Barry Fisher, Trust Officer

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KANSAS CORPORATION COMMISSION

JUL 19 2007

CONSERVATION DIVISION
WICHITA, KS