For KCC Use: 12-6-04

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION
NOTICE OF INTENT TO DRILL

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

Expected Spud Date 12 8 2004

OPERATOR: License# 21725 (7-30-05)
Name: Shelby Resources, LLC
Address: 5893 Saddle Creek Trail, Parker, Co. 80134
Contact Person: Jim Weaehcher
Phone: 303-840-2183

CONTRACTOR: License# 5142 (6-30-05)
Name: Sterling Drilling Company

Well Drilled For:  
- Oil  
- Gas  
- OWWO  
- Seismic  

Well Class:  
- Infield  
- Storage  
- Rec Disposal  
- Other  

Type Equipment:  
- Mud Rotary  
- Air Rotary  
- Cable  

Spot 45°E - 50°S  C/W1  
Sec. 36  
Twp. 21  
S. R. 12  

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

County: Stafford
Lease Name: Hullman-Sittner  
Field Name: Sand Hills

Is this a Prorated / Spaced Field?  
Target Formation(s): Lansing/Aburklee

*Nearest Lease or unit boundary: 350'

Ground Surface Elevation: 1855' feet MSL
Well water within one-quarter mile:  
Public water supply within one mile:  
Depth to bottom of fresh water: 150'

Surface Pipe by Alternate:  

Length of Surface Pipe Planned to be set: 600'
Length of Conductor Pipe required: none

Projected Total Depth: 3850'
Formation at Total Depth: Aburklee

Water Source for Drilling Operations:  
DWR Permit #: Contractor applying for permit
(Note: Apply for Permit with DWR)

Will Cores be taken?  
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 6701

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
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: 11/30/2004  
Signature of Operator or Agent:  
Title: Managing Member

Mail to: KCC - Conservation Division, 130 S. Market - Room 2078, Wichita, Kansas 67202

For KCC Use ONLY
API # 15 - 185 - 23288-00-00
Conductor pipe required 200 feet  
Minimum surface pipe required 200 feet per Alt. 3
Approved by: RJP/2-1-04
This authorization expires: 12-31-04
(30 authorization void if drilling not started within 6 months of effective date.)

Spud date 12-30-04

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.

Date: 12-30-04
Signature of Operator or Agent:  

Well Not Drilled - Permit Expired
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:
Operator: Shelby Resources, LLC
Lease: Hullman-Sittner
Well Number: 1
Field: Sand Hills

Location of Well: County: Stafford

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>S</th>
<th>E</th>
<th>W</th>
</tr>
</thead>
<tbody>
<tr>
<td>feet</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2590'</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1770'</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sec. 36 Twp. 21 S. R. 12

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 grid 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).
December 1, 2004

Mr. Jim Waechter
Shelby Resources, LLC
6893 Saddle Creek Trail
Parker, CO 80134

RE: Drilling Pit Application
Hullman-Sittner Lease Well No. 1
SW/4 Sec. 36-21S-12W
Stafford County, Kansas

Dear Mr. Waechter:

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 on a daily basis.

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. Also please file the enclosed CDP-5 form, Surface Pond Waste Transfer, within 30 days of fluid removal.

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,

[Signature]
Kathy Haynes
Environmental Protection and Remediation Department

cc: S Durrant