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

For KCC Use Only

API #: 081-21571.00-00
Conductor pipe: None
Min. allowable depth: 7,600
Approved by: KSP-21571.005
This authorization expires: 7/16/2005
(Effective date 5/12/2005)

Date: 1-24-05

Signature of Operator or Agent: [Signature]
Title: Capital Project

Affidavit

The undersigned hereby affirms that the drilling, completion and eventual plugging of the well will comply with K.S.A. 55-101, et. Seq.

1. Notify the appropriate district office prior to spudding of well;
2. A copy of the applied notice of intent to drill shall be posted on each drilling rig;
3. The maximum amount of surface pipes specified below shall be set by cross-connection at the top; in all cases surface pipe shall be set through all unconsolidated material 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 plugging depth and placement is necessary prior to plugging;
5. The appropriate district office will be notified before well is either plugged or produced until coating is cemented in;
6. If on alternative II (Completion), production pipe shall be cemented from pump to any suitable water surface to within 120 days of test date. Or pursuant to Appendix "G" — Eastern Kansas surface casing order $133,981-C, which applies to the KCS District 3 area, alternate 1 cementing must be completed within 90 days of the test date or the well shall be plugged. In all cases, NOTIFY-AH-Pposes office prior to any cementing.

Larry, P.O. Box 21571.00-00
21571.00-00

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IN ALL CASES PLOT THE INTENDED WELL ON THE FLAT 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.

AP No. 15: _____________________________

Operator: SHELBY USA Inc.

Location of Well: County: Haskel

Lease: Watkins A

Rent: 3

Field: Panoma Council Grove

Number of Acres attributable to well: 540

QTR QTR / QTR of acreage: NE, SW, NW

Note: In all cases locate the spot of the proposed drilling location. Haskel County

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

1. The manner in which you are using the depicted plot 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 sections 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: (CD-7 for oil wells; CG-8 for gas wells).

EXAMPLE

SEWARD CO.
NOTICE TO OPERATORS DRILLING IN THE PANOMA:
COUNCIL GROVE GAS POOL SPACED AREA

The enclosed intent is located within the Panoma-Council Grove gas pool space area. In May 1978, Panoma-Council Grove Proration Order (as amended), Docket No. 60.024-C (C-7058) under FINDINGS OF FACT AND LAW on page 31, the following language is stated that:

"The Commission finds that in order to prevent waste and protect correlative rights, the following stated rules pertaining to wells already completed, in the process of being drilled or for future wells to be drilled in the Panoma Council Grove Gas Pool Spaced area, and for wells producing from the Council Grove Formation outside of the Panoma Council Grove Gas Pool Spaced area within the Hugoton Gas Field, should be adopted."

1. "No dual completions between the Chase (Hugoton); and Council Grove Formations will be permitted for future wells drilled."

2. "Casing shall not be set above the top of the Council Grove Formation for a Council Grove producing well."

3. "The production casing of all new Council Grove wells should be cemented with a calculated volume of cement sufficient to incase the casing from the bottom of the casing to a point 500 feet above the Chase Formation."

4. "The casing shall be encased in cement in the interval between the base of the Council Grove and the top of the Chase Formation on all wells, irrespective of depth, completed below the Council Grove Formation, if they are located within the space area."

5. "The cement coverage heretofore required shall be confirmed by the running of a recognized survey, such as a temperature survey or cement bond log."

A copy of this survey and the cement ticket(s) showing that all cement work has been completed, must be filed with the ACO-1 Completion Report within 120 days from the wells "spud date."

Failure to comply with these provisions may cause the well to be shut-in until compliance has been achieved.

If you have any questions, please feel free to contact the Conservation Division's Production Department at (316) 337-6200.

Conservation Division, Finney State Office Building, 130 S. Market, Room 207B, Wichita, KS 67202-3802

Phone 316.337.6260 Fax 316.337.6711 www.ks.state.us