NOTICE OF INTENT TO DRILL

June 8, 2005

OPERATOR: Name - City/State/Zip: Phone:
Lic# 29154 - Calgary, AB T2E 1G5 - 403-545-1988

CONTRACTOR: Lic# 5142 - Name: Sterling Drilling

Well Affected: Oil Emr Recr Gas Storage Air Rotary Other

Oil Emr Recr Gas Storage Air Rotary Other

Type Equipment: Pump Ext. Other

Well Class: Old Field New Field Reclaimed Other

DMO Disposal Disposal Wells: # of Home Others

If OWMD: old well information as follows:

Operator:
Original Completion Date: Original Total Depth:

Directional, Unidirectional or Horizontal Well?: Yes/No

If Yes, give vertical depth:

Below Hole Location:

kcc DNT #: 21247-3

ULTRAMATE FORMULATION RECEIVED

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 the well.
2. A copy of the approved notice of intent to drill shall be posted on each adjoining rig.
3. The minimum amount of surface pipe as specified below shall be set by installing cement to the top in all cases surface pipe shall be set in place.
4. If the well is dry hole, an agreement between the operator and the district office on plug length and placement is non-essential prior to plugging.
5. The appropriate district office will be notified before well is either plugged or production is completed.
6. If an alternate completion, production pipe shall be cemented from below any usable water to surface within 120 days of spud date.

Or pursuant to Appendix 'B', Kansas surface quality order #135, 006-1, which applies to the KCC district 3 area, alternate 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.

Signature of Operator or Agent:

Mail to: KCC - Conservation Division, 130 E. Market - Room 3079, Wichita, Kansas 67202

For KCC Use Only

API #: 159 - 22463-00-00

Minimum surface pipe required 2400 feet per Acre Approved by RSP 6-7-05

This authorization will be valid during within 6 months of effective date.

Spud Date:

Agent:

Mail to: KCC - Conservation Division, 130 E. Market - Room 3079, Wichita, Kansas 67202
IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW
Plt 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 part 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 relation to other wells producing from the common source of supply. Please show all of 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 boundary line of the prorated acreage attribution unit for oil wells.

API No.: 15
Operator: Silvert-Stewart Operating LLC
Lease: Big Red
Well Number: 1
Field: Chase Silts
Number of Acres attributable to well: 
GTR / QTR / QTR of acreage: 

Location of Well: County: Rice
2500 feet from E
4600 feet from S
Line of Section
Sec. 12
Line of Section
Rep. 20
Line of Section
East
West

In Section: Regular or Irregular

If Section is Irregular, locate well from nearest corner boundary.
Section corner not found: NE NW SE SW

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 section's north, east, and west.
3. The distance to the nearest lease line boundary line.
4. If proposed location is located within a prorated or spaced field a certificate of acreage attribution plat must be attached (CS-7 for oil wells, CS-8 for gas wells).
June 6, 2005

Kent L. Gilbert
Gilbert-Stewart Operating LLC
1801 Broadway, Ste 450
Denver CO 80202

Re: Drilling Pit Application
Big Red Lease Well No. 1
S/W 17T-20S-10W
Rice County, Kansas

Dear Mr. Gilbert:

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 within 72 hours 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 (316) 630-4000 when the fluids have been removed. Also, please file the enclosed Exploration and Production Waste Transfer form CDP-5, 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,

Jonelle Rains
Supervisor
Department of Environmental Protection and Remediation

cc: Doug Louis
File