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

Must be approved by KCC 15 days prior to commencing well

Expected Spud Date: February 1, 2006

Operative Lic. 
Name: Sheely Resources, LLC
Address: 5660 Sable Creek Trail
City/State/Zip: Denver, Colorado 80124
Contact Person: Stan Faris
Phone: 303-612-3390

CONTRACTOR: Licensed: 5431

Well Class: W/O MMO

Well Drilled For: Oil

Well: # 2

Type: Primary

All Wells: Yes

If Yes: true vertical depth:

If No: old well information as follows:

Operator: 

Well Name: 

Original Completion Date: 

Original Total Depth:

Directional, Deviated or Horizontal wellbore? 

Bottine Hole Location: 

KCC Drk #:

Spot 170'S & 60'E

Mor. NE. SW.

Sec. 16

T21 N.

R 96 W.

N. 15

E. 16

Is SURVEY Regular or Irregular:

W. Line of Section

E. Line of Section

(Note: Locate well on the Section Plan on reverse side)

County: Elkhart

Lease Name: 

Well # 1-58

Field Name: 

Is the well a: 

Target Formation:

Nearest Leases in own Unit:

Ground Surface Elevation:

WATER WITHIN ONE-QUARTER MILE:

Public water supply well within one mile:

Depth to bottom of usable water:

Surface Pipe by Alteration:

Length of Conductor Pipe required:

Prefix Total Depth:

Formation at Total Depth:

Water Showers for Drilling Operations:

Will Corne later?

If Yes, Proposed Date:

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 commencing 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 except for a one-time exception for wells within 75 ft. of a water well, at least 20 ft. of the minimum required amount shall be set by circulating cement to the top. If an alteration of Section 8-8 is required, the minimum required amount shall be set by circulating cement to the top of the well. In all cases, the minimum plugging shall be done at least 50 feet from the production formation.

4. If the well is a dry gas, an agreement between the operator and the district office on plug length and placement is necessary prior to plugupping;

5. The appropriate district office shall be notified before well is either plugged or abandoned, or abandoned as completed is.

6. If an ALTERATION FORM COMPLETION, production pipe shall be cemented from below any usable water to surface within 120 days of spud date. Or pursuant to Appendix "B" - Existing Kansas surface casing order 133-891-1-C, which applies to the KCC District 3 area, unless it is cemented must be completed in 30 days of the spud date or the well shall be plugged. In all cases, NOTIFY district office prior to any commencing.

I hereby certify that the statements made herein are true and to the best of my knowledge and belief.

Date: 1/12/2006

Signature of Operator or Agent:

THE: Operations Manager

RECEIVED

KCC/CHICAGO

January 12, 2006

Mail to: KCC - Conservation Division, 130 S. Market - Room 2003B, Wichita, Kansas 67202

For KCC Use ONLY

API: 15

Conductor pipe required: N/A

Minimum surface pipe required: 200 feet per Acre

Approved by: N/A

This authorization expires: 7-12-06

Spud date: 1-58

Remember to:

- File Drilling Application (form CDP-1) with Intent to Drill;
- File Completion Form (form CDP-1) within 120 days of spud date;
- File acreage allocation plat and diagram to field supervision order;
- Notify appropriate district office 48 hours prior to workflow or entry;
- Submit plugging report (form CDP-4) after plugging is completed;
- Obtain written approval before disposing of or injecting salt water;
- If this permit has expired, before authorized expiration date please check the box below and return to the activities below:

Well Not Drilled: Permit Expired

Signature of Operator or Agent:

Date:

18:11:00
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 - Location of Well: County: Elk
Operator: Shelly Resources, LLC
Lease: Beach
Well Number: 1-16
Field: Bemis-Shuits

Number of Acres attributable to well:

QTR / QTR / QTR of acreage:

<table>
<thead>
<tr>
<th>NW</th>
<th>NE</th>
<th>SE</th>
</tr>
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<tbody>
<tr>
<td>170° S &amp; 60° E</td>
<td></td>
<td></td>
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</tbody>
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1050’ feet from S Line of Section
1060’ feet from E Line of Section

Sec. 18
Twp. 11
E. R. 16

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.)

RECEIVED
JAN 1 2 2006
KCC WICHITA

EXAMPLE

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 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 (CG-7 for oil wells; CG-8 for gas wells).
January 12, 2006

Mr. Brian Karlin
Shelby Resources, LLC
5893 Saddle Creek Trail
Parker, CO 80134

Re: Drilling Pit Application
Beach Lease Well No. 1-18
SE/4 Sec. 18-115-16W
Ellis 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 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. 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) 275-0550 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
Department of Environmental Protection and Remediation

cc: Herb Deines

Conservation Division, Kansas State Office Building, 130 S. Market, Room 2076, Wichita, KS 67202-3902
Voice 316.357.6200 Fax 316.357.6241 www.kcc.state.ks.us