NOTICE OF INTENT TO DRILL

For KCC Use: 5-4-06

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

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

Expected Spud Date: May 10, 2006

OPERATOR: License#: 31725
Name: Shelby Resources, LLC
Address: P.O. Box 1213
City/State/Zip: Hays, Kansas 67601
Contact Person: Brian Karlin
Phone: 785-623-3290

CONTRACTOR: License#: 5142
Name: Sterling Drilling Company

Well Drilled For: Oil / Gas
Well Class: Enh Rec / Storage
Type Equipment: Mud Rotary

Spot 185 1 N & 290 E of Sec. 7

Form C-1
December 2002
Form must be Typed
All blanks must be filled

North

East

West

S

N

E

W

1465' feet from

5 31

14

2

4650'

225'

So Line of Section

E Line of Section

5

Yes

No

Is SECTION

Regular

Irregular?

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

County: Barber
Lease Name: Thunderbird Ranch
Field Name: Skinner
Is this a Prorated / Spaced Field?
Target Formation(s): Arbuckle

Nearest Lease or unit boundary: 1465'
Ground Surface Elevation: 1048
Water well within one-quarter mile: Yes
Public water supply well within one mile: Yes
Depth to bottom of fresh water: 150'

Surface Pipe by Alternate: 1
Length of Surface Pipe Planned to be set: 225'

Projected Total Depth: 4650'
Formation at Total Depth: Arbuckle

Water Source for Drilling Operations:

Will Cores be taken?

 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 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 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 prior to plugging;
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: 5-02-2006
Signature of Operator or Agent: Brian Karlin
Title: Operations Manager

For KCC Use ONLY

API #: 007-23021-0000
Conductor pipe required: None
Minimum surface pipe required: 200 feet per Acre
Approved by: 465-4-06
This authorization expires: 11-4-06

Remember to:
- File Drill Pit Application (form CDP-1) with Intent to Drill;
- File Completion Form ACC-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.

Well Not Drilled - Permit Expired
Signature of Operator or Agent:
Date:

Mail to: KCC - Conservation Division, 139 S. Market - Room 2076, Wichita, Kansas 67202
IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

PLOT 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: 007-23021-0000
Operator: Shelby Resources, LLC
Lease: Thunderbird Ranch
Well Number: 2-7
Field: Skinner

Number of Acres attributable to well:

QTR / QTR / QTR of acreage: NW - SW - NE
185' N & 290' E of

Location of Well: County: Barber

1465' feet from V N / S Line of Section
2020' feet from V E / W Line of Section
Sec. 7 Twp. 31 S. R. 14 East V West

Is Section: V Regular or □ Irregular

If Section is Irregular, locate well from nearest corner boundary.
Section corner used: V 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.)

Barber County

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: (CO-7 for oil wells; CG-8 for gas wells).
**KANSAS CORPORATION COMMISSION**
**OIL & GAS CONSERVATION DIVISION**
**APPLICATION FOR SURFACE PIT**

**Submit in Duplicate**

<table>
<thead>
<tr>
<th>Operator Name:</th>
<th>Shelby Resources, LLC</th>
<th>License Number:</th>
<th>31725</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operator Address:</td>
<td>P.O. Box 1213, Hays, Kansas 67601</td>
<td>Phone Number:</td>
<td>(785) 623-3290</td>
</tr>
<tr>
<td>Contact Person:</td>
<td>Brian Karlin</td>
<td>Pit Location (QQQQ):</td>
<td>185' N &amp; 290' E of</td>
</tr>
<tr>
<td>Lease Name &amp; Well No.:</td>
<td>Thunderbird Ranch #2-7</td>
<td></td>
<td>NW SW NE</td>
</tr>
</tbody>
</table>

**Type of Pit:**
- [ ] Emergency Pit
- [ ] Burn Pit
- [ ] Settling Pit
- [X] Drilling Pit
- [ ] Workover Pit
- [ ] Haul-Off Pit

If Existing, date constructed:

**Pit is:**
- [X] Proposed
- [ ] Existing

**Pit capacity:**

1000 (bbl)

**Is the pit located in a Sensitive Ground Water Area?**
- [ ] Yes
- [ ] No

**Is the bottom below ground level?**
- [X] Yes
- [ ] No

**Artificial Liner?**
- [X] Yes
- [ ] No

**Chloride concentration:**

(For Emergency Pits and Settling Pits only)

**How is the pit lined if a plastic liner is not used?**

**Pit dimensions (all but working pits):**
- **Length (feet):** 80'
- **Width (feet):** 30'
- **Yes**
- **N/A: Steel Pits**

**Depth from ground level to deepest point:**

3' (feet)

**Distance to nearest water well within one-mile of pit**

| None | 1,824 feet | Depth of water well | 4.2 feet |

**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?  [ ] Yes  [ ] No

**Drilling, Workover and Haul-Off Pits ONLY:**

- Type of material utilized in drilling/workover:
- Number of working pits to be utilized: One
- Abandonment procedure:
  - Haul off excess fluid.
  - Allow the remainder to evaporate, and then refill with excavated dirt.
- 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.**

<table>
<thead>
<tr>
<th>Date</th>
<th>5-02-2006</th>
</tr>
</thead>
</table>

**Signature of Applicant or Agent:**

Brian Karlin

**KCC OFFICE USE ONLY**

- Date Received: 5/3/06
- Permit Number: 31725
- Permit Date: 5/4/06
- Lease Inspection: [X] Yes  [ ] No

Mail to: KCC - Conservation Division, 130 S. Market - Room 2078, Wichita, Kansas 67202
May 4, 2006

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

Re: Drilling Pit Application
    Thunderbird Ranch Lease Well No. 2-7
    NE/4 Sec. 07-31S-14W
    Barber County, Kansas

Dear Mr. Karlin:

District staff has inspected the location and has determined that an unsealed condition will present a pollution threat to water resources.

District staff has instructed that no earthen pits are to be used at the location. Steel pits are to be used. Please inform the Commission in writing as to which disposal well you will utilize to dispose of the contents in the steel pits and the amount of fluid that will be disposed. If a haul-off pit is necessary please file, form CDP-1, Application for Surface Pit. This location will have to be inspected prior to approval of the haul-off pit application.

If fluids are taken to an authorized disposal well, please call the District Office at (620) 225-8888. Please file form CDP-5, 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.

Sincerely,

[Signature]
Kathy Haynes
Environmental Protection and Remediation Department

Cc: S Durrant