

Well will not be drilled or Permit Expired Date: \_

Signature of Operator or Agent:

| For KCC    | Use:   |
|------------|--------|
| Effective  | Date:  |
| District # | :      |
| SGA?       | Yes No |

KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION 1042688

Form C-1

March 2010

Form must be Typed

Form must be Signed

All blanks must be Filled

#### NOTICE OF INTENT TO DRILL

| Expected Spud Date:  | Spot Description:   |
|--|---|
| monun day year   | Sec Twp S. R E V  |
| DPERATOR: License#   | feet from N / S Line of Section   |
| lame:  | feet from E / W Line of Section   |
| ddress 1:  | Is SECTION: Regular Irregular?  |
| ddress 2:  | (Note: Locate well on the Section Plat on reverse side)   |
| ity: State: Zip: +   | County:   |
| contact Person:  | Lease Name: Well #:   |
| hone:  | Field Name:   |
| ONTRACTOR: License#  | Is this a Prorated / Spaced Field?  |
| ame:   | Target Formation(s):  |
| Well Drilled For: Well Class: Type Equipment:  | Nearest Lease or unit boundary line (in footage):   |
|  | Ground Surface Elevation:feet MS  |
| Oil Enh Rec Infield Mud Rotary   | Water well within one-quarter mile:   |
| Gas Storage Pool Ext. Air Rotary   | Public water supply well within one mile:   |
| Disposal Wildcat Cable  Seismic ; # of Holes Other   | Depth to bottom of fresh water:   |
| Other:   | Depth to bottom of usable water:  |
|  | Surface Pipe by Alternate: I II   |
| If OWWO: old well information as follows:  | Length of Surface Pipe Planned to be set:   |
| Operator:  | Length of Conductor Pipe (if any):  |
| Well Name:   | Projected Total Depth:  |
| Original Completion Date: Original Total Depth:  | Formation at Total Depth:   |
|  | Water Source for Drilling Operations:   |
| rirectional, Deviated or Horizontal wellbore?  | Well Farm Pond Other:   |
| Yes, true vertical depth:  | DWR Permit #:   |
| ottom Hole Location:   | ( <b>Note</b> : Apply for Permit with DWR )   |
| CC DKT #:  | Will Cores be taken?  |
|  | If Yes, proposed zone:  |
| . —  |   |
| ΔΕ   | FIDAVIT   |
|  | FIDAVIT  laging of this well will comply with K.S.A. 55 et. seg.  |
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Side Two



| For KCC Use ONLY |  |
|------------------|--|
| API # 15         |  |

#### IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

In all cases, please fully complete this side of the form. Include items 1 through 5 at the bottom of this page.

| Operator: |                          |              |             |            |            |             | _ Lo                                  | cation of W  | Vell: County:  |
|-----------|--------------------------|--------------|-------------|------------|------------|-------------|---------------------------------------|--------------|--|
| Lease:    |                          |              |             |            |            |             |                                       |              | feet from N / S Line of Section  |
| Well Numl | ber:                     |              |             |            |            |             |                                       |              | feet from E / W Line of Section  |
| Field:    |                          |              |             |            |            |             | _ Se                                  | c            | Twp S. R   |
|           | f Acres attr<br>/QTR/QTR |              |             |            |            |             | — Is:                                 | Section:     | Regular or Irregular   |
|           |                          |              |             |            |            |             |                                       |              | Irregular, locate well from nearest corner boundary.                                       |
|           |                          |              |             |            |            |             | Se                                    | ction corne  | er used: NE NW SE SW   |
|           |                          |              |             |            |            |             |                                       |              |  |
|           | CI                       | anu lanatio  | on of the w | vall Chave | footogo to | the neero   | PLAT                                  | e unit haum  | day, line Chau the predicted leastions of  |
|           |                          |              |             |            | _          |             |                                       |              | dary line. Show the predicted locations of sas Surface Owner Notice Act (House Bill 2032). |
|           |                          |              |             |            | You m      | ay attach a | a separate                            | plat if desi | ired.  |
|           |                          | :            | <u>:</u>    | :          |            | :           | ·                                     | :            | 1  |
|           |                          | :            | :           |            |            |             | :                                     | :            | LEGEND   |
|           |                          | ·<br>        | ·<br>·      | ·          |            | ·<br>       | ·                                     | ·            | O Well Location  |
|           |                          | :            |             | :          |            | :           |                                       | :            | Tank Battery Location  |
|           |                          | •            | •           |            | •••••      | •           |                                       |              | Pipeline Location  |
|           |                          |              |             |            |            |             |                                       |              | Electric Line Location  Lease Road Location  |
|           |                          | :            | :           | :          |            | :           | :                                     | :            | Lease Road Location  |
|           |                          | :            | :           | :          |            | :           | :                                     | :            |  |
|           |                          | <u>:</u>     | <u>:</u>    | <u>:</u>   |            | <u>:</u>    | <u>:</u>                              | <u>:</u>     | EXAMPLE :  |
| 357 ft.   |                          | :            | :           | 2          |            | :           | :                                     | :            |  |
| 507 16.   |                          | :            | :           | :          |            | :           | :                                     | :            |  |
|           |                          | :            | :           | :          |            | :           | :                                     | :            |  |
|           |                          | :            |             | :          |            | :           | :                                     | :            |  |
|           |                          | :            | :           | :          |            | :           | :                                     | :            | 1980' FSL  |
|           |                          | :            |             | :          |            | :           |                                       | :            |  |
|           |                          | ·······<br>: | :           | :          | •••••      | :           | · · · · · · · · · · · · · · · · · · · | :            |  |
|           |                          | :            | :           | :          |            | :           |                                       | :            | SEWARD CO. 3390' FEL   |
|           |                          |              | •           | -          | 1          | -           | •                                     |              |  |

#### In plotting the propestd 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 south / north and east / west outside section lines.

NOTE: In all cases locate the spot of the proposed drilling locaton.

- 3. The distance to the nearest lease or unit boundary line (in footage).
- 4. If proposed location is located within a prorated or spaced field a certificate of acreage attribution plat must be attached: (C0-7 for oil wells; CG-8 for gas wells).
- 5. The predicted locations of lease roads, tank batteries, pipelines, and electrical lines.



KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION 1042688

Form CDP-1 May 2010 Form must be Typed

#### **APPLICATION FOR SURFACE PIT**

Submit in Duplicate

| Operator Name:   |                           |                                    | License Number:  |
|--|---------------------------|------------------------------------|--|
| Operator Address:  |                           |                                    |  |
| Contact Person:  |                           |                                    | Phone Number:  |
| Lease Name & Well No.:   |                           |                                    | Pit Location (QQQQ):   |
| Type of Pit:  Emergency Pit Burn Pit  Settling Pit Drilling Pit  Workover Pit Haul-Off Pit  (If WP Supply API No. or Year Drilled)  Is the pit located in a Sensitive Ground Water A |                           | Existing nstructed: (bbls)         | SecTwpR East WestFeet from North / South Line of SectionFeet from East / West Line of SectionCounty  Chloride concentration: mg/l(For Emergency Pits and Settling Pits only) |
| Is the bottom below ground level?  | Artificial Liner?  Yes  N | No                                 | How is the pit lined if a plastic liner is not used?   |
|  | Length (fee               |                                    | Width (feet)   |
| If the pit is lined give a brief description of the li material, thickness and installation procedure.   | ilei                      |                                    | dures for periodic maintenance and determining any special monitoring.   |
| Distance to nearest water well within one-mile of  | of pit:                   | Depth to shallo<br>Source of infor | west fresh water feet.<br>mation:  |
| feet Depth of water well   | feet                      | measured                           | well owner electric log KDWR   |
| Emergency, Settling and Burn Pits ONLY:  |                           | Drilling, Work                     | over and Haul-Off Pits ONLY:   |
| Producing Formation:   |                           | Type of materia                    | al utilized in drilling/workover:  |
| Number of producing wells on lease:  |                           | Number of world                    | king pits to be utilized:  |
| Barrels of fluid produced daily:   |                           | Abandonment                        | procedure:   |
| Does the slope from the tank battery allow all s flow into the pit? Yes No   | pilled fluids to          | Drill pits must b                  | be closed within 365 days of spud date.  |
| Submitted Electronically   |                           |                                    |  |
|  | KCC                       | OFFICE USE O                       | NLY  Liner Steel Pit RFAC RFAS   |
| Date Received: Permit Num  | ber:                      | Permi                              | it Date: Lease Inspection: Yes No  |



#### Kansas Corporation Commission Oil & Gas Conservation Division

1042688

Form KSONA-1
July 2010
Form Must Be Typed
Form must be Signed
All blanks must be Filled

### CERTIFICATION OF COMPLIANCE WITH THE KANSAS SURFACE OWNER NOTIFICATION ACT

This form must be submitted with all Forms C-1 (Notice of Intent to Drill); CB-1 (Cathodic Protection Borehole Intent); T-1 (Request for Change of Operator Transfer of Injection or Surface Pit Permit); and CP-1 (Well Plugging Application).

Any such form submitted without an accompanying Form KSONA-1 will be returned.

| Select the corresponding form being filed: C-1 (Intent) CB-1 (  | (Cathodic Protection Borehole Intent) T-1 (Transfer) CP-1 (Plugging Application)   |
|---|--|
| OPERATOR: License #   | Well Location:   |
| Name:   | County:  |
| Address 1:  | Lease Name: Well #:  |
| City: State: Zip:+  |  |
| Contact Person:   | If filing a Form T-1 for multiple wells on a lease, enter the legal description of<br>the lease below:   |
| Phone: ( ) Fax: ( )   |  |
| Email Address:  |  |
| Surface Owner Information:  |  |
| Name:   | When filing a Form T-1 involving multiple surface owners, attach an additional   |
| Address 1:  | sheet listing all of the information to the left for each surface owner. Surface owner information can be found in the records of the register of deeds for the  |
| Address 2:  | county, and in the real estate property tax records of the county treasurer.   |
| City: State: Zip:+  |  |
| the KCC with a plat showing the predicted locations of lease roads, tank are preliminary non-binding estimates. The locations may be entered of Select one of the following:  I certify that, pursuant to the Kansas Surface Owner Notice A owner(s) of the land upon which the subject well is or will be ICP-1 that I am filing in connection with this form; 2) if the form form; and 3) my operator name, address, phone number, fax, a I have not provided this information to the surface owner(s). I a KCC will be required to send this information to the surface owner. | Act (House Bill 2032), I have provided the following to the surface ocated: 1) a copy of the Form C-1 or Form CB-1, the plat(s) required by this and email address.  Acknowledge that, because I have not provided this information, the wner(s). To mitigate the additional cost of the KCC performing this gree, payable to the KCC, which is enclosed with this form. |
| If choosing the second option, submit payment of the \$30.00 handling form and the associated Form C-1, Form CB-1, Form T-1, or Form CP-  | fee with this form. If the fee is not received with this form, the KSONA-1-1 will be returned.   |
| Submitted Electronically  |  |

F 88: Page: 176 Feconding F 302 Book: + #: 1263 Recorded: 2 in Initials: PK

9:50:00 6/27/2006 Date Recorded:

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Kansas Blue Print 700 S. Bnadway PO Box 783 Wichia, KS 67201-0793 316-264-3544-264-5165 fax www.kbp.com · kbp@kbp.com

2006

| Wilma James and Garland James, her husband |  | hereinsfer called [ seen (whether one or more)                    | 67202   |
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| he   |  |   | , Ks.   |
| d James,                                   |  | 20099   | mbright Inc. 125 N. Market #1415 Wichita, Ks. 67202 |
| d Garlar                                   |  | Kansas  | #1415   |
| James an                                   |  | asehor,   | . Market  |
| ilma                                       |  | Ge B  | 125 N   |
| W  |  | Terra   | Inc.  |
|  |  | whose mailing address is 1928 153rd Terrace Basehor, Kansas 66007 | Hambright   |
| etween                                     |  | ailing address is   | J. Fred Han   |
| y and between                              |  | whose m   | lud —   |

One and More

Dollars (\$ One (1.00) ) in hand paid, receipt of which hereby grants, leases and lets exclusively unto lesser for the purpose tailors, septioning by geophysical and other means, prospecting drilling, mining and operating for and producing oil, liquid hydrocarbons, all gases, and their respective to produces, injecting gas, water, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, telephone lines, and other structures therefore, asve, take care of, treat, manufacture, process, store and transport said oil, liquid hydrocarbons, gases and their respective constituent products and other vise caring for its employees, the following described land, together with any reversionary rights and after-acquired interest, stated in County of Ransas Ran hereinafter caller Lessee

West 22 Range South, 19 Township

80 2: N/2SW/4Section

as long thereafter or less, (2) years from this date (called "primary term"), and said land or land with which said land is pooled. term of TWO

equal one-eighth (1/4) part of all oil produced and saved connect wells on said land, the Subject to the provisions herein contained, this lease shall remain in force for a term of as oil, liquid hydrocarbons, gas or other respective constituent products, or any of them, is produ.

In consideration of the premises the said lessee covenants and agrees:

1st. To deliver to the credit of lessor, free of cost, in the pipe line to which lessee may from the leased premises.

2nd. To pay lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth (146) of the proceeds received by lessee from such sales), for the gas sold, used off the premises, or in the manufacture of products therefrom, said payments to be made monthly. Where gas from a well producing gas only is not sold or used, lessee may pay or tender as royalty. One Dollar (\$1.00) per year per net mineral acre retained hereunder, and if such payment or tender is made it will be considered that gas is being produced within the

This lease may be maintained during the primary term hereof without further payment or drilling operations. If the lease shall commence to drill a well within the term of this lease shall have the right to drill such well to completed within the term of seas first mentioned.

If said lease or any extension thereof, the lease shall have the right to drill such well to completed within the term of years first mentioned.

If said leaser owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided for shall be paid the said leaser owns a less interest in the above described land than the entire and undivided fee.

If said leaser owns a less interest in the above described land than the entire said leaser owns a less interest in the above described land than the royal estate therein, then the royalties herein provided for shall be paid the said leaser owns a less interest bears to the whole and undivided fee.

Lease shall have the right to use, free of cost, gas, oil and water produced on said land for leasee's operation thereon, except water from the wells of leasor.

When requested by leasor, leasee's operations to growing crops on said land.

Leasee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

Leasee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

If the estate of the party hereto is assigned, and the privilege of assigning in whole or in part is espessed hall be relieved of all obligations as to the land or assignment of rentals or royalties shall be binding on the leasee until after the leasee to the assigned portion or portions arising subsequent to the date of assignment of said and said and the privaled of all obligations as to the acreage surrender this lease as to such portion or portions and be relieved of all obligations as to the acrea

Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to redeem for lessor, by payment any mortgages, taxes or other liens on the above described lands, in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof, and the undersigned lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead may in any way affect the purposes for which this lesse is made, as recited herein.

Lesses, at its option, is hereby given the right and power to pool or combine the acreage covered by this lesse or any portion thereof with other land; lesse or lesses in the immediate vicinity thereof, when in lesses's judgment it is necessary or advisable to do so in order to properly develop and operate said lesse premises so as to promote the conservation of oil, gas as or other minerals in and under and that may be produced from said pooling to be of tracts contiguous to no a another and to be into a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit or unitie not exceeding 640 acres each in the event of an oil well, or into a unit or unitie not exceeding 640 acres each in the event of an oil well, or into a unit or unitie not exceeding 640 acres each in the event of an oil well, or into a unit or unitie no take of a facts contiguous to no another and to be into an instrument identifying and describing the production from the pooled fince at fact or unit shall be treated, or all purposes except the payment of royalities on production from the pooled acreage, it shall be treated as if production from a unit so pooled into a production from a unit so pooled only such portion of the royalty stipulated herein as the amount of this acreage placed in the unit or his royalty interest therein on an acreage sease in the energy production is only provided in the particular unit involved.

surface Jo feet 9 of minimum ø leased premises on drilled 13. placed. well Ø shall be event In the pipe

depth plow below buried þe shal premises leased on placed lines ric eleci

A OF O er as reverese in ced ğ plþe shall last soil placed and dry be E % when shall filled soils top þe shall only stremoved, shall Ø Wa Pits it wa

WITNESS WHEREOF, the Z

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James

(Rev. 930

# OIL AND GAS LEASE

| Kansas Blu | 700 S. Broadway | Wichita, KS 67. | 316-284-9344 - 26 | www.kbp.com · kbj |
|------------|-----------------|-----------------|-------------------|-------------------|
|            | 9               | d               |                   | 1                 |

| AGREEMENT, Made and entered into the | tered into the | 23rd    | day of                  |                                | October  |          |  | 2009               |
|--------------------------------------|----------------|---------|-------------------------|--------------------------------|--|----------|--|--------------------|
| by and between                       |                |         | L. Kle                  | weno and                       | Larry L. Kleweno and Marian J. Kleweno, his wife | Kleweno, | his wife   | <br>               |
|                                      |                |         |                         |                                |  |          |  |                    |
|                                      |                |         |                         |                                |  |          |  |                    |
|                                      |                |         |                         |                                |  |          |  |                    |
| whose mailing address is             | HCR B          | 0x 3    | Sazine,                 | HCR Box 3 Bazine, Kansas 67516 | 67516  |          | Land to a collection of the co |                    |
| pue                                  | Palom          | ino Pet | Palomino Petroleum Inc. | Inc.                           |  |          | nerennalver caned Lessor (Whether one of More)   | etner one or more, |

Lessor, in consideration of DOR and MOCE

Dollars (\$ ONE (1.00) ) in hand paid, receipt of which is here acknowledged and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring by geophystical and other means, prospecting drilling, mining and operating for and producing oil, liquid hydrocarbons, all gases, and their respective constituent products, injecting gas, water, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, telephone lines, and other structures and things thereon to produce, save, take care of treat, manufacture, process, store and transport said oil, liquid hydrocarbons, gases and their respective constituent products and other was manufactured therefrom, and housing and otherwise caring for its employees, the following described land, together with any reversionary rights and after-acquired interest, hereinafter caller Lessee: Kansas State of

Section 2: NW/4NW/4, SW/4NW/4, NE/4NW/4, SE/4NW/4 Section 3: NW/4NE/4, SW/4NE/4, NE/4NE/4, SE/4NE/4 22 West Range South, 19 Township

accretions thereto.

Subject to the provisions herein contained, this lease shall remain in force for a term of One (1) years from the the provisions herein contained, this lease shall remain in force for a term of One (1) years from the the term of November 17, 2009

Subject to the provisions herein contained, this lease shall remain in force for a term of One (1) years from the term of the premises the said lease covenants and agrees.

In consideration of the premises the said lease covenants and agrees.

1st. To deliver to the credit of leasor, free of cost, in the pipe line to which lease may connect wells on said land, the equal one-eighth (%) part of all oil produced and saved from the lease of premises. 320 containing

2nd. To pay lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth (%) of the proceeds received by lessee from such sales), for the gas sold, used off the premises, or in the manufacture of products therefrom, said payments to be made monthly. Where gas from a well producing gas only is not sold or used, lessee may pay or tender as royalty. Ohe Dollan (%1.00) per year per net mineral acre retained hereunder, and if such payment or tender is made it will be considered that gas is being produced within the meaning of the preceding paragraph.

This lease may be maintained during the primary term hereof without further payment or drilling operations. If the leasee shall commence to drill a well within the term of years first mentioned.

This lease or any extension thereof, the leasee shall have the right to drill such well be completion with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed within the term of years first mentioned.

I said leasor only in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided for shall be paid the said leasor only in the proportion which leasor's interest bears to the whole and undivided fee.

Lease shall have the right to use, free of cost, gas, oil and water produced on said permises without written consent of leasor.

Lease shall be drilled nearer than 200 feet to the house or barn now on said permises without written consent of leasor.

Lease shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

Lease shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

Lease shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and thereof shall extend to their party hereto is assigned, but no change in the ownership of the land or assignant in expressors or assigns, but no change in the ownership of the land or assignant to it makes the shall be unfailed be briding on the lease shall be unfailed very periods on portions arising subsequent to the date of assignants.

Lease may at any time execute and deliver to leasor or place of record a release or release surrendered this lease as to such portion or portions arising subsequent to the date of assignance of the said and the party o

Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to redeem for lessor, by payment any mortgages, taxes or other liens on the above described lands, in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof, and the understand lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead may in any way affect the purposes for which this lesse is made, as recited herein.

Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lesse or any portion thereof with other land, lesse or lesses in the immediate vicinity thereof, when in lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said lease premises so as to prome the immediate vicinity thereof, when in lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said lease premises and that may be produced from said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit or units not oded to a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled at tract or unit shall be treated as if production from a unit so pooled into a port of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled into a portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so proled in the particular unit involved.

eight (8) separate leases described as the following This lease is comprised of tracts:

2-19-22 2-19-22 2-19-22 2-19-22 l: NW/4NW/4 2: SW/4NW/4 3: NE/4NW/4 Tract

Tract

Tract

SE/4NW/4

3-19-22 3-19-22 3-19-22 3-19-22 SW/4NE/4 NE/4NE/4 SE/4NE/4 8 7 .: 8 Tract Tract

NW/4NE/4

any o lease the of term the extend on any one tract shill who, not extend the undersigned execute this instrument and the day and year firs Production on tract. other

NE P L. IN WITNESS WHEREOF, the Witnesses:

Kleweno

Larry

COUNT

Naus

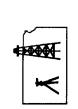
above written.

of Kansas - Ness County k: 327 Page: 523 Recording Fee: \$12.00 State

Kleweno

Recorded at remiest KSA 58-2001

Date Recorded: 11/3/2009 9:30:00 AM



a082310-z

Pro-Stake LLC

Oil Field & Construction Site Staking P.O. Box 2324

Garden City, Kansas 67846 Office/Fax: (620) 276-6159 Cell: (620) 272-1499

8924 INVOICE NO.

#1 James-Kleweno

2526' FSL - 357' FWL LOCATION SPOT

22w Rng.

19s

2

Palomino Petroleum, Inc.

Ness County, KS

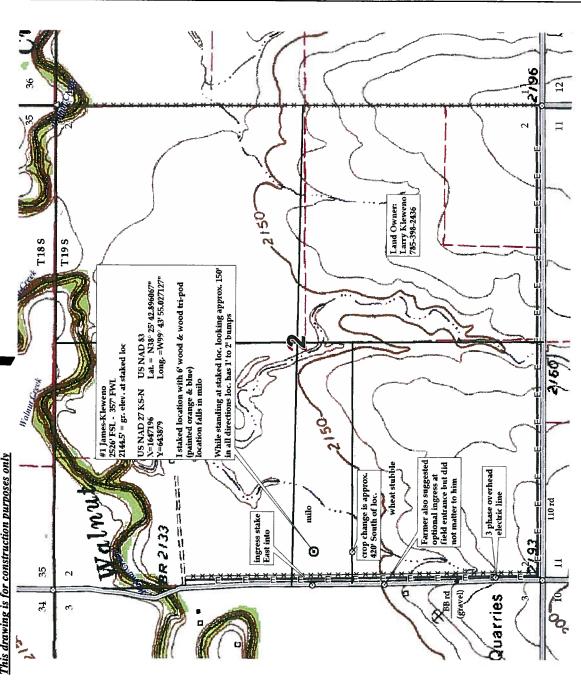
Aug 20<sup>th</sup>, 2010 Luke R. =1000Klee W. AUTHORIZED BY: MEASURED BY: DRAWN BY: DATE: \_

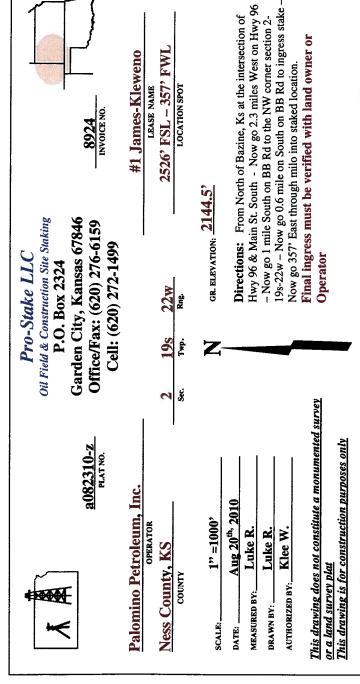
This drawing does not constitute a monumented survey or a land survey plat This drawing is for construction purposes only

**Directions:** From North of Bazine, Ks at the intersection of Hwy 96 & Main St. South - Now go 2.3 miles West on Hwy 96 – Now go 1 mile South on BB Rd to the NW corner section 2-19s-22w – Now go 0.6 mile on South on BB Rd to ingress stake – Now go 357' East through mile into staked location.

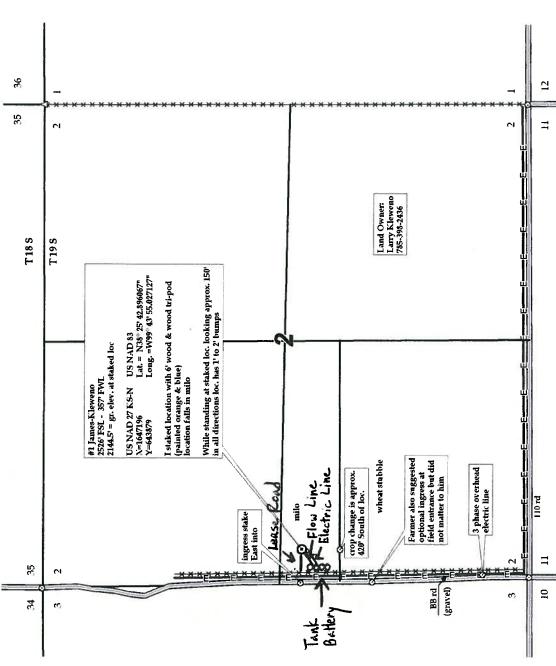
Final ingress must be verified with land owner or GR. ELEVATION: 2144.5'

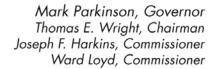
Operator





#1 James-Kleweno







August 31, 2010

Klee R. Watchous Palomino Petroleum, Inc. 4924 SE 84TH ST NEWTON, KS 67114-8827

Re: Drilling Pit Application James-Kleweno 1 SW/4 Sec.02-19S-22W Ness County, Kansas

Dear Klee R. Watchous:

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 within 96 hours of completion of drilling operations.

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 (620) 225-8888 when the fluids have been removed. Please file form CDP-5 (August 2008), Exploration and Production Waste Transfer, through KOLAR 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 District Office at (620) 225-8888.