

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

1081127

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:
month day year	Sec Twp S. R
DPERATOR: License#	(Q/Q/Q/Q) feet from N / S Line of Section
Name:	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)
State: Zip: +	County:
Contact Person:	Lease Name: Well #:
hone:	Field Name:
CONTRACTOR: License#	Is this a Prorated / Spaced Field?
lame:	Target Formation(s):
Well Drilled For: Well Class: Type Equipment:	Nearest Lease or unit boundary line (in footage):
Oil Enh Rec Infield Mud Rotary	Ground Surface Elevation:feet MS
Gas Storage Pool Ext. Air Rotary	Water well within one-quarter mile:
Disposal Wildcat Cable	Public water supply well within one mile:
Seismic ; # of Holes Other	Depth to bottom of fresh water:
Other:	Depth to bottom of usable water:
If OWWO: old well information as follows:	Surface Pipe by Alternate: I II
	Length of Surface Pipe Planned to be set: Length of Conductor Pipe (if any):
Operator:	Projected Total Depth:
Well Name: Original Total Depth:	Formation at Total Depth:
Original Completion Date Original Total Deptil	Water Source for Drilling Operations:
Directional, Deviated or Horizontal wellbore?	Well Farm Pond Other:
f Yes, true vertical depth:	DWR Permit #:
Bottom Hole Location:	(Note: Apply for Permit with DWR)
(CC DKT #:	Will Cores be taken?
	If Yes, proposed zone:
AFF	IDAVIT
	IDAVIT
The undersigned hereby affirms that the drilling, completion and eventual plu	IDAVIT
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The undersigned hereby affirms that the drilling, completion and eventual plu	IDAVIT gging of this well will comply with K.S.A. 55 et. seq.
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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	/ell: County:		
Lease:									feet from N / S Line of Section		
Well Numl	ber:								feet from E / W Line of Section		
Field:	Field: Sec						ec	TwpS. R			
Number o	f Acres att	ributable to	o well:				— ls	Section:	Regular or Irregular		
QTR/QTR	/QTR/QTF	R of acrea	ge:				_	Occion.			
								Section is ection corne	Irregular, locate well from nearest corner boundary. er used: NE NW SE SW		
		ads, tank l			d electrica	al lines, as	required l		dary line. Show the predicted locations of sas Surface Owner Notice Act (House Bill 2032). ired.		
136 ft.									LEGEND		
100 11.	Ţ 	•		•				•			
		:	:	:		:	:	:	O Well Location		
		•	:	:		:	:	:	Tank Battery Location		
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			:	:			:		Electric Line Location		
		:	:	:		:	:	:	Lease Road Location		
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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 south / north and east / west outside section lines.
- 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.

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



KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

081127

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	Pit is:	Existing	SecTwp R			
Settling Pit Drilling Pit	If Existing, date con	structed:	Feet from North / South Line of Section			
Workover Pit Haul-Off Pit (If WP Supply API No. or Year Drilled)	Pit capacity:	(bbls)	Feet from East / West Line of Section County			
Is the pit located in a Sensitive Ground Water A	rea? Yes 1	No	Chloride concentration: mg/l (For Emergency Pits and Settling Pits only)			
Is the bottom below ground level? Yes No	Artificial Liner?	0	How is the pit lined if a plastic liner is not used?			
Pit dimensions (all but working pits):	Length (fee	t)	Width (feet) N/A: Steel Pits			
Depth fro	m ground level to dee	pest point:	(feet) No Pit			
If the pit is lined give a brief description of the line material, thickness and installation procedure.			dures for periodic maintenance and determining ncluding any special monitoring.			
Distance to nearest water well within one-mile of	of pit:	Depth to shallo	west fresh water feet. mation:			
feet Depth of water well	feet	measured well owner electric log KDWR				
Emergency, Settling and Burn Pits ONLY:		Drilling, Worko	over and Haul-Off Pits ONLY:			
Producing Formation:		Type of material utilized in drilling/workover:				
Number of producing wells on lease:		Number of working pits to be utilized:				
Barrels of fluid produced daily:		Abandonment procedure:				
Does the slope from the tank battery allow all splow into the pit? Yes No	pilled fluids to	Drill pits must be closed within 365 days of spud date.				
Submitted Electronically						
	KCC (OFFICE USE O	NLY Liner Steel Pit RFAC RFAS			
Date Received: Permit Numb	ber:	Permi	t Date: Lease Inspection: Yes No			



Kansas Corporation Commission Oil & Gas Conservation Division

1081127

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 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:					
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					



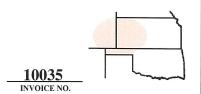
Pro-Stake LLC

Oil Field & Construction Site Staking

P.O. Box 2324

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

Cell: (620) 272-1499



Palomino Petroleum Inc.

COUNTY

Trego County, KS

OPERATOR

h050812-r

16 15s 23w
Sec. Twp. Rng.

#1 Basgall-Santee

466' FNL - 136' FWL

LOCATION SPOT

PROSPECT

SCALE: 1" = 1000'

DATE STAKED: May 7th, 2012

MEASURED BY: Ben R.

DRAWN BY: Luke R.

AUTHORIZED BY: Klee W. & Rick S.

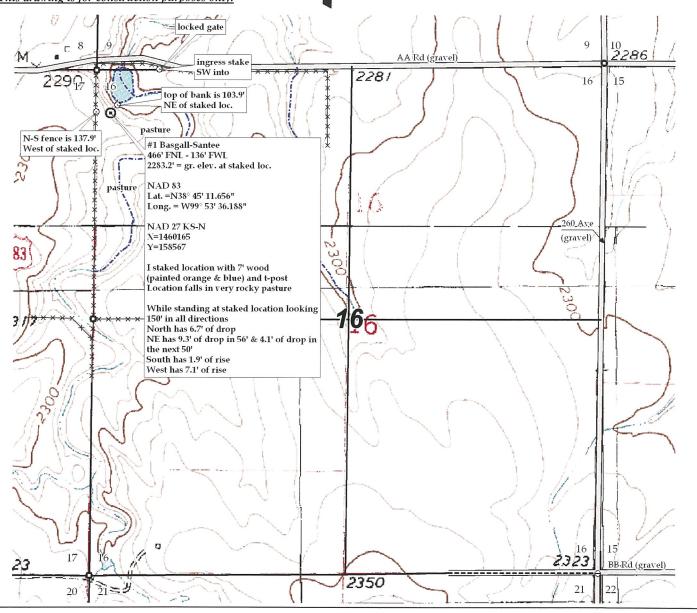
This drawing does not constitute a monumented survey

or a land survey plat.
This drawing is for construction purposes only.

GR. ELEVATION: 2283.2°

Directions: From approx. 1 ½ mile East of Ransom Ks at the intersection of Hwy 4 & 283 – Now go 8.2 miles North on Hwy 283 – Now go 0.2 mile East on AA Rd which is approx. 116' North of the NW corner of section 16-15s-23w – Now go 0.1 mile East on AA Rd to ingress stake SW into at locked gate – Now go approx. 680' SW through pasture into staked location.

Final ingress must be verified with land owner or Operator.





h050812-r

Pro-Stake LLC

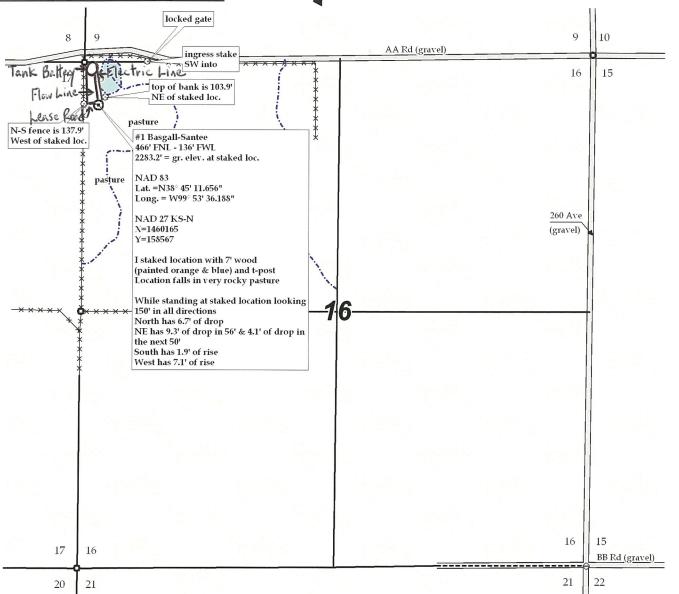
Oil Field & Construction Site Staking

P.O. Box 2324

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



PLAT NO. Cell: (620) 272-1499 Palomino Petroleum Inc. **#1 Basgall-Santee** OPERATOR LEASE NAME 466' FNL – 136' FWI Trego County, KS 16 15s 23w LOCATION SPOT COUNTY Rng. 1" =1000" PROSPECT GR. ELEVATION: 2283.2° SCALE: _ May 7th, 2012 DATE STAKED: **Directions:** From approx. 1 ½ mile East of Ransom Ks at the Ben R. MEASURED BY: intersection of Hwy 4 & 283 - Now go 8.2 miles North on Hwy 283 -Luke R. DRAWN BY: . Now go 0.2 mile East on AA Rd which is approx. 116' North of the Klee W. & Rick S. AUTHORIZED BY:_ NW corner of section 16-15s-23w - Now go 0.1 mile East on AA Rd to ingress stake SW into at locked gate - Now go approx. 680' SW through pasture into staked location. This drawing does not constitute a monumented survey Final ingress must be verified with land owner or Operator. or a land survey plat. This drawing is for construction purposes only.



FORM 88 — (PRODUCER'S SPECIAL) (PAID-UP)

63U (Rev. 1993)

Reorder No. 09-115 Kansas Blue Print 700 S. Broadway PO Box 793 Wichita, KS 97201-0793 316-284-5934-264-5165 fax

930 (Re	ev. 1993)	OIL AND	GAS LE	NSE	09-115	Wichita, KS 67201-0793 316-264-9344-264-5165 fax www.kbp.com · kbp@kbp.com
AGREEMENT, Made	and entered into the	th day of	Ma	ıy		2009
y and between		. Basgall and	Shirley F	. Basgall,	his wife	
4				¥1		
vhose mailing address is	308 West 3rd	Street Ransc	om, Kansas	67572	hereinafter called I	essor (whether one or more)
and	Palomino Petro	oleum Inc.				nood (whether one of more),
						, hereinafter caller Lessee
onstituent products, injecting and things thereon to produce,	n of On- the royalties herein provided an geophysical and other means, agas, water, other fluids, and air save, take care of, treat, manufiom, and housing and otherwise Trego	r into subsurface strata, lay acture, process, store and t e caring for its employees,	ring and operating to ring pipe lines, storic transport said oil, lio	or and producing on, ng oil, building tanks, juid hydrocarbons, gase bed land, together with	iquid hydrocarbons, all power stations, telephones and their respective coth any reversionary rights	gases, and their respective te lines, and other structures petitient products and other
	Townshi	p 15 South, R	tange 23 We	est		
		16: NW/4, SW			es	
n Section	Township	, Range	, an	d containing	205	acres, more or less, and all
ccretions thereto. Subject to the provisions oil, liquid hydrocarbons, gas	ns herein contained, this lease s or other respective constituen	shall remain in force for a	term of Three	(3) years from this	date (called "primary te	rm"). and as long thereafter l.
In consideration of the 1st. To deliver to the	premises the said lessee coven credit of lessor, free of cost, in	ants and agrees:				
rom the leased premises. 2nd. To pay lessor for	r gas of whatsoever nature or	kind produced and sold, o	or used off the prem	ises, or used in the ma	anufacture of any produc	ts therefrom, one-eighth (%),
remises, or in the manufactur	, (but, as to gas sold by lessee re of products therefrom, said p per year per net mineral acre	payments to be made mor	athly. Where gas fro	m a well producing ga	as only is not sold or use	ed, lessee may pay or tender
This lease may be ma	graph. intained during the primary t thereof, the lessee shall have t	erm hereof without furthe	er payment or drilli:	ng operations. If the le	essee shall commence to and dispatch, and if oil	drill a well within the term or gas, or either of them, be
ound in paying quantities, this If said lessor owns a l	s lease shall continue and be in ess interest in the above desc	n force with like effect as i ribed land than the entir	if such well had beer e and undivided fee	n completed within the	term of years first ment	ioned.
	ortion which lessor's interest b ight to use, free of cost, gas, oi			operation thereon, exc	cept water from the wells	of lessor.
	or, lessee shall bury lessee's pi nearer than 200 feet to the ho			itten consent of lessor.		
Lessee shall pay for da	mages caused by lessee's operaight at any time to remove all	ations to growing crops or	ı said land.			i
If the estate of either secutors, administrators, successee has been furnished with	party hereto is assigned, and ressors or assigns, but no cha a written transfer or assignm	I the privilege of assigning ange in the ownership of nent or a true copy thereof	ng in whole or in p the land or assign f. In case lessee assi	art is expressly allowe ment of rentals or roy	ed, the covenants hereof valties shall be binding	shall extend to their heirs, on the lessee until after the
Lessee may at any tim	rtion or portions arising subse- ne execute and deliver to lesso portion or portions and be relic	or or place of record a rele	ease or releases cov		ortions of the above des	cribed premises and thereby
All express or implied	covenants of this lease shall be held liable in damages, for fai	e subject to all Federal a	nd State Laws, Exe	cutive Orders, Rules or	r Regulations, and this le failure is the result of, a	ase shall not be terminated, ny such Law, Order, Rule or
ny mortgages, taxes or other igned lessors, for themselves	s and agrees to defend the title liens on the above described li and their heirs, successors an estead may in any way affect	ands, in the event of defa id assigns, hereby surren	ult of payment by l der and release all	essor, and be subrogat right of dower and ho	ted to the rights of the h	older thereof, and the under-
Lessee, at its option, is mmediate vicinity thereof, wh onservation of oil, gas or other units not exceeding 40 acrecord in the conveyance recooled into a tract or unit shaund on the pooled acreage, it voyalties elsewhere herein spe	shereby given the right and p hen in lessee's judgment it is er minerals in and under and as each in the event of an oil v rds of the county in which it lib e treated, for all purposes shall be treated as if productli cified, lessor shall receive on y interest therein on an acreag	ower to pool or combine to s necessary or advisable that may be produced fir well, or into a unit or unit ne land herein leased is except the payment of ro- tion is had from this lease, a production from a unit	the acreage covered to do so in order to me said premises, st is not exceeding 640 situated an instrumy alties on production, whether the well or to pooled only suc	by this lease or any porpoperly develop and ich pooling to be of traces each in the everent identifying and do from the pooled unit wells be located on the portion of the roya	d operate said lease pre acts contiguous to one a nt of a gas well. Lessee : lescribing the pooled act i, as if it were included in the premises covered by the alty stipulated herein as	mises so as to promote the mother and to be into a unit shall execute in writing and reage. The entire acreage so in this lease. If production is is lease or not. In lieu of the
IN WITNESS WHERE	OF, the undersigned execute t	his instrument as of the d	ay and year first ab	ove written.		
Vitnesses:				The th	X2.	- 0 l
Justi /	in I Pagazza		- — <u> </u>	Shire	ev K. Basgal	1. C.

M63U (Rev. 1981)

OIL AND GAS LEASE

by and between	Ruth Ann San	itee a/k/a Ruth Ann Sa	ntee-Brian,			
	a married won	nan dealing in her sole	and separate	property		
		e., Stockton, CA 9520				
whose mailing ad						hereinafter called Lessor (whether o
more),						
and <u>MULL D</u>	RILLING COMP	PANY, INC., 1700 N. V	Vaterfront Pkw	y, Bldg. 1200,	Wichita, Kansas	67206 , hereinafter called L
						-
Lessor, in cons		TEN AND MORE the lessee herein contained, hereby gr	mante Innece and late evol	Dollars (s_10.0	10) in hand paid, receipt	of which is here acknowledged and
not limited to 3-D sei	smic, and other means, prosp	pecting, drilling, mining and operating g pipe lines, storing oil, building tan	for and producing oil, l	iquid hydrocarbons, all	gases, and their respective	constituent products, injecting gas,
nanufacture, process,	, store and transport said oil, i	liquid hydrocarbons, gases and their r	respective constituent pro	educts and other produc	ets manufactured therefrom	, and housing and otherwise caring
		,,,,,				
County of	Trego	State of Kan	sas	described	as follows, to-wit:	
Fownship 15	South, Range 23	West,				
Section 17: I	NE/4					
Section	, Township	, Range		, and containing	160 acres, more	or less, and all accretions thereto.
			- Throa (2)			
Subject to the p	rovisions herein contained, the	is lease shall remain in force for a terr oducts, or any of them, is produced fro	n of <u>I III (3)</u>			rm") and as long thereafter as oil,
	other respective constituent pro n of the premises the said lesso		m said land or land with	which said land is poo	led.	
		hth (1/8) of all proceeds received by le	essee for oil produced an	d sold from the leased r	remises.	
		ture or kind produced and sold, or use				one-eighth (1/8), at the market pric
		ore than one-eighth (1/8) of the proce				
erefrom, said payme	ents to be made monthly. Wh	here gas from a well producing gas on	ily is not sold or used, le	ssee may pay or tender	as royalty One Dollar (\$1.	00) per year per net mineral acre r
		will be considered that gas is being pro				
		mary term hereof without further paym				
		well to completion with reasonable dil		if oil or gas, or either o	of them, be found in paying	quantities, this lease shall continue
		upleted within the term of years first nove described land than the entire and		setate therein then the	roculties berein provided f	or chall he maid to caid lector only
	or's interest bears to the whole		i unutviocu ice simple e	state incient, men me	toyatoes netem provided i	or sum be paid to said tessor only
		t, gas, oil and water produced on said	land for lessee's operation	on thereon, except water	r from the wells of lessor.	
		essee's pipe lines below plow depth.				
No well shall b	e drilled nearer than 200 feet t	to the house or barn now on said prem	ises without written cons	ent of lessor.		
		e's operations to growing crops on sai				
		nove all machinery and fixtures placed				ale anomine administrators and
		l, and the privilege of assigning in who nd or assignment of rentals or royaltie				
		hole or in part, lessee shall be relieved				
		to lessor or place of record a release or				
		s as to the acreage surrendered.	retented on thing may p	orden or persons or an	and the angestions presented	
All express or	implied covenants of this leas	se shall be subject to all Federal and	State Laws, Executive C	orders, Rules or Regula	tions, and this lease shall r	ot be terminated, in whole or in p
		therewith, if compliance is prevented l				
		the title to the lands herein described				
		nt of default of payment by lessor, and				
nd assigns, hereby su		of dower and homestead in the premise	es described herein, in so	itar as said right of do	wer and nomestead may in	iny way affect the purposes for wh
the is there, as teat.	40 HOIGHIN	ht and power to pool or combine the a	acreage covered by this I	case or any portion the	reof with other land, lease o	or leases in the immediate vicinity t
		ole to do so in order to properly develo				
ay be produced from	n said premises, such pooling	to be of tracts contiguous to one and	ther and to be into a uni	it or units not exceedin	g 80 acres each in the even	t of an oil well, or into a unit or u
		 Lessee shall execute in writing and 				
		age so pooled into a tract or unit shall				
		creage, it shall be treated as if product				
		I receive on production from a unit so I acreage so pooled in the particular un		rot the toyally supman	or netern as the amount of t	ne seresise brocen ur are mur or una
icreat dictem on air i	icronde amin penns to die tour	norougo so poorou in mis puntaum un				
IN CARTAITOR	MATERIAL III	lance avacuta this instrument as	of the day and year	Emt above written		
IN WITNESS	vvnekeOr, the undersig	igned execute this instrument as	or the day and year	mat above written.		
)					
/	<i>((</i>)					
1/	$\langle \langle A \rangle \rangle$	4)			
Ve	A an	Deta				
Ruth An	A Gui	Let	<u> </u>			
Ruth An	n Santee	, Zet				
Ruth An	n Santee	, Detr				
Ruth An	n Santee	n Detr				

M63U (Rev. 1981)

OIL AND GAS LEASE

y and between	David Santee, s	sinale				
y and outhorn	N. 6264 Lawsor	_		· · · · · · · · · · · · · · · · · · ·		
	Green Lake, WI					
whose mailing addres		34941				
-		NY INC 1700 N W	aterfront Dkyn	Plda 1200		er called Lessor (whether one or more), <u>as 67206</u> , hereinafter called Lessee
<u></u>	ALLED COMMIT	1111, 1110., 1700 11. W	atciliont i kw	, Diug. 1200	Wichita, Kans	as 07200 , herematter called Lessee
of limited to 3-D sen other fluids, and air nanufacture, process,	ded and of the agreements of the ismic, and other means, prospec- into subsurface strata, laying pi , store and transport said oil, liqu	ting, drilling, mining and operating fo ipe lines, storing oil, building tanks.	or and producing oil, li , power stations, telep pective constituent pro	sively unto lessee for quid hydrocarbons, a hone lines, and other fucts and other products	r the purpose of investig I gases, and their respect	cipt of which is here acknowledged and of the ating, exploring by geophysical, including but the constituent products, injecting gas, water thereon to produce, save, take care of, treat from, and housing and otherwise earing for it
County of	Trego	, State of Kansa	as	described	as follows, to-wit:	
Fownship 15 Section 17: 1	South, Range 23 V NE/4	Vest,				
Scotion	, Township	, Range	*****	, and containing	160acres, r	nore or less, and all accretions thereto.
ydrocarbons, gas or o In consideration Ist. To tender I 2nd. To pay le: ell, (but, as to gas se recefrom, said payme ercunder, and if such This lease may reced, the lessee shall force with like effec If said lessor or Lessee shall hav When requested No well shall be Lessee shall hav If the estate of c assigns, but no chan py thereof. In case I Lessee may a receded in the lessor or see held liable in day the season hereby we her liens on the abow d assigns, hereby sur Lessee, at its op ten in lessee's judgm any be produced from ceeding 640 acres ea d describing the pool to royalties elsewhere	other respective constituent produ- n of the premises the said lessoe of to lessor, free of Oost, one-eighth ssor for gas of whatsoever nature old by lessee, in no event more tents to be made monthly. Where payment or tender is made it wil be maintained during the primar It have the right to drill such well that as if such well had been comple was a less interest in the above or's interest beans to the whole an we the right to use, free of cost, gr t by lessor, lessee shall bury lesse e drilled nearer than 200 feet to it by for damages caused by lessee's we the right at any time to remove either party hereto is assigned, an igge in the ownership of the land o tessee assigns this lease, in whole my time execute and deliver to le b be relieved of all obligations as mplied covenants of this lease si mages, for failure to comply there we described lands, in the event of remoder and release all right of de do therein. tion, is hereby given the right as tent it is necessary or advisable to said premisers, such pooling to i each in the event of a gas well. L led acreage. The entire secreage is then is ploud on the pooled acreage herein specified, lessor shall rece	(1/8) of all proceeds received by lesses or kind produced and sold, or used of than one-eighth (1/8) of the proceeds gas from a well producing gas only it be considered that gas is being producing yet the proceeds gas from a well producing gas only it be considered that gas is being producing yet the producing gas only it be considered that gas is being produced within the term of years first men described land than the entire and ur d undivided fee. 18, oil and water produced on said lance is pipe lines below plow depth, he house or barn now on said premises operations to growing crops on said it first privilege of assigning in whole or assignment of rentals or royalties short in part, lessee shall be relieved of it of the acreage surrendered. halt be subject to all Federal and Stat soor or place of record a release or rel to the acreage surrendered. halt be subject to all Federal and Stat weight in the privilege of new in the premises of the decident of payment by lessor, and be ower and homested in the premises of do so in order to properly develop at the of tracts contiguous to one another essee shall execute in writing and recopooled into a tract or unit shall be tege, it shall be treated as if production.	said land or land with the for oil produced and off the premises, or uses a received by lessee if it is not sold or used, les used within the meanin to or drilling operation, nee and dispatch, and it titioned. Individed fee simple est d for lessee's operation s without written conse and. Is aid premises, includi or in part is expressly i all be binding on the la all obligations with res leases covering any po the Laws, Executive Or or if such failure is the d agrees that the lesse e subrogated to the right lescribed herein, in so that the conveyance treated, for all purpose is had from this lease, lete only such portion.	sold from the leased d in the manufacture on such sales), for t in the manufacture on such sales), for the see may pay or tende g of the preceding pa . If the lessee shall it of oil or gas, or either tate therein, then the a thereon, except wat ant of lessor. In the fight to draw a light of the covenant essee until after the lessee until aft	premises. of any products therefore to gas sold, used off the case sold, used of the case sold, used to fill a well of them, be found in pay royalties herein provide or from the wells of less and remove easing. In the case of the case shall extend to to see has been furnished ortion or portions arising a above described premi attions, and this lease shall the case shall extend to to gas a sold of and undersigned less wer and homestead may treof with other land, lead to the conservation of a g 80 acres each in the case shall the land here of royalties on producties on producties to producties be located on the professional case of the case of th	he heirs, executors, administrators, successor with a written transfer or assignment or a true subsequent to the date of assignment, ses and thereby surrender this lease as to suel all not be terminated, in whole or in part, no
IN MATHEORY		ed execute this instrument as of				

Conservation Division Finney State Office Building 130 S. Market, Rm. 2078 Wichita, KS 67202-3802



Phone: 316-337-6200 Fax: 316-337-6211 http://kcc.ks.gov/

Sam Brownback, Governor

Mark Sievers, Chairman Ward Loyd, Commissioner Thomas E. Wright, Commissioner

May 14, 2012

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

Re: Drilling Pit Application Basgall-Santee 1 NW/4 Sec.16-15S-23W Trego County, Kansas

Dear Klee R. Watchous:

District staff has inspected the above referenced location and has determined that the reserve pit shall be constructed <u>without slots</u>, 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. KEEP PITS away from draw/drainage.

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) 625-0550 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 (785) 625-0550.