

For KCC	Use:					
Effective Date:						
District #	<u> </u>					
SGA?	Yes No					

KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

1096580

Form C-1

March 2010

Form must be Typed

Form must be Signed

All blanks must be Filled

NOTICE OF INTENT TO DRILL

	e (5) days prior to commencing well Surface Owner Notification Act, MUST be submitted with this form.
Expected Spud Date:	Spot Description:
month day year OPERATOR: License#	Sec Twp S. R E
Name:	Is SECTION: Regular Irregular?
Address 1:Address 2:	
City: State: Zip: +	(Note: Locate well on the Section Plat on reverse side)
Contact Person:	County:
Phone:	Lease Name: Well #:
CONTRACTOR: License#	Field Name:
Name:	Is this a Prorated / Spaced Field? YesNo Target Formation(s):
	Nearest Lease or unit boundary line (in footage):
Well Drilled For: Well Class: Type Equipment:	Ground Surface Elevation:feet MSL
Oil Enh Rec Infield Mud Rotary	
Gas Storage Pool Ext. Air Rotary	Water well within one-quarter mile: Public water supply well within one mile: Yes No
Disposal Wildcat Cable	Depth to bottom of fresh water:
Seismic ;# of HolesOther	Depth to bottom of usable water:
Other:	Surface Pipe by Alternate:
If OWWO: old well information as follows:	Length of Surface Pipe Planned to be set:
<u> </u>	Length of Conductor Pipe (if any):
Operator:	Projected Total Depth:
Well Name: Original Total Depth:	Formation at Total Depth:
Original Completion Date.	Water Source for Drilling Operations:
Directional, Deviated or Horizontal wellbore? Yes No	Well Farm Pond Other:
If Yes, true vertical depth:	DWR Permit #:
Bottom Hole Location:	(Note: Apply for Permit with DWR)
KCC DKT #:	Will Cores be taken?
	If Yes, proposed zone:
AE	FIDAVIT
The undersigned hereby affirms that the drilling, completion and eventual plu	
	igging of this well will comply with N.O.A. 33 et. seq.
It is agreed that the following minimum requirements will be met:	
 Notify the appropriate district office <i>prior</i> to spudding of well; A copy of the approved notice of intent to drill <i>shall be</i> posted on each 	a drilling rig:
 A copy of the approved hotice of intent to drill shall be posted on each The minimum amount of surface pipe as specified below shall be set 	9 <i>0</i> ,
through all unconsolidated materials plus a minimum of 20 feet into the	
4. If the well is dry hole, an agreement between the operator and the dist	• •
5. The appropriate district office will be notified before well is either plugg	
6. If an ALTERNATE II COMPLETION, production pipe shall be cemente	
	133,891-C, which applies to the KCC District 3 area, alternate II cementing plugged. <i>In all cases, NOTIFY district office</i> prior to any cementing.
mast so completed main, or days of the space date of the monoral se	r plaggodi in an odooo, room i diodioo onto prior to arry comorning.
Submitted Electronically	
	Pomombor to:
For KCC Use ONLY	Remember to:
API # 15	- File Certification of Compliance with the Kansas Surface Owner Notification Act (KSONA-1) with Intent to Drill;
	- File Drill Pit Application (form CDP-1) with Intent to Drill;
Conductor pipe requiredfeet	- File Completion Form ACO-1 within 120 days of spud date;
Minimum surface pipe requiredfeet per ALTIII	- File acreage attribution plat according to field proration orders;
Approved by:	- Notify appropriate district office 48 hours prior to workover or re-entry:

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

(This authorization void if drilling not started within 12 months of approval date.)

_ Agent: _

This authorization expires:

- Submit plugging report (CP-4) after plugging is completed (within 60 days);
- Obtain written approval before disposing or injecting salt water.
- If well will not be drilled or permit has expired (See: authorized expiration date) please check the box below and return to the address below.

Well will not be drilled or Permit Expired	Date:
Signature of Operator or Agent:	



For KCC Use ONLY	
API # 15	_

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

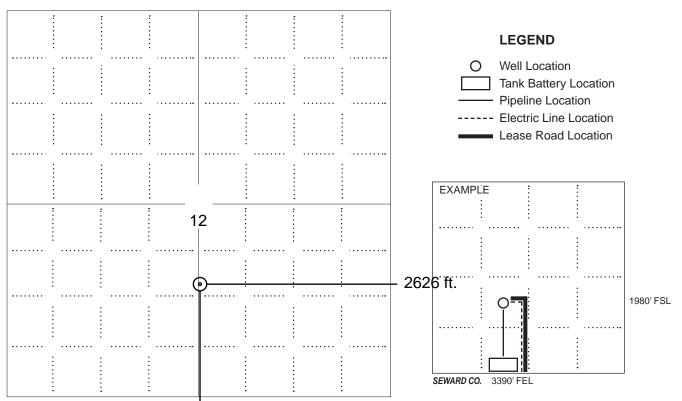
In all cases, please fully complete this side of the form. Include items 1 through 5 at the bottom of this page.

Operator:	Location of Well: County:
Lease:	feet from N / S Line of Section
Well Number:	feet from E / W Line of Section
Field:	SecTwpS. R 🗌 E 📗 W
Number of Acres attributable to well:	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. Show footage to the nearest lease or unit boundary line. Show the predicted locations of lease roads, tank batteries, pipelines and electrical lines, as required by the Kansas Surface Owner Notice Act (House Bill 2032).

You may attach a separate plat if desired.



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

1541 ft.

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.



KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

096580

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	Pit is: Proposed Existing If Existing, date constructed: Pit capacity: (bbls)		Sec R East West Sec West R East West Feet from North / South Line of Section Feet from East / West Line of Section County Chloride concentration: mg/l				
Is the bottom below ground level?	Artificial Liner?	No	(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): Depth fro	Length (fee						
If the pit is lined give a brief description of the li material, thickness and installation procedure.	ner		dures for periodic maintenance and determining acluding any special monitoring.				
Distance to nearest water well within one-mile of	of pit:	Depth to shallowest fresh water feet. Source of information:					
feet Depth of water well	feet	measured	well owner electric log KDWR				
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 s flow into the pit? Yes No Submitted Electronically		Type of materia Number of work Abandonment p Drill pits must b	over and Haul-Off Pits ONLY: all utilized in drilling/workover: king pits to be utilized: procedure: per closed within 365 days of spud date.				
	KCC OFFICE USE ONLY Liner Steel Pit RFAC RFAS						
Date Received: Permit Num	ber:	Permi	t Date: Lease Inspection: Yes No				



Kansas Corporation Commission Oil & Gas Conservation Division

1096580

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 (CB-1)	Cathodic Protection Borehole Intent) T-1 (Transfer) CP-1 (Plugging Application)					
OPERATOR: License #	Well Location:					
Name:	SecTwpS. R East					
Address 1:	County:					
Address 2:	Lease Name: Well #:					
City: State: Zip:+	If filing a Form T-1 for multiple wells on a lease, enter the legal description of					
Contact Person:	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:						
the KCC with a plat showing the predicted locations of lease roads, tank	dic Protection Borehole Intent), you must supply the surface owners and k batteries, pipelines, and electrical lines. The locations shown on the plat in the Form C-1 plat, Form CB-1 plat, or a separate plat may be submitted.					
☐ 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 to CP-1 that I am filing in connection with this form; 2) if the form to form; and 3) my operator name, address, phone number, fax, at ☐ I have not provided this information to the surface owner(s). I at KCC will be required to send this information to the surface owner(s).	cknowledge that, because I have not provided this information, the vner(s). To mitigate the additional cost of the KCC performing this					
task, I acknowledge that I am being charged a \$30.00 handling 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					
Submitted Electronically						



Pro-Stake LLC

Oil Field & Construction Site Staking

P.O. Box 2324 Garden City, Kansas 67846 Office/Fax: (620) 276-6159

10359 INVOICE NO.

071525bar Cell: (620) 272-1499

Palomino Petroleum Inc.

Gove County, KS

COUNTY

OPERATOR

26w Rng. Twp.

#1 Elza LEASE NAME

1541' FSL & 2626' FEL

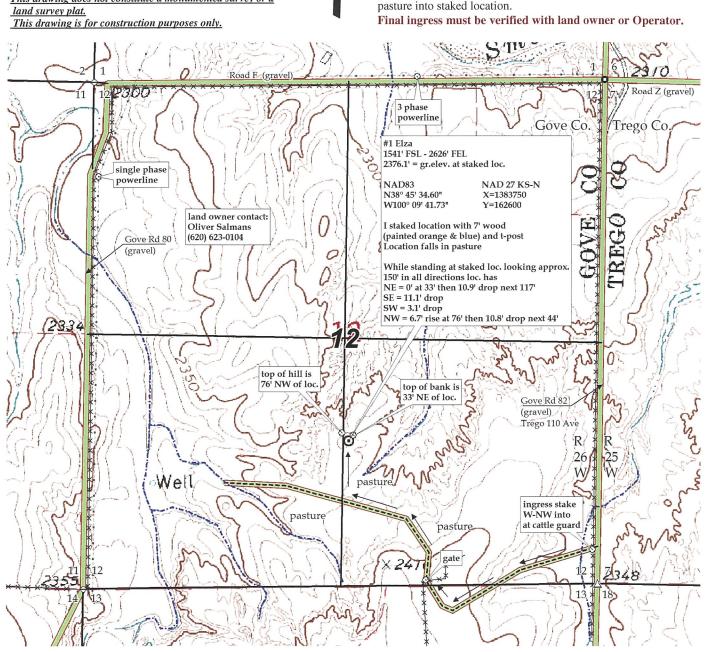
LOCATION SPOT

1"=1000" SCALE: Oct. 5, 2012 DATE STAKED: Luke R. MEASURED BY: Ben R. DRAWN BY: AUTHORIZED BY: Klee W. & Nick G.

This drawing does not constitute a monumented survey or a

GR. ELEVATION: 2376.1'

Directions: From the SW side of Utica, KS, at the intersection of Hwy 4 & Jackson Ave/D Rd - Now go 1 mile East on Hwy 4 -Now go 4 miles North on E Rd – Now go approx. 200' East on County Line Rd - Now go 4 miles North on 82 Rd/110 Ave to the SE corner of section 12-15s-26w – Now go North on 82 Rd/110 Ave 0.1 miles to ingress stake W-NW into - Now go W-NW on trail approx. 0.6 miles - Now go North approx. 650' through pasture into staked location.





Pro-Stake LLC

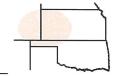
Oil Field & Construction Site Staking

P.O. Box 2324 Garden City, Kansas 67846 Office/Fax: (620) 276-6159

Cell: (620) 272-1499



#1 Elza



Palomino Petroleum Inc.

Gove County, KS

COUNTY

OPERATOR

071525bar

15s **26w** Rng. Twp.

LEASE NAME 1541' FSL & 2626' FEL

LOCATION SPOT

1"=1000" SCALE: Oct. 5, 2012 DATE STAKED: Luke R. MEASURED BY: Ben R. DRAWN BY: AUTHORIZED BY: Klee W. & Nick G.

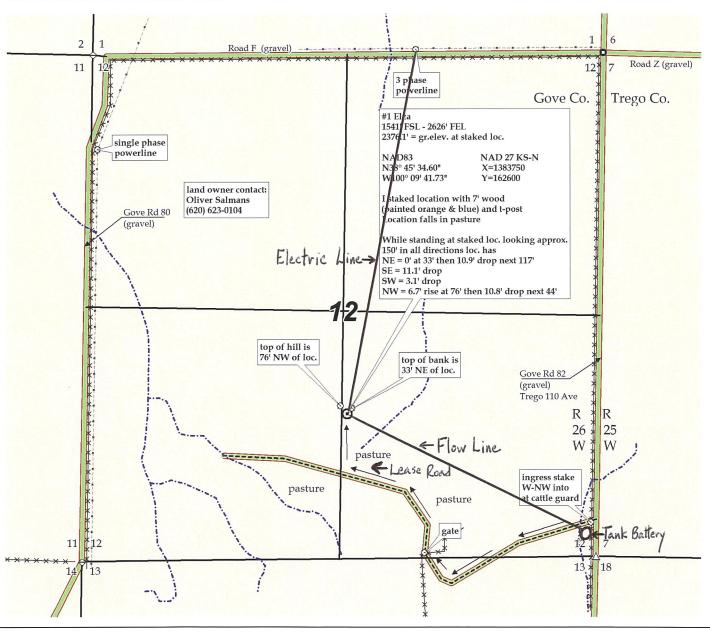
This drawing does not constitute a monumented survey or a land survey plat.

This drawing is for construction purposes only.

GR. ELEVATION: 2376.1' **Directions**: From the SW side of Utica, KS, at the intersection of Hwy 4 & Jackson Ave/D Rd - Now go 1 mile East on Hwy 4 -Now go 4 miles North on E Rd – Now go approx. 200' East on County Line Rd – Now go 4 miles North on 82 Rd/110 Ave to the SE corner of section 12-15s-26w – Now go North on 82 Rd/110 Ave 0.1 miles to ingress stake W-NW into - Now go W-NW on trail approx. 0.6 miles - Now go North approx. 650' through

Final ingress must be verified with land owner or Operator.

pasture into staked location.



63U (Rev. 1993)

OIL AND GAS LEASE



		Sim Like Sale	Sale Cons States & "If Maril Cons		The state of the s
AGREEM	ENT, Made and entered into the	day of	ecember	and the state of t	2006
by and between _	Gwendolyn C. Salmans,				ne W. Stutz,
	and Marguerite P. Stu	tz			
	William Robert Stutz:	Sr., individual	y and as Attorney-	-in-Fact for	Duane W.
	Stutz and Marguerite	P. Stutz	THE RESIDENCE OF THE SECOND AND ADDRESS AS A SECOND OF THE SECOND ASSESSMENT AS A SECOND OF THE SECOND AS A SECOND		
whose mailing ad	tress is RR 1, Box	46 Utica, Kansa	s 67584		sor (whether one or more)
and	Palomino P	etroleum Inc.			
of investigating, e constituent produce and things thereon products manufact	consideration of One ged and of the royalties herein provided and of the royalties herein provided and of the projecting gas, water, other fluids, and air in to produce, save, take care of, treat, manufactured therefrom, and housing and otherwise of County of OOVE	e and More of the agreements of the lessee to specting drilling, mining and to subsurface strata, laying pipe ure, process, store and transportants for its employees, the folice.	operating for and producing oil, liquillines, storing oil, building tanks, possaid oil, liquid hydrocarbons, gases a swing described land, together with a	(1.00) In has and lets exclusively used hydrocarbons, all gower stations, telephone ind their respective constant reversionary rights a	and paid, receipt of which nto lessee for the purpose asses, and their respective lines, and other structures tituent products and other after-acquired interest
		ship 15 South, ion 12: SE/4	Range 26 West		

as oil, liquid hydrocarbons, gas or other respective constituent products, or any of them, is produced from said land or land with which said land is pooled in consideration of the premises the said lessee covenants and agrees:

Township

In Section

accretions thereto.

1st. To deliver to the credit of lessor, free of cost, in the pipe line to which lessee may connect wells on said land, the equal one-eighth the part of all oil produced and saved rom the leased premises.

Subject to the provisions herein contained, this lease shall remain in force for a term of Three (3) years from this date (called "primary term"), and as long thereafter

160

and 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 (***) at the market price at the well, (but, as to gas sold by lessee, in no event more than 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 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 meaning of the preceding paragraph.

This lease may be maintained during the primary term hereof without further payment or drilling operations. If the lessee shall commence to drill a well within the term of this lease or any extension thereof, the lessee shall have the right to drill such well to completion with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lesse shall continue and be in force with like effect as if such well had been completed within the term of years first mentioned.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalities herein provided for shall be paid the said lessor only in the proportion which lessor's interest bears to the whole and undivided fee

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for lessee's operation thereon, except water from the wells of lessor. When requested by lessor, lessee shall bury lessee's pipe lines below plow depth.

Range ...

No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of lessor

Lessee shall pay for damages caused by lessee's operations to growing crops on said land.

Lessee 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 either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment or a true copy thereof. In case lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

Lessee may at any time execute and deliver to lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated in whole or in part, nor lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation

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 in the premises described herein, in so far as said 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 lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in leasee's judgment it is necessary or advisable to do so in order to properly develop and operate said lease premises so as to promote the conservation of oil, gas or other immediate in an under and that may be produced from said premises, such pooling to be of tracts continuous 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 60 acres each in the event of a gas well. Lessee shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, leasor shall receive on production from a unit so pooled only such portion of the royalty situplated 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 in the particular unit involved.

Lessee or its assigns agree to restore the surface to its original contour and condition as nearly as practicable.

Acreage covered by this lease shall only be pooled (unitized) with other lands owned by Lessors unless written permission is granted by Lessors.

Lessee shall pay a minimum of \$1,500.00 damages per well site in the event a well is drilled on leased acreage.

IN WITNESS WHEREOF, the undersigned execute this instrument as of the day a	and year first above written
Livendolyn C. Salmans PDA	William Robert Stutz Sr., individually and
Gwendolyn C. Salmans, individually and as	William Robert Stutz Sr., individually and
Attorney-in-Fact for Duane W. Stutz and	as Attorney-in-Fact for Duane W. Stutz and
Marquerite P. Stutz	Marguerite P. Stutz

Marguerite P. Stutz



	63U	(Rev. 1993)			AND		LEASI		09-115		700 S, Broad Wichita, I 316-264-93 www.kbp.cor	Way PO Box 793 (\$ 67201-0793 44-264-5165 fax m · kbp@kbp com
AGREE		ade and enter		day o	of		cember					2006
by and between			C. Salmans erite P. St		'iduall	y and	as Att	orney-i	n-Fact f	or Dua	ne W.	Stutz,
	Wil	lliam Ro	bert Stutz	z Sr., i	ndivid	dually	and as	Attorne	ey-in-Fa	ct for	Duane	W.
	Stı	utz and	Marquerite	e P. Stu	ıtz							
			RR 1, Box	x 46 Ut	ica, K	ansas	67584				·	
whose mailing a	ddress is		Palomino						hereinaf	ter called Les	sor (whethe	r one or more
and			- Latomerio									
									(3.00		, hereinafter	r caller Lesse
is here acknowle of investigating, constituent prod- and things thereo	dged and exploring acts, injec- on to proce ctured th	g by geophysic cting gas, wate: fuce, save, take erefrom, and h	es herein provided a cal and other means r, other fluids, and a e care of, treat, manu lousing and otherwis GOV	s, prospecting of ir into subsurfa- facture, process se caring for its	ments of the Irilling, mini ce strata, lay s, store and t employees,	ing and ope ing pipe lin ransport sak the followir	rating for and es, storing oil, I oil, liquid hy ig described la	hereby grants, d producing oil , building tanks drocarbons, ga	l, liquid hydror i, power station ses and their re rith any reversi	exclusively usarbons, all g s, telephone spective consonary rights a	nto lessee for ases, and the lines, and of stituent produced and after-acq	ther structures ucts and other
				wnship :			nge 26	West				
			Se	ction 12	2: SW/4	1						
									1.60			
In Section		Tow	nship	, Rai	nge		and con	taining	160		icres, more o	or less, and al
Subject t as oil, liquid hyd In consic Ist. To from the leased p 2nd. To	o the pro- rocarbon- leration o deliver to remises. pay less	of the premises the credit of l or for gas of w	contained, this lease respective constitue the said lessee cove- lessor, free of cost, in whatsoever nature or to gas sold by lesse-	nants and agre n the pipe line t kind produced	es: to which less and sold, o	see may con r used off tl	nect wells on ne premises, o	said land, the o	equal one-sight	h (½) part of	all oil produ	ced and saved
as royalty One I meaning of the p This lease of this lease or a found in paying If said le the said lessor or Lessee sh	Jollar (\$1 receding se may b ny exten quantities saor own ly in the	.00) per year y paragraph. e maintained o sion thereof, th s, this lease sh. as a less intere proportion wh the right to us	ucts therefrom, said mer net mineral acre during the primary ne lessee shall have all continue and be i set in the above des- ich lessor's interest e, free of cost, gas, o	term hereof wi the right to dri in force with lik cribed land the bears to the wh til and water pr	thout furthe ill such well se effect as i an the entire nole and und oduced on se	f such payr r payment to completi f such well l e and undiv livided fee. aid land for	nent or tender or drilling ope on with reason and been complided fee simpl	r is made it wil erations. If the mable diligence pleted within the le estate therein	lessee shall co e and dispatch, ne term of year, n, then the roy	mmence to d and if oil or s first mentio alties herein	peing productil a well wigas, or eith ned.	thin the term er of them, be
			shall bury lessee's p									
			nan 200 feet to the h used by lessee's oper				nout written c	onsent of lesso	r.			
If the es executors, admin lessee has been f	tate of ei istrators, urnished	ither party her successors or with a written	ey time to remove all reto is assigned, an- assigns, but no ch a transfer or assignr ortions arising subse	d the privilege lange in the ov ment or a true (of assigning vnership of copy thereof	g in whole the land or In case les	or in part is assignment	expressly allow of rentals or re	wed, the coveni oyalties shall b	ints hereof s e binding on	hail extend the lessee	until after the
Lessee m	ay at an	y time execute	and deliver to less portions and be reli	or or place of r	ecord a rele	ase or relea	ses covering	any portion or	portions of the	above descri	bed premise	s and thereby
All expre	ss or imp	olied covenants	s of this lease shall e in damages, for fa	be subject to al	ll Federal ar	d State La	ws, Executive	Orders, Rules	or Regulations, 1 failure is the	and this leas result of, any	e shall not l such Law,	oe terminated. Order, Rule or
any mortgages, t signed lessors, fo	axes or our themse	ther liens on t lves and their	ees to defend the titl he above described heirs, successors a ny in any way affect	lands, in the ev nd assigns, her	vent of defar reby surrence	alt of payme ler and rele	ent by lessor. ase all right (and be subrog. of dower and h	ated to the righ	its of the hold	ler thereof, a	and the under-
Lessee, a mmediate vicini conservation of cor units not exce- ecord in the cor- ecord into a tra- found on the poo- coyalties elsewhe	t its optic ty thereo il, gas of eding 40 eveyance of or uni- led acrea- re hereir	on, is hereby gof, when in lest other minera acres each in records of the t shall be treat ge, it shall be to specified, lest	iven the right and passe's judgment it is in and under and the event of an oil county in which ted, for all purposes reated as if products or shall receive or therein on an acreas	power to pool of is necessary or if that may be possible that may be possible to the pay the pay the production is had from a production of the possible to production of the	r combine the advisable to produced from units a leased is soment of roy this lease, from a unit	ne acreage of o do so in medid prem not exceed ituated an alties on prowhether the so pooled of	overed by thi order to prop nises, such po ing 640 acres instrument id oduction from well or wells only such por	s lease or any serly develop a soling to be of the each in the ev- sentifying and the pooled un- be located on the tion of the roy	nd operate sail tracts contiguous ent of a gas wondescribing the it, as if it were the premises co- calty stipulated	d lease premus to one and ell. Lessee sh pooled acres included in t vered by this	ises so as to ther and to all execute i ge. The ent his lease. If lease or not	o promote the be into a unit n writing and ire acreage so production is . In lieu of the
Lessee as near			ns agree t cable.	to resto	re the	surfa	ace to	its ori	ginal co	ontour	and co	nditior
Acreage Lessors	cove	ered by ess writ	this lease ten permis	e shall ssion is	only b grant	e pool ed by	led (un Lessor	itized) s.	with ot	her la	nds ow	ned by
Lessee drilled			minimum of acreage.	£ \$1,50C).00 da	mages	per we	ll site	in the	event	a well	is
Witnesses SWE Gwendol	ndi yn C.	Alyn Galmar	ns, individ	<i>nano</i> , dually a	POF and as	7 Wi	lliam R	Refe obert S				
Attorne	y-in-	-Fact fo	or Duane W	. Stutz	and	as	Attorn	ey-in-F	act ior	υuane	w. Stu	tz and

1540781

Marguerite P. Stutz

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 Thomas E. Wright, Commissioner Shari Feist Albrecht, Commissioner

October 09, 2012

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

Re: Drilling Pit Application Elza 1 SE/4 Sec.12-15S-26W Gove 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 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.