

PALOMINO PETROLEUM

500 INSURANCE BUILDING  
WICHITA, KANSAS 67202

R. W. WATCHOUS  
OWNER - GEOLOGIST

(316) 263-4961

PROGRESS REPORT

Strata Drlg. (Icer Addis)  
#1 Margheim  
NE SW SE Sec. 17-19S-21W  
Ness County, Kansas

CORRECTED REPORT

Elevation: 2255 R.K.B.

12-29-77 Moved and set in.

Top Cimarron Anhydrite 1462 (+793) to 1498

1-3-78 Drilling @ 3740'.

1-4-78 Top Heebner 3720 (-1465)

Top Lansing 3767 (-1512)

Top Marmaton 4158 (-1903)

Top Pawnee 4182 (-1927)

Drilling @ 4220'.

1-5-78 Top Ft. Scott 4255 (-2000)

D.S.T. #1 4259-4270: Open 1 hour, recovered 2000 feet of gas above 190 feet slightly mud cut oil. Flow pressures 40# to 105#. Shut-in pressures 913# to 825#.

D.S.T. #2 4269-4285: Open 1 hour, recovered 25 feet mud. Shut-in pressures 503# to 332#.

Drilling @ 4292'.

1-6-78 Top Mississippian Osage 4353 (2098)

Good drilling break, odor and show of oil.

Running high to all control wells.

Rotary Total Depth 4360 (-2105)

D.S.T #3 4355-4360: 30-30-30-30, recovered 540 feet of gas above 1120 feet of oil (745' clean, gassy oil and 375' muddy oil, no water). Flow pressures 43# to 372#.

Shut-in pressures 1232# to 1211#

Getting ready to run pipe.

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WICHITA, KANSAS 67202

R. W. WATCHOUS  
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January 24, 1978

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PROGRESS REPORT

Icer Addis  
#1 Margheim  
NE SW SE Sec. 17-19S-21W  
Ness County, Kansas

1-20-78 Drilled shoe and cleaned out to bottom.

1-21-78 Filled up 3200 feet of oil overnight, natural, no water.  
P.O.P.

We have scheduled our #1 Margheim "E" for approximately March 1 (Strata tools) and the location will be 150 feet west of SE NW SE. This will put us 530 feet S-SE of the old Kern-Landes abandoned producer which was fudged to the north approximately 150 feet (see plat attached), this well was supposed to be making 8 or 9 BOPD when it had a Cedar Hills break-in which was never repaired.

From recovery figures in the area used in conjunction with the productivity of the well (more or less verified by Vance-Rowe) it is estimated that 20,000 barrels of oil was possibly left in the ground under this old hole. This possibility, along with what appears to be a "barn burner" on the south, makes this a very drillable location.

If anyone has any objections to this procedure, please let us hear from you at your earliest convenience.

Lease ownership of the N/2 SE/4 (Margheim "E") is as follows:

Wm. R. Atkinson	.031250
Joe Gerstner	.031250
John Jay Darrah, Jr.	.062500
John W. Moore	.062500
Strata Drilling Co.	.125000
Richard & Mary Ann Schreiber	.125000
Parkwood Petroleum	.187500
Morris Garvin, Inc.	.187500
Palomino Petroleum	.187500

2-23-78 Scheduled to move in Strata's rotary Saturday, 2/25 or Monday 2/27. Footage rate will be \$5.75 and daywork rate \$130.00 per hour.

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PROGRESS REPORT

Palomino Petroleum  
#1 Margheim "E"  
SE NW SE Sec. 17-19S-21W  
Ness County, Kansas

Elevation: 2247 R.K.B.

2-27-78 Moved in rotary tools and spudded.

2-28-78 Set 289 feet of new 8 5/8" 20# surface casing and  
cemented with 175 sacks cement (circulated).  
Plug down @ 12:01 A.M.

3-1-78 Top Cimarron Anhydrite (driller) 1464 (+783) to 1495  
Drilling @ 2150'.

3-2-78 Drilling @ 2870'.

3-3-78 Drilling @ 3700'.

3-4-78 Top Ft. Scott 4258 (-2011) small show of oil.  
Top Mississippian Osage 4359 (-2112) good show of oil.  
Ran Great Guns open-hole electric log.

Elog Tops:

Cimarron Anhydrite	1464 (+783) to 1494
Heebner Shale	3714 (-1467)
Lansing-KC	3760 (-1513)
Ft. Scott	4260 (-2013)
Mississippian Osage	Not logged
Total Depth	4361 (did not go to bottom).

3-5-78 D.S.T. #1 4267-4364: (had to slide tool 5 feet to bottom).  
Open 30 minutes, no blow, recovered 35 feet mud. 10 minute  
shut-in pressure 348#.  
Some question as to whether or not this is a good test.

Drilled deeper 3 feet to 4367 (-2120).

D.S.T. #2 4270-4367: tool stopped 30 feet off bottom - had  
to open tool to get to bottom. 30-30-55-30, recovered 450  
feet of mud. Pressures all questionable.

3-6-78 Drilled deeper 5 feet to 4372 (-2125).

D.S.T. #3 4271-4372: 30-30-60-30, recovered 470 feet fluid.  
(200' gas cut mud with oil specks, 30' oil and gas cut mud, 150'  
heavily oil and gas cut mud-48% oil, 90' very heavily oil and gas  
cut mud and muddy oil-72% oil). Flow pressures 100# to 274#.  
Shut-in pressures 1256 to 1256#.

3-7-78 Set 5 1/2" casing 8 feet off bottom at 4364' and cemented with  
150 sacks 60-40 pozmix. Plug down @ 4:35 A.M.

4364  
2247  
casing to -2117  
open hole to -2125  
8' of open hole

PROGRESS REPORT  
#1 Margheim "E"  
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3-14-78 Moved in and rigged up Yost cable tools. Swabbed hole down.

3-15-78 Drilled shoe and cleaned out the bottom 4372 (-2125). Bailed mud with good show of oil. Apparently some fair volume and very muddy so put on swab to test.

1st hour	1.90 barrels oil cut mud and muddy oil.
2nd hour	1.79 barrels oil - much cleaner - no water.
3rd hour	2.02 barrels oil - fairly clean - no water.

Will bail hole clean and check fill up in the morning.

3-16-78 Had 1100 feet of fill-up, all oil. Actual fill-up (considering amount bailed out) 29 barrels of oil in 18 hours or 1.61 BOPH.

Will tear down cable tools and put well on production.

3-31-78 Put to pumping.