For KCC Use: 19-3-04
Effective Date: _____
District # 1
SGA? [X] Yes [ ] No

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

NOTICE OF INTENT TO DRILL

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

Form C-1
December 2002
Form must be Typed
Form must be Signed
All blanks must be Filled

Expected Spud Date: October (month) 11 (day) 2004 (year)

OPERATOR: License# 30742 6/30/05
Name: Palomino Petroleum, Inc.
Address: 4924 SE 84th St.
City/State/Zip: Newton, Kansas 67114-8827
Contact Person: Klee R. Watchous
Phone: (316) 799-1000

CONTRACTOR: License# 5184 6/30/05
Name: Shields Oil Producers, Inc.

Well Drilled For:		Well Class:	Type Equipment:
[✓] Oil	[ ] Enh Rec	[ ] Infield	[✓] Mud Rotary
[ ] Gas	[ ] Storage	[ ] Pool Ext.	[ ] Air Rotary
[ ] OWWO	[ ] Disposal	[✓] Wildcat	[ ] Cable
[ ] Seismic; ____ # of Holes		[ ] Other	
[ ] Other ____			

If OWWO: old well information as follows:
Operator: ____
Well Name: ____
Original Completion Date: ____ Original Total Depth: ____

Directional, Deviated or Horizontal wellbore? [ ] Yes [✓] No
If Yes, true vertical depth: ____
Bottom Hole Location: ____
KCC DKT #: ____

*Unit AGREEMENT RECIEVED

Spot 230' N & 130' E of
N/2 - N/2 - NW Sec. 3 Twp. 18 S. R. 24 [ ] East [✓] West
100 feet from [✓] N / [ ] S Line of Section
1450 feet from [ ] E / [✓] W Line of Section
Is SECTION ✓ Regular ____ Irregular?

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

County: Ness
Lease Name: Fritzler-Depperschmidt Well #: 1
Field Name: None (Wildcat)
Is this a Prorated / Spaced Field? [ ] Yes [✓] No
Target Formation(s): Cherokee Sand
Nearest Lease or unit boundary: 530 (unit)
Ground Surface Elevation: 2346 feet MSL
Water well within one-quarter mile: [X] Yes [✓] ~~No~~
Public water supply well within one mile: [ ] Yes [✓] No
Depth to bottom of fresh water: 180
Depth to bottom of usable water: ~~800~~ 900
Surface Pipe by Alternate: [ ] 1 [✓] 2
Length of Surface Pipe Planned to be set: 200+
Length of Conductor Pipe required: None
Projected Total Depth: 4400
Formation at Total Depth: Mississippian
Water Source for Drilling Operations:
[ ] Well [✓] Farm Pond Other ____
DWR Permit #: ____
(Note: Apply for Permit with DWR [ ])
Will Cores be taken? [ ] Yes [✓] No
If Yes, proposed zone: ____

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AFFIDAVIT

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55 et seq.

It is agreed that the following minimum requirements will be met:

1. Notify the appropriate district office ***prior*** to spudding of well;
2. A copy of the approved notice of intent to drill ***shall be*** posted on each drilling rig;
3. The minimum amount of surface pipe as specified below ***shall be set*** by circulating cement to the top; in all cases surface pipe ***shall be set*** through all unconsolidated materials plus a minimum of 20 feet into the underlying formation.
4. If the well is dry hole, an agreement between the operator and the district office on plug length and placement is necessary ***prior to plugging;***
5. The appropriate district office will be notified before well is either plugged or production casing is cemented in;
6. If an ALTERNATE II COMPLETION, production pipe shall be cemented from below any usable water to surface within ***120 days*** of spud date. Or pursuant to Appendix "B" - Eastern Kansas surface casing order #133,891-C, which applies to the KCC District 3 area, alternate II cementing must be completed within 30 days of the spud date or the well shall be plugged. ***In all cases, NOTIFY district office*** prior to any cementing.

I hereby certify that the statements made herein are true and to the best of my knowledge and belief.

Date: September 23, 2004 Signature of Operator or Agent: Klee R. Watchous Title: President

For KCC Use ONLY
API # 15 - 135-24310-00-00
Conductor pipe required NONE feet
Minimum surface pipe required 200 feet per Alt. ← (2)
Approved by: RJP 9-28-04
This authorization expires: 3-28-05
(This authorization void if drilling not started within 6 months of effective date.)
Spud date: ____ Agent: ____

Remember to:
- File Drill Pit Application (form CDP-1) with Intent to Drill;
- File Completion Form ACO-1 within 120 days of spud date;
- File acreage attribution plat according to field proration orders;
- Notify appropriate district office 48 hours prior to workover or re-entry;
- Submit plugging report (CP-4) after plugging is completed;
- Obtain written approval before disposing or injecting salt water.
- If this permit has expired *(See: authorized expiration date)* please check the box below and return to the address below.

[ ] **Well Not Drilled - Permit Expired**
Signature of Operator or Agent: ____
Date: ____

3 18 24W

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

Side Two

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

Plat of acreage attributable to a well in a prorated or spaced field

If the intended well is in a prorated or spaced field, please fully complete this side of the form. If the intended well is in a prorated or spaced field complete the plat below showing that the well will be properly located in relationship to other wells producing from the common source of supply. Please show all the wells and within 1 mile of the boundaries of the proposed acreage attribution unit for gas wells and within 1/2 mile of the boundaries of the proposed acreage attribution unit for oil wells.

API No. 15 - _____

Operator: Palomino Petroleum, Inc.

Lease: Fritzler-Depperschmidt

Well Number: 1

Field: None (Wildcat)

Number of Acres attributable to well: _____

QTR / QTR / QTR of acreage: N/2 - N/2 - NW

Location of Well: County: Ness

100 feet from ☑ N / ☐ S Line of Section

1450 feet from ☐ E / ☑ W Line of Section

Sec. 3 Twp. 18 S. R. 24 ☐ East ☑ West

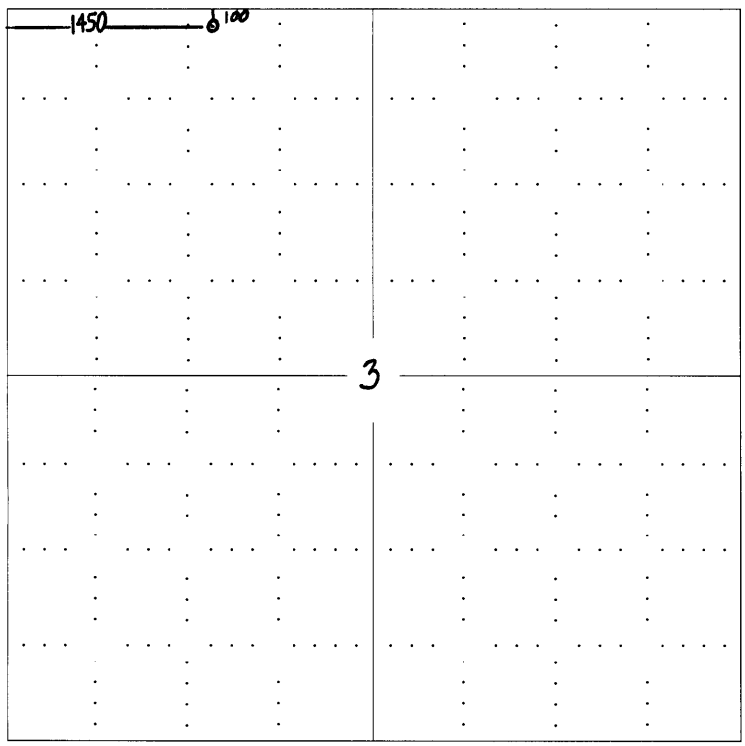
Is Section: ☑ Regular or ☐ Irregular

If Section is Irregular, locate well from nearest corner boundary.

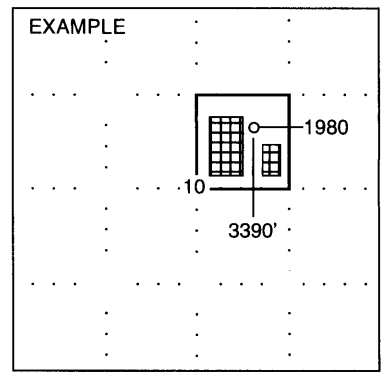
Section corner used: ☐ NE ☑ NW ☐ SE ☐ SW

PLAT

(Show location of the well and shade attributable acreage for prorated or spaced wells.)
(Show footage to the nearest lease or unit boundary line.)



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SEWARD CO.

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

NESS CO.

In plotting the proposed location of the well, *you must show*:

1. The manner in which you are using the depicted plat by identifying section lines, i.e. 1 section, 1 section with 8 surrounding sections, 4 sections, etc.
2. The distance of the proposed drilling location from the section's south / north and east / west.
3. The distance to the nearest lease or unit boundary line.
4. If proposed location is located within a prorated or spaced field a certificate of acreage attribution plat must be attached: (C0-7 for oil wells; CG-8 for gas wells).