

RECEIVED

KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

Form C-1

December 2002

For KCC Use: Effective Date: 2-15-06 District # SGA? Yes No

FEB 10 2006

Form must be Typed Form must be Signed blanks must be Filled

NOTICE OF INTENT TO DRILL

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

CONSERVATION DIVISION WICHITA, KS

Expected Spud Date February 18 2006 month day year

Spot 130' S of W/2 - W/2 - NW Sec. 34 Twp. 18 S. R. 24 1450 feet from 330 feet from

OPERATOR: License# 30742 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

Is SECTION Regular Irregular? (Note: Locate well on the Section Plat on reverse side)

CONTRACTOR: License# 5184 Name: Shields Drilling Co., Inc.

County: Ness Lease Name: Crowell Well #: 6 Field Name: McDonald NE

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

Is this a Prorated / Spaced Field? Target Formation(s): Mississippian Nearest Lease or unit boundary: 330

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

Ground Surface Elevation: 2342 feet MSL Water well within one-quarter mile: Public water supply well within one mile:

Directional, Deviated or Horizontal wellbore? If Yes, true vertical depth: Bottom Hole Location: KCC DKT #:

Depth to bottom of fresh water: 180 Depth to bottom of usable water: 800 Surface Pipe by Alternate: 1 2

Length of Surface Pipe Planned to be set: 200+ Length of Conductor Pipe required: None Projected Total Depth: 4350

Formation at Total Depth: Mississippian Water Source for Drilling Operations: Well Farm Pond Other

DWR Permit #: Will Cores be taken? If Yes, proposed zone:

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: February 10, 2006 Signature of Operator or Agent: Klee R. Watchous Title: President

For KCC Use ONLY API # 15 - 135-24462-00-00 Conductor pipe required NONE feet Minimum surface pipe required 200 feet per Alt. Approved by: RJP 2-10-06 This authorization expires: 8-10-06 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:

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

34 18 24w

FEB 10 2003

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

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

CONSERVATION DIVISION
WICHITA, KS

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: Crowell _____

Well Number: 6 _____

Field: McDonald NE _____

Number of Acres attributable to well: _____

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

Location of Well: County: Ness _____

1450 feet from N / S Line of Section

330 feet from E / W Line of Section

Sec. 34 Twp. 18 S. R. 24 East West

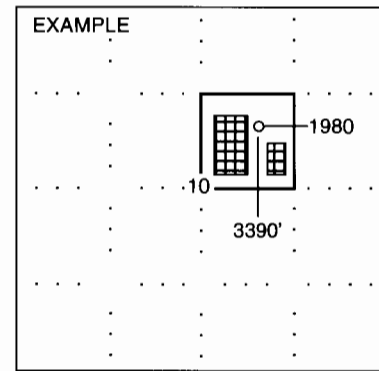
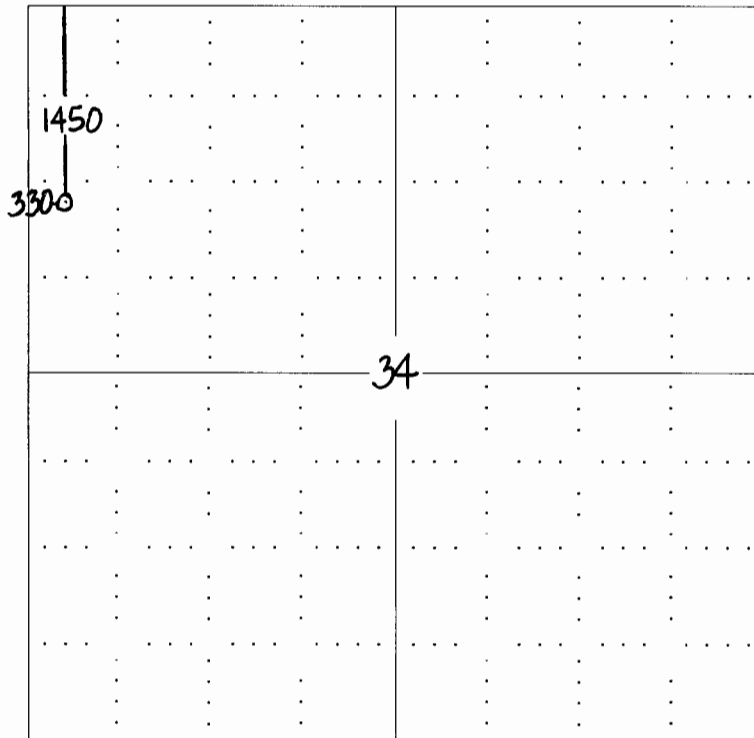
Is Section: Regular or Irregular

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.)



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

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: (CO-7 for oil wells; CG-8 for gas wells).