

For KCC Use:
 Effective Date: 8-27-06
 District # 1
 SGA? Yes No

KANSAS CORPORATION COMMISSION
 OIL & GAS CONSERVATION DIVISION
NOTICE OF INTENT TO DRILL

* COR

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

CORRECTED

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

Expected Spud Date September 19 2006
 month day year

Spot 50' N & 10' E of * 20 East
C W/2 NE Sec. 8 Twp. 19 S. R. 24 West
1270 feet from N / S Line of Section
1970 feet from E / W Line of Section
 Is SECTION Regular Irregular?

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

(Note: Locate well on the Section Plat on reverse side)
 County: Ness
 Lease Name: Slagle Well #: 1
 Field Name: Hair

CONTRACTOR: License# 5123 ✓
 Name: Pickrell Drilling Company, Inc.

Is this a Prorated / Spaced Field? Yes No
 Target Formation(s): Mississippian

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

Nearest Lease or unit boundary: 510 feet MSL
 Ground Surface Elevation: 2332 feet MSL
 Water well within one-quarter mile: Yes No

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

Public water supply well within one mile: Yes No
 Depth to bottom of fresh water: 180
 Depth to bottom of usable water: 800

Directional, Deviated or Horizontal wellbore? Yes No
 If Yes, true vertical depth: _____
 Bottom Hole Location: _____
 KCC DKT #: AUG 2 3 2006

Surface Pipe by Alternate: 1 2
 Length of Surface Pipe Planned to be set: 200+
 Length of Conductor Pipe required: None

Projected Total Depth: 4450
 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: _____

X WAS: Twp 19S
 IS: Twp 20S

CONSERVATION DIVISION
 WICHITA, KS

AFFIDAVIT

RECEIVED
 KANSAS CORPORATION COMMISSION

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:

AUG 2 1 2006

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.

CONSERVATION DIVISION
 WICHITA, KS

I hereby certify that the statements made herein are true and to the best of my knowledge and belief.
 Date: August 21, 2006 Signature of Operator or Agent: Klee R. Watchous Title: President

For KCC Use ONLY
 API # 15 - 135-24534-0000
 Conductor pipe required None feet
 Minimum surface pipe required 200 feet per Alt. **X (2)**
 Approved by: Perit 8-22-06 / Ruth 8-23-06
 This authorization expires: 2-22-07
 (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: _____

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

* 20
8
19
24W

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

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

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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.

CORRECTED

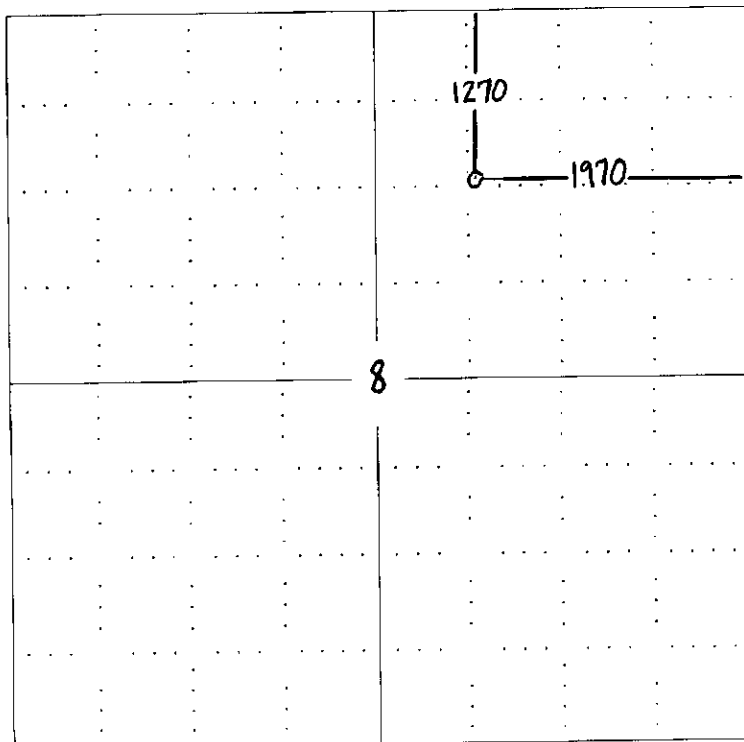
API No. 15 - 135-24534-0000
 Operator: Palomino Petroleum, Inc.
 Lease: Slagle
 Well Number: 1
 Field: Hair
 Number of Acres attributable to well: _____
 QTR / QTR / QTR of acreage: C - W/2 - NE

Location of Well: County: Ness
1270 feet from N / S Line of Section
1970 feet from E / W Line of Section
 Sec. 8 Twp. 19-20* 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

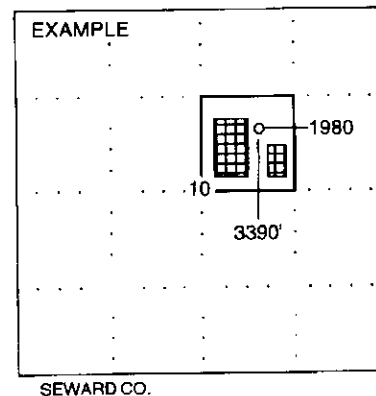
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PLAT

(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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WICHITA, KS



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:

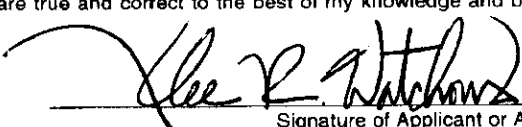
1. The manner in which you are using the depicted plat by identifying section lines, i.e. 1 section, 1 section with 8 surrounding sections, 4 sections, etc.
2. The distance of the proposed drilling location from the section's south / north and east / west.
3. The distance to the nearest lease or unit 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).

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION
APPLICATION FOR SURFACE PIT

Form GDP-1
April 2004
Form must be Typed

Submit in Duplicate

* COR

Operator Name: Palomino Petroleum, Inc.		License Number: 30742	
Operator Address: 4924 SE 84th St., Newton, Kansas 67114-8827			
Contact Person: Klee R. Watchous		Phone Number: (316) 799 - 1000	
Lease Name & Well No.: Slagle #1		Pit Location (QQQQ): C W/2 NE	
Type of Pit: <input type="checkbox"/> Emergency Pit <input type="checkbox"/> Burn Pit <input type="checkbox"/> Settling Pit <input checked="" type="checkbox"/> Drilling Pit <input type="checkbox"/> Workover Pit <input type="checkbox"/> Haul-Off Pit (If WP Supply API No. or Year Drilled)		Pit is: 50' N & 10' E of C W/2 NE <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: 6800 (bbls)	
		Sec. 8 Twp. 19S 20S R. 24 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 1270 Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section 1970 Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section Ness County	
Is the pit located in a Sensitive Ground Water Area? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Chloride concentration: _____ mg/l (For Emergency Pits and Settling Pits only)	
Is the bottom below ground level? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Artificial Liner? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
How is the pit lined if a plastic liner is not used? Drig. mud and shale from well bore.			
Pit dimensions (all but working pits): 80 Length (feet) 80 Width (feet) N/A: Steel Pits Depth from ground level to deepest point: 3 (feet)			
If the pit is lined give a brief description of the liner material, thickness and installation procedure.		Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring.	
		RECEIVED KANSAS CORPORATION COMMISSION AUG 2 1 2006 CONSERVATION DIVISION WICHITA, KS	
Distance to nearest water well within one-mile of pit N/A feet Depth of water well _____ feet		Depth to shallowest fresh water _____ feet. Source of information: _____ 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 spilled fluids to flow into the pit? <input type="checkbox"/> Yes <input type="checkbox"/> No		Drilling, Workover and Haul-Off Pits ONLY: Type of material utilized in drilling/workover: fresh Number of working pits to be utilized: 2 Abandonment procedure: evaporate and backfill Drill pits must be closed within 365 days of spud date.	
I hereby certify that the above statements are true and correct to the best of my knowledge and belief			
August 21, 2006 Date		Signature of Applicant or Agent 	
RECEIVED KANSAS CORPORATION COMMISSION AUG 2 3 2006 CONSERVATION DIVISION WICHITA, KS			
KCC OFFICE USE ONLY			
Date Received: 8/21/06 Permit Number: _____ Permit Date: 8/21/06 Lease Inspection: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			

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

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