

For KCC Use: 9-16-06  
 Effective Date: \_\_\_\_\_  
 District # 4  
 SGA?  Yes  No

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

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

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

Expected Spud Date September 14 2006  
 month day year

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

CONTRACTOR: License# 33350 ✓  
 Name: Southwind Drilling, Inc.

Well Drilled For:	Well Class:	Type Equipment:
<input checked="" type="checkbox"/> Oil <input checked="" type="checkbox"/> Enh Rec	<input type="checkbox"/> Infield	<input checked="" type="checkbox"/> Mud Rotary
<input type="checkbox"/> Gas <input type="checkbox"/> Storage	<input type="checkbox"/> Pool Ext.	<input type="checkbox"/> Air Rotary
<input type="checkbox"/> OWWO <input type="checkbox"/> Disposal	<input checked="" type="checkbox"/> Wildcat	<input type="checkbox"/> Cable
<input type="checkbox"/> Seismic; # of Holes _____	<input type="checkbox"/> Other _____	
<input type="checkbox"/> 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 #: \_\_\_\_\_

*Oil & gas leases w/ pooling clause attached*  
**RECEIVED**  
**SEP 11 2006**  
**CONSERVATION DIVISION**  
**WICHITA, KS**

Spot 140' N & 90' W of \_\_\_\_\_ East  
 C E/2 - W/2 Sec. 34 Twp. 20 S. R. 13  East  
2500 feet from  N /  S Line of Section  
1890 feet from  E /  W Line of Section  
 Is SECTION  Regular  Irregular?

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

Lease Name: Hiss-Adams Well #: 1  
 Field Name: None (Wildcat)

Is this a Prorated / Spaced Field?  Yes  No

Target Formation(s): LKC, Arbuckle

Nearest Lease or unit boundary: 330+ (unit)

Ground Surface Elevation: 1880 feet MSL

Water well within one-quarter mile:  Yes  No

Public water supply well within one mile:  Yes  No

Depth to bottom of fresh water: 120

Depth to bottom of usable water: 230

Surface Pipe by Alternate:  1  2

Length of Surface Pipe Planned to be set: 320+

Length of Conductor Pipe required: None

Projected Total Depth: 3700

Formation at Total Depth: Arbuckle

Water Source for Drilling Operations:

Well  Farm Pond  Other

DWR Permit #: Contractor will apply

(Note: Apply for Permit with DWR  )

Will Cores be taken?  Yes  No

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: September 11, 2006 Signature of Operator or Agent: Klee R. Watchous Title: President

**For KCC Use ONLY**  
 API # 15 - 009-24984-0000  
 Conductor pipe required None feet  
 Minimum surface pipe required 250 feet per Alt. 1  
 Approved by: RW 9-11-06  
 This authorization expires: 3-11-07  
 (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: \_\_\_\_\_

34  
20  
13W

**IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW**

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

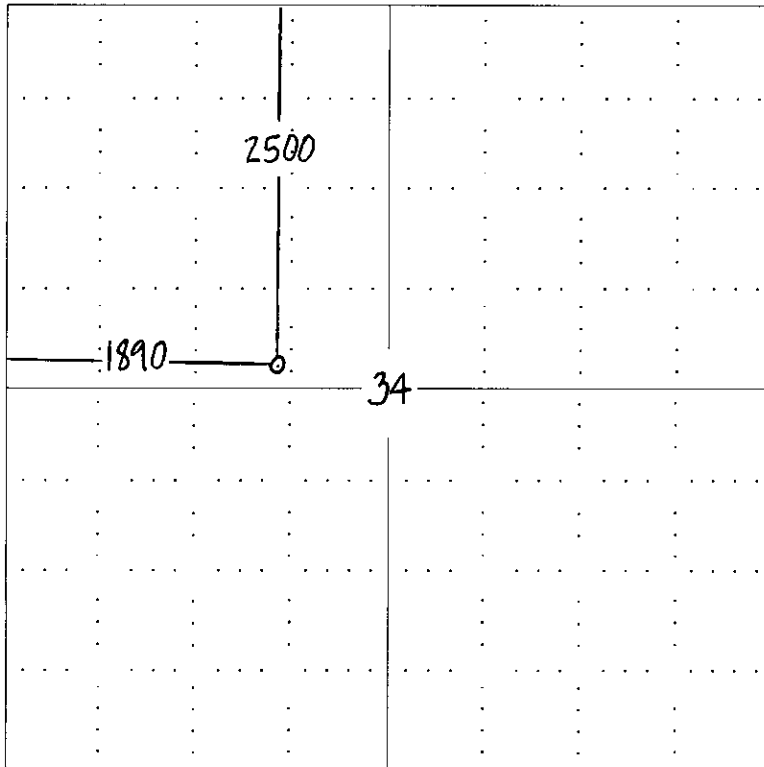
**If the intended well is in a prorated or spaced field, please fully complete this side of the form.** If the intended well is in a prorated or spaced field complete the plat below showing that the well will be properly located in relationship to other wells producing from the common source of supply. 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 - 009-24984-0000  
 Operator: Palomino Petroleum, Inc.  
 Lease: Hiss-Adams  
 Well Number: 1  
 Field: None (Wildcat)  
 Number of Acres attributable to well: \_\_\_\_\_  
 QTR / QTR / QTR of acreage: C - E/2 - W/2

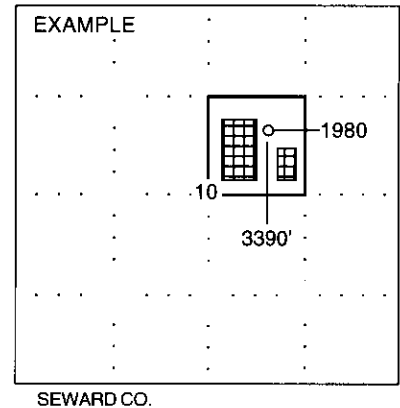
Location of Well: County: Barton  
2500 feet from  N /  S Line of Section  
1890 feet from  E /  W Line of Section  
 Sec. 34 Twp. 20 S. R. 13  East  West  
 Is Section:  Regular or  Irregular  
**If Section is Irregular, locate well from nearest corner boundary.**  
 Section corner used:  NE  NW  SE  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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 WICHITA, KS



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

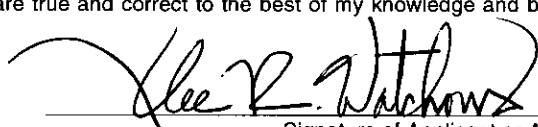
**In plotting the proposed location of the well, you must show:**

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 CDP-1  
April 2004  
Form must be Typed

*Submit in Duplicate*

Operator Name: <b>Palomino Petroleum, Inc.</b>		License Number: <b>30742</b>
Operator Address: <b>4924 SE 84th St., Newton, Kansas 67114-8827</b>		
Contact Person: <b>Klee R. Watchous</b>		Phone Number: ( <b>316</b> ) <b>799 - 1000</b>
Lease Name & Well No.: <b>Hiss-Adams #1</b>		Pit Location (QQQQ): of <b>C . E/2 . W/2 .</b> Sec. <b>34</b> Twp. <b>20</b> R. <b>13</b> <input type="checkbox"/> East <input checked="" type="checkbox"/> West <b>2500</b> Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section <b>1890</b> Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section <b>Barton</b> County
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 <small>(If WP Supply API No. or Year Drilled)</small>	Pit is: <b>140' N &amp; 90' W</b> <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: <b>6800</b> (bbls)	
Is the pit located in a Sensitive Ground Water Area? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Chloride concentration: _____ mg/l <small>(For Emergency Pits and Settling Pits only)</small>
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? <b>Drig. mud and shale from well bore.</b>
Pit dimensions (all but working pits): <b>80</b> Length (feet) <b>80</b> Width (feet) <b>N/A: Steel Pits</b> Depth from ground level to deepest point: <b>3</b> (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. <b>RECEIVED KANSAS CORPORATION COMMISSION SEP 11 2006 CONSERVATION DIVISION WICHITA, KS</b>
Distance to nearest water well within one-mile of pit <b>1147</b> feet    Depth of water well <b>75</b> feet	Depth to shallowest fresh water <b>23</b> feet. Source of information: <b>K&amp;K&amp;J</b> _____ measured _____ well owner _____ electric <input checked="" type="checkbox"/> _____ KDWR	
<b>Emergency, Settling and Burn Pits ONLY:</b> 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	<b>Drilling, Workover and Haul-Off Pits ONLY:</b> Type of material utilized in drilling/workover: <b>fresh</b> Number of working pits to be utilized: <b>2</b> Abandonment procedure: <b>evaporate and backfill</b> 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.		
<u>September 11, 2006</u> Date	 Signature of Applicant or Agent	

15-009-249840000

<b>KCC OFFICE USE ONLY</b>		<b>R FASAC</b>
Date Received: <u>9/11/06</u>	Permit Number: _____	Permit Date: <u>9/11/06</u> Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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

# KANSAS

## CORPORATION COMMISSION

KATHLEEN SEBELIUS, GOVERNOR  
BRIAN J. MOLINE, CHAIR  
ROBERT E. KREHBIEL, COMMISSIONER  
MICHAEL C. MOFFET, COMMISSIONER

September 11, 2006

Mr. Klee R. Watchous  
Palomino Petroleum, Inc.  
4924 SE 84<sup>th</sup> St.  
Newton, KS 67114-8827

Re: Drilling Pit Application  
Hiss-Adams Lease Well No. 1  
NW/4 Sec. 34-20S-13W  
Barton County, Kansas

Dear Mr. 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 the Hutchinson Salt section has been drilled through and displacement of the fluids into the reserve pit has occurred. The fluids should be removed again as soon as practical after drilling operations have ceased. **Please keep all pits away from any draws.**

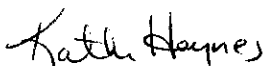
**If production casing is set all completion fluids shall be removed from the working pits daily. NO completion fluids or non-exempt wastes shall be placed in the reserve pit.**

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 2004), Exploration and Production Waste Transfer, within 30 days of fluid removal. Conservation division forms are available through our office and on the KCC web site: [www.kcc.state.ks.us/conservation/forms](http://www.kcc.state.ks.us/conservation/forms).

**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 undersigned at the above address.

Sincerely,



Kathy Haynes  
Department of Environmental Protection and Remediation

cc: File