

For KCC Use: 9-18-06
Effective Date: _____
District #: _____
SGA? 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

* CORRECTED CONTRACTOR

CORRECTED

Expected Spud Date October 14 2006
month day year

Spot 40' W of _____ East
S/2 N/2 S/2 Sec. 10 Twp. 18 S. R. 24 West

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

1650 feet from N / S Line of Section
2600 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: Schuler Unit Well #: 1
Field Name: Swell NE

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

Is this a Prorated / Spaced Field? Yes No
Target Formation(s): Cherokee Sand
Nearest Lease or unit boundary: 330+ (unit)

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

Ground Surface Elevation: 2310 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: 180
Depth to bottom of usable water: 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: _____

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 #: _____

**RECEIVED
SEP 25 2006
KCC WICHITA**

* WAS: Contractor 5147 Beredco, Inc.
IS: Contractor 33350 Southwind Drilling, Inc.

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 22, 2006 Signature of Operator or Agent: Klee R. Watchous Title: President

For KCC Use ONLY
API # 15 - 135-24545-0000
Conductor pipe required None feet
Minimum surface pipe required 200 feet per 2 ~~3~~
Approved by: RWH 9-13-06 / RWH 9-27-06
This authorization expires: _____
(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: _____

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