For KCC Use: Effective Date: _ District #_ 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

Formation Court But	October	23	2006	Spot 60' E of	
Expected Spud Date	month	day	year	N/2 - S/2 - S/2 Sec. 8 Twp. 21	East
20	740	•	•		
OPERATOR: License# 30	742 V			2580 feet from VE /	S Line of Section
Name: Palomino Petroleun	n, Inc.			Is SECTION Regular Irregular?	vv Line of Section
Address: 4924 SE 84th St. City/State/Zip: Newton, Kar	nsas 67114-8827	,		·	
City/State/Zip: Klee R. W	atchous			(Note: Locate well on the Section Plat on a	everse side)
Phone: (316) 799-1000	attrious			County: Stafford Lease Name: Dewey-Dimond	1
				Lease Name: Dewey-Dimond Field Name: Dell East	Well #:
CONTRACTOR: License#-	33350 🗸			Is this a Prorated / Spaced Field?	Vac Vala
Name: Southwind Drilling	, Inc.			Target Formation(s): LKC, Arbuckle	Yes ✓ No
				Nearest Lease or unit boundary: 330 (unit)	•
Well Drilled For:	Well Class:		Equipment:	Ground Surface Elevation: 1899	feet MSL
Oil - Enh Re		<i>_</i>	Mud Rotary	Water well within one-quarter mile:	Yes VNo
Gas Storage	=	=	Air Rotary	Public water supply well within one mile:	Yes ✓ No
OWWO Disposa	=	t [(Cable	Depth to bottom of fresh water: 160	
Seismic;# of I	Holes Other			Depth to bottom of usable water:	
Other				Surface Pipe by Alternate: 1 ✓ 2	_
If OWWO: old well informati	tion as follows:			Length of Surface Pipe Planned to be set: 320+	
Operator:				Length of Conductor Pipe required: None	
Well Name:				Projected Total Depth: 3700	
Original Completion Da	te:	_Original Tota	l Depth:	Formation at Total Depth: Arbuckle	
		_		Water Source for Drilling Operations:	
Directional, Deviated or Ho			Yes ✓ No	✓ Well Farm Pond Other	
If Yes, true vertical depth:				DWR Permit #: Contractor will apply	
Bottom Hole Location:				(Note: Apply for Permit with DWR	— ·
KCC DKT #:	/15.	,	11.7	Will Cores be taken?	Yes ✓ No
Oil ibas Leases	w/pwing c	clauses a	ttoved	If Yes, proposed zone:	
	•		AFF	IDAVIT	RECEIVED
The undersigned hereby a	ffirms that the di	rilling, comple	etion and eventual p	lugging of this well will comply with K.S.A. 55 KANSAS (ORPORATION COMMISS
It is agreed that the followi					
1. Notify the appropriat	te district office	<i>prior</i> to spud	lding of well;	•	DCT 16 2006
2. A copy of the approv	ved notice of inte	ent to drill sh	all be posted on ear	ch drilling rig; CON	SERVATION DIVIDION
3. The minimum amount	nt of surface pip	e as specifie	d below <i>shall be se</i>	et by circulating cement to the top; in all cases surface the underlying formation.	WICHITA, KS
•		•		ne underlying formation. listrict office on plug length and placement is necessal	•
•			•	ged or production casing is cemented in;	, p to p.0333,
				ed from below any usable water to surface within 120	
				#133,891-C, which applies to the KCC District 3 area be plugged. In all cases, NOTIFY district office prio	
·	-	•	THE OF THE MACH SHOWING	be plugged. In an cases, NOTH I district office prior	
i nereby certify that the sta	atements made i	L :	4	6 11-A4 111-A	r to any cementing.
		herein are tr	4	f my knowledge and beliek	r to any cementing.
Date: October 16, 2006	Signature of		ue and to the best p	~ 0 att $)$	r to any cementing.
Date: October 16, 2006	Signature of		ue and to the best p	Pre Title: Pre	
	Signature of		ue and to the best p	Remember to:	esident
For KCC Use ONLY		Operator or	ue and to the best p	Title: Pre Remember to: - File Drill Pit Application (form CDP-1) with Intent to	esident Orill;
For KCC Use ONLY API # 15 - 185-2	3402-0 ⁰	Operator or	ue and to the best p	Remember to:	Drill; ud date;
For KCC Use ONLY	3402-00 Non	Operator or	ue and to the best p	Title: Pre Remember to: - File Drill Pit Application (form CDP-1) with Intent to 1 - File Completion Form ACO-1 within 120 days of sp	esident Drill; ud date; ution orders;
For KCC Use ONLY API # 15	3402-00 Non-	Operator or	ue and to the best o	Title: Pre Remember to: - File Drill Pit Application (form CDP-1) with Intent to 1 - File Completion Form ACO-1 within 120 days of sp - File acreage attribution plat according to field prora - Notify appropriate district office 48 hours prior to we - Submit plugging report (CP-4) after plugging is con	Drill; ud date; ation orders; orkover or re-entry; upleted;
For KCC Use ONLY API # 15	3402-00 None quired 20	Operator or	Agent:	Title: Pre Remember to: - File Drill Pit Application (form CDP-1) with Intent to I - File Completion Form ACO-1 within 120 days of sp - File acreage attribution plat according to field prora - Notify appropriate district office 48 hours prior to we	Drill; ud date; ation orders; brkover or re-entry; npleted; g salt water.
For KCC Use ONLY API # 15	3402-000 None quired 20	Operator or	Agent:	Remember to: - File Drill Pit Application (form CDP-1) with Intent to learn the Proceedings of Special Pit Application (form CDP-1) with Intent to learn the Proceeding Pit Application Form ACO-1 within 120 days of special Pit Appropriate district office 48 hours prior to we submit plugging report (CP-4) after plugging is conducted to Dobtain written approval before disposing or injecting of this permit has expired (See: authorized expiration).	Drill; ud date; ation orders; orkover or re-entry; npleted; g salt water. n date) please
For KCC Use ONLY API # 15 - 185-2 Conductor pipe required Minimum surface pipe rec Approved by: Full 10	3402-000 None quired 20 -17-06	Operator or C fee	Agent:	Remember to: - File Drill Pit Application (form CDP-1) with Intent to learn the Presentation of the Prese	Drill; ud date; ation orders; orkover or re-entry; npleted; g salt water. n date) please
For KCC Use ONLY API # 15	3402-000 None quired 20 -17-06 4-17-07 rilling not started v	Operator or C fee	Agent:	Remember to: File Drill Pit Application (form CDP-1) with Intent to File Completion Form ACO-1 within 120 days of sp. File acreage attribution plat according to field proration in the Property of the West Submit plugging report (CP-4) after plugging is confused to Obtain written approval before disposing or injecting. If this permit has expired (See: authorized expiration check the box below and return to the address below with the work of the permit Expired.	Drill; ud date; ution orders; prkover or re-entry; npleted; g salt water. n date) please ow.
For KCC Use ONLY API # 15	3402-000 None quired 20 -17-06 4-17-07 rilling not started v	Operator or C fee	Agent:	Remember to: File Drill Pit Application (form CDP-1) with Intent to File Completion Form ACO-1 within 120 days of sp. File acreage attribution plat according to field proration in Notify appropriate district office 48 hours prior to we Submit plugging report (CP-4) after plugging is conducted. Obtain written approval before disposing or injecting. If this permit has expired (See: authorized expiration check the box below and return to the address below.	Drill; ud date; ation orders; orkover or re-entry; npleted; g salt water. or date) please ow.

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 - 185-23402-0000	Location of Well: County: Stafford
Operator: Palomino Petroleum, Inc.	
Lease: Dewey-Dimond	990 feet from N / ✓ S Line of Section 2580 feet from ✓ E / W Line of Section
Well Number: 1	Sec. <u>8</u> Twp. <u>21</u> S. R. <u>13</u>
Field: Dell East	
Number of Acres attributable to well: QTR / QTR of acreage: N/2 - S/2 - S/2	Is Section: Regular or Irregular If Section is Irregular, locate well from nearest corner boundary. Section corner used: NE NW SE SW

PLAT

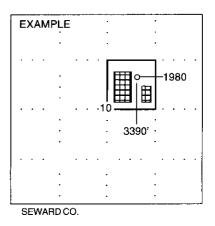
(Show location of the well and shade attributable acreage for prorated or spaced wells.)

(Show footage to the nearest lease or unit boundary line.)

) 90 	•		· · · · · · · · · · · · · · · · · · ·
 	 	o		2580 	•
 	 		· -		
 · · · · · · · · · · · · · · · · · · ·	 · · · · · · · · · · · · · · · · · · ·	<i>.</i> 	• • • • • •	· · · · · · · · · · · · · · · · · · ·	· · · · · · · · · · · · · · · · · · ·
 · ,	 · - · · · · · ·		•	· · · · · · · · · · · · · · · · · · ·	· - - -
 	 • • • • • • •		· · ·		

RECEIVED
KANSAS CORPORATION COMMISSION
OCT 1 6 2006

CONSERVATION DIVISION WICHITA, KS



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

STAFFORD 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).

KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

Form CDP-1 April 2004 Form must be Typed

APPLICATION FOR SURFACE PIT

Submit in Duplicate

Operator Name: Palomino Petrole	eum, Inc.		License Number: 30742
Operator Address: 4924 SE 84th		n, Kansas	· · · · · · · · · · · · · · · · · · ·
Contact Person: Klee R. Watchous	S		Phone Number: (316) 799 - 1000
Lease Name & Well No.: Dewey-Dir			Pit Location (QQQQ):
Type of Pit:	Pit is:	60 ' E	pf_N/2S/2
Emergency Pit Burn Pit	✓ Proposed	Existing	Sec. 8 Twp. 21S R. 13 ☐ East ✓ West
Settling Pit	If Existing, date of	onstructed:	990 Feet from North / 🗸 South Line of Section
Workover Pit Haul-Off Pit	Pit capacity:		2580 Feet from 🗸 East / West Line of Section
(If WP Supply API No. or Year Drilled)	6800	(bbls)	Stafford County
Is the pit located in a Sensitive Ground Water	· Area?	No No	Chloride concentration: mg/l
Is the bottom below ground level?	Artificial Liner?		(For Emergency Pits and Settling Pits only)
Yes No	Yes 🗸	No	How is the pit lined if a plastic liner is not used? Drlg. mud and shale from well bore.
Bit disconsions (all but woulder with)	BO Length (fe	eet) 80	
The difference (all out working pile).	rom ground level to de		Width (feet) N/A: Steel Pits 3 (feet)
If the pit is lined give a brief description of the material, thickness and installation procedure			edures for periodic maintenance and determining ncluding any special monitoring.
			CONSERVATION DIVISION
Distance to nearest water well within one-mile	e of pit		OCT 1 6 2006 CONSERVATION DIVISION WICHTA, KS
Distance to nearest water well within one-mile	50	Source of infor	OCT 1 6 2006 CONSERVATION DIVISION WICHTA, KS
1070	So feet	Source of infor	OCT 1 6 2006 CONSERVATION DIVISION West fresh water (6 feet. mation:
\779feet Depth of water well	So feet	Source of informeasu	OCT 1 6 2006 CONSERVATION DIVISION WEST fresh water (
feet Depth of water well	50 feet	Source of inform measurements Drilling, Work Type of materia	OCT 1 6 2006 CONSERVATION DIVISION West fresh water (
feet Depth of water well Emergency, Settling and Burn Pits ONLY:	50_feet	Source of inform measurements Drilling, Work Type of materia Number of wor	OCT 1 6 2006 CONSERVATION DIVISION West fresh water (
feet Depth of water well	50_feet	Source of informed measurement	OCT 1 6 2006 CONSERVATION DIVISION West fresh water (
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 flow into the pit? I hereby certify that the above state	50 feet	Source of informed measurement Drilling, Worke Type of material Number of worked Abandonment Drill pits must I	CONSERVATION DIVISION west fresh water
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 flow into the pit? Yes No	50 feet	Source of informed measurement. Drilling, Worked Type of material Number of worked Abandonment. Drill pits must Incorrect to the best	CONSERVATION DIVISION west fresh water
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 flow into the pit? I hereby certify that the above state October 16, 2006	spilled fluids to	Source of informed measurement. Drilling, Worked Type of material Number of worked Abandonment. Drill pits must Incorrect to the best	CONSERVATION DIVISION west fresh water



CORPORATION COMMISSION

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

October 16, 2006

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

RE: Drilling Pit Application
Dewey-Dimond Lease Well No. 1
SE/4 Sec. 08-21S-13W
Stafford 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.

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 (620) 225-8888 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.

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