

For KCC Use: 12-24-06
Effective Date: _____
District # _____
SGA? Yes No

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

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

NOTICE OF INTENT TO DRILL

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

Expected Spud Date January 8 2007
month day year

Spot 20' S of _____ East
SE NE NW Sec. 7 Twp. 19 S. R. 24 West
1010 feet from N / S Line of Section
2310 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: Borger-McCoy Well #: 1
Field Name: Sunshine

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

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

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
 Other

Ground Surface Elevation: 2358 feet MSL
Water well within one-quarter mile: Yes No
Public water supply well within one mile: Yes No

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

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

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

Length of Surface Pipe Planned to be set: 200+
Length of Conductor Pipe required: None
Projected Total Depth: 4375
Formation at Total Depth: Mississippian

Oil & Gas Leases w/ pooling clauses attached

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: _____

AFFIDAVIT

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. _____
It is agreed that the following minimum requirements will be met:

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DEC 19 2006
CONSERVATION DIVISION
WICHITA, KS

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: December 19, 2006 Signature of Operator or Agent: Klee R. Watchous Title: President

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: DEC 19 2006

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For KCC Use ONLY
API # 15 - 135-24595-0000
Conductor pipe required None feet
Minimum surface pipe required 200 feet per Alt. X 2
Approved by: Put # 12-19-06
This authorization expires: 6-19-07
(This authorization void if drilling not started within 6 months of effective date.)
Spud date: _____ Agent: _____

7
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

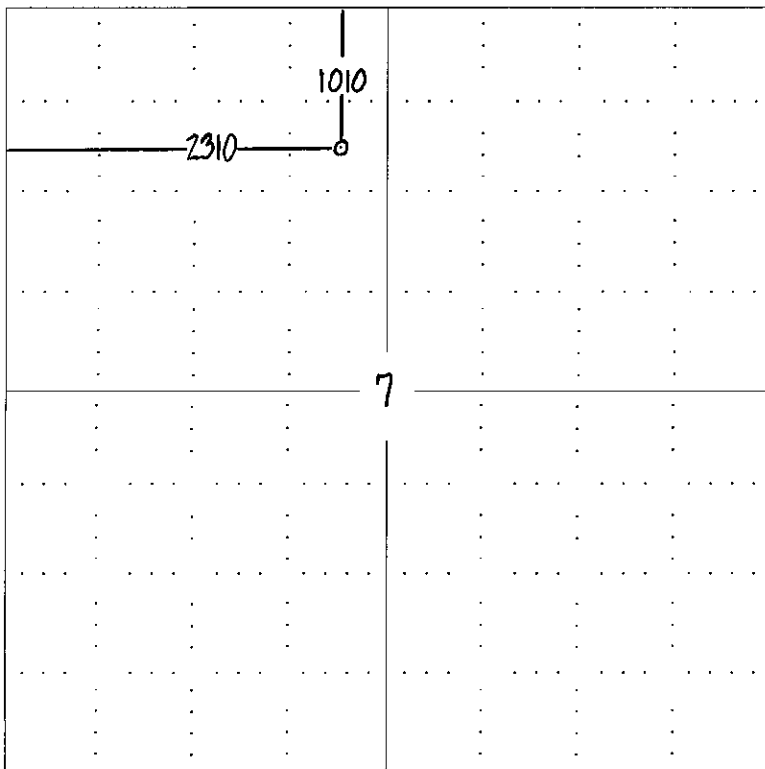
If the intended well is in a prorated or spaced field, please fully complete this side of the form. If the intended well is in a prorated or spaced field complete the plat below showing that the well will be properly located in relationship to other wells producing from the common source of supply. Please 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 - 135-24595-0000
 Operator: Palomino Petroleum, Inc.
 Lease: Borger-McCoy
 Well Number: 1
 Field: Sunshine
 Number of Acres attributable to well: _____
 QTR / QTR / QTR of acreage: SE - NE - NW

Location of Well: County: Ness
1010 feet from N / S Line of Section
2310 feet from E / W Line of Section
 Sec. 7 Twp. 19 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.)*

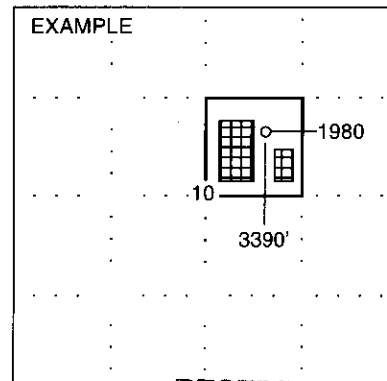


NOTE: In all cases locate the spot of the proposed drilling location.
NESS CO.

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).

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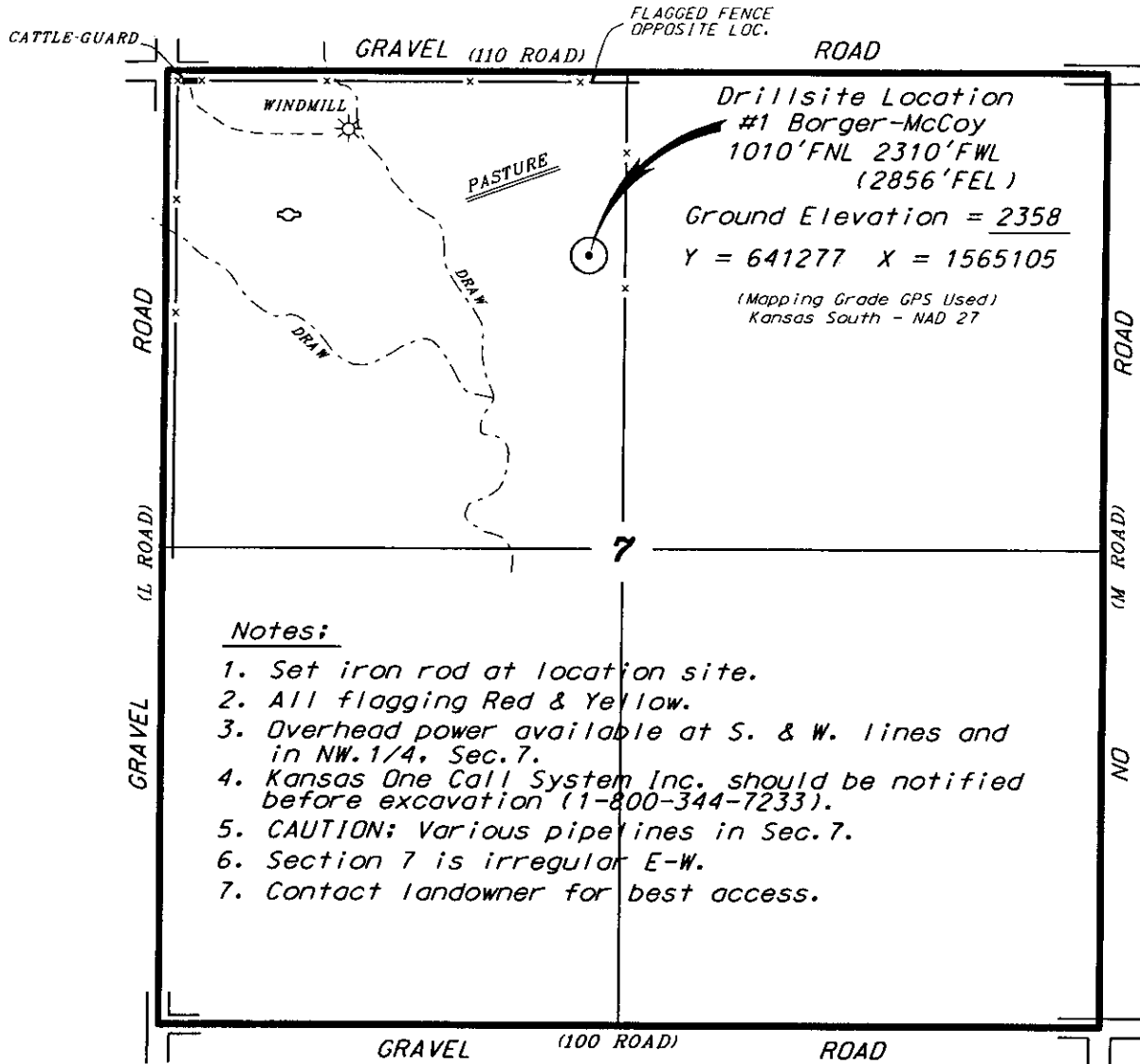


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PALOMINO PETROLEUM, INC.
 BORGER-MCCOY LEASE
 NW.1/4, SECTION 7, T19S, R24W
 NESS COUNTY, KANSAS

15-135-24595-0000

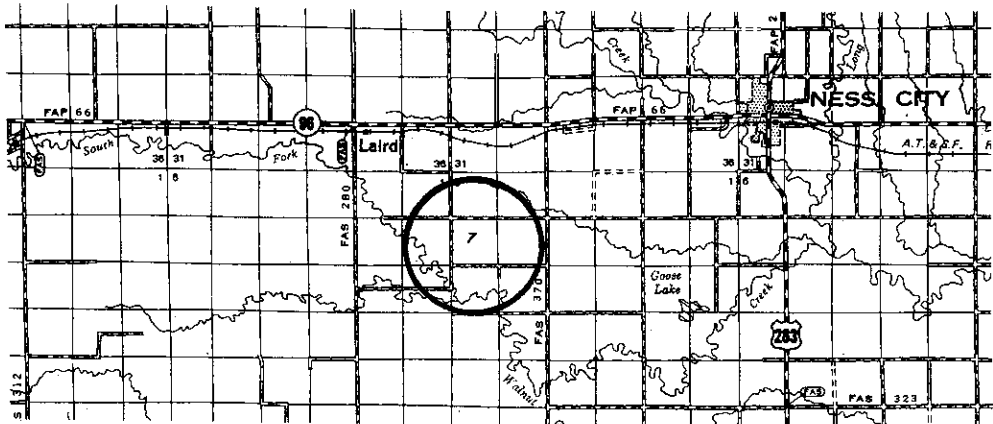
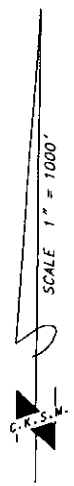


*Ingress and egress to location as shown on this plat is per usage only and may not be legally opened for public use. Contact landowner, tenant and county road department for access.

Drillsite Location
 #1 Borger-McCoy
 1010'FNL 2310'FWL
 (2856'FEL)
 Ground Elevation = 2358
 Y = 641277 X = 1565105
 (Mapping Grade GPS Used)
 Kansas South - NAD 27

Notes:

1. Set iron rod at location site.
2. All flagging Red & Yellow.
3. Overhead power available at S. & W. lines and in NW.1/4, Sec.7.
4. Kansas One Call System Inc. should be notified before excavation (1-800-344-7233).
5. CAUTION; Various pipelines in Sec.7.
6. Section 7 is irregular E-W.
7. Contact landowner for best access.



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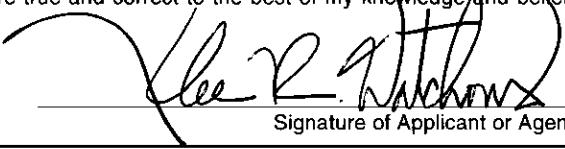
* Controlling data is based upon the best maps and photographs available to us and upon a regular section of land containing 640 acres.
 * Approximate section lines were determined using the normal standard of care of oilfield surveyors practicing in the state of Kansas. The section corners, which establish the precise section lines, were not necessarily located, and the exact location of the drillsite location in the section is not guaranteed. Therefore, the operator securing this service and accepting this plat and all other parties relying thereon agree to hold Central Kansas Oilfield Services, Inc., its officers and employees harmless from all losses, costs and expenses and said entities released from any liability from incidental or consequential damages.
 * Elevations derived from National Geodetic Vertical Datum.

Date December 8, 2006

**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: 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.: Borger-McCoy #1		Pit Location (QQQQ): of SE - NE - NW - _____ Sec. 7 Twp. 19S R. 24 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 1010 Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section 2310 Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section Ness 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 <i>(If WP Supply API No. or Year Drilled)</i>	Pit is: 20' S of _____ <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: 6800 (bbls)	
Is the pit located in a Sensitive Ground Water Area? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Chloride concentration: _____ mg/l <i>(For Emergency Pits and Settling Pits only)</i>
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 DEC 19 2006 CONSERVATION DIVISION WICHITA, KS
Distance to nearest water well within one-mile of pit 4137 feet Depth of water well 75 feet	Depth to shallowest fresh water 55 feet. Source of information: JR - KGS _____ measured _____ well owner _____ electric log _____ KDWR	15-135-24595-0000
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.		
December 19, 2006 Date	 Signature of Applicant or Agent	

KCC OFFICE USE ONLY

Date Received: 12/19/06 Permit Number: _____ Permit Date: 12/19/06 Lease Inspection: Yes No

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