

For KCC Use:
Effective Date: 10-8-07
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 October 24 2007
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"/> QWVO <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 #: _____

Spot 160' S of East
SE - NE - NW Sec. 12 Twp. 15 S. R. 27 West
1150 feet from N / S Line of Section
2310 feet from E / W Line of Section

Is SECTION Regular Irregular?
(Note: Locate well on the Section Plat on reverse side)
County: Gove
Lease Name: Cheney-Garvey Well #: 1
Field Name: None (Wildcat)
Is this a Prorated / Spaced Field? Yes No
Target Formation(s): LKC, Ft. Scott, Miss.
Nearest Lease or unit boundary: 330+ (unit)
Ground Surface Elevation: 2329 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: 800
Surface Pipe by Alternate: 1 2
Length of Surface Pipe Planned to be set: 200+
Length of Conductor Pipe required: None
Projected Total Depth: 4550
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: _____

Oil & Gas Leases w/ pooling clauses attached. AFFIDAVIT

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55 et. seq. RECEIVED KANSAS CORPORATION COMMISSION

- 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: October 3, 2007 Signature of Operator or Agent: Klee R. Watchous Title: President

For KCC Use ONLY
API # 15 - D63-21681-0000
Conductor pipe required None feet
Minimum surface pipe required 200 feet per Alt. XO 2
Approved by: RA 10-3-07
This authorization expires: 4-3-08
(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: _____

12
15
27W

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 - 063-21681-0000
 Operator: Palomino Petroleum, Inc.
 Lease: Cheney-Garvey
 Well Number: 1
 Field: None (Wildcat)
 Number of Acres attributable to well: _____
 QTR / QTR / QTR of acreage: SE - NE - NW

Location of Well: County: Gove
1150 feet from N / S Line of Section
2310 feet from E / W Line of Section
 Sec. 12 Twp. 15 S. R. 27 East West

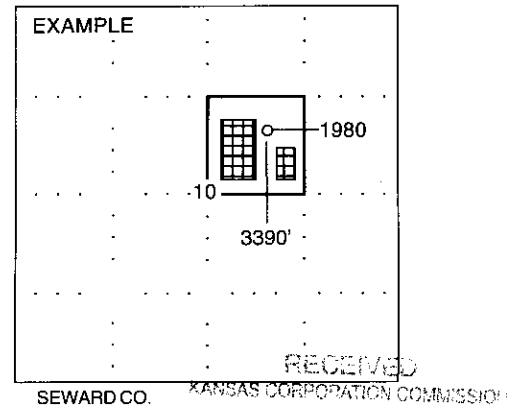
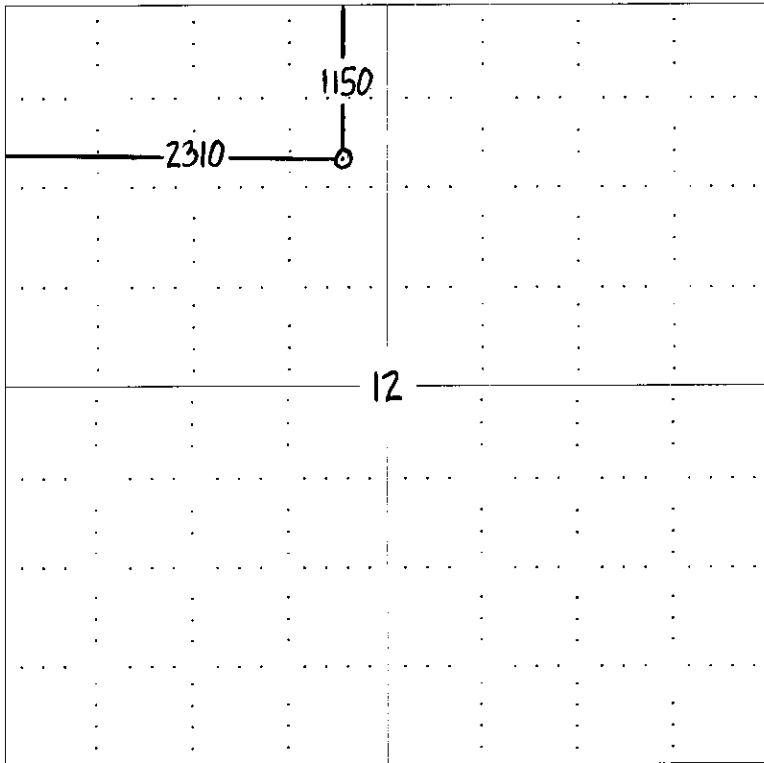
Is Section: Regular or Irregular

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.
 GOVE CO.**

OCT 03 2007

CONSERVATION DIVISION
 WICHITA, KS

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).



Kathleen Sebelius, Governor
Thomas E. Wright, Chairman
Michael C. Moffet, Commissioner
Joseph F. Harkins, Commissioner

October 3, 2007

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

RE: Drilling Pit Application
Cheney-Garvey Lease Well No. 1
NW/4 Sec. 12-15S-27W
Gove 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 **if sand is encountered during the construction of the reserve pit or working pits line the pits with clay and contact the District Office at (785) 625-0550**. The 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, 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,

A handwritten signature in black ink that reads "Kathy Haynes". The signature is written in a cursive style.

Kathy Haynes
Environmental Protection and Remediation Department

cc: H Deines

CONSERVATION DIVISION

Finney State Office Building, 130 S. Market, Room 2078, Wichita, KS 67202-3802
(316) 337-6200 • Fax: (316) 337-6211 • <http://kcc.ks.gov/>