

For KCC Use: Effective Date: 7-21-07 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 August 7 2007 month day year

Spot 20' N & 100' W of NW SE SE Sec. 34 Twp. 6 S. R. 22 East West 1010 feet from N / S Line of Section 1090 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: Graham Lease Name: Storz Well #: 1 Field Name: None (Wildcat)

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

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

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

Ground Surface Elevation: 2496 Est 2285 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: 150 Depth to bottom of usable water: 1100 Surface Pipe by Alternate: 1 2 Length of Surface Pipe Planned to be set: 200+

Length of Conductor Pipe required: None Projected Total Depth: 3900 Formation at Total Depth: LKC

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: RECEIVED KANSAS CORPORATION COMMISSION

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: July 13, 2007 Signature of Operator or Agent: Klee R. Watchous Title: President

For KCC Use ONLY API # 15 - 065-23323-0000 Conductor pipe required None feet Minimum surface pipe required 200 feet per Alt. 102 Approved by: RWH 7-16-07 This authorization expires: 1-16-08 (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.

[X] Well Not Drilled - Permit Expired Signature of Operator or Agent: Klee R. Watchous Date: July 19, 2007

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

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