

**CONFIDENTIAL**

KANSAS CORPORATION COMMISSION  
OIL & GAS CONSERVATION DIVISION

**ORIGINAL**

Form ACO-1  
September 1999  
Form Must Be Typed

**WELL COMPLETION FORM**

**WELL HISTORY - DESCRIPTION OF WELL & LEASE**

**CONFIDENTIAL**

7/26/08

Operator: License # 30742  
 Name: Palomino Petroleum, Inc.  
 Address: 4924 SE 84th St.  
 City/State/Zip: Newton, Kansas 67114-8827  
 Purchaser: None  
 Operator Contact Person: Klee R. Watchous  
 Phone: (316) 799-1000  
 Contractor: Name: VAL Energy, Inc.  
 License: 5822  
 Wellsite Geologist: Kevin C. Davis  
 Designate Type of Completion:  
 New Well     Re-Entry     Workover  
 Oil     SWD     SLOW     Temp. Abd.  
 Gas     ENHR     SIGW  
 Dry     Other (Core, WSW, Expl., Cathodic, etc)  
 If Workover/Re-entry: Old Well Info as follows:  
 Operator: \_\_\_\_\_  
 Well Name: \_\_\_\_\_  
 Original Comp. Date: \_\_\_\_\_ Original Total Depth: \_\_\_\_\_  
 Deepening     Re-perf.     Conv. to Enhr./SWD  
 Plug Back     Plug Back Total Depth  
 Commingled    Docket No. \_\_\_\_\_  
 Dual Completion    Docket No. \_\_\_\_\_  
 Other (SWD or Enhr.?)    Docket No. \_\_\_\_\_  

<u>6/29/07</u>	<u>7/11/07</u>	<u>7/11/07</u>
Spud Date or Recompletion Date	Date Reached TD	Completion Date or Recompletion Date

**KCC**  
**JUL 26 2008**  
**CONFIDENTIAL**

API No. 15 - 025-21417-0000  
 County: Clark  
SW NW SW Sec. 2 Twp. 32 S. R. 21  East  West  
1600 feet from S / N (circle one) Line of Section  
470 feet from E / W (circle one) Line of Section  
 Footages Calculated from Nearest Outside Section Corner:  
 (circle one) NE SE NW SW  
 Lease Name: Stephens Well #: 1  
 Field Name: None (Wildcat)  
 Producing Formation: None  
 Elevation: Ground: 1963 Kelly Bushing: 1973  
 Total Depth: 5268 Plug Back Total Depth: \_\_\_\_\_  
 Amount of Surface Pipe Set and Cemented at 737 Feet  
 Multiple Stage Cementing Collar Used?  Yes  No  
 If yes, show depth set \_\_\_\_\_ Feet  
 If Alternate II completion, cement circulated from \_\_\_\_\_  
 feet depth to \_\_\_\_\_ w/ \_\_\_\_\_ sx cmt.

**Drilling Fluid Management Plan** PA NH 8-6-08  
 (Data must be collected from the Reserve Pit)  
 Chloride content \_\_\_\_\_ ppm Fluid volume \_\_\_\_\_ bbls  
 Dewatering method used \_\_\_\_\_  
 Location of fluid disposal if hauled offsite: \_\_\_\_\_  
 Operator Name: \_\_\_\_\_  
 Lease Name: \_\_\_\_\_ License No.: \_\_\_\_\_  
 Quarter \_\_\_\_\_ Sec. \_\_\_\_\_ Twp. \_\_\_\_\_ S. R. \_\_\_\_\_  East  West  
 County: \_\_\_\_\_ Docket No.: \_\_\_\_\_

**INSTRUCTIONS:** An original and two copies of this form shall be filed with the Kansas Corporation Commission, 130 S. Market - Room 2078, Wichita, Kansas 67202, within 120 days of the spud date, recompletion, workover or conversion of a well. Rule 82-3-130, 82-3-106 and 82-3-107 apply. Information of side two of this form will be held confidential for a period of 12 months if requested in writing and submitted with the form (see rule 82-3-107 for confidentiality in excess of 12 months). One copy of all wireline logs and geologist well report shall be attached with this form. ALL CEMENTING TICKETS MUST BE ATTACHED. Submit CP-4 form with all plugged wells. Submit CP-111 form with all temporarily abandoned wells.

All requirements of the statutes, rules and regulations promulgated to regulate the oil and gas industry have been fully complied with and the statements herein are complete and correct to the best of my knowledge.

Signature: Klee R. Watchous  
 Title: President Date: July 26, 2007

Subscribed and sworn to before me this 26 day of July  
 NOTARY PUBLIC - State of Kansas  
CARLA R. PENWELL  
 My Appt. Expires 12-6-09  
 Notary Public: Carla R. Penwell  
 Date Commission Expires: October 6, 2009

**KCC Office Use ONLY**

Letter of Confidentiality Received  
 If Denied, Yes  Date: \_\_\_\_\_  
 Wireline Log Received  
 Geologist Report Received  
 UIC Distribution

**RECEIVED**  
 KANSAS CORPORATION COMMISSION  
**JUL 30 2007**

Operator Name: Palomino Petroleum, Inc. Lease Name: Stephens Well #: 1  
 Sec. 2 Twp. 32 S. R. 21  East  West County: Clark

**INSTRUCTIONS:** Show important tops and base of formations penetrated. Detail all cores. Report all final copies of drill stems tests giving interval tested, time tool open and closed, flowing and shut-in pressures, whether shut-in pressure reached static level, hydrostatic pressures, bottom hole temperature, fluid recovery, and flow rates if gas to surface test, along with final chart(s). Attach extra sheet if more space is needed. Attach copy of all Electric Wireline Logs surveyed. Attach final geological well site report.

Drill Stem Tests Taken  Yes  No  
 (Attach Additional Sheets)

Samples Sent to Geological Survey  Yes  No

Cores Taken  Yes  No

Electric Log Run  Yes  No  
 (Submit Copy)

List All E. Logs Run:

**Micro, Sonic, Dual Induction, Compensated Neutron/Density PE**

Log Formation (Top), Depth and Datum  Sample

Name	Top	Datum
Anhy.	978	(+ 995)
Base Anhy.	995	(+ 978)
Heebner	4206	(-2233)
Brown Lime	4396	(-2423)
Hushpuckney	4624	(-2651)
Stark	4786	(-2813)
BKC	4884	(-2911)
Marmaton	4904	(-2931)

CASING RECORD  New  Used

Report all strings set-conductor, surface, intermediate, production, etc.

Purpose of String	Size Hole Drilled	Size Casing Set (In O.D.)	Weight Lbs. / Ft.	Setting Depth	Type of Cement	# Sacks Used	Type and Percent Additives
Surface	12 1/4"	8 5/8"	23#	737'	60/35 Pozmix	225	3% c.c., 2% gel
					Class A	100	3% c.c., 2% gel

ADDITIONAL CEMENTING / SQUEEZE RECORD

Purpose:	Depth Top Bottom	Type of Cement	#Sacks Used	Type and Percent Additives
<input type="checkbox"/> Perforate <input type="checkbox"/> Protect Casing <input type="checkbox"/> Plug Back TD <input type="checkbox"/> Plug Off Zone				<b>KCC</b> <b>JUL 26 2006</b>

Shots Per Foot	PERFORATION RECORD - Bridge Plugs Set/Type Specify Footage of Each Interval Perforated	Acid, Fracture, Shot, Cement Squeeze Record (Amount and Kind of Material Used)	Depth

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TUBING RECORD Size Set At Packer At Liner Run  Yes  No

Date of First, Resumerd Production, SWD or Enhr. Producing Method  Flowing  Pumping  Gas Lift  Other (Explain)

Estimated Production Per 24 Hours Oil Bbls. Gas Mcf Water Bbls. Gas-Oil Ratio Gravity

Disposition of Gas  Vented  Sold  Used on Lease (If vented, Submit ACO-18.) METHOD OF COMPLETION  Open Hole  Perf.  Dually Comp.  Commingled  Other (Specify) Production Interval

RECEIVED KANSAS CORPORATION COMMISSION

JUL 30 2007

**LOGS**

Pawnee	4992	(-3019)
Cherokee	5040	(-3067)
Morrow Sh.	5146	(-3173)
Morrow Sd.	5171	(-3198)
Miss.	5183	(-3210)
LTD	5268	(-3295)

**KCC**  
**JUL 26 2006**  
**CONFIDENTIAL**

**RECEIVED**  
**KANSAS CORPORATION COMMISSION**

**JUL 30 2007**

**CONSERVATION DIVISION**  
**WICHITA, KS**



# ALLIED

**CEMENTING CO., LLC**  
Cementing & Acidizing Services

# INVOICE

24 S. Lincoln Street  
P.O. Box 31  
Russell, KS 67665-2906  
Voice: (785) 483-3887  
Fax: (785) 483-5566

**RECEIVED**  
JUL 19 2007

Invoice Number: 109194  
Invoice Date: Jul 16, 2007  
Page: 1

Bill To:
Palomino Petroleum, Inc. 4924 SE 84th St. Newton, KS 67114-8827

Federal Tax I.D.#: ~~XXXXXXXXXX~~

Customer ID	Well Name# or Customer P.O.	Payment Terms	
Palo	Stephens #1	Net 30 Days	
Sales Rep ID	Camp Location	Service Date	Due Date
	Medicine Lodge	Jul 16, 2007	8/15/07

Quantity	Item	Description	Unit Price	Amount
111.00	MAT	Class A Common	11.10	1,232.10
74.00	MAT	Pozmix	6.20	458.80
10.00	MAT	Gel	16.65	166.50
195.00	SER	Handling	1.90	370.50
65.00	SER	Mileage 195 sx @.09 per sk per mi	17.55	1,140.75
1.00	SER	Rotary Plug	815.00	815.00
65.00	SER	Mileage Pump Truck	6.00	390.00

**KCC**  
JUL 26 2006  
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RECEIVED  
KANSAS CORPORATION COMMISSION

JUL 30 2007

CONSERVATION DIVISION  
WICHITA, KS

ALL PRICES ARE NET, PAYABLE  
30 DAYS FOLLOWING DATE OF  
INVOICE. 1 1/2% CHARGED  
THEREAFTER. IF ACCOUNT IS  
CURRENT, TAKE DISCOUNT OF

\$ 4,816.05

ONLY IF PAID ON OR BEFORE

Aug 15, 2007

Subtotal	4,573.65
Sales Tax	242.40
Total Invoice Amount	4,816.05
Payment/Credit Applied	
<b>TOTAL</b>	<b>4,816.05</b>

# ALLIED CEMENTING CO., INC.

31131

Federal Tax I.D.# XXXXXXXXXX

REMIT TO P.O. BOX 31  
RUSSELL, KANSAS 67665

SERVICE POINT:  
MEDICINE LODGE

DATE <u>7-11-07</u>	SEC. <u>2</u>	TWP. <u>32s</u>	RANGE <u>21W</u>	CALLED OUT <u>2:00 pm</u>	ON LOCATION <u>4:30 pm</u>	JOB START <u>5:55 pm</u>	JOB FINISH <u>7:30 pm</u>
LEASE <u>STEPHENS</u>		WELL # <u>1</u>	LOCATION <u>SITKA JCT, NORTH TO LEXINGTON</u>			COUNTY <u>CLARK</u>	STATE <u>KS</u>
<input checked="" type="radio"/> OLD OR NEW (Circle one)			<u>CORNER, 3 EAST, 1/4 SOUTH INTO</u>				

CONTRACTOR VAL #1

TYPE OF JOB ROTARY PLUG

HOLE SIZE 7 7/8" T.D. 1,150'

CASING SIZE 8 3/8" DEPTH 740'

TUBING SIZE \_\_\_\_\_ DEPTH \_\_\_\_\_

DRILL PIPE 4 1/2" DEPTH 1,150'

TOOL \_\_\_\_\_ DEPTH \_\_\_\_\_

PRES. MAX 300 MINIMUM 100

MEAS. LINE \_\_\_\_\_ SHOE JOINT \_\_\_\_\_

CEMENT LEFT IN CSG. \_\_\_\_\_

PERFS. \_\_\_\_\_

DISPLACEMENT FRESH WATER

EQUIPMENT

PUMP TRUCK CEMENTER BILL M.

# 360 HELPER ROBERT H.

BULK TRUCK

# 368 DRIVER LARRY F.

BULK TRUCK

# \_\_\_\_\_ DRIVER \_\_\_\_\_

OWNER PALOMINO PETROLEUM

CEMENT

AMOUNT ORDERED 185 sk 60' 40' 6

COMMON	<u>111</u>	<u>A</u>	@	<u>11.10</u>	<u>1232.10</u>
POZMIX	<u>74</u>		@	<u>6.20</u>	<u>458.80</u>
GEL	<u>10</u>		@	<u>16.65</u>	<u>166.50</u>
CHLORIDE			@		
ASC			@		
			@		
			@		
			@		
			@		
			@		
			@		
HANDLING	<u>195</u>		@	<u>1.90</u>	<u>370.50</u>
MILEAGE	<u>65</u>	<u>X 195</u>	<u>X</u>	<u>2.09</u>	<u>1140.75</u>
					TOTAL <u>3368.65</u>

REMARKS:

1st plug 1,150', load hole, pump 50 sk 60' 40' 6, displace with fresh water,  
2nd plug 750', load hole, pump 50 sk 60' 40' 6, displace with fresh water,  
3rd plug 250', load hole, pump 40 sk 60' 40' 6, displace with fresh water,  
4th plug 60', load hole, pump 20 sk 60' 40' 6, circulate cement to surface,  
plug rat & mouse with 25 sk 60' 40' 6.

CHARGE TO: PALOMINO PETROLEUM

STREET \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

SERVICE

DEPTH OF JOB 1,150'

PUMP TRUCK CHARGE \_\_\_\_\_ 815.00

EXTRA FOOTAGE \_\_\_\_\_ @ \_\_\_\_\_

MILEAGE 65 @ 6.00 390.00

MANIFOLD \_\_\_\_\_ @ \_\_\_\_\_

\_\_\_\_\_ @ \_\_\_\_\_

\_\_\_\_\_ @ \_\_\_\_\_

TOTAL 1205.00

PLUG & FLOAT EQUIPMENT

_____	@	_____
_____	@	_____
_____	@	_____
_____	@	_____
ANY APPLICABLE TAX	@	_____
<b>WILL BE CHARGED UPON INVOICING</b>		
TOTAL		_____

To Allied Cementing Co., Inc.  
 You are hereby requested to rent cementing equipment and furnish cementer and helper to assist owner or contractor to do work as-is-listed. The above work was done to satisfaction and supervision of owner agent or contractor. I have read & understand the "TERMS AND CONDITIONS" listed on the reverse side.

SIGNATURE Toby Hagemeier

TAX \_\_\_\_\_

TOTAL CHARGE ~~1205.00~~

DISCOUNT ~~375.00~~ IF PAID IN 30 DAYS

Toby Hagemeier  
PRINTED NAME



# ALLIED

**CEMENTING CO., LLC**  
Cementing & Acidizing Services

24 S. Lincoln Street  
P.O. Box 31  
Russell, KS 67665-2906

Voice: (785) 483-3887  
Fax: (785) 483-5566

RECEIVED

JUL 07 2007

# INVOICE

Invoice Number: 109016

Invoice Date: Jul 3, 2007

Page: 1

Bill To:
Palomino Petroleum, Inc. 4924 SE 84th St. Newton, KS 67114-8827

Federal Tax I.D.#: XXXXXXXXXX

Customer ID	Well Name/# or Customer P.O.	Payment Terms	
Palo	Stephens #1	Net 30 Days	
Sales Rep ID	Camp Location	Service Date	Due Date
	Medicine Lodge	Jul 3, 2007	8/2/07

Quantity	Item	Description	Unit Price	Amount
100.00	MAT	Common	11.10	1,110.00
2.00	MAT	Gel	16.65	33.30
11.00	MAT	Chloride	46.60	512.60
225.00	MAT	ALW	10.45	2,351.25
56.00	MAT	Flo Seal	2.00	112.00
352.00	SER	Handling	1.90	668.80
65.00	SER	Mileage 352 sx @.09 per ski per mi	31.68	2,059.20
1.00	SER	Surface	815.00	815.00
440.00	SER	Extra Footage	0.65	286.00
65.00	SER	Mileage Pump Truck	6.00	390.00
1.00	SER	Head Rent	100.00	100.00
1.00	EQP	Rubber Plug	100.00	100.00
1.00	EQP	Basket	220.00	220.00
1.00	EQP	AFU Insert	335.00	335.00

**KCC**  
**JUL 26 2006**  
**CONFIDENTIAL**

RECEIVED  
KANSAS CORPORATION COMMISSION

JUL 30 2007

CONSERVATION DIVISION  
WICHITA, KS

ALL PRICES ARE NET, PAYABLE  
30 DAYS FOLLOWING DATE OF  
INVOICE. 1 1/2% CHARGED  
THEREAFTER. IF ACCOUNT IS  
CURRENT, TAKE DISCOUNT OF

~~\$ 909.37~~

ONLY IF PAID ON OR BEFORE

Aug 2, 2007

Subtotal	9,093.15
Sales Tax	253.03
Total Invoice Amount	9,346.18
Payment/Credit Applied	
<b>TOTAL</b>	<b>9,346.18</b>

# ALLIED CEMENTING CO., INC.

31126

Federal Tax I.D.# [REDACTED]

REMIT TO P.O. BOX 31  
RUSSELL, KANSAS 67665

SERVICE POINT:  
MEDICINE LODGE

DATE <u>6-30-07</u>	SEC. <u>2</u>	TWP. <u>32S</u>	RANGE <u>21W</u>	CALLED OUT <u>8:30 pm</u>	ON LOCATION <u>11:00 pm</u>	JOB START <u>2:30 am</u>	JOB FINISH <u>3:30 am</u>
LEASE <u>STEPHENS</u>	WELL # <u>1</u>	LOCATION <u>160234 JCT (SITKA JCT), NORTH</u>			COUNTY <u>CLARK</u>	STATE <u>KS</u>	
OLD OR <u>NEW</u> (Circle one)		<u>ACROSS RIVER BRIDGE, 3 EAST, S/INTO</u>					

CONTRACTOR VAL #2  
 TYPE OF JOB SURFACE CASING  
 HOLE SIZE 12 1/4" T.D. 745'  
 CASING SIZE 8 5/8" DEPTH 740'  
 TUBING SIZE \_\_\_\_\_ DEPTH \_\_\_\_\_  
 DRILL PIPE 4 1/2" DEPTH \_\_\_\_\_  
 TOOL \_\_\_\_\_ DEPTH \_\_\_\_\_  
 PRES. MAX 800 MINIMUM 100  
 MEAS. LINE \_\_\_\_\_ SHOE JOINT 42.47'  
 CEMENT LEFT IN CSG. 42.47'  
 PERFS. \_\_\_\_\_  
 DISPLACEMENT 45 1/4 bbl. FRESH WATER

OWNER PALOMINO PETROLEUM  
 CEMENT  
 AMOUNT ORDERED 225 SK 65' 3536 + 3% cc + 1/4" FLO-SEAL, 100 SK CLASS A + 3% cc + 2% 60Z

COMMON	<u>100 A</u>	@	<u>11.10</u>	<u>1110.00</u>
POZMIX		@		
GEL	<u>2</u>	@	<u>16.65</u>	<u>33.30</u>
CHLORIDE	<u>11</u>	@	<u>46.60</u>	<u>512.60</u>
ASC		@		
	<u>ALW 225</u>	@	<u>10.45</u>	<u>2351.25</u>
	<u>Flo Seal 56 #</u>	@	<u>2.00</u>	<u>112.00</u>
		@		
		@		
		@		
		@		
HANDLING	<u>352</u>	@	<u>1.90</u>	<u>668.80</u>
MILEAGE	<u>65 X 352 X .09</u>			<u>2059.20</u>
TOTAL				<u>6847.15</u>

EQUIPMENT  
 PUMP TRUCK CEMENTER BILL M.  
 # 360 HELPER ROBERT H.  
 BULK TRUCK  
 # 368 DRIVER LARRY F.  
 BULK TRUCK  
 # \_\_\_\_\_ DRIVER \_\_\_\_\_

REMARKS:  
PIPE ON BOTTOM, BREAK CIRCULATION,  
PUMP PRE-FLUSH, PUMP 225 SK 65' 3536  
+ 3% cc + 1/4" FLO-SEAL, 100 SK CLASS A  
+ 3% cc + 2% 60Z, STOP PUMPS, RELEASE  
PLUG, START DISPLACEMENT, SEC-  
LIFT, SLOW RATE, BUMP PLUG, FLOAT  
HEAD, DISPLACED WITH 45 1/4 bbl.  
FRESH WATER, CIRCULATE CEMENT.

SERVICE

DEPTH OF JOB	<u>740'</u>		
PUMP TRUCK CHARGE 0-300'			<u>815.00</u>
EXTRA FOOTAGE	<u>440'</u>	@	<u>.65</u>
MILEAGE	<u>65</u>	@	<u>6.00</u>
MANIFOLD HEAD RENT		@	<u>100.00</u>
		@	
		@	
TOTAL <u>1591.00</u>			

CHARGE TO: PALOMINO PETROLEUM  
 STREET \_\_\_\_\_  
 CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

PLUG & FLOAT EQUIPMENT

<u>8 5/8" RUBBER PLUG</u>	<u>1 @ 100.00</u>	<u>100.00</u>
<u>8 5/8" BASKET</u>	<u>1 @ 220.00</u>	<u>220.00</u>
<u>8 5/8" AFU W/SEXT</u>	<u>1 @ 335.00</u>	<u>335.00</u>
	@	
	@	

To Allied Cementing Co., Inc.  
 You are hereby requested to rent cementing equipment and furnish cementer and helper to assist owner or contractor to do work as is listed. The above work was done to satisfaction and supervision of owner agent or contractor. I have read & understand the "TERMS AND CONDITIONS" listed on the reverse side.

ANY APPLICABLE TAX  
 WILL BE CHARGED TOTAL: 655.00  
 UPON INVOICING  
 TAX \_\_\_\_\_  
 TOTAL CHARGE \_\_\_\_\_  
 DISCOUNT \_\_\_\_\_ IF PAID IN 30 DAYS

SIGNATURE Rick Smith

RICK SMITH  
 PRINTED NAME



7/26/08

# PALOMINO PETROLEUM, INC.

4924 SE 84th St. • Newton, Kansas 67114-8827  
(316) 799-1000 • FAX (316) 799-2728

July 26, 2007

**KCC**  
**JUL 26 2006**  
**CONFIDENTIAL**

Kansas Corporation Commission  
130 S. Market-Room 2078  
Wichita, Kansas 67202

Dear Sharon:

We are requesting that the enclosed well information for the Stephens #1 be kept confidential.

Sincerely,

PALOMINO PETROLEUM, INC.

Klee R. Watchous  
President

KRW/cp

Enclosures

RECEIVED  
KANSAS CORPORATION COMMISSION

JUL 30 2007

CONSERVATION DIVISION  
WICHITA, KS