

**KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION
WELL COMPLETION FORM
WELL HISTORY - DESCRIPTION OF WELL & LEASE**

Form ACO-1
September 1999
Form Must Be Typed

ORIGINAL

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: Southwind Drilling, Inc.
 License: 33350
 Wellsite Geologist: Robert A. Schreiber

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>4/30/07</u>	<u>5/9/07</u>	<u>5/9/07</u>
Spud Date or Recompletion Date	Date Reached TD	Completion Date or Recompletion Date

API No. 15 - 009-25046-0000
 County: Barton
NE SE NE Sec. 20 Twp. 16 S. R. 12 East West
1560 feet from S (N) (circle one) Line of Section
330 feet from (E) / W (circle one) Line of Section
 Footages Calculated from Nearest Outside Section Corner:
 (circle one) (NE) SE NW SW
 Lease Name: Demel Well #: 2
 Field Name: Beaver SW
 Producing Formation: None
 Elevation: Ground: 1922 Kelly Bushing: 1931
 Total Depth: 3590 Plug Back Total Depth: _____
 Amount of Surface Pipe Set and Cemented at 395 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 7-15-08
(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: August 1, 2007

Subscribed and sworn to before me this 1st day of August, 2007

Notary Public Carla R. Penwell
 CARLA R. PENWELL
 Date Commission Expires: October 6, 2009

KCC Office Use ONLY

N Letter of Confidentiality Received **RECEIVED**
 If Denied, Yes Date: _____
 Wireline Log Received
 Geologist Report Received **AUG 02 2007**
 _____ UIC Distribution **CONSERVATION DIVISION
WICHITA, KS**

Operator Name: Palomino Petroleum, Inc. Lease Name: Demel Well #: 2
 Sec. 20 Twp. 16 S. R. 12 East West County: Barton

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:

Radiation Guard

Log Formation (Top), Depth and Datum Sample

Name	Top	Datum
Anhy.	839	(+1092)
Base Anhy.	865	(+1066)
Howard	2702	(- 771)
Topeka	2740	(- 809)
Heebner	3019	(-1088)
Toronto	3035	(-1104)
Brown Lime	3105	(-1174)
LKC	3122	(-1191)

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#	395'	Common	235	2% gel, 3% c.c.

ADDITIONAL CEMENTING / SQUEEZE RECORD

Purpose:	Depth Top Bottom	Type of Cement	#Sacks Used	Type and Percent Additives
___ Perforate				
___ Protect Casing				
___ Plug Back TD				
___ Plug Off Zone				

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

TUBING RECORD	Size	Set At	Packer At	Liner Run
				<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Date of First, Resumerd Production, SWD or Enhr.	Producing Method
	<input type="checkbox"/> Flowing <input type="checkbox"/> Pumping <input type="checkbox"/> Gas Lift <input type="checkbox"/> Other (Explain)

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

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Disposition of Gas METHOD OF COMPLETION Production Interval

Vented Sold Used on Lease (If vented, Submit ACO-18.)
 Open Hole Perf. Dually Comp. Commingled
 Other (Specify) _____

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LOGS

BKC	3366	(-1435)
Arbuckle	3403	(-1472)
Quartz	3560	(-1629)
LTD	3590	(-1659)

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Pratt

MAY 19 2007

PAGE 1 of 1	CUST NO 1970-PAL020	INVOICE DATE 05/17/2007
INVOICE NUMBER 1970000312		

B PALOMINO PETROLEUM, INC.
I 4924 SE 84TH STREET
L
L
T NEWTON KS 67114-8824
O ATTN:

J LEASE NAME Demel
O WELL NO. 2
B COUNTY Barton
S STATE KS
I JOB DESCRIPTION Cement-New Well Casing/Pipe
T JOB CONTACT

JOB #	EQUIPMENT #	PURCHASE ORDER NO.		TERMS	DUE DATE
1970-00313	301			Net 30 DAYS	06/16/2007
For Service Dates: 05/09/2007 to 05/09/2007		QTY	U of M	UNIT PRICE	INVOICE AMOUNT
1970-00313					
1970-16111 Cement-New Well Casing 5/9/07					
Pump Charge-Hourly Casing Cement Pumper		1.00	Hour	1596.000	1,596.00
Mileage Cement Service Charge		135.00	DH	1.500	202.50
Mileage Heavy Vehicle Mileage		130.00	DH	5.000	650.00
Mileage Proppant and Bulk Delivery		380.00	DH	1.600	608.00
Pickup Car, Pickup or Van Mileage		65.00	Hour	3.000	195.00
Additives Cellflake		33.00	EA	3.700	122.10 T
Additives Cement Gel		468.00	EA	0.250	117.00 T
Cement 60/40 POZ		135.00	EA	10.710	1,445.85 T
Supervisor Service Supervisor		1.00	Hour	150.000	150.00

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PLEASE REMIT TO: BASIC ENERGY SERVICES, LP PO BOX 841903 DALLAS, TX 75284-1903	SEND OTHER CORRESPONDENCE TO: BASIC ENERGY SERVICES, LP PO BOX 10460 MIDLAND, TX 79702	BID DISCOUNT SUBTOTAL TAX INVOICE TOTAL	-508.28 4,578.17 99.34 4,677.51
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FIELD ORDER 16111 ✓

Subject to Correction

Date 5.9.07		Customer ID		Lease Demol	Well # 2	Legal 21-163-12w	
CHARGE		Palmer Petroleum		County Barton	State KS	Station Pratt	
4924 SE 84th St		Depth		Formation		Shoe Joint	
Norman, KS 67114-8827		Casing		Casing Depth		TD	
316-777-1000 Kloe Workers		Customer Representative Lou		Treater		5100 Oiland	
AFE Number		PO Number		Materials Received by X <i>Bulger T...</i>			

Station Code	Product Code	QUANTITY	MATERIALS, EQUIPMENT, and SERVICES USED	UNIT PRICE	AMOUNT
P	D203	1355kg	60/90 P-2	-	1445.25
P	C326	468lb	Cement 60lb	-	117.00
P	C194	33lb	Cell Seal	-	100.10
P	E100	130mi	Heavy Vehicle Mileage		650.00
P	E101	65mi	Pickup Mileage		175.00
P	E104	380lb	Bulk Material		608.40
P	E107	1395lb	Cement Service Charge		269.00
P	E891	1ea	Service Supervisor		150.00
P	R207	1ea	Cement pump 3601-3500		1516.00
			Demolition per plan		4978.17

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TOTAL

Customer <i>PALOMINO P.T.</i>	Lease No.	Date
Lease <i>DCHMEL</i>	Well # <i>0</i>	<i>5-7-07</i>
Field Order # <i>10011</i>	Station <i>Pratt, Ks.</i>	Casing
		Depth
Type Job	Formation	County <i>SACON</i>
		State <i>Ks.</i>
		Legal Description <i>20-163-1200</i>

PIPE DATA		PERFORATING DATA		FLUID USED		TREATMENT RESUME		
Casing Size	Tubing Size	Shots/Ft		Acid <i>1500 gal</i>	RATE	PRESS	ISIP	
Depth	Depth	From	To	Pre-Pad <i>1.59</i>	Max		5 Min.	
Volume	Volume	From	To	Pad	Min		10 Min.	
Max Press	Max Press	From	To	Frac	Avg		15 Min.	
Well Connection	Annulus Vol.	From	To		HHP Used		Annulus Pressure	
Plug Depth	Packer Depth	From	To	Flush	Gas Volume		Total Load	

Customer Representative	Station Manager <i>...</i>	Treater <i>...</i>
-------------------------	----------------------------	--------------------

Service Units	<i>1-1-07</i>	<i>1-1-12</i>	<i>7-1-13</i>						
Driver Names	<i>...</i>	<i>...</i>	<i>...</i>						

Time	Casing Pressure	Tubing Pressure	Bbbs. Pumped	Rate	Service Log
<i>11:00</i>					<i>1st treatment - 3000' - 6000' / 1500 gal</i>
			<i>4</i>	<i>1.0</i>	<i>1500 gal - 3380' - 1/1500 gal</i>
			<i>7</i>	<i>1.0</i>	<i>1500 gal - 1500' / 1500 gal</i>
			<i>10</i>	<i>1.0</i>	<i>1500 gal - 1500' / 1500 gal</i>
			<i>10</i>	<i>1.0</i>	<i>1500 gal - 1500' / 1500 gal</i>
			<i>10</i>	<i>1.0</i>	<i>1500 gal - 1500' / 1500 gal</i>
			<i>7</i>	<i>1.0</i>	<i>1500 gal - 1500' / 1500 gal</i>
			<i>10</i>	<i>1.0</i>	<i>1500 gal - 1500' / 1500 gal</i>
			<i>5</i>	<i>1.0</i>	<i>1500 gal - 1500' / 1500 gal</i>
			<i>14</i>	<i>1.0</i>	<i>1500 gal - 1500' / 1500 gal</i>
			<i>4</i>	<i>1.0</i>	<i>1500 gal - 1500' / 1500 gal</i>
			<i>3</i>	<i>1.0</i>	<i>1500 gal - 1500' / 1500 gal</i>
<i>4:00 AM</i>			<i>1</i>	<i>0</i>	<i>1500 gal - 1500' / 1500 gal</i>
			<i>1</i>		<i>1500 gal - 1500' / 1500 gal</i>
			<i>3</i>		<i>1500 gal - 1500' / 1500 gal</i>

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RECEIVED

MAY 07 2007

Allied Cementing Co., LLC
24 S. Lincoln
P.O. Box 31
Russell, KS 67665

* I N V O I C E *

Invoice Number: 108574

Invoice Date: 05/04/07

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

Cust I.D.....: Palo
P.O. Number...: Demel #2
P.O. Date.....: 05/04/07

Due Date.: 06/03/07
Terms.....: Net 30

Salesperson...:

Item I.D./Desc.	Ordered	Unit	Price	Net	TX
Common	235.00	SKS	11.1000	2608.50	T
Gel	5.00	SKS	16.6500	83.25	T
Chloride	7.00	SKS	46.6000	326.20	T
Handling	247.00	SKS	1.9000	469.30	E
Mileage	24.00	MILE	22.2300	533.52	E
247 sks@.09 per sk per mi					
Surface	1.00	JOB	815.0000	815.00	E
Extra Footage	95.00	PER	0.6500	61.75	E
Mileage pmp trk	24.00	MILE	6.0000	144.00	E
Head Rent	1.00	PER	100.0000	100.00	E
Plug	1.00	EACH	60.0000	60.00	T

All Prices Are Net, Payable 30 Days Following
Date of Invoice. 1 1/2% Charged Thereafter.
If Account CURRENT take Discount of 520.15
ONLY if paid within 30 days from Invoice Date

Subtotal: 5201.52
Tax.....: 201.60
Payments: 0.00
Total....: 5403.12

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CONSERVATION DIVISION
WICHITA, KS

ALLIED CEMENTING CO., INC.

30174

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

SERVICE POINT:

M.B.

DATE <u>5-1-07</u>	SEC <u>20</u>	TWP <u>16s</u>	RANGE <u>12w</u>	CALLED OUT <u>3 AM</u>	ON LOCATION <u>5 AM</u>	JOB START <u>7 AM</u>	JOB FINISH <u>8 AM</u>
LEASE <u>Demel</u>	WELL # <u>2</u>	LOCATION <u>Beaver 3/4 N w/s</u>			COUNTY <u>Barton</u>	STATE <u>K.S.</u>	
OLD OR <input checked="" type="radio"/> NEW (Circle one)							

CONTRACTOR southwind Rig 2

TYPE OF JOB Surface

HOLE SIZE 12 1/2 T.D. 395

CASING SIZE 8 1/2 DEPTH 395

TUBING SIZE _____ DEPTH _____

DRILL PIPE _____ DEPTH _____

TOOL _____ DEPTH _____

PRES. MAX _____ MINIMUM _____

MEAS. LINE _____ SHOE JOINT _____

CEMENT LEFT IN CSG. 150

PERFS. _____

DISPLACEMENT 24 bbl

OWNER _____

CEMENT AMOUNT ORDERED 235 Sak Common
32cc 26 gel

EQUIPMENT

PUMP TRUCK # 180 CEMENTER Mike M.
HELPER Dwayne W.

BULK TRUCK # 342 DRIVER David J.

BULK TRUCK # _____ DRIVER _____

COMMON	<u>235 Sak</u>	@	<u>11.10</u>	<u>2608.50</u>
POZMIX		@		
GEL	<u>5</u>	@	<u>16.65</u>	<u>83.25</u>
CHLORIDE	<u>7 Sak</u>	@	<u>46.60</u>	<u>326.20</u>
ASC		@		
HANDLING	<u>247 ml</u>	@	<u>1.90</u>	<u>469.30</u>
MILEAGE	<u>247 ml 09 24</u>			<u>533.52</u>
TOTAL				<u>4020.77</u>

REMARKS:

Circulate Hole with Rig mud Pump. Mix Cement + Release Plug Displace Plug Down with water.

Cement did Circulate to surface

SERVICE

DEPTH OF JOB	<u>395</u>			
PUMP TRUCK CHARGE				<u>815.00</u>
EXTRA FOOTAGE	<u>95'</u>	@	<u>.65</u>	<u>61.75</u>
MILEAGE	<u>24</u>	@	<u>6.00</u>	<u>144.00</u>
MANIFOLD		@		
<u>HEAVY RENTAL</u>		@	<u>100.00</u>	<u>100.00</u>
TOTAL				<u>1120.75</u>

CHARGE TO: Palomino

STREET _____

CITY _____ STATE _____ ZIP _____

PLUG & FLOAT EQUIPMENT

<u>1-8 1/2 Two cup plug</u>	<u>60.00</u>			<u>60.00</u>
		@		
		@		
		@		
TOTAL				<u>60.00</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.

SIGNATURE Delwyn Tresner

DELWYN TRESNER
PRINTED NAME

Thank you