


KANSAS
CORPORATION COMMISSION

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

November 21, 2008

PALOMINO PETROLEUM INC
4924 SE 84TH ST
NEWTON KS 67114

RE: LEASE: DEMEL 2
LEGAL: 1560'FNL-330'FEL 20-16S-12W
COUNTY: BARTON
API NO: 15009250460000

Dear Sir/Madam:

This letter is to inform you that you have been granted an extension of time in which to close the drilling pits associated with the drilling of the Demel 2 well.

The original 365 days for closure expired April 30, 2008. This extension will expire May 14, 2009. We urge you to make every effort to close these pits within this time frame. In the event there is water standing in these pits, please dewater and dispose of fluids in an authorized disposal facility to expedite closure. Extension of this time frame automatically extends the time period for filing the Closure of Surface Pit form.

Failure to close the pit or request an additional extension prior to the expiration date may result in a fine in accordance with K.A.R. 82-3-602(a). An additional extension will only be granted for good cause and after K.C.C. field staff has made an inspection of the site. Should field staff discover that said pit has been closed before the date of extension request, an administrative penalty may be assessed to you through K.C.C. invoice.

If you have any questions in this regard, please do not hesitate to contact Jonelle Rains at (316) 337-6226.

Very sincerely yours,


Doug Louis
Director

cc: Jonelle Rains
District # 4

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Palomino Petroleum, Inc.
4924 SE 84TH ST
NEWTON KS 67114

*List 4, Bruce Ready called 11/14/08
give 6 mo. ext*

November 3, 2008

Re: Closure of Drilling Pits

Demel. #2
20-16S-12W
Barton County
API# 15-009-25046

Dear Sirs:

The above referenced well was spudded on 3/3/2007. According to K.A.R. 82-3-602, "Drilling pits ... shall be closed within a maximum of 365 calendar days after the spud date of a well". The subject drilling pits must be closed by 3/2/2008. A Closure of Surface Pit, form CDP-4 (April 2004), should be filed within 30 days after the drilling pits are closed. **Conservation division forms are available through our office and on the KCC web site: <http://kcc.ks.gov/conservation/forms/>**

Should an extension be warranted, it must be received by 3/2/2008. **TO FILE FOR AN EXTENSION, PLEASE SEND A COPY OF THIS LETTER WITH THE FOLLOWING INFORMATION COMPLETED:**

Date of location inspection by operator/agent: November 3, 2008

Reason for extension: Too wet

Estimated period of time until pit closure: 6 months

Failure to timely close the pit, file a request for an extension or file the closure form within the allotted time periods may result in assessment of an administrative penalty.

Your cooperation in this process is appreciated. If you have any questions or concerns, please call **Sammy Flaharty** at (316) 337-6227.

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KANSAS CORPORATION COMMISSION
NOV 04 2008
CONSERVATION DIVISION
WICHITA, KS