

The logo for the Kansas Corporation Commission features the word "KANSAS" in a bold, black, sans-serif font. Above the letters "A" and "S" is a stylized black arc that curves from the left, passes over the "A", and ends with a five-pointed star above the "S". Below "KANSAS" is the text "CORPORATION COMMISSION" in a smaller, black, sans-serif font.

KANSAS
CORPORATION COMMISSION

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

April 9, 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 expires April 30, 2008. This extension will expire June 30, 2008. 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(c). 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,

A handwritten signature in black ink that reads "Doug Louis".
Doug Louis
Director

cc: Jonelle Rains
District # 4

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APR 01 2008



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

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

March 31, 2008

Re: Closure of Drilling Pits
DEMEL Lease Well No. 2
NESENE 20-16S-12W
BARTON County, Kansas
API No. 15009250460000

Dear Sirs:

The above referenced well was spudded on 4/30/2007. 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 4/29/2008. 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 4/29/2008. **TO FILE FOR AN EXTENSION, PLEASE SEND A COPY OF THIS LETTER WITH THE FOLLOWING INFORMATION COMPLETED:**

Date of location inspection by operator/agent: 4/1/08

Reason for extension: Too wet

Estimated period of time until pit closure: 2 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

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CONSERVATION DIVISION
WICHITA, KS

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/>

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Sec Twpn Rngn

Company Find API Number 15-009-25046-

API # 15-009-25046-00-00 Well DEMEL 2 Cty BARTON Dkt

Oper 30742 PALOMINO PETROLEUM, INC. A Lgcy Oper

Work Oper C-1 Oper PALOMINO PETROLEUM, INC.

WL Type DH1 WL Stat PA Status Source: CP23 Status Dt: 05/09/2007

Location 20-16S-12W-NESENE, 1560 FNL 330 FEE District # 04

Dates

Intent Apprv:	04/16/2007	Compl:	05/09/2007
Permit Expire:	10/16/2007	Compl Rpt Rec:	08/02/2007
ACO-1 Spud:	04/30/2007	Plugged:	05/09/2007
District Spud:	04/30/2007		

SC Int:	<input type="text" value="380"/>	SGWA:	<input type="checkbox"/>	CP 1:	<input type="text"/>
PIT Cls EXT:	<input type="text"/>	RFAC:	<input type="checkbox"/>	CP 2/3:	<input checked="" type="checkbox"/> Date CP-2/3 Recvd: 05/09/2007
Pit Cls:	<input type="text"/>	RFAS:	<input type="checkbox"/>	CP 4:	<input checked="" type="checkbox"/> Date CP-4 Recvd: 05/11/2007
PIT Status:	Request Received for Extension	PitLiner:	<input type="checkbox"/>	CDP 5:	<input type="text"/>
Dewater:	<input type="text"/>	Steel:	<input type="checkbox"/>		
BBLS:	<input type="text"/>				