

EFFECTIVE DATE: 8-31-96

State of Kansas

DISTRICT # 17

NOTICE OF INTENTION TO DRILL

SGA? Yes No

Must be approved by the K.C.C. five (5) days prior to commencing well.

Expected Spud Date 8 30 96
month day year

C/E/2 Spot 32 E/2 SW/4 NE/4 Sec 1 Twp 17 S, Rg 23 East West

OPERATOR: License # 30742
Name: Palomino Petroleum, Inc.
Address: 4924 SE 84th St.
City/State/Zip: Newton, KS 67114-8827
Contact Person: Klee R. Watchous
Phone: (316) 283-0232

1980 feet from South North line of Section
1485 feet from East / West line of Section
IS SECTION REGULAR IRREGULAR?

CONTRACTOR: License #: 4958
Name: Mallard JV, Inc.

(NOTE: Locate well on the Section Plat on Reverse Side)
County: Ness
Lease Name: Flax-Sargent Well #: 11
Field Name: Wildcat

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

Is this a Prorated/Spaced Field? ... yes no
Target Formation(s): Miss.
Nearest lease or unit boundary: 660
Ground Surface Elevation: 2393 feet MSL

If OWWO: old well information as follows:
Operator: _____
Well Name: _____
Comp. Date: _____ Old Total Depth _____

Water well within one-quarter mile: ... yes no
Public water supply well within one mile: ... yes no
Depth to bottom of fresh water: 260
Depth to bottom of usable water: 700
Surface Pipe by Alternate: 1 2

Directional, Deviated or Horizontal wellbore? ... yes no
If yes, true vertical depth: _____
Bottom Hole Location: _____

Length of Surface Pipe Planned to be set: 720
Length of Conductor pipe required: None
Projected Total Depth: 4400
Formation at Total Depth: Miss.

Water Source for Drilling Operations:
_____ well farm pond ... other

Will Cores Be Taken?: _____
If yes, proposed zone: _____

RECEIVED
KANSAS CORPORATION COMMISSION

8-26-96
8-26-1996

AFFIDAVIT

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55-101, 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. 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: 8-24-96 Signature of Operator or Agent: Klee R. Watchous Title: President

FOR KCC USE:
 API # 15- 135-239480000
 Conductor pipe required NONE feet
 Minimum surface pipe required 720 feet per Alt.
 Approved by: JK 8-26-96
 This authorization expires: 2-26-97
 (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.

Mail to: KCC - Conservation Division, 130 S. Market - Room 207B, Wichita, Kansas 67202.

1
17
23W

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

PLAT OF ACREAGE ATTRIBUTABLE TO A WELL IN A PRORATED OR SPACED FIELD

If the intended well is in a prorated or spaced field, please fully complete this side of the form. If the intended well is in a prorated or spaced field complete the plat below showing that the well will be properly located in relationship to other wells producing from the common source of supply. Please show all the wells within 1 mile of the boundaries of the proposed acreage attribution unit for gas wells and within 1/2 mile of the boundaries of the proposed acreage attribution unit for oil wells.

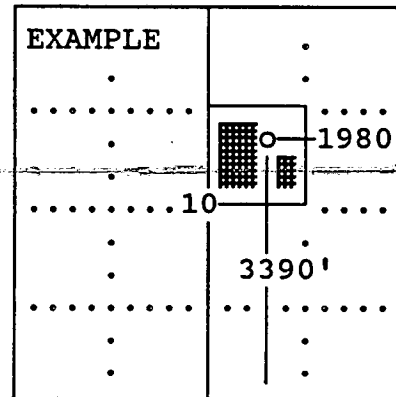
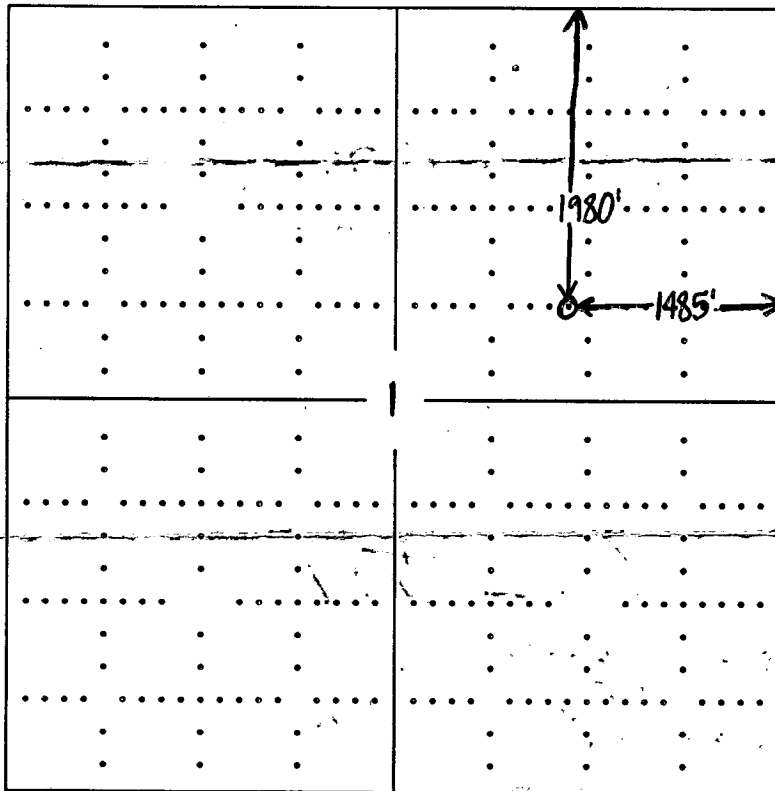
API NO. 15- _____
 OPERATOR _____ LOCATION OF WELL: COUNTY _____
 LEASE _____ feet from south/north line of section
 WELL NUMBER _____ feet from east/west line of section
 FIELD _____ SECTION _____ TWP _____ RG _____

NUMBER OF ACRES ATTRIBUTABLE TO WELL _____ IS SECTION _____ REGULAR or _____ IRREGULAR
 QTR/QTR/QTR OF ACREAGE _____ **IF SECTION IS IRREGULAR, LOCATE WELL FROM NEAREST CORNER BOUNDARY.**

Section corner used: _____ NE _____ NW _____ SE _____ SW

PLAT

(Show location of the well and shade attributable acreage for prorated or spaced wells.)
 (Show footage to the nearest lease or unit boundary line.)



SEWARD CO.

In plotting the proposed location of the well, you must show:

- 1) The manner in which you are using the depicted plat by identifying section lines, i.e. 1 section, 1 section with 8 surrounding sections, 4 sections, etc.;
- 2) the distance of the proposed drilling location from the section's south/north and east/west; and
- 3) the distance to the nearest lease or unit boundary line.