**NOTICE OF INTENT TO DRILL**

Must be approved by KCC five (5) days prior to commencing well

<table>
<thead>
<tr>
<th>Expected Spud Date</th>
<th>12</th>
<th>11</th>
<th>03</th>
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<tr>
<td>month</td>
<td>day</td>
<td>year</td>
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**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) 799-1000

**CONTRACTOR:**
- License #: 5184
- Name: Shields Oil Producers, Inc.

Well Drilled For: Oil
- Type Equipment: X Mud Rotary
- Well Class: X Infield
- Foot Ext.: Mutually
- Other: 
- OWO: No
- Seismic: 
- # of Holes: 
- Other: 

If OWO: old well information as follows:
- Operator:
- Well Name:
- Original Completion Date:
- Original Total Depth:

Directional, Deviated or Horizontal wellbore? X Yes

If Yes, true vertical depth:

Bottom Hole Location:

KCC DKT #: 

Spot 90’ N of E/2 SE NW Sec. 10 Twp. 18 S. R. 24 X

- 1890 feet from X N / S Line of Section
- 2310 feet from E / X W Line of Section
- Is SECTION Regular X / Irregular No

(Note: Locate well on the Section Plat on reverse side)

County: Ness
- Lease Name: Lawrence Schuler
- Well #: 2
- Field Name: Cherokee Sand
- Is this a Prorated / Spaced Field? X Yes
- Target Information(s):
  - Nearest Lease or unit boundary: 330
  - Ground Surface Elevation: 2315 feet MSL
  - Water well within one-quarter mile: X Yes
  - Public water supply well within one mile: X Yes
  - Depth to bottom of fresh water: 180
  - Depth to bottom of usable water: 900
  - Surface Pipe by Alternate: X Yes
  - Length of Surface Pipe Planned to be set: 200
  - Length of Conductor Pipe required: None
  - Projected Total Depth: 4400
  - Formation at Total Depth: Mississippian

Water Source for Drilling Operations:
- Well X Farm Pond Other
- DWR Permit #: 
- (Note: Apply for Permit with DWR X)

Will Cores be taken? X Yes

If Yes, proposed zone:

**AFFIDAVIT**

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55 et seq.

It is agreed that the following minimum requirements will be met:

1. Notify the appropriate district office prior to spudding 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.

Or pursuant to Appendix "B" - Eastern Kansas surface casing order #133,891-C, which applies to the KCC District 3 area, alternate II cementing must be completed within 30 days of the spud date or the well shall be plugged. 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: 11/26/03 Signature of Operator or Agent: President

**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.

- If this permit has expired (See: authorized expiration date) please check the box below and return to the address below.

- Well Not Drilled - Permit Expired
Signature of Operator or Agent: Date:

Mail to: KCC - Conservation Division, 130 S. Market - Room 2078, Wichita, Kansas 67202
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 and 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:______________________________________________
Lease:_______________________________________________
Well Number:_________________________________________
Field:_________________________________________________
Number of Acres attributable to well:_____________________
QTR / QTR / QTR of acreage:_________________________

Location of Well: County:______________________________

feet from  N /  S Line of Section
feet from  E /  W Line of Section
Sec.______ Twp.______ S. R.______  East  West

Is Section:  □ Regular or  □ Irregular

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.)

NOTE: In all cases locate the spot of the proposed drilling location.

NESS CD.

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.
3. The distance to the nearest lease or unit boundary line.
4. If proposed location is located within a prorated or spaced field a certificate of acreage attribution plat must be attached: (CG-7 for oil wells; CG-8 for gas wells).