KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

NOTICE OF INTENT TO DRILL

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

For KCC Use
Effective Date: ____________
District #: ________
SDA? Yes [X] No [ ]

Expected Spud Date: June 3, 2005

OPERATOR: Licensee: 30742
Name: Palomo Petroleum, Inc.
Address: 3452 SE 8th St.
City/State/Zip: Topeka, Kansas 66614-8827
Contact: Joe R. Wachtus
Phone: (316) 790-1000

CONTRACTOR: Licensee: 5123
Name: Pickrell Drilling Company, Inc.

Well Drilled For: Oil [X] Gas [ ] Other [ ]
Well Class: Elk [ ] Res [ ] Int [X] Mud Rotary [ ] Air Rotary [ ] Other [ ]
Type of Equipment: Gas [ ] Storage [ ] Pool Ext. [ ] Water Well [ ] Cable [ ]
Oil [ ] Disposal [ ] Water [ ]

IF OWWL: old well information as follows:
Operator: 
Well Name: 
Original Completion Date: 
Original Total Depth: 
Directional Drilled or Horizontal well [ ] Yes [X] No [ ]
If Yes, true vertical depth: 
Bottom Hole Location: 
KCC DKT #: ____________

MAY 3, 2005

AFFIDAVIT

The undersigned hereby affirms that the closing operation and eventual plugging of this well will comply with K.S.A. 65-614,166.

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

1. Notify the appropriate district office prior to drilling 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 drilling camera 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 a dry hole, an agreement between the operator and the district office on mud 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 completion, production pipe shall be cemented from below any usable water to surface within 120 days of spud date.

Of pursuant to Appendix "B" - Eastern Kansas surface casing order #1300.851-C, which applies to the KCC District 3 area, alternate 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 pursuant to the jurisdiction of the Kansas Corporation Commission.

Date: May 31, 2005

Signature of Operator or Agent: ____________

Remember to:
- File Drilling Application (form CDP-1) with Intent to Drill.
- File Complete Form ACD-1 within 120 days of spud date.
- File aerial photo or plot according to field inspection order.
- 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 the permit has expired or other authorized expiration notice is received, check the box below and return to the address below.

Mail to: KCC - Conservation Division, 130 S. Market - Room 1078, 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 relation to other wells producing from the common source of supply. Please show all the wells and within 1/4 mile of the boundaries of the proposed acreage attributable unit for gas wells, and within 1/2 mile of the boundaries of the proposed acreage attributable unit for oil wells.

API No. 15: [Provide API number]
Operator: [Provide operator name]
Lease: [Provide lease name]
Well: [Provide well name]
Field: [Provide field name]
Number of Acres attributable to well: [Provide number of acres]

QTR / QTR / QTR of acreage:

Location of Well: County: Ness
1140  feet from N \ S Line of Section
330  feet from E \ W Line of Section
Sec: 33  Twp: 18  S  R: 24  E

Is Section: Regular or Irregular

If Section is irregular, locate well from nearest corner boundary.
Section corner used:

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

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

NESS 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.
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 (CD-7 for oil wells, CD-8 for gas wells).