NOTICE OF INTENT TO DRILL

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

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

B.O.P.

October 18, 2005

OPERATOR: License # 30742
Name: Philmore Petroleum, Inc.
Address: 5284 SE 6th St.
City/State/Town: Newton, Kansas 67114-8827
Contact Person: Kase W. Watters
Phone: (316) 979-1000

CONTRACTOR: License # 33350
Name: Southwest Drilling Inc.

Well Drilled For: Gas
Well Class: Type Equipment:
- Oil
- Gas Storage
- ...[other details]

Quadrant: # of Holes
- Other

If OWWO: old well information as follows:

Operator:

Well Name:

Original Completion Date:

Original Total Depth:

Directional, Deviated or Horizontal well?

Yes / No

If Yes, true vertical depth:

Bottom Hole Location:

KCC Dkt #:

**Conductor Pipe BOP**

**REQUIRED SEE KCC RULES 1**

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55-30-17.

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 rigging;...[other details]
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...[other details]
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;...[other details]
5. The appropriate district office will be notified before well is either plugged or production casing is cemented in;...[other details]
6. 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 #123,881-C, which applies to the KCC District's area, alternate II cementing...[other details]

I hereby certify that the statements made herein are true and correct to the best of my knowledge and belief:

Date: September 14, 2005

Signature of Operator or Agent: [signature]

Title: [title]

Mail to: KCC - Conservation Division, 130 S. Market - Room 2078, Wichita, Kansas 67202

For KCC Use Only

For KCC Use Only

API # 12-9

Conductor pipe required

Minimum surface pipe required

Test well:

APR 9-20-05

This application is approved by:

Approver:

Submit date:

Agent:

Remember to:

- File Drill Plan Application (Form G-3) with Intent to Drill.
- File Completion Form ACO-1 within 120 days of spud date.
- File a pre-cleanup plan (Form C-3) 48 hours prior to well workover or reopening.
- Submit well workover report (Form C-4) after plugging is completed.
- Obtain approval for plugging or abandoning.
- Maintain approved application and well log on file at the operator's office.

If this permit has expired (60 days; 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:

<table>
<thead>
<tr>
<th>East</th>
<th>NW</th>
<th>SW</th>
<th>Sec</th>
<th>Twp</th>
<th>Rgn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1700</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>710</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If Section: Regular / Irregular

Name: License well on the Section Plan on reverse side.

County: [county]

Lease Name: [lease name]

Well: [well #]

Field Name: None

Is this a Pledged / Spotted Field? [Yes / No]

Target Formation(s): [formation(s)]

Nearest Lease or Unit Boundary: [boundary]

Ground Surface Elevation: [elevation]

Water well within one-quarter mile: [Yes / No]

Public water supply well within one mile: [Yes / No]

Depth to bottom of fresh water: [depth]

Surface Pipe by Alternate: [1 / 2]

Length of Surface Pipe Planned to be set: [length]

Projected Total Depth: [depth]

Formation at Total Depth: Arbuckle

Water Source for Drilling Operations:
- [Water]
- [Farm Pond]
- [Other]

DWR Permit # [permit #]

[Note: Apply for Permit with DWR]

[Yes / No]

[Yes / No]

[Yes / No]
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 attribute unit for gas wells and within 1/2 mile of the boundaries of the proposed acreage attribute unit for oil wells.

API No. 15: Palomero Petroleum, Inc.

Operator: Palomero Petroleum, Inc.

Lease: Lands

Well Number: None

Field: None

Number of Acres attributable to well: 0

QTR / QTR / QTR of acreage: NW

Location of Well: County: Johnson

1970 feet from N / S Line of Section

710 feet from E / W Line of Section

Sec: 5

Tow: 8

R: 20

Is Section: Regular or Irregular

If Section is Irregular, locate well from nearest corner boundary.

Section corner used: NE

NW

SE

SW

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

ROOKS 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 attribute plat must be attached: CG-7 for oil wells; CG-8 for gas wells.

RECEIVED
SEP 19 2005
KCC WICHITA

EXAMPLE

BEARING CO.
September 19, 2005

Mr. Klee R. Watchous
Palomino Petroleum, Inc.
4924 SE 84th St.
Newton, KS 67114-8827

RE: Drilling Pit Application
Landis Lease Well No. 1
SW/4 Sec 05-08S-20W
Rooks County, Kansas

Dear Mr. Watchous:

District staff has inspected the above referenced location and has determined that the reserve pit shall be constructed without slots, the bottom shall be flat and reasonably level, and the free fluids must be removed. The fluids are to be removed from the reserve pit as soon as practical after drilling operations have ceased. Please keep all pits away from any draws.

If production casing is set all completion fluids shall be removed on a daily basis.

The fluids should be taken to an authorized disposal well. Please call the District Office at (785) 625-0550 when the fluids have been removed. Please file form CDP-5, Exploration and Production Waste Transfer, within 30 days of fluid removal. Conservation division forms are available through our office and on the KCC web site: www.kcc.state.ks.us/conservation/forms.

A copy of this letter should be posted in the doghouse along with the approved Intent to Drill. If you have any questions or concerns please feel free to contact the undersigned at the above address.

Sincerely,

[Signature]
Kathy Haynes
Environmental Protection and Remediation Department

[Address]
Conservation Division, Finney State Office Building, 120 S. Market, Room 2078, Wichita, KS 67202-3802
Voice 316.337.6200 Fax 316.337.6211 www.kcc.state.ks.us