AFFIDAVIT

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

1. Notify the appropriate district office prior to spudding its well.
2. A copy of the approved notice of intent to drill shall be posted on each drilling rig.
3. The minimum number of surface eyes as specified below shall be set by circulating cement to the top, in all cases surface pipe shall be set through all unconsolidated materials in a minimum of 20 feet as 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 required prior to plugging.
5. The appropriate district office will be notified before well is either plugged or production casing is cemented in.
6. An alternate route completion, production pipe shall be cemented from below with water to surface within 120 days of spud date.

I hereby certify that the statements made herein are true and complete to the best of my knowledge.

Date: November 20, 2005
Signature of Operator or Agent:

Title: President

Mail to: KCC - Conservation District, 130 S. Market - Room 2079, Wichita, Kansas 67203
IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

Pit of acreage attributable to a well in a prorated or spaced field

If the intended well is in a prorated or spaced field, 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: Palermo Petroleum, Inc.
Lease: Walker
Well Number: 1
Field: Arnold
Number of Acres attributable to well: SE, SE
QTR / QTR / QTR of acreage

Location of Well: County:

feet from N / E / S / W Line of Section
feet from N / E / S / W Line of Section
Sec. 22
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 attribute acreage for prorated or spaced wells.)
(Show footage to the nearest lease or unit boundary line.)

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

IN ALL CASES
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 4 surrounding sections, etc.
2. The distance of the proposed drilling location from the section's north, south, east, and 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.)