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: 6-10-06
District #: 2
SGA? ☑ Yes ☑ No

Operative Date: 6-10-06

Expected Spud Date: June 8, 2006

Operator: License# 30742
Name: Palomino Petroleum, Inc.
Address: 4924 SE 84th St.
City/State/Zip: Newton, Kansas 67114-8827
Contact Person: Klee R. Watchous
Phone: (316) 790-1000

Contractor: License# 32701
Name: C & G Drilling, Inc.

Well Drilled For:
- [☑] Oil
- [☑] Gas
- [☐] Storage
- [☐] Enf. Rec.
- [☐] Pool Ext.
- [☐] WSQ
- [☐] Seismic
- [☐] Other

Well Class:
- [☑] Infield
- [☐] Air Rotary
- [☐] Mud Rotary
- [☐] Cable

Type Equipment:
- [☑] Wildcat

Spot:
- [☑] NE
- [☐] SE
- [☐] N
- [☐] S
- [☐] E
- [☐] W

E2:
- [☐] Sec.
- [☐] Twp.
- [☐] R.

25 feet from [☐] N [☑] W Line of Section

'8 section
- [☑] Regular
- [☐] Irregular

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

County: Sedgwick

Lease Name: GEB
Field Name: None (Wildcat)

Is this a Prorated / Shared Field? Yes [☑] No [☐]

Target Formation(s): Burgess Sand, Hunton

Nearest Lease or unit boundary: 330+ (unit)

Ground Surface Elevation: 1387 feet MSL

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

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

Depth to bottom of fresh water: 150

Depth to bottom of usable water: 180

Surface Pipe by Alterante: [☐] 1 [☑] 2

Length of Surface Pipe Planned to be set: 200+

Length of Conductor Pipe required: None

Projected Total Depth: 3450

Formation at Top Depth: Arbuckle

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

DWR Permit #: ☑

Will Cores be taken? Yes [☑] No [☐]

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. 25-180.

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 shall be set by circulating cement to the top; if an alternate completion, production pipe shall be cemented below any usable water to surface within 120 days of spud date.
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 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.

Or pursuant to Appendix B - Eastern Kansas surface casing order #133,881-C, which applies to the KCC District 3 area, alternate casing 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 in the best of my knowledge and belief.

Date: June 5, 2006
Signature of Operator or Agent: [Signature]
Title: [Title]

Remember to:
- File Drill Pit Application (form CDP-1) with Intent to Drill;
- File Completion Form ACA-1 within 120 days of spud date;
- File acreage attribution form according to field proration orders;
- Notify appropriate district office 48 hours prior to workover or re-entry;
- Submit plugging report (CP-4) after plug is completed;
- Obtain written approval before disposing of 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 - 173-00986-0000
Operator: Palomino Petroleum, Inc.
Lease: GEB
Well Number: 1
Field: None (Wildcat)
Number of Acres attributable to well: ____________________________
QTR / QTR / QTR of acreage: E/2 NE SE

Location of Well: County: Sedgwick
2010 feet from N / S Line of Section
240 feet from E / W Line of Section
Sec. 2 Twp. 25 S. R. 2 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.

SEDGwick 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: (CO-7 for oil wells; CG-8 for gas wells).
KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION
APPLICATION FOR SURFACE PIT
Submit in Duplicate

Operator Name: Palomino Petroleum, Inc. License Number: 30742

Operator Address: 4924 SE 84th St., Newton, Kansas 67114-8827

Contact Person: Klee R. Watchous Phone Number: (316) 799-1000

Lease Name & Well No.: GEB #1 Pit Location (QQQQ):

Type of Pit:
- Emergency Pit
- Burn Pit
- Settling Pit
- Drilling Pit
- Workover Pit
- Haul-Off Pit

(If WP Supply API No. or Year Drilled)

Pit is: [✓] Proposed [☐] Existing

If existing, date constructed:

Pit capacity: 6800 (bbls)

Is the pit located in a Sensitive Ground Water Area? [☐] Yes [✓] No

Chloride concentration: ______ mg/l

(For Emergency Pits and Settling Pits only)

Is the bottom below ground level? [✓] Yes [☐] No

Artificial Liner? [☐] Yes [✓] No

How is the pit lined if a plastic liner is not used?
Drilling, mud and shale from well bore.

Pit dimensions (all but working pits): 80 Length (feet) 80 Width (feet) N/A: Steel Pits

Depth from ground level to deepest point: 3 (feet)

If the pit is lined give a brief description of the liner material, thickness and installation procedure.

Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring.

Distance to nearest water well within one-mile of pit
2400 feet Depth of water well 30 feet

Emergency, Settling and Burn Pits ONLY:
Producing Formation: ______

Number of producing wells on lease: ______

Barrels of fluid produced daily: ______

Does the slope from the tank battery allow all spilled fluids to flow into the pit? [☐] Yes [✓] No

Drilling, Workover and Haul-Off Pits ONLY:
Type of material utilized in drilling/workover: fresh

Number of working pits to be utilized: 2

Abandonment procedure: evaporate and backfill

Drill pits must be closed within 365 days of spud date.

I hereby certify that the above statements are true and correct to the best of my knowledge and belief.

June 5, 2006
Date

Signature of Applicant or Agent

KCC OFFICE USE ONLY

Date Received: 6/5/06 Permit Number: ______ Permit Date: 6/5/06 Lease Inspection: [☐] Yes [✓] No

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

* Public Water Supply Well Sec. 12-25-2E NW 1/4 NW 1/4 Depth 37'