KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

NOTICE OF INTENT TO DRILL

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

Expected Spud Date: December 3, 2004

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) 799-1000

CONTRACTOR:
License#: 33350
Name: Southwind Drilling, Inc.

Spot: 230' N & 150' W of NE NE NE Sec. 28
Spot: 100' feet from N Line of Section
Spot: 480' feet from E Line of Section

Is SECTION: Yes
Regular: Yes
Irregular: No

County: Ness
Lease Name: Anderson-Tillison
Well #: 1
Field Name: Ransom

Is this a Prorated / Spaced Field? Yes
Target Formation(s): Mississippian

Nearest Lease or unit boundary: 330+ (unit)

Ground Surface Elevation: 2530 feet MSL
Water well within one-quarter mile: No
Public water supply well within one mile: No

Depth to bottom of fresh water: 220'

Surface Pipe by Alternate: 1
Length of Surface Pipe Planned to be: 240'

Length of Conductor Pipe required: 4520

Projected Total Depth: 4520
Formation at Total Depth: Mississippian

Water Source for Drilling Operations:

DWR Permit #: 4520

Will Cores be taken? Yes

If Yes, proposed zone:

* Pooling Info Attached

AFFIDAVIT

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55-20 et seq.

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 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: November 12, 2004
Signature of Operator or Agent: Klee R. Watchous
Title: President

For KCC Use ONLY
API #: 135 - 24317.00.00
Conductor pipe required: NONE feet
Minimum surface pipe required: 240 feet per Alt.
Approved by: RWP 11-12-05
This authorization expires: 5-12-05
This authorization void if drilling not started within 6 months of effective date.

Spud date: 11-17-04
Agent: Klee R. Watchous

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

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: 12-24-05

CONSERVATION DIVISION
WICHITA, KS

RECEIVED
NOV 1 2 2004

KANSAS CORPORATION COMMISSION
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: Palomino Petroleum, Inc.
Lease: Anderson-Tilliton
Well Number: 1
Field: Ransom

Number of Acres attributable to well:
QTR / QTR / QTR of acreage: NE , NE , NE

Location of Well: County: Ness
100 feet from N / S Line of Section
480 feet from E / W Line of Section
Sec: 28 Twp. 16S S, R. 24
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 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: (CG-7 for oil wells; CG-8 for gas wells).