



March 8, 2012

CERTIFIED MAIL

Julius and Janet Palyo  
22009 WCR 22  
Hudson, CO 80642

Re: Notice of Intent to Conduct Surface Operations (Facilities)  
PALYO 35N-W11HZ PALYO 13C-11HZ PALYO 13N-11HZ  
PALYO 26N-11HZ PALYO 35N-E11HZ PALYO 14N-11HZ  
PALYO 35S-11HZ  
Township 2N, Range 65W, Section 11: NWNW  
Weld County, Colorado

Julius and Janet Palyo:

The Colorado Oil and Gas Conservation Commission ("COGCC") has adopted guidelines and procedures regarding oil and gas activities affecting the surface. These rules stipulate that an affected surface owner must be given advance notice in writing by an operator at least thirty (30) days prior to drilling an oil and gas well.

Kerr-McGee Oil and Gas Onshore LP ("KMG") intends to begin operations to drill the above captioned oil and gas well(s) upon approval of title, receipt of permits from the COGCC prior to November 30, 2012. As the surface owner, it is your responsibility to notify the tenant farmer, if applicable, of this proposed operation.

A site diagram of the proposed location of the well and any associated roads and production facilities is enclosed. Should you have any questions and/or concerns, please contact me at (303) 655-4350 or my cell at (970) 590-6249.

Very truly yours,  
KERR-McGEE OIL AND GAS ONSHORE LP

A handwritten signature in black ink, appearing to read 'D. Bell'.

David Bell  
Landman

I/we waive the 30 day notice referenced above and approve of the operations commencing upon KMG's receipt of the drilling permit.

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Enclosure