



Jeremiah W. (Jay) Nixon, Governor • Sara Parker Pauley, Director

DEPARTMENT OF NATURAL RESOURCES

www.dnr.mo.gov

March 3, 2011

Mr. Jace Graham
Palo Petroleum, Inc.
5944 Luther Lane
Suite 900
Dallas, Texas 75225

RE: Special Project Request for Bushwhacker Prospect

Dear Mr. Graham,

The Geological Survey Program received a special project request for the Bushwhacker Prospect from Palo Petroleum, Inc. The lease is located in Section 3, T35N, R33W, Vernon County Missouri. Palo Petroleum's request is to use horizontal drilling technology using the "CHOP" (continuous heavy oil production) process. The "CHOP" process should efficiently recover more heavy oil, able to recycle water, and long horizontals boost production rates and drainage area. Department of Natural Resources rules and regulations title 10 CSR 50-2.11(1) states, "It is the purpose of the council to encourage development of economic recovery of oil and gas reserves in the state, in particular the research and development leading to economic recovery of so-called heavy oil reserves by primary, secondary and tertiary recovery methods."

This special project request was presented to and approved by the State Oil and Gas Council on January 5, 2011. As a condition of this approval and as required by 10 CSR 50-2.110(3), a report of the details of this project should be submitted quarterly to this office for review and study.

If you have any questions, please feel free to contact me at 573-368-2195 or by e-mail at kyle.rollins@dnr.mo.gov.

Sincerely,

DIVISION OF GEOLOGY AND LAND SURVEY



Kyle Rollins
Geologist II
Economic Geology Unit