

For KCC Use:
Effective Date: 3-25-07
District # 3
SGA? Yes No

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

Form C-1

December 2002

Form must be Typed

Form must be Signed

All blanks must be Filled

NOTICE OF INTENT TO DRILL

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

Expected Spud Date March 24, 2007
month day year

OPERATOR: License# 33365
Name: Layne Energy Operating, LLC
Address: 1900 Shawnee Mission Parkway
City/State/Zip: Mission Woods, KS 66205
Contact Person: M. Brent Natrass
Phone: 913-748-3960

CONTRACTOR: License# 33606
Name: Thornton Air

Well Drilled For: Oil Gas OWWO Seismic; # of Holes Other
 Enh Rec Storage Disposal Other
Well Class: Infield Pool Ext. Wildcat Other
Type Equipment: Mud Rotary Air Rotary Cable

If OWWO: old well information as follows:
Operator: _____
Well Name: _____
Original Completion Date: _____ Original Total Depth: _____

Directional, Deviated or Horizontal wellbore? Yes No

If Yes, true vertical depth: _____

Bottom Hole Location: _____

KCC DKT #: _____

Spot W2 NW NW Sec. 18 Twp. 29 S. R. 12 East West
514 feet from N / S Line of Section
412 feet from E / W Line of Section
Is SECTION Regular Irregular?

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

County: Elk
Lease Name: Kelly Well #: 4-18
Field Name: Cherokee Basin Coal

Is this a Prorated / Spaced Field? Yes No

Target Formation(s): Cherokee Coals

Nearest Lease or unit boundary: 412

Ground Surface Elevation: 1099 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: 225

Surface Pipe by Alternate: 1 2

Length of Surface Pipe Planned to be set: 40'

Length of Conductor Pipe required: None

Projected Total Depth: 1700 Feet

Formation at Total Depth: Mississippian

Water Source for Drilling Operations:

Well Farm Pond Other X

DWR Permit #: _____

(Note: Apply for Permit with DWR)

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. 55-61-581

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 **conservation 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: March 19, 2007 Signature of Operator or Agent: MR Natrass Title: Agent

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MAR 20 2007
CONSERVATION DIVISION
WICHITA, KS

For KCC Use ONLY
API # 15 - 049-22457-0000
Conductor pipe required None feet
Minimum surface pipe required 40 feet per Alt. X2
Approved by: MH 3-20-07
This authorization expires: 9-20-07
(This authorization void if drilling not started within 6 months of approval date.)
Spud date: _____ Agent: _____

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: _____

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

18
29
12W

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 - 049-22457-0000

Operator: Layne Energy Operating, LLC

Lease: Kelly

Well Number: 4-18

Field: Cherokee Basin Coal

Number of Acres attributable to well: _____

QTR / QTR / QTR of acreage: W2 - NW - NW

Location of Well: County: Elk

514 feet from N / S Line of Section

412 feet from E / W Line of Section

Sec. 18 Twp. 29 S. R. 12 East West

Is Section: Regular or Irregular

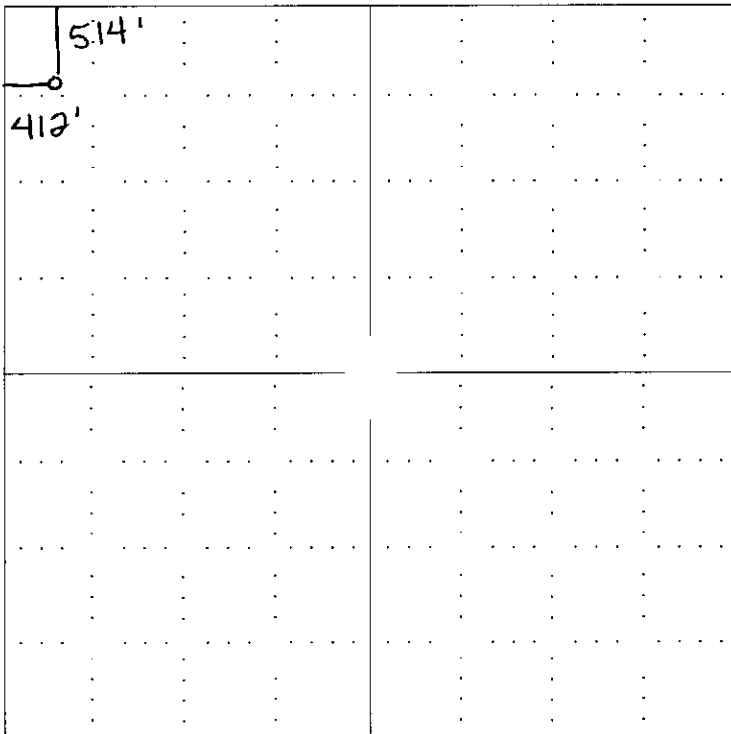
If Section is Irregular, locate well from nearest corner boundary.

Section corner used: NE NW SE SW

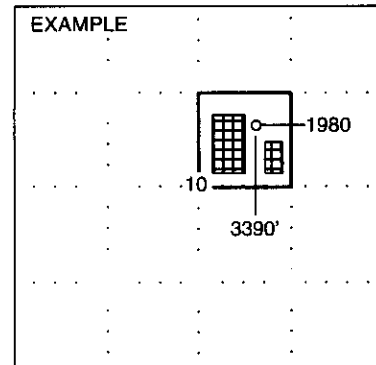
PLAT

(Show location of the well and shade attributable acreage for prorated or spaced wells.)

(Show footage to the nearest lease or unit boundary line.)



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WICHITA, KS



SEWARD CO.

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

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).

15-049-22 457-0000



CORNERSTONE REGIONAL SURVEYING, LLC

1921 North Penn Ave.
Independence, KS 67301

Telephone: 620-331-6767
Fax: 620-331-6776

WELL LOCATION REPORT Including Latitude & Longitude

| | |
|--------------------------|---|
| LEASE NAME: | Kelly 4-18 |
| COUNTY: | Elk |
| OPERATOR: | Layne Energy |
| LOCATION: | 514' FNL, 412' FWL, Sec. 18, Twp. 29S, Rge 12E |
| LATITUDE: | N 37° 31' 53.72" |
| LONGITUDE: | E 96° 08' 29.15" |
| GROUND ELEVATION: | .1099 feet |
| SCALE: | 1" = 2000' |
| DATE: | March 15, 2007 |
| SURVEYED BY: | Adam Grove |
| DRAWN BY: | Gary Walker |
| AUTHORIZED BY: | Kimberly Dixon |
| DIRECTIONS | .From Busby, go north 2.5 miles, then west 4.5 miles on roads, then north 1.5 miles, then navigate by latitude and longitude. |
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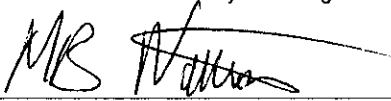
412'
37.531597
-96.141431

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MAR 20 2007
CONSERVATION DIVISION
WICHITA, KS

**KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION
APPLICATION FOR SURFACE PIT**

Form CDP-1
April 2004
Form must be Typed

Submit in Duplicate

| | | |
|--|---|---|
| Operator Name: Layne Energy Operating, LLC | | License Number: 33365 |
| Operator Address: 1900 Shawnee Mission Parkway, Mission Woods, KS 66205 | | |
| Contact Person: M. Brent Natrass | | Phone Number: (913) 748 - 3960 |
| Lease Name & Well No.: Kelly 4-18 | | Pit Location (QQQQ): W2 NW NW Sec. 18 Twp. 29 R. 12 <input checked="" type="checkbox"/> East <input type="checkbox"/> West 514 Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section 412 Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section Elk County |
| Type of Pit: <input type="checkbox"/> Emergency Pit <input type="checkbox"/> Burn Pit <input type="checkbox"/> Settling Pit <input checked="" type="checkbox"/> Drilling Pit <input type="checkbox"/> Workover Pit <input type="checkbox"/> Haul-Off Pit <small>(If WP Supply API No. or Year Drilled)</small> | Pit is: <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: _____ (bbls) | |
| Is the pit located in a Sensitive Ground Water Area? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | Chloride concentration: _____ mg/l <small>(For Emergency Pits and Settling Pits only)</small> |
| Is the bottom below ground level? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | Artificial Liner? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | How is the pit lined if a plastic liner is not used? Self-Sealing |
| Pit dimensions (all but working pits): 30' Length (feet) 20' 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. <div align="center">RECEIVED KANSAS CORPORATION COMMISSION MAR 20 2007 CONSERVATION DIVISION WICHITA, KS</div> |
| Distance to nearest water well within one-mile of pit <input checked="" type="checkbox"/> none _____ feet Depth of water well _____ feet | Depth to shallowest fresh water _____ feet. Source of information: _____ measured _____ well owner _____ electric log _____ KDWR | |
| 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? <input type="checkbox"/> Yes <input type="checkbox"/> No | Drilling, Workover and Haul-Off Pits ONLY: Type of material utilized in drilling/workover: Fresh Water Mud Number of working pits to be utilized: Two Abandonment procedure: Let evaporate until dry, then backfill and restore 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. | | |
| March 19, 2007 Date |  Signature of Applicant or Agent | |

15-049-2245 70000

| | | | |
|-------------------------------|----------------------|-----------------------------|---|
| KCC OFFICE USE ONLY | | | |
| Date Received: 3/20/07 | Permit Number: _____ | Permit Date: 3/20/07 | Lease Inspection: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |

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