

For KCC Use:
 Effective Date: 4-18-07
 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 April 18, 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. B. Natrass
 Phone: 913-748-3960

CONTRACTOR: License# 33606
 Name: Thornton Air

| | | |
|--|-----------------------------------|--|
| Well Drilled For: | Well Class: | Type Equipment: |
| <input type="checkbox"/> Oil | <input type="checkbox"/> Enh Rec | <input checked="" type="checkbox"/> Infield |
| <input checked="" type="checkbox"/> Gas | <input type="checkbox"/> Storage | <input type="checkbox"/> Mud Rotary |
| <input type="checkbox"/> OWWO | <input type="checkbox"/> Disposal | <input checked="" type="checkbox"/> Air Rotary |
| <input type="checkbox"/> Seismic; # of Holes | <input type="checkbox"/> Wildcat | <input type="checkbox"/> Cable |
| <input type="checkbox"/> Other | <input type="checkbox"/> Other | |

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 East
 W2 - NW - NW Sec. 31 Twp. 31 S. R. 16 West
679 feet from N / S Line of Section
351 feet from E / W Line of Section
 Is SECTION Regular Irregular?

(Note: Locate well on the Section Plat on reverse side)
 County: Montgomery
 Lease Name: Mills Trust Well #: 4-31
 Field Name: Jefferson-Sycamore

Is this a Prorated / Spaced Field? Yes No
 Target Formation(s): Cherokee Coals
 Nearest Lease or unit boundary: 351

Ground Surface Elevation: 835 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: 150
 Surface Pipe by Alternate: 1 2

Length of Surface Pipe Planned to be set: 20'
 Length of Conductor Pipe required: None
 Projected Total Depth: 1200 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. 58-5501. 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: April 11, 2007 Signature of Operator or Agent: MS Natrass Title: Agent

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 APR 13 2007
 CONSERVATION DIVISION
 WICHITA, KANSAS

For KCC Use ONLY
 API # 15 - 125-31329-0000
 Conductor pipe required NONE feet
 Minimum surface pipe required 20 feet per Alt. 2
 Approved by: WTFM 4-13-07
 This authorization expires: 10-13-07
 (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: _____

31
 31
 12

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 - 125-313290000
 Operator: Layne Energy Operating, LLC
 Lease: Mills Trust
 Well Number: 4-31
 Field: Jefferson-Sycamore

Number of Acres attributable to well: _____
 QTR / QTR / QTR of acreage: W2 - NW - NW

Location of Well: County: Montgomery
679 feet from N / S Line of Section
351 feet from E / W Line of Section
 Sec. 31 Twp. 31 S. R. 16 East West

Is Section: Regular or Irregular

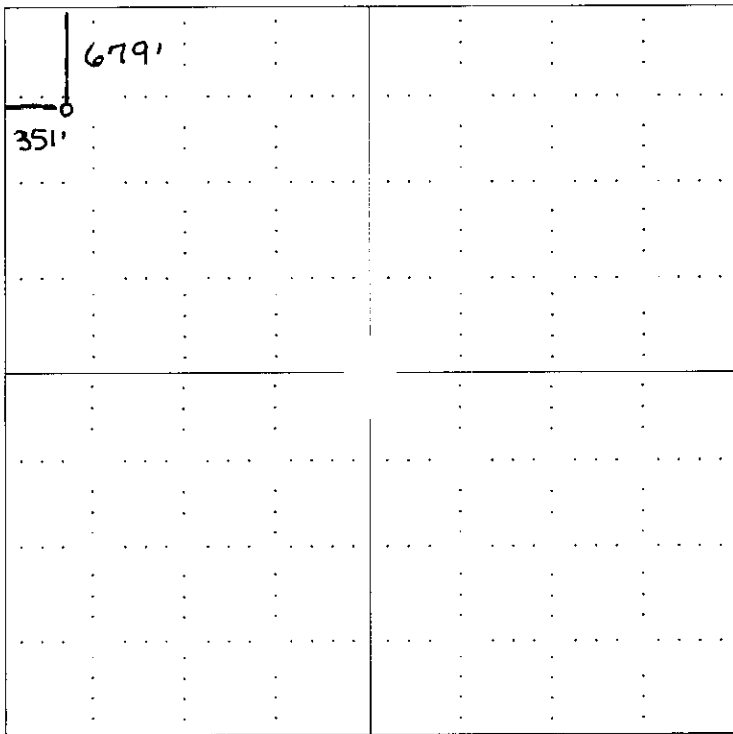
If Section is Irregular, locate well from nearest corner boundary.

Section corner used: NE NW SE SW

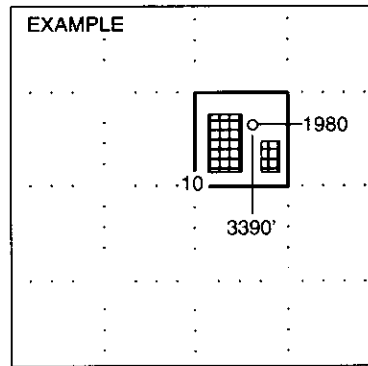
PLAT

(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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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: (C0-7 for oil wells; CG-8 for gas wells).



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: | Mills 4-31 | | |
| COUNTY: | Montgomery | | CV |
| OPERATOR: | Layne Energy | | |
| LOCATION: | 679' FNL, 351' FWL, Sec. 31, Twp. 31S, Rge 16E | | |
| LATITUDE: | W2 NW NW | N 37° 18' 38.33" | 37.310647 |
| LONGITUDE: | | W 95° 42' 34.69" | -95.709636 |
| GROUND ELEVATION: | 835 feet | | |
| SCALE: | 1" = 2000' | | |
| DATE: | April 9, 2007 | | |
| SURVEYED BY: | Keith Matlock | | |
| DRAWN BY: | Gary Walker | | |
| AUTHORIZED BY: | Kimberly Dixon & David Myers | | |
| DIRECTIONS | See reverse for directions from US 75 Highway and 5600 Rd. | | |
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15-125-213290000

**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. B. Natrass | | Phone Number: (913) 748 - 3987 |
| Lease Name & Well No.: Mills Trust 4-31 | | Pit Location (QQQQ): <u> </u> - <u>W2</u> - <u>NW</u> - <u>NW</u> Sec. <u>31</u> Twp. <u>31</u> R. <u>16</u> <input checked="" type="checkbox"/> East <input type="checkbox"/> West <u>679</u> Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section <u>351</u> Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section Montgomery 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 checked="" type="checkbox"/> Yes <input 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): <u>30'</u> Length (feet) <u>20'</u> Width (feet) _____ N/A: Steel Pits Depth from ground level to deepest point: <u>3'</u> (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 <u>none</u> 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: <u>Fresh Water Mud</u> Number of working pits to be utilized: <u>Two</u> Abandonment procedure: <u>Let evaporate until dry, then backfill and restore</u> 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. | | |
| April 11, 2007 Date | | <u>MB Natrass</u> Signature of Applicant or Agent |

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WICHITA, KS

15-1285-3132902072

| | | | |
|-------------------------------|----------------------|-----------------------------|---|
| KCC OFFICE USE ONLY | | | |
| Date Received: <u>4/13/07</u> | Permit Number: _____ | Permit Date: <u>4/13/07</u> | Lease Inspection: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |

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