

JUL 17 2007

For KCC Use: Effective Date: 7-23-07 District # 3 SGA? Yes No

KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION CONSERVATION DIVISION WICHITA, KS NOTICE OF INTENT TO DRILL

Form C-1 December 2002 Form must be Typed Form must be Signed All blanks must be Filled

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

Expected Spud Date July 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

Spot SE NW Sec. 35 Twp. 31 S. R. 16 1819 feet from N / S Line of Section 1998 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: Eastep Well #: 6-35 Field Name: Cherokee Basin Coal

Is this a Prorated / Spaced Field? Yes No Target Formation(s): Cherokee Coals Nearest Lease or unit boundary: 642'

Ground Surface Elevation: 903 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' 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:

Well Drilled For: Oil Gas OWWO Seismic: # of Holes Other Well Class: 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 #:

AFFIDAVIT

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55 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: July 17, 2007 Signature of Operator or Agent: MB Natrass Title: Agent

For KCC Use ONLY API # 15 - 125-31413-0000 Conductor pipe required None feet Minimum surface pipe required 20 feet per Alt. Approved by: JWA 7-18-07 This authorization expires: 1-18-08 (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:

35 31 10E

JUL 18 2007

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

Plat of acreage attributable to a well in a prorated or spaced field

CONSERVATION DIVISION
WICHITA, KS

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 - 125-31413-0000
 Operator: Layne Energy Operating, LLC
 Lease: Eastep
 Well Number: 6-35
 Field: Cherokee Basin Coal

Location of Well: County: Montgomery
1819 feet from N / S Line of Section
1998 feet from E / W Line of Section
 Sec. 35 Twp. 31 S. R. 16 East West

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

Is Section: Regular or Irregular

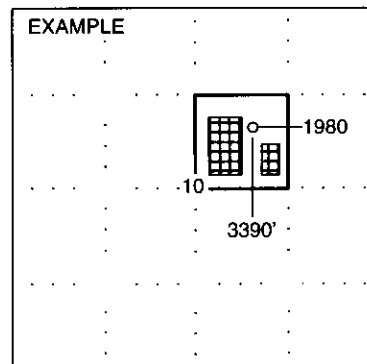
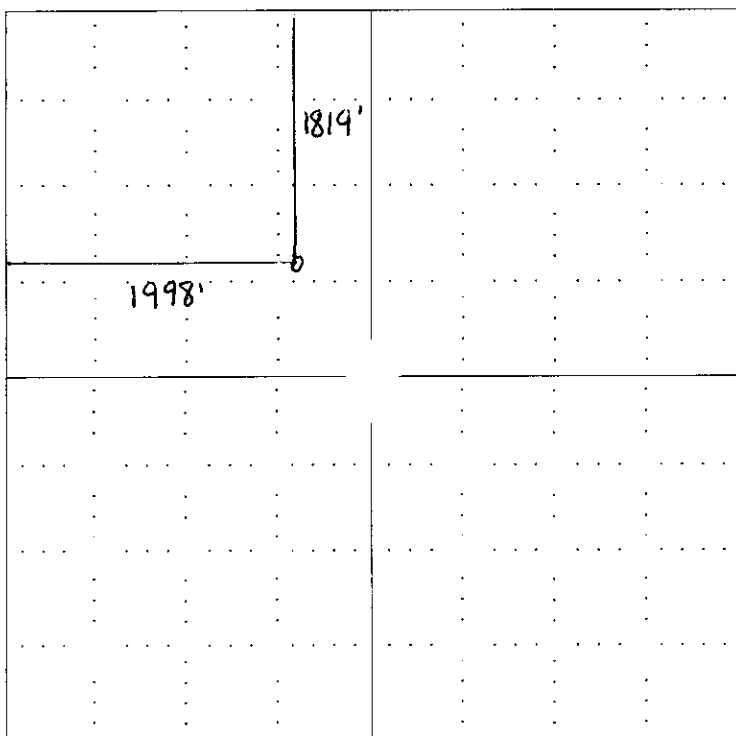
If Section is Irregular, locate well from nearest corner boundary.

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.

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).

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

JUL 18 2007

Form CDP-1
April 2004
Form must be Typed

CONSERVATION DIVISION
WICHITA, KS

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.: Eastep 6-35 | | Pit Location (QQQQ): <u>SW NE SE NW</u> Sec. <u>35</u> Twp. <u>31</u> R. <u>16</u> <input checked="" type="checkbox"/> East <input type="checkbox"/> West <u>1819</u> Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section <u>1998</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 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): <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> <u>4108</u> feet Depth of water well <u>90</u> feet | | Depth to shallowest fresh water <u>40</u> feet. Source of information: _____ measured _____ well owner _____ electric log <input checked="" type="checkbox"/> 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. | | |
| Date: <u>July 17, 2007</u> | | Signature of Applicant or Agent: <u>MB Natrass</u> |

15-105-31413-0000

| KCC OFFICE USE ONLY | | | |
|-------------------------------|----------------------|-----------------------------|---|
| Date Received: <u>7/18/07</u> | Permit Number: _____ | Permit Date: <u>7/18/07</u> | Lease Inspection: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |