

For KCC Use: 9-1508
 Effective Date: 3
 District #: 3
 SGA? Yes No

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

Form C-1
 October 2007
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: September 16, 2008
 month day year

OPERATOR: License# 33365
 Name: Layne Energy Operating, LLC
 Address 1: 1900 Shawnee Mission Parkway
 Address 2:
 City: Mission Woods State: KS Zip: 66205 + 2001
 Contact Person: Timothy H. Wright
 Phone: 913-748-3960

CONTRACTOR: License# 33606
 Name: Thornton Air

Well Drilled For: Oil Gas Enh Rec Storage Disposal Seismic: # of Holes Other: If OWWO: old well information as follows:

Well Class: Infield Pool Ext. Wildcat Other

Type Equipment: Mud Rotary Air Rotary Cable

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 Description: 37.185586 -96.120061
 SE SE SW Sec. 8 Twp. 33 S. R. 12 E W
 (Q/Q/Q) 301 feet from N / S Line of Section
2,162 feet from E / W Line of Section
 Is SECTION: Regular Irregular?

(Note: Locate well on the Section Plat on reverse side)
 County: Chautauqua
 Lease Name: Lane Well #: 14-8
 Field Name: Cherokee Basin Coal
 Is this a Prorated / Spaced Field? Yes No
 Target Formation(s): Cherokee Coals
 Nearest Lease or unit boundary line (in footage): 478'
 Ground Surface Elevation: 889 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: I II
 Length of Surface Pipe Planned to be set: 40'
 Length of Conductor Pipe (if any): None
 Projected Total Depth: 1500'
 Formation at Total Depth: Mississippian
 Water Source for Drilling Operations: Well Farm Pond Other:
 DWR Permit #: _____ (Note: Apply for Permit with DWR)
 Will Cores be taken? Yes No
 If Yes, proposed zone: _____

Oil & Gas Lease attached.

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 correct to the best of my knowledge and belief.

Date: September 16, 2008 Signature of Operator or Agent: [Signature] Title: Agent

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 SEP 10 2008

CONSERVATION DIVISION
 WICHITA, KS

For KCC Use ONLY
 API # 15 - 019-26932-0000
 Conductor pipe required None feet
 Minimum surface pipe required 40 feet per ALT. I II
 Approved by: [Signature] 9-10-08
 This authorization expires: 9-10-09
 (This authorization void if drilling not started within 12 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 (within 60 days);
- 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 Date: _____
 Signature of Operator or Agent: _____

8
 33
 12
 E
 W

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 - 019-26932-0000
 Operator: Layne Energy Operating, LLC
 Lease: Lane
 Well Number: 14-8
 Field: Cherokee Basin Coal

Location of Well: County: Chautauqua
301 feet from N / S Line of Section
2,162 feet from E / W Line of Section
 Sec. 8 Twp. 33 S. R. 12 E W

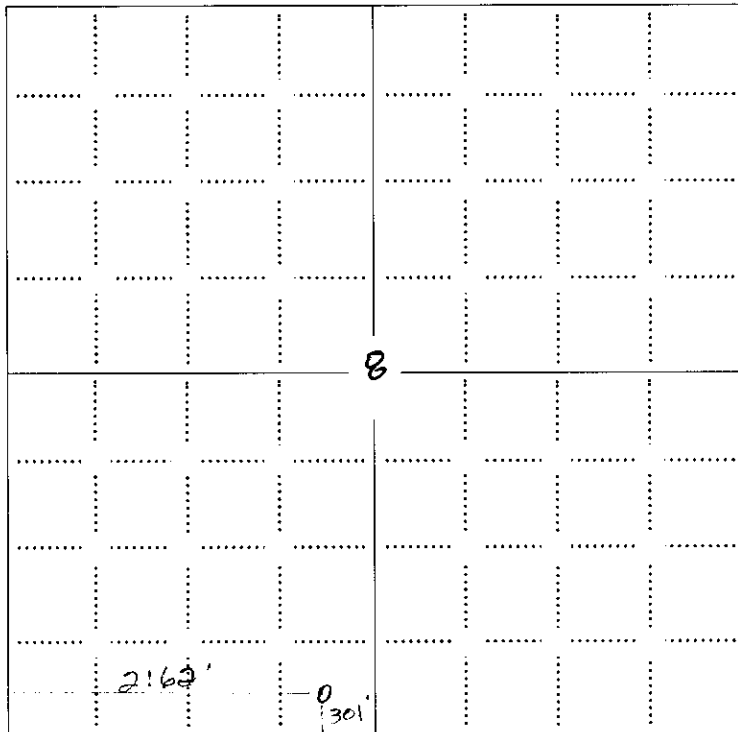
Number of Acres attributable to well: _____
 QTR/QTR/QTR/QTR of acreage: _____ - SE - SE - SW

Is Section: Regular or Irregular

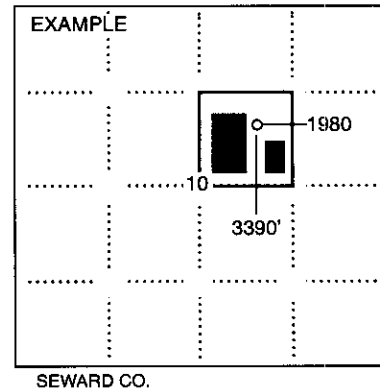
If Section is Irregular, locate well from nearest corner boundary.
 Section corner used: NE NW SE SW

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.

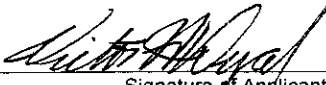
In plotting the proposed location of the well, you must show:

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 south / north and east / west outside section lines.
3. The distance to the nearest lease or unit boundary line (in footage).
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**

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: Timothy H. Wright		Phone Number: 913-748-3960
Lease Name & Well No.: Lane 14-8		Pit Location (QQQQ): SE SE SW
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) <input type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: <u>3</u> (feet) <input type="checkbox"/> No Pit		
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> ³⁶⁶² feet Depth of water well <u>70</u> feet		Depth to shallowest fresh water <u>40</u> feet. Source of information: <input type="checkbox"/> measured <input type="checkbox"/> well owner <input type="checkbox"/> 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>2</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.		RECEIVED KANSAS CORPORATION COMMISSION SEP 10 2008 CONSERVATION DIVISION WICHITA, KS
September 9, 2008 Date		 Signature of Applicant or Agent
KCC OFFICE USE ONLY Steel Pit <input type="checkbox"/> RFAC <input type="checkbox"/> RFAS <input type="checkbox"/>		
Date Received: <u>9/10/08</u> Permit Number: _____ Permit Date: <u>9/10/08</u> Lease Inspection: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		

15-09-26932-0000

15-019-26932-0000

STATE OF KANSAS }
Chautauqua County } ss \$28.00
This instrument was filed for
record this 25 day of July,
2007 at 9:40 o'clock AM and
duly recorded in book 137
of records on page 444

Laura Bleason
REGISTER OF DEEDS

Producers 88-CBM-ROW
Rev. 2004-Kansas
PAID-UP

OIL AND GAS LEASE

THIS AGREEMENT made and entered into this the 2nd day of May, 2007, by and between James I. Lane and Ruth Ann Lane h/w; whose address is 1452 Road 23 Sedan, KS 67361 hereinafter called Lessor (whether one or more) and LAYNE ENERGY SYCAMORE, L.L.C. whose address is 1900 Shawnee Mission Parkway, Mission Woods, Kansas 66205, hereinafter called Lessee:

WITNESSETH, Lessor, in consideration of ten and no/100 (\$10.00) dollars and other valuable considerations, cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements contained in this lease, including the royalty provisions herein provided, hereby grants, leases and lets exclusively unto Lessee the lands hereinafter described for the purpose of investigating, exploring, prospecting, drilling and operating for and producing and owning oil, gas of whatsoever nature and kind (including gas well gas, casinghead gas, methane and gas from coal seams, carbon dioxide, and other gas, whether of commercial value or not, hereinafter referred to as "gas"), together with all associated hydrocarbons produced in a liquid or gaseous form, and sulfur, all such substances are hereinafter referred to as the "leased substances", and for injecting waters and other fluids, gas, air and other gaseous substances into subsurface strata, together with the right to make surveys on said land, conduct geophysical operations, lay pipelines, establishing and utilizing facilities for surface or subsurface disposal of salt water or formation water, whether such water comes from lands covered hereby or from other lands operated in conjunction therewith, construction of roads and bridges, storing oil, building tanks, power stations, power lines, telephone lines, and other structures and facilities thereon to produce, save, take care of, treat, process, store, and transport said leased substances and products manufactured therefrom, the following described land, together with any reversionary rights and after-acquired interest, therein situated in the County of Chautauqua, State of Kansas, described as follows, to-wit:

Township 33 South Range 12 East

- Section: 5 SE/4 SW/4
- Section: 7 That part of the SW/4 NE/4; SE/4 which lies East of a line commencing 13.5 rods East if the SE/Corner NE/4 running thence South 51 degrees East 38 rods and 12 links, thence South 57 degrees West 78 rods and 15 links along a ditch to North Caney River, thence South 30 Degrees East 59 rods and 2 links along North Caney river to the South line of Section 7, thence North 240 rods the SE/Corner NE/4 NE/4, thence West 66.5 rods to the place of beginning.
- Section: 8 NE/4 NW/4; NW/4 SE/4; E/2 SW/4 and a three acre tract of land described as beginning at the SE/Corner SW/4 SW/4 of Section 8 running thence West 16 rods to a stone thence North 30 rods to a stone, thence East 16 rods, thence South rods to the place of beginning.
- Section: 17 N/2 NW/4; SW/4 NW/4

This lease also covers and includes, in addition to that above described, all land, if any, contiguous or adjacent to or adjoining the land above described and (a) owned or claimed by lessor by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which Lessor has a preference right of acquisition. Lessor agrees to execute any supplemental instrument requested by Lessee for a more complete or accurate description of said land. For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 500 acres whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof.

1. It is agreed that this lease shall remain in force for a primary term of Three (3) years from this date and as long thereafter as leased substances are produced from the leased premises, or drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this lease, leased substances are not being produced on the leased premises, but Lessee is then engaged in drilling or reworking operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of leased substances on the leased premises, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or reworking operations within ninety (90) days from the date of cessation of production or from the date of completion of a dry hole. If leased substances shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as leased substances are produced from the leased premises, or drilling operations are continued as hereinabove provided. The term "operations" as used herein shall include, in addition to those matters provided for in connection with developing coalbed gas and without limitation of other matters that would reasonably be embraced by the term, any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back, or repairing a well in search for or in an endeavor to obtain production of any leased substances, or producing any leased substances, whether or not in paying quantities. For the purpose of developing coalbed gas, the word "operations" shall mean, in addition to those matters covered

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