

For KCC Use:

Effective Date: 12-2008

District # 3

SGA?  Yes  No

KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

NOTICE OF INTENT TO DRILL

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

Form C-1

October 2007

Form must be Typed

Form must be Signed

All blanks must be Filled

Expected Spud Date: December 19, 2008

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

Spot Description: 37.314381 -95.872422

Sec. 27 Twp. 31 S. R. 14 Line of Section 362 feet from N / S Line of Section 421 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: Daniels Well #: 13-27

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): 370'

Ground Surface Elevation: 877 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: 175'

Surface Pipe by Alternate:  I  II

Length of Surface Pipe Planned to be set: 20'

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:

Well Drilled For: Oil  Gas  Enh Rec  Storage  Disposal  Seismic: # of Holes  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 correct to the best of my knowledge and belief.

Date: December 12, 2008 Signature of Operator or Agent: Title: Project Engineer

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For KCC Use ONLY API # 15 - 125-31850-0000 Conductor pipe required None feet Minimum surface pipe required 20 feet per ALT. I II Approved by: JMM-12-15-08 This authorization expires: 12-15-09 (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:

27 31 14 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 - 125-31850-0000  
 Operator: Layne Energy Operating, LLC  
 Lease: Daniels  
 Well Number: 13-27  
 Field: Cherokee Basin Coal  
 Number of Acres attributable to well: \_\_\_\_\_  
 QTR/QTR/QTR/QTR of acreage: \_\_\_\_\_ - SW - SW - SW

Location of Well: County: Montgomery  
 362 feet from  N /  S Line of Section  
 421 feet from  E /  W Line of Section  
 Sec. 27 Twp. 31 S. R. 14  E  W

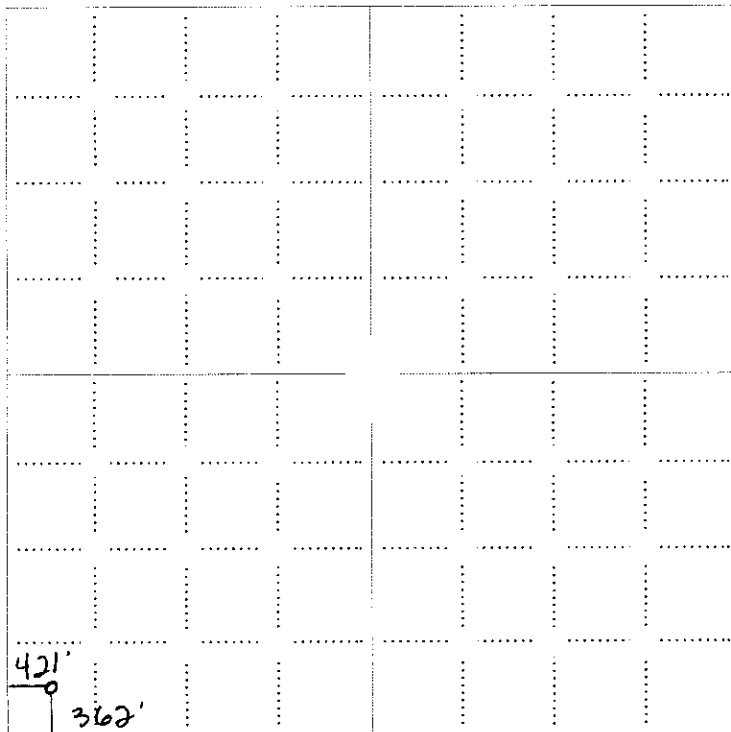
Is Section:  Regular or  Irregular

**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.)*

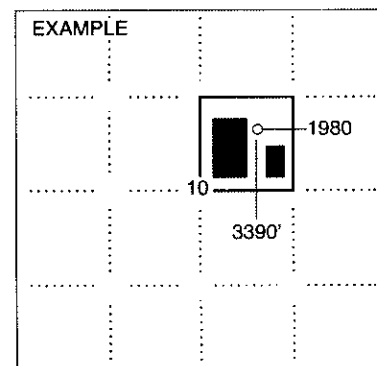


**NOTE: In all cases locate the spot of the proposed drilling location.**

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DEC 15 2008

CONSERVATION DIVISION  
 WICHITA, KS



**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: <b>Layne Energy Operating, LLC</b>   |  | License Number: <b>33365</b>  |
| Operator Address: <b>1900 Shawnee Mission Parkway</b>   |  | <b>Mission Woods KS 66205</b>   |
| Contact Person: <b>Timothy H. Wright</b>  |  | Phone Number: <b>913-748-3960</b>   |
| Lease Name & Well No.: <b>Daniels 13-27</b>   |  | Pit Location (QQQQ):<br><b>SW SW SW</b>   |
| Type of Pit:<br><input type="checkbox"/> Emergency Pit <input type="checkbox"/> Burn Pit<br><input type="checkbox"/> Settling Pit <input checked="" type="checkbox"/> Drilling Pit<br><input type="checkbox"/> Workover Pit <input type="checkbox"/> Haul-Off Pit<br><small>(If W/P Supply API No. or Year Drilled)</small> |  | Pit is:<br><input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing<br>If Existing, date constructed:<br>_____<br>Pit capacity:<br>_____ (bbls)   |
|   |  | Sec. <b>27</b> Twp. <b>31</b> R. <b>14</b> <input checked="" type="checkbox"/> East <input type="checkbox"/> West<br><b>362</b> Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section<br><b>421</b> Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section<br><b>Montgomery</b> County |
| Is the pit located in a Sensitive Ground Water Area? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  |  | Chloride concentration: _____ mg/l<br><small>(For Emergency Pits and Settling Pits only)</small>  |
| Is the bottom below ground level?<br><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  | Artificial Liner?<br><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | How is the pit lined if a plastic liner is not used?<br><b>made of clay</b>   |
| Pit dimensions (all but working pits): <b>30</b> Length (feet) <b>20</b> Width (feet) <input type="checkbox"/> N/A: Steel Pits<br>Depth from ground level to deepest point: <b>3</b> (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<br><b>none</b> feet    Depth of water well _____ feet   |  | Depth to shallowest fresh water _____ feet.<br>Source of information:<br><input type="checkbox"/> measured <input type="checkbox"/> well owner <input type="checkbox"/> electric log <input type="checkbox"/> KDWR  |
| <b>Emergency, Settling and Burn Pits ONLY:</b><br>Producing Formation: _____<br>Number of producing wells on lease: _____<br>Barrels of fluid produced daily: _____<br>Does the slope from the tank battery allow all spilled fluids to flow into the pit? <input type="checkbox"/> Yes <input type="checkbox"/> No         |  | <b>Drilling, Workover and Haul-Off Pits ONLY:</b><br>Type of material utilized in drilling/workover: <b>fresh water mud</b><br>Number of working pits to be utilized: <b>2</b><br>Abandonment procedure: <b>Let evaporate until dry, then backfill and restore</b><br>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.   |  | <b>RECEIVED</b>   |
| December 12, 2008<br>Date   |  | <b>DEC 15 2008</b><br>CONSERVATION DIVISION<br>WICHITA, KS  |
| <b>KCC OFFICE USE ONLY</b>  |  |   |
| Date Received: <b>12/15/08</b> Permit Number: _____   |  | Steel Pit <input type="checkbox"/> RFAC <input type="checkbox"/> RFAS <input type="checkbox"/><br>Permit Date: <b>12/15/08</b> Lease Inspection: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  |

15-125-31850-0000