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JUL 19 2010

For KCC Use: Effective Date: 7-24-2010 District #: 3 SGA? Yes No

KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

KCC WICHITA

Form C-1

March 2010

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

Form KSONA-1, Certification of Compliance with the Kansas Surface Owner Notification Act, MUST be submitted with this form.

Expected Spud Date: July 23, 2010 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: Victor H. Dyal Phone: 913-748-3960

CONTRACTOR: License# 33606 Name: Thornton Air Rotary, LLC

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

Operator: Well Name: Original Completion Date: Original Total Depth:

Directional, Deviated or Horizontal wellbore? If Yes, true vertical depth: Bottom Hole Location: KCC DKT #:

Spot Description: NW - NW - SW - NE Sec. 5 Twp. 31 S. R. 14 NW - NW - SW - NE 1,402 feet from 2,463 feet from

Is SECTION: Regular Irregular

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

County: Montgomery Lease Name: Lawrence Field Name: Elk City Northeast Unnamed Well #: 7E-5

Is this a Prorated / Spaced Field? Target Formation(s): Cattleman Sands

Nearest Lease or unit boundary line (in footage): 177' Ground Surface Elevation: 930 feet MSL

Water well within one-quarter mile: Public water supply well within one mile:

Depth to bottom of fresh water: 150' Depth to bottom of usable water: 175'

Surface Pipe by Alternate: II Length of Surface Pipe Planned to be set: 20'

Length of Conductor Pipe (if any): None Projected Total Depth: 1300'

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? 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 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: 7/16/2010 Signature of Operator or Agent: Title: Manager of Engineering

For KCC Use ONLY API # 15 - 125-32003-00-00 Conductor pipe required None feet Minimum surface pipe required 20 feet per ALT. Approved by: This authorization expires: 7-19-2011 Spud date: Agent:

Remember to:

- File Certification of Compliance with the Kansas Surface Owner Notification Act (KSONA-1) with Intent to Drill; - 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 well will not be drilled or permit has expired (See: authorized expiration date) please check the box below and return to the address below.

Well will not be drilled or Permit Expired Date: Signature of Operator or Agent:

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

5 31 14 E W

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KCC WICHITA

Side Two

For KCC Use ONLY

API # 15

125-32003-0000

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

In all cases, please fully complete this side of the form. Include items 1 through 5 at the bottom of this page.

Operator: Layne Energy Operating, LLC

Lease: Lawrence

Well Number: 7E-5

Field: Elk City Northeast

Location of Well: County: Montgomery

1.402

feet from



N



S

Line of Section

2.463

feet from



E



W

Line of Section

Sec 5

Twp. 31

S. R. 14



E



W

Number of Acres attributable to well:

QTR:QTR/QTR/QTR of acreage: NW - NW - SW - NE

Is Section:  Regular or  Irregular

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

Section corner used:  NE  NW  SE  SW

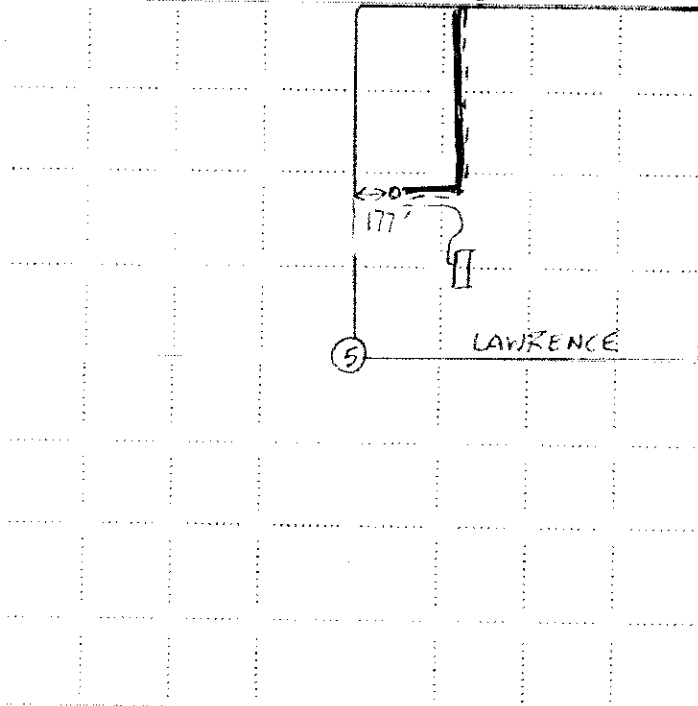
PLAT

Show location of the well. Show footage to the nearest lease or unit boundary line. Show the predicted locations of lease roads, tank batteries, pipelines and electrical lines, as required by the Kansas Surface Owner Notice Act (House Bill 2032).

You may attach a separate plat if desired.

MONTGOMERY Co.

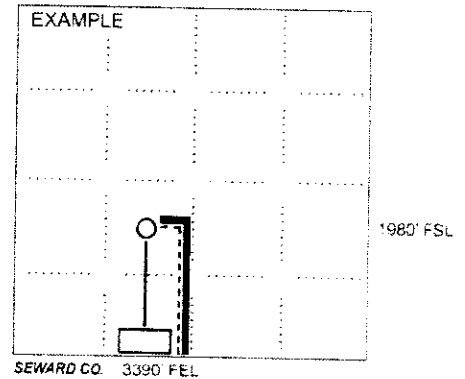
2463' FEL



LEGEND

- Well Location
- Tank Battery Location
- Pipeline Location
- Electric Line Location
- Lease Road Location

EXAMPLE



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)
5. The predicted locations of lease roads, tank batteries, pipelines, and electrical lines.

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Form CDP-1

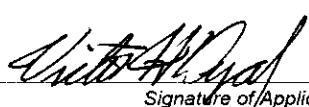
May 2010

Form must be Typed

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

KCC WICHITA

Submit in Duplicate

Operator Name: <b>Layne Energy Operating, LLC</b>		License Number: <b>33365</b>	
Operator Address: <b>1900 Shawnee Mission Parkway</b>		Mission Woods KS <b>66205</b>	
Contact Person: <b>Victor H. Dyal</b>		Phone Number: <b>913-748-3960</b>	
Lease Name & Well No.: <b>Lawrence 7E-5</b>		Pit Location (QQQQ): <b>NW NW SW NE</b>	
Type of Pit: <input type="checkbox"/> Emergency Pit <input type="checkbox"/> Settling Pit <input type="checkbox"/> Workover 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)	Sec. <b>5</b> Twp. <b>31</b> R. <b>14</b> <input checked="" type="checkbox"/> East <input type="checkbox"/> West <b>1,402</b> Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section <b>2,463</b> Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section <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 <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? <b>Made of clay</b>	
Pit dimensions (all but working pits): <b>30</b> Length (feet) <b>20</b> Width (feet) Depth from ground level to deepest point: <b>3</b> (feet)		<input type="checkbox"/> N/A: Steel Pits <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: <b>None</b> feet Depth of water well _____ feet		Depth to shallowest fresh water _____ feet. Source of information: <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> 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		<b>Drilling, Workover and Haul-Off Pits ONLY:</b> Type of material utilized in drilling/workover: <b>fresh water mud</b> Number of working pits to be utilized: <b>2</b> Abandonment procedure: <b>Let evaporate until dry; then backfill and restore</b> 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.			
7/16/2010 Date		 Signature of Applicant or Agent	

15-125-32003-00-00

<b>KCC OFFICE USE ONLY</b>			
Date Received: <b>7-19-10</b>	Permit Number: _____	Permit Date: <b>7-19-10</b>	Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		<input type="checkbox"/> Liner <input type="checkbox"/> Steel Pit <input checked="" type="checkbox"/> RFAC <input type="checkbox"/> RFAS	

July 19, 2010

Layne Energy Operating LLC  
1900 Shawnee Mission Parkway  
Mission Woods, KS 66205-2001

RE: Drilling Pit Application  
Lawrence Lease Well No. 7E-5  
NE/4 Sec. 05-31S-14E  
Montgomery County, Kansas

Dear Sir or Madam:

District staff has inspected the above referenced location and has determined that the reserve pit shall be constructed **without slots**, the bottom shall be flat and reasonably level, and the free fluids must be removed. The fluids are to be removed from the reserve pit as soon as practical after drilling operations have ceased.

**If production casing is set all completion fluids shall be removed from the working pits daily. NO completion fluids or non-exempt wastes shall be placed in the reserve pit.**

The fluids should be taken to an authorized disposal well. Please call the District Office at (620) 432-2300 when the fluids have been removed. Please file form CDP-5 (August 2004), Exploration and Production Waste Transfer, within 30 days of fluid removal. Conservation division forms are available through our office and on the KCC web site:  
[www.kcc.state.ks.us/conservation/forms](http://www.kcc.state.ks.us/conservation/forms).

**A copy of this letter should be posted in the doghouse along with the approved Intent to Drill.**

If you have any questions or concerns please feel free to contact the undersigned at the above address.

Sincerely,

  
Kathy Haynes  
Environmental Protection and Remediation Department

cc: File

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KANSAS CORPORATION COMMISSION  
OIL & GAS CONSERVATION DIVISION

Form KSONA-1  
July 2010  
Form Must Be Typed  
Form must be Signed  
All blanks must be Filled

KCC WICHITA

CERTIFICATION OF COMPLIANCE WITH THE  
KANSAS SURFACE OWNER NOTIFICATION ACT

This form must be submitted with all Forms C-1 (Notice of Intent to Drill); CB-1 (Cathodic Protection Borehole Intent); T-1 (Request for Change of Operator Transfer of Injection or Surface Pit Permit); and CP-1 (Well Plugging Application). Any such form submitted without an accompanying Form KSONA-1 will be returned.

Select the corresponding form being filed:  C-1 (Intent)  CB-1 (Cathodic Protection Borehole Intent)  T-1 (Transfer)  CP-1 (Plugging Application)

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: Victor H. Dyal  
Phone: ( 913 ) 748-3960 Fax: ( 913 ) 748-3950  
Email Address: vdyal@layneenergy.com

Well Location:  
NW NW SW NE Sec. 5 Twp. 31 S. R. 14  East  West  
County: Montgomery  
Lease Name: Lawrence Well #: 7E-5

If filing a Form T-1 for multiple wells on a lease, enter the legal description of the lease below:

Surface Owner Information:

Name: Kevin L. & Jennifer D. Lawrence  
Address 1: 6450 CR 2500  
Address 2:  
City: Elk City State: KS Zip: 67344 +

When filing a Form T-1 involving multiple surface owners, attach an additional sheet listing all of the information to the left for each surface owner. Surface owner information can be found in the records of the register of deeds for the county, and in the real estate property tax records of the county treasurer.

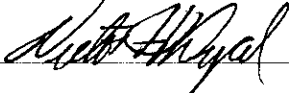
If this form is being submitted with a Form C-1 (Intent) or CB-1 (Cathodic Protection Borehole Intent), you must supply the surface owners and the KCC with a plat showing the predicted locations of lease roads, tank batteries, pipelines, and electrical lines. The locations shown on the plat are preliminary non-binding estimates. The locations may be entered on the Form C-1 plat, Form CB-1 plat, or a separate plat may be submitted.

Select one of the following:

- I certify that, pursuant to the Kansas Surface Owner Notice Act (House Bill 2032), I have provided the following to the surface owner(s) of the land upon which the subject well is or will be located: 1) a copy of the Form C-1, Form CB-1, Form T-1, or Form CP-1 that I am filing in connection with this form; 2) if the form being filed is a Form C-1 or Form CB-1, the plat(s) required by this form; and 3) my operator name, address, phone number, fax, and email address.
- I have not provided this information to the surface owner(s). I acknowledge that, because I have not provided this information, the KCC will be required to send this information to the surface owner(s). To mitigate the additional cost of the KCC performing this task, I acknowledge that I am being charged a \$30.00 handling fee, payable to the KCC, which is enclosed with this form.

If choosing the second option, submit payment of the \$30.00 handling fee with this form. If the fee is not received with this form, the KSONA-1 form and the associated Form C-1, Form CB-1, Form T-1, or Form CP-1 will be returned.

I hereby certify that the statements made herein are true and correct to the best of my knowledge and belief.

Date: 7/16/2010 Signature of Operator or Agent:  Title: Manager of Engineering