

APR 01 2009

CONSERVATION DIVISION
WICHITA, KS

Must Be Filed For All Wells

* Lease Name: Mitchell

* Location: 3-33-16E

[illegible]

*Well Name T. Mitchell W-1 changed to SWD 1-3 Per T-1

A separate sheet may be attached if necessary

* When transferring a unit which consists of more than one lease please file a separate side two for each lease. If a lease covers more than one section please indicate which section each well is located.

RECEIVED
KANSAS CORPORATION COMMISSION

APR 01 2009

CONSERVATION DIVISION
WICHITA, KS

Mitchell Lease 3-33S-16E

Legal Description of Lease:

Montgomery County, Kansas

Township 33 South, Range 16 East, 6th P.M.

Section 3: NE/4, N/2SE/4 lying North and East of the Center of the Verdigris River, EXCEPT beginning at a point 572 feet West of the NE/c of Section 3, thence 316 feet South, thence 138 feet West, thence 316' North, thence 138 feet East to the point of beginning said last excepted tract containing 1,011 acres and, also EXCEPT a tract of land located in a portion of the NE/4 of Section 3, and being more particularly described as follows: COMMENCING at the Northeast corner of said Section 3; thence N90°00'00" W along the North line of said NE/4 a distance of 710.00 feet to the POB; thence S00°00'00"E a distance of 316.00 feet; thence N00°00'00"E a distance of 316.00 feet to the North line of said NE/4; thence N90°00'00"E along the said North line a distance of 532.00 feet to the POB said last excepted tract containing 3.8593 acres Containing 217.0 acres, more or less

PURCHASE AND SALE AGREEMENT

APR 01 2009

This PURCHASE AND SALE AGREEMENT (the "Agreement") is made and entered into as of the 1st day of February, 2004, by and among Layne Energy Sycamore, LLC, a Delaware limited liability company ("Buyer"), and GLNA, LLC, a Colorado limited liability company ("Seller").

CONSERVATION DIVISION
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WHEREAS, Seller and Buyer are parties to that certain Development Agreement dated August 14, 2002 (the "Development Agreement") in furtherance of the joint exploration, development, transportation and sale of oil and gas in Kansas; and

WHEREAS, Buyer desires to acquire all of Seller's right, title and interest in and to the Development Agreement and the assets described herein;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, Seller and Buyer hereby agree as follows:

I. PURCHASE AND SALE OF ASSETS.

A. Purchase and Sale. At the Closing, upon the terms and subject to the conditions of this Agreement and in consideration of the Purchase Price (as hereinafter defined) and other good and valuable consideration, Seller shall irrevocably sell, assign, convey, transfer and deliver to Buyer free and clear of any liens, pledges, claims, charges, security interests or encumbrances of any nature whatsoever arising by, through or under Seller, (collectively, "Liens") other than the Retained Override Interest described in Article V.E. hereof, and Buyer shall purchase from Seller, all of Seller's right, title and interest in and to all of the assets, properties and rights of Seller described as follows (collectively and individually, the "Assets"):

- (a) the oil, gas and mineral leases described on Exhibit A (the "Leases");
- (b) all rights in any unit in which the Leases are included, to the extent that these rights arise from and are associated with the Leases, including all rights derived from any unitization, pooling, operating, communitization or other agreement or from any declaration or order of any governmental authority;
- (c) all oil and gas wells and water source, water injection and other injection or disposal wells located on the Leases or lands unitized or pooled with the Leases;
- (d) all equipment (including wellhead equipment, pumping units, flow lines tanks, buildings, injection facilities, salt water disposal facilities and the like), facilities and other personal property on the lands described or referred to in the AMI (as defined in the Development Agreement);
- (e) all easements, rights-of-way, licenses, permits, servitudes and similar interests applicable to or used in operating the Leases or the personal property described above;
- (f) all contracts and contractual rights and interests relating to the Leases and the other property described or referred to in this Article I.A., including unit agreements, farmout agreements, farmin agreements, operating agreements, surface damage agreements, and hydrocarbon sales, purchase, gathering, transportation, treating, marketing, exchange, processing and fractionating agreements;
- (g) the gas gathering and pipeline systems installed by Buyer or any of its affiliates in the AMI in relation to the Development Agreement together with all property, interests and rights incident or in any way relating thereto, including gas gathering equipment, pipelines, compressors, separators, connections, rights-of-way, easements, licenses, permits, and gathering, marketing and transportation contracts and agreements;
- (h) the Development Agreement; and

- (i) without limiting and in addition to the foregoing, all working interests, overriding royalty interests (other than the Retained Override Interest), mineral interests, royalty interests and all other interests, rights and property of every kind and character, insofar as the same cover or relate to the Development Agreement or are located in the counties of Wilson, LaBette and Montgomery, Kansas.

B. Purchase Price. Upon the terms and subject to the conditions set forth in this Agreement, Buyer shall pay to Seller a purchase price of One Million Four Hundred Two Thousand Seven Hundred Twenty Three and No/100 Dollars (\$1,402,723) (the "Purchase Price") for the Assets payable as follows:

- (a) One Million and No/100 Dollars (\$1,000,000) payable at the Closing via wire transfer to the following account:

U.S. Bank
918 17th Street
Denver, CO 80202

Routing: ABA #102000021
Account Name: GLNA, LLC
Account # 103655020750

Attention: Kathryn Gaiter

- (b) Buyer shall forgive Seller's debt to Buyer in the amount of Four Hundred Two Thousand Seven Hundred Twenty Three and No/100 Dollars (\$402,723) for payments owed in connection with the Pilot Project (as defined in the Development Agreement) pursuant to Section 7 of the Development Agreement.

II. CLOSING.

A. Time and Place; Effective Date. The Closing of the transaction provided for hereunder shall take place at the offices of Buyer or at another mutually agreeable location, concurrently with the execution of this Agreement (the "Closing Date" or the "Closing"). Effective date will be February 1, 2004.

B. Deliveries by Seller. At the Closing, Seller shall deliver to Buyer:

- (a) An executed original of this Agreement;
- (b) the Assignment and Bill of Sale in the form of Exhibit B attached hereto; and
- (c) such other conveyances, deeds, bills of sale, instruments of assignment, certificates of title, registrations, licenses and other documents as may be reasonably necessary or appropriate: (i) to vest in Buyer all of Seller's right, title and interest in the Assets, free and clear of any and all Liens and (ii) to carry out the transactions contemplated by this Agreement.

C. Deliveries by Buyer. At the Closing, Buyer shall deliver to Seller:

- (a) the Purchase Price as provided in Article 1.B. above; and
- (b) an executed original of this Agreement.

III. REPRESENTATIONS AND WARRANTIES OF SELLER.

Seller hereby represents, warrants and covenants that:

A. Organization of Seller. Seller is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Colorado and has all power and authority to own and hold its properties and to enter into and perform its obligations under this Agreement.

B. Ability to Carry Out Agreement. Seller is not a party to, subject to, or bound by any agreement or instrument or any statute, regulation, judgment, or decree of any court or governmental body which could at the date of the Closing prevent the performance of any of its obligations under this Agreement or adversely affect Buyer's ownership of the Assets.

C. Authorization and Approval of Agreement. Seller has the power and authority to enter into this Agreement and to carry out the transactions contemplated hereby. The execution, delivery and performance by Seller of this Agreement have been duly authorized and requires no further corporate action for valid authorization. The Agreement upon its execution and delivery by Seller (assuming due authorization, execution and delivery by Buyer) will constitute the legal, valid and binding obligation of Seller, enforceable in accordance with its terms.

D. Ownership. Seller is the sole owner of the Assets to be sold to Buyer pursuant to this Agreement. Seller has complete and unrestricted power and authority to sell, assign, transfer and deliver the Assets to Buyer.

E. Litigation; Orders. To the knowledge of Seller, there is no action, suit, arbitration, inquiry, proceeding or investigation by or before any federal, state or local government, any of its subdivisions, agencies, authorities, commissions, boards or bureaus, any federal, state or local court or tribunal or any arbitrator (each, a "Governmental Authority") that is pending or threatened, by, against or affecting Seller or the Assets, which would, if adversely determined, have a material adverse effect, nor is Seller subject to any order, judgment, injunction, decree, determination or award of any governmental authority that would have such effect.

F. No Breach of Statute or Contract. Neither the execution and delivery of this Agreement nor compliance with the terms and provisions of this Agreement on the part of Seller will (i) breach any statute or regulation of any governmental authority, domestic or foreign, to which Seller is subject or (ii) at the date of the Closing, conflict with or result in a breach of any of the terms, conditions, or provisions of any agreement or instrument to which Seller is a party or by which it is or may be bound, or constitute a default thereunder.

G. Agreements. There are no oral agreements, understandings or arrangements with any lessor under of the Leases made by Seller, any employee agent or representative of Seller, Gary L. Nydegger, Wheatley Oil Company, Tom Wheatley, any employee of Tom Wheatley or Wheatley Oil Company, C. Eugene McClung, Pure Source Energy, LLC or Lawrence A. Weis (collectively, the "GLNA Representatives").

IV. REPRESENTATIONS AND WARRANTIES OF BUYER.

A. Organization of Buyer. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the state of Delaware and has all power and authority to own and hold its properties and to enter into and perform its obligations under this Agreement.

B. Ability to Carry Out Agreement. Buyer is not a party to, subject to, or bound by any agreement or instrument or any statute, regulation, judgment, or decree of any court or governmental body which could at the date of the Closing prevent the performance of any of its obligations under this Agreement or adversely affect Buyer's ownership of the Assets.

C. Authorization and Approval of Agreement. Buyer has the corporate power and authority to enter into this Agreement and to carry out the transactions contemplated hereby. The execution, delivery and performance by Buyer of this Agreement have been duly authorized by Buyer and requires no further corporate action for valid authorization. The Agreement upon its execution and delivery by Buyer (assuming due authorization, execution and delivery by Seller) will constitute the legal, valid and binding obligation of Buyer, enforceable in accordance with its terms.

D. Litigation; Orders. To the knowledge of Buyer, there is no action, suit, arbitration, inquiry, proceeding or investigation by or before any governmental authority that is pending or threatened, by, against or affecting Buyer which would, if adversely determined, have a material adverse effect, nor is Buyer subject to any

order, judgment, injunction, decree, determination or award of any governmental authority that would have such effect.

E. No Breach of Contract. Neither the execution and delivery of this Agreement nor compliance with the terms and provisions of this Agreement on the part of Buyer will (i) breach any statute or regulation of any governmental authority, domestic or foreign, to which Buyer is subject or (ii) at the date of the Closing, conflict with or result in a breach of any of the terms, conditions, or provisions of any agreement or instrument to which Buyer is a party or by which it is or may be bound, or constitute a default thereunder.

V. OTHER AGREEMENTS.

A. Development Agreement. Except as otherwise specifically provided herein, the Development Agreement shall terminate effective as of the Closing and Seller shall release and discharge Buyer and its affiliates from any claim, liability, expense or damage arising directly or indirectly under the Development Agreement including claims for payments attributable to the sale of gas, other than the Retained Override Interest, and Buyer shall release and discharge Seller and its affiliates from any claim, liability, expense or damage arising directly or indirectly under the Development Agreement including claims for payments attributable to the drilling or development of properties covered by the Development Agreement or any other amounts claimed to be owed under the Development Agreement

B. Non-Compete. Seller and Gary L. Nydegger agrees that for a period of three years from the date hereof, Seller and Gary L. Nydegger shall not as an owner, shareholder, officer, director, partner, member, manager, principal, joint venturer, employer, employee, associate, consultant, independent contractor, representative, or agent, or in any other position or otherwise through the efforts of any third party, engage or participate in, or have any financial or other interest in, any business that engages in acquiring oil and leases or engages in the exploration, production, sale or marketing of oil or gas in Wilson, Labette and Montgomery Counties, Kansas. It is expressly understood and agreed that, although the parties consider the restrictions contained in this Article V.B. to be reasonable in the context in which made, if a final judicial determination is made that the time, territory, scope or any other restriction contained in this Article V.B. is unreasonable or otherwise unenforceable, neither this Agreement nor the provisions of this Article V.B. shall be rendered void, but shall be deemed amended to apply as to such maximum scope, time and territory and to such other extent as such court may judicially determine or indicate to be reasonable, or, if such court does not so determine or indicate, to the maximum extent which any pertinent statute or judicial decision may indicate to be a reasonable restriction under the circumstances involved, and as so modified, the restrictions contained in this Article V.B. shall be binding and enforceable.

C. Confidentiality. Seller agrees that, notwithstanding anything to the contrary, it shall continue to be bound by the confidentiality provisions of Section 5 of the Development Agreement. The parties acknowledge that damages for any violation of this Article V.C. would be difficult to ascertain and agree that injunctive relief and specific performance may be sought by Buyer in relief for any alleged violation of this covenant, in addition to any other remedies which Buyer may be entitled to by law.

D. Files. At the Closing, Seller shall deliver to Buyer all originals, or to the extent originals do not exist, copies, of any and all information relating to the Leases (including any and all lease files, property records and contract files) or the Data (as defined in the Development Agreement) in its possession or in the possession of the GLNA Representatives.

E. Retained Override Interest. Seller shall retain an overriding royalty interest (the "Retained Override Interest") in an amount not to exceed five percent (5%) in the Leases described on Exhibit A, attached hereto, and any additional lease acquired by Buyer or its affiliates within the AMI (as that term is defined in the Development Agreement). The Retained Override Interest shall be reduced as necessary with respect to each such lease such that the net revenue interest to Buyer shall not be less than 82.5% for each such lease.

F. Title to Leases. Seller warrants title to the Leases against persons claiming by, through or under Seller or GLNA's Representatives, but not otherwise.

G. Indemnity. From and after the Closing Date, Seller and Gary L. Nydegger jointly and severally shall indemnify and hold Buyer, its affiliates and their respective employees, officers, managers, members and agents

(the "Buyer Indemnitees") harmless from and against any loss, claim, liability, expense (including attorneys' fees) or damage suffered by any Buyer Indemnatee arising out of:

- (a) the breach of any representation or warranty made by Seller in this Agreement or in any other agreement or certificate required to be executed and delivered by Seller at the Closing pursuant to this Agreement;
- (b) the failure of Seller to perform any covenant or obligation by Seller contained in this Agreement or any other agreement required to be executed and delivered by Seller at the Closing pursuant to this Agreement; and
- (c) any contract or agreement, oral or written, entered into between Seller or the GLNA Representatives relating to the Leases or the Development Agreement which Seller has not disclosed to Buyer as of the Closing.

VI. EXPENSES AND TAXES.

Each of the parties shall be responsible for its own legal, accounting and other expenses in connection with this Agreement. Seller shall be responsible for any and all federal and state taxes incurred by Seller as a result of this transaction.

VII. SURVIVAL OF REPRESENTATIONS AND WARRANTIES, ETC.

All statements contained in any certificate, instrument or document delivered by or on behalf of any of the parties pursuant to this Agreement and this transaction shall be deemed representations and warranties by the respective party hereunder. All representations, warranties and agreements made by the parties each to the other in this Agreement or pursuant hereto shall survive the Closing of the transactions contemplated hereby.

VIII. ENTIRE AGREEMENT AND AMENDMENTS.

This Agreement, including the attached Exhibits, contains the entire understanding of the parties with respect to its subject matter; supersedes and cancels all prior agreements among any or all of the parties with respect to such subject matter; and may be amended only by a written instrument executed by Seller, Company and Buyer or their respective successors or assigns. The section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

IX. PARTIES IN INTEREST.

This Agreement shall inure to the benefit of and be binding upon Seller and Buyer and their respective successors and assigns, but may not be assigned or otherwise transferred by operation of law or otherwise without the prior written consent of all the parties hereto. Any such assignment or transfer without such consent shall be void.

X. NOTICES.

All notices, requests, demands and other communications shall be deemed to have been duly given if delivered or mailed, certified or registered mail with postage prepaid, if to Seller to:

LAYNE ENERGY SYCAMORE, LLC
Attention: General Counsel
1900 Shawnee Mission Parkway
Mission Woods, Kansas 66205-2001

or to such other person and place as Seller shall furnish to Buyer in writing; and if to Buyer to:

GLNA, LLC
Attention: Gary Nydegger
1105 Yank Street
Golden, Colorado 80401-4224

or to such other person and place as the Seller shall furnish to Buyer in writing.

XII. LAW GOVERNING/ARBITRATION.

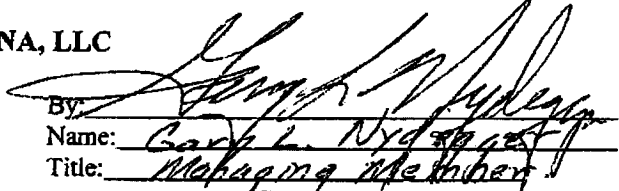
This Agreement shall be governed by and interpreted in accordance with the laws of the state of Kansas. In the event of a dispute, the matter in controversy shall be determined by binding arbitration upon the written request of any party hereto. In such case, the arbitration will be conducted in accordance with the rules of the American Arbitration Association and will be held in Mission Woods, Kansas. The parties shall each bear their own expenses in respect of the arbitration and shall divide the cost of the arbitration itself among the parties involved in the arbitration equally. If a party fails to advance the costs of the proceeding as required, such party shall be denied the right to participate in the arbitration. Any decision issued by the arbitrator in accordance with this provision shall be final and binding upon the parties and shall not be subject to appeal.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed.

LAYNE ENERGY SYCAMORE, LLC

By: 
Colin B. Kinley, President

GLNA, LLC

By: 
Name: Gary L. Nydegger
Title: Managing Member
(“SELLER”)

GARY L. NYDEGGER

By: 
(AS TO SECTION V)

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KANSAS CORPORATION COMMISSION

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WICHITA, KS