



Linc Energy Operations, Inc.
3000 "C" Street, Suite #103
Anchorage, Alaska 99503

August 17, 2011

Alaska Oil and Gas Conservation Commission
333 West 7th Ave., Suite 100
Anchorage, Alaska 99501

RE: Application for Permit to Drill
Well: KEEEX 01 (Underground Coal Gasification Stratigraphic Test Core)
TRS: SENE, T14N, R13W, Section 24, Seward Meridian

Dear Chairman Seamount,

Linc Energy Operations Inc. ("Linc") hereby applies for a Permit to Core an onshore Underground Coal Gasification stratigraphic test well on the west side of Cook Inlet, approximately 12 miles northwest of the town of Beluga and 8 miles due south of Beluga Lake. The well will be cored on Alaska Mental Health Trust Land under the authority of a current Underground Coal Gasification (UCG) Exploration License (Kenai License MHT#9200462) held by Linc Energy (Alaska), Inc. and governed by the Coal Regulatory Group at the Department of Natural Resources.

Linc plans to commence operations on approximately September 30th, 2011, employing the Tester Simco 4000 Drilling rig to drive conductor casing to approximately 300', and the Boart Longyear coring rig to core approximately 3500'. A diverter system will be installed on the Boart Longyear rig per Alaska Oil and Gas Conservation Commission ("AOGCC") well safety requirements.

Please find attached for your review information as required by 20 AAC 25.005 (a) and (c). Pertinent information attached to this application includes the following:

- 1) Form 10-401 Application for Permit to Drill
- 2) A plat showing the surface location of the well
- 3) Geologic Discussion, Anticipated Formation Tops

- 4) Shallow Gas Hazard Evaluation
- 5) General Well Prognosis, Waste Management, Logging Program
- 6) Proposed Operations Summary
- 7) Drilling Time versus Depth Plot
- 8) Proposed Wellbore Diagram
- 9) Description of the Well Control Equipment to be Used
- 10) Description of Rig Layout & Pit System
- 11) Drilling Fluid Program

The following are Linc Energy designated contacts for reporting responsibilities to the Commission:

- | | |
|--|---|
| 1) Completion Report
(20 AAC 25.070) | Corri Feige, General Manager - Alaska
(907) 868-8660 |
| 2) Geologic Data and Logs
(20 AAC 25.071) | Corri Feige, General Manager - Alaska
(907) 868-8660 |

The AOGCC is requested to treat as confidential all information in the Application for Permit to Drill (except the Public Information Copy) as information in these documents is drawn from research and data proprietary to Linc .

If you have any questions or require further information, please contact either Corri Feige, General Manager – Alaska at (907.868.8660) or Nick Scales, Drilling Operations Manager at (907.868.8660).

Sincerely,



Corri A. Feige
Alaska General Manager

STATE OF ALASKA
ALASKA OIL AND GAS CONSERVATION COMMISSION
PERMIT TO DRILL

20 AAC 25.005

1a. Type of Work: Drill <input checked="" type="checkbox"/> Redrill <input type="checkbox"/> Re-entry <input type="checkbox"/>		1b. Current Well Class: Exploratory <input type="checkbox"/> Stratigraphic Test <input checked="" type="checkbox"/> Service <input type="checkbox"/> Multiple Zone <input type="checkbox"/>		Development Oil <input type="checkbox"/> Development Gas <input type="checkbox"/> Single Zone <input type="checkbox"/>		1c. Specify if well is proposed for: Coalbed Methane <input type="checkbox"/> Gas Hydrates <input type="checkbox"/> Shale Gas <input type="checkbox"/>				
2. Operator Name: Linc Energy Operations, Inc.			5. Bond: Blanket <input checked="" type="checkbox"/> Single Well <input type="checkbox"/> Bond No. Number Pending		11. Well Name and Number: KEEX 01					
3. Address: 3000 C Street, Suite 103, Anchorage, AK 99503			6. Proposed Depth: MD: 3500' TVD: 3500'		12. Field/Pool(s): Exploratory					
4a. Location of Well (Governmental Section): Surface: 2114' FNL, 1117' FEL, Section 24-14N-13W, Seward Meridia Top of Productive Horizon: Total Depth: 3500'			7. Property Designation: Alaska Mental Health Trust		13. Approximate Spud Date: 9/30/2011					
4b. Location of Well (State Base Plane Coordinates): Surface: AKSP Lat- 2666708.306 AKSP Long- 1373351.960 Zone 4			8. Interior Region UGC Exploratory License: MHT#9400462		14. Distance to Nearest Property: 2.78 miles					
16. Deviated wells: Kickoff depth: Maximum Hole Angle: 0 degrees			9. Acres in Property: 82,122.70 acres		15. Distance to Nearest Well Within Pool: 11.75 miles					
17. Maximum Anticipated Pressures in psig (see 20 AAC 25.035) Downhole: Surface:			10. KB Elevation (Height above GL): 810 feet							
18. Casing Program:		Specifications				Top - Setting Depth - Bottom		Cement Quantity, c.f. or sacks		
Hole	Casing	Weight	Grade	Coupling	Length	MD	TVD	MD	TVD	(including stage data)
driven	6"	18.97	A53	BW	300'	0'	0'	300'	300'	driven
3.77"	na				3500'	0'	0'	3500'	3500'	
19. PRESENT WELL CONDITION SUMMARY (To be completed for Redrill and Re-Entry Operations)										
Total Depth MD (ft):		Total Depth TVD (ft):		Plugs (measured):		Effect. Depth MD (ft):		Effect. Depth TVD (ft):		Junk (measured):
Casing		Length		Size		Cement Volume		MD		TVD
Conductor/Structural										
Surface										
Intermediate										
Production										
Liner										
Perforation Depth MD (ft):						Perforation Depth TVD (ft):				
20. Attachments:		Filing Fee <input type="checkbox"/>		BOP Sketch <input type="checkbox"/>		Drilling Program <input checked="" type="checkbox"/>		Time v. Depth Plot <input checked="" type="checkbox"/>		Shallow Hazard Analysis <input checked="" type="checkbox"/>
		Property Plat <input checked="" type="checkbox"/>		Diverter Sketch <input checked="" type="checkbox"/>		Seabed Report <input type="checkbox"/>		Drilling Fluid Program <input checked="" type="checkbox"/>		20 AAC 25.050 requirements <input type="checkbox"/>
21. Verbal Approval: Commission Representative: _____ Date <u>18 Aug 11</u>										
22. I hereby certify that the foregoing is true and correct. _____ Contact <u>Corri Feige 907.868.8660</u>										
Printed Name		Corri A. Feige				Title		General Manager - Alaska		
Signature						Phone		(907) 868-8660		Date <u>18 Aug 11</u>
Commission Use Only										
Permit to Drill Number:		API Number: 50-				Permit Approval Date:		See cover letter for other requirements.		
Conditions of approval If box is checked, well may not be used to explore for, test, or produce coalbed methane, gas hydrates, or gas contained in shales: <input type="checkbox"/>										
Other: Samples req'd: Yes <input type="checkbox"/> No <input type="checkbox"/> Mud log req'd: Yes <input type="checkbox"/> No <input type="checkbox"/>										
H ₂ S measures: Yes <input type="checkbox"/> No <input type="checkbox"/> Directional svy req'd: Yes <input type="checkbox"/> No <input type="checkbox"/>										
DATE: _____										APPROVED BY THE COMMISSION COMMISSIONER

Exploration Drill Hole KEEX01

Linc Energy Operations Inc.

Area Geologic Description

KEEX01 is located in the NE1/4 of Sec.24, T14N, R13W, Seward Meridian. The Tertiary sedimentary rocks, which anticipated to host coal seams of potential Underground Coal Gasification (UCG) interest, are continental in origin and derived from alluvial fans that deposited sediments into the forearc basin. These Tertiary sedimentary rocks belong to the Kenai Group which are subdivided into various formations. In total from top to bottom, the Kenai Group includes the Sterling Formation, Beluga Formation, Tyonek Formation, Hemlock Conglomerate and West Foreland Formation. Of these formations, only the Sterling, Beluga and Tyonek Formations are of interest to UCG and are the only formations which will be penetrated in this drilling program.

The contact between unconsolidated Quaternary sediments and the underlying Sterling Formation is difficult to recognize as is the basal contact of the Sterling Formation. The Sterling Formation is uppermost Miocene to Pliocene in age consisting of weakly lithified massive sandstone, conglomeratic sandstone and interbedded siltstone and claystone. The unit includes interbedded lignitic coals typically less than 3 feet thick in its upper part, but may be as much as 10 feet thick in its lower part. However, a review of oil and gas well logs within the Cook Inlet basin suggests that individual coals on the order of 40 feet thick might occur in the Sterling Formation.

The Miocene Beluga Formation consists of nonmarine, interbedded, weakly lithified sandstone, siltstone, carbonaceous shale, coal and minor volcanic ash. According to some, a distinctive feature of the Beluga Formation is the lack of massive bedded sandstones and thick coal beds that characterize the underlying Tyonek Formation. However, lignitic to subbituminous coal seams as much as 13 feet thick can occur in the upper part of the Formation.

The uppermost Oligocene to middle Miocene Tyonek Formation consists of massive bedded sandstones, siltstone and coal. The Tyonek Formation is characterized by the massive bedded sandstone beds and numerous lignitic to subbituminous coal beds, some of which are as much as 50 to 60 feet thick. Because of the thick nature of the coals, the Tyonek Formation is the main UCG exploration target. Contact with the overlying Beluga Formation is believed to be a disconformity where sandstone beds and coal beds become markedly thinner. Its basal contact is considered conformable with the underlying Hemlock Conglomerate. The West Foreland Formation occurs beneath the Hemlock Conglomerate. Neither the Hemlock nor the West Foreland Formations are likely to be penetrated in this drilling program.

Volcanic rocks affecting Tertiary coal-bearing units span from Eocene through Holocene age. Quaternary volcanic rocks exist in portions of the Cook Inlet Basin, many derived from historically active volcanoes. Similarly, Tertiary volcanic rocks occur within or in proximity of the UCG Exploration License area and have been intercepted in some oil and gas wells.

Drill hole Geologic Description

The Tyonek Formation is the geologic unit of UCG interest for Linc Energy. A significant amount of shallow exploratory drilling has occurred in the vicinity of the KEEX01 for purposes of defining near surface coals. These coals appear to correlate to the Lower Tyonek Unit of the Tyonek Formation, which may be prospective for UCG development. It is possible that structural uplift and subsequent erosion may have removed the more promising coals for UCG in the area of KEEX01 however, drilling will confirm if the resource is present. It is anticipated that the total depth of the drill hole will be approximately 3500 feet below ground surface. The drill hole will be terminated at the bottom of the Tyonek Formation if identified prior to 3500 feet.

Shallow Gas Hazard Analysis

KEEX01 is geographically located in an uplifted area north of the Lake Creek Fault. Initial geologic structure analysis indicates no known geologic structural or stratigraphic traps for gas. Linc Energy is preparing to acquire new 2D seismic line data within the license area near KEEX01. Results of this survey will be used to drive the KEEX01 core drilling program and better define any shallow gas hazards. The seismic is expected to determine the depth of the surficial gravels, the thickness of Tyonek Formation which may possibly contain thick coal seams of interest to UCG.



KEEX 01 General Prognosis

Well Name: KEEX 01
Surface Location: 2114' FNL, 1117' FEL, Section 24, T14N, R13W, SM
Bottom hole Location: Same (vertical hole)
Planned TD: 3,500' MD / TVD

Well Summary

A 6" conductor will be driven to 300' prior to the coring rig moving in. The cellar will be grouted with concrete to stabilize the conductor casing. Rotary coring operations will cut approximately 3,500' of 2.50" core using a 10' wireline retrievable core barrel with a 3.77" OD core bit.

Drilling Fluid Management

A gel freshwater mud system provided by MISWACO will be used for the coring operations from 300' to TD. At the end of coring operations the settling pit will be reclaimed in accordance with the Alaska Surface Coal Mining Control and Reclamation Act AS 27.21.

Waste Management

All waste including drill cuttings will be handled in accordance with the Alaska Surface Coal Mining Control and Reclamation Act AS 27.21 as governed by the Coal Regulatory Group of the Alaska Department of Natural Resources.

Well Trajectory and Deviation Survey

The KEEX 01 is planned to be a vertical well.

Formation Tops and Casing Depths

See attached geologic summary. No production casing is planned at this time.

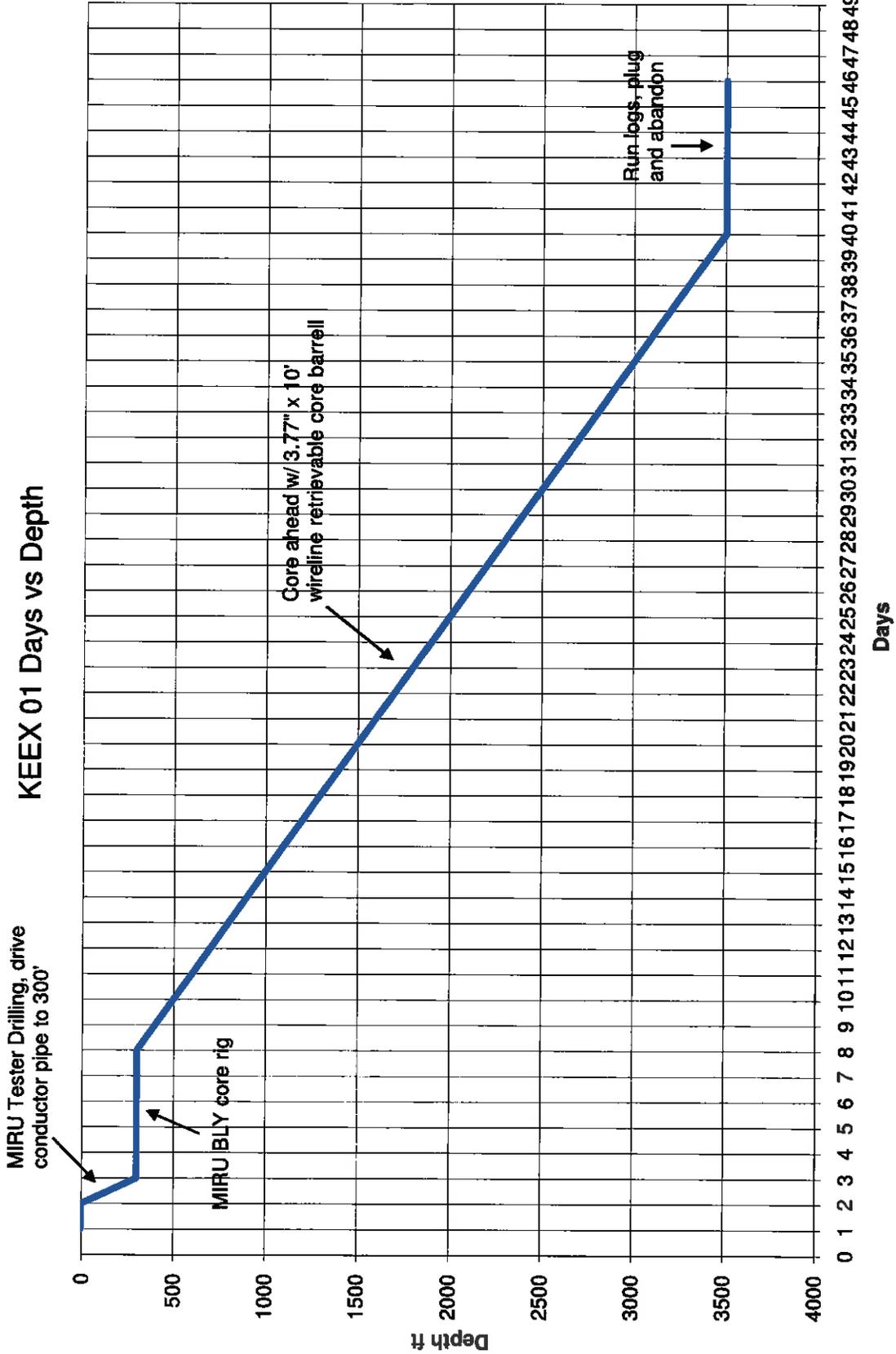
Logging Program

0' – 300' No open-hole logs
300' – 3500' GR/Resistivity/Neutron Density/Sonic

Proposed Operations Summary

1. MIRU Tester Drilling conductor rig
2. Drive 6" conductor pipe to +/-300'
3. Hand mix cement and grout conductor cellar to stabilize conductor pipe at surface
4. RDMO Tester Drilling conductor rig
5. MIRU Boart Longyear coring rig, dig settling pit
6. Notify AOGCC of start up, perform diverter drill
7. MU 3.77" core bit, 2.50" coring assembly
8. Core ahead using 10' wireline retrievable core barrel assembly from 300' to 3500'
9. RU wireline, run open hole logs including GR/Resistivity/Neutron Density/Sonic
10. Plug and abandon per AOGCC requirements, RDMO core rig

KEEX 01 Days vs Depth



PROPOSED WELLBORE DIAGRAM

KEEX 01

Linc Energy Operations, Inc.

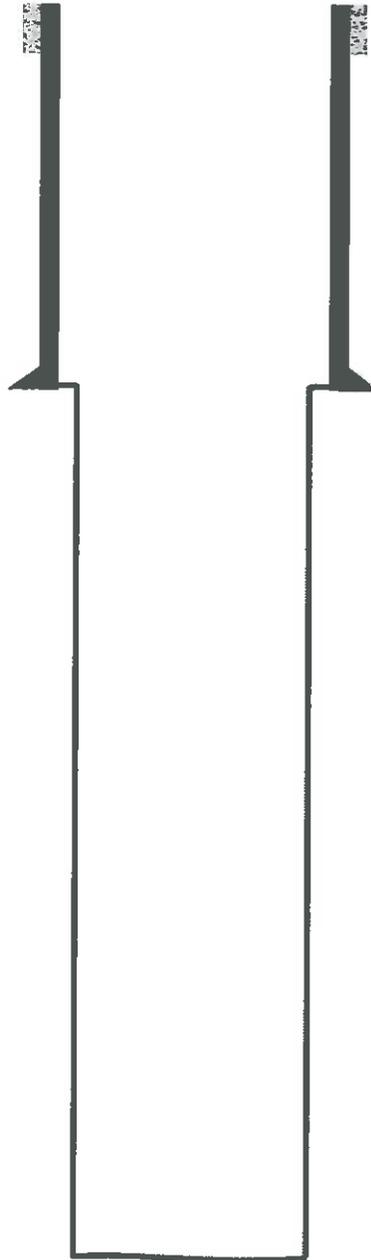
SENE, Section 24-14N-13W, FM

API #: _____

Cellar & conductor annulus grouted at surface to stabilize conductor pipe

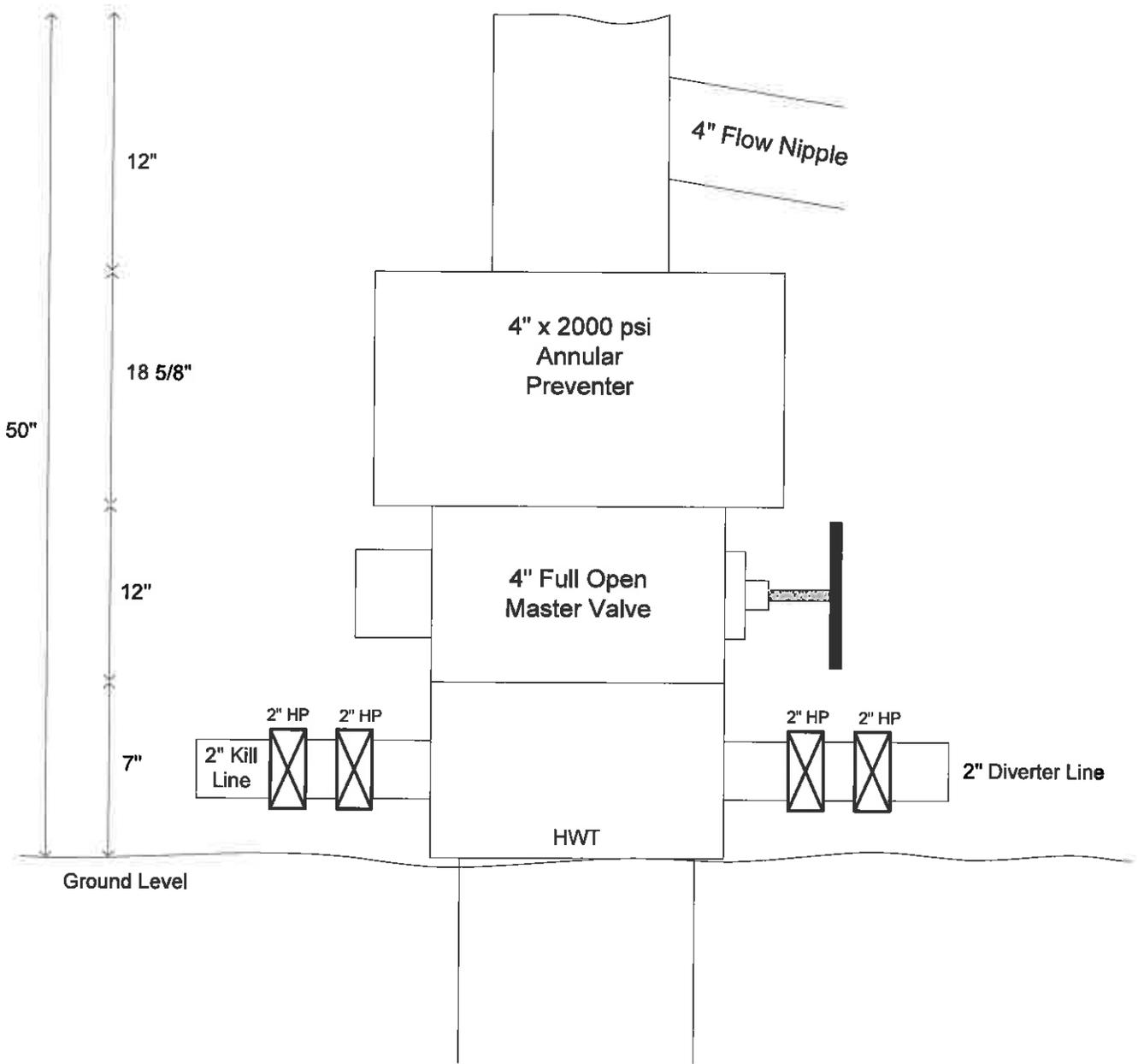
6" conductor casing driven to refusal @ +/- 300'

3.77" Core Hole to +/- 3500'
* 2.50' x 10' Core Barrel



Proposed Diverter Layout

KEEX 01



rev 8/15/11