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CC:

fyi From: Brian Deurloo [mailto:brian.deurloo@lincenergy.com.au]

Sent: Friday, April 15, 2011 5:33 PM

To: Kemp, Harold

Cc: Lance, Ryan; Corra, John; Wagner, John; Edwards, Alan; Brian Andersen; Steven Van Ootegham

Subject: RE: LINC Activity in State Section 36, Township 45 North, Range 74 West Mr. Kemp, Thank you for calling me back this afternoon. I'm pleased to hear that you as optimistic about UCG as we are. I am also looking forward to our meeting at 8:00 am Thursday April 21st at your office. If you make an agenda for the meeting, please copy me. Before you called this afternoon I was 90% complete with an email responding to your email questions from earlier today. Even though we had a discussion, I still wanted to respond to a couple of your questions that you posed in your email. As you know, Jason Crowder (OSLI inspector) was up here yesterday inspecting all of our fields and he seemed very pleased with our activities on the site and in his words "it looks a lot better than I expected". We have been very diligent in trying to keep our grazing lessees informed of our activities but some of them just don't want to talk to us unless it is through their attorney. From what I understand, you have received some calls from interested landowners who are not actually grazing lessees of the state sections we are drilling on but they are adjacent landowners who are either curious or concerned. I have heard that there are a couple of landowners that were questioning what we are doing so a couple of weeks ago I asked our landman to compile a list of adjacent landowners and operators so we could send out a notification letter to inform them of our upcoming activities. Our stakeholder manager, Paul Ludwig, has been systematically holding meetings with interested parties but has not yet been able to get to all of the people who want to know what Linc Energy is doing. I understand how us Wyoming folk are, we just want to know what is going on and Linc is doing the best that we can. Barring a half hour spot on K2 television, our best approach is to meet with these people in the field and in their offices. We have held over a half a dozen meetings with the District 3 DEQ office, we have met with Governor Freudenthal (who came to Australia to see our operations), we have met with Governor Mead, we have met with both senators, and representative, we have met with John Corra, we have met with all grazing lessees who we have drilled on, and have met with two of the O&G operators that we are drilling on or by. We do not have any intention of gasifying coal without the full authority of the Wyoming regulatory agencies. We do not intend to gasify the Big George coal, which is certainly deep enough, but it is far too thick for what we want to do right now and we don't feel it is right for operations on the sections we have identified in the near term. One of the reasons we are doing such intense drilling operations right now is to obtain as much information as possible to feed to our expert subsidence model contractor(s) and our groundwater modelers. We have two different consultants working with us on subsidence. One of these consultants is in Australia who has done all of our modeling for the gasifiers we have been operating in Australia for over 10 years. This coal is at a depth of 450' with no visible or measured subsidence at the surface. The other subsidence consultant we have hired is Agapito & Associates (Colorado based) who have extensive experience in both underground mine subsidence monitoring/modeling and they do happen to have UCG subsidence monitoring/modeling experience. We have not confirmed the exact site where we want to initiate our demonstration activities. As soon as we nail this down in the next few weeks, we will finalize our project design basis, subsidence models, fate & transport models, hydrogeologic models, surface environmental permits, etc. All of this information will go into the R&D mine

application permit to the DEQ's office. I'm not sure of information sharing protocol within the Herschler building but you are invited to look at the permit application when it is submitted as long as our proprietary information is held confidential. We spend a lot of money perfecting our processes and would not like any information getting to the competition. I believe Linc Energy is setting the bar pretty high for subsequent UCG operators in Wyoming As far as maintaining a good relationship with CBM operators goes, I couldn't agree with you more. We have met with Yates Petroleum more than once to discuss our activities and I have spoken to Stan Smith (Yates Operations Manager) on the phone several time to discuss our operations in the field and inform him of our upcoming plans. We have even tried to curb Yates' concern about any heat related UCG concerns by spending several man-hours to compile proven site data from Chinchilla, Australia and prepare a heat transfer model to show that all heat from a UCG gasification cavity will be dissipated within 50 feet of said cavity (please see attached document that was delivered to Mr. Smith on 26Nov10). I have tried hard to manage a good relationship with Yates Petroleum. I have even offered to buy their shallow oil and gas rights on the lands we are currently drilling in S36 44/74. Since their CBM production on Section 36 44/74 is essentially zero, I figured this would be a very good deal for them. On December 10th, 2010, Stan Smith shook my hand and was in agreement with us that Linc Energy should purchase Yates' shallow O&G assets on S36 44/74 for a price that reflects the plugging and abandoning liability. In January 2010, Linc & Yates were very close to agreeing on terms of an agreement where Linc would purchase the CBM wells in S36 44/74. On 7Feb11, Stan wrote me a short email informing me that Yates' had changed their minds and weren't willing to deal with us. I think the reason why they declined our offer is to basically keep us out of there. On February 7th, 2011, Stan Smith wrote to me, "Yates is concerned about Linc Energy's impact to these (oil) wells with an underground coal gasification project in close proximity to those wells. Yates suggests Linc provide a bond in the amount of \$3 million per (oil) well as an equitable guarantee against damage to those wellbores." I declined his generous offer of Yates allowing Linc to bond Yates' wells. I also decided not to offer a similar agreement on Section 36 45/74 since he was not willing to accept our first offer. I have spoken to Stan a couple of times since then and informed him of our intentions to drill several characterization wells on S36 45/74 and I told him that as soon as we solidify our plans as to where the exact location of our gasifier will be, he will be one of the first people I call. Finally, my last point is, since Yates owns the State oil and gas lease on said lands, and we have the coal lease, both companies should have full enjoyment of our right to capitalize on these assets. But if Yates is done producing the CBM, then we should have a turn and make the State some more money from the same coal asset. Mr. Kemp, it is very important to Linc Energy that we maintain a good relationship with all stakeholders in this project and that includes the Office of State Lands and Investments. We understand it is your responsibility to manage the State's mineral assets on state lands and we want to make your job as easy as possible. I'm sorry that you have been receiving calls from other operators and landowners. It is impossible for us to anticipate every negative comment somebody might throw out there. If you have any suggestions as to how we can extend the efforts we have already been doing, I am willing to listen. I will see you next Thursday. In the meantime, have a great weekend. Best regards, Brian Deurloo
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