SD EForm - 0437 V1

DEPARTMENT of ENVIRONMENT and NATURAL RESOURCES
Minerals & Mining Program - Oil & Gas Section
2050 West Main, Suite #1, Rapid City, SD 57702-2493
Telephone: 605-394-2229, FAX: 605-394-5317

FORM 2

RECEIVED
MAY 09 2011
DEPT OF ENVIRONMENT & NATURAL RESOURCES - RAPID CITY

State of South Dakota Department of Environment and Natural Resources

APPLICATION FOR PERMIT TO DRILL

Type of work: [✓] Drill New Well [ ] Reenter Well [ ] Drill Directional Well [ ] Other _____

Type of well: [✓] Oil Well [ ] Gas Well [ ] Injection [ ] Other _____

Name and Address of Operator: Nakota Energy LLC PO Box 342, Faith SD 57626 Telephone (910) 409-3588

Name and Address of Surface Owner: City of Faith PO Box 8, Faith SD 57626

Name and Address of Drilling Contractor and Rig Number: Rapid Drilling 22478 Bennett Road, Rapid City SD 57701

Surface Location of well: Qtr-Qtr, Sec, Twp, Rge, County, feet from nearest lines of section, and latitude and longitude (if available):

NW1/4NE1/4 Sect. 21 T12N-R17E Meade County 636.4' FNL & 608.0' FEL OF NWNE

If Directional, top of pay and bottom hole location from nearest lines of section:

Acres in Spacing (Drilling) Unit: 40

Description of Spacing Unit: NW1/4NE1/4 Sect. 21 T12N-R17E

Well Name and Number	Elevation	Field and Pool, or Wildcat	Proposed Depth and Formation
Nakota-Faith 4-21-12-17	2,478.0'	Faith Field	3,000' Mosby Sandstone

Size of Hole	Size of Casing	Weight per Foot	Depth	Cementing Program (amount, type, additives)	Depth
1) 12 1/4"	8 5/8"	24.00 lb.	800'	Class G 340 Sks 15lb/gal surface to	800'
2) 7 7/8"	5 1/2"	15.50 lb.	3,000'	Class G cement as required to TD	3,000'
3)					
4)					

Describe Proposed Operations (Clearly State all Pertinent Details, and Give Pertinent Dates, Including Estimated Date of Starting any Proposed Work). Use additional page(s) if appropriate.

Plan is to test two zones; the Turner at approx. 2,100' and the Eagle at approx. 1,100'. Oil shows in other formations will be evaluated and possibly tested as drilling proceeds.
Proposed date of starting is June 1/11.

I hereby certify that the foregoing as to any work or operation performed is a true and correct report of such work or operation.

W.J. Sutton	W.J. Sutton	Manager	05/06/2011
Signature	Name (Print)	Title	Date

FOR OFFICE USE ONLY

Approved By: [signature] Title: Oil and Gas Supervisor

Permit No. 1993 API No. 40 093 20032 Date Issued: May 25, 2011

Conditions, if any, on attached page.

DEPARTMENT of ENVIRONMENT and NATURAL RESOURCES
Minerals & Mining Program
Oil & Gas Office
2050 West Main Street, Suite #1
Rapid City, SD 57702-2493
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PERMIT CONDITIONS

Nakota Energy LLC: 4-21-12-17 Nakota-Faith — Permit: #1993
12N-17E-21 NWNE, Meade County — API: 40 093 20032

Approval has been granted to drill this location as detailed on the attached Application for Permit to Drill (Form #2) with the following additional provisions:

1. This permit is conditioned on compliance with all applicable requirements of South Dakota Codified Laws 45-9 and Administrative Rules of South Dakota 74-10.
2. A 12-mil woven, reinforced high-density polyethylene liner will be used.
3. Surface runoff will be diverted around the drill site.
4. The surface hole will be drilled with fresh water.
5. Cement will be circulated to the ground surface on the surface casing.
6. If production casing (long string) is set:
   A. Sufficient cement will be circulated on the long string to cover the top of the Newcastle plus 25 feet.
   B. A cement bond log will be run and filed with the department.
7. If abandoned:
   A. With long string, sufficient cement will be circulated to install:
      1. A 100-foot cement plug, half in and half out of the top of the casing stub after the retrievable part of the production casing has been removed.
      2. A 100-foot cement plug, half in and half out of the top of any fresh water aquifer between the top of the casing stub and the base of the surface casing.
      3. A 100-foot plug, half in and half out of the base of the surface casing.
      4. A 25-foot cement plug at the top of the surface casing.
   B. Without long string, sufficient cement will be circulated to set:
      1. 100-foot cement plugs, half in and half out of the top of the following formations: Fall River, Newcastle, Greenhorn and Niobrara.
      2. A 100-foot cement plug, half in and half out of the base of the surface casing.
      3. A 25-foot cement plug at the top of the surface casing.
   C. Heavy, mud-laden fluid will be used between all plugs.
8. A washed set of sample cuttings (or cores if cut) is to be shipped to the state free of charge.
9. Please notify this office at 605-394-2229 prior to plugging so a witness can be on location. If plugging will occur after normal business hours, 8:00 a.m. to 5:00 p.m. MT, call Fred V. Steece at 605-343-8617 or Mack McGillivray at 605-341-0207.

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Name and Address of Drilling Contractor and Rig Number: Rapid Drilling 22478 Bennett Road, Rapid City SD 57701

Surface Location of well: Qtr-Qtr, Sec, Twp, Rge, County, feet from nearest lines of section, and latitude and longitude (if available):

SW1/4NE1/4 Sect. 21 T12N-R17E Meade County 573.2' FNL & 614.7' FEL OF SWNE

If Directional, top of pay and bottom hole location from nearest lines of section:

Acres in Spacing (Drilling) Unit: 40

Description of Spacing Unit: SW1/4NE1/4 Sect. 21 T12N-R17E

Well Name and Number	Elevation	Field and Pool, or Wildcat	Proposed Depth and Formation
Nakota-Faith 3-21-12-17	2,492.9'	Faith Field	3,000' Mosby Sandstone

Size of Hole	Size of Casing	Weight per Foot	Depth	Cementing Program (amount, type, additives)	Depth
1) 13 1/4"	9 5/8"	27.00 lb.	800'	Class G 370 Sks 15lb/gal surface to	800'
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W.J. Sutton	W.J. Sutton	Manager	05/06/2011
Signature	Name (Print)	Title	Date

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Approved By: [signature] Title: Oil and Gas Supervisor

Permit No. 1994 API No. 40 093 20033 Date Issued: May 25, 2011

Conditions, if any, on attached page.

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PERMIT CONDITIONS

Nakota Energy LLC: 3-21-12-17 Nakota-Faith — Permit: #1994
12N-17E-21 SWNE, Meade County — API: 40 093 20033

Approval has been granted to drill this location as detailed on the attached Application for Permit to Drill (Form #2) with the following additional provisions:

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