



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
JUL 09 2012

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: **Citation Oil & Gas Corp.** PO Box 690688, Houston, TX 77269 Telephone: **281-891-1570**

Name and Address of Surface Owner: **Roger Gunderson, 11332 Ladner Rd., SD 57720-9705**

Name and Address of Drilling Contractor and Rig Number: **C & H WELL SERVICE 6480 SWANSON RD, GILLETTE, WY 82718 Rig#104**

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

NW SW 667 FWL & 1914 FSL Section 26-21N-3E, Harding County

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

1333' FSL & 2346 FEL SECTION 27-21N-3E, Harding County

Acres in Spacing (Drilling) Unit

3,360 acres

Description of Spacing Unit

WBRRBU

Well Name and Number API 40-063-20246 Clarkson 26-1H	Elevation 3201'	Field and Pool, or Wildcat West Buffalo Red River "B"	Proposed Depth and Formation 8334' TVD, Red River B
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Size of Hole	Size of Casing	Weight per Foot	Depth	Cementing Program (amount, type, additives)	Depth
1) 12 1/4	9 5/8"	36#	2000	200 sx Class G	Surface
2) 8 3/4	5 1/2"	15.5 17,23#	8509	1070 sx HOWCO LITE	4658.3
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.

Citation Oil & Gas Corp., requests approval to drill +/- lateral in the referenced well in Red River B per the attached procedures. The estimated start date is July 2012. All cuttings and drilling fluids will be contained in a pit lined with at least 12 mil plastic liner. Plugging Bond 31046158, Surface Restoration Bond #104061660

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

Nathania Naftaly
Signature

Nathania Naftaly
Name (Print)

Permitting Analyst III
Title

7/5/2012
Date

FOR OFFICE USE ONLY

Approved By: *[Signature]* Title: *M. Zwick: Mining Eng. Admin.*

Permit No. **2013** API No. **40 063 20246.01** Date Issued: **7/11/12**

Conditions, if any, on attached page.



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PERMIT CONDITIONS

Citation: 26-1H Clarkson
21N-3E-26 NWSW, Harding County

Permit: #2013
API: 40 063 20246.01

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

1. This permit is conditioned on compliance with all applicable requirements of South Dakota Codified Laws 45-9 and Administrative Rules of South Dakota 74-12.
2. A 12-mil woven, reinforced high-density polyethylene liner must be used on all pits.
3. Surface runoff must be diverted around the drill site.
4. If horizontally drilled:
 - A. The coordinates of the production casing shoe and the well terminus must be filed with the department.
 - B. The azimuth of the horizontal segment of the well must be filed with the department along with the results of periodic down hole surveys.
5. If abandoned:
 - A. With long string, sufficient cement must be circulated to install:
 1. A 100-foot cement plug immediately above the KOP, if horizontally drilled.
 2. 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.
 3. 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. Freshwater resources at this site include: Madison, Minnelusa, Minnekahta, Canyon Springs, and Inyan Kara.
 4. A 100-foot plug, half in and half out of the base of the surface casing.
 5. A 25-foot cement plug at the top of the surface casing.
 - B. Heavy, mud-laden fluid must be used between all plugs.
 - C. The casing string must be cut off at least three feet below the final ground surface contour. A plate with the name of the operator, well name and number, and legal location by quarter-quarter section, township and range must be welded to the casing stub. The location of the abandoned well must be surveyed with high resolution global positioning system equipment or other appropriate survey methods sufficient to accurately locate the well. Survey coordinates must be included in the final abandonment report.
6. Surface reclamation of the site must be completed within one year of plugging and abandoning the well.
7. A washed set of sample cuttings (or cores, if cut) must be shipped, free of charge, to:

Derric Iles
Geological Survey Program
Akeley-Lawrence Science Center
University of South Dakota
414 E. Clark Street
Vermillion, SD 57069-2390

8. Please notify this office prior to plugging so a witness can be on location. If plugging will occur after regular business hours, call Lucy Dahl at 605-773-6257.