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MINERALS & MINING PROGRAM

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: **Black River Exploration LLC** 12172 County Road 132 Celina, TX 75009 Telephone: (972) 824-7936

Name and Address of Surface Owner: Jeffrey Collins 27255 Valley Road Hot Springs, SD 57747

Name and Address of Drilling Contractor and Rig Number: Alexander Drilling Box 615 Hill City, SD 57745

Surface Location of well: Qtr-Qtr, Sec, Twp, Rge, County, feet from nearest lines of section, and latitude and longitude (if available):
SE/4 NW/4, S5, T7S, R4E, Fall River County, 2079' FWL, 3040' FSL (original #1), twin to be positioned north of #1 as close as is operationally feasible to #1. 10' due north is the planned twin location

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

Acres in Spacing (Drilling) Unit under current law, 40 SE4NW/4 Sec 5 Description of Spacing Unit

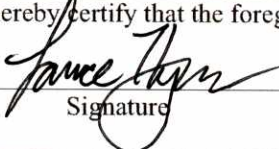
| | | | |
|----------------------|------------|----------------------------|------------------------------|
| Well Name and Number | Elevation | Field and Pool, or Wildcat | Proposed Depth and Formation |
| BRX Collins #1B | 4346.82 ft | Wildcat | 1000' Minnelusa |

| Size of Hole | Size of Casing | Weight per Foot | Depth | Cementing Program (amount, type, additives) | Depth |
|--------------|----------------|-----------------|-------|---|---------|
| 1) 12 1/4" | 8 5/8" | 32 | 100' | pending addendum | 100' |
| 2) 7" | 5 1/2" | 15.5 | 1100' | | 1,100' |
| 3) | | | | | to surf |
| 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.

Drill to and explore objective formations to 1100' including Minnelusa as a primary target and potentially Deadwood or Madison if within the depth specified. Expect drilling to commence upon approval of location at some time in mid to late August 2012. No pits to be used as we intend to use the air drilling capabilities of the rig. This well permit to be used only if shallower objective formations are completed in BRX Collins #1 before reaching total depth of 1100'

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

 Lance Haynes President 07/18/2012
Signature Name (Print) Title Date

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Approved By: Robert Townsend Title: Administrative Manager, Mining Div.

Permit No. 2016 API No. 40 047 20338 Date Issued: 8/22/2012

Conditions, if any, on attached page.



**DEPARTMENT of ENVIRONMENT
and NATURAL RESOURCES**

*Minerals & Mining Program
2050 West Main Street, Suite #1
Rapid City, SD 57702-2493
Telephone: 605-394-2229
Fax: 605-394-5317*

PERMIT CONDITIONS

BRX: Collins #1B
7S-4E-5 SENW, Fall River County

Permit: #2016
API: 40 047 20338

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. If pits are used, a 12-mil woven, reinforced high-density polyethylene liner must be used.
3. Surface runoff must be diverted around the drill site.
4. The surface hole must be drilled with fresh water.
5. Cement must be circulated to the ground surface on the surface casing.
6. If production casing (long string) is set:
 - A. Sufficient cement must be circulated on the long string to cover any fresh water aquifer not covered by the surface casing. Freshwater resources at this site include the Minnelusa
 - B. A cement bond log must be run and filed with the department.
7. If abandoned:
 - A. With long string, sufficient cement must be circulated from total depth to within 3 feet of the surface
 - B. Without long string, sufficient cement must be circulated from total depth to within 3 feet of the surface
 - 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.
8. Surface reclamation of the site must be completed within one year of plugging and abandoning the well.
9. 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
10. 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.