

STATE OF SOUTH DAKOTA
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
BOARD OF MINERALS AND ENVIRONMENT

IN THE MATTER OF THE APPLICATION OF NAKOTA ENERGY LLC, LITTLETON, COLORADO, FOR AN ORDER TO ESTABLISH A FIELD FOR THE PRODUCTION OF OIL AND GAS CONSISTING OF ALL OF SECTION 14 AND THE NORTH HALF OF SECTION 23, TOWNSHIP 6 NORTH, RANGE 5 EAST, MEADE COUNTY, SOUTH DAKOTA, WITH SPACING OF ONE WELL PER 40-ACRE TRACT, EACH WELL TO BE LOCATED NOT CLOSER THAN 500 FEET FROM THE SPACING UNIT BOUNDARY, AND NOT CLOSER THAN 1,000 FEET TO THE NEAREST WELL DRILLED TO OR PRODUCING FROM THE STRATIGRAPHIC INTERVAL DESCRIBED AS FROM THE TOP OF THE SUNDANCE TO THE BASE OF THE MINNELUSA FORMATIONS.

NOTICE
OF
HEARING

CASE NO. 17-2010

Notice is hereby given that the Board of Minerals and Environment will hold a contested case hearing on the above described matter on Thursday, November 18, 2010, at 10:15 a.m. CST in the Matthew Environmental Education and Training Center, 523 East Capitol Avenue, Pierre, SD 57501. The case involves oil and gas interests in the following land: all of Section 14 and the north half of Section 23, Township 6 North, Range 5 East, Meade County, South Dakota.

The board has jurisdiction and legal authority to issue orders for the development of the oil and gas resources of the state pursuant to South Dakota Codified Laws (SDCL) Chapter 45-9 and Chapter 1-26 and further pursuant to Administrative Rules of South Dakota (ARSD) 74:09 and 74:10. The hearing is an adversary proceeding and any party has the right to be represented by a lawyer. These and other due process rights will be forfeited if they are not exercised at the hearing. The board may approve, conditionally approve, or deny the application. The board's decision will be based upon the evidence received at the hearing. The board's decision may be appealed to the Circuit Court and the State Supreme Court as provided by law.

If the amount in controversy exceeds two thousand five hundred dollars or if a property right may be terminated, any party to the contested case may require the agency to use the Office of Hearing Examiners by giving notice of the request to the agency no later than ten days after service of a notice of hearing issued pursuant to SDCL 1-26-17.

Any person who wishes to intervene in this proceeding as a party must file a petition to intervene pursuant to ARSD 74:09:01:04 on or before November 2, 2010.

Notice is further given to individuals with disabilities that this hearing is being held in a physically accessible place. Please notify the Department of Environment and Natural Resources

at least 48 hours before the public hearing if you have a disability for which special arrangements must be made at the hearing by calling the telephone number listed below.

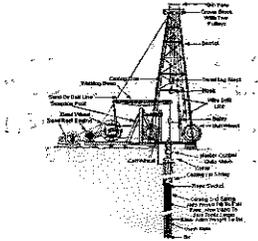
The applicant's application and notice of hearing are also posted on the department's website at: <http://denr.sd.gov/des/og/oghome.aspx>. Additional information about this petition is available from Fred V. Steece, Oil and Gas Supervisor, Department of Environment and Natural Resources, 2050 West Main Street, Suite #1, Rapid City, SD 57702, telephone 605.394.2229, email fred.steece@state.sd.us.

Dated: September 23, 2010

A handwritten signature in black ink, appearing to read 'S. Pirner', with a horizontal line extending to the right.

Steven M. Pirner
Secretary

Published twice at the total approximate cost of _____.



Nakota Energy LLC

4905 Whitner Drive
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SEP 27 2010

DEPT OF ENVIRONMENT & NATURAL
RESOURCES - RAPID CITY

September 23, 2010

Fred V. Steece
Supervisor
Oil & Gas Section
Dept of the Environment and Natural Resources
2050 West Main, Suite #1
Rapid City SD 57702-2493

Tel: 605-394-2229
Fax: 605-394-5317
fred.steece@state.sd.us

Re: Amended Application

Dear Mr. Steece:

This is in regard to the application prepared by Inyan Kara Group, LLC on behalf of Nakota Energy LLC dated September 9, 2010 for the establishment of a field for the production of oil and gas. After a review of the letter by Inyan Kara Group and a discussion with Tony Petres we are writing to request an amendment to the letter as follows:

- 1) The request for field designation should include 'north half of Section 23'. The field request would now correctly read: ALL OF SECTION 14 AND THE NORTH HALF OF SECTION 23, TOWNSHIP 6 NORTH, RANGE 5 EAST, MEADE COUNTY, SOUTH DAKOTA.
- 2) The target formations for the potential production of oil should include the Minnelusa. The two target formations would be the Sundance and the Minnelusa.

Thank you for your assistance with this and we hope that the Minerals Board will favorably consider our request for these two amendments.

Yours truly,

W.J. Sutton

Managing Member

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SEP 13 2010

September 9, 2010

DEPT OF ENVIRONMENT & NATURAL
RESOURCES - RAPID CITY

Case
17-2010

Mr. Fred V. Steece
Oil and Gas Program Director
State of South Dakota
2050 West Main, Ste. # 1
Rapid City, South Dakota 57702

Re: request for case addition (designation of a producing oil field located at Nakota's Gullickson Prospect) to the November meeting of the SD Board of Minerals and Environment. Gullickson Prospect occurs primarily in sec. 14, T6N-R5E of Meade Co. SD

Dear Fred:

On behalf of Nakota Energy LLC of Littleton Colorado, I would like to make a formal request to include our case for a field designation of the above referenced oil prospect, known as the Gullickson Prospect, on the Board's November docket. We would be asking the Board for 40 acre spacing in the new field.

Nakota is currently in the process of completing the # 1 Traub well located at T6N-R5E-sec. 14, NESW in Meade Co. SD (Fig 6). In Nakota's opinion, the well has shown potential to produce commercial amounts of crude oil. In order to be able to drill the next defining well (in a delineation of the local geologic structure, aka Gullickson anticline), we will need said designation to allow the exploration drilling to continue in an adjacent and southerly direction (Figure 6).

Figure 6 (a land plat which was prepared for the geologic report written for Nakota, and which also illustrates the outer - most closed structure contour) does illustrate the rather limited lateral extent of the Gullickson Anticline, as it is currently understood. It is for this reason that additional wells, placed in a one well per 40 acre drainage pattern, will have to be drilled on adjacent 40 acre spacing parcels. Currently, SD code prohibits drilling on adjacent 40's unless a field boundary has been specified. In addition, Nakota has made assurances to certain mineral owners which in essence dictate which mineral owner will get the next exploration well. Hence the incentives to make application to the board.

If anything further is required at this point, please advise. On behalf of Nakota Energy LLC, I appreciate your assistance and attention to the matter.

Sincerely,


Tony Petres
(for) Nakota Energy LLC

Pete Sutton's e-mail
psutton@klpenergyfunds.com

Tony 390-7798 cell