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
JUN 2 3 2008
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: Spyglass Cedar Creek, LP. 595 S. Castell Ave., New Braunfels, Texas 78130 Telephone (830) 626-7011

Name and Address of Surface Owner: Scott Peterson 10919 Country Club Rd., Belle Fourche, SD 57717

Name and Address of Drilling Contractor and Rig Number: Elenburg Exploration Rig 8 1910 N. Loop, Casper, WY 82602

Surface Location of well: Qtr-Qtr, Sec, Twp, Rge, County, feet from nearest lines of section, and latitude and longitude (if available): 1660' FSL 1760' FEL
NW SE Sec 5 T17N R4E Harding County Lat 45 degr. 27' 47.27" Long. 103 degr. 39' 17.98"

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

Acres in Spacing (Drilling) Unit: 320

Description of Spacing Unit: S/2 ~~NW SE~~ Sec 5 T17N R4E

Well Name and Number	Elevation	Field and Pool, or Wildcat	Proposed Depth and Formation
Peterson 10-5	3000	Widcat	2200 Eagle/Shannon

Size of Hole	Size of Casing	Weight per Foot	Depth	Cementing Program (amount, type, additives)	Depth
1) 9 7/8	7	17	430	200 sks, Class g 2% CaC12	surf
2) 6 1/4	4 1/2	10.5	2200	.25#SK Celloflake, 100% excess	2200
3)				105 SKS, Lite 1500, 2%CaCl. .25	to
4)				125 SKS G 1% CaCi, 7%CFL, .25#/sk	suf

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 with Fresh Water mud to 2200', 12 mil pit liner in place. Anticipated Spud date May 15, 2008

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

Signature	Name (Print)	Title	Date
[signature]	Kein Sellers	Manager	05/22/2008

FOR OFFICE USE ONLY

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

Permit No. 1877 API No. 40 063 20651 Date Issued: July 2, 2008

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
Telephone: 605-394-2229
Fax: 605-394-5317

PERMIT CONDITIONS

Spyglass 10-5 Peterson
17N-4E-5 NWSE, Harding County

Permit: #1877
API: 40 063 20651

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

1. A 12-mil woven, reinforced high-density polyethylene liner will be used.
2. Surface runoff will be diverted around the drill site.
3. The surface hole will be drilled with fresh water.
4. Cement will be circulated to the ground surface on the surface casing.
5. Cement will be circulated back into the surface casing on the long string.
6. A cement bond log is to be filed if production casing is set.
7. If abandoned:
   A. With long string, sufficient cement will be circulated to:
      1. Squeeze approximately five sacks of cement into the perforations.
      2. Place 100 feet of cement above perforations.
      3. Fill casing with heavy mud.
      4. Repair casing, if necessary, to hold a column of fluid.
      5. Set 100-foot plug in the top of the casing.
      6. Squeeze approximately five sacks of cement into the casing annulus.
   B. Without long string, sufficient cement will be circulated to:
      1. Set a 100-foot plug across the top of the Eagle formation.
      2. Set a 100-foot plug across the base of the surface casing.
      3. Fill the top 25 feet of the 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 prior to plugging so that a witness can be on location. After hours, call Fred V. Steece at 605.343.8617 or Mack McGillivray at 605.341.0207.