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

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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 Drill Horizontal Well

Type of well:
☑ Oil Well ☐ Gas Well ☐ Injection ☐ Other

Name and Address of Operator: Telephone
Zenergy Operating Company One Warren Place, 6100 S. Yale, Tulsa, OK 74136 (918) 488-6416

Name and Address of Surface Owner:
Cave Hills Cattle, Co., Inc. HC 63 Box 78, Buffalo, SD 57720

Name and Address of Drilling Contractor and Rig Number:
Cyclone Drilling PO Box 908, Gillette WY 82717 (307) 682-4161 - Rig #18

Surface Location of well: Qtr-Qtr, Sec, Twp, Rge, County, feet from nearest lines of section, and latitude and longitude (if available):
NW NE, Sec. 31, T21N - R6E, Harding County, 200' FNL and 2150' FEL, Lat 45°44'49.48" N Long 103°25'34.98" W

If Directional, top of pay and bottom hole location from nearest lines of section:
SW SW, Sec. 36, T21N - R5E, Harding County, 660' FSL and 660' FWL, Lat 45°44'05.93" N Long 103°27'24.00" W

Acres in Spacing (Drilling) Unit: 1280

Description of Spacing Unit: Sec. 31, T21N - R6E: All & Sec. 36, T21N - R5E: All

Well Name and Number	Elevation	Field and Pool, or Wildcat	Proposed Depth and Formation
Tecton Cave Hills Cattle Co., Inc 2-31H	2816'	Wildcat	17,201' MD Red River B

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'	380 sx Class C, 300 sx Class G	2000'
2) 8-3/4"	7"	29 & 32	8859'	200 sx 65/35 Class G Poz, 500 sx Class G	8859'
3) 6"	4-1/2"	13.5	17201'	Open Hole Completion	17201'
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.

Zenergy proposes to drill a horizontal well to test the Red River B formation. This well is planned to be an openhole lateral, natural in the Red River interval. Drilling is planned to commence on January 1, 2009.

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
Venessa Langmacher	Venessa Langmacher	Agent for Zenergy	11/17/2008

FOR OFFICE USE ONLY

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

Permit No. 1899 API No. 40 063 20670 Date Issued: December 12, 2008

Conditions, if any, on attached page.