

STATE OF NEVADA
COMMISSION ON MINERAL RESOURCES
DIVISION OF MINERALS
400 W. King Street, Suite 106
Carson City, Nevada 89703
(775) 684-7040 ! Fax (775) 684-7052

RECEIVED

JAN 28 2013

Division of Minerals

APPLICATION FOR PERMIT TO DRILL AN OIL OR GAS WELL

(Application must be accompanied by \$200 permit fee. Submit proposed drilling program with this application.)

Company or Operator True Oil LLC

Send permit to:

Street or P.O. Box PO Drawer 2360 City Casper State WY

Zip 82601 Telephone (307) 237-9301

Lease name D Y Federal Well No. 13-31 within the NW 3 SW 3

Sec 31, T. 7, R. 57 M.D.B.M.

Field wildcat, County Nye

The well is 2,580 S feet from (N) (S) line and 900 W feet from (E) (W) line of the section. (Give location from section line, cross out wrong directions.)

Distance and direction from nearest town 23 miles SW of Currant, NV

If patented land, fee owner is _____

Address _____

If government land, lease serial No. is 14-04-03200

Lessee is Bureau of Land Management

Address PO Box 911, Tonopah, NV 89049

Section 31

Locate well correctly.

It is proposed to drill the well to a depth of 6,200 feet using a rotary rig.

The elevation is 4713 feet above sea level. The KB will be 4725.

If this is a wildcat well, attach plat by licensed surveyor showing location.

The status of a bond for this well is conformance with NRS 522.230 of the Nevada Revised Statutes is _____

accepts BLM bond, CD/cash \$25K - BLM bond # B005106, send copy

If bond posted with U.S. Government, what is name of surety company? US Speciality Insurance

Company _____ Bond number? B005106

I certify that I have personal knowledge of the facts above stated and that they are true, correct, and complete.

Signed Erich J. Schmidt

Name Erich J Schmidt

Position Petroleum Engineer

Date _____, 20 13

Permit No. 954

API No. 27-023-05626

Approval date 1-21-14

By [Signature]
ADMINISTRATOR



BRIAN SANDOVAL
Governor

STATE OF NEVADA
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Carson City, Nevada 89703
(775) 684-7040 • Fax (775) 684-7052
<http://minerals.state.nv.us/>

Las Vegas Branch:
2030 E. Flamingo Rd.
Suite #220
Las Vegas, Nevada 89119
(702) 486-4343
Fax (702) 486-4345

RICHARD PERRY
Administrator

CONDITIONS OF APPROVAL

Operator: True Oil LLC
Lease Name: DY Federal/BLM NVN 14-04-03200
Well: DY Federal 13-31

**A COPY OF THESE CONDITIONS OF APPROVAL MUST BE FURNISHED
TO YOUR FIELD REPRESENTATIVE TO INSURE COMPLIANCE**

Submit forms and correspondence to: Nevada Division of Minerals
400 W. King Street
Suite 106
Carson City, NV 89703

Communications with the Division shall be directed to:

Lowell Price, Oil, Gas and Geothermal Program Manager
Office 775-684-7045 Email lprice@govmail.state.nv.us
Cell 775-721-1774
Fax 775-684-7052

Richard M. Perry, Division Administrator
Office 775-684-7045 Email rmperry@govmail.state.nv.us
Cell 775-721-0282
Fax 775-684-7052

Voicemail is available on all cell phones and office phones. Please leave a message if you are unable to speak to someone and we will return your call as quickly as possible.

By provision of the current Memorandum of Understanding between NDOM and BLM, you may contact the following individuals for information or approvals if necessary. Approvals under the MOU apply to Fee and Federal lease locations.

John Menghini, Fluid Minerals Team, Petroleum Engineer, BLM Reno
Office 775-861-6573 Email John_Menghini@blm.gov
Cell 775-223-1359
Fax 775-861-6711

Nazila Hummer, Fluid Minerals, Geologist, BLM Tonopah Field District
Office 775-482-7840 Email nhummer@blm.gov
Fax 775-482-7810

YOUR APPLICATION TO DRILL THE DY Federal 13-31 WELL IS APPROVED
SUBJECT TO THE FOLLOWING PERMIT CONDITIONS

1. Approval of an APD does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. In addition, approval of this APD does not imply that the operator has legal access to the drilling location. When crossing private surface and when crossing public surface off-lease the operator must have an approved right-of-way.
2. All operations shall conform to the Nevada Division of Minerals Oil and Gas chapter 522 – Oil and Gas General Provisions.
3. A complete copy of an approved drilling permit must be at the drill site during the construction of the roads and drill pad, the drilling of the well, and the completion of the well.
4. The Oil, Gas, and Geothermal Program Manager with the Nevada Division of Minerals will be notified 24 hours prior to spudding well by either telephone or email.
5. Verbal notification shall be given to the Nevada Division of Minerals Oil, Gas, and Geothermal Program Manager at least 24 hours in advance of running and cementing casing (other than conductor casing), BOPE tests, and formation tests. BOPE pressure curves, or test charts, are to be submitted to the Nevada Division of Minerals Oil, Gas, and Geothermal Program Manager by email at the completion of testing.
6. Operator will follow best management practices for all strings of casing as stipulated in the American Petroleum Institute (API) Spec.5CT, or as approved by the Administrator, or Deputy Administrator, of the Nevada Division of Minerals.
7. Pressure curves for Blowout Prevention Equipment (BOPE) and Formation Integrity Tests (FIT) are to be submitted via email to the Nevada Division of Minerals Oil, Gas, and Geothermal Program Manager at the conclusion of the testing.
8. Type A Portland Cement is to be utilized for the cementing of all casing strings, or as approved by the Administrator, or Deputy Administrator, of the Nevada Division of Minerals.
9. Surface casing is to be cemented to the surface. If cement does not completely circulate back to the surface, distance to the top of the cement is to be measured in the annular space and reported to the Nevada Division of Minerals Oil, Gas, and Geothermal Program Manager. A cement top job of the open annular space will be required. A sonic cement bond log (CBL) covering the surface casing from its casing shoe to the surface may be required by the Administrator, or Deputy Administrator, in the event significant loss of cement occurs during the cementing of the surface casing, as indicated by the amount of top job required. The CBL will be run over the surface casing prior to, or at, the next bit run in the intermediate bore hole, if required by the Administrator or Deputy Administrator. In the event a CBL does not show the needed clarity of cement occupying the annular space, the Administrator, or Deputy Administrator, may also require an ultrasonic cement bond log to be run. Digital copies of the cement bond log(s) and integrated interpretive log(s) will be provided to the Nevada Division of Minerals Oil, Gas, and Geothermal Program Manager as soon as digital versions are available.
 - A. Cement tickets and/or cement job report illustrating pressure/rate/density curves related to the cementing of surface casing are to be submitted via email to the Nevada Division of Minerals Oil, Gas, and Geothermal Program Manager at the completion of the cementing procedure.
 - B. A surface casing pressure test will be run prior to drilling out the surface casing shoe. Casing will be pressured to a minimum of 1,500 psig for a minimum of 30 minutes. The casing pressure test curve is to

be submitted via email to the Nevada Division of Minerals Oil, Gas, and Geothermal Program Manager at the conclusion of the test.

- C. A Formation Integrity Test (FIT) will be run after casing shoe is drilled out, no more than 20 feet into the formation below the casing shoe. The FIT shall expose the shoe to the minimum mud weight equivalent necessary to control anticipated pressure at the next casing point. The results of the FIT will be submitted via email to the Nevada Division of Minerals Oil, Gas, and Geothermal Program Manager at the conclusion of the test. In the event the FIT fails, a cement squeeze job is required.
10. The intermediate casing(s) are to be cemented a minimum of 500 feet above any identified hydrocarbon bearing zone, or a minimum of 100 feet into the previous emplaced casing string above. Additional cementing requirements may be invoked if the Administrator, or Deputy Administrator, of the Nevada Division of Minerals deems necessary. Due to True Oil possibly utilizing two strings of intermediate casing, 9.625 and 7.00 inch, the following requirements are to be adhered to for both strings of casing:
- A. Cement tickets and/or cement job report illustrating pressure/rate/density curves related to the cementing of the intermediate casing or liner are to be submitted via email to the Nevada Division of Minerals Oil, Gas, and Geothermal Program Manager at the completion of the cementing procedure.
 - B. A casing pressure test will be run on intermediate casing strings utilized in the well bore construction prior to drilling out the respective casing shoes. The intermediate casing strings will be pressured to a minimum of 1,500 psig for a minimum of 30 minutes. Casing pressure test curves are to be submitted via email to the Nevada Division of Minerals Oil, Gas, and Geothermal Program Manager at the conclusion of the test.
 - C. A sonic cement bond log (CBL) will be run over the intermediate casing. In the event a CBL does not show the needed clarity of cement occupying the annular space, the Administrator may also require an ultrasonic cement bond log to be run. In the event further drilling is required, where a production liner will be hung from the production casing and run into the open hole, the sonic cement bond log (CBL), and ultrasonic cement bond log if required, will be run over the production casing prior to running and cementing the production liner. Digital copies of the cement bond log(s) and integrated interpretive log(s), will be provided to the Nevada Division of Minerals Oil, Gas, and Geothermal Program Manager as soon as a digital versions are available.
 - D. A Formation Integrity Test (FIT) will be run after the casing shoe is drilled out, both the 9.625 and 7.00 inch casing shoes, no more than 20 feet into the formation below the casing shoe. The FIT shall expose the shoe to the minimum mud weight equivalent necessary to control anticipated pressure at the next casing point. The results of the FIT will be submitted via email to the Nevada Division of Minerals Oil, Gas, and Geothermal Program Manager at the conclusion of the test. In the event the FIT fails, a cement squeeze job is required.
11. The production casing string is to be cemented to a minimum of 500 feet above the shallowest identified hydrocarbon bearing zone, or a minimum of 100 feet into the intermediate casing.
- A. Cement tickets and/or cement job report illustrating pressure/rate/density curves related to the cementing of the production casing are to be submitted to the Nevada Division of Minerals Oil, Gas, and Geothermal Program Manager at the completion of the cementing procedure.
 - B. A production casing pressure test will be run to a minimum of 1,500 psig for a minimum of 30 minutes. The pressure curve is to be submitted via email to the Nevada Division of Minerals Oil, Gas, and Geothermal Program Manager at the conclusion of the test.

- C. A sonic cement bond log (CBL) will be run over the production casing. In the event a CBL does not show the needed clarity of cement occupying the annular space, the Administrator may also require an ultrasonic cement bond log to be run. Digital copies of the cement bond log(s) and integrated interpretive log(s), will be provided to the Nevada Division of Minerals Oil, Gas, and Geothermal Program Manager as soon as a digital versions are available.
12. In the event a production liner is hung from either the intermediate casing or production casing, a minimum 200 foot overlap is required between the intermediate casing shoe and the top of the production liner.
- A. The operator shall utilize enough excess cement when cementing the production liner to cover the lap joint. If production liner cement calculations were not included in a previously approved cementing program these calculations are to be submitted via email to the Nevada Division of Minerals Oil, Gas, and Geothermal Program Manager prior to the cement procedure for approval by the Administrator, or Deputy Administrator, of the Nevada Division of Minerals. The cementing procedure may not be initiated without the approval of the Administrator or Deputy Administrator.
- B. Cement tickets and/or cement job report illustrating pressure/rate/density curves related to the cementing of the production liner are to be submitted via email to the Nevada Division of Minerals Oil, Gas, and Geothermal Program Manager at the completion of the cementing procedure.
- C. A production liner pressure test will be run to a minimum of 1,500 psig for a minimum of 30 minutes. The lap joint between the production liner and intermediate casing must be included in the pressure test. The casing pressure test curve is to be submitted via email to the Nevada Division of Minerals Oil, Gas, and Geothermal Program Manager at the completion of the test.
- D. A sonic cement bond log (CBL) will be run over the production liner. In the event a CBL does not show the needed clarity of cement occupying the annular space, the Administrator may also require an ultrasonic cement bond log to be run. Digital copies of the cement bond log(s) and integrated interpretive log(s) will be provided to the Nevada Division of Minerals Oil, Gas, and Geothermal Program Manager as soon as digital versions are available.
13. **The State of Nevada (NAC 522A.215) - Cuttings – requirements for permit. Samples of cuttings shall be collected and submitted to the Nevada Bureau of Mines and Geology (NBMG). The Nevada Division of Minerals conditions of approval further require a minimum of 30-foot sample intervals from surface to the surface casing shoe and 10-foot intervals from the surface casing shoe to total depth.**

TWO separate sets of cuttings are to be sent prepaid to the Great Basin Science Sample and Records Library, Nevada Bureau of Mines and Geology, 2175 Raggio Parkway, Reno, Nevada 89512. For more information call 775-682-8766 or e-mail [nbmg@unr.edu](mailto:nbmng@unr.edu).

EACH SET is to consist of at least 15 milliliters of cuttings per sampling interval that must be cleaned, dried, and placed into 3"x5" sample envelopes. The envelopes are to be placed in order by interval into common drill boxes with the approximate dimensions of 3"x5"x20". The envelopes are to be identified by the Nevada Division of Minerals permit number, well name/number as noted on the Application for Permit to Drill an Oil or Gas Well (Kettleman number alone will suffice if given), and depth interval.

The sets are to be PROPERLY INDENTIFIED as follows: Each box is to have legibly written on one end the name of the operator and well as noted on the Application for Permit to Drill an Oil or Gas Well, Division permit number, total interval (missing intervals noted), and set number.

NOTE: the cuttings are not to be sent to the Nevada Division of Minerals. The cuttings are due within 15 days of completion of the well. The operator will be responsible for the cost of any further handling of the samples by NBMG required to meet standards set out in this permit condition.

14. Any production of oil and/or gas will be reported on the Nevada Division of Minerals Oil and Gas Operator's Monthly Report, starting with the month in which production operations commence and continuing each month until the well is physically plugged and abandoned. The Oil and Gas Operator's Monthly report is to be filed with the Nevada Division of Minerals, along with the Administrative fee, by the last day of the month following the month for which production occurred.
15. All wells, whether drilling, producing, suspended or abandoned shall be identified by a sign or marker with the name of the operator, the well number, and the surveyed description of the well. The sign or marker will also have the BLM lease serial number if the well is located on or enters a Federal lease at depth.
16. No well abandonment operations will be commenced without the prior approval of the Nevada Division of Minerals. A sundry notice along with the plugging and abandonment procedure will be submitted to the Nevada Division of Minerals for approval.
17. Upon completion of approved plugging, a well identification marker will be erected at the wellsite location. The following information will be permanently placed on the marker: operator name, well name and number, location by quarter/quarter section, township, range, and federal lease number (if location is on a federal lease, or if wellbore enters a federal lease at depth).
18. A Well Plugging Report (Form 12) will be submitted within thirty (30) days following the actual plugging of the wellbore.
19. Any venting or flaring of gas during drilling or initial well evaluation tests will be conducted in accordance with Nevada Division of Minerals regulations.
20. Lessees, operators, have the responsibility to see that their exploration, development, production, and construction operations are conducted in such a manner which conforms to applicable State of Nevada laws and regulations, as well as Federal laws and regulations if exploration, development, production, and construction operations are being conducted on, or impact, a Federal lease.
21. All undesirable events (fires, accidents, blowouts, spills, and discharges) will be orally reported to the Oil, Gas, and Geothermal Program Manager, or the Administrator of the Nevada Division of Minerals immediately. These events will be followed with a written report within fifteen (15) days. The Nevada Division of Environmental Protection will also be notified of blowouts and abnormal surface spills and discharges through their 24 hour telephone notification hotline (in-state 1-888-331-6337, out of state 1-775-687-9485).
22. The enclosed Abandoned Mine brochures shall be posted in common personnel areas at the well site. The operator shall inform all drilling personnel and contractors associated with the drilling of the well of potential dangers, including bodily injury and death, associated with the exploration of abandoned mine workings, as well as the disturbance of possible bat habitats.