

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

RECEIVED

APR 22 2013

DEPT OF ENVIRONMENT & NATURAL
RESOURCES - RAPID CITY

IN THE MATTER OF THE PETITION OF)
LUFF EXPLORATION COMPANY TO)
AMEND THE APPLICABLE ORDERS FOR)
THE BUFFALO FIELD AND THE SOUTH)
MEDICINE POLE HILLS FIELD TO)
INCLUDE THE SE/4 OF SECTION 31,)
TOWNSHIP 23 NORTH, RANGE 4 EAST,)
THE NW/4 OF SECTION 3 AND THE NE/4)
OF SECTION 4, BOTH IN TOWNSHIP 22)
NORTH, RANGE 4 EAST, IN THE BUFFALO)
FIELD AND ESTABLISH TWO)
OVERLAPPING 960-ACRE SPACING UNITS)
FOR THE BUFFALO FIELD CONSISTING)
OF (1) THE E/2 OF SECTION 33 AND THE)
W/2 OF SECTION 34, TOWNSHIP 23)
NORTH, RANGE 4 EAST, AND THE NW/4)
OF SECTION 3 AND THE NE/4 OF SECTION)
4, TOWNSHIP 22 NORTH, RANGE 4 EAST;)
AND (2) THE E/2 OF SECTION 31 AND ALL)
OF SECTION 32, TOWNSHIP 23 NORTH,)
RANGE 4 EAST, ALL IN HARDING)
COUNTY, SOUTH DAKOTA, AND)
AUTHORIZE THE DRILLING OF A)
HORIZONTAL WELL WITH ONE OR MORE)
LATERALS IN THE RED RIVER "B" ZONE)
AT ANY LOCATION NOT CLOSER THAN)
500 FEET TO THE BOUNDARY OF EACH)
OF SAID SPACING UNITS; TO AUTHORIZE)
THE ISSUANCE OF PERMITS FOR SUCH)
HORIZONTAL WELLS; AND FOR SUCH)
OTHER RELIEF AS THE BOARD DEEMS)
APPROPRIATE.)

PETITION

Case No. 16-2013

COMES NOW the petitioner, Luff Exploration Company ("Luff"), and respectfully alleges as follows:

1. Luff represents the owners of interests in the oil and gas leasehold estate underlying all or portions of the NW/4 of Section 3 and the NE/4 of Section 4, Township 22

North, Range 4 East and the E/2 of Sections 31 and 33, the W/2 of Section 34, and all of Section 32, Township 23 North, Range 4 East, Harding County, South Dakota.

2. In Order No. 2, the Board created the Buffalo Field and established 160-acre spacing. In Order No. 20-97, the Board extended the outline of the Buffalo Field to include Section 3 and established 640-acre spacing for horizontal wells drilled on certain lands in the Buffalo Field, including said Section 3.

3. In Order No. 2-73b, the Board established 320-acre spacing for the South Medicine Pole Hills field and included all of Sections 32, 33 and 34 within the South Medicine Pole Hills field. In Order No. 14-97, the Board redefined the field to include additional lands and established 640-acre spacing for horizontal Red River "B" wells in various lands within the field, including Sections 32 and 34. In Order No. 2-2011, the Board extended the outline of the South Medicine Pole Hills to include the NE/4 of Section 31 as part of a 480-acre spacing unit.

4. The SE/4 of Section 31, Township 23 North, Range 4 East and the NE/4 of Section 4, Township 22 North, Range 4 East, have not been included in any fields established by the Board.

5. In Luff's opinion, the Red River "B" formation underlying all of said lands is part of the same common source of supply currently producing in the South Medicine Pole Hills field.

6. Luff has drilled a horizontal well in the Red River "B" pool on a 480-acre spacing unit consisting of the SW/4 of Section 29, the NW/4 of Section 32 and the NE/4 of Section 31, Township 23 North, Range 4 East. Luff has drilled the Buckley D-32H well on such spacing unit. In Order No. 7-2012, Luff obtained approval of a 960-acre spacing unit consisting of the SW/4 of Section 27, the SE/4 of Section 28, the E/2 of Section 33 and the W/2 of Section 34, Township 23 North, Range 4 East, for the purpose of drilling a horizontal well in a northwest to southeast orientation and has drilled the McKittrick I-28H well on such spacing unit.

7. Luff believes that additional wells are necessary to adequately and efficiently drain the reservoir in the areas of the wells described above. Luff proposes to drill a horizontal

well paralleling the Buckley D-32 well and a horizontal well paralleling the McKitrick I-28H well. Such wells would also optimize the possibility of secondary recovery activities on said lands.

8. To allow these additional wells to be drilled in the optimal locations, Luff requests that the Board establish a 960-acre spacing unit consisting of the E/2 of Section 31 and all of Section 32, Township 23 North, Range 4 East and a second 960-acre spacing unit consisting of the E/2 of Section 33 and the W/2 of Section 34, Township 23 North, Range 4 East, and the NW/4 of Section 3 and the NE/4 of Section 4 Township 22 North, Range 4 East, and allow one horizontal well to be drilled on each of these proposed spacing units. The proposed spacing units would overlap the existing spacing units described above and would not replace those spacing units for purposes of payment of proceeds from production on wells drilled on those existing spacing units.

9. In Luff's opinion, extending the field outline, forming the requested spacing units and drilling the wells described above will optimize primary recovery, prevent waste, avoid the drilling of unnecessary wells, and protect correlative rights.

10. The spacing unit requested to be created is not smaller than the maximum area that can be efficiently and economically drained by the proposed wells and the size, shape and location thereof will result in the efficient and economic development of the pool as a whole.

11. The Board is authorized to grant the requested spacing unit by SDCL 45-9-20 through 45-9-29 and ARSD 74:12:02:06. Luff further requests that the order authorize the issuance of permits for the drilling of horizontal wells in accordance with this application.

WHEREFORE, applicant respectfully requests that the Board issue its notice of opportunity for hearing and, if any interested party intervenes in accordance with said notice, set this matter for hearing at the regularly scheduled hearings in June, 2013, or such other date as may be established by the Board, and that the Board enter its order granting the relief requested.

Dated this 19 day of April, 2013.

LUFF EXPLORATION COMPANY

John W. Morrison
CROWLEY FLECK PLLP.
Suite 600, 400 East Broadway
P.O. Box 2798
Bismarck, ND 58502

MAY, ADAM, GERDES & THOMPSON, L.L.P.
503 South Pierre Street
P.O. Box 160
Pierre, SD 57501-0160

By:



BRETT M. KOENECKE

State of Colorado)
)ss.
County of Denver)

Luff Exploration Company, applicant in the captioned matter, hereby grants permission to the secretary for the performance of inspections required or authorized by SDCL Chapter 45-9 or ARSD Article 74:12.

LUFF EXPLORATION COMPANY


By: _____

Subscribed and sworn to this 17th day of April, 2013.



Kristal Davila
Notary Public
Denver County, Colorado
My Commission Expires: 6/24/2015



DEPARTMENT of ENVIRONMENT and NATURAL RESOURCES
Minerals & Mining Program
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Telephone: 605-773-4201, FAX: 605-394-5317

FORM 13
RECEIVED
APR 22 2013

DEPT OF ENVIRONMENT & NATURAL
RESOURCES - RAPID CITY

**STATE OF SOUTH DAKOTA
BEFORE THE SECRETARY OF
THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES**

IN THE MATTER OF THE)
APPLICATION OF Luff Exploration Company's petition to)

amend Buffalo field and South Medicine Pole Hills field)

CERTIFICATION OF
APPLICANT

STATE OF COLORADO)
) SS
COUNTY OF DENVER)

I, Richard D. George, the applicant in the above matter after being duly sworn upon oath hereby certify the following information in regard to this application:

South Dakota Codified Laws Section 1-40-27 provides:

"The secretary may reject an application for any permit filed pursuant to Titles 34A or 45, including any application by any concentrated swine feeding operation for authorization to operate under a general permit, upon making a specific finding that:

(1) The applicant is unsuited or unqualified to perform the obligations of a permit holder based upon a finding that the applicant, any officer, director, partner, or resident general manager of the facility for which application has been made:

- (a) Has intentionally misrepresented a material fact in applying for a permit;*
- (b) Has been convicted of a felony or other crime of moral turpitude;*
- (c) Has habitually and intentionally violated environmental laws of any state or the United States which have caused significant and material environmental damage;*
- (d) Has had any permit revoked under the environmental laws of any state or the United States;*
- (e) Has otherwise demonstrated through clear and convincing evidence of previous actions that the applicant lacks the necessary good character and competency to reliably carry out the obligations imposed by law upon the permit holder; or*

(2) The application substantially duplicates an application by the same applicant denied within the past five years which denial has not been reversed by a court of competent jurisdiction. Nothing in this subdivision may be construed to prohibit an applicant from submitting a new application for a permit previously denied, if the new application represents a good faith attempt by the applicant to correct the deficiencies that served as the basis for the denial in the original application.

All applications filed pursuant to Titles 34A and 45 shall include a certification, sworn to under oath and signed by the applicant, that he is not disqualified by reason of this section from obtaining a permit. In the absence of evidence to the contrary, that certification shall constitute a prima facie showing of the suitability and qualification of the applicant. If at any point in the application review recommendation, or hearing process, the secretary finds the applicant has intentionally made any material misrepresentation of fact in regard to this certification, consideration of the application may be suspended and the application may be rejected as provided for under this section.

Applications rejected pursuant to this section constitute final agency action upon that application and may be appealed to circuit court as provided for under chapter 1-26."

Pursuant to SDCL 1-40-27, I certify that I have read the forgoing provision of state law, and that I am not disqualified by reason of that provision from obtaining the permit for which application has been made.

Dated this 17 day of April, 2013.


Applicant

Subscribed and sworn before me this 17th day of April, 2013.

Kristal Davila
Notary Public

My commission expires 6/24/2015

(SEAL)



PLEASE ATTACH THIS DISCLOSING ALL FACTS PERTAINING TO SDCE 1-40-27 (1)(a) THROUGH (e).
ALL VIOLATIONS MUST BE DISCLOSED, BUT WILL NOT AUTOMATICALLY RESULT IN THE REJECTION OF AN APPLICATION.