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DEPT OF ENVIRONMENT & NATURAL
RESOURCES - RAPID CITY

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

IN THE MATTER OF THE PETITION OF)
LUFF EXPLORATION COMPANY, DENVER,)
CO, TO AMEND BOARD ORDER NOS. 3-)
75A, 17-97, AND ANY OTHER APPLICABLE)
ORDERS FOR THE COREY BUTTE FIELD)
TO ESTABLISH A 960-ACRE SPACING)
UNIT CONSISTING OF ALL OF SECTION)
25 AND THE E/2 OF SECTION 26,)
TOWNSHIP 23 NORTH, RANGE 6 EAST,)
HARDING COUNTY, SOUTH DAKOTA,)
AND AUTHORIZE THE DRILLING OF UP)
TO TWO HORIZONTAL WELLS IN THE)
RED RIVER "B" ZONE AT ANY LOCATION)
NOT CLOSER THAN 500 FEET TO THE)
BOUNDARY OF SAID SPACING UNIT; TO)
AUTHORIZE THE ISSUANCE OF A PERMIT)
FOR SUCH HORIZONTAL WELL; AND FOR)
OTHER RELIEF AS THE BOARD DEEMS)
APPROPRIATE.)

PETITION

Case No. 4-2015

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 Section 25 and the E/2 of Section 26, Township 23 North, Range 6 East of the Black Hills Meridian, Harding County, South Dakota.

2. Pursuant to Order Nos. 3-75A and 17-97, Sections 25 and 26 were included in the Corey Butte Field and established as 640-acre spacing units for the Red River "B" pool. In Order No. 4-02, the W/2 of Section 26 was included with the E/2 of Section 27 as a 640-acre spacing unit for the Red River "B" zone.

3. No wells have been drilled in Section 25 or the E/2 of Section 26. Luff believes that the Red River "B" pool underlying said lands should be developed by drilling up to two horizontal wells in a generally northwest/southeast orientation across the 960 acres. In Luff's

opinion, such a well plan of development would maximize the recovery of hydrocarbons and thereby prevent waste and would also result in the efficient and economical development of the pool as a whole.

4. Luff respectfully requests that the Board amend its prior orders including Order Nos. 3-75A and 17-97, so as to establish a 960-acre spacing unit for the Corey Butte Field consisting of said lands and allow up to two horizontal wells to be drilled in the Red River "B" pool at any location thereon not closer than 500 feet to the boundary of such spacing unit.

5. In Luff's opinion, forming the requested spacing unit and authorizing the drilling of the wells described above will optimize primary recovery, prevent waste, avoid the drilling of unnecessary wells, and protect correlative rights.

6. 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.

7. The Board is authorized to grant the requested spacing unit by South Dakota Codified Laws 45-9-20 through 45-9-29 and Administrative Rules of South Dakota 74:12:02:06. Luff further requests that the order authorize the issuance of a permit 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 May 2015, or such other date as may be established by the Board, and that the Board enter its order granting the relief requested.

Dated this 24th day of March, 2015.

LUFF EXPLORATION COMPANY

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By: /s/ Brett M. Koenecke
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