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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 TO)
AMEND THE APPLICABLE ORDERS FOR)
THE BUFFALO FIELD, THE SOUTH)
MEDICINE POLE HILLS FIELD, THE STATE)
LINE FIELD, AND THE TRAVERS RANCH)
FIELD TO ESTABLISH A 960-ACRE)
SPACING UNIT FOR THE BUFFALO FIELD)
CONSISTING OF THE SW/4 OF SECTION 36)
AND THE SE/4 OF SECTION 35, TOWNSHIP)
23 NORTH, RANGE 4 EAST, HARDING)
COUNTY, SOUTH DAKOTA, AND THE W/2)
OF SECTION 1 AND THE E/2 OF SECTION 2,)
TOWNSHIP 22 NORTH, RANGE 4 EAST,)
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 SAID)
SPACING UNIT; TO AUTHORIZE THE)
ISSUANCE OF A PERMIT FOR SUCH)
HORIZONTAL WELL; AND FOR SUCH)
OTHER RELIEF AS THE BOARD DEEMS)
APPROPRIATE.)

PETITION

Case No. 6-2013

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 SW/4 of Section 36 and the SE/4 of Section 35, Township 23 East, Range 4 West, Harding County, South Dakota, and the W/2 of Section 1 and the E/2 of Section 2, Township 22 North, Range 4 East of the Black Hills Meridian, Harding County, South Dakota.

2. In Order No. 2-73b, the Board established 320-acre spacing for the South Medicine Pole Hills field. In Order No. 14-97, the Board redefined the field to include all of said

Section 35 and established 640-acre spacing for horizontal Red River "B" wells in various lands within the field, including Section 35.

3. In Order No. 1-73, the Board established 320-acre spacing for the State Line field and included all of said Section 36 within the field.

4. In Order No. 3-73b, the Board established 320-acre spacing for the Travers Ranch field and included the W/2 of Section 1 within the Travers Ranch field. In Order No. 7-95, the Board amended Order No. 3-73b to include the E/2 of said Section 1 within the Travers Ranch field and established 640-acre spacing for all of Section 1.

5. The E/2 of said Section 2 is not included within any field established by order of the Board.

6. No wells have been drilled in the lands described above. However, in Order No. 2-2010, the Board, upon petition by Luff, expanded the Buffalo field to include the SW/4 of Section 2 and the W/2 of Section 11, Township 22 North, Range 4 East, and established a 960-acre spacing unit consisting of the SW/4 of Section 2, the SE/4 of Section of Section 3, the E/2 of Section 10 and the W/2 of Section 11. In addition to the well authorized by Order No. 2-2010, Luff desires to drill a horizontal well in the Red River "B" zone with a SE/NW azimuth across the proposed 960-acre spacing unit consisting of the SW/4 of Section 36, the SE/4 of Section 35, the W/2 of Section 1 and the E/2 of Section 2. Due to the structure and areal extent of the Red River accumulation in this area, such a well will, in applicant's opinion, maximize the recovery of oil and gas. In Luff's opinion, such a well would produce oil and gas from the same Red River common source of supply currently producing in the Buffalo Field.

7. Luff respectfully requests that the Board amend its prior orders, including without limitation Order Nos. 1-73, 2-73b, 3-73b, 7-95 and 14-97, so as to include the SW/4 of Section 36, the SE/4 of Section 35, the W/2 of Section 1 and the E/2 of Section 2 in the Buffalo Field and establish a 960-acre spacing unit for the Buffalo Field consisting of said lands and allow a horizontal well with one or more laterals 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.

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

9. 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.

10. 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 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 March, 2012, or such other date as may be established by the Board, and that the Board enter its order granting the relief requested.

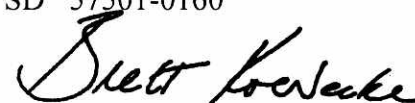
Dated this 1 day of February, 2013.

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 1st day of February, 2013.



Notary Public

Denver County, Colorado

My Commission Expires: 6/24/2015



FORM 13
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**STATE OF SOUTH DAKOTA
BEFORE THE SECRETARY OF
THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES**

CERTIFICATION OF APPLICANT

- (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 1 day of February, 2013.


Applicant

Subscribed and sworn before me this 1st day of February, 2013.


Notary Public

My commission expires: 6/24/2015

(SEAL)



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