



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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APR 23 2012

DEPT OF ENVIRONMENT & NATURAL RESOURCES - RAPID CITY

APPLICATION FOR PERMIT TO DRILL

Type of Well: Drill New Well Reenter Well Drill Directional Well Other

Type of Well: Oil Well Gas Well Injection Other

Name and Address of Operator: LUFF EXPLORATION COMPANY, 1580 LINCOLN STREET, SUITE 850, DENVER, CO 80203
 Telephone: (303) 861-2468

Name and Address of Surface Owner: Milo & Barbara Downing, 12997 Cox Road, Ludlow, SD 57755

Name and Address of Drilling Contractor and Rig Number: Cyclone Rig # 11, 5800 Mohan Rd, Gillette, WY 82718

Surface Location of Well: Qtr-Qtr, Sec, Twp, Rge, County, Feet from Nearest Lines of section, and latitude and longitude (if available):
 NWSE Sec 30-T23N-R6E, Harding Co., 1710' FSL x 1880' FEL, Lat: 45° 55' 33.318" N, Long: 103° 25' 32.724" W

If Directional, top of pay and bottom hole location from nearest lines of section:
 East Lateral: Top of pay est @ 9224' MD = 8951' TVD (1735' FSL x 1403' FEL)
 BHL = 2020' FSL & 1350' FEL Sec 29-T23N-R6E

Acres in Spacing (Drilling) Unit: Unit well in East Harding Springs Red River Unit
 Description of Spacing Unit: East Harding Springs Red River Unit

Well Name and Number	Elevation	Field and Pool, or Wildcat	Proposed Depth and Formation
EHSRRU J-30H	2951' Gr 2966' KB	EHSRRU	14,565' MD, 8951' TVD Red River B

Size of Hole	Size of Casing	Weight per Foot	Depth	Cementing Program (amount, type, additives)	Depth
1) 13-1/2	9-5/8"	36#	2000'	435 sks Lite Tailed w/ 200 sks Premium	Surface
2) 8-3/4	7"	23, 26, 29#	9224'	100 sks Lite Tailed w/ 500 sks Premium	4200'
3) 6-1/8	None		14565'		
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.

Drill a medium radius horizontal well in the Red River "B" formation. Drill 13-1/2" surface hole to 2000' with fresh water. Run 9-5/8" casing and cement to surface. Drill 8-3/4" vertical hole to KOP at approximate 8473'. Drill build section with an azimuth of approximately 87 degrees and land in the top of the Red River "B" zone at 9224' MD = 8951' TVD with a BHL 25' north and 477' east of surface location. Vertical and build sections to be drilled with invert oil mud. Run 7" casing and cement to 4200'. Drill one 6-1/8" horizontal lateral in the Red River "B" zone to approximately 14565' MD = 8951' TVD at BHL approximately 2020' FSL and 1350' FEL Sec 29-T23N-R6E. Fresh water/polymer will be used for the horizontal section. All drilling fluids and cuttings will be contained in a pit lined with a 12 mil plastic liner. All liquids will be disposed of in an approved method, the liner and cuttings will be buried in place. The estimated start date for location construction is 5/15/12. Estimated start date for drilling is 6/1/12.

I hereby certify that the foregoing as to any work or operation performed is a true and correct report of such work or operation.

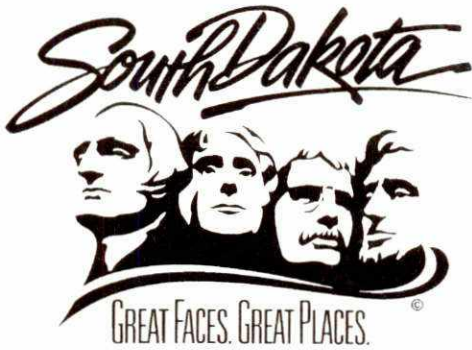
Signature: Name (Print): Richard D. George Title: Manager of Engineering Date: 4/20/2012

FOR OFFICE USE ONLY

Approved by: Robert Townsend Title: Administrator Minerals & Mining Prog.

Permit No. 2010 API No. 40 063 20733 Date Issued: 5/1/2012

Conditions, if any, on attached page.



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*Minerals & Mining Program
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PERMIT CONDITIONS

Luff: J-30H EHSRRU
23N-6E-30 NWSE, Harding County

Permit: #2010
API: 40 063 20733

Approval has been granted to drill this location as detailed on the attached Application for Permit to Drill (Form #2) with the following additional conditions:

1. This permit is conditioned on compliance with all applicable requirements of South Dakota Codified Laws 45-9 and Administrative Rules of South Dakota 74-12.
2. A 12-mil woven, reinforced high-density polyethylene liner must be used on all pits.
3. Surface runoff must be diverted around the drill site.
4. The surface hole must be drilled with fresh water.
5. Cement must be circulated to the ground surface on the surface casing.
6. If horizontally drilled:
 - A. The coordinates of the production casing shoe and the well terminus must be filed with the department.
 - B. The azimuth of the horizontal segment of the well must be filed with the department along with the results of periodic down hole surveys.
7. If production casing (long string) is set:
 - A. Sufficient cement must be circulated on the long string to cover any fresh water aquifer not covered by the surface casing. Freshwater resources not covered at this site include: Madison, Minnelusa, Minnekahta, Canyon Springs, and Inyan Kara.
 - B. A cement bond log must be run and filed with the department.
8. If abandoned:
 - A. With long string, sufficient cement must be circulated to install:
 1. A 100-foot cement plug immediately above the KOP, if horizontally drilled.
 2. A 100-foot cement plug, half in and half out of the top of the casing stub after the retrievable part of the production casing has been removed.
 3. A 100-foot cement plug, half in and half out of the top of any fresh water aquifer between the top of the casing stub and the base of the surface casing. Freshwater resources at this site include: Madison, Minnelusa, Minnekahta, Canyon Springs, and Inyan Kara.
 4. A 100-foot plug, half in and half out of the base of the surface casing.
 5. A 25-foot cement plug at the top of the surface casing.
 - B. Without long string, sufficient cement must be circulated to set:
 1. A 100-foot cement plug immediately above the KOP, if horizontally drilled.
 2. 100-foot cement plugs, half in and half out of the top of the following formations:
Red River, Interlake, Madison, Minnelusa, Minnekahta, Canyon Springs, and Inyan Kara.
 3. A 100-foot cement plug, half in and half out of the base of the surface casing.
 4. A 25-foot cement plug at the top of the surface casing.
 - C. Heavy, mud-laden fluid must be used between all plugs.
 - D. The casing string must be cut off at least three feet below the final ground surface contour. A plate with the name of the operator, well name and number, and legal location by quarter-quarter section, township and range must be welded to the casing stub. The location of the abandoned well must be surveyed with high resolution global positioning system equipment or other appropriate survey methods sufficient to accurately locate the well. Survey coordinates must be included in the final abandonment report.

9. Surface reclamation of the site must be completed within one year of plugging and abandoning the well.
10. A washed set of sample cuttings (or cores, if cut) must be shipped, free of charge, to:

Derric Iles
Geological Survey Program
Akeley-Lawrence Science Center
University of South Dakota
414 E. Clark Street
Vermillion, SD 57069-2390

11. Please notify this office prior to plugging so a witness can be on location. If plugging will occur after regular business hours, call Lucy Dahl at 605-773-6257.