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Fred Steece
Board of Minerals and Environment
Department of Environment and Natural Resources
2050 West Main, Suite 1
Rapid City, SD 57702

2-2011

RE: LUFF EXPLORATION COMPANY MATTERS
Our file: 4385.33

Dear Fred:

Enclosed for filing please find one original Amended Petition for filing.
Please contact me if you need anything further.

Very truly yours.

MAY, ADAM, GERDES & THOMPSON LLP

BRETT M. KOENECKE

BK:slg

Enclosure

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

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MAR 03 2011

DEPT OF ENVIRONMENT & NATURAL
RESOURCES - RAPID CITY

IN THE MATTER OF THE PETITION OF)
LUFF EXPLORATION COMPANY TO)
AMEND THE APPLICABLE ORDERS FOR)
THE SOUTH MEDICINE POLE HILLS FIELD)
TO INCLUDE THE NE/4 OF SECTION 31,)
TOWNSHIP 23 NORTH, RANGE 4 EAST,)
HARDING COUNTY, SOUTH DAKOTA,)
AND ESTABLISH A 480-ACRE SPACING)
UNIT CONSISTING OF THE SW/4 OF)
SECTION 29, THE NE/4 OF SECTION 31)
AND THE NW/4 OF SECTION 32, ALL IN)
TOWNSHIP 23 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 WELLS; AND FOR SUCH)
OTHER RELIEF AS THE BOARD DEEMS)
APPROPRIATE.)

AMENDED PETITION

2-2011

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 29, the NE/4 of Section 31 and the NW/4 of Section 32, all in Township 23 North, Range 4 East of the Black Hills Meridian, Harding County, South Dakota.

2. In Order No. 14-97, the Board established 640-acre for horizontal Red River "B" wells in various lands, including Sections 29 and 32 of Township 23 North, Range 4 East. Section 31 is not currently included within an existing field. Luff desires to drill a horizontal well from a surface location in the NW/4 of Section 32, with laterals extending into the SW/4 of

Section 29 and the NE/4 of Section 31. While it is not spaced, the Red River pool underlying Section 31 is part of the same common source of supply currently producing in the South Medicine Pole Hills field. Due to the structure and areal extent of the Red River accumulation in this area, such a well will maximize the primary recovery of oil and gas and will also provide a pattern that will ultimately maximize the secondary recovery of oil and gas. In order to maximize flexibility in locating the laterals and thereby maximize the ultimate recovery from the accumulation, Luff requests that it be allowed to drill the laterals as close as 500 feet to the boundary of the proposed 480-acre spacing unit.

3. Luff intends to drill the well vertically, set casing and then drill short-radius laterals from the vertical well. As a result, Luff requests that it be allowed to complete the well open hole in the Gunton formation, which is above the top of the Red River formation. Luff does not believe that the Gunton formation contains recoverable hydrocarbons and, in any event, all portions of the well-bore open to the producing zone will be located no closer than 500 feet to the boundary of the spacing unit.

4. Luff respectfully requests that the Board amend its prior orders so as to include the NE/4 of Section 31 within the South Medicine Pole Hills Field and establish a 480-acre spacing unit for the South Medicine Pole Hills Field consisting of the SW/4 of Section 29, the NE/4 of Section 31 and the NW/4 of Section 32, all in Township 23 North, Range 4 East, and to 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.

5. In Luff's opinion, 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.

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 SDCL 45-9-20 through 45-9-29 and ARSD 74:10:03:10. 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 this matter be set for hearing at the regularly scheduled hearings on April, 2011, or such other date as may be established by the Board and that thereafter the Board enter its order granting the relief requested.

Dated this 2nd day of March, 2011.

LUFF EXPLORATION COMPANY

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By: _____



BRETT M. KOENECKE

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

IN THE MATTER OF THE APPLICATION OF LUFF EXPLORATION COMPANY, DENVER, COLORADO, TO AMEND THE APPLICABLE ORDERS FOR THE SOUTH MEDICINE POLE HILLS FIELD TO INCLUDE THE NE/4 OF SECTION 31, TOWNSHIP 23 NORTH, RANGE 4 EAST, HARDING COUNTY, SOUTH DAKOTA, AND ESTABLISH A 480-ACRE SPACING UNIT CONSISTING OF THE SW/4 OF SECTION 29, THE NE/4 OF SECTION 31, AND THE NW/4 OF SECTION 32, ALL IN TOWNSHIP 23 NORTH, RANGE 4 EAST, LOCATED APPROXIMATELY EIGHT MILES NORTH-NORTHEAST OF LADNER, 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 THE SPACING UNIT; TO AUTHORIZE THE ISSUANCE OF A PERMIT FOR THE HORIZONTAL WELL; AND FOR OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.

NOTICE OF
HEARING

CASE NO. 2-2011

Notice is hereby given to Luff Exploration Company, Denver, Colorado, and to all interested persons that the Board of Minerals and Environment (board) will hold a contested case hearing on the above described matter on Thursday, April 21, 2011, at 10:00 a.m. CDT in the Matthew Environmental Education and Training Center, 523 East Capitol Avenue, Pierre, South Dakota. The case involves oil and gas interests in the following land: all or portions of the SW/4 of Section 29, the NE/4 of Section 31, and the NW/4 of Section 32, all in Township 23 North, Range 4 East, approximately eight miles north-northeast of Ladner, Harding County, South Dakota.

The board has jurisdiction and legal authority to issue orders for the development of the oil and gas resources of the state pursuant to South Dakota Codified Laws (SDCL) Chapters 45-9 and 1-26 and further pursuant to Administrative Rules of South Dakota (ARSD) 74:09 and 74:10. The hearing is an adversary proceeding and any party has the right to be represented by a lawyer. These and other due process rights will be forfeited if they are not exercised at the hearing. The board may approve, conditionally approve, or deny the application. The board's decision will be based upon the evidence received at the hearing. The board's decision may be appealed to the Circuit Court and the State Supreme Court as provided by law.

If the amount in controversy exceeds two thousand five hundred dollars or if a property right may be terminated, any party to the contested case may require the agency to use the Office of Hearing Examiners by giving notice of the request to the agency no later than ten days after service of a notice of hearing issued pursuant to SDCL 1-26-17.

Any person who wishes to intervene in this proceeding as a party must file a petition to intervene pursuant to ARSD 74:09:01:04 on or before April 6, 2011.

Notice is further given to individuals with disabilities that this hearing is being held in a physically accessible place. Please notify the Department of Environment and Natural Resources at least 48 hours before the public hearing if you have a disability for which special arrangements must be made at the hearing by calling the telephone number listed below.

The applicant's application and notice of hearing are also posted on the department's website at: <http://denr.sd.gov/des/og/oghome.aspx>. Additional information about this petition is available from Fred V. Steece, Oil and Gas Supervisor, Department of Environment and Natural Resources, 2050 West Main Street, Suite #1, Rapid City, South Dakota 57702, telephone 605.394.2229, email fred.steece@state.sd.us.

Dated: March 7, 2011

A handwritten signature in black ink, appearing to read 'S. Pirner', with a horizontal line extending to the right.

Steven M. Pirner
Secretary

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