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February 14, 2011

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**SENT VIA FACSIMILE & U.S. MAIL**

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

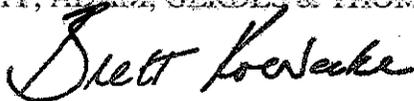
**RE: LUFF EXPLORATION COMPANY MATTERS**  
Our file: 4385.29

Dear Fred:

Enclosed for filing please find one original Petition filed on behalf of Luff Exploration. Please do not hesitate to contact me if you have any questions.

Very truly yours.

MAY, ADAM, GERDES & THOMPSON LLP



BRETT M. KOENECKE  
BK/slg

Enclosures

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

DEPT OF ENVIRONMENT & NATURAL  
RESOURCES - RAPID CITY

IN THE MATTER OF THE PETITION OF )  
LUFF EXPLORATION COMPANY TO )  
AMEND THE APPLICABLE ORDERS FOR )  
THE STATE LINE FIELD SO AS TO )  
ESTABLISH A 480-ACRE SPACING UNIT )  
FOR THE STATE LINE FIELD CONSISTING )  
OF THE E/2 OF SECTION 33 AND THE SE/4 )  
OF SECTION 28, TOWNSHIP 23 NORTH, )  
RANGE 5 EAST, BLACK HILLS MERIDIAN, )  
HARDING COUNTY, SOUTH DAKOTA, )  
AND ALLOW A HORIZONTAL WELL TO )  
BE DRILLED IN THE RED RIVER "B" POOL )  
AT ANY LOCATION NOT CLOSER THAN )  
500 FEET TO THE BOUNDARY OF SUCH )  
SPACING UNIT, OR FOR SUCH OTHER )  
RELIEF AS THE BOARD DEEMS )  
APPROPRIATE. )

PETITION

*Case 3-2011*

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 estates underlying all or portions of the all of the E/2 of Section 33 and the SE/4 of Section 28, Township 23 North, Range 5 East, Black Hills Meridian, Harding County, South Dakota.

2. Said lands are located within the State Line Field, for which spacing for the Red River pool was originally established as one well for each 320 acres for governmental sections containing 480 acres or more by Order No. 1-73. Since that time, a portion of the field has been unitized and various 640-acre and larger spacing units have been formed for the purpose of drilling horizontal wells in the Red River "B" formation. The E/2 of Section 32 and the W/2 of Section 33, Township 23 North, Range 5 East, constitute a 640-acre spacing unit for the State Line field and Luff has drilled the Janvrin I-32H well on such spacing unit. Pursuant to Order No. 4-2010, the S/2 of Section 27 and all of Section 34, Township 23 North, Range 5 East, which borders the SE/4 of Section 28 and the E/2 of Section 33 to the east, constitutes a 960-acre

spacing unit for the East Harding Springs Field and Luff has drilled the Foust J-34H well on such spacing unit.

3. Luff now desires to further develop the Red River "B" pool in the area by drilling a horizontal well between the Janvrin I-32 H well and the Foust J-34H well. In order to allow such a horizontal well to be drilled to the optimal lateral length and to avoid orphaning any productive lands, Luff believes a 480-acre spacing unit consisting of the E/2 of Section 33 and the SE/4 of Section 28 should be established, with a horizontal well allowed to be drilled thereon at any location not closer than 500 feet to the boundary of the spacing unit.

4. In Luff's opinion, amending the applicable orders so as to establish such a spacing unit and allow a horizontal well to be drilled in the manner described above will optimize primary recovery and will facilitate the potential unitization of the area and implementation of a secondary recovery project in the future. Such an order will also prevent waste, avoid the drilling of unnecessary wells, and protect correlative rights.

5. The Board is authorized to modify the existing spacing order by SDCL 45-9-28 and 45-9-29 and ARSD 74:10:03:10.

WHEREFORE, applicant respectfully requests that this matter be set for hearing at the regularly scheduled hearings on in 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 14 day of February, 2011.

LUFF EXPLORATION COMPANY

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CROWLEY FLECK PLLP  
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Bismarck, ND 58502

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By: \_\_\_\_\_  
BRETT M. KOENECKE

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

<p>IN THE MATTER OF THE APPLICATION OF LUFF EXPLORATION COMPANY, DENVER, COLORADO, TO AMEND THE APPLICABLE ORDERS FOR THE STATE LINE FIELD TO ESTABLISH A 480-ACRE SPACING UNIT CONSISTING OF THE E/2 OF SECTION 33 AND THE SE/4 OF SECTION 28, TOWNSHIP 23 NORTH, RANGE 5 EAST, BLACK HILLS MERIDIAN, APPROXIMATELY EIGHT MILES NORTHWEST OF LUDLOW, HARDING COUNTY, SOUTH DAKOTA, AND TO AUTHORIZE THE DRILLING OF A HORIZONTAL WELL TO BE DRILLED IN THE RED RIVER "B" POOL AT ANY LOCATION NOT CLOSER THAN 500 FEET TO THE BOUNDARY OF THE SPACING UNIT; TO AUTHORIZE THE ISSUANCE OF A PERMIT FOR A HORIZONTAL WELL; AND FOR OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.</p>	<p style="text-align:center">NOTICE OF  HEARING   CASE NO. 3-2011</p>
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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 E/2 of Section 33 and the SE/4 of Section 28, all in Township 23 North, Range 5 East, approximately eight miles northwest of Ludlow, 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.

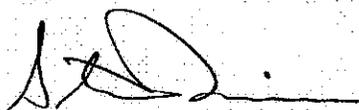
If the amount in controversy exceeds two thousand five hundred dollars or if a property right may be terminated, any party to the contested case may require the agency to use the Office of Hearing Examiners by giving notice of the request to the agency no later than ten days after service of a notice 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](mailto:fred.steece@state.sd.us).

Dated: March 7, 2011



Steven M. Pirner  
Secretary

Published twice at the total approximate cost of \_\_\_\_\_.