

LAW OFFICES
MAY, ADAM, GERDES & THOMPSON LLP
503 SOUTH PIERRE STREET
P.O. BOX 160
PIERRE, SOUTH DAKOTA 57501-0160

ROBERT B. ANDERSON
TIMOTHY M. ENGEL
MICHAEL F. SHAW
BRETT KOENECKE
CHRISTINA L. KLINGER
MARCOS A. AGUILAR
JUSTIN L. BELL
DOUGLAS A. ABRAHAM

SINCE 1881
www.magt.com

June 1, 2011

Writer's E-mail: koenecke@magt.com

OF COUNSEL
DAVID A. GERDES
CHARLES M. THOMPSON
GLENN W. MARTENS 1881-1963
KARL GOLDSMITH 1885-1966
BRENT A. WILBUR 1949-2006

TELEPHONE
605 224-8803

TELECOPIER
605 224-6289

RECEIVED

JUN 02 2011

**DEPT OF ENVIRONMENT & NATURAL
RESOURCES - RAPID CITY**

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

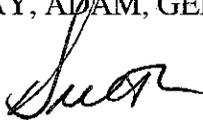
RE: LUFF EXPLORATION COMPANY MATTERS
Our file: 4385.34

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

RECEIVED

JUN 02 2011

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 POOL ALL)
INTERESTS IN A SPACING UNIT FOR THE)
SOUTH MEDICINE POLE HILLS FIELD)
DESCRIBED AS THE SW/4 OF SECTION 29,)
THE NE/4 OF SECTION 31, AND THE NW/4)
OF SECTION 32, TOWNSHIP 23 NORTH,)
RANGE 4 EAST, BLACK HILLS MERIDIAN,)
HARDING COUNTY, SOUTH DAKOTA AND)
TO AUTHORIZE THE RECOVERY OF RISK)
COMPENSATION IN ADDITION TO THE PRO)
RATA SHARE OF REASONABLE, ACTUAL)
COSTS FROM THE INTEREST OF ANY)
LESSEE OR UNLEASED MINERAL OWNER)
WHO ELECTS NOT TO PARTICIPATE IN THE)
RISK AND COST OF DRILLING AND)
COMPLETING A WELL ON SAID SPACING)
UNIT; OR FOR SUCH OTHER RELIEF AS THE)
BOARD DEEMS APPROPRIATE.)

PETITION

Case
7-2011

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 SW/4 of Section 29, the NE/4 of Section 31, and the NW/4 of Section 32, Township 23 North, Range 6 East, Black Hills Meridian, Harding County, South Dakota.

2. In Order No. 2-2011, dated April 21, 2011, said lands were designated as a 480-acre spacing unit for the South Medicine Pole Hills field and the issuance of a permit for the drilling of a horizontal well in the Red River "B" zone on such spacing unit was authorized.

3. There are separately owned tracts and separately owned interests within tracts within said proposed spacing unit.

4. Luff intends to attempt to secure a lease from all unleased mineral owners or joiner in the drilling of a well by all lessees or unleased owners who elect not to lease in such

spacing unit in advance of the hearing, but as of the date of this application, such joinder has not been obtained. Luff will provide notice to all who do not elect to either lease or participate in accordance with ARSD 74:10:18:01

5. Luff desires that the Board pool all interests in said spacing unit in accordance with Section 45-9-31, SDCL.

6. Luff further desires that the order provide that, as to any owner who elects not to participate in the risk and cost of the drilling and operation of a well on the location, Luff be allowed to recover from the share of production attributable to any such person, that person's pro rata share of the reasonable, actual costs of drilling, completing, equipping and operating a well on the spacing unit, plus, pursuant to Section 45-9-34, SDCL, a risk compensation equal to (1) two hundred percent of the reasonable actual costs of drilling, reworking, side-tracking, deepening, plugging back, testing, completing and recompleting the well and the costs of newly acquired equipment in the well including the wellhead connection in the case of lessees under an oil and gas lease; or (2) one hundred percent of such costs in the event of an unleased mineral owner.

7. The Board is authorized to grant the requested spacing by SDCL 45-9-31 through 45-9-36.

WHEREFORE, applicant respectfully requests that this matter be set for hearing at the regularly scheduled hearings on August 17-18, 2011, or such other date as may be established by the Board and that thereafter the Board enter its order granting the relief requested.

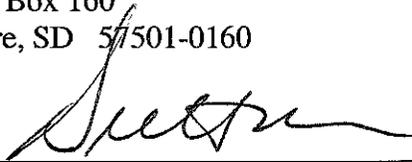
Dated this 1st day of June, 2011.

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

IN THE MATTER OF THE PETITION OF LUFF EXPLORATION COMPANY, DENVER, COLORADO, TO POOL ALL INTERESTS IN A SPACING UNIT FOR THE SOUTH MEDICINE POLE HILLS FIELD DESCRIBED AS THE SW/4 OF SECTION 29, THE NE/4 OF SECTION 31, AND THE NW/4 OF SECTION 32, TOWNSHIP 23 NORTH, RANGE 4 EAST, BLACK HILLS MERIDIAN, LOCATED APPROXIMATELY EIGHT MILES NORTH-NORTHEAST OF LADNER, HARDING COUNTY, SOUTH DAKOTA, APPROVED BY THE BOARD IN CASE NO. 2-2011, AND TO AUTHORIZE THE RECOVERY OF RISK COMPENSATION IN ADDITION TO THE PRO RATA SHARE OF REASONABLE, ACTUAL COSTS FROM THE INTEREST OF ANY LESSEE OR UNLEASED MINERAL OWNER WHO ELECTS NOT TO PARTICIPATE IN THE RISK AND COST OF DRILLING AND COMPLETING A WELL ON THE SPACING UNIT; OR FOR OTHER RELIEF THE BOARD DEEMS APPROPRIATE.

NOTICE
OF
HEARING

CASE NO. 7-2011

Notice is hereby given to Luff Exploration Company, Denver, Colorado, and to all interested persons that the Board of Minerals and Environment, hereinafter "board," will hold a contested case hearing on Thursday, August 18, 2011, at 10:30 a.m. CDT at the Matthew Environmental Education and Training Center, Joe Foss Building, 523 East Capitol Avenue, Pierre, SD 57501, for the purpose of hearing the above matter.

The board has jurisdiction and legal authority to issue pooling orders for the development of the oil and gas resources of the state and to authorize risk compensation pursuant to South Dakota Codified Laws (SDCL) 45-9-30 through 45-9-36 and further pursuant to SDCL Chapter 1-26 and 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 Chapter 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 August 10, 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. The telephone number for making special arrangements is (605) 773-4201.

The 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 application is available from Bob Townsend, Administrator, Minerals and Mining Program, Department of Environment and Natural Resources, 523 East Capitol Avenue, Pierre, SD 57501, telephone (605) 773-4201, email bob.townsend@state.sd.us.

Dated: July 5, 2011



Steven M. Pirner
Secretary

Published twice at the total approximate cost of _____.