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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MAR 08 2004
DEPT OF ENVIRONMENT & NATURAL RESOURCES - RCRO

APPLICATION FOR PERMIT TO DRILL

Type of work:
Drill New Well X Reenter Well X Drill Directional Well
Other _____

Type of well:
X Oil Well Gas Well Injection
Other _____

Name and Address of Operator: Telephone
LUFF EXPLORATION COMPANY 1580 LINCOLN ST. SUITE 850 DENVER, CO 303-861-2468

Name and Address of Surface Owner:
MILLER RANCH, C/O GREGORY MILLER, RR1 BOX 119, BOWMAN, N.D. 58623

Name and Address of Drilling Contractor and Rig Number:
C & H WELL SERVICE, GILLETTE, WYO RIG 104

Surface Location of well: Qtr-Qtr, Sec, Twp, Rge, County, feet from nearest lines of section, and latitude and longitude (if available):
1320' FSL & 2375' FWL, E/2SW/4, SEC. 32-23N-6E

If Directional, top of pay and bottom hole location from nearest lines of section:
TOP OF PAY 8904' MD=8855.5' TVD AT END OF CURVE. SE LATERAL BHL 800' FNL & 1200' FEL SEC. 5-22N-6E

Acres in Spacing (Drilling) Unit
Unitized

Description of Spacing Unit
Unitized Area

Well Name and Number	Elevation	Field and Pool, or Wildcat	Proposed Depth and Formation
SWANSON 1-32	2866'	E. HARDING SPRINGS RED RIVER UNIT	RED RIVER B

Size of Hole	Size of Casing	Weight per Foot	Depth	Cementing Program (amount, type, additives)	Depth
1) 12	8 5/8	24	871	450 SX	SURF
2) 7 7/8	5 ½	MIXED	9111'	1395 SX	UNKWN
3)					
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.

Re-enter existing horiz. lateral wellbore and drill a SE lateral. Sidetrack at 9140'MD=8854'TVD and drill to TD 12,200'MD=8853'TVD in Red River B zone at a BHL approx. 800' FNL & 1200' FEL of Sec. 5-22N-6E with a final azimuth of 11[illegible] deg. See attached directional drilling plan. Whipstock will be removed after drilling in order to place bottom hole pump below the csg. window. Fresh water and polymer will be used for drilling fluid and will be contained in a small pit lined with 12 mil liner. BOP equip. will be 3000 psi double ram with annular preventer. Well will be completed in open hole. Anticipated start date is May 1, 2004.

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

Robert C. Arceneaux — Signature
Robert C. Arceneaux — Name (Print)
Operations Mgr. — Title
3-4-04 — Date

SOUTH DAKOTA STATE GEOLOGICAL SURVEY
WESTERN FIELD OFFICE

FOR OFFICE USE ONLY

Approved By: Fred Steere
Title: Oil & Gas Supervisor

Permit No. 1706
API No. 40 063 20145.02
Date Issued: 03/26/2004

Conditions, if any, on attached page.