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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DEPT OF ENVIRONMENT & NATURAL RESOURCES - RCRO

APPLICATION FOR PERMIT TO DRILL

SOUTH DAKOTA STATE GEOLOGICAL SURVEY NORTHERN FIELD OFFICE

Type of Work:
[X] Drill New Well [ ] Reenter Well [X] Drill Directional Well
[ ] Other

Type of Well:
[X] 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
Dennis Johnson c/o David Arnold, 7209 Knox Ave S, Richfield, MN 55423; Judy Gillespie, 724 State Street, Dalton NB 69131; Wanda Thompson, 7526 Oakland Ave S, Richfield, MN 55423

Name and Address of Drilling Contractor and Rig Number:
Nabors Drilling USA, 475 17th Street, Suite 1300, Denver, CO 80202, Rig #42. (Vertical section)
C&H Well Service, Inc., PO Box 2556, Gillette, Wyoming 82717-2556, Rig #104 (Horizontal laterals)

Surface Location of Well: Qtr-Qtr, Sec, Twp, Rge, County, Feet from Nearest Lines of section, and latitude and longitude (if available):
SESW Sec. 4-T22N-R6E, Harding County; 2210' FWL x 1190' FSL; Lat = 45 53' 44.02", Long = 103 23' 18.39"

If Directional, top of pay and bottom hole location from nearest lines of section:
West Lateral: Top est @ 8966' MD = 8910' TVD; BHL 500' FWL x 1190' FSL
East Lateral: Top est @ 8972' MD = 8910' TVD; BHL 500' FEL x 1190' FSL

Acres in Spacing (Drilling) Unit
320 acres

Description of Spacing Unit
S/2 Sec. 4-T22N-R6E, Harding County 7-2005

Well Name and Number	Elevation	Field and Pool, or Wildcat	Proposed Depth and Formation
Johnson N-4H	2930.5 GL	Pete's Creek Red River B	9005 TVD; 13285 MD

Size of Hole	Size of Casing	Weight per Foot	Depth	Cementing Program (amount, type, additives)	Depth
1) 12-1/4"	8-5/8"	24#	2000'	635 sx Premium Lite & Class G, 3% salt + misc	surf
2) 7-7/8"	5-1/2"	15.5# & 17#	9005'	750 sx Premium Lite & Glass G + various additives	3500'
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.

Drill vertical portion of well to 9005'. Drill 7-7/8" hole, run 5-1/2" casing. A directional survey will be run @ 100' intervals to determine the BHL of the vertical well. Move out rotary tools and move in smaller rig, mill casing windows and drill dual horizontal laterals in the Red River "B". East lateral KOP approx 8816' TVD, west lateral KOP approx 8828' TVD. Drill 4-1/2" horizontal laterals in the "B" zone. West lateral to approx 10,536' MD = 8910' TVD and the east lateral to approx 11,398' MD = 8910' TVD. An oil base mud will be used in the vertical portion of the well and a fresh water/polymer in the horizontal sections. All drilling fluids and cuttings will be contained in a pit lined with 12 mill plastic. All liquids will be disposed of in an approved site, the liner and the cuttings will be buried in place. See attached Preliminary Drilling Prognosis for additional details. Completion will be open hole in the horizontal sections. The estimated start date is April 1, 2006.
Blanket South Dakota bond #4127010.

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)	Title	Date
	David A. Norby	Operations Manger	2/23/06

FOR OFFICE USE ONLY

Approved by: Fred V. Steece Title: Oil and Gas Supervisor

Permit No. 1776 API No. 40 063 20603 Date Issued: April 13, 2006

Conditions, if any, on attached page.