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 - RAPID CITY

APPLICATION FOR PERMIT TO DRILL

SOUTH DAKOTA STATE GEOLOGICAL SURVEY WESTERN FIELD OFFICE

Type of Work:
[X] Drill New Well [ ] Reenter Well [ ] 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:
Merle & Bettyna Johnson, PO Box 24, Scranton, North Dakota 58653-0025

Name and Address of Drilling Contractor and Rig Number:
Nabors Drilling USA, P.O. Box 2396, Williston, ND 58802, Rig #684

Surface Location of Well: Qtr-Qtr, Sec, Twp, Rge, County, Feet from Nearest Lines of section, and latitude and longitude (if available):
NWNE Sec. 16-T22N-R6E, Harding County, 2420' FEL x 700' FNL; Lat = 45 52' 33.20", Long = 103 23' 08.90"

If Directional, top of pay and bottom hole location from nearest lines of section:
Top est @ 9230' MD = 8935' TVD; BHL 700' FNL x 700' FEL, Sec. 15-T22N-R6E

Acres in Spacing (Drilling) Unit: 960 acres

Description of Spacing Unit: All Sec. 15-T22N-R6E + E/2 Sec. 16-T22N-R6E

Well Name and Number	Elevation	Field and Pool, or Wildcat	Proposed Depth and Formation
Johnson B-16H	2993.3' GL	Pete's Creek Field Red River B	8935' TVD; 15,709' MD; RR

Size of Hole	Size of Casing	Weight per Foot	Depth	Cementing Program (amount, type, additives)	Depth
1) 13-1/2"	9-5/8"	36#	2000'	765 sx Premium & Midcon, 3% & 2% salt + misc.	surf
2) 8-3/4"	7"	23#,29#,26#	9230'	700 sx Class G/POZ + 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 a medium radius horizontal well in the Red River "B" formation. Drill 13-1/2" surface hole to 2000' and run 9-5/8" casing. Circ cement. Drill 8-3/4" vertical hole to KOP at approx 8425', run correlation log and directional survey. Drill build section with an approx azimuth of 90 deg and land in the top of the "B" zone at 9230' MD = 8935' TVD with a BHL 510' east and 0' north of the surf loc. Run and cement 7" csg. Vertical and build sections drilled with invert mud. Drill a 6" lateral in the "B" zone to approx 15,710' MD = 8935' TVD at BHL approx 700' FNL x 700' FEL Sec. 15-T22N-R6E. Fresh water/polymer will be used for the horizontal section. All drilling fluids and cuttings will be contained is a pit lined with 12 mil plastic. All liquids will be disposed of in an approved method, the liner and cuttings will be buried in place. The estimated start date for location construction is February 15, 2008. Estimated start date for drilling is March 25, 2008.

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 Manager	1/29/2008

FOR OFFICE USE ONLY

Approved by: [signature] Title: Oil and Gas Supervisor

Permit No. 1856 API No. 40 063 20633 Date Issued: February 14, 2008

Conditions, if any, on attached page.