APPLICATION FOR PERMIT TO DRILL

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
Greg & Heidi Miller, 10151 U.S. Highway 85, Bowman, ND 58623

Name and Address of Drilling Contractor and Rig Number:
Ensign Drilling Inc., 1700 Broadway, Suite 777, Denver, CO, 80290, Rig 24

Surface Location of Well: Qtr-Qtr, Sec, Twp, Rge, County, Feet from Nearest Lines of section, and latitude and longitude (if available):
SENE, Section 28-T23N-R6E, Harding Cty, 2,380' FNL x 1,000' FEL, Lat: 45° 55' 45.208' N, Long: 103° 22' 49.310' W

If Directional, top of pay and bottom hole location from nearest lines of section:
East Lateral: Top of pay est @ 9,294' MD = 9,021' TVD; BHL = 2,400' FNL & 2,400' FWL Sec 27-T23N-R6E
East Lateral ST-1: Top of pay est @ 9,595' MD = 9,021' TVD; BHL = 2,600' FNL & 2,400' FWL Sec 27-T23N-R6E

Acres in Spacing (Drilling) Unit
Total Unitized area: approx. ± 4836 acres

Description of Spacing Unit
Pete's Creek Red River Unit

Well Name and Number
PCRRU H-28H

Elevation
2,890' Graded
2,911' KB

Field and Pool, or Wildcat
Pete's Creek Red River Unit

Proposed Depth and Formation
12,225' MD, 9,021' TVD
Red River B

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 2,000' with fresh water. Run 9-5/8" casing and cement to surface. Drill 8-3/4" vertical hole to KOP at approximate 8,544'. Drill build section with an azimuth of approximately 90 degrees and land in the top of the Red River "B" zone at 9,294' MD = 9,021' TVD with a BHL 3' south and 477' east of surface location. Vertical and build sections to be drilled with invert oil mud. Run 7" casing and cement to 4,200'. Drill one 6-1/8" horizontal lateral in the Red River "B" zone to approximately 12,217' MD = 9,021' TVD at BHL approximately 2,400' FNL and 2,400' FWL Sec 27-T23N-R6E. Perform open hole sidetrack at 9,595' MD = 9,021' TVD and drill one 6-1/8" horizontal lateral in the Red River "B" zone to approximately 12,225' MD = 9,021' TVD at BHL approximately 2,600' FNL and 2,400' FWL Sec 27-T23N-R6E. Fresh water/polymer will be used for the horizontal section. All drilling fluids and cuttings will be contained in a pit lined with a 12 mil plastic liner. 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 3/11. Estimated start date for drilling is 4/1/11.

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
Richard George

Manager of Engineering
Title
Date

FOR OFFICE USE ONLY

Approved by: Title: Oil and Gas Supervisor

Permit No. 1986
API No. 40 063 20720

Date Issued: March 8, 2011

Conditions, if any, on attached page.