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

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MINERALS & MINING PROGRAM

APPLICATION FOR PERMIT TO DRILL

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

Type of Well: [ ] Oil Well [ ] Gas Well [x] 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: Greg & Heidi Miller, 10151 US Highway 85, Bowman, ND 58623

Name and Address of Drilling Contractor and Rig Number: C&H Well Service, Inc., 6480 Swanson Rd, Gillette, WY 82718, Rig # 104

Surface Location of Well: Qtr-Qtr, Sec, Twp, Rge, County, Feet from Nearest Lines of section, and latitude and longitude (if available): SWSW Sec 33-T23N-R6E, Harding Co., 650' FSL x 165' FWL, Lat: 45° 54' 30.77", Long: 103° 23' 47.40"

If Directional, top of pay and bottom hole location from nearest lines of section: East Lateral ST-2: Top of pay est @ 12,856' MD = 8,921' TVD; BHL @ 600' FNL & 1320' FEL Sec 4-T22N-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	Elevation	Field and Pool, or Wildcat	Proposed Depth and Formation
Miller M-33H	2858' Graded 2876' KB	Pete's Creek Red River Unit	East ST-2 = 12,856' MD, 8,921' TVD Red River "B"

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'	565 sks Lite tailed w/ 200 sks Premium	Surface
2) 8-3/4"	7"	23#, 26#, 29#	9180'	1st Stg: 425 sks Premium	6530'
3)				2nd Stg: 165 sks Lite tailed w/ 228 sks Premium	2980'
4) 6-1/8"	None		Various		

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.

This is an existing injection well in Pete's Creek Red River Unit. Orignal Permit # 1857 issued on 2/26/08. Original API # 40 063 20634. Propose to stop injection operation, re-enter and drill one sidetrack lateral off of the existing lateral as follows: Drill East ST-2 off existing East Lateral approximately 9,397'-12,856' MD = 8,921' TVD at BHL approximately 600' FNL & 1,320' FEL Sec 4-T22N-R6E. Horizontal lateral to be drilled with fresh water/polymer. All drilling fluids and cuttings will be contained in 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 is 9/10/11. An application for a major modification to the existing permit to inject is being submitted to the SD-DENR under separate cover.

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
	Richard D. George	Manager of Engineering	6/8/2011

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Approved by: Robert A. Townsend — Title: Administrator, Minerals & Mining Program

Permit No. 1998 — API No. 40 063 20634.01 — Date Issued: 6/20/11

Conditions, if any, on attached page.