

STATE OF SOUTH DAKOTA
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
BOARD OF MINERALS AND ENVIRONMENT

RECEIVED
MAR 26 2018

DEPT OF ENVIRONMENT & NATURAL
RESOURCES - RAPID CITY

IN THE MATTER OF THE PETITION OF LUFF)
EXPLORATION COMPANY, DENVER, CO.,)
TO AMEND BOARD ORDER NOS. 1-77, 3-)
77A, 4-2017, AND ANY OTHER APPLICABLE)
ORDERS FOR THE EAST HARDING SPRINGS)
FIELD TO POOL ALL INTERESTS IN A 320-)
ACRE SPACING UNIT CONSISTING OF THE)
E/2 OF SECTION 30, TOWNSHIP 23 NORTH,)
RANGE 6 EAST, HARDING COUNTY, SOUTH)
DAKOTA; AND FOR OTHER RELIEF AS THE)
BOARD DEEMS APPROPRIATE.)

PETITION

Case No. 5-2018

COMES NOW the petitioner, Luff Exploration Company (“Luff”), and respectfully alleges as follows:

1. Luff represents the owners of interests in the oil and gas leasehold estate underlying all or portions of the East Half of Section 30, Township 23 North, Range 6 East of the Black Hills Meridian, Harding County, South Dakota.

2. Pursuant to Order No. 1-77 and 3-77a, Section 30 was included in the East Harding Springs Field, and the East Half of said section was established as a 320-acre spacing unit. Pursuant to Order No. 2-2002, the Southeast Quarter of Section 30 was included in a 320-acre spacing unit for the Red River “B” zone. Pursuant to Order No. 8-2007, the Northeast Quarter of Section 30 was included in a 480-acre spacing unit for the Red River “B” zone. In Order Nos. 2-2003 and 6-2010, said lands in Section 30 were incorporated into the East Harding Springs Red River Unit.

3. Finally, in Order No. 4-2017, a spacing unit was established consisting of the East Half of said Section 30 (the “Spacing Unit”), with one vertical well producing from the Red River “C” and “D” zones authorized. Luff intends to drill a vertical well on the spacing unit, to be called the Willie O-30 well.

4. There are both separately owned tracts and separately owned interests in the Spacing Unit.

5. Although there are existing joint operating agreements (“JOA”) in effect that cover portions of the Spacing Unit, not every interest owner in the Spacing Unit has entered into a JOA. Therefore, a complete voluntary pooling of the Spacing Unit has not been accomplished.

6. Luff therefore requests that the Board amend its prior orders for the East Harding Springs field and enter an order pooling all interests in the Spacing Unit, as described above, and addressing the other matters set forth in South Dakota Codified Laws 45-9-32.

7. Luff only intends to seek to apply the risk penalty established by Administrative Rules of South Dakota (ARSD) Chapter 74:12:10 against nonparticipating interest owners in the Spacing Unit who are not party to an existing JOA. Should any such interest owner elect not to participate in the well, Luff will seek approval from the Board before applying the ARSD risk penalty.

8. Because the operations for the East Harding Springs Red River Unit involve the Red River “B” zone and because the spacing unit Luff seeks to have pooled only involves the “C” and “D” zones, the requested pooling will have no adverse impact on the East Harding Springs Red River Unit.

9. The Board is authorized to grant the requested pooling order by South Dakota Codified Laws 45-9-30 through 45-9-36.

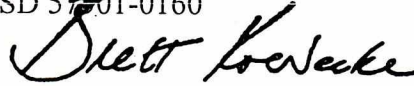
WHEREFORE, applicant respectfully requests that the Board issue its notice of opportunity for hearing and, if any interested party intervenes in accordance with said notice, set this matter for hearing at the regularly scheduled hearings in May 2018, or such other date as may be established by the Board, and that the Board enter its order granting the relief requested.

Dated this 23 day of March, 2018.

LUFF EXPLORATION COMPANY

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A handwritten signature in black ink that reads "Brett Koenecke". The signature is written in a cursive style with a large, prominent initial "B".

By _____
BRETT M. KOENECKE