

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

RECEIVED

MAY 21 2014

DEPT OF ENVIRONMENT & NATURAL
RESOURCES - RAPID CITY

IN THE MATTER OF THE PETITION OF)
LUFF EXPLORATION COMPANY TO)
AMEND BOARD ORDER NOS. 2-73A, 9-93,)
14-95, 19-97, 27-08, AND ANY OTHER)
APPLICABLE ORDERS FOR THE YELLOW)
HAIR FIELD AND THE CLARKSON RANCH)
FIELD TO ESTABLISH A 960-ACRE)
SPACING UNIT FOR THE CLARKSON)
RANCH FIELD CONSISTING OF THE S/2)
OF SECTION 13 AND ALL OF SECTION 24,)
TOWNSHIP 22 NORTH, RANGE 4 EAST,)
HARDING COUNTY, SOUTH DAKOTA,)
AND AUTHORIZE THE DRILLING OF A)
HORIZONTAL WELL WITH ONE OR MORE)
LATERALS IN THE RED RIVER "B" ZONE)
AT ANY LOCATION NOT CLOSER THAN)
500 FEET TO THE BOUNDARY OF SAID)
SPACING UNIT; TO AUTHORIZE THE)
ISSUANCE OF A PERMIT FOR SUCH)
HORIZONTAL WELL; AND FOR OTHER)
RELIEF AS THE BOARD DEEMS)
APPROPRIATE.)

PETITION

Case No. 6-2014

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 S/2 of Section 13 and all of Section 24, Township 22 North, Range 4 East of the Black Hills Meridian, Harding County, South Dakota.

2. Pursuant to Order Nos. 2-73A, 19-97, and 27-08, the S/2 of Section 13 is included in the Yellow Hair field and all of Section 13, together with Section 18, Township 22 North, Range 5 East, currently constitutes a 1280-acre spacing unit for the Yellow Hair Field. Pursuant to Order No. 9-93, all of Section 24 is included within the Clarkson Ranch Field and is spaced for vertical drilling of the Red River pool on the basis of 320-acres. Pursuant to Order No. 14-95,

all of Section 24 currently constitutes a 640-acre spacing unit for the Red River "B" pool with up to 2 horizontal wells allowed.

3. The Red River "B" formation underlying these lands is all part of the same common source of supply which extends under both the Clarkson Ranch Field and the Yellow Hair Field.

4. No horizontal wells have been drilled in the lands described above, although there is a vertical well which produces from the Red River "D" zone in the S/2 of Section 24 on a 320-acre spacing unit consisting of the S/2 of Section 24. As a result of geologic information obtained through drilling and seismic activities in the area, Luff believes that a horizontal well should be drilled in the Red River "B" zone in a generally northwest/southeast orientation across the 960-acres proposed to be included in the spacing unit. In Luff's opinion, such a well would produce oil and gas from the same Red River common source of supply underlying both the Yellow Hair and Clarkson Ranch Fields. Since the majority of the proposed spacing unit currently lies within the Clarkson Ranch Field and there is currently production from those lands attributable to the Red River "D" pool in the Clarkson Ranch Field, Luff submits that the spacing unit should be designated in the Clarkson Ranch Field.

5. Luff respectfully requests that the Board amend its prior orders including Order Nos. 2-73A, 9-93, 14-95, 19-97 and 27-2008, so as to vacate any existing spacing units for the Red River "B" zone, to include all of said lands in the Clarkson Ranch Field, and establish a 960-acre spacing unit for the Clarkson Ranch Field consisting of the lands described above and allow a horizontal well with one or more laterals to be drilled in the Red River "B" pool at any location thereon not closer than 500 feet to the boundary of such spacing unit.

6. In Luff's opinion, amending the applicable field boundaries, vacating the existing spacing units, forming the requested spacing unit and drilling the well described above will optimize primary recovery, prevent waste, avoid the drilling of unnecessary wells, and protect correlative rights.

7. The spacing unit requested to be created is not smaller than the maximum area that can be efficiently and economically drained by the proposed well and the size, shape and location thereof will result in the efficient and economic development of the pool as a whole.

8. The Board is authorized to grant the requested spacing unit by South Dakota Codified Laws 45-9-20 through 45-9-29 and Administrative Rules of South Dakota 74:12:02:06. Luff further requests that the order authorize the issuance of a permit for the drilling of horizontal wells in accordance with this application.

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 July 2014, or such other date as may be established by the Board, and that the Board enter its order granting the relief requested.

Dated this 19 day of May, 2014.

LUFF EXPLORATION COMPANY

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