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DEPT OF ENVIRONMENT & NATURAL
RESOURCES - RAPID CITY

STATE OF SOUTH DAKOTA

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

BOARD OF MINERALS AND ENVIRONMENT

CASE NO. 7-2014

IN THE MATTER OF THE PETITION OF CONTINENTAL RESOURCES, INC. FOR AN ORDER OF THE BOARD AUTHORIZING THE RECOVERY OF RISK COMPENSATION FROM CERTAIN NON-PARTICIPATING OWNERS, FOR THE DRILLING AND OPERATING OF THE SCHMIDT 21-14H WELL, LOCATED ON A 1280-ACRE SPACING UNIT DESCRIBED AS SECTIONS 14 AND 23, TOWNSHIP 22 NORTH, RANGE 3 EAST, TABLE MOUNTAIN FIELD, HARDING COUNTY, SOUTH DAKOTA, PURSUANT TO ARSD CHAPTER 74:12:10, AND FOR OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.

PETITION OF CONTINENTAL RESOURCES, INC.

Continental Resources, Inc. ("Continental") and for its Petition, states and alleges as follows:

1.

That Continental is an owner of an interest in the oil and gas leasehold estate in Sections 14 and 23, Township 22 North, Range 3 East, Harding County, South Dakota ("Sections 14 and 23").

2.

Order No. 4-13 established Sections 14 and 23 as a 1280-acre spacing unit in the Table Mountain Field, and authorized the issuance of a permit for the drilling of a horizontal well within the spacing unit.

3.

That Sections 14 and 23 constitute the spacing unit for the Schmidt 21-14H well, in the Table Mountain Field.

4.

The Department of Environment and Natural Resources issued a permit to drill the Schmidt 21-14H well as a horizontal well on July 25, 2013. Drilling of the Schmidt 21-14H well commenced on October 28, 2013.

5.

Order No. 31-13, dated September 16, 2013, pooled all interests in the spacing unit for the Table Mountain Field described as Sections 14 and 23, designated Continental as the operator of the Schmidt 21-14H well, and recognized Continental's right to submit further application to the Board requesting recovery of risk compensation from any non-participating owners as provided for by South Dakota Codified Laws (SDCL) Ch. 45-9 and Administrative Rules of South Dakota (ARSD) Ch. 74:12:10.

6.

The Schmidt 21-14H was spud on or about October 28, 2013 and completed on December 30, 2013.

7.

That ARSD 74:12:10:01 provides for the recovery of risk compensation from any owner who elects not to participate in the risk and cost of drilling and operating a well in an established spacing unit.

8.

That ARSD 74:12:10:02 provides if the nonparticipating owner's interest in the spacing unit is derived from a lease or other contract for development, the risk compensation is two-hundred percent of the nonparticipating owner's share of the reasonable actual costs of drilling, reworking, side-tracking, deepening, plugging back, testing, completing and recompleting the well and the costs of newly acquired equipment in the well including the wellhead connection.

9.

That ARSD 74:12:10:03 provides if the nonparticipating owner's interest in the spacing unit is not subject to a lease or other contract for development, the risk compensation is one-hundred percent of the nonparticipating owner's share of the reasonable actual costs of drilling, reworking, side-tracking, deepening, plugging back, testing, completing and recompleting the well and the costs of newly acquired equipment in the well including the wellhead connection.

10.

That the following unleased owners have elected not to participate in the drilling and operating of the Schmidt 21-14H well:

- (a) Linda Petroleum Co.;
- (b) Williston Projects, Inc.;
- (c) Scott Ping, Heir of Gladys Jensen;
- (d) Sue Ann Arnold, Personal Representative for Elsie A. Phillips; and
- (e) Frank Jeppi, Rosina Dewar, and Nydia Goode as Trustees of the Frank Jeppi By-Pass Trust.

11.

That Continental made a good faith attempt to have the above-referenced owners execute an oil and gas lease but was unsuccessful.

12.

That the following leasehold owners have elected not to participate in the drilling and operating of the Schmidt 21-14H well:

- (a) Prima Exploration, Inc.;
- (b) Captiva Resources, Inc.; and
- (c) Marshall Resources, LLC.

13.

That a well proposal was forwarded to the above-referenced unleased and leasehold owners and said owners failed or refused to respond to the same, or elected not to participate.

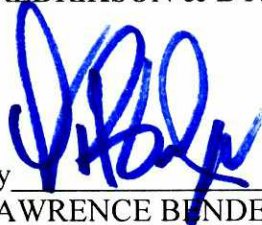
14.

That Continental therefore requests that the Board enter an order authorizing the recovery of risk compensation from the non-participating owners described above, as provided by ARSD Ch. 74:12:10, for the drilling and operating of the Schmidt 21-14H well located in a spacing unit described as Sections 14 and 23, Township 22 North, Range 3 East, Harding County, South Dakota, and for other relief as the Board deems appropriate.

WHEREFORE, Continental respectfully requests that notice of this matter be provided as required by South Dakota laws and that thereafter the Board of Minerals and Environment enter an order granting the relief requested herein.

DATED this 11th day of June, 2014.

FREDRIKSON & BYRON, P.A.



By _____

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