

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

IN THE MATTER OF THE PETITION OF CONTINENTAL RESOURCES, INC. FOR AN ORDER OF THE BOARD AUTHORIZING THE RECOVERY OF RISK COMPENSATION FROM CERTAIN NONPARTICIPATING 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.	OIL AND GAS CASE NO. 7-2014 ORDER
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SECRETARY’S ORDER UNDER SDCL 45-9-74

A Petition and Application of Continental Resources, Inc. (“Continental”) for the recovery of a risk compensation from certain nonparticipating owners, for the drilling and operating of the Schmidt 21-14H well was submitted to the South Dakota Board of Minerals and Environment (“Board”) on June 11, 2014. The Board prepared and published a Notice of Opportunity for Hearing. No petition requesting a hearing was received. Therefore, pursuant to South Dakota Codified Laws (SDCL) 45-9-74 and SDCL 45-9-30 through 36 and based upon Continental’s application and supporting documents, the Secretary makes and enters the following Order:

Continental is the owner of an interest in the oil and gas leasehold estate in portions of Sections 14 and 23, Township 22 North, Range 3 East, Harding County, South Dakota (“the Subject Lands”). Order No. 4-13 established the Subject Lands 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.

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

There are both separately owned tracts and separately owned interests in the spacing unit comprised of the Subject Lands. All interests in the Subject Lands have been pooled by virtue of Order No. 31-13, dated September 16, 2013.

Under the current case, Continental has requested that the Board enter an order authorizing the recovery of risk compensation from certain owners for the drilling and operating of the Schmidt 21-14H well.

The interests of Linda Petroleum Co.; Williston Projects, Inc.; Scott Ping, Heir of Gladys Jensen; Sue Ann Arnold, Personal Representative for Elsie A. Phillips; and Frank Jeppi, Rosina Dewar, and Nydia Goode as Trustees of the Frank Jeppi By-Pass Trust are not subject to a lease or other contract for development and said owners have elected not to participate in the drilling and operating of the Schmidt 21-14H well.

As referenced in the Affidavit of Jim Canon, Continental made a good faith attempt to have the unleased owners referenced above execute an oil and gas lease but was unsuccessful. Continental forwarded a well proposal to Linda Petroleum Co.; Williston Projects, Inc.; Scott Ping, Heir of Gladys Jensen; Sue Ann Arnold, Personal Representative for Elsie A. Phillips; Frank Jeppi, Rosina Dewar, and Nydia Goode as Trustees of the Frank Jeppi By-Pass Trust; Prima Exploration, Inc.; Captiva Resources, Inc.; and Marshall Resources, LLC and said owners failed to respond to the well proposal and therefore, elected not to participate in the drilling and operating of the Schmidt 21-14H well.

IT IS THEREFORE ORDERED

A. In accordance with Administrative Rules of South Dakota (ARSD) 74:12:10:02, Continental is authorized to recover risk compensation of two-hundred percent of Prima Exploration, Inc., Captiva Resources, Inc., and Marshall Resources, LLC's respective shares of the reasonable actual costs of drilling, reworking, side-tracking, deepening, plugging back, testing, completing and recompleting the Schmidt 21-14H well and the costs of newly acquired equipment in the well including the wellhead connection.

B. In accordance with ARSD 74:12:10:03 Continental is authorized to recover risk compensation of one-hundred percent of Linda Petroleum Co.; Williston Projects, Inc.; Scott Ping, Heir of Gladys Jensen; Sue Ann Arnold, Personal Representative for Elsie A. Phillips; Frank Jeppi, Rosina Dewar, and Nydia Goode as Trustees of the Frank Jeppi By-Pass Trust's respective shares of the reasonable actual costs of drilling, reworking, side-tracking, deepening, plugging back, testing, completing and recompleting the Schmidt 21-14H well and the costs of newly acquired equipment in the well including the wellhead connection.

C. Risk compensation may be recovered only out of production from the pooled spacing unit, exclusive of a one-eighth royalty.

D. That all portions of previous orders of the Board, if any, which are not specifically amended by this Order remain in full force and effect until further order of the Board or Secretary.

Dated and signed this 4th day of August 2014.



Steven M. Pirner
Secretary
Department of Environment and Natural Resources