

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

DEPT OF ENVIRONMENT & NATURAL
RESOURCES - RAPID CITY

IN THE MATTER OF THE PETITION OF)
LUFF EXPLORATION COMPANY, DENVER,)
CO., TO AMEND BOARD ORDER NOS. 9-)
1993, 14-1995, 6-2014, AND ANY OTHER)
APPLICABLE ORDERS FOR THE)
CLARKSON RANCH FIELD TO ESTABLISH)
A 960-ACRE SPACING UNIT CONSISTING)
OF THE SW/4 OF SECTION 13, THE SE/4 OF)
SECTION 14, THE E/2 OF SECTION 23, AND)
THE W/2 OF SECTION 24, ALL IN)
TOWNSHIP 22 NORTH, RANGE 4 EAST,)
HARDING COUNTY, SOUTH DAKOTA, AND)
AUTHORIZE THE DRILLING OF A)
HORIZONTAL WELL TO BE COMPLETED)
IN THE RED RIVER "B" ZONE AT ANY)
LOCATION NOT CLOSER THAN 500 FEET)
TO THE BOUNDARY OF SAID SPACING)
UNIT AND WITH REDUCED INTER-WELL)
DISTANCE REQUIREMENTS FROM OTHER)
WELLS CAPABLE OF PRODUCING FROM)
THE RED RIVER "B" ZONE; TO EXPAND)
THE OUTLINE OF THE CLARKSON RANCH)
FIELD TO INCLUDE ALL SAID LANDS; TO)
AUTHORIZE THE ISSUANCE OF A PERMIT)
FOR SUCH HORIZONTAL WELL; AND FOR)
OTHER RELIEF AS THE BOARD DEEMS)
APPROPRIATE.)

PETITION

Case No. 7-2017

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 Southwest Quarter of Section 13, the Southeast Quarter of Section 14, the East Half of Section 23, and the West Half of Section 24, all in Township 22 North, Range 4 East of the Black Hills Meridian, Harding County, South Dakota.

2. Pursuant to Order No. 9-1993, Section 24 was included in the Clarkson Ranch Field and spaced for vertical drilling. Pursuant to Order No. 14-1995, said section was spaced for horizontal drilling in the Red River "B" zone on the basis of 640-acres. Pursuant to Order No. 6-2014, the boundaries of the Clarkson Ranch field were amended to include the South Half

of Section 13, and a 960-acre spacing unit was established for horizontal drilling in the Red River “B” zone. The Southeast Quarter of Section 14 and the East Half of Section 23 are currently not included within any field.

3. Luff has drilled a horizontal well in the Red River “B” pool on the existing 960-acre spacing unit consisting of Section 24 and the South Half of Section 13. The Clarkson Ranch N-13H well was drilled on said spacing unit in a northwest to southeast orientation.

4. In Luff’s opinion, the Red River “B” zone underlying the Southwest Quarter of Section 13, the Southeast Quarter of Section 14, the East Half of Section 23, and the West Half of Section 24 is part of the same common source of supply.

5. Luff believes that an additional well is necessary to adequately and efficiently drain the reservoir in the area of the well described above. Luff proposes to drill a horizontal well to the west of the Clarkson Ranch N-13H and parallel to said well. Luff’s idealized location for the proposed additional horizontal well is less than 1320 feet away from the Clarkson Ranch N-13H well. Luff’s preference is to have no mandatory minimum distance between the wells, but if the Board chooses to impose such a requirement, Luff requests that the minimum inter-well distance be set at no greater than 1000 feet. In Luff’s opinion, such a well would also optimize the possibility of secondary recovery activities on these lands.

6. To allow the additional well to be drilled in the optimal location, Luff respectfully requests that the Board amend its prior orders, including No. 9-1993 and No. 6-2014, to do the following: expand the outline of the Clarkson Ranch Field to include Southeast Quarter of Section 14 and the East Half of Section 23; establish a 960-acre unit as described above; and, allow one horizontal well to be drilled on said unit, with either no minimum inter-well distance or a minimum inter-well distance of 1000 feet. The proposed spacing unit would overlap the existing Red River “B” unit and would not replace the existing unit for purposes of payment of proceeds from production on the well drilled on the existing spacing unit.

7. In Luff’s opinion, such a plan of development would maximize the recovery of hydrocarbons and thereby prevent waste and would also result in the efficient and economical

development of the zones as a whole. The drilling of an additional horizontal well will also optimize primary and secondary recovery, avoid the drilling of unnecessary wells, and protect correlative rights.

8. 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 zones as a whole.

9. Because the requested spacing for horizontal drilling only involves the Red River "B" zone, the requested spacing will have no adverse impact on any existing vertical "C"/"D" zone production from said lands.

10. 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 the well 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 January 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 21st day of November, 2017.

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