

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

IN THE MATTER OF THE APPLICATION OF PRIMA EXPLORATION, INC. FOR AN ORDER OF THE BOARD AMENDING ANY APPLICABLE ORDERS FOR THE SOUTH MEDICINE POLE HILLS FIELD TO ESTABLISH AN OVERLAPPING 1059.28-ACRE SPACING UNIT CONSISTING OF ALL OF SECTION 21 AND SECTION 28, TOWNSHIP 23 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 A LOCATION NOT CLOSER THAN 500 FEET TO THE BOUNDARY OF THE SPACING UNIT; TO AUTHORIZE THE ISSUANCE OF A PERMIT FOR A HORIZONTAL WELL; AND FOR OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.

OIL AND GAS
CASE NO. 11-2012

ORDER

SECRETARY'S ORDER UNDER SDCL 45-9-74

A Petition and Application of Prima Exploration, Inc. ("Prima") was submitted to the South Dakota Board of Minerals and Environment ("Board") on July 30, 2012. The Board prepared and published a Notice of Opportunity for Hearing. No petition requesting a hearing was received. Therefore, pursuant to SDCL 45-9-74, SDCL 45-9-20 through -29, ARSD 74:12:02:06, and based upon Prima's application and supporting documents, the Secretary makes and enters the following Order:

Prima is the owner of an interest in the oil and gas leasehold estate in portions of Sections 21 and 28 of Township 23 North, Range 4 East, Harding County, South Dakota. Prima has requested that the Board amend its prior orders, including without limitation Order Nos. 2-73b, 14-97 and 7-2012, to establish an overlapping 1059.28-acre spacing unit for the

South Medicine Pole Hills Field, consisting of all of Section 21 and all of Section 28, in Township 23 North, Range 4 East, and to 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 the spacing unit. This 1059.28-acre spacing unit will overlap that portion of a 960-acre spacing unit established by Order No. 7-2012 inasmuch as it covers the SE/4 of Section 28.

In Order No. 2-73b, the Board established 320-acre spacing for the South Medicine Pole Hills Field and included all of the lands described above within the field. In Order No. 14-97, the Board established 640-acre spacing for horizontal Red River "B" wells in various lands within the field, including Section 34. In Order No. 7-2012, the Board established a 960-acre spacing unit for the South Medicine Pole Hills Field consisting of the SW/4 of Section 27, and SE/4 of Section 28, the E/2 of Section 33, and the W/2 of Section 34, all in Township 23 North, Range 4 East.

Two wells have been drilled in the lands subject to the spacing request. The Buckley 33-28 well was drilled in the NW/4 SE/4 of Section 28 in 1973 and produced approximately 119,000 barrels of oil from the Red River "B" Formation before being plugged and abandoned. The Arithson #1 well was drilled in the SW/4 NW/4 of Section 21 in 1970, penetrated the Red River "B," and was plugged and abandoned without any attempted completion. Prima desires to drill a horizontal well in the Red River "B" zone commencing in the SE/4 of Section 28 and drilling to the northwest toward the Arithson #1 in Section 21. Due to the structure and areal extent of the Red River accumulation in this area, such a well will, in applicant's opinion, maximize the recovery of oil and gas.

In Prima's opinion, forming the requested spacing unit and drilling the well described above will increase the ultimate recovery of the pool, prevent waste, prevent the drilling of unnecessary wells and protect correlative rights. Prima asserts that the proposed spacing unit 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.

IT IS THEREFORE ORDERED

A. An overlapping 1059.28-acre spacing unit is hereby established within the South Medicine Pole Hills Field, which consists of all of Section 21 and all of Section 28 in Township 23 North, Range 4 East.

B. A horizontal well with one or more laterals to be drilled in the Red River "B" pool at any location within the spacing unit that is not closer than 500 feet to the spacing unit boundary is hereby authorized. Existing and future vertical and directional wells, if any, drilled within the area defined below shall conform to applicable Board rules and orders.

C. This Order amends prior orders of the Board concerning the above described land, including without limitation Order Nos. 2-73b, 14-97 and 7-2012, by establishing an overlapping 1059.28-acre spacing unit within the South Medicine Pole Hills Field consisting of all of Section 21 and all of Section 28, all in Township 23 North, Range 4 East, and allowing a horizontal well with one or more laterals to be drilled in the Red River "B" pool at any location on that spacing unit that is not closer than 500 feet to the spacing unit boundary. This 1059.28-acre spacing unit will overlap that portion of a 960-acre spacing unit established by Order No. 7-2012 existing in the SE/4 of Section 28.

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 24th day of September 2012.

A handwritten signature in black ink, appearing to read 'S. Pirner', with a horizontal line extending to the right.

Steven M. Pirner
Secretary
Department of Environment and Natural Resources