

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

Case No. 12-2014

IN THE MATTER OF THE PETITION OF)
LUFF EXPLORATION COMPANY TO)
AMEND APPLICABLE ORDERS FOR THE)
BUFFALO FIELD TO INCLUDE THE NW/4)
OF SECTION 14 AND THE NE/4 OF)
SECTION 15, TOWNSHIP 22 NORTH,)
RANGE 4 EAST, HARDING COUNTY,)
SOUTH DAKOTA, WITHIN THE FIELD)
AND ESTABLISH A 960-ACRE SPACING)
UNIT FOR THE FIELD CONSISTING OF)
THE E/2 OF SECTION 10, THE W/2 OF)
SECTION 11, THE NW/4 OF SECTION 14)
AND THE NE/4 OF SECTION 15,)
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 SUCH)
OTHER RELIEF AS THE BOARD DEEMS)
APPROPRIATE.

PETITION

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 E/2 of Section 10, the W/2 of Section 11, the NW/4 of Section 14 and the NE/4 of Section 15, Township 22 North, Range 4 East of the Black Hills Meridian, Harding County, South Dakota.

2. In Order No. 2, the Board established 160-acre spacing for the Buffalo Field. Numerous orders of the Board including Order Nos. 2-78, 20-97, 2-10, 6-13 and 4-14 have extended the boundaries of the field and amended the spacing units established for the field. As

a result of such orders, all of the captioned lands other than the NW/4 of Section 14 and the NE/4 of Section 15 are now included within the Buffalo Field. Pursuant to Order No. 4-14, the W/2 of Section 2, the E/2 of Section 3, the NE/4 of Section 10 and the NW/4 of Section 11 currently constitute a 960-acre spacing unit for the Buffalo Field with one horizontal well authorized to be drilled in the Red River "B" zone on such spacing unit.

3. The NW/4 of said Section 14 and the NE/4 of Section 15 are not included within any field established by order of the Board.

4. Luff has recently drilled the Castle Rock D-11H well on the 960-acre spacing unit consisting of the W/2 of Section 2, the E/2 of Section 3, the NE/4 of Section 10 and the NW/4 of Section 11. To adequately and efficiently drain the reservoir, Luff believes that another well should be drilled on an azimuth that nearly parallels the azimuth of the Castle Rock D-11H well extending from the NW/4 of Section 14 to the NE/4 of Section 10. Luff plans to drill such a well so that no portion of the lateral of the proposed new well in the Red River "B" formation would be any closer than 1,000 feet to the lateral of the Castle Rock D-11H well in the Red River "B" formation. To accommodate such a well, Luff believes that a new 960-acre spacing unit should be established which overlaps the spacing unit for the Castle Rock D-11H well and which consists of the E/2 of Section 10, the W/2 of Section 11, the NW/4 of Section 14 and the NE/4 of Section 15.

5. Luff respectfully requests that the Board amend its prior orders including Order Nos. 2, 2-78, 20-97, 2-10 and 4-14 so as to establish an overlapping 960-acre spacing unit for the Buffalo 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, extending the field outline, 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 SDCL 45-9-20 through 45-9-29 and ARSD 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 November, 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 8 day of October, 2014.

LUFF EXPLORATION COMPANY

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