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JAN 22 2015

Division of Financial
& Technical Assistance

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January 20, 2015

Board of Minerals and Environment
State of South Dakota
Department of Environment and Natural Resources
Joe Foss Building
523 East Capitol
Pierre, SD 57501-3182

RE: Quartz Operations, LLC
API No.: 40-103-20019
Permit No.: 2026
Well Name: Northern Points I
Operator: Quartz Operations
Permit Issue
Date: 3/21/2013
Legal Location: NW NW 7-1N-14E

Dear Board Members:

Enclosed is the original and one copy of the Notice of Petition Initiating Contested Case and corresponding Petition. The Notice provides the time and place for hearing on March 19, 2015 in accordance with my earlier conversations with Roxanne Giedd. If there is a better time on the March date we can adjust our schedules.

Please provide to me a file stamped copy of the enclosed in the return envelope and if there are any questions we can address before the hearing, do not hesitate to contact me.

Thanks for your assistance in these respects.

Respectfully submitted,

CHARLES T. PATTERSON

A handwritten signature in black ink, appearing to read "Charles T. Patterson". The signature is written in a cursive style with a large initial "C".

Patterson & Prah, L.L.P, Attorneys for
Woodford Construction Company LLC

Cc Roxanne Giedd
Rex Hagg
CTP/clm
Enclosures

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Division of Financial
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BEFORE THE BOARD OF MINERALS AND ENVIRONMENT
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

IN RE: QUARTZ OPERATIONS
LLC SURETY BOND
PARTIAL DISBURSMENT

CONTESTED CASE NO. _____

NOTICE OF PETITION
INITIATING CONTESTED CASE

TO: Quartz Operations LLC through their Attorney, Mark Eske
P.O. Box 964, Sioux Falls, SD 57104;

Stan Michaels, Department of Game, Fish & Parks
4130 Adventure Trail, Rapid City, SD 57702

Michael Fosha, Archaeological Research Center
P.O. Box 1257, Rapid City, SD 57709-1257

Holli Hennies, Commission Assistant
Pennington County Commission
315 St. Joseph, Suite 156, Rapid City, SD 57701

Dan Jennissen, Pennington County Planning & Zoning Director
315 St. Joseph Street, Suite 118, Rapid City, SD 57701

Via Certified Mail to the above addresses

You are notified that a Petition Initiating Contested Case has been filed in the Office of the Department of Environment and Natural Resources, Joe Foss Building, 523 East Capitol, Pierre, SD 57501-3182. A copy of the Petition and any documents filed with it is attached to this Notice. The names and addresses of the attorney for the Petitioner, Woodford Construction Co. Inc., is Charles T. Patterson, Patterson & Prah, LLP, 25043 Little Water Lane, P.O. Box 767,

Custer, SD 57730-0767, whose email address is tpatterson@patterprahl.com. The attorney's phone number is 605/673-5223, cell number is 712/251-3255 and the attorney's facsimile number is 605/673-4240. You are further notified that this action is in respect to Northern Points Well, located in Pennington, South Dakota, with the well name of Northern Points I, Board of Minerals and Environment Permit No. 2026. The issue date for this permit was March 21, 2013.

Because the Petitioner is requesting that a portion of the plugging and performance bond on this well be released in response to a Writ of Execution in favor of Woodford Construction Co. Inc. by virtue of a judgment entry against Quartz Operations LLC, a hearing is now scheduled for March 19, 2015, at 9:30 a.m., CDT, or at such additional further time on said date as scheduled by the Department of Environment and Natural Resources, in the Matthews Environmental Education and Training Center, Joe Foss Building, 523 East Capitol Avenue, Pierre, South Dakota. It is not necessary that you appear or respond to this Notice and it is not necessary that you provide any filings with the Department of Environment and Natural Resources, however, you are free to do so if in accordance with applicable rules and statutes.

If you have any questions, please feel free to contact the attorney for Petitioner, reflected in this Notice.

 1-19-15

Charles T. Patterson
Attorney for Petitioner

BEFORE THE BOARD OF MINERALS AND ENVIRONMENT
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

IN RE: QUARTZ OPERATIONS
LLC SURETY BOND
PARTIAL DISBURSMENT

CONTESTED CASE NO. _____

**PETITION INITIATING
CONTESTED CASE**

COMES NOW Woodford Construction Co. Inc. and pursuant to South Dakota Article 74:09:01:01 presents this Petition for Contested Case and in support thereof states as follows:

1. Petitioner, Woodford Construction Co. Inc. of Custer, South Dakota and JDM Excavating of Rapid City, South Dakota were engaged by Quartz Operations LLC to provide labor, materials and other services related to a permit for drilling of a well pursuant to:

Board of Minerals and Environment Permit No. 2026.
Well Name: Northern Points I
Operator: Quartz Operations LLC
Permit Issue Date: March 21, 2013
Legal Location: N.W.N.W. 7-1N-14E

2. Paragraph 17 of the FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER, signed March 21, 2013, confirmed there was provided a surety bond for this well of \$ 20,000 Statewide Plugging and Performance Bond and required an additional bond for "the first well" of \$ 110,000. As a result there has been provided a certificate of deposit totaling \$ 130,000, in the name of The Board of Minerals and Environment.

3. Quartz Operations LLC has refused and failed pay for the labor, material and construction activities performed at said location by Woodford Construction Company and JDM Excavating, at the request of Quartz Operations LLC.

4. Pursuant to the laws of the State of South Dakota, the Board of Minerals and Environment, an agency of the State of South Dakota, holds as surety a Certificate of Deposit in the amount of \$130,000.

5. The only asset of Quartz Operations LLC of which the Petitioner is aware is any portion of the Certificate of Deposit held as and for a surety bond which would be paid to Quartz Operations LLC if and when reclamation procedures pursuant to the Board request have been completed.

6. That a Motion for Default Judgment has been prepared and filed in the County of Pennington, State of South Dakota, Seventh Judicial Circuit Court in a matter styled *Woodford Construction Co., Inc., Plaintiff vs. Quartz Operations LLC, Defendant*. Docket No. CIV. 13-1449 as the result of Quartz Operations LLC, failure to pay for labor and materials provided at the well site and its corresponding failure to Answer or otherwise defend, the Petition for Money Judgment against Quartz Operations LLC.

7. As a result of the filing of the case identified herein, the Honorable Richard E. Mandel, Circuit Court Judge, on January 14, 2014, entered a judgment against Defendant, Quartz Operations LLC in favor of Woodford Construction Co. Inc. in the amount of \$58,617.16 plus prejudgment interest of \$3,077.34 and post-judgment interest on the principal amount of \$58,617.16 at 10% from and after January 14, 2014. A copy of the Order granting Plaintiff's

Motion for Default Judgment and Entry of Default Judgment as amended per Judge Mandel on January 15, 2014, is attached in its entirety and incorporated herein by reference.

8. During the filing of the action against Quartz Operations LLC, Quartz Operations LLC failed and refused to appear, defend or contest the entitlement of Woodford Construction Co. Inc. to judgment in its favor in the amounts set forth above and said amount is not in dispute.

9. The amount due and owing Woodford Construction Co. Inc. by Quartz Operations LLC, as a result of work performed at the well site identified herein, remains unpaid and the judgment remains unsatisfied.

10. During calendar year 2014, at the demand and request of the Department of Environment and Natural Resources, actions were undertaken by or on behalf of Quartz Operations LLC to perform site reclamation activity so as to bring the site into compliance with South Dakota's oil and gas conservation rules and statutes.

11. As of December 31, 2014, there are no outstanding, unfulfilled requests for site reclamation actions to be undertaken. There has been no enforcement action commenced by the department and no action to secure revocation of the bond, in whole or in part.

12. As of December 31, 2014 factually and operationally, site reclamation is complete and there is no need by the Department to retain the full amount of the existing Certificate of Deposit in the amount of \$ 130,000 for site reclamation or any other purpose.

13. As of the Date of Hearing on this Contested Case, March 19, 2015, the Department will have had sufficient time and opportunity to determine what amount of the Bond, if any, should be retained by the Department for any purposes required for Compliance by Quartz Operations LLC with rules and statutes applicable to this well site closure and reclamation.

14. On the date of Hearing March 19, 2015, Petitioner herein will present to and serve upon the Board of Minerals and Environment of the Department of Environment and Natural Resources a properly issued Writ of Execution from the Pennington County, South Dakota Clerk of Court to secure satisfaction of the Judgment against Quartz Operations LLC.

15. Woodford Construction Company requests the Board then arrange for payment of such portion of the Certificate of Deposit to satisfy the Writ of Execution and retain the balance of any funds held by the Board for such further additional security or surety sufficient to complete any obligations of Quartz Operations LLC that might arise in the future.

WHEREFORE, Petitioner requests the Board of Minerals and Environment proceed pursuant to the relief requested herein. Further, Petitioner requests this matter be set for hearing at the office of Board of Minerals and Environment, Matthews Training Center, 523 East Capitol Drive, Joe Foss Building, Pierre, South Dakota, on March 19, 2015, at 1 p.m. or such other time as may be established by the Board.

Respectfully submitted,

PATTERSON & PRAHL, L.L.P.

By: 

Charles T. Patterson, SDBA #2177

25043 Little Water Lane

P.O. Box 767

Custer, SD 57730

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ATTORNEYS FOR WOODFORD
CONSTRUCTION CO., INC., PETITIONER.

Copy to:
Mark Ekse
Attorney for Quartz Operations, LLC
P.O. Box 964
Sioux Falls, SD 57104