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DEPT OF ENVIRONMENT & NATURAL RESOURCES - RAPID CITY

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

IN THE MATTER OF THE PETITION OF )  
LUFF EXPLORATION COMPANY, DENVER, )  
COLORADO, FOR AN ORDER POOLING )  
ALL INTERESTS IN A SPACING UNIT FOR )  
THE SOUTH MEDICINE POLE HILLS FIELD )  
DESCRIBED AS THE E/2 OF SECTION 33 )  
AND THE W/2 OF SECTION 34, TOWNSHIP )  
23 NORTH, RANGE 4 EAST AND THE NW/4 )  
OF SECTION 3 AND THE NE/4 OF SECTION )  
4, TOWNSHIP 22 NORTH, RANGE 4 EAST, )  
HARDING COUNTY, SOUTH DAKOTA, )  
AND TO AUTHORIZE THE RECOVERY OF )  
RISK COMPENSATION IN ADDITION TO )  
THE PRO RATA SHARE OF REASONABLE, )  
ACTUAL COSTS FROM THE INTEREST OF )  
ANY LESSEE OR UNLEASED MINERAL )  
OWNER WHO ELECTS NOT TO )  
PARTICIPATE IN THE RISK AND COST OF )  
DRILLING AND COMPLETING A WELL ON )  
SAID SPACING UNIT; AND FOR OTHER )  
RELIEF AS THE BOARD DEEMS )  
APPROPRIATE. )

Case No. 98-2013

**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 33 and the W/2 of Section 34, Township 23 North, Range 4 East, and the NW/4 of Section 3 and the NE/4 of Section 4, Township 22 North, Range 4 East, Harding County, South Dakota.

2. By Secretary’s Order dated July 1, 2013 in Case No. 16-2013, said lands were designated as a 960-acre spacing unit for the South Medicine Pole Hills Field. The order also authorized issuance of a permit to drill a horizontal well on said spacing unit, which was

subsequently issued to Luff by the Department of Environment and Natural Resources on July 11, 2013.

3. There are separately owned tracts and/or separately owned interests within tracts within said proposed spacing unit.

4. Luff has attempted to secure a lease from all unleased mineral owners or joinder in the drilling of a well by all lessees or unleased owners who elect not to lease in such spacing unit, but as of the date of this application, one unleased mineral owner has communicated to Luff that she wished to be force pooled. By letter dated July 17, 2013, sent by certified mail, return receipt requested, Luff made a final offer to the mineral owner, requesting that she lease on reasonable terms or participate in the drilling of the well and advised her that it intended to request the board to provide for the recovery of risk compensation and that she may object to the risk compensation by responding in opposition to the application for a compulsory pooling order. In accordance with Section 74:12:10:01 ARSD, Luff will file proof of service of such offer upon the owner prior to the hearing or the entry of an order in this matter.

5. Luff desires that the Board pool all interests in said spacing unit in accordance with SDCL 45-9-31, and that Luff be authorized to drill, equip and operate the well in accordance with SDCL 45-9-32.

6. Luff further desires that the order provide that, in the event any owner does not elect to participate in the risk and cost of the drilling and operation of a well on the location, Luff be allowed to recover from the share of production attributable to any such person, that person's pro rata share of the reasonable, actual costs of drilling, completing, equipping and operating a well on the spacing unit, plus, pursuant to ARSD Chapter 74:12:10, a risk compensation equal to (1) two hundred percent of the reasonable actual costs of drilling, reworking, side-tracking, deepening, plugging back, testing, completing and recompleting the well and the costs of newly acquired equipment in the well including the wellhead connection in the case of lessees under an

oil and gas lease; or (2) one hundred percent of such costs in the event of an unleased mineral owner.

7. The Board is authorized to grant the requested pooling order by SDCL 45-9-31 through 45-9-36.

WHEREFORE, petitioner 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 on October 17, 2013, or such other date as may be established by the Board and that thereafter the Board enter its order granting the relief requested. If no interested party intervenes, petitioner requests that the Secretary enter an order granting the relief requested.

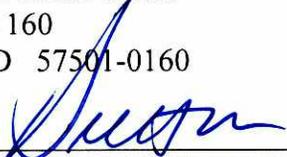
Dated this 23 day of July, 2013.

LUFF EXPLORATION COMPANY

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By: \_\_\_\_\_

  
BRETT M. KOENECKE