

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

<p>IN THE MATTER OF THE APPLICATION OF LUFF EXPLORATION COMPANY, DENVER, COLORADO, TO AMEND ORDER NOS. 3-75A, 17-97, AND ANY OTHER APPLICABLE ORDERS FOR THE COREY BUTTE FIELD TO ESTABLISH A 960-ACRE SPACING UNIT CONSISTING OF ALL OF SECTION 25 AND THE E/2 OF SECTION 26, TOWNSHIP 23 NORTH, RANGE 6 EAST, HARDING COUNTY, SOUTH DAKOTA, AND AUTHORIZE THE DRILLING OF UP TO TWO HORIZONTAL WELLS 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 PERMITS FOR SUCH HORIZONTAL WELLS; AND FOR OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.</p>	<p style="text-align:center">OIL AND GAS CASE NO. 4-2015  ORDER</p>
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**SECRETARY'S ORDER UNDER SDCL 45-9-74**

A Petition ("Petition") of Luff Exploration Company ("Luff") was submitted to the South Dakota Board of Minerals and Environment ("Board") on March 26, 2015. The Board prepared and published a Notice of Opportunity for Hearing ("Notice") and Luff caused a copy of the Petition and the Notice to be served by mail or personally on each party affected by the petition. No petitions to intervene were filed in accordance with the Notice. Therefore, pursuant to South Dakota Codified Laws (SDCL) 45-9-74, SDCL 45-9-20 through 29, and Administrative Rules of South Dakota 74:12:02:06, and based upon Luff's Petition and the supporting documents filed by Luff, the Secretary makes and enters the following order:

Luff represents owners of interests in the oil and gas leasehold estate in all or portions of Section 25 and the E/2 of Section 26, Township 23 North, Range 6 East, Harding County, South Dakota.

Pursuant to Order Nos. 3-75A and 17-97 the lands are included within the Corey Butte Field and are spaced for horizontal drilling in the Red River “B” pool on the basis of 640 acres. Additionally, the E/2 of Section 26 was established as a 320-acre spacing unit for horizontal drilling pursuant to Order No. 18-07.

Luff has drilled the PCRRU Y-27H well on the W/2 of Section 26 within the Pete’s Creek Red River Unit. While Luff anticipates that the Red River “B” pool is structurally lower underlying the proposed spacing unit, results obtained to date from drilling the PCRRU Y-27H well and other wells in the area indicate that the Red River “B” pool is likely to produce oil and gas in commercial quantities. Establishing a 960-acre spacing unit consisting of these lands will enable Luff to drill two wells at the optimal location and in the optimal orientation and thereby maximize the recovery of hydrocarbons.

Such a spacing unit is not smaller than the maximum area that can be efficiently and economically drained by the proposed wells and the size, shape and location of the spacing unit will result in the efficient and economic development of the pool as a whole.

**IT IS THEREFORE ORDERED**

A. A spacing unit consisting of all of Section 25 and the E/2 of Section 26, Township 23 North, Range 6 East is hereby established in the Corey Butte Field.

B. Up to two horizontal wells are authorized to be drilled on this spacing unit in the Red River “B” pool with any such laterals located not closer than 500 feet to the spacing unit boundary.

C. This order amends prior orders concerning the above described land, including without limitation Order Nos. 3-75A, 17-97, and 18-07.

D. That all portions of previous orders of the Board, if any, which are not amended by this Order shall remain in full force and effect until further order of the Board or Secretary.

E. That upon filing all required further information and forms with the Department of Environment and Natural Resources, drilling permits may be issued for the horizontal wells on the spacing unit established above.

Dated and signed this 26th day of May 2015.

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