

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

IN THE MATTER OF THE APPLICATION OF CONTINENTAL RESOURCES, INC. FOR AN ORDER OF THE BOARD AUTHORIZING THE RECOVERY OF RISK COMPENSATION FROM CERTAIN NONPARTICIPATING OWNERS, FOR THE DRILLING AND OPERATING OF THE MITCHELL 31-16H WELL LOCATED IN A SPACING UNIT DESCRIBED AS SECTIONS 16 AND 21, TOWNSHIP 22 NORTH, RANGE 3 EAST, TABLE MOUNTAIN FIELD, HARDING COUNTY, SOUTH DAKOTA, PURSUANT TO ARSD CHAPTER 74:12:10, AND FOR OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.

OIL AND GAS
CASE NO. 61-2013

ORDER

SECRETARY'S ORDER UNDER SDCL 45-9-74

A Petition and Application of Continental Resources, Inc. ("Continental") for the recovery of a risk compensation from certain nonparticipating owners, for the drilling and operating of the Mitchell 31-16H well was submitted to the South Dakota Board of Minerals and Environment ("Board") on November 25, 2013. The Board prepared and published a Notice of Opportunity for Hearing. No petition requesting a hearing was received. Therefore, pursuant to South Dakota Codified Laws (SDCL) 45-9-74 and SDCL 45-9-30 through 36 and based upon Continental's application and supporting documents, the Secretary makes and enters the following Order:

Continental is the owner of an interest in the oil and gas leasehold estate in portions of Sections 16 and 21, Township 22 North, Range 3 East, Harding County, South Dakota ("the Subject Lands"). Order No. 4-13 established the Subject Lands as a 1280-acre spacing unit in the Table Mountain Field, and authorized the issuance of a permit for the drilling of a

horizontal well within the spacing unit.

The Department of Environment and Natural Resources issued a permit to drill the Mitchell 31-16H well as a horizontal well on the Subject Lands. Drilling of the Mitchell 31-16H well commenced on August 3, 2013.

There are both separately owned tracts and separately owned interests in the spacing unit comprised of the Subject Lands. All interests in the Subject Lands have been pooled by virtue of Order No. 20-13, dated August 19, 2013.

Under the current case, Continental has requested that the Board enter an order authorizing the recovery of risk compensation from certain owners for the drilling and operating of the Mitchell 31-16H well.

That Fairway Resources, Inc. and ConocoPhillips Company are working interest owners and have elected not to participate in the drilling and operating of the Mitchell 31-16H well.

As referenced in the Affidavit of Jim Canon, a well proposal was forwarded to Fairway Resources, Inc. and ConocoPhillips Company and said owners failed or refused to respond in a timely manner to the same, or elected not to participate in the drilling and operating of the Mitchell 31-16H well.

IT IS THEREFORE ORDERED

A. In accordance with the Administrative Rules of South Dakota (ARSD) 74:12:10:02 Continental is authorized to recover risk compensation of two-hundred percent of Fairway Resources, Inc. and ConocoPhillips Company's respective shares of the reasonable actual costs of drilling, reworking, side-tracking, deepening, plugging back, testing, completing and recompleting the Mitchell 31-16H well and the costs of newly acquired equipment in the well

including the wellhead connection.

B. Risk compensation may be recovered only out of production from the pooled spacing unit, exclusive of a one-eighth royalty.

C. 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 27th day of January 2014.

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

Steven M. Pimer
Secretary
Department of Environment and Natural Resources