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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 APPLICATION OF NORTH FINN, LLC FOR AN ORDER AMENDING PORTIONS OF OIL AND GAS ORDER NO. 5-81, OIL AND GAS ORDER NO. 7-85 (CADY CREEK FIELD), AND OIL AND GAS ORDER 8-85 (WEST SHORT PINE HILLS FIELD) TO: (1) ESTABLISH AND/OR MAINTAIN 320-ACRE SPACING UNITS FOR WELLS DRILLED TO THE SHANNON ZONE OF THE EAGLE MEMBER OF THE PIERRE SHALE; (2) ALLOW AN OPERATOR THE OPTION OF LOCATING A WELL IN EITHER QUARTER SECTION WITHIN EACH 320-ACRE SPACING UNIT; (3) ALLOW THE DRILLING OF UP TO TWO GAS WELLS PER 320-ACRE SPACING UNIT; AND (4) REDUCE THE SPACING UNIT BOUNDARY SETBACK FROM 660 FEET TO 500 FEET.	**Case No. 25-2008** **FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER**

This matter came on regularly to be heard before the Board of Minerals and Environment ("Board") on January 15, 2009, in Pierre, South Dakota, with Max Main appearing as counsel for North Finn LLC ("North Finn") and Assistant Attorney General Richard M. Williams appearing as counsel for the Department of Environment and Natural Resources ("DENR").

The Board having considered North Finn's petition and the evidence admitted during the hearing, and a majority of the Board having voted to grant North Finn's petition, and good cause appearing therefore, the Board does hereby make and enter the following:

FINDINGS OF FACT

1.

In order to more efficiently develop gas reserves in the Shannon zone of the Eagle Member of the Pierre Shale (the "reservoir"), North Finn's petition requests that Oil and Gas Order Nos. 5-81, 7-85 (Cady Creek Field), and 8-85 (West Short Pine Hills Field) be amended to:

a. Establish and/or maintain 320-acre spacing units, consisting of the north half and the south half of each governmental section, for wells drilled to the reservoir on lands within Townships 11 through 14 North, Ranges 2 through 7 East, B.H.M., Butte County, South Dakota; and on the following lands in Harding County, South Dakota:

Township 15 North, Range 3 East, B.H.M.
Sections: 1 through 6 inclusive;
10 through 14 inclusive;
23 through 26 inclusive; and
31 through 36 inclusive.

Township 15 North, Ranges 4 through 7 East, B.H.M.
Sections: 1 through 36 inclusive, in each Township.

Township 16 North, Range 2 East, B.H.M.
Sections: 1 through 4 inclusive;
10 through 15 inclusive;
22: N½;
23: N½;
24;
35: S½; and
36.

Township 16 North, Range 3 East, B.H.M.
Sections: 1 through 36 inclusive.

Township 16 North, Ranges 4 through 7 East, B.H.M.
Sections: 1 through 36 inclusive, in each Township.

b. Allow an operator the option of locating a well in either quarter section within each 320-acre spacing unit for wells drilled to the reservoir on lands

within Townships 11 through 14 North, Ranges 2 through 7 East, B.H.M., Butte County, South Dakota; and on the following lands in Harding County, South Dakota:

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Sections: 1 through 36 inclusive, in each Township.

Township 16 North, Range 2 East, B.H.M.
Sections: 1 through 4 inclusive;
10 through 15 inclusive;
22: N½;
23: N½;
24;
35: S½; and
36.

Township 16 North, Range 3 East, B.H.M.
Sections: 1 through 36 inclusive.

Township 16 North, Ranges 4 through 7 East, B.H.M.
Sections: 1 through 36 inclusive, in each Township.

c. Allow the drilling and completion of up to two gas wells per 320-acre spacing unit, by locating each well on a separate quarter section, on lands within Townships 11 through 14 North, Ranges 2 through 7 East, B.H.M., Butte County, South Dakota; and on the following lands in Harding County, South Dakota:

Township 15 North, Range 3 East, B.H.M.
Sections: 1 through 6 inclusive;
10 through 14 inclusive;
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Township 15 North, Ranges 4 through 7 East, B.H.M.
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Township 16 North, Range 2 East, B.H.M.
Sections: 1 through 4 inclusive;
10 through 15 inclusive;
22: N½;
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24;
35: S½; and
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Township 16 North, Range 3 East, B.H.M.
Sections: 1 through 36 inclusive.

Township 16 North, Ranges 4 through 7 East, B.H.M.
Sections: 1 through 36 inclusive, in each Township.

d. Reduce the spacing unit boundary setback from 660 feet to 500 feet on lands within Townships 11 through 14 North, Ranges 2 through 7 East, B.H.M., Butte County, South Dakota; and on the following lands in Harding County, South Dakota:

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Sections: 1 through 36 inclusive.

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2.

North Finn's petition and supporting documentation and evidence are complete in all respects.

3.

DENR caused notice of the date, time and location of the hearing in this matter to be published according to law.

4.

Granting North Finn's petition will allow for more efficient development of gas reserves in the reservoir in the lands describes in Finding No. 1 above.

Based upon the foregoing Findings of Fact, the Board does hereby make and enter the following:

CONCLUSIONS OF LAW

1.

The Board has jurisdiction over the subject matter hereof and the parties hereto.

2.

Due and proper notice of the date, time and location of the hearing in this matter was given and published as required by law.

3.

Granting North Finn's petition will fully protect correlative rights, will prevent waste, and will result in the greatest possible economic recovery of gas from the reservoir in the lands described in Finding No. 1 above.

ORDER

Based upon the foregoing Findings of Fact and Conclusions of Law, it is hereby:

ORDERED, that North Finn's petition be, and the same hereby is, granted. It is further

ORDERED, that Oil and Gas Order Nos. 5-81, 7-85 (Cady Creek Field), and 8-85 (West Short Pine Hills Field) be amended to:

a. Establish and/or maintain 320-acre spacing units, consisting of the north half and the south half of each governmental section, for wells drilled to the reservoir on lands within Townships 11 through 14 North, Ranges 2 through 7 East, B.H.M., Butte County, South Dakota; and on the following lands in Harding County, South Dakota:

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b. Allow an operator the option of locating a well in either quarter section within each 320-acre spacing unit for wells drilled to the reservoir on lands within Townships 11 through 14 North, Ranges 2 through 7 East, B.H.M., Butte County, South Dakota; and on the following lands in Harding County, South Dakota:

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Sections: 1 through 36 inclusive.

Township 16 North, Ranges 4 through 7 East, B.H.M.
Sections: 1 through 36 inclusive, in each Township.

It is further

ORDERED, that gas wells shall be located no closer than 1,875 feet to any well capable of producing from, or drilling to, the reservoir.

DATED this 15th day of January, 2009.

SOUTH DAKOTA BOARD OF MINERALS AND ENVIRONMENT

By: Glenn A. Blumhardt

Glenn A. Blumhardt

Hearing Chairman (please sign and print)