

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, CO., )  
TO AMEND BOARD ORDER NO. 1-1973, AND )  
ANY OTHER APPLICABLE ORDERS FOR )  
THE STATE LINE FIELD TO ESTABLISH A )  
420-ACRE SPACING UNIT CONSISTING OF )  
ALL OF SECTION 20, TOWNSHIP 23 NORTH, )  
RANGE 5 EAST, HARDING COUNTY, SOUTH )  
DAKOTA, AND AUTHORIZE THE DRILLING )  
OF ONE VERTICAL WELL TO BE )  
COMPLETED IN THE RED RIVER "C" AND )  
"D" ZONES AT ANY LOCATION NOT )  
CLOSER THAN 500 FEET TO THE )  
BOUNDARY OF SAID SPACING UNIT; TO )  
AUTHORIZE THE ISSUANCE OF A PERMIT )  
FOR SUCH VERTICAL WELL; AND FOR )  
OTHER RELIEF AS THE BOARD DEEMS )  
APPROPRIATE. )

PETITION

Case No. 1-2017

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 Section 20, Township 23 North, Range 5 East of the Black Hills Meridian, Harding County, South Dakota. Said Section 20 is adjacent to the border between the States of South Dakota and North Dakota and consists of approximately 420 acres.

2. Pursuant to Order No. 1-1973, Section 20 was included in the State Line Field and established as a 420-acre spacing unit with one vertical well allowed.

3. Pursuant to Order Nos. 7-2002, and 3-2005 said lands were established as a portion of a 740-acre spacing unit for the Red River "B" zone, consisting of all of Section 20 and the North Half of Section 29, with up to two horizontal wells allowed. In Order No. 15-2008, the Red River "B" zone underlying these lands was unitized and made part of the South Dakota-State Line Red River Unit.

4. Two producing wells have been drilled in Section 20, both by Luff. The Ferkingstad 33-20 was drilled as a vertical Red River "D" well, recompleted as a vertical Red

River “B” well, and Luff later drilled a lateral from the well into the Red River “B” zone. The Janvrin A-29H well was drilled as a horizontal Red River “B” well with two laterals. In addition, the SD SLRRU F-20H injection well was drilled in said lands for secondary recovery operations in the South Dakota-State Line Red River Unit. There is currently no production from the Red River “C” or “D” zones underlying said lands.

5. While the Red River “D” zone is the primary target, Luff believes that hydrocarbon reserves in both the Red River “C” and “D” zones underlying said lands may be recoverable by drilling a vertical well. In Luff’s opinion, such a plan of development would maximize the recovery of hydrocarbons and thereby prevent waste and would also result in the efficient and economical development of the zones as a whole.

6. Luff respectfully requests that the Board amend its prior orders, including Order No. 1-1973 so as to establish a 420-acre spacing unit for the State Line Field consisting of said lands and allow a vertical well to be drilled in the Red River “C” and “D” zones at any location thereon not closer than 500 feet to the boundary of such spacing unit.

7. In Luff’s opinion, forming the requested spacing unit and authorizing the drilling of the well described above will optimize primary recovery, prevent waste, avoid the drilling of unnecessary wells, and protect correlative rights.

8. The spacing unit requested to be created is not smaller than the maximum area that can be efficiently and economically drained by the proposed well and the size, shape, and location thereof will result in the efficient and economic development of the zones as a whole.

9. Because the operations for the South Dakota-State Line Red River Unit involve the Red River “B” zone and because the requested spacing for vertical drilling only involves the “C” and “D” zones, the requested spacing for vertical drilling will have no adverse impact on the South Dakota-State Line Red River Unit.

10. The Board is authorized to grant the requested spacing unit by South Dakota Codified Laws 45-9-20 through 45-9-29 and Administrative Rules of South Dakota 74:12:02:06.

Luff further requests that the order authorize the issuance of a permit for the drilling of the well in accordance with this application.

WHEREFORE, applicant 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 in October 2017, or such other date as may be established by the Board, and that the Board enter its order granting the relief requested.

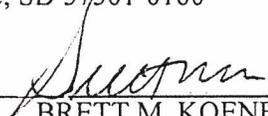
Dated this 24<sup>th</sup> day of August, 2017.

LUFF EXPLORATION COMPANY

John W. Morrison  
CROWLEY FLECK PLLP  
100 West Broadway, Suite 250  
P.O. Box 2798  
Bismarck, ND 58502

MAY, ADAM, GERDES & THOMPSON, L.L.P.  
503 South Pierre Street  
P.O. Box 160  
Pierre, SD 57501-0160

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

  
BRETT M. KOENECKE