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January 22, 2019

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Re: *In the Matter of Spyglass Cedar Creek, LP's Violations of SDCL Chapter 45-9 and ARSD Article 74:12*

Gentlemen:

Enclosed please find a copy of the Notice of Entry of Order Revoking Permits, Forfeiting Surety and Pursuing Other Remedies and Certificate of Service. If you have any questions or concerns, please feel free to call.

Sincerely,


Richard M. Williams
Deputy Attorney General

*Counsel for Department of Environment
And Natural Resources*

RMW/jm
Enclosures

Cc: Brenda Binegar
Lucy Dahl
Charlie McGuigan
Rexford A. Hagg, Chairman

STATE OF SOUTH DAKOTA
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

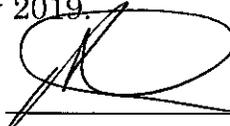
BOARD OF MINERAL AND ENVIRONMENT

| | | |
|----------------------------|---|-------------------------|
| IN THE MATTER OF |) | NOTICE OF ENTRY OF |
| SPYGLASS CEDAR CREEK, LP'S |) | ORDER REVOKING PERMITS, |
| VIOLATIONS OF |) | FORFEITING SURETY AND |
| SDCL CHAPTER 45-9 AND |) | PURSUING OTHER REMEDIES |
| ARSD ARTICLE 74:12 |) | |

TO ALL PARTIES OF RECORD:

You will hereby take notice that on the 18th day of January 2019, the above Board made and entered its Order Revoking Permits, Forfeiting Surety and Pursuing Other Remedies herein. Said Order was filed on January 18, 2019, with the Department of Environment and Natural Resources, Joe Foss Building, 523 E. Capitol Ave., Pierre, South Dakota 57501. A true, correct and complete copy of the Order is hereunto annexed and herewith served upon you and made a part of this notice the same as if fully and completely set forth herein.

Dated this 22nd day of January 2019.



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*Counsel for Department of Environment
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STATE OF SOUTH DAKOTA
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

BOARD OF MINERALS AND ENVIRONMENT

IN THE MATTER OF
SPYGLASS CEDAR CREEK, LP'S
VIOLATIONS OF
SDCL CHAPTER 45-9 AND
ARSD ARTICLE 74:12

**ORDER REVOKING PERMITS,
FORFEITING SURETY
AND
PURSUING OTHER REMEDIES**

On July 12, 2018, the South Dakota Department of Environment and Natural Resources ("Department") filed a Petition to Revoke Drilling Permits and Petition for Forfeiture of Surety initiating a contested case against Spyglass Cedar Creek, LP ("Spyglass"). An Amended Notice of Hearing was issued establishing the hearing date as December 20, 2018.

Prior to the hearing date, the Parties negotiated an agreement to settle the matter. On December 20, 2018, in settlement of the above-entitled matter, the Parties presented the Board of Minerals and Environment ("Board") with a Consent Agreement ("Agreement") attached hereto as Exhibit A. At the conclusion of the hearing on December 20, the Board entered its Order Adopting Consent Agreement. Notice of Entry of that Order was served the same day.

Among other provisions, Spyglass Cedar Creek, LP did not contest violations of SDCL ch. 46-9 or ARSD ch. 74:12. Further, paragraph 13 of the Agreement requires Spyglass to obtain and post "a good and sufficient surety with the Department, in the amount of \$200,000.00, by January 15, 2019." Paragraph 13 further provides, "Failure to post the surety by January 15, 2019 shall result in

immediate default of this Agreement and the NOV, and Spyglass consents to the entry of an order by the Board of Enforcement Relief, pursuant to its statutory authority without further hearing." Paragraphs 7 and 14 of the Agreement additionally provide that if Spyglass fails to comply with the terms of the Agreement, the Board may, "at its sole discretion and without prior notice to Spyglass," enter orders to foreclose on the surety and to revoke Spyglass' permits to drill.

The Board has been given notice by the Department that Spyglass failed to post a surety with the Department in the amount of \$200,000.00 by January 15, 2019. The Board, therefore, finds Spyglass in violation of the Agreement and hereby makes the following ORDER;

1. The following oil and gas permits granted to Spyglass Cedar Creek, LP, shall be and are hereby revoked:
1780, 1778, 1781, 1789, 1793, 1814, 1825, 1826, 1827, 1828, 1829, 1863, 1864, 1865, 1866, 1867, 1868, 1869, 1876, 1877, 1885, 1886, 1887, 1888, 1890, 1948, 1949, 1950, 1960, 1961, 1964, 1965, 1966, 1967, 1968, 1969, 1971, 1975, 1978, and 1979;
2. The Certificate of Deposit no. 52113, issued by First State Bank of New Braunfels, Texas, and later assumed by Prosperity Bank of New Braunfels, Texas, in the amount of \$20,000 shall be and is hereby forfeited;
3. Any and all of the \$10,000.00 surface restoration bond recovered by the Department from the State of Texas' Unclaimed Property Division plus any accrued interest shall be and is hereby forfeited;
4. Department staff shall carry out all activities necessary to transfer the proceeds from each surety to the Department.

5. Subject to Board Approval, the Secretary of the Department and/or the Attorney General's office is authorized to pursue any and all available remedies and enforcement actions allowed by law or equity for the violations set forth in the Agreement or the failure to post bond.
6. The Board reserves the right to take such further actions deemed just and equitable in the premises including but not limited to assessing civil penalties pursuant to SDCL 45-9-68.

Dated this 18th day of January, 2019

SOUTH DAKOTA BOARD OF
MINERALS AND ENVIRONMENT



Rexford A. Hagg
Hearing Chairman

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

| | | |
|----------------------------|---|------------------------|
| IN THE MATTER OF |) | |
| SPYGLASS CEDAR CREEK, LP'S |) | CERTIFICATE OF SERVICE |
| VIOLATIONS OF |) | |
| SDCL CHAPTER 45-9 AND |) | |
| ARSD ARTICLE 74:12 |) | |

The undersign hereby certifies that on January 22, 2019, a true and correct copy of the Notice of Entry of Order Revoking Permits, Forfeiting Surety and Pursuing Other Remedies, was sent by e-mail and U.S. mail upon:

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