

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

RECEIVED

MAR 28 2013

DEPT OF ENVIRONMENT & NATURAL
RESOURCES - RAPID CITY

IN THE MATTER OF THE PETITION OF)
LUFF EXPLORATION COMPANY, DENVER,)
COLORADO, FOR AN ORDER POOLING)
ALL INTERESTS IN A SPACING UNIT FOR)
THE BUFFALO FIELD DESCRIBED AS THE)
SW/4 OF SECTION 36 AND THE SE/4 OF)
SECTION 35, TOWNSHIP 23 NORTH,)
RANGE 4 EAST, AND THE W/2 OF SECTION)
1 AND THE E/2 OF SECTION 2, TOWNSHIP)
22 NORTH, RANGE 4 EAST, HARDING)
COUNTY, NORTH DAKOTA, AND TO)
AUTHORIZE THE RECOVERY OF RISK)
COMPENSATION IN ADDITION TO THE)
PRO RATA SHARE OF REASONABLE,)
ACTUAL COSTS FROM THE INTEREST OF)
ANY LESSEE OR UNLEASED MINERAL)
OWNER WHO ELECTS NOT TO)
PARTICIPATE IN THE RISK AND COST OF)
DRILLING AND COMPLETING A WELL ON)
SAID SPACING UNIT; AND FOR OTHER)
RELIEF AS THE BOARD DEEMS)
APPROPRIATE.)

Case No.

PETITION

Case No. 12-2013

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 the SW/4 of Section 36 and the SE/4 of Section 35, Township 23 North, Range 4 East, and W/2 of Section 1 and the E/2 of Section 2, Township 22 North, Range 4 East of the Black Hills Meridian, Harding County, South Dakota.

2. By petition in Case No. 6-2013 dated February 1, 2013, Luff requested that said lands be designated as a 960-acre spacing unit for the Buffalo Field. Luff anticipates that and order granting such relief will be issued in the near future. Once the order is issued, the Board

will have established a 960-acre spacing unit consisting of the lands described above for the Buffalo field.

3. There are separately owned tracts and/or separately owned interests within tracts within said proposed spacing unit.

4. Luff intends to attempt to secure a lease from all unleased mineral owners or joinder in the drilling of a well by all lessees or unleased owners who elect not to lease in such spacing unit, but as of the date of this application, such joinder has not been obtained. Prior to the entry of an order in this matter, Luff will file proof that such an attempt was made in accordance with Section 74:12:10:01 ARSD.

5. Luff desires that the Board pool all interests in said spacing unit in accordance with Section 45-9-31, SDCL.

6. Luff further desires that the order provide that, in the event any owner does not elect to participate in the risk and cost of the drilling and operation of a well on the location, Luff be allowed to recover from the share of production attributable to any such person, that person's pro rata share of the reasonable, actual costs of drilling, completing, equipping and operating a well on the spacing unit, plus, pursuant to Section 45-9-34, a risk compensation equal to (1) two hundred percent of the reasonable actual costs of drilling, reworking, side-tracking, deepening, plugging back, testing, completing and recompleting the well and the costs of newly acquired equipment in the well including the wellhead connection in the case of lessees under an oil and gas lease; or (2) one hundred percent of such costs in the event of an unleased mineral owner.

8. The Board is authorized to grant the requested pooling order by SDCL 45-9-31 through 45-9-36.

WHEREFORE, petitioner 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 on May 16, 2013, or such other date as may be established by the Board and that thereafter the Board enter its order granting the relief requested. If no interested party intervenes, petitioner requests that the Secretary enter an order granting the relief requested.

Dated this 25 day of March, 2013.

LUFF EXPLORATION COMPANY

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