

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 AMENDING BOARD ORDER NO. 1-83 PROVIDING FOR UNIT OPERATIONS OF THE SOUTH BUFFALO RED RIVER UNIT AND BOARD ORDER NO. 3-87 PROVIDING FOR UNIT OPERATIONS OF THE WEST BUFFALO RED RIVER UNIT AND ANY OTHER ORDERS APPLICABLE TO THE SBRRU AND THE WBRRU SO AS TO AUTHORIZE THE DRILLING OF A HORIZONTAL WELL TO BE LOCATED ACROSS UNIT BOUNDARIES IN SECTIONS 31 AND 32, TOWNSHIP 21 NORTH, RANGE 4 EAST, AND SECTIONS 5 AND 6, TOWNSHIP 20 NORTH, RANGE 4 EAST, HARDING COUNTY, SOUTH DAKOTA; AUTHORIZING THE COMMINGLING OF PRODUCTION IN THE WELLBORE; AND FOR OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.	OIL AND GAS CASE NO. 15-2012 ORDER
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SECRETARY'S ORDER UNDER SDCL 45-9-74

A Petition and Application of Continental Resources, Inc. ("Continental") was submitted to the South Dakota Board of Minerals and Environment ("Board") on September 28, 2012. The Board prepared and published a Notice of Opportunity for Hearing. The Board received no notice of intervention to said application. Therefore, pursuant to SDCL 45-9-74, SDCL 45-9-20 through -29, ARSD 74:12:02:06, 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 the South Buffalo Red River Unit ("SBRRU"), Harding County, South Dakota, consisting of the following lands:

Township 20 North, Range 4 East

Section 1: All
Section 2: All
Section 3: All
Section 4: All
Section 5: All
Section 8: All
Section 9: All
Section 10: All
Section 11: All
Section 12: All
Section 13: All
Section 14: All
Section 15: All
Section 16: All
Section 17: All
Section 20: All
Section 21: All
Section 22: All
Section 23: All
Section 24: All

Township 21 North, Range 4 East

Section 23: S $\frac{1}{2}$
Section 25: W $\frac{1}{2}$
Section 26: All
Section 27: All
Section 28: All
Section 29: All
Section 30: All
Section 32: All
Section 33: All
Section 34: All
Section 35: All
Section 36: All

Township 20 North, Range 5 East

Section 6: W $\frac{1}{2}$
Section 7: W $\frac{1}{2}$
Section 18: W $\frac{1}{2}$

In Order No. 1-83, the Board established spacing for the SBRRU area at two wells per 160 acres with wells to be located not less than 660 feet from the exterior boundary of the SBRRU area nor closer than 1000 feet to a well drilling to or capable of producing from the Buffalo Field, Red River Pool. Spacing for SBRRU was amended under Board Order No. 5-97 so as to authorize the drilling of horizontal wells in the unitized formation to be located anywhere within the boundaries of the SBRRU not less than 660 feet from the exterior boundary of the SBRRU.

Continental is also the owner of an interest in and oil and gas leasehold estate in the West Buffalo Red River Unit (“WBRRU”), Harding County, South Dakota, consisting of the following lands:

Township 21 North, Range 3 East

Section 23: All

Section 24: W½

Section 25: All

Section 26: E½

Section 35: E½

Section 36: All

Township 20 North, Range 3 East

Section 1: NE¼

Township 21 North, Range 4 East

Section 31: All

Township 20 North, Range 4 East

Section 6: All

Section 7: W½

In Order No. 3-87, the Board established the WBRRU, with spacing for the WBRRU area established at two wells per 160 acres with wells to be located not less than 660 feet from the exterior boundary of the WBRRU area nor closer than 1000 feet to a well drilling to or capable of producing from the Buffalo Field, Red River Pool. Spacing for WBRRU was amended by Board Order No. 4-97 so as to authorize the drilling of horizontal wells in the unitized formation to be located anywhere within the boundaries of the WBRRU not less than 660 feet from the exterior boundary of the WBRRU.

Continental desires to utilize the horizontal drilling technique to test and further develop the Buffalo Field, Red River Pool, within both the SBRRU and WBRRU areas.

In utilizing the horizontal drilling technique, it is reasonably necessary to have a certain amount of flexibility with respect to well locations and spacing that the current statewide rules and the Board’s orders for the SBRRU and the WBRRU fail to provide.

Continental has requested that the Board amend its prior orders, including without limitation of Board Order Nos. 1-83 and 5-97, and Board Order Nos. 3-87 and 4-97, and all other orders of the Board applicable to the SBRRU and WBRRU, to authorize the drilling of a horizontal well to be located across unit boundaries in Sections 31 and 32, Township 21 North, Range 4 East, and Sections 5 and 6, Township 20 North, Range 4 East, Harding County, South Dakota, and to authorize the commingling of production in the wellbore.

In Continental's opinion, drilling the well described above will increase the ultimate recovery of the pool, prevent waste, prevent the drilling of unnecessary wells and protect correlative rights. Continental asserts that the area can be efficiently and economically drained by the proposed well, and the location thereof will result in the efficient and economic development of the pool as a whole.

IT IS THEREFORE ORDERED

A. That Continental, as the operator of the SBRRU and the WBRRU, is authorized to drill a horizontal well to be located across unit boundaries within Sections 31 and 32, Township 21 North, Range 4 East, and Sections 5 and 6, Township 20 North, Range 4 East, Harding County, South Dakota, and is authorized to commingle production in the wellbore.

B. This Order amends prior orders of the Board concerning the above described land, including without limitation Order Nos. 1-83 and 5-97, and Board Order Nos. 3-87 and 4-97.

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.

D. That the proceeds of production for the horizontal well requested herein shall be allocated to the SBRRU and the WBRRU on the basis of lateral length of the horizontal well occurring in each unit.

E. That all costs and expenses for the horizontal well requested herein shall be allocated to the SBRRU and the WBRRU on the same basis as allocation of proceeds of production.

F. That upon filing all required further information and forms with the office of the Secretary, a drilling permit may be issued for the above-described horizontal oil and gas well.

Dated and signed this 5th day of November 2012.

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

Steven M. Pirner
Secretary
Department of Environment and Natural Resources