

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 ANY APPLICABLE ORDERS FOR THE BUFFALO FIELD TO POOL ALL INTERESTS IN A 640-ACRE SPACING UNIT DESCRIBED AS THE E/2 OF SECTION 25 AND THE E/2 OF SECTION 36, TOWNSHIP 22 NORTH, RANGE 3 EAST, HARDING COUNTY, SOUTH DAKOTA; AND FOR OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.

OIL AND GAS
CASE NO. 18-2013

ORDER

SECRETARY'S ORDER UNDER SDCL 45-9-74

A Petition and Application of Continental Resources, Inc. ("Continental") to pool all interests in the 640-acre spacing unit comprised of the above-referenced lands was submitted to the South Dakota Board of Minerals and Environment ("Board") on June 27, 2013. The Board prepared and published a Notice of Opportunity for Hearing. No petition requesting a hearing was received. Therefore, pursuant to South Dakota Codified Laws (SDCL) 45-9-74 and SDCL 45-9-30 through 36 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 portions of the East Half (E/2) of Section 25 and the East Half (E/2) of Section 36, Township 22 North, Range 3 East, Harding County, South Dakota ("the Subject Lands"). Order No. 8-2010 established the Subject Lands as a 640-acre spacing unit in the Buffalo Field, and authorized the issuance of a permit for the drilling of a horizontal well within the spacing unit.

The Quinn 44-36H well is located on the East Half (E/2) of Section 25 and the East Half (E/2) of Section 36, Township 22 North, Range 3 East, Harding County, South Dakota.

Drilling of the Quinn 44-36H well commenced on January 8, 2012, and the well was completed on April 26, 2012. Continental has produced the Quinn 44-36H well since May 17, 2013, and continues to produce the Quinn 44-36H well.

There are both separately owned tracts and separately owned interests in the spacing unit comprised of the Subject Lands. Voluntary pooling of the Subject Lands has not been accomplished.

Under the current case, Continental has requested that the Board pool all interests in the aforementioned spacing unit, and that Continental be designated as operator of the Quinn 44-36H well, the authorized horizontal well within said spacing unit.

In Continental's opinion, pooling the Subject Lands will increase the ultimate recovery of the pool, prevent waste, prevent the drilling of unnecessary wells and protect correlative rights.

IT IS THEREFORE ORDERED

A. Pooling of all interests in the 640-acre spacing unit comprised of the East Half (E/2) of Section 25 and the East Half (E/2) of Section 36, Township 22 North, Range 3 East, Harding County, South Dakota, is hereby granted for the Buffalo Field. Continental is hereby designated the operator of the Quinn 44-36H well.

B. All expenses incurred in drilling, equipping and operating the Quinn 44-36H well on the spacing unit, plus a reasonable charge for supervision and interest, and all production from the well, shall be allocated to the various tracts within the spacing unit on the basis of the ratio of the number of acres contained in each separately owned tract to the number of acres in the spacing unit.

C. Operations incident to the drilling of a well on any portion of the spacing unit shall be deemed for all purposes the conduct of such operation upon each separately owned tract in the

spacing unit, and production allocated to each tract shall, when produced, be deemed for all purposes to have been produced from each tract by a well drilled thereon.

D. Owners of mineral interests in the spacing unit who participated in the costs of drilling, equipping, and operating the Quinn 44-36H well or continue to pay future operating costs for the Quinn 44-36H well for the benefit of nonparticipating owners of mineral interests in the spacing unit are entitled to the share of production from the spacing unit accruing to the interest of the nonparticipating owners, exclusive of a royalty not to exceed one-eighth of the production, until the market value of the nonparticipating owners' share of the production exclusive of the royalty, equals the sums payable by or charged to the interest of the nonparticipating owners.

E. Sharing of production from the Quinn 44-36H well shall be from the effective date of the pooling except that, in calculating costs, credit shall be given for the value of the owner's share of any prior production from the well.

F. Nothing contained herein shall prohibit Continental, its successors and assigns, from making further application to the Board for a risk penalty to be imposed against any nonparticipating owners as provided for by SDCL Ch. 45-9 and Administrative Rules of South Dakota Ch. 74:12:10 (2013).

G. In the event of a dispute as to the costs of drilling, equipping, or operating the well, the South Dakota Board of Minerals and Environment shall determine the costs in accordance with SDCL 45-9-35.

H. 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.

Dated and signed this 19th day of August 2013.

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