

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

RECEIVED

JUN 1 2015

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 COREY BUTTE FIELD DESCRIBED AS ALL OF SECTION 25 AND THE E/2 OF SECTION 26, TOWNSHIP 23 NORTH, RANGE 6 EAST, HARDING COUNTY, SOUTH DAKOTA; PRESCRIBING THE TIME AND MANNER IN WHICH ALL OWNERS MAY ELECT TO PARTICIPATE IN THE DRILLING AND OPERATION OF A WELL ON SUCH SPACING UNIT; PROVIDING AN ALTERNATIVE WHEREBY AN OWNER WHO DOES NOT ELECT TO PARTICIPATE IN THE RISK AND COST OF A WELL MAY PARTICIPATE ON A LIMITED OR CARRIED BASIS; AUTHORIZING 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 AUTHORIZED WELLS ON SAID SPACING UNIT; AND FOR OTHER RELIEF AS DETERMINED BY THE BOARD TO BE JUST AND REASONABLE.

**PETITION**

Case No. 6-2015

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 all of Section 25 and the E/2 of Section 26, Township 23 North, Range 6 East, Harding County, South Dakota.

2. Said lands are included within the Corey Butte Field and in Order No. 4-2015, the lands were established as a 960-acre spacing unit for the Corey Butte Field with up to two wells authorized to be drilled on the spacing unit.

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

4. Luff has attempted to secure a lease from the owners of a majority of the interests in the spacing unit, but anticipates that at least some of the owners will not agree to lease or participate in the risk and cost of drilling a well on the spacing unit.

5. Luff desires that the Board pool all interests in said spacing unit in accordance with South Dakota Codified Laws (SDCL) 45-9-31, and authorize Luff to drill, equip and operate the wells on the spacing unit in accordance with SDCL 45-9-32.

6. Luff further desires the order provide that within 30 days of being provided an estimate of the anticipated expenditures by Luff, all owners who have not voluntarily agreed to pool their interests in the spacing unit shall elect to participate in writing and shall thereafter pay their proportionate share of the reasonable actual costs of drilling, completing and operating the well, plus a reasonable charge for supervision. Luff further requests the order provide that in the event any such owner does not so elect to participate in the risk and cost of drilling a well, Luff shall be entitled to recover risk compensation in addition to the actual prorated costs in accordance with the Administrative Rules of South Dakota (ARSD) Chapter 74:12:10 or as otherwise determined by the Board to be just and reasonable.

7. The Board is authorized to grant the requested pooling order by SDCL 45-9-31 through 45-9-36 and ARSD 74:12:10:01 through 74:12:10:03.

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 July 16, 2015, 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 the Secretary enter an order granting the relief requested.

Dated this 29 day of May, 2015.

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:  for  
BRETT M. KOENECKE