

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

IN THE MATTER OF THE PETITION OF LUFF EXPLORATION COMPANY, DENVER, COLORADO, TO AMEND THE APPLICABLE ORDERS FOR THE COREY BUTTE FIELD, INCLUDING WITHOUT LIMITATION BOARD ORDER NO. 19-07, SO AS TO VACATE AN EXISTING 640-ACRE SPACING UNIT CONSISTING OF ALL OF SECTION 35, TOWNSHIP 23 NORTH, RANGE 6 EAST, AND ESTABLISH INSTEAD A 320-ACRE SPACING UNIT CONSISTING OF THE W/2 OF SECTION 35, AND AUTHORIZE THE DRILLING OF A HORIZONTAL WELL WITH ONE OR MORE LATERALS IN THE RED RIVER "B" ZONE AT ANY LOCATION NOT CLOSER THAN 500 FEET TO THE BOUNDARY OF SAID SPACING UNIT; TO AUTHORIZE THE ISSUANCE OF A PERMIT FOR SUCH WELL; AND FOR OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.

OIL AND GAS
CASE NO. 64-2013

ORDER

SECRETARY'S ORDER UNDER SDCL 45-9-74

A Petition ("Petition") of Luff Exploration Company ("Luff") was submitted to the South Dakota Board of Minerals and Environment ("Board") on December 23, 2013. The Board prepared and published a Notice of Opportunity for Hearing ("Notice") and Luff caused a copy of the Petition and the Notice to be served by mail or personally on each party affected by the petition. No petition to intervene was filed in accordance with the Notice. Therefore, pursuant to South Dakota Codified Laws (SDCL) 45-9-74, SDCL 45-9-20 through 29, and Administrative Rules of South Dakota (ARSD) 74:12:02:06, and based upon Luff's Petition and the supporting documents filed by Luff, the Secretary makes and enters the following order:

Luff represents the owners of interests in the oil and gas leasehold estate in all or portions of Section 35, Township 23 North, Range 6 East, Harding County, South Dakota.

Pursuant to Order No. 19-07, all of said Section 35 constitutes a 640-acre spacing unit for the Corey Butte Field.

The Carla 1-35H well was drilled as a horizontal well in a northeasterly direction from a location in the SW/4 of Section 35 and produced approximately 1,334 barrels of oil from the Red River "B" pool and has not produced oil or gas since 2008.

Luff's geologic interpretation of the area, as confirmed by results from drilling the Carla 1-35H well, indicates that the northeast portion of Section 35 is substantially lower structurally than the southwest portion of the section. As a result, the Carla 1-35H well had a substantially higher water cut than other wells in the area.

Luff intends to reenter the Carla 1-35H well, plug a portion of the existing lateral with cement, and side-track the well by drilling a new lateral in a northerly direction across the W/2 of Section 35, and thereby avoid the structurally lower reservoir in the northeast portion of the section. Correlative rights of all owners would be better protected by a 320-acre spacing unit consisting of the W/2 of said Section 35 for the side-tracked lateral as described in Luff's exhibits.

Such a spacing unit is not smaller than the maximum area that can be efficiently and economically drained by the proposed side-tracked well and the size, shape and location of the spacing unit will result in the efficient and economic development of the pool as a whole.

IT IS THEREFORE ORDERED

A. The 640-acre spacing unit consisting of all of Section 35, Township 23 North, Range 6 East, Harding County, South Dakota, is hereby vacated and a new spacing unit for the

Corey Butte Field consisting of the W/2 of Section 35, Township 23 North, Range 6 East, is hereby established.

B. A horizontal well with one or more laterals is allowed to be drilled in the Red River "B" pool, or one or more new laterals are allowed to be drilled from the existing Carla 1-35H well bore in the Red River "B" pool, with any such laterals located not closer than 500 feet to the spacing unit boundary.

C. This order amends prior orders of the Board concerning the above described land, including without limitation Order No. 19-07.

D. That all portions of previous orders of the Board, if any, which are not amended by this order shall remain in full force and effect until further order of the Board or Secretary.

E. That upon filing all required further information and forms with the Department of Environment and Natural Resources, a drilling permit may be issued for the horizontal well on the spacing unit established above.

Dated and signed this 24th day of March 2014.



Steven M. Pirner
Secretary
Department of Environment and Natural Resources