ORDER / CASE NO: CASE NO. 11-2012

ORDER / NOTICE OF RECOMMENDATION TYPE: SPACING

COUNTY: HARDING

LOCATION(S): T. 23N., R. 4E., ALL OF SEC. 21 AND 28

OPERATOR: PRIMA EXPLORATION, INC.

DATE ORDER IssUED: 09/24/2012

DATE ORDER CLOSED:

AMENDS: ORDER NOS. 2-73b, 14-97 AND 7-2012

AMENDED BY:

APPROVAL STATUS: APPROVED

FIELD NAME: SOUTH MEDICINE POLE HILLS FIELD

UNIT NAME:
SECRETARY'S ORDER UNDER SDCL 45-9-74

A Petition and Application of Prima Exploration, Inc. (“Prima”) was submitted to the South Dakota Board of Minerals and Environment (“Board”) on July 30, 2012. The Board prepared and published a Notice of Opportunity for Hearing. No petition requesting a hearing was received. Therefore, pursuant to SDCL 45-9-74, SDCL 45-9-20 through -29, ARSD 74:12:02:06, and based upon Prima’s application and supporting documents, the Secretary makes and enters the following Order:

Prima is the owner of an interest in the oil and gas leasehold estate in portions of Sections 21 and 28 of Township 23 North, Range 4 East, Harding County, South Dakota. Prima has requested that the Board amend its prior orders, including without limitation Order Nos. 2-73b, 14-97 and 7-2012, to establish an overlapping 1059.28-acre spacing unit for the

IN THE MATTER OF THE APPLICATION OF PRIMA EXPLORATION, INC. FOR AN ORDER OF THE BOARD AMENDING ANY APPLICABLE ORDERS FOR THE SOUTH MEDICINE POLE HILLS FIELD TO ESTABLISH AN OVERLAPPING 1059.28-ACRE SPACING UNIT CONSISTING OF ALL OF SECTION 21 AND SECTION 28, TOWNSHIP 23 NORTH, RANGE 4 EAST, HARDING COUNTY, SOUTH DAKOTA; AND AUTHORIZE THE DRILLING OF A HORIZONTAL WELL WITH ONE OR MORE LATERALS IN THE RED RIVER “B” ZONE AT A LOCATION NOT CLOSER THAN 500 FEET TO THE BOUNDARY OF THE SPACING UNIT; TO AUTHORIZE THE ISSUANCE OF A PERMIT FOR A HORIZONTAL WELL; AND FOR OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.
South Medicine Pole Hills Field, consisting of all of Section 21 and all of Section 28, in Township 23 North, Range 4 East, and to allow a horizontal well with one or more laterals to be drilled in the Red River "B" pool at any location thereon not closer than 500 feet to the boundary of the spacing unit. This 1059.28-acre spacing unit will overlap that portion of a 960-acre spacing unit established by Order No. 7-2012 inasmuch as it covers the SE/4 of Section 28.

In Order No. 2-73b, the Board established 320-acre spacing for the South Medicine Pole Hills Field and included all of the lands described above within the field. In Order No. 14-97, the Board established 640-acre spacing for horizontal Red River "B" wells in various lands within the field, including Section 34. In Order No. 7-2012, the Board established a 960-acre spacing unit for the South Medicine Pole Hills Field consisting of the SW/4 of Section 27, and SE/4 of Section 28, the E/2 of Section 33, and the W/2 of Section 34, all in Township 23 North, Range 4 East.

Two wells have been drilled in the lands subject to the spacing request. The Buckley 33-28 well was drilled in the NW/4 SE/4 of Section 28 in 1973 and produced approximately 119,000 barrels of oil from the Red River "B" Formation before being plugged and abandoned. The Arithson #1 well was drilled in the SW/4 NW/4 of Section 21 in 1970, penetrated the Red River "B," and was plugged and abandoned without any attempted completion. Prima desires to drill a horizontal well in the Red River "B" zone commencing in the SE/4 of Section 28 and drilling to the northwest toward the Arithson #1 in Section 21. Due to the structure and areal extent of the Red River accumulation in this area, such a well will, in applicant's opinion, maximize the recovery of oil and gas.
In Prima’s opinion, forming the requested spacing unit and 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. Prima asserts that the proposed spacing unit is not smaller than the maximum area that can be efficiently and economically drained by the proposed well, and the size, shape and location thereof will result in the efficient and economic development of the pool as a whole.

**IT IS THEREFORE ORDERED**

A. An overlapping 1059.28-acre spacing unit is hereby established within the South Medicine Pole Hills Field, which consists of all of Section 21 and all of Section 28 in Township 23 North, Range 4 East.

B. A horizontal well with one or more laterals to be drilled in the Red River “B” pool at any location within the spacing unit that is not closer than 500 feet to the spacing unit boundary is hereby authorized. Existing and future vertical and directional wells, if any, drilled within the area defined below shall conform to applicable Board rules and orders.

C. This Order amends prior orders of the Board concerning the above described land, including without limitation Order Nos. 2-73b, 14-97 and 7-2012, by establishing an overlapping 1059.28-acre spacing unit within the South Medicine Pole Hills Field consisting of all of Section 21 and all of Section 28, all in Township 23 North, Range 4 East, and allowing a horizontal well with one or more laterals to be drilled in the Red River “B” pool at any location on that spacing unit that is not closer than 500 feet to the spacing unit boundary. This 1059.28-acre spacing unit will overlap that portion of a 960-acre spacing unit established by Order No. 7-2012 existing in the SE/4 of Section 28.
D. 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 24th day of September 2012.

[Signature]

Steven M. Pirner
Secretary
Department of Environment and Natural Resources
September 26, 2012

Lawrence Bender  
Fredrikson & Byron, P.A.  
200 North Third Street, Suite 150  
Bismarck, ND 58501-3879

Re: Oil and Gas Case No. 11-2012

Dear Mr. Bender:

On August 1, 2012, the Department of Environment and Natural Resources received an application from you filed on behalf of Prima Exploration, Inc., Denver, CO, requesting approval of an oil and gas order amending the applicable orders for the South Medicine Pole Hills Field to establish an overlapping 1059.28-acre spacing unit.

Because no person intervened in this matter, Prima's request was approved administratively by the Secretary of the Department of Environment and Natural Resources in accordance with South Dakota Codified Laws 45-9-74. Enclosed is the approved order.

If you have any questions regarding the order, please feel free to contact me at 605.773.4201 or email at bob.townsend@state.sd.us. Thank you.

Sincerely,

Robert Townsend, Administrator  
Minerals and Mining Program

Enclosure
State of South Dakota  
Department of Environment and Natural Resources  
Board of Minerals and Environment  

Case Number 11-2012  

Application of Prima Exploration, Inc., Denver, Colorado, for an order to establish Sections 21 and 28, T23N-R4E, South Medicine Pole Hills Field, Harding County, South Dakota, as an 1059.28-acre spacing unit, and allow one horizontal well in the "B" zone of the Red River Formation, with 500 foot setbacks.

September 20, 2012
Case Number 11-2012

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September 20, 2012

PRIMA EXPLORATION, INC.
Proposed Spacing Unit

Case # 11-2012
Proposed 1059.28 acre Spacing Unit
Harding County, South Dakota
Figure #1
Location Map
Estimated percentage of proposed unit
83.27% Prima Exploration, Inc., et al ("Prima")
16.32% Kenneth D Luff, Trustee of Kenneth D. Luff Trust ("Luff")

Proposed 1059.28 acre Spacing Unit
Harding County, South Dakota

Luff I-28H McKitrick Red River HZ
(drilling)

Existing Spacing Unit
(case #7-2012)

PRIMA EXPLORATION, INC.
Case # 11-2012
Proposed 1059.28 acre Spacing Unit
Harding County, South Dakota
Figure #2
Leasemap
(percentages subject to title verification)
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<th>Gross Acres</th>
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<th>Description</th>
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**Table #1 Lease Data**  
*Case #11-2012*  
(subject to title verification)
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<td>T23N R4E&lt;br&gt;Sec 21: Lots 1(24.95), 2(24.85), SESW, SE&lt;br&gt;Sec 28: W2, SE</td>
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<td>Mission Without Borders</td>
<td>649.80</td>
<td>1.30</td>
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<td>John T. Norris</td>
<td>400.00</td>
<td>2.56</td>
<td>T23N R4E&lt;br&gt;Sec 21: E2SE&lt;br&gt;Sec 28: NW, SE</td>
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<td>Charlotte Norris</td>
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<td>Royalty Interest Lessor</td>
<td>Gross Acres</td>
<td>Net Mineral Acres</td>
<td>Description</td>
</tr>
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<td>-------------</td>
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| Kathleen Norris         | 400.00      | 2.56             | T23N R4E
|                         |             |                  | Sec 21: E2SE
|                         |             |                  | Sec 28: NW, SE |
| McMahon Energy Partners, LP | 329.80      | 10.99            | T23N R4E
|                         |             |                  | Sec 21: Lots 1 (24.95) & 2 (24.85), SESH, W2SE
|                         |             |                  | Sec 28: SE |
| Tofte Energy Partners, LP | 329.80      | 10.99            | T23N R4E
|                         |             |                  | Sec 21: Lots 1 (24.95) & 2 (24.85), SESW, W2SE
|                         |             |                  | Sec 28: SE |

| Luff Share of Spacing Unit: | 0.1632 |
PRIMA
EXPLORATION, INC.

Case # 11-2012
Proposed 1059.28 acre Spacing Unit
Harding County, South Dakota
Figure #3
Area of Requested Unit
PRIMA EXPLORATION, INC.

Case # 11-2012
Proposed 1059.28 acre Spacing Unit
Harding County, South Dakota
Figure #4
Red River Structure Map
C.I. = 25'

Proposed Spacing Unit

Luff I-28H McKiltrick
Red River HZ (drilling)

Existing Spacing Unit
(case #7-2012)

Cross Section in Figure 5
South

Wellbore cased and cemented to top of pay

Wellbore not cased in Red River B zone reservoir

Red River B Reservoir at depth of ~9000’

North

Wellbore drilled to about 8000’ from surface location and about 7500’ open in pay

Vertical Section (Lateral Distance from Surface Location)
PRIMA
EXPLORATION, INC.

Case # 11-2012
Proposed 1059.28 acre Spacing Unit
Harding County, South Dakota
Figure #7
Approximate Initial Well Location

Proposed Spacing Unit

Luff I-28H McKitrick
Red River HZ (drilling)

Existing Spacing Unit (case #7-2012)
### Buckley 33-28 Red River 'B'

**Oil in place calculation**

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<th>Por X</th>
<th>Res S</th>
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Rw = 0.03
FVF = 1.3
Area = 1059

**OIP** = 7,394,712

Por D = Density Neutron Porosity
Por N = Not measured in well
Por X = Average Porosity
Res S = Shallow Resistivity
Res D = Deep Resistivity
Rt = Resistivity of the Formation
= 1.7 * Res D - 0.7 * Res S
Rw = Resistivity of Formation Water
FVF = Formation Volume Factor
Sw = Water Saturation using Archie's Equation
=((1 / (Por X ^2))*Rw)/Rt)^0.5
HCPV = Hydrocarbon Pore Volume
=((1-Sw)*Por X*Height) / FVF in Stock Tank Barrels of Oil per Acre

**OIP** = Oil in Place

= 7,394,712 Stock Tank Barrels of Oil under Spacing Unit (1059 acres)
Single Well Economic Simulation

Completed Well Cost $3,400,000
Operating Costs $14,000 / not escalated through life of well
Severance Tax 4.74%
Oil Price $95.00 / Barrel held flat through life of well
Ultimate Oil Production 150,000 Barrels of Oil
Present Value (10% discount) $1,355,000
Payout 36 months
Rate of Return 25%
Return on Investment 2.06
Recovery on 827 acres 2.0% of Oil in Place
August 27, 2012

Mr. Robert Townsend
Administrator
Minerals and Mining Program
Department of Environment and
Natural Resources
2050 West Main, Suite #1
Rapid City, SD 57701

RE: CASE NO. 11-2012
Prima Exploration, Inc.

Dear Mr. Townsend:

Please find enclosed herewith additional certified mail return receipts, and envelopes returned as being undeliverable, that we have received in regard to the captioned matter.

If you should have any questions, please advise.

Sincerely,

[Signature]

LB leo

Enclosure

cc: Mr. Scott Homsher - (w/enc.) Via Email
Mr. Tom Sperr – (w/enc.) Via Email

5216033_1.DOC
CERTIFIED MAIL RECEIPTS NOT SCANNED

HARD COPIES AVAILABLE AT DENR’S OFFICE IN RAPID CITY
August 14, 2012

Mr. Robert Townsend
Administrator
Minerals and Mining Program
Department of Environment and
Natural Resources
2050 West Main, Suite #1
Rapid City, SD 57701

RE: CASE NO. 11-2012
Prima Exploration, Inc.

Dear Mr. Townsend:

In follow-up to my correspondence dated August 7, 2012, please find enclosed herewith the certified mail return receipts that we have received thus far in regard to the captioned matter. We are also forwarding the envelopes which were returned as being undeliverable.

If you should have any questions, please advise.

Sincerely,

[Signature]

LAWRENCE BENDER

Enclosure

cc: Mr. Scott Homsher - (w/enc.) Via Email
    Mr. Tom Sperr – (w/enc.) Via Email

5203862_1.DOC
CERTIFIED MAIL RECEIPTS NOT SCANNED

HARD COPIES AVAILABLE AT DENR’S OFFICE IN RAPID CITY
Affidavit of Publication

STATE OF SOUTH DAKOTA:
COUNTY OF HARDING:

Letitia Lister of said County and State being first duly sworn, on her oath says: That the NATION’S CENTER NEWS is a legal weekly newspaper of general circulation, printed and published in the City of Buffalo, in said County and State by Letitia Lister, and has been such a newspaper during the times hereinafter mentioned; and that said newspaper has a bonafide circulation of at least 200 copies weekly, and has been published within said County in the English language for at least one year prior to the first publication of the notice herein mentioned, and is printed in whole or in part in an office maintained at the place of publication; and that I, Letitia Lister, the undersigned, am the Publisher of said newspaper and have personal knowledge of all the facts stated in this affidavit; and that the advertisement headed:

Case No. 11-2012

a printed copy of which is hereto attached, was printed and published in said newspaper for __ successive and consecutive weeks, the first publication being made on the ___ day of ____, 20__, and the last publication on the _____ day of ____, 20__, that the full amount of fees charged for publishing same, to-wit: The sum of $__, insures solely to the benefit of the publisher of the NATION’S CENTER NEWS, that no agreement or understanding for a division thereof has been made with any person and that no part thereof has been agreed to be paid to any other person whomsoever.

Subscribed and sworn to before me this ___ day of ____, 20__

[Signature]

Notary Public, Lawrence County, South Dakota
My commission expires: 10-24-2016

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

NOTICE
OF
OPPORTUNITY FOR
HEARING

OIL AND GAS
CASE NO. 11-2012

IN THE MATTER OF
THE APPLICATION OF
PRIMA EXPLORATION, INC., DENVER, COLORADO, FOR AN
ORDER OF THE BOARD AMENDING ANY
APPLICABLE ORDERS FOR THE SOUTH MEDICINE POLE HILLS FIELD
TO ESTABLISH AN
OVERLAPPING 1059.28-ACRE SPACING UNIT
CONSISTING OF ALL OF
SECTION 21 AND SECTION 28, TOWNSHIP 23 NORTH, RANGE 4 EAST,
APPROXIMATELY 23 MILES NORTH-NORTHWEST OF BUFFALO,
HARDING COUNTY, SOUTH DAKOTA; AND
AUTHORIZE THE
DRILLING OF A HORIZONTAL WELL WITH
ONE OR MORE LATERALS IN THE RED RIVER "B" ZONE AT A LOCATION
NOT CLOSER THAN 500 FEET TO THE BOUNDARY OF THE SPACING UNIT; TO
AUTHORIZE THE
ISSUANCE OF A PERMIT FOR A HORIZONTAL WELL; AND FOR OTHER
RELIEF AS THE BOARD DEEMS APPROPRIATE.

Notice is hereby given to Prima Exploration, Inc., Denver, Colorado, and to all interested persons that the Board of Minerals and Environment, hereinafter “board,” will hold a contested case hearing on the above described matter on Thursday, September 20, 2012, at 10:15 a.m. CDT at the Matthew Environmental Education and Training Center, Joe Foss Building, 523 East Capitol Avenue, Pierre, SD 57501, for the purpose of hearing the above matter if any party intervenes and requests a hearing as provided by law.

The board has jurisdiction and legal authority to issue orders for the development of the oil and gas resources of the state pur-
suant to South Dakota Codified Laws (SDCL) Chapters 45-9-30 through 45-9-36 and further pursuant to Chapter 1-26 and to Administrative Rules of South Dakota (ARSD) 74:09 and 74:12. The hearing is an adversary proceeding and any party has the right to be represented by a lawyer. These and other due process rights will be forfeited if they are not exercised at the hearing. The board may approve, conditionally approve, or deny the application. The board's decision will be based upon the evidence received at the hearing. The board's decision may be appealed to the Circuit Court and the State Supreme Court as provided by law.

If the amount in controversy exceeds two thousand five hundred dollars or if a property right may be terminated, any party to the contested case may require the agency to use the Office of Hearing Examiners by giving notice of the request to the agency no later than ten days after service of a notice of hearing issued pursuant to SDCL Chapter 1-26-17.

Any person who wishes to intervene in this proceeding as a party must file a petition to intervene pursuant to ARSD 74:09:01:04 on or before August 29, 2012. The above described matter will only be heard before the board if a person intervenes in this proceeding. If no petition to intervene is filed, the Secretary of the Department of Environment and Natural Resources will approve or conditionally approve the application.

Notice is further given to individuals with disabilities that this hearing is being held in a physically accessible place. Please notify the Department of Environment and Natural Resources at least 48 hours before the public hearing if you have a disability for which special arrangements must be made at the hearing. The telephone number for making special arrangements is (605) 773-4201.

The application and notice of hearing are also posted on the department's website at: http://denr.sd.gov/des/og/newpermit.aspx.

Additional information about this application is available from Bob Townsend, Administrator, Minerals and Mining Program, Department of Environment and Natural Resources, 523 East Capitol Avenue, Pierre, SD 57501, telephone (605) 773-4201, email bob.townsend@state.sd.us.

Dated: August 3, 2012

Steven M. Pirner
Secretary

Published once at the total approximate cost of $44.76.

Aug. 9
August 7, 2012

Mr. Robert Townsend
Administrator
Minerals and Mining Program
Department of Environment and Natural Resources
2050 West Main, Suite #1
Rapid City, SD 57701

RE: CASE NO. 11-2012
Prima Exploration, Inc.

Dear Mr. Townsend:

Please find enclosed herewith an AFFIDAVIT OF SERVICE BY MAIL, with attached list of persons notified in regard to the captioned matter.

We will forward the certified mail return receipts to you for filing after receipt of the same.

If you should have any questions, please advise.

Sincerely,

[Signature]

LAWRENCE BENDER

Enclosure

cc: Mr. Scott Homsher - (w/enc.) Via Email
     Mr. Tom Sperr – (w/enc.) Via Email

5199175_1.DOC
IN THE MATTER OF THE APPLICATION OF PRIMA EXPLORATION, INC. FOR AN ORDER OF THE BOARD AMENDING ANY APPLICABLE ORDERS FOR THE SOUTH MEDICINE POLE HILLS FIELD TO ESTABLISH AN OVERLAPPING 1059.28-ACRE SPACING UNIT CONSISTING OF ALL OF SECTION 21 AND SECTION 28, TOWNSHIP 23 NORTH, RANGE 4 EAST, HARDING COUNTY, SOUTH DAKOTA; AND AUTHORIZE THE DRILLING OF A HORIZONTAL WELL WITH ONE OR MORE LATERALS IN THE RED RIVER “B” ZONE AT A LOCATION NOT CLOSER THAN 500 FEET TO THE BOUNDARY OF SAID SPACING UNIT; TO AUTHORIZE THE ISSUANCE OF A PERMIT FOR HORIZONTAL WELL; AND FOR SUCH OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.

AFFIDAVIT OF SERVICE BY MAIL

STATE OF NORTH DAKOTA )
) ss.
COUNTY OF BURLEIGH )

Kim Nagel, being first duly sworn, deposes and says that on the 6th day of August, 2012, she served the attached:

PETITION AND APPLICATION OF PRIMA EXPLORATION, INC.
and
NOTICE OF OPPORTUNITY FOR HEARING

by placing a true and correct copy thereof in an envelope addressed as follows:

See attached Exhibit A
and depositing the same, with postage prepaid, certified mail, return receipt requested, in the United States mail at Bismarck, North Dakota.

Kim Nagel

Subscribed and sworn to before me this 6th day of August, 2012.

Notary Public

My Commission expires:
AMERICAN SUNDAY SCHOOL UNION
672 CONESTOGA ROAD
VILLANOVA, PA 19085

KATHLEEN ARITHSON
PO. Box 55
RHAME, ND 58561

RODGER E. & ROMANA ARITHSON
4315 W 22nd STREET
GREELEY, CO 80634

SAMUEL E. & JACQUELINE A. BUCKLEY
2139 COULEE DRIVE N.
MANDAN, ND 58554

ROSALYN L. COKELEY
13175 FISHBACK RD.
MONMOUTH, OR 97361

CINDY BUCKLEY
749 RHONE COURT
LOS BANOS, CA 93635

THOMAS J. GALBRAITH
PO Box 1587
CROOKED RIVER RANCH, OR 97760

AUDREY HARVEY & HOWARD R. HARVEY
2718 DINEEN
SCOTTSTULL, NE 69361

JH PETROLEUM, LLC
PO Box 621128
LITTLETON, CO 80162-1128

DARRELL KNUTSON
2829 Elm Ave
RAPID CITY, SD 57701

DAVID A. & LYNDA ARITHSON
173rd STREET SE
BOWMAN, ND 58623

JEANETTE ARITHSON & RICHARD J. BLAIR
PO Box 1894
EDWARDS, CO 81632

ESTATE OF CAROL BRISCOE
4371 SOUTH HANIBAL WAY
APT #126
AURORA, CO 80015

CATHERINE M. ESPINOSA-CARPENTER
9850 MELODY DRIVE
DENVER, CO 80260

EDWIN N. COOK
2840 FISHER RD NE, UNIT 45
SALEM, OR 97305

LAVINA DOMAGALA
1009 15th AVENUE WEST
WILLISTON, ND 58801

THOMAS J. GALBRAITH
450 19th STREET NE
SALEM, OR 97301

CHERYL A. & WILLIAM J. HOLLINGER
1201 S. OLIVE DRIVE
SIOUX FALLS, SD 57103

KYLEETA KELLEY
22456 SW MARSHALL STREET
SHERWOOD, OR 97140

ESTATE OF EVELYN M. ARITHSON,
LYNN RATHBUN, PR
PO BOX 176
NISLAND, SD 57762

R. DWIGHT ARITHSON
765 SOUTH PENNSYLVANIA ST
DENVER, CO 80209

ESTATES OF EDWARD L. & FLORENCE E. BUCKLEY
2139 COULEE DRIVE N.
MANDAN, ND 58554

CIRRUS MINERALS, LLC
330 MARSHALL ST, SUITE 300
SHREVEPORT, LA 71101

JOSEPH L. COOK
9485 WELLS LANDING ROAD
INDEPENDENCE, OR 97351

DEBRA LYNNE ELLIS & PETER ENBRECHT
BURGHAELD WEG 41
74889 SINSHEIM, GERMANY

GUNLIKSON PETROLEUM, INC.
17 BROOKHAVEN TRAIL
LITTLETON, CO 80123

WILLIS HUCK
3170 EAHART STREET SOUTH
SALEM, OR 97302

MARY A. KETCHAM
6583 N “E” STREET
SPRINGFIELD, OR 97478

TERRY KNUTSON
2829 Elm Ave
RAPID CITY, SD 57701

EXHIBIT A
CORALEE LINDQUIST
4229 BISON COURT NE
SALEM, OR 97305

McMahon Energy Partnership
& Joe McMahon, Jr.
4545 So Monaco Street, No. 144
DENVER, CO 80237

Charlotte Norris
667 Uluoa Street
KAILUA, HI 96734

Robert C. Olson, Ind & Tr The
Robert C. & Ruth L. Olson Rev
Living Tr
502 2nd Street SW
BOWMAN, ND 58623

Lynn & David Rathbun
PO Box 176
NISLAND, SD 57762

John H. & Sandy Y. Rien
1009 Sweet Pea Pl.
Manteca, CA 95336

Eva Gene Rohleder
224 N. 62nd Street
Mesa, AZ 85205

Arnold E. & Mary J.
Siverson
1919 Assumption Drive
Bismarck, ND 58501

Spindletop Exploration
Company, Inc.
PO Box 25163
DALLAS, TX 75225

TOFTE Energy Partners, LP
& Steve A. Tofte
PO Box 4221
CASPER, WY 82604

Kenneth D. Luff, Trustee
1580 Lincoln Street, Suite 850
DENVER, CO 80203

Mission Without Borders, Inc.
711 Daly Drive, Suite 120
Camarillo, CA 93011

Kathleen Norris
1617 Keeaumoku Street, Apt 1008
Honolulu, HI 96862

Louis A. Oswald III, Trustee
PO Box 280969
Lakewood, CO 80228

Estate of Donald V. Rien
C/O Douglas A. Rien
1848 Via Buena Vista
San Lorenzo, CA 94580

Robert K. Rien
3351 Contra Loma Blvd.
Antioch, CA 94509

Salam Alliance Church
PO Box 25163
Dallas, TX 75225

John L. & Kathleen R.
Spellman
820 E. Gilbert Ave
Coeur D’ Alene, ID 83815

Star Mesa Energy, LLC
1444 Wazee Street
Suite 350
DENVER, CO 80202

United Methodist Church,
Trustee Grace E. Huck Trust
475 Riverside Drive, Room 1422
New York, NY 10115

Terry B. & Marilyn A.
McKittrick
205 9th Avenue NW
Bowman, ND 58623

Mowry Properties, Inc.
1560 Country Road
Rapid City, SD 57701

John T. Norris
PO Box 100755
DENVER, CO 80520

Prima Exploration, Inc.
100 Fillmore St, Suite 450
DENVER, CO 80206

Douglas A. Rien
1848 Via Buena Vista
San Lorenzo, CA 94580

Jane Bale Rogers
5019 Carriage Hills Drive
Rapid City, SD 57702

Cynthia Sandvick
207 Crown Butte Drive
Mandan, ND 58544

Ray N. & Ann Spellman
756 Elk Run Road
Spearfish, SD 57783

Peter K & Anna Steiner
1456 Hwy 395
Fallbrook, CA 92028

White Star Energy, Inc.
PO Box 51108
Midland, TX 79701
August 3, 2012

Lawrence Bender
Fredrikson & Byron, P.A.
200 North Third Street, Suite 150
Bismarck, ND 58501-3879

Dear Mr. Bender:

Enclosed is a copy of the notice of opportunity for hearing for Prima Exploration’s application, Oil and Gas Case No. 11-2012, in Harding County, SD. The notice has been sent to the Nation’s Center News in Buffalo, SD, for publication on August 9, 2012.

The purpose of this letter is to advise you that it is the applicant’s responsibility to serve notice on those persons “….whose property may be affected…” as specified in South Dakota Codified Laws 45-9-58.

Please file with this office the following:

1. Affidavit of Notification
2. Certified mail return receipts
3. A list of persons notified

Thank you for your cooperation.

Sincerely,

Robert Townsend, Administrator
Minerals and Mining Program

Enclosure
IN THE MATTER OF THE APPLICATION OF PRIMA EXPLORATION, INC., DENVER, COLORADO, FOR AN ORDER OF THE BOARD AMENDING ANY APPLICABLE ORDERS FOR THE SOUTH MEDICINE POLE HILLS FIELD TO ESTABLISH AN OVERLAPPING 1059.28-ACRE SPACING UNIT CONSISTING OF ALL OF SECTION 21 AND SECTION 28, TOWNSHIP 23 NORTH, RANGE 4 EAST, APPROXIMATELY 23 MILES NORTH-NORTHWEST OF BUFFALO, HARDING COUNTY, SOUTH DAKOTA; AND AUTHORIZE THE DRILLING OF A HORIZONTAL WELL WITH ONE OR MORE LATERALS IN THE RED RIVER “B” ZONE AT A LOCATION NOT CLOSER THAN 500 FEET TO THE BOUNDARY OF THE SPACING UNIT; TO AUTHORIZE THE ISSUANCE OF A PERMIT FOR A HORIZONTAL WELL; AND FOR OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.

Notice is hereby given to Prima Exploration, Inc., Denver, Colorado, and to all interested persons that the Board of Minerals and Environment, hereinafter “board,” will hold a contested case hearing on the above described matter on Thursday, September 20, 2012, at 10:15 a.m. CDT at the Matthew Environmental Education and Training Center, Joe Foss Building, 523 East Capitol Avenue, Pierre, SD 57501, for the purpose of hearing the above matter if any party intervenes and requests a hearing as provided by law.

The board has jurisdiction and legal authority to issue orders for the development of the oil and gas resources of the state pursuant to South Dakota Codified Laws (SDCL) Chapters 45-9-30 through 45-9-36 and further pursuant to Chapter 1-26 and to Administrative Rules of South Dakota (ARSD) 74:09 and 74:12. The hearing is an adversary proceeding and any party has the right to be represented by a lawyer. These and other due process rights will be forfeited if they are not exercised at the hearing. The board may approve, conditionally approve, or deny the application. The board’s decision will be based upon the evidence received at the hearing. The board’s decision may be appealed to the Circuit Court and the State Supreme Court as provided by law.

If the amount in controversy exceeds two thousand five hundred dollars or if a property right may be terminated, any party to the contested case may require the agency to use the Office of Hearing Examiners by giving notice of the request to the agency no later than ten days after service of a notice of hearing issued pursuant to SDCL Chapter 1-26-17.
Any person who wishes to intervene in this proceeding as a party must file a petition to intervene pursuant to ARSD 74:09:01:04 on or before August 29, 2012. The above described matter will only be heard before the board if a person intervenes in this proceeding. If no petition to intervene is filed, the Secretary of the Department of Environment and Natural Resources will approve or conditionally approve the application.

Notice is further given to individuals with disabilities that this hearing is being held in a physically accessible place. Please notify the Department of Environment and Natural Resources at least 48 hours before the public hearing if you have a disability for which special arrangements must be made at the hearing. The telephone number for making special arrangements is (605) 773-4201.

The application and notice of hearing are also posted on the department’s website at: http://denr.sd.gov/des/og/newpermit.aspx. Additional information about this application is available from Bob Townsend, Administrator, Minerals and Mining Program, Department of Environment and Natural Resources, 523 East Capitol Avenue, Pierre, SD 57501, telephone (605) 773-4201, email bob.townsend@state.sd.us.

Dated: August 3, 2012

Steven M. Pirner
Secretary

Published once at the total approximate cost of _________. 
July 30, 2012

Ms. Jenny Hegg
Department of Environment and Natural Resources
2050 West Main, Suite #1
Rapid City, SD 57701

RE: IN THE MATTER OF THE APPLICATION OF PRIMA EXPLORATION, INC. FOR AN ORDER OF THE BOARD AMENDING ANY APPLICABLE ORDERS FOR THE SOUTH MEDICINE POLE HILLS FIELD TO ESTABLISH AN OVERLAPPING 1059.28-ACRE SPACING UNIT CONSISTING OF ALL OF SECTION 21 AND SECTION 28, TOWNSHIP 23 NORTH, RANGE 4 EAST, HARDING COUNTY, SOUTH DAKOTA; AND AUTHORIZE THE DRILLING OF A HORIZONTAL WELL WITH ONE OR MORE LATERALS IN THE RED RIVER “B” ZONE AT A LOCATION NOT CLOSER THAN 500 FEET TO THE BOUNDARY OF SAID SPACING UNIT; TO AUTHORIZE THE ISSUANCE OF A PERMIT FOR HORIZONTAL WELL; AND FOR SUCH OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.

Dear Ms. Hegg:

Please find enclosed herewith for filing a PETITION AND APPLICATION OF PRIMA EXPLORATION, INC. for consideration.

Thank you for your attention to this matter.

If you should have any questions, please advise.

Sincerely,

[Signature]


c: Mr. Michael Lees – (w/enc.) Via Email
Mr. Scott Homsher - (w/enc.) Via Email
Mr. Tom Sperr – (w/enc.) Via Email

[Address and Details]
PETITION AND APPLICATION
OF PRIMA EXPLORATION, INC.

Prima Exploration, Inc. (“Prima”) and for its petition and application states and alleges as follows:

1. Prima is the owner of an interest in the oil and gas leasehold estate underlying all or portions of the following described lands in Harding County, South Dakota:

Township 23 North, Range 4 East
Section 21: All (Lots 1, 2, 3 & 4, S2)
Section 28: All

- 1 -
2.

In Order No. 2-73b, the Board established 320-acre spacing for the South Medicine Pole Hills field and included all of the lands described above within the field. In Order No. 14-97, the Board established 640-acre spacing for horizontal Red River "B" wells in various lands within the field, including Section 34. In Order No. 7-2012, the Board established a 960-acre spacing unit for the South Medicine Pole Hills Field consisting of the SW/4 of Section 27, and SE/4 of Section 28, the E/2 of Section 33, and the W/2 of Section 34, all in Township 23 North, Range 4 East.

3.

Two wells have been drilled in the lands described above. The Buckley 33-28 well was drilled in the NW/4SE/4 of Section 28 in 1973 and produced approximately 119,000 barrels of oil from the Red River "B" formation before being plugged and abandoned. The Arithson #1 well was drilled in the SW/4NW/4 of Section 21 in 1970, penetrated the Red River "B", and was plugged and abandoned without any attempted completion. Prima desires to drill a horizontal well in the Red River "B" zone commencing in the SE/4 of Section 28 and drilling to the northwest towards the Arithson #1 in Section 21. Due to the structure and areal extent of the Red River accumulation in this area, such a well will, in applicant's opinion, maximize the recovery of oil and gas.

4.

Prima respectfully requests that the Board amend its prior orders, including without limitation Order Nos. 2-73b, 14-97 and 7-2012 so as to establish an overlapping 1059.28-acre spacing unit for the South Medicine Pole Hills Field consisting of all of
Section 21 and all of Section 28, all in Township 23 North, Range 4 East, and to allow a horizontal well with one or more laterals to be drilled in the Red River "B" pool at any location thereon not closer than 500 feet to the boundary of such spacing unit. Said 1059.28-acre spacing unit will overlap that portion of a 960-acre spacing unit established by Order No. 7-2012 inasmuch as it covers the SE/4 of Section 28.

5.

In Prima’s opinion, forming the requested spacing unit and 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.

6.

The spacing unit requested to be created is not smaller than the maximum area that can be efficiently and economically drained by the proposed wells and the size, shape and location thereof will result in the efficient and economic development of the pool as a whole.

7.

The Board is authorized to grant the requested spacing unit by SDCL 45-9-20 through 45-9-29 and ARSD 74:12:02:06. Prima further requests that the order authorize the issuance of a permit for the drilling of horizontal wells in accordance with this application.

WHEREFORE, Prima respectfully requests that this matter be set for hearing and that thereafter the Board of Minerals and Environment enter its order granting the relief requested herein.
DATED this 30 day of July, 2012.

Frendikson & Bryan, P.A.

By

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