ORDER / CASE NO: CASE NO. 15-2006
ORDER / NOTICE OF RECOMMENDATION TYPE: SPACING
COUNTY: HARDING
LOCATION(S): T. 17N., R.3E. THROUGH R.5E. IN EITHER 1/4 SEC.
T. 18N., R.2E. THROUGH R.5E. IN EITHER 1/4 SEC.
OPERATOR: SPYGLASS CEDAR CREEK, LP
DATE ORDER ISSUED: 02/15/2007
DATE ORDER CLOSED: }
AMENDS: ORDER NO. *11-1984
AMENDED BY: ORDER NOS. 15-2006, 22-2008
APPROVAL STATUS: APPROVED
FIELD NAME: UNIT NAME:

*Though Order 5-1981 is specified, 5-1981 was revoked and replaced by Order 11-1984.
February 16, 2007

Fred V. Steece, Oil & Gas Supervisor
SD DENR - Oil & Gas Office
2050 West Main, Suite #1
Rapid City, SD 57702-2493

RE: Spyglass - Case No. 15-2006.

Dear Fred:

Enclosed is the original of the FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER in the above-referenced matter. Thank you for your assistance.

Sincerely,

BENNETT, MAIN & GUBBRUD, P.C.

Max Main

MM\njo
Enc.
cc(w/ Enc.) Client
Roxanne Giedd
Brenda Binegar
IN THE MATTER OF THE APPLICATION OF SPYGLASS CEDAR CREEK, LP FOR AN ORDER AMENDING OIL AND GAS ORDER NO. 5-81 TO ALLOW AN OPERATOR THE OPTION OF LOCATING A WELL IN EITHER QUARTER SECTION WITHIN EACH 320-ACRE SPACING UNIT FOR WELLS DRILLED TO THE SHANNON ZONE OF THE EAGLE MEMBER OF THE PIERRE SHALE, WITH WELLS LOCATED NO CLOSER THAN 660 FEET FROM THE BOUNDARY OF EACH SPACING UNIT, AND NO CLOSER THAN 1875 FEET TO ANY WELL CAPABLE OF PRODUCING FROM, OR DRILLING TO, THE SHANNON ZONE.

CASE NO. 15-2006

FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

This matter came on regularly to be heard before the Board of Minerals and Environment ("Board") on February 15, 2007, in Pierre, South Dakota. Attorney Max Main appeared on behalf of petitioner Spyglass Cedar Creek, LP ("Spyglass"), and Deputy Attorney General Roxanne Giedd appeared on behalf of the Department of Environment and Natural Resources ("Department").

The Board having considered the pleadings and papers on file herein and the evidence admitted during the hearing, and a quorum of the Board having voted to grant Spyglass’s petition, and good cause appearing therefore, the Board does hereby make and enter the following:
FINDINGS OF FACT

1.
Spyglass’s petition requests that Oil and Gas Order 5-81 be amended to allow an operator the option of locating a well in either quarter section within each 320-acre spacing unit for wells drilled to the Shannon Zone of the Eagle Member of the Pierre Shale, on lands within Township 17 North, Ranges 3 East through 5 East, B.H.M., and Township 18 North, Ranges 2 East through 5 East, B.H.M., Harding County, South Dakota.

2.
Spyglass’s petition and supporting documentation and evidence are complete in all respects.

3.
The Department caused notice of the date, time and location of the hearing in this matter to be published.

4.
Allowing an operator the option of locating a well in either quarter section within each 320-acre spacing unit will allow for more efficient development of gas reserves in the Shannon Zone of the Eagle Member of the Pierre Shale in the lands described in Finding No. 1 above.

5.
Based upon the foregoing Findings of Fact, the Board does hereby make and enter the following:
CONCLUSIONS OF LAW

1.

The Board has jurisdiction over the subject matter hereof and the parties hereto.

2.

Due and proper notice of the date, time and location of the hearing in this matter was given and published as required by law.

3.

Granting Spyglass’s petition will fully protect correlative rights, will prevent waste, and will result in the greatest possible economic recovery of gas in the lands described in Finding No. 1 above.

ORDER

Based upon the foregoing Findings of Fact and Conclusions of Law, it is hereby:

ORDERED, that Spyglass’s petition be, and the same hereby is, granted. It is further

ORDERED, that Oil and Gas Order 5-81 be, and the same hereby is, amended to allow an operator the option of locating a well in either quarter section within each 320-acre spacing unit for wells drilled to the Shannon Zone of the Eagle Member of the Pierre Shale, on lands within Township 17 North, Ranges 3 East through 5 East, B.H.M., and Township 18 North, Ranges 2 East through 5 East, B.H.M., Harding County, South Dakota. It is further

ORDERED, that wells shall be located no closer than 660 feet from the boundary of each spacing unit, and no closer than 1,875 feet to any well capable of producing from, or drilling to, the Shannon Zone.
Case No. 15-2006 / Findings of Fact, Conclusions of Law, & Order

DATED this 15th day of February, 2007.

SOUTH DAKOTA BOARD OF MINERALS
AND ENVIRONMENT

By: Lee M. McCahren, Hearing Chairman

Michael B. O'Meara
Minutes of the
Board of Minerals and Environment Meeting
Matthew Environmental Education and Training Center
523 East Capitol Avenue
Pierre, South Dakota

February 15, 2007
10:00 a.m. CST

CALL TO ORDER AND ROLL CALL: The meeting was called to order by Chairman
Richard C. Sweetman. The roll was called and a quorum was present.

BOARD MEMBERS PRESENT: Richard Sweetman, Lee McCahren, Linda Hilde, Dennis
Landguth, Bob Duxbury, and Mike DeMersseman.

BOARD MEMBERS ABSENT: Chuck Monson, Wilbert Blumhardt, and Pat Healy.

OTHERS PRESENT: See attached attendance sheets.

APPROVAL OF MINUTES FROM JANUARY 17-18, 2007, MEETING: Motion by
Duxbury, seconded by DeMersseman, to approve the minutes from the January 17-18, 2007,
Board of Minerals and Environment meeting, as mailed. Motion carried.

MINING ISSUES: Tom Cline was administered the oath by Lee McCahren and testified
regarding transfers of liability and release of surety, releases of liability and surety, and releases
of liability (see attachment).

Transfers of Liability and Releases of Surety: Motion by Landguth, seconded by Hilde, to
transfer liability and release $1,000 for one site in Minnehaha County from James T. Ginsbach,
Oelrichs, SD, Mine License No. 83-245 to Richard Brower, Hartford, SD, Mine License No. 06-
833; to transfer liability and release $500 for one site in Turner County from Guy Spielman,
Freeman, SD, Mine License No. 03-778 to First Rate Excavator, Inc., Sioux Falls, SD, Mine
License No. 05-817, and to transfer liability and release $20,000 for one site in Marshall County
from Wanzek Construction, Inc., Fargo, ND, Mine License No. 04-791 to VTS Rocks, Inc.,
Hankinson, ND, Mine License No. 05-807. Motion carried.

Transfers of Liability: Motion by McCahren, seconded by DeMersseman, to transfer liability for
one site in Davison County from Bill’s Trucking, Ethan, SD, Mine License No. 98-636 to
Luvern Neugebauer, Ethan, SD, Mine License No. 07-838; and to transfer liability for one site in
Kingsbury County from Dick Wilde, Jr., Lake Preston, SD, Mine License No. 83-208 to Todd
Albrecht, DeSmet, SD, Mine License No. 96-573. Motion carried.

Releases of Liability and Surety: Motion by Hilde, seconded by DeMersseman, to release
liability and $1,500 for Davis Excavating, Watertown, SD, Mine License No. 94-516, one site in
Codington County; and to release liability and $500 for Marvin N. Lout Construction, Aberdeen,
SD, Mine License No. 83-222, one site in Brown County. Motion carried.
Releases of Liability:  Motion by Hilde, seconded by Duxbury, to release liability for Bill’s Trucking, Ethan, SD, Mine License No. 98-636, one site in Douglas County; release liability for Brownlee Construction, Inc., Watertown, SD, Mine License No. 89-393, one site in Spink County; release liability for First Rate Excavate, Inc., Sioux Falls, SD, Mine License No. 05-817, one site in Brookings County; release liability for Hills Materials Company, Rapid City, SD, Mine License No. 83-42, one site in Fall River County; release liability for Darrell & Glenn Larson, Hamill, SD, Mine License No. 95-556, one site in Lyman County; release liability for Myrl & Roy’s Paving, Inc., Sioux Falls, SD, Mine License No. 83-95, one site in Minnehaha County; release liability for Oban Construction Company, Ipswich, SD, Mine License No. 83-35, one site in Edmunds County; release liability for Runge Enterprises, Inc., Sioux Falls, SD, Mine License No. 93-506, one site in Minnehaha County; release liability for Brookings County Highway Department, Brookings, SD, Mine License No. 83-172, one site in Brookings County; release liability for Corson County Highway Department, McIntosh, SD, Mine License No. 83-239, one site in Corson County; release liability for Hamlin County Highway Department, Hayti, SD, Mine License No. 83-56, two sites in Hamlin County; release liability for Perkins County Highway Department, Bison, SD, Mine License No. 83-91, one site in Perkins County; release liability for Spink County Highway Department, Redfield, SD, Mine License No. 83-115, three sites in Spink County; release liability for Wheatland Township of Day County, Webster, SD, Mine License No. 87-348, one site in Day County; and release liability for DOT – Aberdeen Region, Aberdeen, SD, Mine License No. 83-10, five sites in McPherson County, four sites in Clark County, one site in Brookings County, one site in Hand County, one site in Faulk County, one site in Codington County, one site in Dewel County, two sites in Day County, one site in Hamlin County, one site in Edmunds County, and one site in Hyde County. Motion carried.

Motion by Landguth, seconded by Hilde, to release liability for Concrete Materials, Sioux Falls, SD, Mine License No. 83-144, two sites in Minnehaha County. Motion carried. Sweetman abstained from voting.

**OIL AND GAS CASE NO. 15-2006, SPYGLASS CEDAR CREEK LP:** Mike DeMersseman, who had been appointed hearing chairman for this matter, opened the hearing.

Max Main, attorney from Belle Fourche, represented Spyglass Cedar Creek LP.

Roxanne Giedd, Deputy Attorney General, represented the Department of Environment and Natural Resources.

Oil and Gas Case No. 15-2006 is the application of Spyglass Cedar Creek LP for an order amending Oil and Gas Order No. 5-81 allowing the operator the option of locating a well in either quarter section of land within each 320-acre spacing unit for wells drilled to the Shannon Zone of the Eagle Member of the Pierre Shale, with wells located no closer than 660 feet from the boundary of each spacing unit, and no closer than 1,875 feet to any well capable of producing from or drilling to the Shannon Zone.
Karen Christensen was administered the oath and testified on behalf of Spyglass Cedar Creek LP.

Exhibits offered and admitted into the record on behalf of Spyglass:

Exhibit 1 – Resume of Karen Christensen
Exhibit 2 – Oil & Gas Case No. 15-2006 - Proposed amendment to Spacing Order 5-81, Grand River Field, Harding County, SD

Fred Steece, DENR Oil and Gas Program, was administered the oath and testified on behalf of the Department of Environment and Natural Resources.

Notice of the hearing for each of these four cases was published on January 10 and 17, 2007, in the Black Hills Pioneer, the Pierre Capital Journal, the Rapid City Journal, and the Nation’s Center News. Affidavits of Publication are on file in the Department of Environment and Natural Resources Rapid City office.

The department received no petitions to intervene.

Following the testimony, Mr. DeMersseman requested board action.

Motion by Duxbury, seconded by Hilde, to approve Case No. 15-2006, Spyglass Cedar Creek, LP. Motion carried.

Motion by Sweetman, seconded by Landguth, to adopt the Findings of Fact, Conclusions of Law, and Order for Case No. 15-2006, Spyglass Cedar Creek, LP, and to authorize Mr. DeMersseman to execute the Order. Motion carried.

Mr. DeMersseman declared the hearing closed.

OIL AND GAS CASE NO. 13-2006, LUFF EXPLORATION COMPANY: Lee McCahren, who had been appointed hearing chairman, opened the hearing.


Roxanne Giedd, deputy attorney general, represented the Department of Environment and Natural Resources.

This application was continued from the January board meeting.

Case No. 13-2006 is the application of Luff Exploration Company to amend the applicable orders for the Pete's Creek Field so as to form a single spacing unit consisting of the S½ of Section 9, and the SW¼ of Section 10, T22N, R6E of the Black Hills Meridian, Harding County,
Board of Minerals and Environment  
January 17-18, 2007, Meeting Minutes

SD, for the purpose of drilling a horizontal well with one or more laterals, in the "B" zone of the Red River formation.

Richard George, manager of engineering, was administered the oath and testified on behalf of Luff Exploration Company.

Exhibits offered and admitted into the record for Luff Exploration Company:

Exhibit 1 – General locator map
Exhibit 2 – Map showing the original 640-acre spacing unit and the requested 480-acre spacing unit
Exhibit 3 – Explanation of what Luff Exploration Company is requesting
Exhibit 4 – Land exhibit showing the various leases
Exhibit 5 – Ownership – royalty and working interest
Exhibit 6 – 3-D Seismic map showing the Red River Structure subsurface
Exhibit 7 – Synthetic seismogram of Red River
Exhibit 8 – Red River T1 seismic amplitude and Red River P2 seismic amplitude
Exhibit 9 – Summary of geologic reasons for surface location move
Exhibit 10 – Timing, Johnson I-9H
Exhibit 11 – Well location plat, Luff Exploration, Johnson I-9H
Exhibit 12 – Well design
Exhibit 13 – Summary of Luff’s request, Oil & Gas Case No. 13-2006

Fred Steece, DENR Oil and Gas Program, was administered the oath and testified on behalf of the Department of Environment and Natural Resources.

Notice of the hearing for each of these four cases was published on December 13 and 20, 2006, in the Black Hills Pioneer, the Pierre Capital Journal, the Rapid City Journal, and the Nation’s Center News. Affidavits of Publication are on file in the Department of Environment and Natural Resources Rapid City office.

The department received no petitions to intervene in this matter.

Following the testimony, Mr. McCahren requested board action.

Motion by DeMersseman, seconded by Hilde, to approve Case No. 13-2006, Luff Exploration Company. Motion carried.

Motion by Sweetman, seconded by Hilde, to adopt the Findings of Fact, Conclusions of Law, and Order for Case No. 13-2006, and to authorize Mr. McCahren to execute the Order. Motion carried.

Mr. McCahren declared the hearing closed.
STATEMENT OF REASONS FOR ADOPTION OR REJECTION OF RULES: On January 18, 2007, the board held a public hearing and adopted amendments to 74:29:01:01 – Definitions and new rule 74:29:11 – In situ leach mining. Also, on January 18, 2007, Nancy Hilding, personally and on behalf of the Prairie Hills Audubon Society, submitted a request pursuant to SDCL 1-26-7.1 for a written concise statement of principal reasons for and against the adoption of the rules.

Mike Cepak presented and discussed the resolution and Statement of Reasons. Mr. Cepak requested that the board approve the resolution adopting the Statement of Reasons.

Motion by DeMersseman, seconded by McCahren, to adopt the Resolution adopting the Statement of Reasons prepared pursuant to SDCL 1-26-7.1. Motion carried.

Mr. Cepak reported that the Statement of Reasons will be submitted to the Legislative Research Council and the Interim Rules Review Committee. The Interim Rules Review Committee will meet in April 2007, and Mr. Cepak requested that one or more board members attend.

OTHER BUSINESS

The next Board of Minerals and Environment meeting is April 19, 2007, in the Matthew Training Center in Pierre.

Brad Schultz requested permission to advertise for a public hearing on Interstate Transport of Ozone and PM2.5 at the April 19, 2007, board meeting.

Brian Gustafson requested permission to advertise for a public hearing to consider revising 74:36:07, 74:36:08, and 74:36:09:02, Air Pollution Control Program, at the April 19, 2007, board meeting.

Motion by DeMersseman, seconded by Duxbury, to authorize the department to advertise for a public hearing on Interstate Transport of Ozone and PM2.5 at the April 19, 2007, board meeting. Motion carried.

Motion by DeMersseman, seconded by Duxbury, to authorize the department to advertise for a public hearing to revise 74:36:07, 74:36:08, and 74:36:09:02, Air Pollution Control Program, at the April 19, 2007, board meeting. Motion carried.

ADJOURNMENT: Chairman Sweetman declared the meeting adjourned.

Secretary  Date  Witness  Date
Karen Christensen

Technical strengths: Play and prospect generation and evaluation; regional basin analysis; integrated tectonic and sequence stratigraphic analysis; seismic acquisition & processing oversight; seismic interpretation & detailed analysis; risking and economic evaluation; drilling operations oversight.

Management accomplishments: Co-founder and majority owner in innovative LP structure linking non O&G investors directly with prospect generators. Built 3 successful exploration/appraisal organizations, 2 from scratch, with the last widely acclaimed in both Conoco and industry. Recruited some of the best talent from industry into Conoco and have introduced both basic and state of the art technology into finding efforts. Initiated and successfully completed innovative deals ranging from small data trades to deepwater JOAs with Shell and very large land plays. Developed and managed budgets, forecasts, and business plans.

Experience

Spyglass LP 9/05 – present: Owner/Exploration Geophysicist
Founded and manage start up company exploring in the Northern Rockies, tying in capital from both industry and private investors with established prospectors in SD and TX. To date 6 out 7 wells cased and either discoveries or under evaluation.

Silver Tip LLC 9/05 – present: Owner/Exploration Geophysicist
Co-founder and partner in 3man exploration team generating prospects in SD, ND, MT, WY.

Crestline Resources 9/03 – 6/05: Consultant
Exploration and geophysical consulting in varied areas including GOM, California, Argentina. 9 months generating prospects for successful leasing program and development locations for 3 rig continuous drilling program in onshore LA. Results included 3000 and 7000bdpd discoveries. Technical evaluation leading to 3 field acquisitions in south Texas. Co-founded Baseline Energy, which was in due diligence on $40million financing for several producing fields. The financing institution was the largest Australian bank, 3rd largest banking institution worldwide.
Founded The Seismic Conservancy, a non-profit to facilitate and fund the preservation of at-risk seismic data to be available to the public and industry, with an initial focus on the West Coast US offshore data.

Venoco, Inc. 4/98 – 9/03: Exploration Manager
Built and managed exploration/development portfolio for start up A&D company. Successfully acquired 5 fields, bringing Venoco’s production to 15,000BOEPD. Provided G&G support for field development in Texas, Mississippi, Piceance Basin, Santa Barbara Channel. Initiated South American New Ventures program with successful acquisitions in Argentina leading to commercial discoveries. Technical support for 90mm$ bank financing and 60mm$ private financing. Wrote successful DOE grant for 9.6mm$ leading to improved field development and broad exposure for Venoco in the industry.

Conoco, Inc. 3/81 – 4/98
8/93 - 4/98: Group Director, World-wide Geologic Resources, Houston, Texas
Built from scratch specialty skills group to improve Conoco’s use of modern stratigraphic and structural tools and methodologies. The effort was highly acclaimed internally for technical contributions, interactive style and was later copied for the rest of geologic research in Conoco. The group actively contributed to every Conoco play, utilizing a broad range of mixed applications, AVA, seismic modeling, attributes, inversion, geostatistics, and reservoir modeling where appropriate. Group funding changed from 100% research funded to 85% business unit funded in 2 years, and from primarily specialty consulting to integrated interpretation during the same time.

This position provided exposure ranging from limited peer review to technical consultation to every play Conoco was pursuing worldwide. Technical work included providing regional seismic facies analysis in the Norwegian Voring Basin, evaluation of 2 large Nigerian deepwater blocks using 3D, sequence stratigraphy and AVA; evaluation of Elk Hills NPR offering; and technical evaluation of Equatorial Guinea and New Zealand’s northwest shelf.

3/93 - 2/94: Member Global Deepwater Strategy Team
Sole geoscientist on team that assessed the deepwater business environment, Conoco’s competitive position, and alternatives for profitable long term growth. Recommendations lead to renewed activity in GOM, alternative development scenarios, and long term budgeting/planning for Conoco’s deepwater plays.
1/92 - 8/93: Exploration Manager, Nigeria Exploration Effort, Houston, Texas
Established and maintained all Houston based support for Conoco's Nigeria Exploration efforts supervising staff of 29. Overseas technical input for a 9 well shelf drilling obligation, leading to Ukpokiti Field and Obe discoveries as well as Kunza subcommercial discovery. Setup Houston office including administrative and technical support (workstations, financial, engineering-development coordination, etc.) Provided technical & economic evaluation, drilling and farm out campaigns of deepwater OPL blocks 210, 220.

1/90-7/92: Exploration Manager, Western Gulf of Mexico, Houston, Texas
Responsible for all exploration/appraisal & acreage acquisition/disposal in the central and western GOM. (Combined exploratory budget $54 mm/year). Supervised 23 G&G & technical support staff. Realigned the direction of staff and resources to deep water and central shelf leading to several shelf discoveries and increased booked reserves. Initiated regional play evaluations, common usage of 3D and regional spec 3D's. Utilized acreage trade and regional JOA with Shell to preserve and drill the expiring Ursa acreage and drill the King Kong discovery. Reduced the F&D costs from $4/BOE to $5.30/BOE.

4/88 - 1/90: Operations Supervisor, Eastern Gulf of Mexico, Houston, Texas
Supervised prospect/leasehold evaluation and well operations for the GOM central shelf and deepwater OCS areas. Coordinated up to 4 rigs drilling up to 7 deepwater wells a year, providing 3D seismic design, bid and acquisitions, reprocessing, prospect evaluation, economics, portfolio management of ~60 OCS blocks, partner relationships, budgeting and post audit. Involved with / influenced Conoco's first multiple side tracks, first ultra deep water well (then 3700 f/WD), innovative SOPs to hold acreage, acceptance of stratigraphic traps and high performance deep water reservoirs.

9/83 - 9/87: Senior & Staff Geophysicist, Ventura, California
Southern San Joaquin Valley Exploration: responsible for play and prospect development. This work led to the subcommercial Wildwood discovery, 2 new development wells in Rio Viejo Field, and farm-in to Tennen's fee lands. Documented and attempted to acquire the southern Stevens fan, which became Landslide Field. Also provided regional and geologic support for other California basins, including surface geology and seismic acquisitions. Responsible for seismic and well planning.

North Slope, Alaska & Canadian Beaufort & Arctic Islands (Ventura and Houston): Responsible for regional framework, prospect generation, and lease recommendations in Alaska's North Slope. Contributor to Badami Field discovery & NW Milne Point step outs. Lead explorer in ANWR 1002 area and sole technical contributor to native land trades with Inupiat tribal association (CIRI) and Fish & Wildlife in Alaska and Washington DC. Loaned to Conoco Canada for full technical, commercial evaluation of Canadian Beaufort, Arctic Islands, and East Coast. Regional geologist for Chukchi Sea lease sale evaluation, providing arctic reconstructions, evaluation of source, reservoir and structural evolution as well as regional and prospect mapping and economics. Regional, geophysical support for other Alaskan basins including Cook Inlet.

3/80 – 9/83: Geophysicist, Houston Division, Houston, TX & Ponca City, OK
Texas onshore well operations geologic support, logging, coring, testing. Prospect and development mapping in Cotton Valley sands, Frio, Hinnant, Lobo and Wilcox. Exploration including seismic acquisition and integrated mapping in Chambers/Galveston/Brazoria Frio, Hackberry, Vicksburg plays leading to discoveries in East Halls Bayou and Old Ocean. Cross training assignment in R&D which included specialty processing of deepwater GOM seismic including depth migration, attribute analysis, modeling.

Education: 1980 Cornell University, School of Engineering, Ithaca, New York
BS, Engineering, major in geological sciences and mechanical engineering
Completed Ph.D. course requirements

Professional memberships
Member of AAPG, SEG, AGU, (HGS, GSH, CGS, Pac section AAPG, SEG: local geological and geophysical societies), past VP Pac. Section SEG

Abbreviated Training:
Executive development program at Kellogg Business School
Economics, exploration risk, D&RA, negotiations
Technical training in sequence stratigraphy, deep water, shallow marine and non marine depositional systems, velocities and depth conversion
Well versed in SMT (2D/3D, EarthPak, SynPAK), Geographix, Stratimagic, EarthVision, PowerPoint, Corel, Canvas,
Capable on Landmark, GoCad, Petrel
EXHIBITS

Oil & gas Case No. 15-2006
Proposed Amendment to Spacing Order 5-81
Grand River Field, Harding County, South Dakota

South Dakota
Department of Environment and Natural resources
Board of Minerals and Environment
February 15, 2007
• Spyglass Cedar Creek LP petitions the Board of Minerals and Environment to amend Oil and Gas Spacing Order 5-81 to allow for the efficient development of gas reserves in the Shannon/Eagle sandstone reservoirs. This request covers all of Townships 17N, Ranges 3E, through 5E; and Townships 18N, Ranges 2E through 5E.

• We request the amendment of the Order, item number 2, which states “that all wells drilled to the Eagle Sand Unit of the Pierre Formation in the above described areas shall be located only in the Northwest quarter and the Southeast quarter of each governmental section” to allow for the tolerance of each well location to be amended to allow the drilling of wells in either quarter but not closer than 1875 feet from any well capable of producing from the Eagle sand unit of the Pierre Formation, and not closer than 660 feet from a spacing unit boundary.
Spyglass Grand River Field: proposed area for amendment
Spyglass Grand River Field: well locations under current spacing order. Only 2 out of 6 wells located over gas pay. 4 of the 6 will be non-commercial.
Spyglass Grand River Field: well locations under requested amendment to spacing order.
6 out of 6 wells located over gas pay.
Affidavit of Publication

STATE OF SOUTH DAKOTA
County of Pennington

Janet F. Van Patten, being first duly sworn, upon her oath says: That she is now and was at all times hereinafter mentioned, an employee of the RAPID CITY JOURNAL COMPANY, a corporation, of Rapid City, South Dakota, the owner and publisher of the RAPID CITY JOURNAL, a legal and daily newspaper printed and published in Rapid City, in said County of Pennington, and has full and personal knowledge of all the facts herein stated as follows: that said newspaper is and at all times of the herein mentioned has been a legal and daily newspaper with a bonafide paid circulation of at least Two Hundred copies daily, and has been printed and published in the English language, at and within an office maintained by the owner and publisher thereof, at Rapid City, in said Pennington County, and has been admitted to the United States mail under the second class mailing privilege for at least one year prior to the publication hereinafter mentioned; that the advertisement, a printed copy of which, taken from said RAPID CITY JOURNAL, the paper in which the same was published, is attached to this sheet and made a part of this affidavit, was published in said paper once each week for two successive weeks for the first publication hereof being on the eighteenth day of January, 2007, that the fees charged for the publication thereof are One hundred seventy-six dollars and ninety-six cents.

Subscribed and sworn to before me this 23rd day of January, 2007.

My commission expires April 30, 2010.
AFFIDAVIT OF PUBLICATION

State of South Dakota, County of Hughes

________________________________________
of said county, being, first duly sworn, on oath, says: That he/she is the publisher or an employee of the publisher of the Capital Journal, a daily newspaper published in the City of Pierre in said County of Hughes and State of South Dakota; that he/she has full and personal knowledge of the facts herein stated, that said newspaper is a legal newspaper as defined in SDCL 17-2-2.1 through 17-2-2.4 inclusive, that said newspaper has been published within the said County of Hughes and State of South Dakota, for at least one year next prior to the first publication of the attached public notice, and that the legal/display advertisement headed ____________________________

a printed copy of which, taken from the paper in which the same was published, and which is hereeto attached and made a part of this affidavit, was published in said newspaper for ______ successive week(s) to wit:

________________________________________

January 30 2007

________________________________________

20 20 20 20 20

________________________________________

That the full amount of the fee charged for the publication of the attached public notice inures to the sole benefit of the publisher or publishers; that no agreement or understanding for the division thereof has been made with any other person, and that no part thereof has been agreed to be paid to any person whomsoever; that the fees charged for the publication thereof are: $33.27.

Signed: ______________________________________

________________________________________

subscribed and sworn to before me this 30 day of January 2007

Notary Public in and for the County of ________________, South Dakota.

Spyglass believes there may be commercial amounts of natural gas in the Shannon sand on the basis of a test hole drilled in the above area known as the Spyglass #3-30 State, located in the NE1/4 NW1/4 Section 30, Township 18 North, Range 4 East. The well has been cased for test purposes.

Spyglass requests approval to change Order No. 5-81 to allow one well to be drilled on a 320-acre spacing unit but to allow the operator the option of choosing the drilling unit from either quarter section within the spacing unit.

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) Chapter 45-9 and Chapter 1-26 and further pursuant to Administrative Rules of South Dakota (ARSD) 74:09 and 74:10. 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 section 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 February 6, 2007.

A request for access assistance for people with disabilities or an interpreter for the hearing impaired may be obtained by contacting the agency listed below before the hearing.

Additional information is available from Fred V. Steece, Oil and Gas Supervisor, Department of Environment and Natural Resources, 1050 West Main Street, Suite 1, Rapid City, SD 57702, telephone 605-394-2229.


Steven M. Firner
Secretary
Affidavit of Publication

STATE OF SOUTH DAKOTA:
COUNTY OF HARDING:
Stewart Huntington of said County and State being first duly sworn, on his 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 Stewart Huntington, 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, Stewart Huntington, 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. 15-2006

a printed copy of which is hereto attached, was printed and published in said newspaper for 2 successive and consecutive weeks, the first publication being made on the 18th day of Jan., 2007, and the last publication on the 25th day of Jan., 2007, that the full amount of fees charged for publishing same, to-wit: The sum of $72.63, 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 25th day of Jan., 2007

Notary Public, Lawrence County, South Dakota
My commission expires: 10-24-2010
any person who wishes to intervene in this proceeding as a party must file a petition to intervene pursuant to section 1-26.1, sd 1972. any person who wishes to intervene in this proceeding as a party must file a petition to intervene pursuant to section 1-26.1, sd 1972.
Affidavit of Publication

STATE OF SOUTH DAKOTA
COUNTY OF LAWRENCE

Stewart Huntington of said County and State being first duly sworn, on his oath says: That the BLACK HILLS PIONEER is a legal daily newspaper of general circulation, printed and published in the City of Spearfish, in said County and State by Stewart Huntington, and has been such a newspaper during the times hereinafter mentioned; and that said newspaper has a bona fide 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, Stewart Huntington, 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. 15-2006

a printed copy of which is hereto attached, was printed and published in said newspaper for 2 successive and consecutive weeks, the first publication being made on the 18th day of Jan., 2007, and the last publication on the 25th day of Jan., 2007, that the full amount of fees charged for publishing same, to-wit: The sum of $ 78.63, insures solely to the benefit of the publisher of the BLACK HILLS PIONEER, 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.

[Signature]

Subscribed and sworn to before me this 25th day of Jan., 2007

[Notary Seal]

Notary Public, Lawrence County, South Dakota
My commission expires: 10-24-2010
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) Chapter 45-9 and Chapter 1-26 and further pursuant to Administrative Rules of South Dakota (ARSD) 74:09 and 74:10. 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 to the 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 section 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 February 6, 2007.

A request for access assistance for people with disabilities or an interpreter for the hearing impaired may be obtained by contacting the agency listed below before the hearing.

Additional information is available from Fred V. Steece, Oil and Gas Supervisor, Department of Environment and Natural Resources, 2050 West Main Street, Suite #1, Rapid City, SD 57702, telephone 605-394-2229.


Steven M. Pirner
Secretary

Jan. 18, 25
AFFIDAVIT OF PUBLICATION

State of South Dakota, County of Hughes

_________________________ of said county, being, first duly sworn, on oath, says: That he/she is the publisher or an employee of the publisher of the Capital Journal, a daily newspaper published in the City of Pierre in said County of Hughes and State of South Dakota; that he/she has full and personal knowledge of the facts herein stated, that said newspaper is a legal newspaper as defined in SDCL 17-2-2.1 through 17-2-2.4 inclusive, that said newspaper has been published within the said County of Hughes and State of South Dakota, for at least one year next prior to the first publication of the attached public notice, and that the legal display advertisement headed ______________________ a printed copy of which, taken from the paper in which the same was published, and which is here-to attached and made a part of this affidavit, was published in said newspaper for __________ successive week(s) to wit:

January 22, 2007

January 20
January 20
January 20
January 20

That the full amount of the fee charged for the publication of the attached public notice inures to the sole benefit of the publisher or publishers; that no agreement or understanding for the division thereof has been made with any other person, and that no part thereof has been agreed to be paid to any person whomsoever; that the fees charged for the publication thereof are: $32.27.

Signed: _______________________

subscribed and sworn to before me this 24 day of January 2007

___________________________

Notary Public in and for the County of Hughes, South Dakota.
My Commission expires ____________, 2009.
STATE OF SOUTH
DAKOTA
DEPARTMENT OF
ENVIRONMENT
AND NATURAL
RESOURCES
BOARD OF
MINERALS AND
ENVIRONMENT
CASE NO. 15-2006
NOTICE OF
HEARING

IN THE MATTER OF
THE APPLICATION OF
SPYGLASS CEDAR
CREEK, LP FOR AN OR-
DER AMENDING OIL
AND GAS ORDER NO. 5-
81 ALLOWING THE OP-
ERATOR THE OPTION
OF LOCATING A WELL
IN EITHER QUARTER
SECTION OF LAND
WITHIN EACH 320-
ACRE SPACING UNIT
FOR WELLS DRILLED
TO THE SHANNON
ZONE OF THE EAGLE
MEMBER OF THE OF
PIERRE SHALE, WITH
WELLS LOCATED NO
CLOSER THAN 660 FEET
FROM THE BOUNDARY
OF EACH SPACING
UNIT, AND NO CLOSER
THAN 1875 FEET TO ANY
WELL CAPABLE OF PRO-
DUCE FROM, OR
DRILLING TO, THE
SHANNON ZONE.

Notice is hereby given to
Spyglass Cedar Creek, LP, New Bramfels, TX, hereinafter "Spyglass," that the South Dakota Board of
Minerals and Environment, hereinafter "Board," will
hold a contested case hearing on Thursday, February
15, 2007, at 10:00 a.m. CST at the Matthew Environ-
ment Education and
Training Center, Joe Foss
Building, 523 East Capitol
Avenue, Pierre, SD 57501,
for the purpose of hearing the
following case:

Spyglass has applied
for an order amending Order
No. 5-81 to allow the effi-
cient development of gas
reserves in the Shannon
sand unit of the Eagle
Member of the Pierre
Shale, on lands within
Township 17 North, Ranges
3 East through 5 East, and
township 18 North, Ranges
2 East through 5 East,
Harding County, South Dak-
ota.

Order No. 5-81 estab-
lished spacing in northern
Butte County and southern
Harding County for the
Shannon sand as one well
per 320-acre tract consist-
ing of the north half and the
south half of each section,
with the drilling units lo-
cated in the northwest
quarter and the southeast
quarter of each section of
land. A well can be drilled
no closer than 660 feet
from the spacing unit
boundary or closer than
1875 feet from any well
capable of producing from
or drilling to the Shannon sand.

Spyglass believes there
may be commercial
amounts of natural gas in
the Shannon sand on the
basis of a test hole drilled in
the above area known as
the Spyglass #3-30 State,
located in the NE1/4 NW1/4
Section 30, Township 18
North, Range 4 East.
The well has been cased for test
purposes.

Spyglass requests ap-
proval to change Order No.
5-81 to allow one well to be
drilled on a 320-acre spacing
unit but to allow the oper-
ator the option of choos-
ing the drilling unit from
either quarter section with-
in the spacing unit.

The Board has jurisdic-
tion and legal authority to
issue orders for the develop-
ment of the oil and gas
resources of the state pur-
suant to South Dakota Cod-
ified Laws (SDCL) Chapter
45-9 and Chapter 1-26 and
further pursuant to Ad-
ministrative Rules of South
Dakota (ARSK) 74:09 and
74:10. The hearing is an ad-
novary proceeding and any
party has the right to be
represented by a lawyer.
These and other due pro-
cess rights will be forfeited
if they are not exercised at
the hearing. The Board may
approve, conditionally ap-
pove, or deny the applica-
tion. The Board's decision
will be based upon the evi-
dence received at the hear-
ing. The Board's decision
may be appealed to the Cir-
cuit Court and the state Su-
preme Court as provided
by law.

If the amount in con-
troversy exceeds two thou-
sand five hundred dollars
or if a property right may
be terminated, any party to
the contested case may re-
quire the agency to use the
Office of Hearing Examin-
ers by giving notice of the
request to the agency no
later than ten days after ser-
vice of a notice of hearing
issued pursuant to section
1-26-47.

Any person who wishes
to intervene in this pro-
ceeding as a party must file
a petition to intervene pur-
suant to ARSD 74:09:01:04
on or before February 6,
2007.

A request for access as-
sistance for people with
disabilities or an interpreter
for the hearing impaired
may be obtained by con-
tacting the agency listed be-
low before the hearing.

Additional information
is available from Fred V.
Steece, Oil and Gas Super-
visor, Department of Envi-
ronment and Natural Re-
sources, 2050 West Main
Street, Suite #1, Rapid City,
SD 57702, telephone 605-
394-2229.

Dated: January 3, 2007
Steven M. Pirner
Secretary
IN THE MATTER OF THE APPLICATION
OF SPYGLASS CEDAR CREEK, LP, FOR
AN ORDER AMENDING OIL AND GAS
ORDER NO. 5-81 ALLOWING THE OPERATOR
THE OPTION OF LOCATING A WELL IN
EITHER QUARTER SECTION OF LAND
WITHIN EACH 320-ACRE SPACING UNIT
FOR WELLS DRILLED TO THE SHANNON
ZONE OF THE EAGLE MEMBER OF THE
PIERRE SHALE, WITH WELLS LOCATED
NO CLOSER THAN 660 FEET FROM THE
BOUNDARY OF EACH SPACING UNIT,
AND NO CLOSER THAN 1875 FEET TO
ANY WELL CAPABLE OF PRODUCING
FROM, OR DRILLING TO, THE SHANNON
ZONE

CASE NO. 15-2006
NOTICE
OF
HEARING

Notice is hereby given to Spyglass Cedar Creek, LP, New Braunfels, TX, hereinafter “Spyglass,” that the South Dakota Board of Minerals and Environment, hereinafter “Board,” will hold a contested case hearing on Thursday, February 15, 2007, at 10:15 a.m. CST at the Matthew Environmental Education and Training Center, Joe Foss Building, 523 East Capitol Avenue, Pierre, SD 57501, for the purpose of hearing the following case:

Spyglass has applied for an order amending Order No. 5-81 to allow the efficient development of gas reserves in the Shannon sand unit of the Eagle Member of the Pierre Shale, on lands within Township 17 North, Ranges 3 East through 5 East, and Township 18 North, Ranges 2 East through 5 East, Harding County, South Dakota.

Order No. 5-81 established spacing in northern Butte County and southern Harding County for the Shannon sand as one well per 320-acre tract consisting of the north half and the south half of each section, with the drilling units located in the northwest quarter and the southeast quarter of each section of land. A well can be drilled no closer than 660 feet from the spacing unit boundary or closer than 1875 feet from any well capable of producing from or drilling to the Shannon sand.

Spyglass believes there may be commercial amounts of natural gas in the Shannon sand on the basis of a test hole drilled in the above area known as the Spyglass #3-30 State, located in the NE1/4 NW1/4 Section 30, Township 18 North, Range 4 East. The well has been cased for test purposes.
Spyglass requests approval to change Order No. 5-81 to allow one well to be drilled on a 320-acre spacing unit but to allow the operator the option of choosing the drilling unit from either quarter section within the spacing unit.

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) Chapter 45-9 and Chapter 1-26 and further pursuant to Administrative Rules of South Dakota (ARSD) 74:09 and 74:10. 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 section 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 February 6, 2007.

A request for access assistance for people with disabilities or an interpreter for the hearing impaired may be obtained by contacting the agency listed below before the hearing.

Additional information is available from Fred V. Steece, Oil and Gas Supervisor, Department of Environment and Natural Resources, 2050 West Main Street, Suite #1, Rapid City, SD 57702, telephone 605-394-2229.


[Signature]

Steven M. Pirner
Secretary
January 16, 2007

Max Main
Attorney at Law
Bennett, Main & Gubbrud
618 State Street
Belle Fourche, SD 57717

Dear Max:

Enclosed is a copy of the Notice of Hearing for your application (Case No. 15-2006) in Harding County, South Dakota. The Notice of Hearing has been sent to the following newspapers for publication two times before January 24, 2007: Rapid City Journal, Daily Capital Journal (Pierre), Black Hills Pioneer (Lead), and the Nation’s Center News (Buffalo).

The purpose of this letter is to advise you that it is your 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 – at least 10 days prior to the intervention date
3. A list of persons notified

Thank you for your cooperation.

Sincerely,

Fred V. Steece
Oil and Gas Supervisor

Enclosure
IN THE MATTER OF THE APPLICATION
OF SPYGlass CEDAR CREEK, LP, FOR
AN ORDER AMENDING OIL AND GAS
ORDER NO. 5-81 ALLOWING THE OPERATOR
THE OPTION OF LOCATING A WELL IN
EITHER QUARTER SECTION OF LAND
WITHIN EACH 320-ACRE SPACING UNIT
FOR WELLS DRILLED TO THE SHANNON
ZONE OF THE EAGLE MEMBER OF THE
PIERRE SHALE, WITH WELLS LOCATED
NO CLOSER THAN 660 FEET FROM THE
BOUNDARY OF EACH SPACING UNIT,
AND NO CLOSER THAN 1875 FEET TO
ANY WELL CAPABLE OF PRODUCING
FROM, OR DRILLING TO, THE SHANNON
ZONE

CASE NO. 15-2006

NOTICE

OF

HEARING

Notice is hereby given to Spyglass Cedar Creek, LP, New Braunfels, TX, hereinafter “Spyglass,”
that the South Dakota Board of Minerals and Environment, hereinafter “Board,” will hold a
contested case hearing on Thursday, February 15, 2007, at 10:15 a.m. CST at the Matthew
Environmental Education and Training Center, Joe Foss Building, 523 East Capitol Avenue,
Pierre, SD 57501, for the purpose of hearing the following case:

Spyglass has applied for an order amending Order No. 5-81 to allow the efficient development of
gas reserves in the Shannon sand unit of the Eagle Member of the Pierre Shale, on lands within
Township 17 North, Ranges 3 East through 5 East, and Township 18 North, Ranges 2 East
through 5 East, Harding County, South Dakota.

Order No. 5-81 established spacing in northern Butte County and southern Harding County for
the Shannon sand as one well per 320-acre tract consisting of the north half and the south half of
each section, with the drilling units located in the northwest quarter and the southeast quarter of
each section of land. A well can be drilled no closer than 660 feet from the spacing unit
boundary or closer than 1875 feet from any well capable of producing from or drilling to the
Shannon sand.

Spyglass believes there may be commercial amounts of natural gas in the Shannon sand on the
basis of a test hole drilled in the above area known as the Spyglass #3-30 State, located in the
NE1/4 NW1/4 Section 30, Township 18 North, Range 4 East. The well has been cased for test
purposes.
Spyglass requests approval to change Order No. 5-81 to allow one well to be drilled on a 320-acre spacing unit but to allow the operator the option of choosing the drilling unit from either quarter section within the spacing unit.

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) Chapter 45-9 and Chapter 1-26 and further pursuant to Administrative Rules of South Dakota (ARSD) 74:09 and 74:10. 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 section 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 February 6, 2007.

A request for access assistance for people with disabilities or an interpreter for the hearing impaired may be obtained by contacting the agency listed below before the hearing.

Additional information is available from Fred V. Steece, Oil and Gas Supervisor, Department of Environment and Natural Resources, 2050 West Main Street, Suite #1, Rapid City, SD 57702, telephone 605-394-2229.


[Signature]

Steven M. Pirner
Secretary
January 4, 2007

Via Fax 394.5317 and Mail

Fred V. Steece, Oil & Gas Supervisor
SD DENR
2050 West Main, Ste. 1
Rapid City, SD 57702-2493

RE: Spyglass Cedar Creek LP Petition to Amend 5-81.

Dear Fred:

Karen Christensen asked me to send this letter to you clarifying Spyglass’ December 22, 2006 petition. By its petition, Spyglass is requesting that the single well in each 320-acre spacing unit may be located in either of the quarter sections in each spacing unit. Spyglass is not requesting more than one well for each spacing unit.

I hope this letter clarifies the petition. Should you have any questions, please do not hesitate to contact me.

Sincerely,

BENNETT, MAIN & GUBBRUD, P.C.

Max Main

MM/ra
cc: Karen Christensen, Spyglass
Steece, Fred

From: Richard Sweetman [RSweetman@Terincorp.com]
Sent: Thursday, December 28, 2006 12:57 PM
To: Steece, Fred
Cc: Binegar, Brenda
Subject: RE: Request to be put on docket for Board of Minerals and Environment Feb 15th hearing

I think we should plan on meeting in Pierre for this hearing. I do not need any additional info. Happy New Year, Fred and Brenda. I almost feel like wishing you a happy Easter - this is not winter!
Dick

From: Fred.Steece@state.sd.us [mailto:Fred.Steece@state.sd.us]
Sent: Thursday, December 28, 2006 11:48 AM
To: Richard Sweetman
Cc: Brenda.Binegar@state.sd.us; Mack.McGillivray@state.sd.us; Jenny.Hegg@state.sd.us; Bob.Townsend@state.sd.us; Roxanne.Giedd@state.sd.us
Subject: RE: Request to be put on docket for Board of Minerals and Environment Feb 15th hearing

Hi Dick:

Spyglass Cedar Creek, LP and Gold Point Energy (GPE) are partners (along with 3 other small operators) in an exploration venture in 7 townships south and west of the town of Buffalo.

Spyglass has drilled 4 wells this year with a Minnelusa objective (about 6500 ft). Nothing was found in the Minnelusa, but the Niobrara and Shannon were tested and gas was found in the Shannon 8 miles SW of Buffalo.

GPE drilled 2 tests and found gas and light oil (yes, oil!) in the Shannon, 18 miles due west of Buffalo. Whether the oil is commercial is a big question. GPE ran casing and plans to test the well. (See press release in red below).

I have been in contact with Karen Christensen, who is a “managing limited partner,” for Spyglass, and as I understand the request for a February spacing hearing, Spyglass is asking to change the existing **Butte-Harding County Shannon Gas Spacing (Order No. 5-81)**, effectively from 320-acre to 160-acre spacing. The area includes Township 17 North, Ranges 3 thru 5 East, and Township 18 North, Ranges 2 thru 5 East. The request is attached.

I hope you had a great Christmas.

Let me know if you need any more information on this application.

Fred Steece.

-----Original Message-----
From: Binegar, Brenda
Sent: Thursday, December 28, 2006 9:22 AM
To: Steece, Fred
Subject: FW: Request to be put on docket for Board of Minerals and Environment Feb 15th hearing

12/28/2006
Fred, please respond to Mr. Sweetman's e-mail below. Please cc me so I know what's going on. Thanks

-----Original Message-----
From: Richard Sweetman [mailto:RSweetman@Terincorp.com]
Sent: Thursday, December 28, 2006 9:37 AM
To: Binegar, Brenda
Subject: RE: Request to be put on docket for Board of Minerals and Environment Feb 15th hearing

If that is the only item we will have, we should use the DDN. I would prefer doing O&G permits in Pierre, specially if there is a new applicant or there is something unique, but it is expensive if there is only one routine matter.

-----Original Message-----
From: Brenda.Binegar@state.sd.us [mailto:Brenda.Binegar@state.sd.us]
Sent: Wednesday, December 27, 2006 3:45 PM
To: Richard Sweetman
Subject: RE: Request to be put on docket for Board of Minerals and Environment Feb 15th hearing

All I know is this is an oil and gas application from Spyr glass L.P. I don't recall ever hearing the name of the company before. Do you want me to talk to Fred and see if we can use the DDN for it?

-----Original Message-----
From: Richard Sweetman [mailto:RSweetman@Terincorp.com]
Sent: Wednesday, December 27, 2006 3:43 PM
To: Binegar, Brenda
Subject: RE: Request to be put on docket for Board of Minerals and Environment Feb 15th hearing

Brenda: What do they want to "put on the docket"? If this is a minor issue, do we have anything else pending or can we "do" (informational issue or one requiring board action?) it via the video net?
Dick

-----Original Message-----
From: Brenda.Binegar@state.sd.us [mailto:Brenda.Binegar@state.sd.us]
Sent: Wednesday, December 27, 2006 2:25 PM
To: Fred.Steece@state.sd.us
Cc: Jenny.Hegg@state.sd.us
Subject: RE: Request to be put on docket for Board of Minerals and Environment Feb 15th hearing

I will put it on the agenda for 10:15 a.m. CST on February 15, 2007 (So far this is the only agenda item.)

-----Original Message-----
From: Steece, Fred
Sent: Friday, December 22, 2006 5:41 PM
To: 'Karen'
Cc: Max Main; 'Tom Hohn'; Kevin Sellers; McGillivray, Mack; Hegg, Jenny; Binegar, Brenda
Subject: RE: Request to be put on docket for Board of Minerals and Environment Feb 15th hearing

Karen:

We received the faxed version and date-stamped this as the duly received application for hearing.

12/28/2006
I hope you all have a very Merry Christmas.

Fred V. Steece
Oil and Gas Supervisor

-----Original Message-----
From: Karen [mailto:kic@cox.net]
Sent: Friday, December 22, 2006 4:04 PM
To: Steece, Fred
Cc: Max Main; 'Tom Hohn'; Kevin Sellers
Subject: Request to be put on docket for Board of Minerals and Environment Feb 15th hearing

Fred,

Attached is a copy of our signed request to be put on docket for Board of Minerals and Environment Feb 15th hearing. I have faxed a copy and am sending the original by mail.

Thanks you for your consideration.

Wishing you a joyous Christmas,
Karen

Karen Christensen
Spyglass LP
1447 Crestline Dr.
Santa Barbara, CA 93105
805-570-1700
805-456-0226 fax
kic@cox.net

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No virus found in this outgoing message.
Checked by AVG.
Version: 7.5.433 / Virus Database: 268.15.26/598 - Release Date: 12/22/2006 3:22 PM

Wed Dec 6, 2006
GP Energy Reports New Gas Field Discovery in South Dakota
VANCOUVER, CANADA (TSX Venture: GPE - Frankfurt WKN # A0HGQ1)
December 6, 2006

Gold Point Energy Corp. ("GP Energy") is pleased to announce a new gas field discovery in the Shannon sandstone at the Spyglass State #3-30 well located in Harding County, South Dakota. The well was drilled to a total depth of 1950 feet and cased by Elenburg Rig #8. The casing decision was made on the basis of Schlumberger logs which indicate a Shannon pay zone at approximately 1600 feet comparable to that found at the West...
Short Pine Hills Field located twelve miles to the west of the well. West Short Pine Hills field has had cumulative gas production of 23 BCF according to statistics maintained by the State of South Dakota. This well is the fourth obligation well of five that Spyglass Cedar Creek, LP of San Antonio, Texas ("Spyglass") has committed to drill. Spyglass is the operator. The Company has a 30% interest in the first five obligation wells, and a 47.5% working interest in the balance of the South Cedar Creek Anticline Project that consists of 63,532 acres in Harding County, South Dakota.

"This well confirms the validity of our seismically-based exploration methodology. We still have to establish commerciality of the well through perforation and testing which is expected to occur prior to year end." stated Jack Steinhauser, President of GP Energy.

Elenburg Rig #8 has also drilled the GPE State #32-1 well to a total depth of 2831 feet in search of gas in the Cretaceous Niobrara. The main objective zone appears to be tight and non-productive. A secondary objective in the Eagle had significant oil shows. The well has been cased for further study of the productive potential of the Eagle. The well is the second obligation well of two that Spyglass NSPH LLC has committed to participate in. The Company is the Operator and has a 70% working interest in the North Short Pine Hills Prospect that consists of 54,626 acres in Harding County, South Dakota.

GP Energy also reports that Champion Drilling has moved their rig to the GPE Tribal #27-10 well location and drilling operations have commenced. GP Energy has a 70% working interest in the Woody Creek Dome Prospect, located in Big Horn County, Montana. The initial test well will test potential oil accumulations in the Tensleep formation at approximately 2,250 feet and the Amsden formation at approximately 2,370 feet. GP Energy is the Operator.

Certain statements contained in this press release may be considered as "forward looking". Such "forward looking" statements are subject to risks and uncertainties that could cause actual results to differ materially from estimated or implied results. The TSX has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

ON BEHALF OF THE BOARD
"Jack S. Steinhauser"

Mr. Jack Steinhauser, President & CEO

For Additional Information

Sean Kurd - Director
(800) 901-0058
(604) 697-1829
shurd@goldpointenergy.com

Source: CCNM Matthews
Date: 11/02/2006
Time: 08:51:01 AM

12/28/2006
Company: GOLD POINT ENERGY CORP.
Title: GP Energy Provides U.S. Operations Update

CDNX Symbol: GPE

Press Release

NEWS RELEASE TRANSMITTED BY CCNMATTHEWS

FOR: Gold Point Energy Corp.

TSX VENTURE SYMBOL: GPE
FRANKFURT SYMBOL: A0HGQ1

November 2, 2006

GP Energy Provides U.S. Operations Update

VANCOUVER, BRITISH COLUMBIA--(CCNMatthews - Nov. 2, 2006) --
Gold Point Energy Corp. ("GP Energy") (TSX VENTURE:GPE)(FRA:WKN A0HGQ1) is pleased to provide an update of its U.S. operations in South Dakota, Montana and Wyoming.

South Cedar Creek Anticline Project, Harding County, South Dakota

GP Energy has 47.5% working interest in the South Cedar Creek Anticline Project that consists of 63,532 acres in Harding County, South Dakota. Under an Exploration Agreement with Spyglass Cedar Creek, LP of San Antonio, Texas ("Spyglass") a program of four exploratory wells and one reentry is underway in which GP Energy has a 30% interest until payout and 47.5% thereafter. Spyglass is the Operator.

To date three wells have been drilled and cased. Testing is proceeding on the wells with an immediate focus on establishing the commerciality of gas pay in the Niobrara formation at approximately 2,500 feet which, based on gas shows encountered while drilling and subsequent analysis of the geophysical logs, is believed to have significant development potential. The first well to be tested in the Niobrara is the Spyglass State #10-27 well in Section 27, T19N-R4E. A similar potential pay interval in the Niobrara has been observed in the other two wells that have been drilled and cased. Fracture stimulation of the State #10-27, which is required to properly evaluate the commercial potential of the Niobrara, is scheduled for December. If the State #10-27 flow...
rate after frac
is successful in demonstrating commercial potential in the
Niobrara, the other
two wells will also be fracture stimulated and tested.

Two more wells are scheduled to be drilled prior to year end on
the South Cedar
Creek leasehold with primary objectives in the Shannon,
Niobrara and Muddy.

North Short Pine Hills Project, Harding County, South Dakota

GP Energy has a 70% working interest in the North Short Pine
Hills Prospect
that consists of 54,626 acres in Harding County, South Dakota.
Under an
Exploration Agreement with Spyglass NSPH, LLC of San Antonio,
Texas
("Spyglass") and Silver Tip Energy, LLC of Red Lodge, Montana
("Silver Tip") a
two-well drill program is underway to test the Shannon and
Niobrara intervals
in which GP Energy has a 61.667% interest until payout and 70%
thereafter.

The initial test well drilled only to the Shannon encountered
non-commercial
oil and gas shows. A second well with a primary objective of
the Niobrara at
approximately 2,400 feet is planned for December. GP Energy is
the Operator. A
grid of 2D seismic shows a potential gas accumulation in the
Niobrara covering
an area greater than 20 square miles.

Woody Creek Dome Prospect, Big Horn County, Montana

GP Energy has a 70% working interest in the Woody Creek Dome
Prospect that
consists of an 1,840 acre lease from the Crow Indian Tribe.
Previously drilled
wells combined with newly reprocessed seismic have defined
potential oil
accumulations in the Tensleep formation at approximately 2,250
feet and the
Amsden formation at approximately 2,370 feet. An initial test
well is scheduled
for drilling during the month of November; GP Energy is the
Operator.

Kaycee Dome Prospect, Johnson County, Wyoming

GP Energy has a 35% working interest in the Kaycee Dome
Prospect. The Prospect
is located on a surface-expressed anticline called Kaycee Dome
that is situated
just west of the town of Kaycee, Wyoming. The Prospect is
defined by three
seismic lines and seven previous wells, six of which had oil
shows. The primary
objective is the Tensleep formation, which is expected to be 75-100 feet thick at approximately 1,600 feet of drilling depth. The Cellars Ranch and North Fork field complex, which has produced 26 million barrels from 26 wells in the Tensleep formation, is located four miles to the east of the Prospect. An initial test well is scheduled for drilling during the month of November; GP Energy is the Operator.

Certain statements contained in this press release may be considered as "forward looking". Such "forward looking" statements are subject to risks and uncertainties that could cause actual results to differ materially from estimated or implied results.

ON BEHALF OF THE BOARD

Mr. Jack Steinhauser, President & CEO

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FOR FURTHER INFORMATION PLEASE CONTACT:

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The TSX has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

INDUSTRY: Energy and Utilities - Oil and Gas
SUBJECT: OEX - OIL/GAS EXPLORATION UPDATE
Dec 22, 2006

To: Fred Steece
SD DENR
2050 W. Main, Suite 1
Rapid City, South Dakota 57702

Re: Petition to amend Spacing Order

Mr. Steece:

Spyglass Cedar Creek LP petitions the Board of Minerals and Environment to amend Oil and Gas Spacing Order 5-81 to allow for the efficient development of gas reserves in the Shannon/Eagle sandstone reservoirs. This request covers all of Townships 17N, Ranges 3E, through 5E; and Townships 18N, Ranges 2E through 5E.

We request the amendment of the Order. item number 2, which states “that all wells drilled to the Eagle Sand Unit of the Pierre Formation in the above describe areas shall be located only in the Northwest quarter and the Southeast quarter of each governmental section” to allow for the tolerance of each well location to be amended to allow the drilling of wells in any quarter but not closer than 1875 feet from any well capable of producing from the Eagle sand unit of the Pierre Formation.

As this issues is critical to our business, Spyglass Cedar Creek, LP kindly request to be placed on the hearing docket at the earliest possible date which we believe to be February 15th, 2007

Sincerely,

SPYGLASS CEDAR CREEK LP
a Texas limited partnership
By its General Partner, Xanthis Capital, LLC

/s/ Karen Christensen
General Partner

Cc: Max Main
Tom Hohn