ORDER / CASE NO: ORDER NO. 8-2013

ORDER / NOTICE OF RECOMMENDATION TYPE: POOLING

COUNTY: HARDING

LOCATION(S): T. 23N., R. 4E.,
LOTS 1, 2, 3, 4 AND S1/2 (ALL)
SEC. 20
N1/2SE1/4 SEC. 29

OPERATOR: PRIMA EXPLORATION, INC.

DATE ORDER ISSUED: 04/29/2013

DATE ORDER CLOSED:

AMENDS:

AMENDED BY:

APPROVAL STATUS: APPROVED

FIELD NAME: SOUTH MEDICINE POLE HILLS FIELD

UNIT NAME:
April 29, 2013

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

Dear Mr. Bender:

The Department of Environment and Natural Resources received three applications from your office filed on behalf of Prima Exploration, Inc., Denver, CO — Oil and Gas Case Nos. 7-2013, 8-2013 and 9-2013. Because there was no intervention, Prima’s applications were approved administratively by the Secretary of the Department of Environment and Natural Resources in accordance with South Dakota Codified Laws 45-9-74. Enclosed are the approved orders.

If you have any questions regarding the orders, 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

Enclosures
SECRETARY’S ORDER UNDER SDCL 45-9-74

A Petition and Application of Prima Exploration, Inc. ("Prima") to pool all interests in the 897.60-acre spacing unit comprised of the above-referenced lands was submitted to the South Dakota Board of Minerals and Environment ("Board") on March 1, 2013. 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 and SDCL 45-9-30 through 36, 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 Lots 1, 2, 3, 4, S/2 (All) of Section 20 and the N/2 and SE/4, of Section 29, Township 23 North, Range 4 East, Harding County, South Dakota. By Petition and Application of Prima Exploration, Inc. dated March 1, 2013 and docketed as Case No. 7-2013, Prima has requested that the Board amend its prior orders, including without limitation Order No. 14-2010 so as to establish Sections 20 and 29 as an 897.60-acre spacing unit comprised of Lots 1, 2, 3, 4, and S/2 (All) of
Section 20, and N/2 and SE/4 of Section 29, Township 23 North, Range 4 East, Harding County, South Dakota. Order No. 7-2013 also requested the issuance of a permit to drill a horizontal well within the spacing unit.

There are both separately owned tracts and separately owned interests in the spacing unit comprised of the above-referenced lands. A voluntary pooling of the aforementioned lands has not been accomplished.

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

In Prima’s opinion, pooling the aforementioned lands will increase the ultimate recovery of the pool, prevent waste, prevent the drilling of unnecessary wells and protect correlative rights.

**IT IS THEREFORE ORDERED**

A. Pooling of all interests in an 897.60-acre spacing unit comprised of Lots 1, 2, 3, 4, and S/2 (All) of Section 20, and N/2, SE/4 of Section 29, Township 23 North, Range 4 East, Harding County, South Dakota, is hereby granted for the “B” Zone of the Red River Formation for the South Medicine Pole Hills Field. Prima is hereby designated the operator of the authorized horizontal well within said spacing unit.

B. All expenses incurred in drilling, equipping and operating a well on the spacing unit, and all production from such well, shall be allocated to the various tracts within the spacing unit on the basis of the ratio of the number of acres contained in each separately owned tract to the number of acres in the spacing unit.
C. Operations incident to the drilling of a well on any portion of the spacing unit shall be deemed for all purposes the conduct of such operation upon each separately owned tract in the spacing unit, and production allocated to each tract shall, when produced, be deemed for all purposes to have been produced from each tract by a well drilled thereon.

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

E. 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 29th day of April 2013.

Steven M. Pirner
Secretary
Department of Environment and Natural Resources
Proposed Spacing Unit

Case # 8-2013
Proposed 897.60 acre Pooling
Harding County, South Dakota
Figure #1 Locator

PRIMA
EXPLORATION, INC.
April 22, 2013

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 NOS. 8-2013 and 9-2013
Prima Exploration, Inc.

Dear Mr. Townsend:

Please find enclosed herewith the original Affidavits of M. Scott Homsher for each of the captioned matters.

If you should have any questions, please advise.

Sincerely,

Lawrence Bender

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

Enclosure

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STATE OF SOUTH DAKOTA

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

BOARD OF MINERALS AND ENVIRONMENT

IN THE MATTER OF THE APPLICATION OF PRIMA EXPLORATION, INC. FOR AN ORDER OF THE BOARD POOLING ALL INTERESTS IN A SPACING UNIT FOR THE SOUTH MEDICINE POLE HILLS-RED RIVER “B” ZONE OF THE RED RIVER FORMATION DESCRIBED AS LOTS 1, 2, 3, 4, AND S/2 (ALL) OF SECTION 20, AND N/2, SE/4 OF SECTION 29, TOWNSHIP 23 NORTH, RANGE 4 EAST, HARDING COUNTY, SOUTH DAKOTA; (COMPRISED OF 897.60 ACRES) AND FOR SUCH OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.

AFFIDAVIT OF M. SCOTT HOMSHER

STATE OF COLORADO

COUNTY OF DENVER

) ss:

M. Scott Homsher, being first duly sworn, deposes and states as follows:

1. That I am the Land Manager for Prima Exploration, Inc. (“Prima”), and that my business address is 100 Fillmore Street, Suite 450, Denver, Colorado 80206, the applicant in the above-entitled matter.

2. That in the course of my work as Land Manager for Prima, I have become familiar with the mineral ownership and leasehold ownership in Lots 1, 2, 3, 4, and S/2 (all) of Section 20, and N/2, SE/4 of Section 29, Township 23 North, Range 4 East, Harding County, South Dakota (the “Subject
Lands”).

3. That Prima is an owner of an interest in the oil and gas leasehold estate in the Subject Lands.

4. That by application docketed as Case No. 7-2013, it is anticipated that an order will be entered establishing the Subject Lands as a 897.60-acre spacing unit in the South Medicine Pole Hills-Red River “B” Zone of the Red River Formation.

5. That there are separately owned tracts or interests in the mineral estate and/or leasehold estate in the Subject Lands.

6. That a voluntary pooling of the Subject Lands for the South Medicine Pole Hills-Red River “B” Zone of the Red River Formation has not been accomplished.

DATED this 11th day of April, 2013.

M. Scott Homsher

STATE OF COLORADO )
)ss:
COUNTY OF DENVER )

The foregoing instrument was acknowledged before me this 11th day of April, 2013 by M. Scott Homsher, Land Manager, of Prima Exploration, Inc.

Elizabeth Ortiz, Notary Public
My Commission Expires: December 18, 2016
April 16, 2013

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 NOS. 7-2013 and 8-2013
Prima Exploration, Inc.

Dear Mr. Townsend:

Please find enclosed herewith an Affidavit of Service by Mail for each of the captioned cases with attached list of persons notified, the green certified return receipts, and any 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

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IN THE MATTER OF THE APPLICATION OF PRIMA EXPLORATION, INC. FOR AN ORDER OF THE BOARD POOLING ALL INTERESTS IN A SPACING UNIT FOR THE SOUTH MEDICINE POLE HILLS-RED RIVER “B” ZONE OF THE RED RIVER FORMATION DESCRIBED AS LOTS 1, 2, 3, 4, AND S/2 (ALL) OF SECTION 20, AND N/2, SE/4 OF SECTION 29, TOWNSHIP 23 NORTH, RANGE 4 EAST, HARDING COUNTY, SOUTH DAKOTA; (COMPRISED OF 897.60 ACRES) AND FOR SUCH OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.

AFFIDAVIT OF SERVICE BY MAIL

STATE OF NORTH DAKOTA )
COUNTY OF BURLEIGH )

Stephanie Sweet, being first duly sworn, deposes and says that on the 15th day of March, 2013, 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.

Stephanie Sweet
Subscribed and sworn to before me this 15th day of March, 2013.

[Notary Seal: Lynette Entz Lodde, Notary Public, expires June 26, 2017]
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 week 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. 8-2013

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 March, 2013 and the last publication on the ______ day of ________, ________, that the full amount of fees charged for publishing same, to-wit: The sum of $37.98, insures solely to the benefit of the publisher of the NATION 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 ______, 2013

[Signature]

Notary Public, Lawrence County, South Dakota

My commission expires: 10-24-2016
IN THE MATTER OF THE APPLICATION OF
PRIMA EXPLORATION, INC., DENVER,
COLORADO, FOR AN ORDER OF THE BOARD
POOLING ALL INTERESTS IN A SPACING
UNIT FOR THE SOUTH MEDICINE POLE
HILLS FIELD-RED RIVER “B” ZONE OF THE
RED RIVER FORMATION DESCRIBED AS
LOTS 1, 2, 3, 4, AND S/2 (ALL) OF SECTION 20,
AND N/2, SE/4 OF SECTION 29, TOWNSHIP 23
NORTH, RANGE 4 EAST, HARDING COUNTY,
SOUTH DAKOTA; (COMPRISED OF 897.60
ACRES) AND FOR OTHER RELIEF AS THE
BOARD DEEMS APPROPRIATE.

Notices are 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, April 18, 2013, 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 and
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 April 3, 2013. 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 in accordance with SDCL 45-9-74.
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: March 8, 2013

Steven M. Pirner
Secretary

Published once at the total approximate cost of __________.
March 6, 2013

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

Dear Mr. Bender:

Enclosed are copies of the Notice of Opportunity for Hearing for Prima Exploration, Inc.'s applications, Oil and Gas Case Nos. 7-2013, 8-2013 and 9-2013, in Harding County, SD. The notices will be sent to the Nation's Center News in Buffalo, SD, for publication on Thursday, March 14, 2013.

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

Enclosures
March 1, 2013

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

VIA EMAIL AND U.S. MAIL

RE: CASE NO. 8-2013: IN THE MATTER OF THE APPLICATION OF PRIMA EXPLORATION, INC. FOR AN ORDER OF THE BOARD POOLING ALL INTERESTS IN A SPACING UNIT FOR THE SOUTH MEDICINE POLE HILLS-RED RIVER “B” ZONE OF THE RED RIVER FORMATION DESCRIBED AS LOTS 1, 2, 3, 4, AND S/2 (ALL) OF SECTION 20, AND N/2, SE/4 OF SECTION 29, TOWNSHIP 23 NORTH, RANGE 4 EAST, HARDING COUNTY, SOUTH DAKOTA; (COMPRISED OF 897.60 ACRES) 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,

LAURENCE BENDER

Enclosure

cc: Mr. Michael Lees—(w/enc.) Via Email
Mr. Scott Homsher—(w/enc.) Via Email
Mr. Tom Sperr—(w/enc.) Via Email

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STATE OF SOUTH DAKOTA

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

BOARD OF MINERALS AND ENVIRONMENT

CASE NO. 8-2013

IN THE MATTER OF THE APPLICATION OF PRIMA EXPLORATION, INC. FOR AN ORDER OF THE BOARD POOLING ALL INTERESTS IN A SPACING UNIT FOR THE SOUTH MEDICINE POLE HILLS-RED RIVER “B” ZONE OF THE RED RIVER FORMATION DESCRIBED AS LOTS 1, 2, 3, 4, AND S/2 (ALL) OF SECTION 20, AND N/2, SE/4 OF SECTION 29, TOWNSHIP 23 NORTH, RANGE 4 EAST, HARDING COUNTY, SOUTH DAKOTA; (COMPRISSED OF 897.60 ACRES) AND FOR SUCH OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.

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 20: Lots 1, 2, 3, 4, S/2 (All)
   Section 29: N/2, SE/4

2. That by petition and application dated March 1, 2013, and to be docketed as Case No. 7-2013, Prima requests that the afore-mentioned lands be established as a spacing unit.
3.

Prima hereby requests the Board designate Prima as the operator of the proposed spacing unit.

4.

That by Petition and Application of Prima Exploration, Inc., filed with the Board and to be docketed for the April 2013 hearings, Prima has requested the Board amend its prior orders, including without limitation Order No. 14-2010, so as to establish Sections 20 and 29 as a 897.60-acre spacing unit comprised of Lots 1, 2, 3, 4, and S/2 (All) of Section 20, and N/2, SE/4 of Section 29, Township 23 North, Range 4 East, Harding County, South Dakota.

5.

That there are both separately owned tracts and separately owned interests in the spacing unit comprised of the above-referenced lands.

6.

That a voluntary pooling of the above-referenced lands has not been accomplished.

7.

That Section 45-9-31 of the South Dakota Codified Laws provides as follows:

45-9-31. Order of board pooling all interests in spacing unit—Application by interested person—Notice and hearing—Terms and conditions. In the absence of voluntary pooling the Board of Minerals and Environment, upon the application of any interested person, shall enter an order pooling all interests in the spacing unit for the development and operation thereof, and for the sharing of production therefrom. Each such pooling order shall be made after notice and hearing, and shall be upon terms and conditions that are just and reasonable, and that afford to the owner of each tract or interest in the spacing unit the opportunity
to recover or receive without unnecessary expense, his just and equitable share.

8.

That Section 45-9-32 of the South Dakota Codified Laws provides as follows:

45-9-32. Order of Board of Minerals and Environment pooling all interests in spacing unit--Operation of well--Rights of owners to participate--Payment of expenses. Each such pooling order shall authorize the drilling, equipping, and operation of a well on the spacing unit; shall provide who may drill and operate the well; shall prescribe the time and manner in which all the owners in the spacing unit may elect to participate therein; and shall make provision for payment by all those who elect to participate therein of the reasonable actual cost thereof, plus a reasonable charge for supervision and interest.

9.

Prima plans to drill the Garfield 44-29-20H well in the SE/4SE/4 of Section 29, Township 23 North, Range 4 East.

10.

Prima respectfully requests that the Board enter an order pooling all interests in a spacing unit for the South Medicine Pole Hills-Red River “B” zone of the Red River Formation described as Lots 1, 2, 3, 4, and S/2 (all) of Section 20, and N/2, SE/4 of Section 29, Township 23 North, Range 4 East, Harding County, South Dakota (comprised of 897.60 acres).

11.

In Prima’s opinion, pooling the afore-mentioned lands will increase the ultimate recovery of the pool, prevent waste, prevent the drilling of unnecessary wells and protect correlative rights.
12.

The Board is authorized to grant the pooling request by Section 45-9-30, et. seq. of the South Dakota Codified Laws.

13.

WHEREFORE, Prima respectfully requests that notice of this matter by provided as requested by South Dakota laws and that thereafter the Board of Minerals and Environment enter its order granting the relief requested herein.

DATED this ___ day of March, 2013.

Fredrikson & Byron, P.A.

By

LAWRENCE BENDER
SOUTH DAKOTA LICENSE #3461
200 North 3rd Street, Suite 150
P. O. Box 1855
Bismarck, ND 58502-1855
(701) 221-4020

ATTORNEYS FOR APPLICANT AND PETITIONER, PRIMA EXPLORATION, INC.