ORDER / CASE NO: CASE NO. 9-2001

ORDER / NOTICE OF RECOMMENDATION TYPE: SPACING

COUNTY: HARDING

LOCATION(S): T. 23N., R. 6E., ALL OF SEC. 27 (AMEND SPACING OF COREY BUTTE FIELD)

OPERATOR: LUFF EXPLORATION COMPANY

DATE ORDER ISSUED: 08/17/2001

DATE ORDER CLOSED:

AMENDS:

AMENDED BY:

APPROVAL STATUS: WITHDRAWN

FIELD NAME: COREY BUTTE FIELD

UNIT NAME:
- Email inquiry re lease value? See 22, T17N R4E: Not too good.

  Scott Summer: Suff with withdrawing application for Corey Rutte rezoning at Oct. BMT (July).

  - John Sand, Sandy Q & C, Worst "tight packs" designation in WSPH of Cady gas fields. The new process thru FERC is much simpler than 20 years ago. He'll send me some info.

  - Tim Cowman: Keep 0&6 kept in SDS COP? need a few pages for $5.99, 2000, also send him spreadsheet for $4.99 + 2000

  - I called his answering machine at my number, suggested he could get spreadsheet from me.

  - Perry Rohn: Thickness 5+ of Tims operator at Wata & Croton suggest call Mike Erickson or Eric Holm.

  - Steve Fallon: Duncan: Called a rep of EPAM for update on SD oil & gas leases, activity, etc.

  - Duane Estelle, Blackstone Energy.
  - Red Lodge, MT: Cred info on all wells 15N - 20N and 7G - 15E. Today Perkin.

  - Bob Northrop, Williston Basin Pipeline OK'd our pipeline position (Day File Map) but double line RC meeting to study.
August 17, 2001

Mr. Fred V. Steece
Supervisor, Oil & Gas Program
South Dakota Department of Environment
and Natural Resources
2050 West Main, Ste #1
Rapid City, SD 57702

Re: Petition to Amend Oil and Gas Order 3-75a and 1797 for the Corey Butte Field to Space the “B” Zone of the Red River Formation Underlying All of Section 27, Township 23 North, Range 6E of the BHM, Harding County, 1-27 Miller Well

Dear Fred:

Enclosed herewith for filing with the Department on behalf of Luff Exploration Company please find a Petition to Amend Spacing to Space B Zone of the Red River Formation Underlying All of Section 27, T23N, R6E of the Black Hills Meridian, Harding County, known as 1-27 Miller Well.

Sincerely yours,

Scott Sumner
E-Mail: ScottSumner@rushmore.com

SS/rc
Encls
cc: Richard George

RECEIVED
AUG 17 2001
DEPT OF ENVIRONMENT & NATURAL RESOURCES - RCRD
STATE OF SOUTH DAKOTA  
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES  
BOARD OF MINERALS AND ENVIRONMENT  

IN THE MATTER OF THE PETITION OF  
LUFF EXPLORATION COMPANY TO  
AMEND OIL AND GAS ORDERS 3-75a  
and 17-97 FOR THE COREY BUTTE FIELD TO SPACE THE “B” ZONE OF THE RED RIVER FORMATION UNDERLYING ALL OF SECTION 27, TOWNSHIP 23 NORTH, RANGE 6 EAST OF THE BLACK HILLS MERIDIAN, HARDING COUNTY, SOUTH DAKOTA, TO BE A SINGLE SPACING UNIT FOR THE DRILLING OF MULTIPLE HORIZONTAL LATERALS FROM THE EXISTING 1-27 MILLER WELL AND TO AUTHORIZE THE DRILLING OF A HORIZONTAL WELL INTO THE RED RIVER “B” ZONE WITHIN THE PROPOSED SPACING UNIT

OIL & GAS CASE NO. 9-2001

PETITION FOR HEARING

Luff Exploration Company hereby Petitions the South Dakota Board of Minerals and Environment for an Order as follows:

1. For an Order Amending Oil and Gas Spacing Order 3-75a and Oil and Gas Order 17-97 as to the “B” Zone of the Red River Formation underlying all of Section 27, T23N, R6E, BHM, Harding County, South Dakota, to establish all of said Section 27, T23N, R6E, BHM, as a single spacing unit consisting of six hundred forty (640) acres, more or less, for the purpose of drilling a horizontal oil well with horizontal laterals, and specifically to allow the drilling of multiple horizontal laterals extending from the existing 1-27 Miller Well, into the “B” Zone of the Red River Formation underlying said proposed spacing unit, subject to the same setback and well separation requirements as are contained in said Order 3-75a, and authorizing the drilling of Petition. Miller. 1.27
said horizontal well and multiple horizontal laterals in the proposed new spacing unit.

2. The South Dakota Board of Natural Resource Development, predecessor to the present South Dakota Board of Minerals and Environment, previously issued Oil and Gas Spacing Order No. 3-75a (Order 3-75a) which designated the Corey Butte Field in Harding County, South Dakota and established spacing for wells and field rules for the Corey Butte Field.

3. The Corey Butte Field was designated to consist of all of Sections 21, 22, 23, 26, 27, 28, 34, 35 and 36 in Township 23 North, Range 6 East of the Black Hills Meridian in Harding County, South Dakota, together with those additional 320-acre tracts that may be proven productive by wells drilled as direct offsets to the area described above.

4. The discovery well for the Corey Butte Field was the Miller 1-27 well in the Northwest Quarter of the Southeast Quarter (NW1/4 SE1/4), Section 27, T23N, R6E, BHM. The well was completed in the “A”, “B”, “C”, and “D” Zones of the Red River Formation in April and May of 1975. The “C” and “D” Zones were abandoned in August of 1975.

5. The Pool was defined as the Corey Butte (Red River Pool) including that accumulation of crude oil and natural gas found below the top of the Red River Formation and above the top of the Winnipeg Formation within the limits of the Corey Butte Field.

6. The spacing for the development of the Corey Butte Field was established as one well for each 320 acres for governmental sections containing 480 acres or more, to consist of two adjacent quarter sections or governmental lots corresponding thereto, within the same section.
7. According to Order 3-75a, if the spacing unit for a well was situated in a governmental section containing less than 480 acres, the spacing for development was established as one well for the section and the acreage in excess of 320 acres was assigned to the well as “tolerance acreage.”

8. “Tolerance acreage” is defined in Williams and Meyers, *Oil and Gas Terms*, 9th Ed., in relevant part, as follows:

   Acreage in excess of the minimum number of acres assigned to each well in a given reservoir under an applicable density rule.

9. Order 3-75a established that wells drilled to the Corey Butte (Red River) Pool be located not less than 1320 feet from the nearest well completed in, or drilling to, the pool and not closer than 660 feet to the boundary of a spacing unit for that pool.

10. The South Dakota Board of Minerals and Environment subsequently entered Oil and Gas Order 17-97 which, in relevant part, amended Order 3-75a for the Corey Butte Field to expand the field boundaries to include Sections 24 and 25, T23N, R6E, BHM, within the Corey Butte Field, further amended Order 3-75a as to the “B” Zone of the Corey Butte Field, Red River Pool for Sections 21, 22, 23, 24, 25, 26, 28, and 34, T23N, R6E, BHM, only, and not as to Sections 27, 35, and 36 thereof, to increase the spacing unit size to one horizontal well to each 640 acres consisting of a governmental section or governmental lots corresponding thereto, and one well per governmental section consisting of 420 acres more or less for Sections 21, 22, 23, and 24 of T23N, R6E, BHM.
11. Order 17-97 did not amend the boundary line setback requirement within said Field.

12. Consistent with the Order 3-75a a vertical producing oil well has been drilled in the spacing unit consisting of the Northwest Quarter of the Southeast Quarter (NW1/4 SE1/4) of Section 27, T23N, R6E, BHM, Harding County, South Dakota, which well is known as the 1-27 Miller Well. This well is currently producing as an oil well from a vertical well bore.

13. The 1-27 Miller Well is the only producing oil well in the Corey Butte Field.

14. The 1-27 Miller Well is presently completed in the “A” and “B” Zones of the Red River Formation. The well is currently shut in for economic reasons.

15. Petitioner Luff Exploration Company is the operator of that well as a vertical producing oil well.

16. Petitioner seeks an amendment to the Oil and Gas Case Spacing Order 3-75a and Oil and Gas Order 17-97 as to the Red River “B” Zone underlying Section 27, T23N, R6E, BHM, Harding County, South Dakota, to establish said governmental section as a single spacing unit consisting of six hundred forty (640) acres, more or less, for the drilling of a horizontal well into the Red River “B” Zone, including multiple horizontal laterals, and specifically for the drilling of multiple horizontal laterals into the Red River “B” zone from the existing vertical well bore for the 1-27 Miller Well, for the purpose of producing hydrocarbons through said horizontal well bores from the Red River “B” Zone within the designated spacing unit.

17. Petitioner seeks an Order from the Board amending the Orders 3-75a and 17-97 to
allow the proposed multiple horizontal laterals to be located anywhere within Section 27, T23N, R6E, BHM, subject only to the setback requirement which requires that no portion of any horizontal lateral where situated within the Red River “B” Zone be located closer than six hundred sixty (660) feet from any boundary of the designated spacing unit consisting of Section 27, T23N, R6E, BHM, Harding County, South Dakota.

18. Other than the 1-27 Miller Well itself, there are no producing oil wells in the Red River “B” Zone, the target formation for the proposed horizontal laterals, in Section 27 of T23N, R6E, BHM, Harding County, South Dakota nor in any other governmental quarter section that touches upon a boundary or corner of the designated spacing unit consisting of Section 27, T23N, R6E, BHM, Harding County, South Dakota.

19. The South Dakota Board of Minerals and Environment has jurisdiction and legal authority to issue spacing orders for oil and gas as requested by this Petition pursuant to SDCL §§45-9-20 through 45-9-29, inclusive, and SDCL §§45-9-53 through 45-9-66, inclusive. The Board has authority to issue horizontal drilling permits pursuant to SDCL §45-9-4.

20. The spacing requested by this Petition is necessary to prevent waste, avoid the drilling of unnecessary wells, and to protect correlative rights.

21. The lands sought to be spaced for horizontal laterals from the 1-27 Miller Well are believed to be underlain by a common pool of oil.

22. The size, shape and location of the proposed spacing unit for horizontal laterals from
the 1-27 Miller Well will result in the efficient and economic development of the pool as a whole.

23. The size of the spacing unit sought to be established for horizontal laterals from the 1-27 Miller Well is not smaller than the maximum area that can be efficiently and economically drained by the proposed horizontal laterals.

24. The particular statutes and rules involved in these proceedings are SDCL §§45-9-1, 45-9-1.1, 45-9-2, 45-9-4, 45-9-20 through 45-9-28, 45-9-56 through 45-9-63, and ARSD §§74:10:03:10 and 74:10:03:21 together with the statutory and regulatory contested case and administrative procedures set forth in SDCL §1-26 and ARSD Chapter 74:09:01.

WHEREFORE, Petitioner Luff Exploration Company requests that an Order be issued by this Board amending existing Order of the Board in Oil and Gas Case No. 3-75a and Oil and Gas Order 17-97 for the Corey Butte Field as to the Red River “B” Zone underlying Section 27, Township 23 North, Range 6 East (T23N, R6E) of the Black Hills Meridian, Harding County, establishing the Red River “B” Zone underlying the entirety of said governmental section as one spacing unit consisting of six hundred forty (640) acres, more or less for the purpose of drilling a horizontal well into the Red River “B” Zone, with multiple horizontal laterals, and specifically to allow for the drilling of multiple horizontal laterals into the Red River “B” Zone from the existing vertical well bore for the 1-27 Miller Well for production of oil and gas from the “B” Zone of the Red River Formation underlying said spacing unit, and allowing the horizontal
l laterals to be drilled within said spacing unit to be located anywhere within said Section 27, T23N, R6E, BHM, so long as no portion of any horizontal lateral where situated within the Red River “B” Zone be located closer than six hundred sixty (660) feet from any boundary of the designated spacing unit. It is Petitioner’s intention that Order 3-75a and Order 17-97 will otherwise remain in full force and effect, without amendment, as to such lands as may be governed by those orders other than Section 27, T23N, R6E, BHM, Harding County, South Dakota.

Persons served by this Petition are advised that, pursuant to ARSD § 74:09:01:03, within ten (10) days after receipt of this Petition any such party shall serve a written Answer thereto on the Petitioner in care of its attorney, Scott Sumner, of the firm of Banks, Johnson, Colbath, Kerr & Sumner, Prof. L.L.C., 731 St. Joseph St., P.O. Box 9007, Rapid City, South Dakota 57709, and upon the Department of Environment and Natural Resources in care of its attorney, Assistant Attorney General Roxanne Giedd, State of South Dakota, 500 East Capitol, Pierre, South Dakota, 57501, and such other parties of record as the answering party is aware. Pursuant to ARSD § 74:09:01:03 the Answer shall respond to the allegations in the Petition and state the desired decision of the Board. Failure to answer an allegation in the Petition shall constitute an admission of that fact. In addition to serving a written Answer on the Petitioner and the Department, parties are notified that, pursuant to ARSD § 74:09:01:07, the original of any pleading shall be filed with the Department of Environment and Natural Resources, Joe Foss

Petition.Miller.1.27
Petition for Hearing by Luff Exploration Company

to Amend Oil and Gas Orders for the Corey Butte Field

Oil and Gas Case No. ________

Page 8 of 8

Building, 523 E. Capitol Avenue, Pierre, South Dakota, 57501, and should also be mailed to all

parties of records of which the party filing the pleading is aware.

Dated this 17th day of August, 2001.

BANKS, JOHNSON, COLBATH,
KERR, & SUMNER, PROF.L.L.C.

By: Scott Sumner

Attorneys for Petitioner

731 St. Joseph St., Suite 300
P.O. Box 9007
Rapid City, SD 57709-9007
Telephone: (605) 341-2400
Facsimile: (605) 342-3616

Petition.Miller.1.27