ORDER / CASE NO: ORDER NO. 9-2013

ORDER / NOTICE OF RECOMMENDATION TYPE: POOLING

COUNTY: HARDING

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

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
A Petition and Application of Prima Exploration, Inc. (“Prima”) to pool all interests in the 1059.28-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 Sections 21 and 28, Township 23 North, Range 4 East, Harding County, South Dakota (“Sections 21 and 28”). Order No. 11-2012 established Sections 21 and 28 as an overlapping 1059.28-acre spacing unit in the South Medicine Pole Hills Field, and authorized the issuance of a permit for the drilling of a horizontal well within the spacing unit.

There are both separately owned tracts and separately owned interests in the spacing unit comprised of Sections 21 and 28. Voluntary pooling of Sections 21 and 28 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 Sections 21 and 28 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 the overlapping 1059.28-acre spacing unit comprised of Sections 21 and 28, Township 23 North, Range 4 East, Harding County, South Dakota, is hereby granted 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.

[Signature]

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

Horse Creek Field

Medicine Pole Hills South Field

129N 104W

023N 004E

North Dakota

South Dakota

PRIMA EXPLORATION, INC.

Case # 9-2013
Proposed 1059.28 acre Pooling
Harding County, South Dakota
Figure #1
Location Map
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,

[Signature]

LAWRENCE BENDER

Enclosure

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
       5558905_1.doc
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 AMENDING ANY APPLICABLE ORDERS FOR THE SOUTH MEDICINE POLE HILLS FIELD TO POOL ALL INTERESTS IN A 1059.28-ACRE SPACING UNIT DESCRIBED AS ALL OF SECTION 21 AND ALL OF SECTION 28, TOWNSHIP 23 NORTH, RANGE 4 EAST, HARDING COUNTY, SOUTH DAKOTA; AND FOR SUCH OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.

AFFIDAVIT OF M. SCOTT HOMSHER

STATE OF COLORADO I ss:
COUNTY OF DENVER I 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 all of Section 21 and all of Section 28, 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 the Subject Lands have been established as an overlapping 1059.28-acre spacing unit in the South Medicine Pole Hills field pursuant to Order No. 11-2012.

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 16th day of April, 2013.

M. Scott Homsher

STATE OF COLORADO )
COUNTY OF DENVER )

The foregoing instrument was acknowledged before me this 16th day of April, 2013 by M. Scott Homsher, Land Manager, of Prima Exploration, Inc.

Notary Public
My Commission Expires:
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 NO. 9-2013
Prima Exploration, Inc.

Dear Mr. Townsend:

Please find enclosed herewith an Affidavit of Service by Mail with attached list of persons notified, the green certified return receipts, and any envelopes which were returned as being undeliverable with regard to the captioned matter.

If you should have any questions, please advise.

Sincerely,

[Signature]

LAWRENCE BENDER

I.B/leo

Enclosure

cc: 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. 9-2013

IN THE MATTER OF THE APPLICATION OF
PRIMA EXPLORATION, INC. FOR AN ORDER
OF THE BOARD AMENDING ANY
APPLICABLE ORDERS FOR THE SOUTH
MEDICINE POLE HILLS FIELD TO POOL
ALL INTERESTS IN A 1059.28-ACRE SPACING
UNIT DESCRIBED AS ALL OF SECTION 21
AND ALL OF SECTION 28, TOWNSHIP 23
NORTH, RANGE 4 EAST, HARDING COUNTY,
SOUTH DAKOTA; AND FOR SUCH OTHER
RELIEF AS THE BOARD DEEMS
APPROPRIATE.

AFFIDAVIT OF SERVICE BY MAIL

STATE OF NORTH DAKOTA )
COUNTY OF BURLEIGH ) ss.

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.

[Signature]

Notary Public
My Commission expires:

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<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
<th>City, State, Zip</th>
</tr>
</thead>
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<tr>
<td>HARDY WISE</td>
<td>3713 North Whitman Street</td>
<td>Tacoma, WA 98407</td>
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<tr>
<td>MORGAN WISE</td>
<td>104 ThunderHawk Street</td>
<td>Thunder Hawk, SD 57638</td>
</tr>
<tr>
<td>MORRIS WISE</td>
<td>HCR 63, Box 310</td>
<td>Lemmon, SD 57638</td>
</tr>
<tr>
<td>RODNEY WISE</td>
<td>PO Box 38</td>
<td>Lemmon, SD 57638</td>
</tr>
<tr>
<td>VENOYE WISE</td>
<td>5414 North 38th Street</td>
<td>Tacoma, WA 98407</td>
</tr>
<tr>
<td>RUTH E. WOODWARD</td>
<td>450 19th Street NE</td>
<td>Salem, OR 97301</td>
</tr>
<tr>
<td>WORLD RELIEF CORP</td>
<td>7 East Baltimore Street</td>
<td>Baltimore, MD 21202</td>
</tr>
</tbody>
</table>
CERTIFIED MAIL RECEIPTS NOT SCANNED

HARD COPIES AVAILABLE AT DENR’S OFFICE IN RAPID CITY
Affidavit of Publication
STATE OF SOUTH DAKOTA:
COUNTY OF HARDING:

Letitia Lister of said County and State being first duly sworn, on her oath says: That the NATION’S CENTER NEWS is a legal weekly newspaper of general circulation, printed and published in the City of Buffalo, in said County and State by Letitia Lister, and has been such a newspaper during the times hereinafter mentioned; and that said newspaper has a 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, 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. 9-2013

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 $37.08, insures solely to the benefit of the publisher of the NATION’S CENTER NEWS, that no agreement or understanding for a division thereof has been made with any person and that no part thereof has been agreed to be paid to any other person whomsoever.

Subscribed and sworn to before me this ____ day of ____, 2013

[Signature]
Notary Public, Lawre County, South Dakota
My commission expires: 10-24-2016
**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., DENVER, COLORADO, FOR AN ORDER OF THE BOARD AMENDING ANY APPLICABLE ORDERS FOR THE SOUTH MEDICINE POLE HILLS FIELD TO POOL ALL INTERESTS IN A 1059.28-ACRE SPACING UNIT DESCRIBED AS ALL OF SECTION 21 AND ALL OF SECTION 28, TOWNSHIP 23 NORTH, RANGE 4 EAST, HARDING COUNTY, SOUTH DAKOTA; AND FOR OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE. | NOTICE OF OPPORTUNITY FOR HEARING OIL AND GAS CASE NO. 9-2013 |
---|---|
Notice is hereby given to Prima Exploration, Inc., Denver, Colorado, and to all interested persons that the Board of Minerals and Environment, hereinafter “board,” will hold a contested case hearing on the above described matter on Thursday, 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. 9-2013; IN THE MATTER OF THE APPLICATION OF PRIMA EXPLORATION, INC. FOR AN ORDER OF THE BOARD AMENDING ANY APPLICABLE ORDERS FOR THE SOUTH MEDICINE POLE HILLS FIELD TO POOL ALL INTERESTS IN A 1059.28-ACRE SPACING UNIT DESCRIBED AS ALL OF SECTION 21 AND ALL OF SECTION 28, TOWNSHIP 23 NORTH, RANGE 4 EAST, HARDING COUNTY, SOUTH DAKOTA; AND FOR SUCH OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.

Dear Ms. Hegg:

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

Thank you for your attention to this matter.

If you should have any questions, please advise.

Sincerely,

[Signature]

LAWRENCE BENDER

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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PETITION AND APPLICATION
OF PRIMA EXPLORATION, INC.

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

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

   Township 23 North, Range 4 East
   Section 21: All
   Section 28: All
   (the “Subject Lands”)

2. In Order No. 11-2012, the Board established the Subject Lands as an overlapping 1059.28-acre spacing unit in the South Medicine Pole Hills field.
3. That Prima hereby requests the Board designate Prima as the operator of said spacing unit.

4. That there are both separately owned tracts and separately owned interests in the spacing unit comprised of the Subject Lands.

5. That a voluntary pooling of the Subject Lands has not been accomplished.

6. 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.

7. 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.

8.

Prima plans to drill the Harding 34-28-21H well in the SW/4SE/4 of Section 28, Township 23 North, Range 4 East.

9.

Prima respectfully requests that the Board enter an order to pool all interests in a 1059.28-acre spacing unit for the South Medicine Pole Hills Field described as the Subject Lands.

10.

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

11.

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

12.

WHEREFORE, Prima respectfully requests that notice of this matter be 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.