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DEPT OF ENVIRONMENT & NATURAL
RESOURCES - RAPID CITY

STATE OF SOUTH DAKOTA

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

BOARD OF MINERALS AND ENVIRONMENT

CASE NO. 2-2014

IN THE MATTER OF THE APPLICATION OF RIM OPERATING, INC. FOR AN ORDER OF THE BOARD AMENDING BOARD ORDER NOS. 2-73b, 13-97, 14-2010, AND 15-2010, SO AS TO AMEND THE FIELD RULES FOR THE SOUTH MEDICINE POLE HILLS FIELD AND ESTABLISH A 409.42-ACRE SPACING UNIT, MORE OR LESS, COMPRISED OF ALL OF SECTION 19, TOWNSHIP 23 NORTH, RANGE 4 EAST, SOUTH MEDICINE POLE HILLS FIELD, HARDING COUNTY, SOUTH DAKOTA, AND ALLOW THE DRILLING OF ONE WELL TO THE RED RIVER "B" AND "D" POOL ON SAID SPACING UNIT NOT LESS THAN 500 FEET TO THE SPACING UNIT BOUNDARY AND FOR OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.

PETITION AND APPLICATION
OF RIM OPERATING, INC.

COMES NOW THE PETITIONER, RIM Operating, Inc. ("RIM") and for its petition and application states and alleges as follows:

1.

That RIM is the owner of an interest in the oil and gas leasehold estate in portions of the following described lands, Harding County, South Dakota:

Township 23 North, Range 4 East
Section 19: All

(the "Subject Lands")

2.

That by Board Order Nos. 2-73b, 13-97, and 2-2011, the South Medicine Pole Hills Field is comprised of the following described lands, Harding County, South Dakota:

Township 23 North, Range 4 East

Section 19: All
Section 20: All
Section 21: All
Section 22: All
Section 27: All
Section 28: All
Section 29: All
Section 30: S/2, NE/4
Section 31: NE/4
Section 32: All
Section 33: All
Section 34: All
Section 35: W/2, NE/4

3.

That the boundary of the South Medicine Pole Hills Field was extended to include Section 19, Township 23 North, Range 4 East, when the Application for Permit to Drill was approved on August 31, 1977 for the Petroleum Inc. 1-F Arithson vertical well, drilled and completed on the NW/4SE/4 of Section 19, Township 23 North, Range 4 East. The Petroleum Inc. 1-F Arithson well has since been plugged and abandoned.

4.

That Board Order No. 2-73b established 320-acre spacing for the South Medicine Pole Hills Field with spacing units comprised of any two adjacent quarter sections or governmental lots corresponding thereto within the same section.

5.

That establishing the Subject Lands as a 409.42-acre spacing unit for the drilling of a vertical well will preclude creation of an orphaned tract in Section 19, Township 23 North, Range 4 East, that would otherwise be created by drilling a vertical well according to the 320-acre spacing established under Board Order No. 2-73b.

6.

That Section 19, along with Section 20, Township 23 North, Range 4 East, are currently spaced for horizontal drilling as an 832-acre spacing unit under Board Order No. 14-2010. Board Order No. 15-2010 authorized the Department to issue permits for two horizontal wells on said spacing unit.

7.

That RIM desires to utilize vertical drilling to test and further develop the "B" and "D" zones of the Red River Formation, in and under the Subject Lands.

8.

That it is the opinion of RIM that testing and further developing the "B" and "D" zones of the Red River Formation will increase the ultimate recovery of the reservoir in a manner which will prevent waste, protect correlative rights and prevent the drilling of unnecessary wells.

9.

That RIM requests an order of the Board amending Board Order Nos. 2-73b, 13-97, 14-2010, and 15-2010, so as to amend the field rules for the South Medicine Pole Hills Field and establish a 409.42-acre spacing unit, more or less, comprised of all of Section 19, Township 23 North, Range 4 East, South Medicine Pole Hills Field, Harding County, South Dakota, and allow the drilling of one

vertical well to the Red River “B” and “D” Pool on said spacing unit not less than 500 feet to the spacing unit boundary and for other relief as the Board deems appropriate.

10.

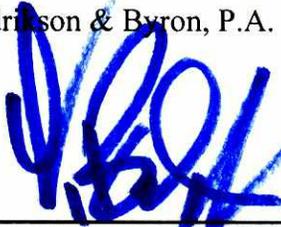
That the legal authority and jurisdiction under which a hearing would be held and the particular statutes and rules involved are SDCL Ch. 1-26, SDCL Ch. 45-9 and ARSD Ch. 74:09:01 and ARSD Ch. 74:12:02.

WHEREFORE, RIM respectfully requests that this matter be set for hearing and that thereafter the Board of Minerals and Environment grant the following:

- a. That Board Order Nos. 2-73b, 13-97, 14-2010, and 15-2010, and any applicable orders or rules of the Board be amended so as to establish Section 19, Township 23 North, Range 4 East, as a 409.42-acre spacing unit, more or less, South Medicine Pole Hills Field, Harding County, South Dakota, and allow the drilling of one vertical well not less than 500 feet to the spacing unit boundary for said spacing unit;
- b. That Order Nos. 2-73b and 13-97 and any applicable orders or rules of the Board be amended so as to include Section 19, Township 23 North, Range 4 East, within the South Medicine Pole Hills Field;
- c. That the Department of Environment and Natural Resources be authorized to issue drilling permits for wells requested upon receipt of appropriate applications as provided by the rules and regulations of the Board; and
- e. That RIM be granted other relief as the Board deems appropriate.

DATED this 20 day of February, 2014.

Fredrickson & 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,
RIM OPERATING, INC.*

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