

STATE OF SOUTH DAKOTA
SECRETARY OF THE
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION OF ZENERGY OPERATING COMPANY, LLC, TULSA, OK, FOR APPROVAL OF A PERMIT TO INJECT PRODUCTION WATER INTO THE EXISTING TECTON FEDERAL 2-1H WELL LOCATED IN THE NW¼ NE¼ SECTION 1, TOWNSHIP 22 NORTH, RANGE 2 EAST, IN THE BORDER FIELD, HARDING COUNTY, ABOUT 26 MILES NORTHWEST OF BUFFALO, SD.	NOTICE OF RECOMMENDATION FOR A PERMIT TO INJECT OIL AND GAS CASE NO. 8-2014
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Notice is hereby given to the public and to all interested persons that pursuant to South Dakota Codified Laws (SDCL) Chapter 1-26 and Chapter 45-9 and further pursuant to the Administrative Rules of South Dakota (ARSD) 74:12:07 and 74:12:09, the following matter has come to the attention of the Secretary of the Department of Environment and Natural Resources, hereinafter "Secretary."

The Tecton Federal 2-1H well was completed with 2,000 feet of 9 5/8-inch steel surface casing, cemented to protect underground sources of drinking water, and 8,712 feet of 7-inch steel production casing, cemented to protect underground sources of drinking water. The injection zone will be in the "B" zone of the Red River Formation. Injection water will be produced water from the Pronghorn 32P-29-20H and Gunderson 31P-30-19H wells producing from the Red River Formation ("B" zone). All wells within the one-half mile area of review, and maximum calculated radius of influence, are constructed such that the injection into this well will not affect any underground sources of drinking water.

The requested maximum injection pressure is 1,625 pounds per square inch and the requested duration of this application is 20 years or the time required to inject 43,800,000 cumulative barrels of water, whichever comes first.

The Secretary recommends approval of the application with the following conditions:

- 1) Injection operations authorized under the permit to inject must be conducted in accordance with SDCL Chapter 45-9, ARSD 74:12 and any applicable orders or rules promulgated by the board;
- 2) The total number of barrels injected during the life of this permit may not exceed 43,800,000 barrels of water;
- 3) The maximum injection rate must not exceed 6,000 barrels of water per day;
- 4) The life of the permit may not exceed 20 years;
- 5) The maximum pressure must not exceed 1,625 pounds per square inch surface pressure during injection operations;
- 6) A mechanical integrity test must be successfully conducted prior to the commencement of injection activity. The well must pass the mechanical integrity test at 1,000 pounds per square inch surface pressure. The operator is required to notify the Secretary a minimum of 72 hours prior to running a mechanical integrity test;

- 7) Once mechanical integrity is established, the well must be retested at least once every five years to ensure that mechanical integrity is maintained, unless the department indicates differently;
- 8) If an unsuccessful pressure test occurs, the operator must cease operations immediately if it is determined the injection will threaten any underground source of drinking water. If the failure is not threatening ground water, the operator must cease operations within 48 hours after receipt of the department secretary's notice, and take corrective action on the well as soon as feasible. Corrective action options include repairing the well so that a successful test result can be obtained, plugging and abandoning the well, or any other action approved by the department.

Authority for the Secretary to approve this application is contained in ARSD 74:12:07 and 74:12:09. Unless a person files a petition requesting a hearing on the above application pursuant to the provisions of ARSD 74:09:01 on or before August 6, 2014, the Secretary's recommendation will be considered final and the Secretary will approve the application in accordance with that recommendation.

The application and notice of recommendation are also posted on the department's website at: <http://denr.sd.gov/des/og/pubhearing.aspx>. Additional information about this application is available from Brian Walsh, Environmental Scientist III, Ground Water Quality Program, Department of Environment and Natural Resources, 523 East Capitol Avenue, Pierre, SD 57501, telephone (605) 773-3296, email brian.walsh@state.sd.us.

July 17, 2014



Steven M. Pirner
Secretary

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