

STATE OF SOUTH DAKOTA
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
BOARD OF MINERALS AND ENVIRONMENT

<p>IN THE MATTER OF THE REHEARING OF OIL AND GAS CASE NO. 17-2010 FOR THE PURPOSE OF: TAKING PUBLIC INPUT PURSUANT TO SOUTH DAKOTA CODIFIED LAWS (SDCL) 1-19A-11.1 CONCERNING PROTECTION OF CULTURAL RESOURCES RELATED TO THE BEAR BUTTE NATIONAL HISTORIC LANDMARK; AND CONSIDERATION OF WHETHER TO REAUTHORIZE OR REVOKE OIL AND GAS ORDER NO. 17-2010, OR AMEND OIL AND GAS ORDER NO. 17-2010 WITH CONDITIONS TO MITIGATE POTENTIAL IMPACTS TO CULTURAL RESOURCES RELATED TO OPERATION OF THE GULLICKSON OIL FIELD IN ALL OF SECTION 14 AND THE NORTH HALF OF SECTION 23, TOWNSHIP 6 NORTH, RANGE 5 EAST, MEADE COUNTY, SOUTH DAKOTA, APPROXIMATELY ONE AND ONE-HALF MILES WEST OF BEAR BUTTE AND ABOUT FOUR MILES NORTHEAST OF THE CITY OF STURGIS, SD.</p>	<p style="text-align:center">NOTICE OF REHEARING CASE NO. 17-2010</p>
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Notice is hereby given that the Board of Minerals and Environment (board) will hold a public hearing on the above described matter on Thursday, April 21, 2011, at 10:15 a.m. CDT at the Matthew Environmental Education and Training Center, Joe Foss Building, 523 East Capitol Avenue, Pierre, SD. The case involves the issuance of an oil spacing order allowing the development of an oil field on the following land: all of Section 14 and the north half of Section 23, Township 6 North, Range 5 East, Meade County, South Dakota.

The Gullickson oil field project is comprised of a 960-acre block of private land. Oil and Gas Order No. 17-2010 authorizes the construction of up to 24 oil wells, storage facilities, and access trails. The oil field is located approximately one and one-half miles west of Bear Butte. Approximately 360 acres of the oil field authorized by Oil and Gas Order No. 17-2010 lie within the Bear Butte National Historic Landmark boundary.

Nakota does not plan to use hydraulic fracturing in the wells near Bear Butte. The oil wells authorized by Oil and Gas Order No. 17-2010 are less than 600 feet deep and target a sand formation that is sufficiently porous and permeable to produce oil without hydraulic fracturing. Hydraulic fracturing is generally only used in cases where the producing formation, such as shale, is tight and not capable of producing economic quantities of oil or gas without the treatment.

The Department of Environment and Natural Resources (DENR) has rules in place, Administrative Rules of South Dakota (ARSD) 74:10:09, to protect ground water and other resources at oil and gas drilling locations. Nakota is required to follow these rules which include:

- posting bonds for hole plugging and surface restoration, which can be used by DENR if the operator fails to meet its obligations;
- equipping wells with at least two layers of pipe (casing), which is set in place by filling the space between the casing and the drill hole with cement to prevent the migration of fluids;
- installing plastic liners in drilling pits to prevent leakage;
- placing berms around all oil storage tanks sized to accommodate at least one and one-half times the volume of the largest tank;
- plugging wells by using a combination of cement and heavy drilling mud to prevent the migration of fluids;
- reclaiming the surface of drilling and production sites within one year of abandonment by removing equipment, properly disposing of wastes, grading the area and reseeding; and
- notifying DENR of any leaks or spills and then cleaning them up.

The board has jurisdiction and legal authority to issue orders for the development of the oil and gas resources of the state pursuant to SDCL Chapters 45-9 and 1-26 and pursuant to ARSD 74:09 and 74:10. The board has jurisdiction and legal authority to issue a final decision, after consideration of the public input and the recommendations, if any, of the South Dakota Office of History, under SDCL 1-19A-11.1.

The hearing in this matter will be in two parts. First, the board will take public testimony and input at a public hearing. This will be followed by a formal contested case hearing in which only persons who intervene as a party in the hearing may participate.

Any person who is interested may testify during the public testimony concerning protection of cultural resources potentially impacted by operation of the Gullickson oil field in accordance with SDCL 1-19A-11.1. In addition, any interested person may provide written comments regarding the issues in this rehearing. Written comments must be submitted to the Department of Environment and Natural Resources at the address or email listed below no later than March 30, 2011, so they can be considered pursuant to SDCL 1-19A-11.1.

Following public testimony, the board will hold a formal contested case hearing to consider whether to reauthorize or revoke Oil and Gas Order No. 17-2010, or amend Oil and Gas Order No. 17-2010 to include conditions to mitigate potential impacts to cultural resources in the vicinity of the project. Any person who desires to intervene as a party in Oil and Gas Case No. 17-2010 must file a petition that complies with the requirements of ARSD 74:09:01:04 on or before March 30, 2011, with the Department of Environment and Natural Resources at the address or email listed below.

Parties to the formal contested case hearing may present evidence and witnesses, and may cross-examine the witnesses of other parties, in accordance with the contested case procedures of

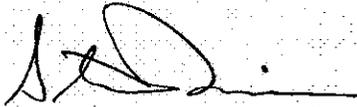
SDCL Chapter 1-26. The formal contested case hearing is an adversary proceeding and any party has the right to be represented by a lawyer at this hearing. These and other due process rights will be forfeited if they are not exercised at the hearing. The board may reauthorize or revoke Oil and Gas Order No. 17-2010, or amend Oil and Gas Order No. 17-2010. 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 1-26-17.

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 by calling the telephone number listed below.

Oil and Gas Order No. 17-2010 and this notice of rehearing are also posted on the Department of Environment and Natural Resources website at: <http://denr.sd.gov/des/og/oghome.aspx>. Additional information about this application is available from Fred V. Steece, Oil and Gas Supervisor, Department of Environment and Natural Resources, 2050 West Main Street, Suite #1, Rapid City, South Dakota 57702, telephone 605.394.2229, email fred.steece@state.sd.us.

Dated: February 23, 2011



Steven M. Pirner
Secretary

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