RECEIVED
FEB 20 2007
DEPT OF ENVIRONMENT & NATURAL RESOURCES - RCRO

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

IN THE MATTER OF THE APPLICATION OF SPYGLASS CEDAR CREEK, LP FOR AN ORDER AMENDING OIL AND GAS ORDER NO. 5-81 TO ALLOW AN OPERATOR THE OPTION OF LOCATING A WELL IN EITHER QUARTER SECTION WITHIN EACH 320-ACRE SPACING UNIT FOR WELLS DRILLED TO THE SHANNON ZONE OF THE EAGLE MEMBER OF THE PIERRE SHALE, WITH WELLS LOCATED NO CLOSER THAN 660 FEET FROM THE BOUNDARY OF EACH SPACING UNIT, AND NO CLOSER THAN 1875 FEET TO ANY WELL CAPABLE OF PRODUCING FROM, OR DRILLING TO, THE SHANNON ZONE.	**CASE NO. 15-2006** **FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER**

This matter came on regularly to be heard before the Board of Minerals and Environment ("Board") on February 15, 2007, in Pierre, South Dakota. Attorney Max Main appeared on behalf of petitioner Spyglass Cedar Creek, LP ("Spyglass"), and Deputy Attorney General Roxanne Giedd appeared on behalf of the Department of Environment and Natural Resources ("Department").

The Board having considered the pleadings and papers on file herein and the evidence admitted during the hearing, and a quorum of the Board having voted to grant Spyglass's petition, and good cause appearing therefore, the Board does hereby make and enter the following:

FINDINGS OF FACT

1.

Spyglass's petition requests that Oil and Gas Order 5-81 be amended to allow an operator the option of locating a well in either quarter section within each 320-acre spacing unit for wells drilled to the Shannon Zone of the Eagle Member of the Pierre Shale, on lands within Township 17 North, Ranges 3 East through 5 East, B.H.M., and Township 18 North, Ranges 2 East through 5 East, B.H.M., Harding County, South Dakota.

2.

Spyglass's petition and supporting documentation and evidence are complete in all respects.

3.

The Department caused notice of the date, time and location of the hearing in this matter to be published.

4.

Allowing an operator the option of locating a well in either quarter section within each 320-acre spacing unit will allow for more efficient development of gas reserves in the Shannon Zone of the Eagle Member of the Pierre Shale in the lands described in Finding No. 1 above.

5.

Based upon the foregoing Findings of Fact, the Board does hereby make and enter the following:

CONCLUSIONS OF LAW

1.

The Board has jurisdiction over the subject matter hereof and the parties hereto.

2.

Due and proper notice of the date, time and location of the hearing in this matter was given and published as required by law.

3.

Granting Spyglass's petition will fully protect correlative rights, will prevent waste, and will result in the greatest possible economic recovery of gas in the lands described in Finding No. 1 above.

ORDER

Based upon the foregoing Findings of Fact and Conclusions of Law, it is hereby:

ORDERED, that Spyglass's petition be, and the same hereby is, granted. It is further

ORDERED, that Oil and Gas Order 5-81 be, and the same hereby is, amended to allow an operator the option of locating a well in either quarter section within each 320-acre spacing unit for wells drilled to the Shannon Zone of the Eagle Member of the Pierre Shale, on lands within Township 17 North, Ranges 3 East through 5 East, B.H.M., and Township 18 North, Ranges 2 East through 5 East, B.H.M., Harding County, South Dakota. It is further

ORDERED, that wells shall be located no closer than 660 feet from the boundary of each spacing unit, and no closer than 1,875 feet to any well capable of producing from, or drilling to, the Shannon Zone.

DATED this 15th day of February, 2007.

SOUTH DAKOTA BOARD OF MINERALS AND ENVIRONMENT

By: _____
~~Lee M. McCahren, Hearing Chairman~~
Michael B DeMersseman