

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 A PERMIT TO INJECT INTO THE PREVIOUSLY PLUGGED AND ABANDONED CENEX 36-10 STATE OIL PRODUCTION WELL, LOCATED IN THE NW ¼ SE ¼ SECTION 36, TOWNSHIP 21 NORTH, RANGE 5 EAST, HARDING COUNTY, SOUTH DAKOTA, FOR THE PURPOSE OF SALT WATER DISPOSAL IN THE MINNELUSA SANDSTONE FORMATION.

NOTICE
OF
RECOMMENDATION
FOR A PERMIT TO INJECT

CASE NO. 13-2010

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) 74:10:09 and ARSD 74:10:11.01 the above described application has been filed with the Department of Environment and Natural Resources.

The Cenex 36-10 State well was originally completed with 835 feet of 8 5/8-inch steel surface casing and 8,719 feet of 4 ½-inch steel casing. The well was plugged and abandoned, and now has been worked over for conversion to an injection well. The new calculated cement top of the production/injection casing, after the work over, is located about 4,525 feet below land surface and protects underground sources of drinking water. All potential injection water will come from the "B" zone of the Red River Formation from oil production wells in the vicinity of the Cenex 36-10 State well. The water will be injected into the Minnelusa Sandstone Formation at depths of approximately 5,935 to 5,950, and 5,990 to 6,000 feet below land surface. No water wells are located within the one-half mile area of review. There are no other wells known to be in the area of review.

The requested maximum injection pressure is 1,000 pounds per square inch, the requested maximum injection rate is 1,000 barrels of water per day, and the requested duration of this application is a maximum of 20 years.

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

- 1) Injection operations authorized by the Secretary must be conducted in accordance with SDCL Chapter 45-9, ARSD 74:10, and any applicable orders or rules promulgated by the board;
- 2) The life of this permit shall not exceed 20 years;
- 3) The maximum injection rate must not exceed 1,000 barrels of water per day;
- 4) The maximum injection pressure must not exceed 1,000 pounds per square inch during injection operations;

- 5) A mechanical integrity test must be successfully conducted prior to the commencement of injection activity. The well must pass a mechanical integrity test at 1,000 pounds per square inch surface pressure. The operator is required to notify the department a minimum of 72 hours prior to running a mechanical integrity test;
- 6) Once mechanical integrity is established, the well must be retested at least once every five years to ensure that mechanical integrity of the well is maintained, unless the department indicates differently;
- 7) In the event that an unsuccessful pressure test result occurs, the operator must cease operations immediately if it is deemed the injection may threaten any underground source of drinking water. If the failure does not threaten an underground source of drinking 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 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 74:10:09 and ARSD 74:10:11.01. 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 31, 2010, the Secretary's recommendation will be considered final, and the Secretary will approve the application in accordance with the recommendation.

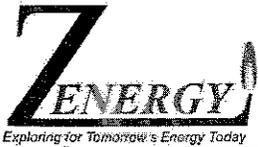
The application and notice of recommendation are posted on the department's website at <http://denr.sd.gov/des/og/oghome.aspx>. For additional information regarding the application, please contact Fred V. Steece, Oil and Gas Supervisor, 2050 West Main Street, Suite #1, Rapid City, SD 57702, telephone 605-394-2229.

July 28, 2010



Steven M. Pirner
Secretary

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ROBERT M. ZINKE
PRESIDENT

RECEIVED

June 24, 2010

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DEPT. OF ENVIRONMENT &
NATURAL RESOURCES,
GROUND WATER PROGRAM

Mr. Sheldon Hamann
Ground Water Division
South Dakota DENR
523 E. Capital
Pierre, SD 57501

RE: Cenex State 36-10 SWD Application
Harding Co., SD

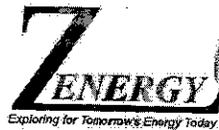
Dear Mr. Hamann:

Enclosed is a SWD application for the above referenced well for your review and approval.

If you have any questions or need additional information, please let us know.

Sincerely,

Patti Jo Barger
Regulatory/Engineering Assistant
918-488-6402



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