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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

IN THE MATTER OF THE APPLICATION OF
ZENERGY OPERATING COMPANY, LLC FOR
AN ORDER OF THE BOARD AMENDING ANY
FIELD ORDERS; TO ESTABLISH THE N/2 OF
SECTION 12, TOWNSHIP 21 NORTH, RANGE 3
EAST, BUFFALO FIELD, HARDING COUNTY,
SOUTH DAKOTA; AS A 320-ACRE SPACING
UNIT AND ALLOW THE DRILLING OF ONE
HORIZONTAL WELL NOT LESS THAN 500
FEET TO THE SPACING UNIT BOUNDARY
AND/OR SUCH FURTHER AND ADDITIONAL
RELIEF AS THE BOARD DEEMS
APPROPRIATE.

Case No. 10-2012

PETITION AND APPLICATION
OF ZENERGY OPERATING COMPANY, LLC

COMES NOW THE PETITIONER, Zenergy Operating Company, LLC (“Zenergy
Operating”) and for its petition and application states and alleges as follows:

1.

That Zenergy Operating 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 21 North, Range 3 East
Section 12: N/2

(the “Subject Lands”) See attached Exhibit “A”.

2.

That Zenergy Operating desires to utilize the horizontal drilling technique to test and further develop the "B" zone of the Red River Formation, in and under the Subject Lands.

3.

That in utilizing the horizontal drilling technique, it is reasonably necessary to have a certain amount of flexibility with respect to well locations that the current orders of the Board fail to provide.

4.

That it is the opinion of Zenergy Operating that use of the horizontal drilling technique to test and further develop the "B" zone 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.

5.

That Zenergy Operating requests an order of the Board amending Order No. 2, which established the Buffalo Field, and Order No. 8-2001, which established existing 640-acre spacing, and any other field orders; to establish the North Half (N/2) of Section 12, Township 21 North, Range 3 East, Buffalo Field, Harding County, South Dakota, as a 320-acre spacing unit and allow the drilling of one horizontal well not less than 500 feet to the spacing unit boundary and/or such further and additional relief as the Board deems appropriate.

6.

That the legal authority and jurisdiction under which a hearing would be held and the particular statutes and rules involved are S.D.C.L. Ch. 1-26, S.D.C.L. Ch. 45-9 and A.R.S.D. Ch.

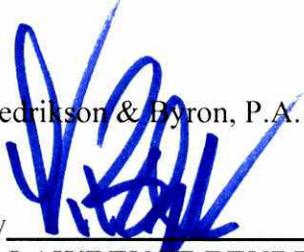
74:09:01 and A.R.S.D. Ch. 74:12:02.

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

- a. That Order Nos. 2 and 8-2001, and all applicable orders of the Board, be amended so as to establish the North Half (N/2) of Section 12, Township 21 North, Range 3 East, Buffalo Field, Harding County, South Dakota, as a 320-acre spacing unit and allow the drilling of one horizontal well not less than 500 feet to the spacing unit boundary;
- b. That a drilling permit for the horizontal well proposed herein be authorized in accordance with this application; and
- c. That Zenergy Operating be granted such further and additional relief as the Board deems appropriate.

DATED this 17th day of July, 2012.

Fredrikson & Byron, P.A.

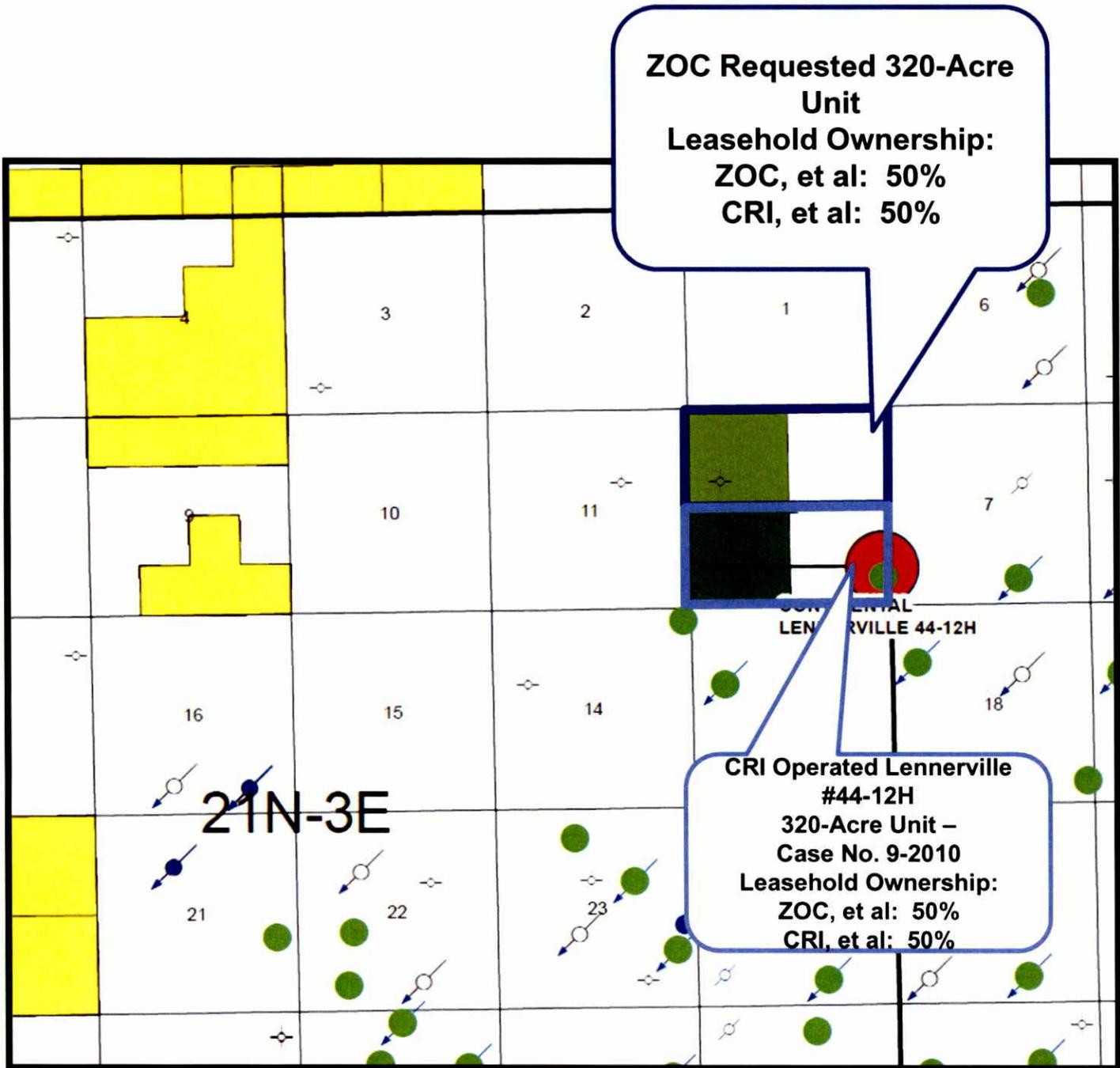
By 

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*ATTORNEYS FOR APPLICANT AND PETITIONER,
ZENERGY OPERATING RESOURCES, INC.*

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Zenergy Operating Company, LLC
Harding County, SD



Zenergy Operating Company, LLC

EXHIBIT A

 Zenergy Leasehold

 Zenergy HBP Leasehold

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

IN THE MATTER OF THE APPLICATION OF ZENERGY OPERATING COMPANY, LLC, TULSA, OKLAHOMA, FOR AN ORDER TO ESTABLISH THE N/2 OF SECTION 12, TOWNSHIP 21 NORTH, RANGE 3 EAST, BUFFALO FIELD, APPROXIMATELY 17 MILES NORTHWEST OF BUFFALO, HARDING COUNTY, SOUTH DAKOTA, AS A 320-ACRE SPACING UNIT, AND ALLOW THE DRILLING OF ONE HORIZONTAL WELL NOT LESS THAN 500 FEET TO THE SPACING UNIT BOUNDARY, AND FOR OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.	NOTICE OF OPPORTUNITY FOR HEARING CASE NO. 10-2012
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Notice is hereby given to Zenergy Operating Company, LLC, Tulsa, Oklahoma, and to all interested persons that the Board of Minerals and Environment, hereinafter "board," will hold a contested case hearing on the above described matter on Thursday, September 20, 2012, at 10:15 a.m. CDT at the Matthew Environmental Education and Training Center, Joe Foss Building, 523 East Capitol Avenue, Pierre, SD 57501, for the purpose of hearing the above matter if any party intervenes and requests a hearing as provided by law.

The board has jurisdiction and legal authority to issue orders for the development of the oil and gas resources of the state pursuant to South Dakota Codified Laws (SDCL) Chapters 45-9-30 through 45-9-36 and further pursuant to Chapter 1-26 and to Administrative Rules of South Dakota (ARSD) 74:09 and 74:12. The hearing is an adversary proceeding and any party has the right to be represented by a lawyer. These and other due process rights will be forfeited if they are not exercised at the hearing. The board may approve, conditionally approve, or deny the application. The board's decision will be based upon the evidence received at the hearing. 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 Chapter 1-26-17.

Any person who wishes to intervene in this proceeding as a party must file a petition to intervene pursuant to ARSD 74:09:01:04 on or before August 22, 2012. The above described matter will only be heard before the board if a person intervenes in this proceeding. If no petition to intervene is filed, the Secretary of the Department of Environment and Natural Resources will approve or conditionally approve the application.

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. The telephone number for making special arrangements is (605) 773-4201.

The application and notice of hearing are also posted on the department's website at: <http://denr.sd.gov/des/og/newpermit.aspx>. Additional information about this application is available from Bob Townsend, Administrator, Minerals and Mining Program, Department of Environment and Natural Resources, 523 East Capitol Avenue, Pierre, SD 57501, telephone (605) 773-4201, email bob.townsend@state.sd.us.

Dated: July 26, 2012



Steven M. Pirner
Secretary

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