

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 FOR OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.

OIL AND GAS  
CASE NO. 10-2012

ORDER

**SECRETARY'S ORDER UNDER SDCL 45-9-74**

A Petition and Application of Zenergy Operating Company, LLC ("Zenergy") was submitted to the South Dakota Board of Minerals and Environment ("Board") on July 17, 2012. The Board prepared and published a Notice of Opportunity for Hearing. A Petition to Intervene was submitted by Continental Resources, Inc. ("Continental") on August 22, 2012, indicating Continental is the owner of an interest in the oil and gas leasehold estate in Section 12, Township 21 North, Range 3 East, and in opposition to the issuance of a permit to drill to Zenergy. A Withdrawal of Petition to Intervene was submitted by Continental on September 18, 2012. The Withdrawal of Petition to Intervene was filed in accordance with an agreement between Zenergy and Continental that an order should be entered granting the relief requested by Zenergy herein, provided that the permit to drill be issued to Continental rather than Zenergy. Therefore, pursuant to SDCL 45-9-74, SDCL 45-9-20 through -29, ARSD 74:12:02:06, and based upon Zenergy's application and supporting documents, the Secretary makes and enters the following Order:

Zenergy is the owner of an interest in the oil and gas leasehold estate in the North Half (N/2) of Section 12, Township 21 North, Range 3 East, Harding County, South Dakota. Zenergy has requested that the Board amend its prior orders, including without limitation Order No. 2 and Order No. 8-2001, to establish a 320-acre spacing unit and allow the drilling of one horizontal well not less than 500 feet to the spacing unit boundary.

In Order No. 2, the Board established the Buffalo Field. In Order No. 8-2001, the Board established existing 640-acre spacing.

In Zenergy's opinion, forming the requested spacing unit and drilling the well described above will increase the ultimate recovery of the pool, prevent waste, prevent the drilling of unnecessary wells and protect correlative rights. Zenergy asserts that the proposed spacing unit is not smaller than the maximum area that can be efficiently and economically drained by the proposed well, and the size, shape and location thereof will result in the efficient and economic development of the pool as a whole.

**IT IS THEREFORE ORDERED**

A. The North Half (N/2) of Section 12, Township 21 North, Range 3 East, Buffalo Field, Harding County, South Dakota is established as a 320-acre spacing unit.

B. A horizontal well not less than 500 feet to the spacing unit boundary to be drilled is hereby authorized. Existing and future vertical and directional wells, if any, drilled within the area defined below shall conform to applicable Board rules and orders.

C. This Order amends prior orders of the Board concerning the above described land, including without limitation Order No. 2, which established the Buffalo Field, and Order No. 8-2001, which established existing 640-acre spacing, and any other field orders.

D. That all portions of previous orders of the Board, if any, which are not specifically amended by this Order remain in full force and effect until further order of the Board or Secretary.

E. That upon filing all required further information and forms with the Secretary, a drilling permit may be issued for the above-described horizontal oil and gas well.

Dated and signed this 22<sup>nd</sup> day of October 2012.

A handwritten signature in black ink, appearing to read 'S. Pirner', with a horizontal line extending to the right.

Steven M. Pirner  
Secretary  
Department of Environment and Natural Resources