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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

CASE NO. 50-2013

IN THE MATTER OF THE APPLICATION OF ZENERGY OPERATING COMPANY, LLC FOR AN ORDER OF THE BOARD AMENDING BOARD ORDER NO. 6-83 AND 13-97 SO AS TO AMEND THE FIELD RULES FOR THE TABLE MOUNTAIN FIELD AND ESTABLISH THE FOLLOWING 1700-ACRE SPACING UNITS: SECTIONS 21, 28 AND 33, AND SECTIONS 22, 27 AND 34, TOWNSHIP 23 NORTH, RANGE 3 EAST, TABLE MOUNTAIN FIELD, HARDING COUNTY, SOUTH DAKOTA; AND ALLOW THE DRILLING OF ONE HORIZONTAL WELL TO THE RED RIVER "B" POOL ON EACH SPACING UNIT NOT LESS THAN 500 FEET TO THE SPACING UNIT BOUNDARY AND FOR OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.

PETITION AND APPLICATION
OF ZENERGY OPERATING COMPANY, LLC

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

1.

That ZOC 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 23 North, Range 3 East

Section 21: All

Section 22: All

Section 27: All

Section 28: All
Section 33: All
Section 34: All

(the "Subject Lands")

2.

By Board Order Nos. 6-83, 13-97, 12-08, 13-08, 5-10 and 33-13 the Table Mountain Field is comprised of the following described lands, Harding County, South Dakota:

Township 22 North, Range 2 East

Section 24: E/2

Township 22 North, Range 3 East

Section 1: All
Section 2: All
Section 3: All
Section 4: All
Section 9: All
Section 10: All
Section 11: All
Section 12: All
Section 14: All
Section 15: All
Section 16: All
Section 17: All
Section 18: All
Section 19: All
Section 20: All
Section 21: All
Section 22: All
Section 23: All
Section 29: All
Section 30: All
Section 32: All

Township 23 North, Range 3 East

Section 25: All
Section 26: All
Section 35: All
Section 36: All

Township 23 North, Range 4 East
Section 30: NW/4

3.

That the Cenex 14-21 Harding Co. well, located in the SE/4SW/4 of Section 21, Township 23 North, Range 3 East, was plugged and abandoned, the Consolidated 33-23-3-3 Njos well which would have been located in the NE/4NW/4 of Section 33, Township 23 North, Range 3 East, was never drilled, the Consolidated Oil 33-23-3-13 Njos well located in the SW/4SW/4 of Section 33, Township 23 North, Range 3 East, was plugged and abandoned, and the Phillips 1 Njos A well, located in the SW/4NW/4 of Section 34, Township 23 North, Range 3 East, was plugged and abandoned.

4.

That Board Order No. 2-90 granted the request of Avalon Energy to drill the Avalon 15-22 Stearns well as an exception location test well to be located in the SW/4SE/4 of Section 22, Township 23 North, Range 3 East, Harding County, South Dakota. The Avalon 15-22 Stearns well was plugged and abandoned.

5.

That ZOC 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.

6.

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 and rules of the Board fail to provide.

7.

That it is the opinion of ZOC 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.

8.

That ZOC requests an order of the Board amending Board Order No. 6-83 and 13-97 to amend the field rules for the Table Mountain Field and establish the following 1700-acre spacing units: Sections 21, 28 and 33, and Sections 22, 27 and 34, Township 23 North, Range 3 East, Table Mountain Field, Harding County, South Dakota; and allow the drilling of one horizontal well to the Red River "B" pool on each spacing unit not less than 500 feet to the spacing unit boundary and for other relief as the Board deems appropriate.

9.

That the legal authority and jurisdiction under which a hearing would be held and the particular statutes and rules involved are SDCL Ch. 1-26, SDCL Ch. 45-9 and ARSD Ch. 74:09:01 and ARSD Ch. 74:12:02.

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

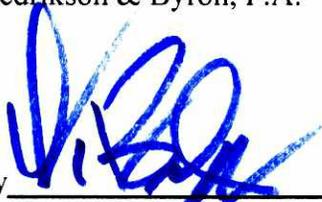
- a. That Board Order Nos. 6-83, 13-97, and any applicable orders or rules of the Board be amended so as to establish Sections 21, 28 and 33, and Sections 22, 27 and 34, Township 23 North, Range 3 East, Table Mountain Field, Harding County, South Dakota, as 1700-acre spacing units in the Table Mountain Field, Harding County,

South Dakota, and allow the drilling of one horizontal well not less than 500 feet to the spacing unit boundary for each spacing unit;

- b. That the boundaries of the Table Mountain Field be expanded to encompass Sections 21, 28 and 33, and Sections 22, 27 and 34, Township 23 North, Range 3 East, Table Mountain Field, Harding County, South Dakota.
- c. That the Board authorize the issuance of drilling permits for the horizontal wells requested upon receipt of appropriate applications as provided by the rules and regulations of the Board; and
- d. That ZOC be granted other relief as the Board deems appropriate.

DATED this 11 day of November, 2013.

Fredrikson & Byron, P.A.

By 

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