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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. 51-2013

IN THE MATTER OF THE APPLICATION OF ZENERGY OPERATING COMPANY, LLC FOR AN ORDER OF THE BOARD AMENDING BOARD ORDER NOS. 6-83, 13-97, 15-2007, AND 24-2007 SO AS TO AMEND THE FIELD RULES FOR THE BORDER FIELD AND ESTABLISH THE FOLLOWING 1280-ACRE SPACING UNITS: SECTIONS 5 AND 8, AND SECTIONS 6 AND 7, TOWNSHIP 22 NORTH, RANGE 3 EAST, AND THE FOLLOWING 1700-ACRE SPACING UNITS: SECTIONS 19, 30 AND 31, AND SECTIONS 20, 29 AND 32, TOWNSHIP 23 NORTH, RANGE 3 EAST, BORDER FIELD, HARDING COUNTY, SOUTH DAKOTA, 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 22 North, Range 3 East

Section 5: All
Section 6: All
Section 7: All
Section 8: All

Township 23 North, Range 3 East

Section 19: All
Section 20: All
Section 29: All
Section 30: All
Section 31: All
Section 32: All

(the "Subject Lands")

2.

By Board Order Nos. 15-07 and 24-07, the Border Field is comprised of the following described lands, Harding County, South Dakota:

Township 22 North, Range 2 East

Section 1: All
Section 2: All
Section 11: All
Section 12: All

Township 22 North, Range 3 East

Section 5: All
Section 6: All
Section 7: All
Section 8: All

Township 23 North, Range 2 East

Section 21: All
Section 22: All
Section 23: All
Section 24: All
Section 25: All
Section 26: All
Section 27: All
Section 35: All
Section 36: All

Township 23 North, Range 3 East

Section 30: All

Section 31: All

Section 32: All

3.

That the E/2 of Section 5 and the E/2 of Section 8, Township 22 North, Range 3 East, were established as 320-acre spacing units in the Table Mountain Field established under Board Order Nos. 6-83 and 13-97.

4.

That Sections 5 and 6, and Sections 7 and 8, Township 22 North, Range 3 East, and Sections 31 and 32, Township 23 North, Range 3 East, were established as 1280-acre spacing units in the Borderline Field under Board Order No. 15-07.

5.

That Section 30, Township 23 North, Range 3 East, is currently spaced as part of a 1280-acre spacing unit comprised of Section 25, Township 23 North, Range 2 East, and Section 30, Township 23 North, Range 3 East, in the Borderline Field pursuant to Board Order No. 15-07.

6.

That the name of the Borderline Field was changed to Border Field under Board Order No. 24-07.

7.

That Sections 19, 20 and 29, Township 23 North, Range 3 East, are currently not located in a field.

8.

That the White MDU 1 well, located in the SE/4NW/4 of Section 7, Township 22 North, Range 3 East, was plugged and abandoned, the Gas Development 1 Government Lelivelt well, located in the SW/4SE/4 of Section 7, Township 22 North, Range 3 East, was plugged and abandoned, the Consolidated Oil 8-22-3-2 Federal well, located in the NW/4NE/4 of Section 8, Township 22 North, Range 3 East, was plugged and abandoned, and the Helmerich and Payne 1-31 Federal well, located in the NE/4NE/4 of Section 31, Township 23 North, Range 3 East, was plugged and abandoned.

9.

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.

10.

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.

11.

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.

12.

That ZOC requests an order of the Board amending Board Order Nos. 6-83, 13-97, 15-07,

and 24-07 so as to amend the field rules for the Border Field And establish the following 1280-acre spacing units: Sections 5 and 8, and Sections 6 and 7, Township 22 North, Range 3 East, and the following 1700-acre spacing units: Sections 19, 30 and 31, and Sections 20, 29 and 32, Township 23 North, Range 3 East, Border Field, Harding County, South Dakota, 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.

13.

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, 15-07, and 24-07 and any applicable orders or rules of the Board be amended so as to establish Sections 5 and 8, and Sections 6 and 7, Township 22 North, Range 3 East, as 1280-acre spacing units, and Sections 19, 30 and 31, and Sections 20, 29 and 32, Township 23 North, Range 3 East, as 1700-acre spacing units in the Border 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 Border Field be expanded to encompass Sections 19, 20, and 29, Township 23 North, Range 3 East.
- 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 

LAWRENCE BENDER
SOUTH DAKOTA LICENSE #3461
200 North 3rd Street, Suite 150
P. O. Box 1855
Bismarck, ND 58502-1855
(701) 221-4020

*ATTORNEYS FOR APPLICANT AND PETITIONER,
ZENERGY OPERATING COMPANY, LLC*

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