

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

IN THE MATTER OF THE APPLICATION OF RIM OPERATING, INC. FOR AN ORDER OF THE BOARD AMENDING BOARD ORDER NOS. 2-73b, 13-97, 14-10, AND 15-10, SO AS TO AMEND THE FIELD RULES FOR THE SOUTH MEDICINE POLE HILLS FIELD AND ESTABLISH A 409.42-ACRE SPACING UNIT, MORE OR LESS, COMPRISED OF ALL OF SECTION 19, TOWNSHIP 23 NORTH, RANGE 4 EAST, SOUTH MEDICINE POLE HILLS FIELD, HARDING COUNTY, SOUTH DAKOTA, AND ALLOW THE DRILLING OF ONE WELL TO THE RED RIVER "B" AND "D" POOL ON SAID SPACING UNIT NOT LESS THAN 500 FEET TO THE SPACING UNIT BOUNDARY AND FOR OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.

OIL AND GAS
CASE NO. 2-2014

ORDER

SECRETARY'S ORDER UNDER SDCL 45-9-74

A Petition and Application of RIM Operating, Inc. ("RIM") to amend Board Order Nos. 2-73b, 13-97, 14-10, and 15-10 so as to amend the field rules for the South Medicine Pole Hills Field, as captioned above, was submitted to the South Dakota Board of Minerals and Environment ("Board") on February 20, 2014. The Board prepared and published a Notice of Opportunity for Hearing. No petition requesting a hearing was received. Therefore, pursuant to South Dakota Codified Laws 45-9-74 and based upon RIM's application and supporting documents, the Secretary makes and enters the following Order:

That by Board Order Nos. 2-73b, 13-97, and 2-11, the South Medicine Pole Hills Field is comprised of the following described lands, Harding County, South Dakota:

Township 23 North, Range 4 East
Section 19: All
Section 20: All
Section 21: All

Section 22: All
Section 27: All
Section 28: All
Section 29: All
Section 30: S/2, NE/4
Section 31: NE/4
Section 32: All
Section 33: All
Section 34: All
Section 35: W/2, NE/4

RIM 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 4 East
Section 19: All

The boundary of the South Medicine Pole Hills Field was extended to include Section 19, Township 23 North, Range 4 East, when the Application for Permit to Drill was approved on August 31, 1977, for the Petroleum Inc. 1-F Arithson vertical well, drilled and completed on the NW/4SE/4 of Section 19, Township 23 North, Range 4 East. The Petroleum Inc. 1-F Arithson well has since been plugged and abandoned.

Board Order No. 2-73b established 320-acre spacing for the South Medicine Pole Hills Field with spacing units comprised of any two adjacent quarter sections or governmental lots corresponding thereto within the same section.

Establishing Section 19, Township 23 North, Range 4 East, as a 409.42-acre spacing unit for the drilling of a vertical well will preclude creation of an orphaned tract in said Section 19 that would otherwise be created by drilling a vertical well according to the 320-acre spacing established under Board Order No. 2-73b.

Section 19, along with Section 20, Township 23 North, Range 4 East, are currently spaced for horizontal drilling as an 832-acre spacing unit under Board Order No. 14-10. Board

Order No. 15-10 authorized the Department of Environment and Natural Resources (“Department”) to issue permits for two horizontal wells on said spacing unit.

It is the opinion of RIM that utilizing vertical drilling to test and further develop the “B” and “D” zones 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 in and under Section 19, Township 23 North, Range 4 East.

RIM requested an order of the Board amending Board Order Nos. 2-73b, 13-97, 14-10, and 15-10, so as to amend the field rules for the South Medicine Pole Hills Field and establish a 409.42-acre spacing unit, more or less, comprised of all of Section 19, Township 23 North, Range 4 East, South Medicine Pole Hills Field, Harding County, South Dakota, and allow the drilling of one well to the Red River “B” and “D” pool on said spacing unit not less than 500 feet to the spacing unit boundary and for other relief as the Board deems appropriate.

IT IS THEREFORE ORDERED

A. That Board Order Nos. 2-73b, 13-97, 14-10, and 15-10, and any other field orders or spacing rules are hereby amended; that Section 19, Township 23 North, Range 4 East, South Medicine Pole Hills Field, Harding County, South Dakota, be established as a 409.42-acre spacing unit, more or less; and that the drilling of one vertical well to the Red River “B” and “D” pool on said spacing unit not less than 500 feet to the spacing unit boundary be allowed.

B. That Board Order Nos. 2-73b, 13-97, 14-10, and 15-10 and any applicable orders or rules of the Board be amended so as to include Section 19, Township 23 North, Range 4 East, within the South Medicine Pole Hills Field.

C. That the Department is authorized to issue a drilling permit for the well requested upon receipt of an appropriate application as provided by the rules and regulations of the Board.

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.

Dated and signed this 4th day of April 2014.

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