

BEFORE THE BOARD OF OIL, GAS AND MINING  
DEPARTMENT OF NATURAL RESOURCES  
STATE OF UTAH

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IN THE MATTER OF THE PETITION )	
OF QUINEX ENERGY CORPORATION, )	
JOHN D. CHASEL, AND SAM OIL, )	
INC. FOR AN ORDER ESTABLISHING )	FINDINGS OF FACT, CONCLUSIONS
A 320-ACRE DRILLING UNIT FOR )	OF LAW, AND ORDER
THE DEVELOPMENT AND )	
PRODUCTION OF OIL FROM THE )	
LOWER GREEN RIVER-WASATCH )	Docket No. 86-036
FORMATIONS IN THE W½ )	
OF SECTION 28, TOWNSHIP 1 )	Cause No.131-72
NORTH, RANGE 1 EAST, U.S.M., )	
IN UINTAH COUNTY, UTAH )	

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This cause came on regularly for hearing before the Board of Oil, Gas and Mining (the "Board") on Thursday, January 22, 1987, at 10:00 a.m., in the Boardroom of the Division of Oil, Gas and Mining, 355 West North Temple, 3 Triad Center, Suite 301, Salt Lake City, Utah, pursuant to the Notice of Hearing issued by the Board on December 17, 1986. The following Board members were present:

Gregory P. Williams, Chairman

Charles R. Henderson

E. Steele McIntyre

John M. Garr

Richard B. Larsen

Judith F. Lever

Staff members of the Division of Oil, Gas and Mining (the "Division") present and participating in the hearing included:

Dr. Dianne R. Nielson, Director  
Ronald J. Firth, Associate Director  
John R. Baza, Petroleum Engineer  
Ray Kerns, Geologist, Utah Geological and Mineral Survey

Appearances were made as follows:

For Quinex Energy Corporation John D. Chasel Sam Oil, Inc.	Phillip Wm. Lear Van Cott, Bagley, Cornwall & McCarthy Salt Lake City, Utah
For D. Blayne Morrill	John L. Beaslin Beaslin, Coke Nygaard & Vincent Vernal, Utah
For the Division	Barbara W. Roberts Assistant Utah Attorney General
For the Board	Mark C. Moench Assistant Utah Attorney General

Stephen R. Gray, Vice President of Bow Valley Petroleum Inc. (now Great Western Resources Inc.) filed his letter dated January 21, 1987, opposing the Petition.

NOW THEREFORE, the Board, having fully considered the testimony adduced and the exhibits received at the hearing, and

being fully advised in the premises, now makes and enters its Findings of Facts, Conclusions of Law, and Order as follows:

#### FINDINGS OF FACT

1. Notice of the time, place, and purpose of this January 22, 1987 hearing was mailed to all interested parties by certified mail, return receipt requested, on December 19, 1986, and was published in the Deseret News and Salt Lake Tribune on December 23, 1986, and in the Vernal Express on December 24, 1986.

2. Quinex Energy Corporation is a Utah Corporation in good standing having its principal place of business in Salt Lake City, Utah.

3. John D. Chasel is an individual, residing at 2285 Lucky John Drive, Park City, Utah 84060.

4. Sam Oil, Inc. is a Utah Corporation in good standing having its principal place of business in Roosevelt, Utah.

5. Petitioner, Quinex Energy Corporation, is the operator of the Uintah-Sam #28-2R Well.

6. Petitioners, Quinex Energy Corporation, John D. Chasel, and Sam Oil, Inc. are owners of the working interest and overriding royalties in the following described lands in Uintah County, Utah:

Township 1 North, Range 1 East, U.S.M.

Section 28: W½

(containing 320.0 acres, more or less)

7. Petitioner, Quinex Energy Corporation, has successfully reentered the Sun Oil Company Bert Tapoof #1 Well on the lands to be spaced in this matter and is producing oil from the Lower Green River-Wasatch formations. The well has been redesignated as the Uintah-Sam #28-2R Well.

8. Geological and engineering data obtained during drilling and development operations and technical studies conducted on the lands to be spaced and within the immediately adjacent areas surrounding the lands affected by this Petition indicates that the area to be spaced should be as follows:

Township 1 North, Range 1 East, U.S.M.

Section 28: W½

(containing 320.0 acres, more or less)

These lands are known or believed to be underlain by a common source of supply from which oil, gas, and associated hydrocarbons can be produced.

9. Said lands are currently subject to the authority of state-wide well location and siting Rule 302 of The Oil and Gas Conservation General Rules (adopted December 2, 1985). That Rule establishes de facto 40-acre spacing for oil and gas wells.

10. The interval to be spaced should be defined as being the same stratigraphic interval spaced in the Board's

August 11, 1971 Order in Cause No. 131-14, now affecting the Greater Altamont-Bluebell-Cedar Rim-Sink Draw Area for the common source of supply in the Lower Green River-Wasatch formations, as follows:

That interval below the stratigraphic equivalent of 9,600 feet depth in the "E" log of the Carter #2 Bluebell well located in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ , Section 3, Township 1 South, Range 2 West, USM (which equivalence is the depth 9,530 feet of the SP curve, Dual Induction Log, run March 15, 1968, in the Chevron #1 Blanchard well located in the NW $\frac{1}{4}$ SE $\frac{1}{4}$  of said Section 3), to the base of the Green River-Wasatch formations.

The interval to be spaced is a definite and easily-identifiable stratigraphic horizon throughout the entire area which is customarily drilled and explored for oil potential.

11. The drilling unit for development of the W $\frac{1}{2}$  of Section 28 should comprise 320 acres. The unit should consist of the public land survey half-section for Section 28. A 320-acre drilling unit is not smaller than the maximum area that can be effeciently and economically drained by one well.

12. The permitted well is the Uintah-Sam #28-2R Well situated in a legal location in the center of the NW $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$ .

13. The interval to be spaced in the 320-acre tract is part of the Lower Green River-Wasatch formations, which formations are the subject of the ANR Order dated April 17, 1985, in Docket No. 85-007. The interval to be spaced in this matter is part of the pool spaced in the ANR Order which pool is a highly complex series of isolated and discontinuous beds

of productive rock randomly distributed vertically over a several thousand foot-thick interval. The ANR Order retained the 640-acre spacing established under the earlier Altamont-Bluebell Orders, but allowed the drilling of an optional second well on the drilling unit to avoid correlative right problems associated with downspacing.

14. The correlative rights problem existant in the ANR Order does not exist in the 320-acre tract spaced in this matter.

15. The United States Department of the Interior, by and through the Bureau of Indian Affairs and the Bureau of Land Management, has recently approved a Communitization Agreement (Contract No. UT080I49-86C704) pooling the leases in the W½ of Section 28 for common development. The Communitization Agreement was dated and approved November 24, 1986, by the Superintendent of the Uintah and Ouray Indian Reservation pursuant to the Phoenix Area Redelegation Order No. 8, section 2:7 (34 Fed. Reg. 11109).

16. Petitioners know and have reason to believe that various parties both within the proposed drilling unit and on lands in the E½ of Section 28 adjacent to said drilling unit may challenge any participation in the well based upon the 320 acres communitized under the Communitization Agreement on grounds that the well is an oil well which mandates participation on 40 acres pursuant to the state-wide well

location and siting Rule 302 or on 640 acres pursuant to the Greater Altamont-Bluebell Area spacing pattern dominant in the region. An order establishing spacing on the W½ of Section 28 is necessary to protect Petitioners' correlative rights and the correlative rights of their lessors and overriding royalty owners which are subject to the Communitization Agreement from such a challenge.

17. The establishment of a 320-acre drilling unit will bring the area pooled under the Communitization Agreement into congruance with the area determined geologically by the Board to be drained by the Uintah-Sam #28-2R Well.

#### CONCLUSIONS OF LAW

1. Due and regular notice of the time, place, and purpose of this January 22, 1987 hearing was given to all interested parties in the form and manner and within the time required by law in the rules and regulations of the Board.

2. The Board has jurisdiction over all matters covered by the Petition and over all parties interested therein and has power and authority to make and promulgate the order herein set forth.

3. The 320-acre tract to be spaced is part of the Lower Green River-Wasatch formations which are the subject of the ANR Order dated April 17, 1985, in Docket No. 85-007. The

interval spaced in this matter is part of the pool spaced in the ANR Order, which pool is a highly complex series of isolated and discontinuous beds of productive rock randomly distributed vertically over a several thousand foot thick interval.

4. The establishment of a drilling unit on the spaced interval will prevent waste, avoid the drilling of unnecessary wells, provide for the operation and development of the spaced interval in such a manner that a greater ultimate recovery of oil may be obtained, and will provide for the protection of correlative for all parties owning an interest in the proposed drilling unit constituting the  $W\frac{1}{2}$  of Section 28.

#### ORDER

IT IS THEREFORE ORDERED that:

1. The drilling unit be and is hereby established for the development and production of oil, gas, and associated hydrocarbons from the Lower Green River-Wasatch formations as defined in Paragraph 10 of the Findings of Fact, in its areal extent as follows:

Township 1 North, Range 1 East, U.S.M.

Section 28:  $W\frac{1}{2}$

(containing 320.0 acres, more or less)

2. The Uintah-Sam #28-2R Well is a properly located well and constitutes the producing well for the drilling unit.

3. The Board retains continuing jurisdiction of all matters covered by this Order and over all parties affected thereby. The Board reserves continuing jurisdiction to make further orders as authorized by statute and applicable regulations.

DATED this 26th day of February, 1987.

STATE OF UTAH  
BOARD OF OIL, GAS AND MINING

By   
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Gregory P. Williams  
Chairman

Approved as to form:

  
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Mark C. Moench  
Assistant Attorney General

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ORDER

Docket No. 86-036

Cause No. 131-72

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The Motion of QUINEX ENERGY CORPORATION, JOHN D. CHASEL, AND SAM OIL, INC. for an Order shortening the time for filing of the Petitioners' exhibits subsequent to the date established by regulations for filing in order to be heard at the regularly scheduled hearing of the Board on January 22, 1987, having been duly considered and the Board having been fully advised in this matter, there appearing to be justifiable grounds for the granting of the Motion;

IT IS HEREBY ORDERED that Petitioners' Motion is granted authorizing Petitioners to file their exhibits on Friday, January 9, 1987.

DATED THIS 9th day of January, 1987.

BOARD OF OIL, GAS AND MINING

By   
Gregory P. Williams  
Chairman

Approved as to Form:

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