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MAY 19 2005

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

**SECRETARY, BOARD OF
OIL, GAS & MINING**

IN THE MATTER OF THE AMENDED REQUEST)
FOR AGENCY ACTION OF QUESTAR)
EXPLORATION AND PRODUCTION COMPANY FOR)
AN ORDER MODIFYING IN PART THE SPACING)
ORDER IN CAUSE NO. 114-1 TO DOWNSPACE)
FROM ONE 640-ACRE SPACING UNIT TO EIGHT)
80-ACRE SPACING UNITS FOR THE PRODUCTION)
OF GAS AND ASSOCIATED HYDROCARBONS)
FROM THE GREEN RIVER FORMATION)
COMPRISING SECTIONS 30 AND 31 IN TOWNSHIP)
7 SOUTH, RANGE 25 EAST, SLM, UINTAH)
COUNTY, UTAH)

**FINDINGS OF FACT,
CONCLUSIONS OF LAW
AND ORDER**

Docket No. 2005-002

Cause No. 114-06

This cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, April 27, 2005, at the hour of 11:00 a.m. The following Board members were present and participated at the hearing: Chairman J. James Peacock, Robert J. Bayer, Jean Semborski, Douglas E. Johnson, Jake Y. Harouny and Kent R. Petersen. Board member Samuel C. Quigley was unable to attend. The Board was represented by Michael S. Johnson, Esq., Assistant Attorney General.

Testifying on behalf of Petitioner Questar Exploration and Production Company ("QEP") were: Angela Page, Landman; Russell Griffin, Petroleum Geologist; and Carole R. Edwards-Knight, Petroleum Engineer. A. John Davis, Esq., of and for Pruitt Gushee, a Professional Corporation, appeared as attorney for QEP.

Testifying on behalf of the Division of Oil, Gas and Mining (the "Division") was Dustin K. Doucet, Petroleum Engineer. Alison D. Garner, Esq., Assistant Attorney General, appeared as attorney on behalf of the Division.

In its presentation, the Division reviewed the comments and recommendations set forth in its Staff Memorandum to the Board in this matter dated April 11, 2005 and stated that QEP had adequately addressed the issues and recommendations therein.

Attending and participating on behalf of the Bureau of Land Management ("BLM") were Robert Henricks, Acting Branch Chief, Branch of Fluid and Minerals, and Assad Raffoul, Petroleum Engineer, both with the BLM, Utah State Office. The BLM expressed its support for the granting of the Amended Request for Agency Action (the "Amended Request").

The Board Chairman acknowledged receipt of a letter from The Houston Exploration Company dated April 21, 2005 in support of the Amended Request. No other party filed a response to the Amended Request and no other party appeared or participated at the hearing.

The Board, having considered the testimony presented and the exhibits received into evidence at the hearing, being fully advised, and for good cause appearing, hereby makes the following findings of fact, conclusions of law, and order.

FINDINGS OF FACT

1. QEP is a Texas Corporation in good standing and authorized to conduct business in the State of Utah.

2. By the Order entered in Cause No. 114-1 on June 15, 1965 (the "1965 Order"), the Board established 640-acre drilling units for the development and production of gas from the Green River formation in the subject Sections 30 and 31, Township 7 South, Range 25 East, SLM, Uintah County, Utah, (the "Subject Lands") together with other lands that are not part of the Amended Request. The 1965 Order authorized one well in each such drilling unit. The 1965 Order did not provide a stratigraphic definition for the Green River formation.

3. The gas underlying the Subject Lands is owned by the United States of America and administered by the BLM. The Subject Lands are subject to two Federal oil and gas leases. The first, United States Oil and Gas Lease UTU-73710, covers all of Section 31, the S $\frac{1}{2}$ SW $\frac{1}{4}$ and the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 30 of the Subject Lands. QEP is the record title and operating rights owner of Lease No. UTU-73710. The second lease, United States Oil and Gas Lease UTU-76774, covers the remainder of Section 30 of the Subject Lands and The Houston Exploration Company is the record title and operating rights owner of that lease.

4. QEP, in response to the Division's recommendation, established the following stratigraphic definition of the Green River formation:

From the top of the Green River Formation, defined as the stratigraphic equivalent of 2,515 feet to the base of the Green River Formation, defined as the stratigraphic equivalent of 5,370 feet both as shown in the electric log of the RW34-22C well located in the SW $\frac{1}{4}$ SE $\frac{1}{4}$, Section 22, Township 7 South, Range 24 East, SLM, Uintah County, Utah.

5. Geologic and engineering data obtained from existing gas wells drilled east of the Subject Lands in the Red Wash Unit and from well logs from plugged and

abandoned wells drilled in the Subject Lands, together with other geologic evidence, indicates that the thick, regionally correlative sands in the middle portions of the Green River Formation common in the eastern Red Wash Unit area are not prevalent in the Subject Lands, rather there appear to be deeper, discontinuous or localized sands in the lower Green River formation. These sands may be further compartmentalized by local faulting and associated fracturing.

6. QEP is proposing to down space the Subject Lands from one-640 acre drilling unit in each section to eight-80 acre drilling units in each section of the Subject Lands. QEP is further proposing to designate these drilling units as 80 acre "lay-down" drilling units consisting of the N $\frac{1}{2}$ and S $\frac{1}{2}$ of each quarter section of the Subject Lands.

7. It is probable that, if development of the Green River formation does not occur on a 80 acre density pattern in the Subject Lands, valuable resources will not be recovered.

8. Based on the evidence presented, it appears that one well will efficiently and economically drain not more than 80 acres in the Subject Lands.

9. A copy of the Amended Request was mailed to all royalty, overriding royalty, record title, and working interest owners within the Subject Lands as disclosed by the appropriate Federal and County realty records.

10. Notice of the Filing of the Amended Request and of the hearing thereon was duly published in the Salt Lake Tribune, Deseret Morning News and Vernal Express, as required by Utah Admin. Code Rule R641-106-100.

11. The vote of the Board members present in the hearing and in this cause was unanimous in favor of granting the Amended Request.

CONCLUSIONS OF LAW

1. Due and regular notice of the time, place, and purpose of the hearing was properly given to all parties whose legally protected interest are affected by the Amended Request in the form and manner as required by law and the rules and regulations of the Board and Division.

2. The Board has jurisdiction over all matters covered by the Amended Request and all interested parties therein, and has the power and authority to render the order herein set forth pursuant to Utah Code Ann. §§ 40-6-5(3)(b) and 40-6-6.

3. Modifying the 1965 Order as to the Subject Lands to create 80 acre spacing and drilling units consisting of the N $\frac{1}{2}$ and S $\frac{1}{2}$ of each quarter section in the Subject Lands with the provision that one well shall be located in each unit no closer than 460 feet from the existing boundary of such unit and no closer than 920 feet from any other well completed in and producing gas from the Green River formation without approval as provided in R649-3-3 is just and reasonable and protective of correlative rights.

4. The foregoing Conclusion of Law is subject to the Board's Order provided in ¶5 below, that QEP report to the Division following completion of the first well in the Subject Lands and provide the stratigraphic and geologic data derived from such well.

5. QEP has sustained its burden of proof, demonstrated good cause, and satisfied all legal requirements for the granting of its Amended Request.

6. The relief granted hereby will result in the orderly development and greatest recovery of gas in the Subject Lands, prevent waste and adequately protect the correlative rights of all affected parties.

7. Except as modified herein or by other previous orders of the Board, the 1965 Order remains in full force and effect.

ORDER

Based upon the Amended Request, testimony and evidence submitted, and the findings of fact and conclusions of law stated above, the Board hereby orders:

1. The Amended Request in this cause is granted.
2. The Board's Order entered in Cause No. 114-1 on June 15, 1965 is hereby modified insofar and only insofar as it pertains to the following lands:

Township 7 South, Range 25 East, SLM

Sections 30 and 31: All

3. 80-acre drilling and spacing units, comprised of the N $\frac{1}{2}$ and S $\frac{1}{2}$ of each quarter section in Sections 30 and 31, are hereby established for the production of gas from the Green River formation, defined as:

From the top of the Green River Formation, defined as the stratigraphic equivalent of 2,515 feet to the base of the Green River Formation, defined as the stratigraphic equivalent of 5,370 feet both as shown in the electric log of the RW34-22C well located in the SW $\frac{1}{4}$ SE $\frac{1}{4}$, Section 22, Township 7 South, Range 24 East, SLM, Uintah County, Utah.

One well per drilling unit is authorized; provided, however, that no well shall be located closer than 920 feet from another well completed in and producing gas from the Green

River formation, and no closer than 460 feet from the exterior boundary of the drilling unit without approval as provided in Utah Admin. Code Rule R649-3-3.

5. Within three months following completion of the first well in the Subject Lands, QEP shall present to the Division a report on the stratigraphic and geologic data derived from such well, such report may include well, electrical and radioactivity logs, electrical and electromagnetic surveys, core analysis and descriptions, maps, cross sections and other geological, geophysical and engineering information. The report and all data in support thereof may be designated confidential by QEP in accordance with Utah Administrative Code Rule R649-2-11. At the first regularly scheduled meeting of the Board following QEP's report to the Division, the Division shall present to the Board its findings and conclusions regarding QEP's report. The Division may present logs, surveys and other data and information designated confidential under Utah Admin. Code Rule R649-2-11 to the Board only by in camera review and not in the open public hearing.

6. Pursuant to Utah Admin. Code Rule R641 and Utah Code Ann. § 63-46b-6 to 10, the Board has considered and decided this matter as a formal adjudication.

7. This Order is based exclusively on evidence of record in the adjudicative proceeding or on facts officially noted, and constitutes the signed written order stating the Board's decision and the reasons for the decision, all as required by the Administrative Procedures Act, Utah Code Ann. § 63-46b-10 and Utah Administrative Code Rule R641-109.

8. Notice re: Right to Seek Judicial Review by the Utah Supreme Court or to Request Board Reconsideration: As required by Utah Code Ann. § 63-46b-10(e) to - 10(g), the Board hereby notifies all parties in interest that they have the right to seek judicial review of this final Board Order in this formal adjudication by filing a timely appeal with the Utah Supreme Court within 30 days after the date that this Order issued. Utah Code Ann. § 63-46b-14(3)(a) and - 16. As an alternative to seeking immediate judicial review, and not as a prerequisite to seeking judicial review, the Board also hereby notifies parties that they may elect to request that the Board reconsider this Order, which constitutes a final agency action of the Board. Utah Code Ann. § 63-46b-13, entitled, “Agency Review - Reconsideration,” states:

(1)(a) Within 20 days after the date that an order is issued for which review by the agency or by a superior agency under Section 63-46b-12 is unavailable, and if the order would otherwise constitute final agency action, any party may file a written request for reconsideration with the agency, stating the specific grounds upon which relief is requested.

(b) Unless otherwise provided by statute, the filing of the request is not a prerequisite for seeking judicial review of the order.

(2) The request for reconsideration shall be filed with the agency and one copy shall be sent by mail to each party by the person making the request.

(3)(a) The agency head, or a person designated for that purpose, shall issue a written order granting the request or denying the request.

(b) If the agency head or the person designated for that purpose does not issue an order within 20 days after the filing of the request, the request for reconsideration shall be considered to be denied.

Id. The Board also hereby notifies the parties that Utah Admin. Code Rule R641-110-100, which is part of a group of Board rules entitled, “Rehearing and Modification of Existing Orders,” states:

Any person affected by a final order or decision of the Board may file a petition for rehearing. Unless otherwise provided, a petition for rehearing must be filed no later than the 10th day of the month following the date of signing of the final order or decision for which the rehearing is sought. A copy of such petition will be served on each other party to the proceeding no later than the 15th day of the month.

Id. See Utah Admin. Code Rule R641-110-200 for the required contents of a petition for Rehearing. If there is any conflict between the deadline in Utah Code Ann. § 63-46b-13 and the deadline in Utah Admin. Code Rule R641-110-100 for moving to rehear this matter, the Board hereby rules that the later of the two deadlines shall be available to any party moving to rehear this matter. If the Board later denies a timely petition for rehearing, the party may still seek judicial review of the Order by perfecting a timely appeal with the Utah Supreme Court within 30 days thereafter.

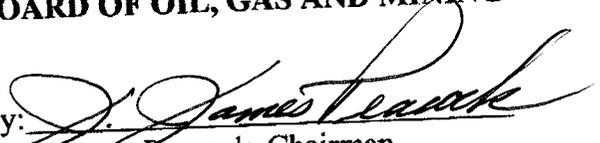
9. The Board retains continuing jurisdiction over all the parties and over the subject matter of this cause, except to the extent said jurisdiction may be divested by the filing of a timely appeal to seek judicial review of this order by the Utah Supreme Court.

10. For all purposes, the Chairman's signature on a faxed copy of this Order shall be deemed the equivalent of a signed original.

DATED this 19th day of May, 2005.

**STATE OF UTAH
BOARD OF OIL, GAS AND MINING**

By:


J. James Peacock, Chairman

(jic) 0725.231/7/07F

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing "Findings of Fact, Conclusions of Law and Order" for Docket No. 2005-002, Cause No. 114-06 to be mailed with postage prepaid, this 24th day of May, 2005, to the following:

A. John Davis, III
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P.O. Box 45155
Salt Lake City, UT 84145-0155

Harold D. Rogers, Trustee of the
Gose Family Trust
900 Eighth Street, Suite 725
Wichita Falls, TX 76301

Foree Oil Company
8235 Douglas Ave.
Dallas, TX 75225

Retamco Operating Inc.
HCR Box 1010
Roberts, MT 59070

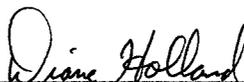
Gary L. Kornegay
18202 Wilston Drive
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JM Blair, Inc. (Undeliverable)
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JR Glennon, Inc.
671 Garnet
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CDX Rockies, L.L.C.
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The Houston Exploration Company
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MAR 11 2005

**SECRETARY, BOARD OF
OIL, GAS & MINING**

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

IN THE MATTER OF THE REQUEST FOR)
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COMPANY FOR AN ORDER VACATING IN)
PART THE SPACING ORDER IN CAUSE NO.)
114-1 TO PROVIDE FOR THE DRILLING OF)
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SPACING, FOR THE PRODUCTION OF GAS)
AND ASSOCIATED HYDROCARBONS FROM)
THE GREEN RIVER FORMATION)
COMPRISING SECTIONS 30 AND 31 IN)
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**ORDER FOR
CONTINUANCE OF HEARING**

Docket No.: 2005-002

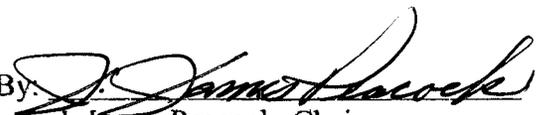
Cause No.: 114-06

Based on the foregoing Motion for Continuance of Hearing, and good cause appearing therefor, IT IS HEREBY ORDERED:

That the hearing currently set in this matter for March 23, 2005 shall be and the same is hereby continued until the Board of Oil, Gas and Mining's next regularly scheduled hearing date set for April 27, 2005.

DATED this 11 day of ^{March}~~January~~, 2005.

BOARD OF OIL, GAS AND MINING

By: 
J. James Peacock, Chairperson

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing "Order for Continuance of Hearing" for Docket No. 2005-002, Cause No. 114-06 to be mailed with postage prepaid, this 11th day of March, 2005, to the following:

William E. Ward
PRUITT GUSHEE
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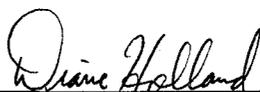
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SECRETARY, BOARD OF
OIL, GAS & MINING

**ORDER FOR
CONTINUANCE OF HEARING**

Docket No.: 2005-002

Cause No.: 114-06

Based on the foregoing Motion for Continuance of Hearing, and good cause appearing therefor, IT IS HEREBY ORDERED:

That the hearing currently set in this matter for February 23, 2005 shall be and the same is hereby continued until the Board of Oil, Gas and Mining's next regularly scheduled hearing date set for March 23, 2005.

DATED this 26th day of January, 2005.

BOARD OF OIL, GAS AND MINING

By: W. Allan Mashburn
W. Allan Mashburn, Chairperson

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing ORDER FOR CONTINUANCE OF HEARING for Docket No. 2005-002, Cause No. 114-06 to be mailed with postage prepaid, this 27th day of January, 2005, to the following:

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