

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

IN THE MATTER OF TXO PRODUCTION	*	
CORP., FOR AN ORDER ESTABLISHING	*	
DRILLING AND SPACING UNITS FOR	*	
THE CASTLEGATE MEMBER OF THE	*	
MESA VERDE FORMATION, AS	*	ORDER
BRUSHY BASIN MEMBER OF THE	*	
MORRISON FORMATION, A SALT	*	Cause No. 149-23
WASH MEMBER OF THE MORRISON	*	
FORMATION, THE DAKOTA, CEDAR	*	
MOUNTAIN AND ENTRADA FORMATIONS	*	
UNDERLYING SECTIONS 3, 10 AND 11	*	
OF TOWNSHIP 16 SOUTH, RANGE 23	*	
EAST, S.L.M., GRAND COUNTY, UTAH	*	

Pursuant to the application of TXO Production Corp., this cause came on for hearing before the Board of Oil, Gas and Mining, Department of Natural Resources, State of Utah on Thursday, December 15, 1983, at 10:00 o'clock a.m. in the auditorium of the Department of Natural Resources, 1636 West North Temple, Salt Lake City, Utah.

Appearances were made as follows:

For TXO Production Corp. ("Applicant"):

Hugh C. Garner, Esq.
310 South Main Street
Suite 1400
Salt Lake City, Utah 84101

NOW THEREFORE, the Board having considered the testimony adduced and the exhibits reviewed in said hearing, and being fully advised in the premises, now makes and enters the following:

FINDINGS

1. Due and regular notice of the time, place and purpose of the hearing was given to all interested parties as required by law and the rules and regulations of the Board.

2. The Board has jurisdiction over the subject matter of said application and over all parties interested therein and has jurisdiction to make and promulgate the order hereinafter set forth.

3. In addition to the testimony and exhibits presented to the Board, the Board has examined a Memorandum dated December 15, 1983 from Raymond L. Kerns, Jr., Chief, Petroleum Section, Utah Geological and Mineral Survey, concerning the geological setting of the area which is the subject of the within application.

4. On oral motion of counsel for TXO Production Corp., said application was amended to the extent of limiting it to the following formations: The Dakota Formation, The Cedar Mountain Formation, which

includes the Buckhorn Sands, and the Morrison Formation, which includes the Brushy Basin and Salt Wash members. The Board granted counsel leave to so amend TXO Production Corp's application.

5. The Dakota Formation and the Buckhorn Sands of the Cedar Mountain Formation are believed to underly the above described land and to constitute a common source of supply of natural gas.

6. All available geological and engineering data concerning the area indicates that one well will adequately drain the recoverable gas from the common source of supply underlying 320 surface acres, more or less, within the abovedescribed area and the 320 surface acres is the maximum and 240 acres is the minimum area that may be drained efficiently and economically by one well.

7. On motion made it was the decision of this Board that an order of the Board should be made establishing drilling and spacing units for the production of gas from the Dakota Formation and the Cedar Mountain Formation, which includes the Buckhorn Sands, underlying Sections 3, 10 and 11 of Township 16 South, Range 23 East, S.L.M.

8. Sufficient evidence now being available upon which to reach a decision, and in the absence of any objection, the Board issues the following:

ORDER

The Board hereby establishes five (5) drilling units each for production of natural gas from the Dakota Formation and the Cedar

Mountain Formation, which includes the Buckhorn Sands in the following lands:

Township 16 South, Range 23 East, S.L.M.

Unit No. 1:	Section 3: S1/2 (containing 320 acres, more or less)
Unit No. 2:	Section 10: N1/2 (containing 320 acres, more or less)
Unit No. 3:	Section 10: S1/2 (containing 320 acres, more or less)
Unit No. 4:	Section 11: NE1/4, N1/2 SE1/4 (containing 240 acres, more or less)
Unit No. 5:	Section 11: NW1/4, N1/2 SW1/4, SW1/4SW1/4 (containing 280 acres, more or less)

One well may be drilled and completed for production from the above formations on each drilling unit. The permitted well for each drilling unit shall be located no closer than 1,000 feet from the drilling unit boundary with a five hundred foot tolerance to be granted administratively for geological and/or topographical exceptions, and no closer than 2,500 feet from a producing well in the

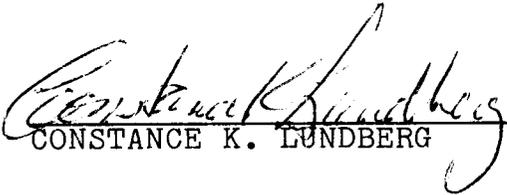
adjacent area, and that a five hundred foot tolerance be permitted in the footage between wells in the event surface obstructions or undue hazards are encountered.

DATED this 15th day of December, 1983.

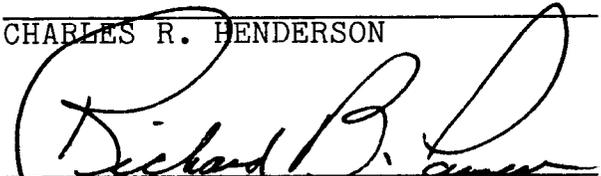
BOARD OF OIL, GAS AND MINING


GREGORY P. WILLIAMS, CHAIRMAN

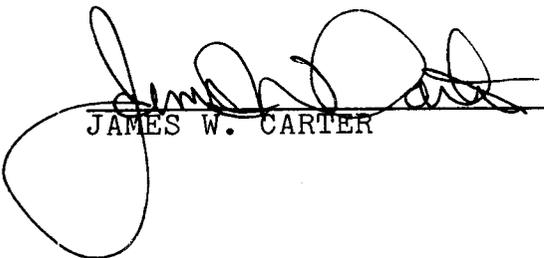
JOHN M. GARR


CONSTANCE K. LUNDBERG

CHARLES R. HENDERSON


RICHARD B. LARSEN


E. STEELE McINTYRE


JAMES W. CARTER