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**FILED**

DEC 28 1999

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 AGENCY ACTION OF )  
 COASTAL OIL & GAS )  
 CORPORATION FOR AN ORDER )  
 MODIFYING THE ORDERS IN )  
 CAUSE NOS. 179-1 AND 179-6 TO )  
 PROVIDE FOR THE DRILLING OF )  
 ADDITIONAL WELLS IN THE )  
 ESTABLISHED DRILLING UNITS TO )  
 ALLOW UP TO FOUR WELLS FOR )  
 EACH 320-ACRE DRILLING UNIT )  
 FOR THE PRODUCTION OF OIL, )  
 GAS, AND ASSOCIATED )  
 HYDROCARBONS FROM THE )  
 GREEN RIVER, WASATCH, )  
 MESAVERDE, AND CASTLEGATE )  
 FORMATIONS IN THE BONANZA )  
 FIELD IN UINTAH COUNTY, UTAH; )  
 AND AUTHORIZING EXCEPTION )  
 WELL LOCATIONS FOR THE UNIT )  
 #2 WELL IN THE NE¼NE¼ OF )  
 SECTION 11 AND THE UNIT #3 )  
 WELL IN THE NE¼SE¼ OF )  
 SECTION 15, ALL IN TOWNSHIP 10 )  
 SOUTH, RANGE 23 EAST, S.L.M., )  
 UINTAH COUNTY, UTAH. )

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

Docket No. 99-013

Cause No. 179-9

This cause came on regularly for hearing before the Board of Oil, Gas and Mining (the "Board") on Wednesday, October 27, 1999, at 10:00 am., in the Hearing Room of the Utah Department of Natural Resources at 1594 West North Temple Street, in Salt Lake City, Utah.

The following Board members present and participating in the hearing were: Acting Chairman, Thomas B. Faddies; Raymond Murray; Elise L. Erler; Stephanie Cartwright; and James Peacock. Chairman Dave D. Lauriski and W. Allan Mashburn were excused.

John R. Baza, Associate Director for Oil and Gas of the Division of Oil, Gas and Mining (the “**Division**”) was present at and participated in the hearing.

Phillip Wm. Lear, Esq., of Snell & Wilmer L.L.P. appeared on behalf of Coastal Oil & Gas Corporation (“**Coastal**”), and Donald H. Spicer, Robert J. La Rocque, and Howard W. Musgrove appeared as witnesses for Coastal. Santa Fe–Snyder Corporation (“**Santa Fe–Snyder**”) joined in Coastal’s Request for Agency Action and appeared by and through Phillip Wm. Lear, Esq. G.M. Hoffman submitted his Affidavit which was admitted into evidence.

Thomas A. Mitchell, Esq., Assistant Attorney General, represented the Board; and Patrick J. O’Hara, Esq., Assistant Attorney General, represented the Division. John R. Baza of the Division appeared to present the Staff Memoranda to the Board dated August 16, 1999, and the Division’s recommendations.

Robert Henricks and Assad Rafoul, Petroleum Engineers, Branch of Fluid Minerals (Utah State Office), and Jerry Kenczka, Petroleum Engineer (Vernal District Office), appeared for the United States Department of the Interior, Bureau of Land Management. James D. Cooper appeared on behalf of the Utah School and Institutional Trust Lands Administration.

No persons appeared in opposition.

**NOW THEREFORE**, the Board, having fully considered the testimony adduced and the exhibits received at the hearing, and being fully advised in the premises, makes and enters its Findings of Fact, Conclusions of Law, and Order, as follows:

## FINDINGS OF FACT

1. The Board mailed notice of the October 27, 1999 hearing to all interested parties by certified mail, return receipt requested on October 4, 1999, and caused notice to be published in the *Deseret News* and in the *Salt Lake Tribune* on October 10, 1999, and in the *Vernal Express* on October 6, 1990.

2. Coastal mailed photocopies of the Request for Agency Action and Santa Fe-Snyder mailed photocopies of the Petition of Santa Fe-Snyder for Joinder in Request for Agency Action to the last known address of all owners by certified mail, return receipt requested.

3. Coastal is a Delaware Corporation in good standing, having its principal place of business in Houston, Texas. Coastal is licensed to do business in Utah.

4. Coastal and Santa Fe-Snyder are owners of working interests in the lands which are the subject matter of this Amended Request for Agency Action.

5. The lands for which spacing modification is sought are situated in Uintah County, Utah, and are more particularly described, as follows:

### **Township 10 South, Range 23 East, S.L.M.**

Section 1: All  
Section 2: All  
Section 3: All  
Section 4: All  
Section 5: All  
Section 6: All  
Section 7: All  
Section 8: All  
Section 9: All  
Section 10: All  
Section 11: All  
Section 12: All

Section 13: N½  
Section 14: N½  
Section 15: All  
Section 16: All  
Section 17: All  
Section 18: All

(containing 10,884 acres, more or less)

(hereinafter “**Subject Lands**”).

6. The lands affected by Coastal’s Request for Agency Action are public domain lands of the United States of America, administered by the Bureau of Land Management (“**BLM**”); State of Utah lands administered by the School and Institutional Trust Lands Administration, and allotted Indian lands administered by the Bureau of Indian Affairs

7. By order in Cause No. 179-1 dated October 24, 1978, the Board established 320-acre stand-up drilling units<sup>1</sup> for the Subject Lands in the Bonanza Field Area of Uintah County for the production of oil, gas, and associated hydrocarbons from the common source of supply in the interval described as being from the surface down to the top of the Mancos formation, comprising the Uinta, Green River, Wasatch, Mesaverde, and Castlegate formations (“**Spaced Interval**”).

8. By order in Cause No. 179-6 dated May 27, 1994, the Board modified its order in Cause No. 179-1 to allow for the drilling of an additional well in each drilling unit, creating *de facto* 160-acre drilling patterns for the Spaced Interval in the Subject Lands. The legal locations for second wells are near the center of each governmental survey quarter-section or its equivalent lot, with in the drilling units described as follows:

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<sup>1</sup> The north-half of Sections 13 and 14 comprise lay-down 320-acre drilling units.

**For Interior Drilling Units:** by setbacks of no less than 330 feet from the existing exterior boundary of interior drilling unit.

**For Exterior Drilling Units:** by setbacks of no less than 330 feet on the three interior sides of the drilling unit and by no less than 500 feet on the exterior side of the drilling unit for those drilling units comprising the exterior drilling units of the Subject Lands.

Wells are to be drilled no closer than 1,000 feet from the nearest well producing from the Spaced Interval.

9. Coastal and Santa Fe–Snyder own or control 9,591 of the 10,844 acres comprising the Subject Lands and are the predominant owners of the working interest in the Spaced Interval in the Subject Lands.

10. Coastal and its predecessor operators have drilled 28 wells to the Spaced Interval in the Subject Lands (“Existing Wells”). Twenty-six of the Existing Wells are currently capable of production.

11. The Spaced Interval in the Subject Lands is known to be underlain by a common source of supply from which oil, gas, and associated hydrocarbons are produced.

12. Geologic and engineering data obtained from drilling the Existing Wells and from other wells drilled in adjacent areas indicate that 80 acres is no smaller than maximum area that can be efficiently and economically drained by one well from the Spaced Interval underlying the Subject Lands. Said authorized wells should be drilled no closer than 920 feet from an existing well and 460 feet from the exterior boundary of each drilling unit, irrespective of whether the well is drilled in an interior or exterior drilling unit.

13. Provision should be made for granting administrative approval for exception well locations for topographic, environmental, and archaeological considerations and when “no surface occupancy” stipulations imposed by the landowners (lessors) prohibit drilling at a legal location, without the necessity of a full hearing before the Board.

14. Two Existing Wells have been drilled at locations that would be off-pattern or illegal locations under the requested spacing modification.

15. The Unit #3 Well is situated 2,180 feet from the south line and 400 feet from the east line in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 15 on what would be an off-pattern location under the requested modified spacing order. At the hearing, Coastal withdrew the Unit #2 Well from its application for exception location. That well is situated in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 11, is plugged and abandoned, and will not be re-entered.

16. The exception well location is necessary to comply with Rule R-649-3-3 requiring Board approval for wells not complying with the established spacing patterns, in this case the pattern requested in this Request for Agency Action.

17. No wells have been drilled to the Spaced Interval within 920 feet of the proposed exception well locations in the directly or diagonally off-setting drilling units to the exception well locations.

18. The closest well to the exception well location for the Unit #3 Well in the Spaced Interval is the Cliff Edge Federal #1-15 Well situated in the NW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 15, in Township 10 South, Range 23 East, S.L.M.

19. The proposed exception well location should not prevent any owner from drilling an oil or gas well in the directly or diagonally off-setting drilling units to the exception wells locations.

20. An order authorizing up to four wells to be drilled in the existing drilling units, establishing defacto 80-acre spacing patterns for the production of oil, gas, and associated hydrocarbons from the Spaced Interval in the Subject Lands should promote the public interest, increase ultimate recovery, prevent waste, and protect the correlative rights of all owners.

### **CONCLUSIONS OF LAW**

1. The Board has jurisdiction of the parties and of the subject matter of this Amended Request for Agency Action pursuant to Chapter 6 of Title 40 of the *Utah Code Annotated*.

2. Coastal and Santa Fe-Snyder properly served all owners having a legally protected interest in the subject matter of this hearing.

3. The Division gave due and regular notice of the time, place, and purpose of the hearing to all interested parties as required by law and by the rules and regulations of the Board.

4. Coastal's Request for Agency Action poses an appropriate request modifying the existing spacing to provide for the drilling of additional wells in the Spaced Interval in the Subject Lands.

5. The Subject Lands are currently spaced on 320-acre, stand-up drilling units,<sup>2</sup> authorizing the drilling of two wells for production from the Spaced Interval in the Subject Lands.

6. Eighty-acre drainage patterns are not smaller than the maximum area within the Spaced Interval in the Subject Lands that can be efficiently and economically drained by one production well.

7. Eighty-acre drainage patterns within the existing 320-acre drilling units are of a uniform size and shape throughout the Subject Lands.

8. The terms and conditions sought by Coastal's Request for Agency Action are just and reasonable.

9. An order authorizing the drilling of additional wells, up to four wells in each 320-acre drilling unit, for the production of oil, gas, and associated hydrocarbons from the Spaced Interval in the Subject Lands will promote the public interest, increase ultimate recovery, prevent waste, and protect correlative rights of all owners.

## **ORDER**

**IT IS THEREFORE ORDERED** that in order to promote the public interest, to increase the ultimate recovery of the resource, to prevent physical waste of gas and associated hydrocarbons; and to protect the correlative rights of all owners:

A. Coastal's Request for Agency Action is granted.

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<sup>2</sup> The north-half of Sections 13 and 14 comprise lay-down 320-acre drilling units.

B. The Board's Orders in Cause Nos. 179-1 and 179-6 establishing 320-acre drilling units comprising stand-up public land survey half sections<sup>3</sup> or equivalent lots are hereby modified to provide for the drilling of up to four wells for the production of oil, gas, and associated hydrocarbons from the Spaced Interval in the Subject Lands.

C. The permitted wells shall be located no closer than 920 feet from an existing well and 460 feet from the exterior boundary of each drilling unit, irrespective of whether the well is drilled in an interior or exterior drilling unit.

D. Administrative approval may be granted for exception well locations for topographic, environmental, and archaeological considerations and when "no surface occupancy" stipulations imposed by the landowners (lessors) prohibit drilling at a legal location, without the necessity of a full hearing before the Board.

E. The Unit #3 Well shall be, and hereby is, authorized as an exception well to the drilling patterns for the Spaced Interval established by this Order.

F. The Board retains exclusive and continuing jurisdiction of all matters covered by this order and of all parties affected thereby; and specifically, the Board retains and reserves exclusive and continuing jurisdiction to make further orders as appropriate and authorized by statute and applicable regulations.

G. The Board has considered and decided these matters as formal adjudications, pursuant to the Utah Administrative Procedures Act, Utah Code Ann. §§ 63-46b-6 through -10 (1993), and of the Rules of Practice and Procedure before the Board of Oil, Gas and Mining, Utah Admin. Code R641 (1998).

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<sup>3</sup> The north-half of Sections 13 and 14 comprise lay-down 320-acre drilling units.

H. These Findings of Fact, Conclusions of Law, and Consolidated Order (“**Order**”) are based exclusively upon evidence of record in these proceeding or on facts officially noted, and constitutes the signed written order stating the Board’s decision and the reasons for the decision, as required by the Utah Administrative Procedures Act, Utah Code Ann. § 63–46b–10 (1993), and the Rules of Practice and Procedure before the Board of Oil, Gas and Mining, Utah Admin. Code R641–109 (1998); and constitutes final agency actions as defined in the Utah Administrative Procedures Act and Board rules.

I. **Notice of Right of Judicial Review by the Supreme Court of the State of Utah.** The Board hereby notifies all parties to these proceeding that they have the right to seek judicial review of this Order by filing an appeal with the Supreme Court of the State of Utah within 30 days after the date this Order is entered. Utah Code Ann. § 63–46b–10(f) (1993).

J. **Notice of Right to Petition for Reconsideration.** As an alternative, but not as a prerequisite to judicial review, the Board hereby notifies all parties to these proceedings that they may apply for reconsideration of this Order. Utah Code Ann. § 63–46b–10(e) (1993). The Utah Administrative Procedures Act provides:

(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.

Utah Code Ann. § 63-46b-13 (1993).

The Rules of Practice and Procedure before the Board of Oil, Gas and Mining entitled “Rehearing and Modification of Existing Orders” state:

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 that month.

Utah Admin. Code R641-110-100 (1998).

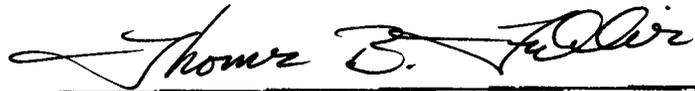
The Board hereby rules that should there be any conflict between the deadlines provided in the Utah Administrative Procedures Act and the Rules of Practice and Procedure before the Board of Oil, Gas and Mining, the later of the two deadlines shall be available to any party moving to rehear this matter. If the Board later denies a timely petition for rehearing, the aggrieved party may seek judicial review of the order by perfecting an appeal with the Utah Supreme Court within 30 days thereafter.

K. The Board retains exclusive and continuing jurisdiction of all matters covered by this Order and of all parties affected thereby; and specifically, the Board retains and reserves exclusive and continuing jurisdiction to make further orders as appropriate and authorized by statute and applicable regulations.

L. The Acting Chairman's signature on a facsimile copy of this Order shall be deemed the equivalent of a signed original for all purposes.

ISSUED this 28 day of December, 1999.

STATE OF UTAH  
BOARD OF OIL, GAS AND MINING



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Thomas B. Faddies, Acting Chairman

## 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. 99-013, Cause No. 179-9 to be mailed with postage prepaid, this 28 day of December, 1999, to the following:

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