

NOV 17 1998

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 AMENDED)
REQUEST FOR AGENCY ACTION OF)
COASTAL OIL & GAS CORPORATION)
FOR AN ORDER ESTABLISHING)
160-ACRE DRILLING UNITS FOR)
PRODUCTION OF GAS AND)
ASSOCIATED HYDROCARBONS)
FROM THE GREEN RIVER)
FORMATION EMBRACING PORTIONS)
OF TOWNSHIPS 9 AND 10 SOUTH,)
RANGES 20, 21 AND 22 EAST, S.L.M.,)
UINTAH COUNTY, UTAH; AND)
AUTHORIZING EXCEPTION WELL)
LOCATIONS FOR THE NBU #296)
WELL IN THE NE¼ OF SECTION 24)
AND FOR THE NBU #271 WELL IN)
THE NW¼ OF SECTION 24, BOTH IN)
TOWNSHIP 10 SOUTH, RANGE 20)
EAST, S.L.M., UINTAH COUNTY,)
UTAH.)

FINDINGS OF FACT,
CONCLUSIONS OF LAW, AND
ORDER

Docket No. 98-020

Cause No. 197-10

This cause came on regularly for hearing before the Board of Oil, Gas and Mining (the "Board") on Wednesday, October 28, 1998, at 10:00 am., in the Sevier County Commission Chambers at 250 North Main Street, Richfield, Utah.

The following Board members present and participating in the hearing were: Chairman Dave D. Lauriski, Raymond Murray, Thomas B. Faddies, Elise L. Erler, W. Allan Mashburn, and Stephanie Cartwright. Staff members of the Division of Oil, Gas and Mining (the "Division") present and participating in the hearing included John R. Baza, Associate Director for Oil and Gas; Gilbert L. Hunt, geologist; and Robert J. Krueger, petroleum engineer.

Phillip Wm. Lear, Esq., of Snell & Wilmer L.L.P. appeared on behalf of Coastal Oil & Gas Corporation (“Coastal”) and Donald H. Spicer, Donald L. Brown, and Howard W. Musgrove appeared as witnesses for Coastal.

Daniel G. Moquin, Esq., Assistant Attorney General, represented the Board; and Patrick J. O’Hara, Esq., Assistant Attorney General, represented the Division. No persons appeared in opposition. Enron Oil & Gas Company and CNG Producing Company filed letters in support of the Request for Agency Action, as indicated below.

Robert A. Henricks, Chief, Branch of Fluid Minerals (Utah State Office) and Wayne Bankert, Petroleum Engineer (Vernal District Office) appeared for the United States Department of the Interior, Bureau of Land Management.

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 28, 1998 hearing to all interested parties by certified mail, return receipt requested on October 6, 1998, and caused notice to be published in the *Deseret News* and in the *Salt Lake Tribune* on October 11, 1998, and in the *Vernal Express* on October 7, 1998.

2. Coastal mailed photocopies of the Request for Agency Action and the Amended 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 is the owner of working interests in the lands which are the subject matter of this Amended Request for Agency Action.

5. The lands affected by this Request for Agency Action are public domain lands of the United States of America administered by the Bureau of Land Management (the "BLM"); lands of the State of Utah administered by the State Institutional Trust Lands Administration ("SITLA"); and Indian Allotted Lands administered by the Bureau of Indian Affairs.

6. The lands to be spaced are situated in Uintah County, Utah, and are more particularly described, as follows:

Township 9 South, Range 21 East, S.L.M.

Section 36: All

Township 9 South, Range 22 East, S.L.M.

Section 7: W $\frac{1}{2}$

Section 18: NW $\frac{1}{4}$, S $\frac{1}{2}$

Section 19: All

Section 20: S $\frac{1}{2}$

Section 29 through 36: All

Township 10 South, Range 20 East, S.L.M.

Section 13: All

Sections 24 through 26: All

Section 35: N $\frac{1}{2}$

Township 10 South, Range 21 East, S.L.M.

Section 1: All
Sections 10 through 30: All
Section 31: NE $\frac{1}{4}$
Section 32: N $\frac{1}{2}$

Township 10 South, Range 22 East, S.L.M.

Section 1 through 30: All
Section 31: NE $\frac{1}{4}$
Section 32: N $\frac{1}{2}$
Section 33: N $\frac{1}{2}$, SE $\frac{1}{4}$
Section 34 through 35: All

(hereinafter "**Subject Lands**"). The "**Subject Lands**" contain the modifications requested by Enron Oil & Gas Company to eliminate from the lands to be spaced 240 acres (three 80-acre tracts) in Township 9 South, Range 22 East, S.L.M. Coastal eliminated an additional 240 acres to conform the eliminated acreage to the 160-acre drilling units.

7. The Subject Lands, as to the interval sought to be spaced, are currently governed by well-siting and location rules promulgated by the Board.

8. The Subject Lands are underlain by a common source of supply from which natural gas and associated hydrocarbons can be produced from the Green River formation.

9. The interval sought to be spaced is the Green River formation, an easily-identifiable stratigraphic horizon throughout the entire area, more particularly defined as:

The interval commencing at 1,478 feet below the Kelly Bushing down to the stratigraphic equivalent of the correlation point established at the depth of 4,822 feet below the Kelly Bushing in the Ute Trail #10 Well drilled by DeKalb Petroleum Company in the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 34, Township 9 South, Range 21 East, S.L.M., Uintah County, Utah.

(hereinafter "**Spaced Interval**").

10. The maximum area that can be efficiently and economically drained by one well from the Spaced Interval underlying the Subject Lands is 160 acres. The permitted well should be located within a drilling window centered on the quarter section. Said authorized well should not be drilled closer than 1,000 feet from the exterior boundary of each drilling unit.

11. Only one well producing gas and associated hydrocarbons from the Spaced Interval should be permitted for each drilling unit.

12. Coastal's NBU # 296 Well in the NE¼ of Section 24 and its NBU #271 Well in the NW¼ of Section 24, both in Township 10 South, Range 20 East, S.L.M., (the "Wells") are located at off-pattern locations, and will not communicate or otherwise interfere with wells that could be drilled at legal locations in the adjoining drilling units.

13. Both Enron Oil & Gas Company and CNG Producing Company, owners of legally protected interests in adjoining drilling units have consented to the exception well locations.

14. An order establishing 160-acre drilling units for the production of gas and associated hydrocarbons for the Spaced Interval in the Subject Lands will 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. 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.

3. Coastal's petition poses an appropriate request for spacing.
4. The Subject Lands are unspaced as to the Spaced Interval and are currently subject to the Board's well location and siting rules.
5. The Subject Lands include all lands in the area determined by the Board to overlay the Spaced Interval not heretofore spaced by order of the Board or subject to an approved federal agreement for unit development.
6. The Spaced Interval constitutes a pool or common source of supply of natural gas and associated hydrocarbons underlying the Subject Lands.
7. Drilling units comprising 160 acres for the Spaced Interval are not smaller than the maximum area within the Subject Lands that can be efficiently and economically drained by one production well.
8. One hundred sixty-acre drilling units are of a uniform size and shape throughout the Subject Lands and conform to the predominant pattern in the area established by prior orders of the Board for adjacent lands in the Natural Buttes Field Area.
9. The Wells constitute authorized exception wells to the proposed spacing pattern for the drilling units comprising the NW $\frac{1}{4}$ and NE $\frac{1}{4}$ of Section 24, Township 10 South, Range 20 East, S.L.M.
10. All parties owning an interest in the Subject Lands and in lands off-setting the Subject Lands have consented to the existence of the Wells as exception wells to the proposed spacing pattern.

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

12. An order establishing 160-acre drilling units for the production of 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.

B. One hundred sixty-acre drilling units comprising public land survey quarter sections or equivalent lots shall be, and hereby are, established for the production of gas and associated hydrocarbons from the Spaced Interval in the Subject Lands.

C. The permitted wells shall be located within a drilling window centered on the quarter section. Said authorized wells shall not be drilled closer than 1,000 feet from the exterior boundary of each drilling unit. 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.

D. The Wells shall be, and hereby are, authorized as an exception wells to the drilling patterns for the Spaced Interval established by this Order.

E. Pursuant to Utah Administrative Code R641 and Utah Code Ann. § 63-46b-6 to -10 (1953, as amended), the Board has considered and decided this matter as a formal adjudication.

F. This Findings of Fact, Conclusions of Law, and Order ("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 R641-109.

G. 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) (1953, as amended), 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 is issued. Utah Code Ann. § 63-46b-14(3) (a) and -16 (1953, as amended). 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 Administrative Code 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 that month.

Id. See Utah Administrative Code 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 (1953, as amended) and the deadline in Utah Administrative Code 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.

H. 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.

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

ISSUED this 17th day of November, 1998.

STATE OF UTAH
BOARD OF OIL, GAS AND MINING



Dave D. Lauriski, 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. 98-020, Cause No. 197-10 to be mailed by first-class mail, postage prepaid, this 17 day of November, 1998, to the following:

Phillip Wm. Lear
Attorneys for Coastal Oil & Gas Corporation
SNELL & WILMER L.L.P.
111 East Broadway, Suite 900
Salt Lake City, UT 84111

Robert Henricks
Bureau of Land Management
Utah State Office
304 South State Street, Suite 300
Salt Lake City, UT 84111

Patrick J. O'Hara, Esq.
Assistant Attorney General
160 East 300 South, 5th Floor
P.O. Box 140857
Salt Lake City, UT 84114-0857

Jerry Kenczka
Bureau of Land Management
Vernal District Office
170 South 500 East
Vernal, UT 84078

Daniel G. Moquin, Esq.
Assistant Attorney General
1594 West North Temple, Suite 300
P.O. Box 140855
Salt Lake City, UT 84114-0855
(Hand Delivered)

David L. Allison
Bureau of Indian Affairs
Uintah & Ouray Agency
P.O. Box 130
988 South 7500 East
Fort Duchesne, UT 84026

John Baza
Associate Director
Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
P. O. Box 145801
Salt Lake City, UT 84114-5801
(Hand Delivered)

CNG Production Company
1450 Poydras Street
New Orleans, LA 70112-6000

Enron Oil & Gas Company
Attn: Toni Lei Miller
1625 Broadway, Suite 1300
Denver, CO 80202

Coastal Oil & Gas Corporation
Attn: Mr. Donald H. Spicer
600 17th Street, Suite 800 South
P.O. Box 749
Denver, CO 80201-0749

Conoco, Inc.
Box 1267
Ponca City, OK 74603

Earl Victor Gritton
2586 Elizabeth #4
Salt Lake City, UT 84106

David T. Terry, Director
Utah State Trust Lands Administration
675 East 500 South, Suite 500
Salt Lake City, UT 84102-2818

White River Enterprises, LLC
410 17th Street, Suite 925
Denver, CO 80202

Snyder Oil Company
1625 Broadway, Suite 2200
Denver, CO 80202

Robert L. Bayless, Jr.
621 17th Street, Suite 1640
Denver, CO 80293

Andrikopoulos Resources, Inc.
P. O. Box 788
Cheyenne, WY 82003

Conley P. Smith Limited Liability Company
1125 17th Street, Suite 2360
Denver, CO 80202

St. Mary Land & Exploration Company
1776 Lincoln Street, Suite 1100
Denver, CO 80203

Anderman Oils, L.L.C.
1776 Lincoln Street, Suite 500
Denver, CO 80203

DAB Resources
1776 Lincoln Street, Suite 500
Denver, CO 80203

Ralph H. Smith Restate Revocable Trust
Ralph H. Smith, Trustee
7060 S. Yale Avenue, Suite 800
Tulsa, OK 74136

R & M Oil and Gas, LTD
P. O. Box 426
Golden, CO 80402

Robert P. Vernon 1994 Revocable Trust
1125 17th Street, Suite 2360
Denver, CO 80202

Samedan Oil Corporation
1050 17th Street, Suite 1100
Denver, CO 80265

Gilman A. Hill
7128 S. Poplar Lane
Englewood, CO 80112

Rosewood Resources, Inc. - *Re-sent*
100 Crescent Court, Suite 500
Dallas, TX 75201

St. Anselm Exploration Company, Inc.
1401 17th Street, Suite 1400
Denver, CO 80202

Kidd Family Partnership Limited
3838 Oaklawn Avenue, Suite 715
Dallas, TX 75219

Security Energy Company
10000 Memorial Drive, Suite 440
Houston, TX 77024

Manna Resources, L.L.C.
3316 Vista Del Sur N.W.
Albuquerque, NM 87120

Best Exploration
P. O. Box 60006
Grand Junction, CO 81506

Morgan Exploration LLC
1999 Broadway, Suite 2450
Denver, CO 80202

John W. Warner
P. O. Box 2235
Billings, MT 59103

T-K Production Company
P. O. Box 2235
Billings, MT 59103

Harold & Eva Holden Trustees
Box 1743
Billings, MT 59103

DJ Investment Co., LTD
448 South 400 East
Salt Lake City, UT 84111

Don F. Bradshaw, Trustee
448 South 400 East
Salt Lake City, UT 84111

Irving Wolf
1001 Fannin, Suite 2000
Houston, TX 77002

Palo Production Company
621 17th Street, Suite 1640
Denver, CO 80293

Retamco Operating, Inc.
HCR Box 1010
Roberts, MT 59070

Vern Jones
P. O. Box 753
Salt Lake City, UT 84110

Northwestern Mutual Life Insurance Co.
Attn: Patrick J. McKeown
720 E. Wisconsin Ave., Room N18EC
Milwaukee, WI 53202


