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

AUG 17 2000

SECRETARY, BOARD OF
OIL, GAS & MINING

IN THE MATTER OF THE REQUEST FOR)
AGENCY ACTION OF DOMINION)
EXPLORATION & PRODUCTION, INC.)
(FORMERLY CNG PRODUCING COMPANY))
FOR AN ORDER SUSPENDING APPLICATION)
OF THE BOARD'S ORDERS ENTERED IN)
CAUSE NOS. 197-4 AND 197-4(A) AND)
UTAH ADMIN. CODE RULE R649-3-2 AS)
TO THE HILL CREEK FEDERAL UNIT,)
COMPRISED OF SECTIONS 27 THROUGH 34,)
TOWNSHIP 10 SOUTH, RANGE 20 EAST,)
SLM, UINTAH COUNTY, UTAH)

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

Docket No. 2000-008

Cause No. 197-11

This cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, July 26, 2000, at the hour of 10:00 a.m., in Coalville, Utah. The following Board members were present and participated at the hearing: Thomas B. Faddies, J. James Peacock, Raymond Murray, Elise L. Erlen, Allan Mashburn, and Stephanie Cartwright. Chairman Dave D. Lauriski was unable to attend and Mr. Faddies served as acting chairman in his stead. At the commencement of the hearing, Mr. Faddies advised that the Utah School and Institutional Trust Lands Administration ("SITLA"), his employer, was an interested party in this matter but that he had not, in the scope of his employment, had any dealings with the particular State lease and lands involved and had no independent knowledge with respect thereto outside of the pleadings filed in this matter.

To avoid any appearance of conflict, Mr. Faddies then offered that, unless there were any objections, his participation in the hearing would be merely to preside as acting chairman, without participation in any Board deliberations and without voting unless there was a tie. No objections were voiced. Attending and participating on behalf of the Division of Oil, Gas and Mining (the "Division") was John Baza, Associate Director – Oil and Gas. The Board and the Division were represented by Thomas A. Mitchell, Esq. and Kurt Seel, Esq., Assistant Attorneys General, respectively.

Attending and participating on behalf of the Bureau of Land Management ("BLM") was Jerry Kenczka, Petroleum Engineer, Vernal District Office. Attending and participating on behalf of the Bureau of Indian Affairs, Uintah & Ouray Agency ("BIA"), was Diane Mitchell, Minerals and Mining.

Testifying on behalf of Petitioner Dominion Exploration & Production, Inc. ("Dominion") were Stephan E. Case – Senior Landman, Thomas W. Auld – Senior Exploration Geologist, and Grant L. Richmond – Senior Reservoir Engineer. Frederick M. MacDonald, Esq., Pruitt, Gushee & Bachtell, appeared as attorney for Dominion.

The Division, BLM and BIA each stated that it had no objections to the Request for Agency Action. No other statements were made at the hearing in opposition of the Request for Agency Action and no other parties 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. Dominion, the successor by name change to CNG Producing Company, is a Delaware corporation in good standing and is authorized to conduct business in the State of Utah. Dominion is fully bonded with all Federal, State and Indian agencies.

2. The Hill Creek Federal Exploratory Unit (the "Unit") is comprised of the following lands:

Township 10 South, Range 20 East, SLM

Section 27:	All
Section 28:	All
Section 29:	All
Section 30:	Lots 1 (79.26), 2 (79.98), 3 (80.28) and 4 (80.26), E½W½, E½ [All]
Section 31:	Lots 1 (80.30), 2 (80.84), 3 (81.00) and 4 (81.43), E½W½, E½ [All]
Section 32:	All
Section 33:	All
Section 34:	All

(containing 5,443.35 acres in Uintah County, Utah)

(hereinafter the "Unit Area").

3. The Unit Area is comprised of 82.36% Federal mineral lands, 11.76% State Trust mineral lands, and 5.88% Indian Allotted mineral lands. Dominion owns all of the

working interest in the Unit Area except 640 acres of the Federal mineral lands (E½ of Sections 27 and 34), which are currently unleased, and the Indian allotted mineral lands as to the depths below the base of the MesaVerde formation, which depths are also currently unleased.

4. The Hill Creek Unit Agreement was approved effective April 1, 2000 by the BLM, with the concurrence of the BIA and SITLA. Pursuant to its terms, all oil and gas in all geologic formations of tracts committed to the Unit are unitized. Dominion serves as Unit Operator. Dominion plans, if the economics so justify, to drill approximately 47 wells within the Unit Area targeted for gas production from the Wasatch-MesaVerde formations.

5. Paragraph 16 of the Unit Agreement expressly requires Dominion, as Unit Operator, to produce unitized substances, and conduct all operations to provide for the most economical and efficient recovery of said substances, without waste, as defined by or pursuant to State or Federal law or regulation.

6. As indicated by its April 7, 2000 Letter approving the Unit, the BLM will require, the successful bidder for the unleased Federal oil and gas rights as a prerequisite to lease issuance, to join and ratify the Unit Agreement.

7. Well location and density patterns within the Unit Area are determined in accordance with the terms of the Unit Agreement and, in particular, the annual plans of

Unit development approved by the BLM. Drilling applications are approved by both the BLM and the Division.

8. The conservation of oil and gas and the prevention of waste is accomplished by operations conducted in accordance with the terms of the Unit Agreement.

9. By Order entered effective August 24, 1989 in Cause No. 197-4, the Board established a 640-acre drilling and spacing unit, comprised of subject Section 28, for the development and production of gas and associated hydrocarbons from the Wasatch-Mesa Verde formations defined as follows:

That interval below the top of the Wasatch formation defined as the stratigraphic equivalent of the 4,960 foot depth in the Dual Induction log run March 28, 1974, in the Conoco Home No. 1 Well located in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 13, Township 10 South, Range 20 East, S.L.M., down to the top of the Mancos formation defined as depth 10,400 feet in said Dual Induction log,

(hereinafter the "Spaced Formations") and declared that the one allowed unit well shall be sited in the W $\frac{1}{2}$ of the section with tolerances for topographic, geological and other reasons, as allowed by applicable law, said tolerances or exceptions to be granted by administration action without notice or hearing. The Board specifically declared the Santa Fe Federal 1-28 well, purportedly located in the NW $\frac{1}{4}$, to be the allowed unit well for Section 28 but that well was never drilled.

10. By Order entered effective October 26, 1989 in Cause No. 197-4(A), the Board essentially extended its Order in Cause No. 197-4 and established 640-acre (or implicitly the substantial equivalent) drilling and spacing units for the development of oil, gas and associated hydrocarbons from the Spaced Formations in subject Sections 27 and 29 through 33. The Board declared the one allowed well for each such unit shall be sited in the W $\frac{1}{2}$ of each section with tolerances for topographic, geological and other reasons, as allowed by applicable law, said tolerances or exceptions to be granted by administration action without notice or hearing. The Board specifically declared the Hill Creek Federal 1-27, 1-29, and 1-30 and Hill Creek State 1-32 wells to be the allowed unit wells for Sections 27, 29, 30 and 32 respectively. All four wells are currently operated by Dominion and are capable of producing gas from the Spaced Formations.

11. All formations other than the Spaced Formations underlying subject Sections 27 through 33, and the entirety of subject Section 34, are not currently covered by any Board spacing order and are therefore ostensibly subject to the general statewide well siting rule set forth in Utah Admin. Code R649-3-2.

12. The geology and reservoir characteristics of the Wasatch-MesaVerde formations in the Unit Area are similar to those encountered in adjacent lands, including the River Bend Unit operated by Dominion. The Wasatch formation is a non-uniform deposition of alluvial streams and both the Wasatch and MesaVerde formations are

comprised of tight sands. As a consequence, the formations require a tighter well density than one well per 640 acres for the greatest recovery of the gas present therein.

13. The topography of the Unit Area is rough, hilly terrain which will necessitate many exceptions to well locations allowed under Utah Admin. Code Rule R649-3-2.

14. Given the findings outlined in Paragraph Nos. 8, 12 and 13 above, suspension of the Orders in Cause Nos. 197-4 and 197-4(A) and Utah Admin. Code Rule R649-3-2 as to lands within Unit Area is fair, reasonable and justified; provided, however, that no future well may be drilled closer than 460 feet from the boundary of the Unit Area without administrative approval of the Division in accordance with Utah Admin. Code Rule R649-3-3.

15. A copy of the Request for Agency Action was mailed to all working interest owners and operators in the drilling and spacing units adjacent to the Unit Area, and to the BLM, BIA and SITLA which administer the minerals within the Unit Area, as disclosed by the appropriate Federal, State, Indian and County realty records.

16. Notice was duly published as required by Utah Admin. Code Rule R641-106-100.

17. The vote of the Board members present in the hearing and in this cause was unanimous in favor of granting the Request for Agency Action, with Mr. Faddies not participating in the vote for the reasons outlined above.

CONCLUSIONS OF LAW

1. Due and regular notice of the time, place, and purpose of the hearing was properly given to all interested parties 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 Request for Agency Action 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 Utah Admin. Code Rule R649-2-3.

3. The Request for Agency Action satisfies all statutory and regulatory requirements for the relief sought therein and should be granted.

ORDER

Based upon the Request for Agency Action, testimony and evidence submitted, and the findings of fact and conclusions of law state above, the Board hereby orders:

1. The Request for Agency Action in this cause is granted.
2. The Board's Orders entered in Cause No. 197-4 and 197-4(A) and Utah Admin. Code Rule R649-3-2 as to lands within the Unit Area are suspended.
3. No future wells within the Unit Area may be located closer than 460 feet from the boundary of the Unit Area without administrative approval of the Division in accordance with Utah Admin. Code Rule R649-3-3.

4. 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.

5. This Findings of Fact, Conclusion 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 Rule R641-109.

6. 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 is 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.

7. 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.

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

ISSUED this 17 day of August, 2000.

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

By: 
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. 2000-008, Cause No. 197-11 to be mailed with postage prepaid, this 21st day of August, 2000, to the following:

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