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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 REQUEST)
FOR AGENCY ACTION OF INLAND)
PRODUCTION COMPANY FOR)
APPROVAL OF AN EXCEPTION)
WELL LOCATION FOR THE)
FEDERAL #13-12-9-17 WELL)
LOCATED IN THE SW1/4SW1/4 OF)
SECTION 12, TOWNSHIP 9 SOUTH,)
RANGE 17 EAST, S.L.M., UINTAH)
COUNTY, UTAH)**

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

**Docket No. 2004-003
Cause No. 228-7**

THIS CAUSE came on regularly for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, February 25, 2004, at the hour of 10:00 a.m. in the Auditorium of the Department of Natural Resources, 1594 West North Temple, Suite 1050, Salt Lake City, Utah. The following Board members were present at and participated in the hearing: W. Allan Mashburn, Chairman, Stephanie Cartwright, J. James Peacock, Robert J. Bayer, Kent R. Petersen, and Douglas E. Johnson. Lowell Braxton, Director, and John Baza, Associate Director, Oil and Gas, were present for the Division of Oil, Gas and Mining (the "Division"), as were Gil Hunt, Technical Services Manager, Brad Hill, Petroleum Geologist, and Dustin Doucet, Petroleum Engineer. Stephen Schwendiman and Michael S. Johnson, and Steven F. Alder, Assistant Attorneys General and counsel to the Board and the Division, respectively, also were present at the hearing. The petitioner, Inland Production Company ("Inland"), was represented by Thomas W. Clawson of Van Cott, Bagley, Cornwall & McCarthy. At the hearing, Inland's Exhibit 1, which was timely filed, and the Affidavit of Kelly L. Donohoue, including the attached photocopy of Exhibit 1,

were presented and admitted into the record. Gil Hunt testified on behalf of the Division and corroborated the facts set forth in the Donohoue Affidavit and Inland's Request for Agency Action. The Bureau of Land Management was represented by Terry L. Catlin, Kent Hoffman, and Kirk Fleetwood. Although Fred W. Blackmun, a working interest owner, by letter dated September 26, 2003, addressed to Patsy Barreau, indicated his unwillingness to consent to the proposed exception well location, Mr. Blackmun did not appear at or otherwise participate at the February 25, 2004 hearing. A copy of Mr. Young's letter was entered into the record as an attachment to Inland's Request for Agency Action. No other persons or parties appeared in opposition to Inland's Request for Agency Action in this matter.

At the close of the hearing, the Board left the auditorium to deliberate and discuss the matter, and returned to announce its unanimous decision approving Inland's Request for Agency Action.

NOW, THEREFORE, the Board having fully considered the testimony adduced at the February 25, 2004 hearing, and Exhibit 1 and the Affidavit of Kelly L. Donohoue, both admitted at the February 25, 2004 hearing, being fully advised, and good cause appearing, hereby makes the following Findings of Fact, Conclusions of Law, and Order:

FINDINGS OF FACT

1. Notices of the time, place, and purpose of the Board's regularly scheduled February 25, 2004 hearing were mailed to all interested parties by first-class mail, postage prepaid, and were duly published in the Salt Lake Tribune, Deseret News, and Vernal Express pursuant to the requirements of Utah Administrative Code ("U.A.C.") Rule R641-106-100 (2003). Copies of the Request for Agency Action were mailed to each person known to have a direct interest in the Request for Agency Action pursuant to U.A.C. Rules R641-104-135.

2. Inland Production Company is a Texas corporation in good standing, having its principal place of business in Denver, Colorado, and is qualified to do business in Utah.

3. The Board has jurisdiction of the parties and subject matter of this Request for Agency Action, pursuant to Sections 40-6-5 of the Utah Code Annotated and U.A.C. Rule R649-3-3.

4. Inland is the operator of the Federal #13-12-9-17 Well (the "Subject Well"), which has a surface location in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 12, Township 9 South, Range 17 East, S.L.M., Uintah County, Utah (the "Subject Lands").

5. No spacing order of the Board as contemplated by Section 40-6-6 of the Utah Code Annotated exists with respect to the Subject Lands. Accordingly, pursuant to U.A.C. Rule R649-3-2, the Subject well should be located in the center of a 40-acre quarter-quarter section, or a substantially equivalent lot, with a tolerance of 200 feet in any direction from the center location.

6. The permitted well location for the Subject Well under Rule R649-3-2 is located within the floodplain of an intermittent drainage. Inland's proposal to drill the Subject Well at a location in subject Section 12 outside the 400 foot square "window" as provided by the Board's statewide well location rule in a location that is 667 feet from the south line and 366 feet from the west line of subject Section 12 is reasonably necessary to accommodate the topographic considerations regarding the intermittent drainage and will fulfill the provisions of Chapter 6 of Title 40 of the Utah Code Annotated.

7. Inland and Fred W. Blackmun own the working interests in the Subject Lands.

8. The Subject Lands are subject to United States Oil and Gas Lease No. UTU-39713 and the minerals and surface of the Subject Lands are administered by the Bureau of Land Management.

CONCLUSIONS OF LAW

9. Due and regular notice of the time, place, and purpose of the Board's regularly scheduled February 25, 2004 hearing was given to all interested parties in the form and manner and within the time required by law and the Rules and Regulations of the Board. Due and regular notice of the filing of the Request for Agency Action was given to all interested parties in the form and manner and within the time required by law and the Rules and Regulations of the Board.

10. The Board has jurisdiction of the parties and subject matter of this Request for Agency Action, pursuant to Sections 40-6-5 of the Utah Code Annotated and U.A.C. Rule R649-3-3 and has the power and authority to make and promulgate the order herein set forth.

11. The Board may and does take as evidence facts contained in properly authenticated documents including maps and other technical and scientific information within its specialized knowledge, records of other proceedings before the Board, and its existing rules and orders pursuant to U.A.C. Rule R641-108-200.

12. The proposed exception well location for the Subject Well is reasonably necessary to fulfill the purposes of Chapter 6, Title 40 of the Utah Code Annotated, is in the public interest, and will foster, encourage, and promote conservation, will prevent waste, and will protect the correlative rights of all Owners.

ORDER

IT IS THEREFORE ORDERED that:

1. The Board hereby grants Inland's request for an exception well location for the Federal #13-12-9-17 Well at a surface location 667 feet from the south line and 366 feet from the west line of Section 12, Township 9 South, Range 17 East, S.L.M., Uintah County, Utah.

2. The Federal #13-12-9-17 Well shall be drilled in accordance with an appropriate application for permit to drill incorporating the terms of the Request for Agency Action and filed with and approved by the Division.

3. Pursuant to U.A.C. Rule 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.

4. 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 Utah Administrative Procedures Act, Utah Code Ann. § 63-46b-10 and Utah Administrative Code R641-109.

5. 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.

6. 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.

7. 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 10th day of March, 2004.

STATE OF UTAH
BOARD OF OIL, GAS AND MINING

By W. Allan Mashburn
W. Allan Mashburn, Chairperson

6. 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.

7. 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 10th day of March, 2004.

STATE OF UTAH
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 "Findings of Fact, Conclusions of Law, and Order of Approval" for Docket No. 2004-003, Cause No. 228-7 to be mailed with postage prepaid, this 11th day of March, 2004, to the following:

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