

**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 ULTRA RESOURCES, INC. FOR APPROVAL OF WATERFLOOD OPERATIONS IN THE EOCENE MIDDLE AND LOWER GREEN RIVER FORMATIONS IN SECTION 16, TOWNSHIP 8 SOUTH, RANGE 20 EAST, SLM, UINTAH COUNTY, UTAH, AND CERTIFICATION OF SAID OPERATIONS AS AN ENHANCED RECOVERY PROJECT

**Docket No. 2014-027  
Cause No. 270-05**

**INDEX OF ORDERS**

<u>NO.</u>	<u>DATE</u>	<u>DESCRIPTION</u>
1.	08/27/2014	Findings of Fact, Conclusions of Law, and Order

**FILED**

AUG 27 2014

SECRETARY, BOARD OF  
OIL, GAS & MINING

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

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This Cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, July 30, 2014, at approximately 1:25 p.m., in the Auditorium of the Utah Department of Natural Resources Building in Salt Lake City. The following Board members were present and participated at the hearing: Chairman Ruland J. Gill, Jr., Carl F. Kendell, Chris D. Hansen, Susan S. Davis, Gordon L. Moon, and Michael R. Brown. Board Member Kelly L. Payne was unable to attend. The Board was represented by Michael S. Johnson, Esq., Assistant Attorney General.

Testifying on behalf of Petitioner Ultra Resources, Inc. ("Ultra") were Ned Higgins – Senior Landman, Carl J. Lothringer – Director, Exploration and New Ventures and Geologist, and Jeremy Golob – Asset Manager and Petroleum Engineer. Mr. Lothringer and Mr. Golob were recognized as experts in geology and petroleum engineering, respectively, for purposes of this Cause. J. Brent Allen, Esq., of and for MacDonald & Miller Mineral Legal Services, PLLC, appeared as attorney for Ultra.

The Division of Oil, Gas and Mining (the “Division”) did not file a staff memorandum in this Cause, but participated in the hearing. Kassidy Wallin, Esq., Assistant Attorney General, appeared as attorney for, and, with the Board’s permission, Dustin Doucet, Petroleum Engineer, asked questions on behalf of the Division. At the conclusion of Ultra’s presentation in-chief, Mr. Wallin expressed that the Division supported the granting of Ultra’s Request for Agency Action dated June 10, 2014 (the “Request”), as conformed to the testimony and other evidence provided at the hearing.

The State of Utah School and Institutional Trust Lands Administration (“TLA”), the surface and oil and gas owner of the lands at issue in this Cause, filed a letter on July 10, 2014 in support of the granting of the Request, which was included as part of the record in this Cause.

No other party filed a response to the Request and no other party 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, hereby makes the following findings of fact, conclusions of law and order in this Cause.

**FINDINGS OF FACT**

1. Ultra is a Wyoming corporation, in good standing, with its principal places of business in Houston, Texas and, as relating to Rocky Mountain operations including

the Project Area, in Denver, Colorado. Ultra is duly authorized to conduct business in the State of Utah and is fully bonded with all relevant State of Utah and Federal agencies.

2. Ultra is a member of UPL Three Rivers Holdings, LLC (“UPL”), the lessee and working interest owner of the lease covering Lots 3-5, the NW $\frac{1}{4}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ W $\frac{1}{2}$  and E $\frac{1}{2}$  [All] of Section 16, T8S, R20E, SLM (597 acres) (the “Project Area”). Ultra operates on behalf of UPL.

3. The oil and gas underlying the Project Area are owned by the TLA. The Project Area lies within the boundaries of the Uncompahgre Indian Reservation.

4. The surface of the lands embraced within the Project Area is owned by the State of Utah and administered by the TLA and the Utah Department of Transportation.

5. The surface owners within a one-half mile radius of the Project Area are the United States (administered by the BLM), the National Wildlife Refuge, certain fee owners, the State of Utah (administered by both TLA and the Utah Division of Forestry, Fire, & State Lands (“DFFSL”)), and the United States in trust for the Ute Indian Tribe (administered by both the Bureau of Indian Affairs (“BIA”) and the Ute Indian Tribe).

6. The mineral owners within a one-half mile radius of the Project Area are the State of Utah (administered by both TLA and DFFSL), the United States (administered by the BLM), certain fee lands, and the United States in trust for the Ute Indian Tribe (administered by the BIA, the Ute Indian Tribe and the Ute Distribution

Corporation). Much of the surrounding lands are currently leased with the leasehold interests owned by Crescent Point Energy U.S. Corp., Finley Resources Inc., Newfield Exploration Company, and UPL.

7. There are no existing water wells within a one-half mile radius of the Project Area and the injection formation is not deemed an underground source of drinking water.

8. The Eocene Middle and Lower Green River formations are defined for the purposes of this Cause as:

the stratigraphic equivalent of the interval between the TGR<sub>3</sub> marker, as found at 4,618 feet (measured depth), and the base of the Uteland Butte member, as found at 6,416 feet (measured depth), in the Ultra Petroleum Three Rivers 16-32-820 Well located in the SW $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 16, T8S, R20E, SLM, Uintah County, Utah.

(the "Subject Formations").

9. As supported by the exhibits and testimony received into evidence, the upper portion of the Subject Formations is comprised of mostly discontinuous sand and the lower portion of the Subject Formations consists of mostly continuous limestones and limey sandstones, making the Subject Formations conducive to the proposed waterflooding.

10. The Subject Formations are confined by an upper layer of approximately fifty (50) feet of silt and shale and by a lower layer of approximately thirty (30) feet of silt and shale, which are sufficient geologic barriers to prevent migration.

11. The proposed project will involve reinjecting water from producing wells on and off lease and will be treated if and as necessary for compatibility per the United States Environmental Protection Agency (“EPA”) approval. The proposed injection rates are estimated to be between 300-800 barrels of water per day depending upon the injectivity of a given well and the rates approved by the EPA, but are likewise subject to modification by EPA in the approval process (*see* Conclusion of Law No. 3 below).

12. The project is not expected to impact any of the adjacent lands. The proposed Development and Injection Plan, as demonstrated in Exhibits “D-2,” “D-3,” and “H” admitted into evidence, reflects current and future well locations, current and future project pipelines, and future injector well locations.

13. Original oil in place is calculated to be approximately 80 MMBO, with primary recovery estimated to be between 6%-8% and the incremental recovery resulting from the proposed waterflood project estimated to be between 18%-20%.

14. As supported by the exhibits and testimony received into evidence, the project is necessary to recover resources that would otherwise be left in place, and the

value of the projected incremental production substantially exceeds the costs incident to the enhanced recovery operations.

15. A copy of the Request was mailed, postage pre-paid, certified with return receipt requested, and properly addressed to all surface and mineral owners, “owners” as that term is defined in Utah Code Ann. §40-6-2(17) and Utah Admin. Code Rule R649-1, and operators within a one-half mile radius of the Project Area, and all mineral, leasehold and production interest owners in the Project Area. The mailings were sent to said parties at their last addresses disclosed by the relevant BLM, TLA, DFFSL, BIA and Uintah County realty records.

16. Notice of the filing of the Request and of the hearing thereon was duly published in the Uintah Basin Standard and the Vernal Express on July 1, 2014, and in the Salt Lake Tribune and the Deseret Morning News on July 6, 2014.

17. The vote of the Board members present and participating in the hearing on this Cause was unanimous (6-0) in favor of granting the Request.

### **CONCLUSIONS OF LAW**

1. Due and regular notice of the time, place and purpose of the hearing was properly given to all parties whose legally protected interests are affected by the Request 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 and all interested parties therein, and has power and authority to render the order herein set forth pursuant to Utah Code Ann. §§40-6-5(3)(c), 40-6-7(1) and 59-5-102(7), and Utah Admin. Code Rules R649-2-1, R649-3-37 and R649-5-1, *et seq.*

3. Because the Project Area is within the boundaries of the Uncompahgre Reservation, underground injection control jurisdiction is retained by the EPA and has not been delegated to the Board and Division. Consequently, Ultra will be making the appropriate applications to the EPA for injection well approval.

4. Vacating the 270-02 Order and suspension of the general well location and siting rules (Utah Admin. Code Rules R649-3-2) to the extent inconsistent with the project is just and reasonable under the circumstances.

5. Approval of the Project Area for enhanced recovery purposes is in the public interest, will promote conservation, and will increase ultimate recovery without waste and with protection of correlative rights.

6. The Project Area qualifies as an “Enhanced Recovery Project” for purposes of Utah Code Ann. §59-5-102(7).

7. Ultra has sustained its burden of proof, demonstrated good cause, and satisfied all legal requirements for the granting of the Request.

## ORDER

Based on the Request, testimony and evidence submitted, and the findings of fact and conclusions of law stated above, the Board hereby orders:

1. The Request in this Cause is granted.
2. The plan of waterflood and enhanced recovery is approved.
3. The 270-02 Order and the Board's general well location and siting rules are vacated to the extent inconsistent with the development and operation of the Project Area as outlined in the evidence of record; provided, however, that no well may be drilled closer than 460 feet to a boundary of the Project Area without an exception location approval from the Division or the Board in accordance with Utah Admin. Code Rule R649-3-3.
4. The Project Area is hereby approved and certified as an "Enhanced Recovery Project" in accordance with Utah Code §§40-6-7(1) and 59-5-102(7) and Utah Admin. Code Rule R649-3-37.
5. Pursuant to Utah Admin. Code Rules R641 and Utah Code Ann. §63G-4-204 to 208; the Board has considered and decided this matter as a formal adjudication.
6. This Order is based exclusively on evidence of record in the adjudicative proceeding or on facts officially noted as weighed and analyzed by the Board in the exercise of its expertise as set forth in Utah Code Ann. §40-6-4(2)(a) through (3), 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. §63G-4-208 and Utah Administrative Code Rule R641-109.

7. Notice re: Right to Seek Judicial Review by the Utah Supreme Court or to Request Board Reconsideration: As required by Utah Code Ann. §63G-4-208(1)(e) - (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 issued. Utah Code Ann. §§63G-4-401(3)(a) and 403. 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. §63G-4-302, 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 63G-4-301 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 10<sup>th</sup> 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 15<sup>th</sup> 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. §63G-4-302 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.

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.

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

DATED this 27<sup>th</sup> day of August, 2014.

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

By:   
Ruland J. Gill, Jr., Chairman

**CERTIFICATE OF SERVICE**

I hereby certify that on this 28th day of August, 2014, I caused a true and correct copy of the foregoing **FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER** for Docket No. 2014-027, Cause No. 270-05, to be mailed with postage prepaid, via E-mail or First Class Mail, to the following:

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