

BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
in and for the STATE OF UTAH

IN THE MATTER OF THE APPLICATION)
OF MOUNTAIN RESOURCE CORPORATION)
FOR AN ORDER VACATING A PORTION)
OF THE 320-ACRE DRILLING AND)
SPACING UNITS ADOPTED IN CAUSE)
NO. 7 AND ESTABLISHING 160-ACRE)
DRILLING AND SPACING UNITS FOR)
THE FERRON SANDSTONE, EMERY)
COUNTY, UTAH)

ORDER

Cause No. 7-11(A)

Pursuant to the application of Mountain Resource Corporation, this cause came on for consideration by the Board of Oil, Gas and Mining on Friday, August 26, 1983, in the auditorium of the Department of Natural Resources, 1636 West North Temple, Salt Lake City, Utah.

The following Board members were present and participated at the hearing:

Gregory P. Williams, Chairman
Charles R. Henderson
E. Steele McIntyre
Constance K. Lundberg
Richard B. Larson
John M. Garr

Also present and participating in the hearing were:

Barbara Roberts, Esq., Assistant Attorney General
Ron Firth, Chief Petroleum Engineer

Appearing on behalf of the applicant were its attorney, Robert G. Pruitt, Jr., Frederick G. Jaeger, President of Mountain Resource Corporation, and John B. Adamson, Consulting Geologist for Mountain Resource Corporation.

Also addressing the Board was Ruland D. Gill, Attorney for Mountain Fuel Supply Company, Celsius Corporation and Wexpro Corporation, who supported the application of Mountain Resource Corporation. A Letter was introduced supporting the application from F-L Energy Company.

FINDINGS OF FACT

The Board, having considered the testimony and evidence adduced, now makes and enters the following Findings of Fact:

1. Due and regular notice of the time, place and purpose of the 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.

2. The Board has jurisdiction over the matter covered by said application and over all parties interested therein, and has jurisdiction to make and promulgate the Order hereinafter set forth.

3. The Board's Order in Cause No. 7, entered on December 13, 1957, established 320-acre drilling and spacing units for the Ferron sandstone member of the Mancos formation underlying certain lands in Townships 19, 20 and 21 South, Ranges 7 and 8 East, Emery County, Utan. Subsequent drilling and producing operations by the applicant and by others have made available additional information on the Ferron sandstone member and the gas reserves which it contains in the field.

4. Within Township 21 South, Range 7 East, there is a separate gas reservoir in the Ferron sandstone (herein

referred to as the "southern gas reservoir"), which cannot be effectively drained by 320-acre drilling and spacing units.

5. Gas production from the Ferron sandstone in the southern gas reservoir comes from shallow, low pressure wells which produce from small, discontinuous lenticular sands. The cost of drilling wells in the Ferron area is approximately \$25,000.00, before completion, so it is economical to drill infill wells to discover and produce additional gas reserves from this low pressure, shallow gas reservoir. The additional cost of completing a well is approximately \$50,000.00, bringing to a total of \$75,000.00 per well completed for gas production.

6. Unless additional infill drilling is permitted, known reserves of natural gas will not be recoverable from the Ferron sandstone which underlies Township 21 South, Range 7 East.

7. Information from drilling and production developed since 1957 indicates that the proper drilling and spacing for the southern gas reservoir, that is the portion lying under Township 21 South, Range 7 East, should be 160-acres, each consisting of the quarter section of the surveyed governmental sections, in order to more efficiently and economically recover said gas reserves.

ORDER

NOW, THEREFORE, the Board, in accordance with the testimony and exhibits received at the hearing, and in conformity with the Findings of Fact recited above, and being fully

advised in the premises, now makes and enters the following Order:

1. The Order is Cause No. 7, dated December 13, 1957, which establishes 320-acre drilling and spacing units for the Ferron sandstone, is hereby vacated with respect to the following listed lands:

Township 21 South, Range 7 East, SLM

Section 3: All
Section 4: All
Section 5: All
Section 7: E $\frac{1}{2}$
Section 8: All
Section 9: All
Section 10: All
Section 16: All
Section 17: All
Section 18: E $\frac{1}{2}$

2. The lands listed immediately above are hereby spaced on the basis of 160 acres, each unit to comprise a quarter section of each surveyed governmental section, for the drilling of gas wells in the Ferron sandstone member of the Mancos formation.

3. No wells shall be located closer than 660 feet from the boundary of the drilling and spacing unit, provided, however, that exception locations may be permitted by administrative approval for topographic considerations upon application of the operator.

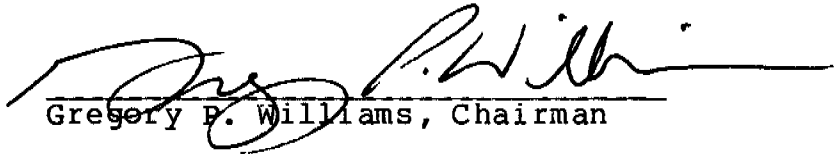
4. All existing producing wells located within any newly established 160 acre drilling and spacing unit shall constitute the permitted well for such unit during the life of the well, and existing Declarations of Pooling for such

producing wells based upon the former 320-acre spacing shall not be disturbed by the action of this Board in vacating the Order in Cause No. 7 nor by the establishment of new 160-acre drilling and spacing units under this Order.

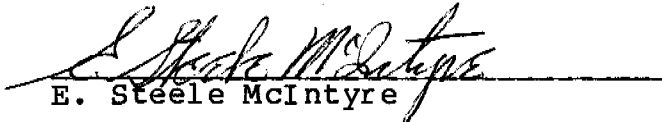
5. The Board retains continuing jurisdiction with respect to the parties and all matters covered by this Order.

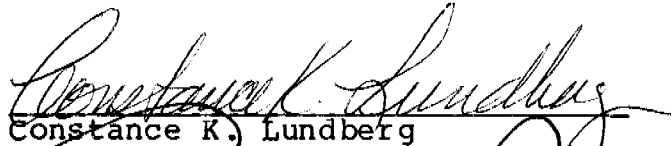
DATED this 26th day of August, 1983.

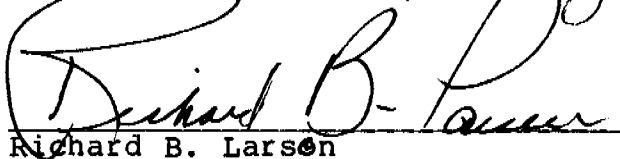
STATE OF UTAH BOARD OF OIL, GAS AND MINING

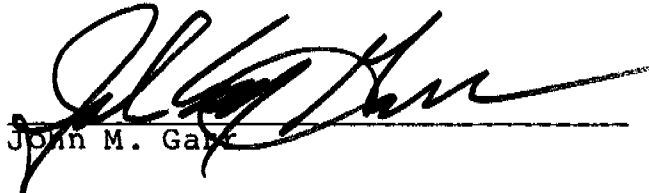

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5. The Board retains continuing jurisdiction with respect to the parties and all matters covered by this Order.

DATED this 26th day of August, 1983.

STATE OF UTAH BOARD OF OIL, GAS AND MINING

Gregory P. Williams, Chairman

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