

FILED

MAY 1 8 1999

SECRETARY, BOARD OF
OIL, GAS & MINING

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

IN THE MATTER OF THE REQUEST FOR	:	
AGENCY ACTION OF QUINEX ENERGY	:	
CORPORATION FOR AN ORDER	:	ORDER
SUPPLEMENTING THE ORDER IN	:	
CAUSE NOS. 131-14 AND 139-42 AS THEY	:	DOCKET NO. 99-002
PERTAIN TO SECTION 6, TOWNSHIP 1	:	
SOUTH, RANGE 2 WEST, USM, IN THE	:	CAUSE NO. 131-118
ALTAMONT-BLUEBELL FIELD,	:	
DUCHESNE COUNTY, UTAH	:	

This Cause came on for hearing before the Board of Oil, Gas, and Mining at 2:45 p.m., on Wednesday, April 28, 1999, in the auditorium of the Division of Oil, Gas, and Mining located at 1594 West North Temple, Suite 1040A, Salt Lake City, Utah. The following Board members were present:

Thomas B. Faddies, Acting Chairman

Raymond Murray

Elise L. Erler

James Peacock

Stephanie Cartwright

Allan Mashburn

Present representing the Division were:

John Baza, Associate Director - Oil and Gas

Patrick J. O'Hara, Assistant Attorney General.

Present representing the Board was Thomas A. Mitchell, Assistant Attorney General.

In attendance and supporting the Request for Agency Action were:

Jerry Kenczka of the Bureau of Land Management, Vernal District Office,

Ferron Secakuku of the Ute Indian Tribe,

Chris Denver of the Ute Distribution Corporation, and

John D. Chasel, a leasehold interest owner in Section 6, T1S, R2W, USM.

The Petitioner was represented by DeForrest Smouse, President of Quinex Energy Corporation, who testified in support of the Request for Agency Action. The attorney for Petitioner was Robert W. Adkins, of Adkins & Christiansen, P.C.

There were no appearances or correspondence received in opposition to the Request for Agency Action.

Having considered the Request for Agency Action, the testimony and evidence presented at the hearing, and being fully advised in the premises, the Board hereby makes and enters the following:

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Due and regular notice of the time, place, and purpose of the hearing was given to all interested parties as required by law and the Rules and Regulations of the Board.
2. The Board has jurisdiction over the matters covered by the Request for Agency Action, and all parties interested therein, and has jurisdiction to make and promulgate the order hereinafter set forth.

3. In the Altamont Bluebell Field, in the vicinity of Section 6, Township 1 South, Range 2 West, USM, the lower Green River-Wasatch Formation spaced interval defined in the Board's Order in Cause No. 131-14, issued on August 11, 1971, is comprised of two distinct producing reservoirs: the upper reservoir known as the "lower Green River Formation", and the lower reservoir known as the "Wasatch Formation." In the vicinity of Section 6, Township 1 South, Range 2 West, USM, the lower Green River Formation and the Wasatch Formation are separated by approximately 2,000 feet of impervious shale, known as the red beds. The shale, known as the red beds, prevents communication between the lower Green River Formation and the Wasatch Formation.

4. There are currently two wells in Section 6, Township 1 South, Range 2 West, USM: the Ute Tribal 11-6A2 well located in the NW1/4, and the Ute 3-6A2 well located in the SE1/4. Both the Ute Tribal 11-6A2 well and the Ute 3-6A2 well are operated by Quinex Energy Corporation. Both wells were drilled to the Wasatch Formation; however, both wells are now incapable of being produced in the Wasatch Formation. The Ute Tribal 11-6A2 well has been plugged back to the lower Green River Formation and is presently producing from the lower Green River Formation only. The Ute 3-6A2 well will be plugged back to the lower Green River and the well will be produced from the lower Green River Formation only.

5. It is not economically or practically feasible to sidetrack and attempt to deepen the Ute 3-6A2 wellbore to produce from the Wasatch Formation due to the mechanical problems existing in the well, faulting in the SE1/4 of Section 6, and other considerations.

6. An additional well in the SW1/4 of Section 6, proposed by Quinex, is expected to be

able to produce oil and/or gas from an untapped portion of the Wasatch Formation, which is not being produced by nearby wells.

7. The Board's prior Orders authorized two wells per section (drilling unit). The Board's prior Orders contemplate that each well can produce from both the lower Green River Formation and the Wasatch Formation.

8. Because the Ute 3-6A2 well cannot produce from the Wasatch Formation and the Ute 4-6A2 well will be allowed to produce only from the Wasatch Formation, the Ute 3-6A2 wellbore and the proposed Ute 4-6A2 wellbore are, in effect, "one well" for the purposes of the Board's prior Orders.

9. Petitioner's proposed location of the Ute 4-6A2 well, in the SW1/4 of Section 6, qualifies as a legal and permitted location for a "second well" as authorized by the Board's Order in Cause No. 139-42, dated April 17, 1985.

ORDER

It is hereby ordered by the Board that:

1. The Board's Orders in Cause No. 131-14, dated August 11, 1971, and Cause No. 139-42, dated April 17, 1985, are hereby supplemented to expressly declare that the Ute 3-6A2 wellbore (limited by this Order to producing from the lower Green River Formation, including the transition zone located at the base of the lower Green River Formation not to exceed a depth of 12,300 feet in said well) and the proposed Ute 4-6A2 wellbore (limited by this Order to producing from the Wasatch Formation only) are, in effect, "one well" for the purposes of the Board's prior Orders.

2. Quinex Energy Corporation is hereby authorized to drill and produce the proposed Ute 4-6A2 well at a permitted location within the SW1/4 of Section 6, Township 1 South, Range 2 West, USM, in accordance with the provisions of the Board's Order in Cause No. 139-42, dated April 17, 1985, but said well may be produced from the Wasatch Formation only.

3. The Ute 3-6A2 well is allowed to produce only from the lower Green River Formation, which shall include the transition zone located at the base of the lower Green River Formation, but not to exceed a depth of 12,300 feet in said wellbore.

4. Although the Ute 3-6A2 well and the proposed Ute 4-6A2 well are considered to be one well for the purposes of this Order, the operator of said wells shall separately report the monthly production and other operations for each well to the Division of Oil, Gas, and Mining as required by the statutes and rules of the State of Utah.

5. 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.

6. This 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.

7. 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, but 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.

8. 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.

9. 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 18 day of May, 1999.

STATE OF UTAH
BOARD OF OIL, GAS, AND MINING

By 

Thomas B. Faddies, Acting Chairman

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing ORDER to be mailed, properly addressed with postage prepaid, this 19 day of May, 1999, to the following:

Robert W. Adkins
ADKINS & CHRISTIANSEN, P.C.
Attorneys for Quinex Energy Corporation
P.O. Box 660
Coalville, UT 84017

Patrick J. O'Hara
Attorney for Div. of Oil, Gas & Mining
160 East 300 South, 5th Floor
P.O. Box 140857
Salt Lake City, UT 84114-0857

Thomas A. Mitchell
Attorney for Board of Oil, Gas & Mining
160 East 300 South, 5th Floor
P.O. Box 140857
Salt Lake City, UT 84114-0857

John Baza
Associate Director, Oil & Gas
Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
Salt Lake City, UT 84116
(Hand Delivered)

Quinex Energy Corporation
Attention: DeForrest Smouse, President
465 South 200 West, Suite 300
Bountiful, UT 84010

Ute Indian Tribe
P.O. Box 70
Ft. Duchesne, UT 84026

Pennzoil Company
P.O. Box 2967
Houston, TX 77252

Barrett Resources Corporation
1515 Arapahoe Street
Tower 3, Suite 1000
Denver, CO 80202

John D. Chasel
2285 Lucky John Drive
Park City, UT 84060

Ute Distribution Corporation
P.O. Box 696
Roosevelt, UT 84066

Coastal Oil & Gas Corporation
Nine Greenway Plaza, 7th Floor
Houston, TX 77046

Flying J Oil & Gas
333 West Center Street
North Salt Lake, UT 84054

Bureau of Land Management
170 South 500 East
Vernal, UT 84078



FILE

APR 05 1999

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

SECRETARY, BOARD OF
OIL, GAS & MINING

---0000---

IN THE MATTER OF THE REQUEST
FOR AGENCY ACTION OF QUINEX
ENERGY CORPORATION FOR AN
ORDER SUPPLEMENTING THE ORDERS
IN CAUSE NOS. 131-14 AND 139-42 AS
THEY PERTAIN TO SECTION 6,
TOWNSHIP 1 SOUTH, RANGE 2 WEST,
USM, IN THE ALTAMONT-BLUEBELL
FIELD, DUCHESNE COUNTY, UTAH.

ORDER GRANTING
EXPEDITED HEARING

DOCKET NO. 99-002
CAUSE NO. 131-118

---0000---

Having read the MOTION TO HAVE REQUEST FOR AGENCY ACTION HEARD
ON APRIL 28, 1999 by Quinex Energy Corporation ("Petitioner") in the above-referenced
matter, the Utah Board of Oil, Gas and Mining hereby grants the parties an ORDER
GRANTING EXPEDITED HEARING to be held on April 28, 1999, subject to the condition
that all interested parties within a half mile radius of the proposed well in the SW1/4 of
Section 6, Township 1 South, Range 2 West, USM receive notice at least fifteen days prior
to the hearing.

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

SO GRANTED this 5th day of April, 1999.

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 ORDER GRANTING EXPEDITED HEARING for Docket No. 99-002, Cause No. 131-118 to be mailed, postage prepaid, this 6th day of April, 1999, to the following:

Robert W. Adkins
ADKINS & CHRISTIANSEN, P.C.
Attorneys for Quinex Energy Corporation
P.O. Box 660
Coalville, UT 84017

Patrick J. O'Hara
Attorney for Div. of Oil, Gas & Mining
160 East 300 South, 5th Floor
P.O. Box 140857
Salt Lake City, UT 84114-0857

Daniel G. Moquin
Attorney for Board of Oil, Gas & Mining
1594 West North Temple, Suite 300
P.O. Box 140855
Salt Lake City, UT 84114-0855
(Hand Delivered)

John Baza
Associate Director, Oil & Gas
Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
Salt Lake City, UT 84116
(Hand Delivered)

Quinex Energy Corporation
Attention: DeForrest Smouse, President
465 South 200 West, Suite 300
Bountiful, UT 84010

Ute Indian Tribe
P.O. Box 70
Ft. Duchesne, UT 84026

Pennzoil Company
P.O. Box 2967
Houston, TX 77252

Barrett Resources Corporation
1515 Arapahoe Street
Tower 3, Suite 1000
Denver, CO 80202

John D. Chasel
2285 Lucky John Drive
Park City, UT 84060

Ute Distribution Corporation
P.O. Box 696
Roosevelt, UT 84066

Coastal Oil & Gas Corporation
Nine Greenway Plaza, 7th Floor
Houston, TX 77046

Flying J Oil & Gas
333 West Center Street
North Salt Lake, UT 84054

Bureau of Land Management
170 South 500 East
Vernal, UT 84078



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

---oo0oo---

IN THE MATTER OF THE REQUEST	:	
FOR AGENCY ACTION OF QUINEX	:	ORDER GRANTING
ENERGY CORPORATION FOR AN	:	EXPEDITED HEARING
ORDER SUPPLEMENTING THE ORDERS	:	
IN CAUSE NOS. 131-14 AND 139-42 AS	:	
THEY PERTAIN TO SECTION 6,	:	DOCKET NO. 99-002
TOWNSHIP 1 SOUTH, RANGE 2 WEST,	:	CAUSE NO. 131-118
USM, IN THE ALTAMONT-BLUEBELL	:	
FIELD, DUCHESNE COUNTY, UTAH.	:	

---oo0oo---

Having read the MOTION TO HAVE REQUEST FOR AGENCY ACTION HEARD ON APRIL 28, 1999 by Quinex Energy Corporation ("Petitioner") in the above-referenced matter, the Utah Board of Oil, Gas and Mining hereby grants the parties an ORDER GRANTING EXPEDITED HEARING to be held on April 28, 1999, subject to the condition that all interested parties within a half mile radius of the proposed well in the SW1/4 of Section 6, Township 1 South, Range 2 West, USM receive notice at least fifteen days prior to the hearing.

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

SO GRANTED this _____ day of April, 1999.

STATE OF UTAH
BOARD OF OIL, GAS AND MINING

Dave D. Lauriski, Chairman