

**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 NEWFIELD
PRODUCTION COMPANY FOR AN ORDER
GRANTING AN EXCEPTION LOCATION FOR THE
TOPONOTES UT 13-22 3-3-28-1H SHORT
LATERAL HORIZONTAL WELL LOCATED IN
SECTION 28, TOWNSHIP 3 SOUTH, RANGE 3
WEST, USM, DUCHESNE COUNTY, UTAH.

**Docket No. 2017-019
Cause No. 139-148**

INDEX OF ORDERS

<u>NO.</u>	<u>DATE</u>	<u>DESCRIPTION</u>
1.	08/25/2017	Findings of Fact, Conclusions of Law and Order

FILED

AUG 25 2017

SECRETARY, BOARD OF
OIL, GAS & MINING

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RANGE 3 WEST, USM, DUCHESNE
COUNTY, UTAH

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

Docket No. 2017-019

Cause No. 139-148

This Cause came on for hearing before the Utah Board of Oil, Gas and Mining (the “Board”) on Wednesday, August 23, 2017, at approximately 11:00 a.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., Chris D. Hansen, Michael R. Brown, Carl F. Kendell, Susan S. Davis, Gordon L. Moon and Richard K. Borden. The Board was represented by Michael S. Johnson, Esq., Assistant Attorney General.

Testifying on behalf of Petitioner Newfield Production Company (“Newfield”) were Reece D. Cook – Senior Landman, and Lloyd H. Hetrick – Operations Engineering Advisor. Mr. Hetrick was recognized by the Board as an expert in engineering for purposes of this Cause. Relma M. Miller, Esq., of and for MacDonald & Miller Mineral Legal Services, PLLC, appeared as attorney for Newfield.

The Division of Oil, Gas and Mining (the “Division”) did not file a Memorandum in this matter, but participated in the hearing. Steven F. Alder, Esq., Assistant Attorney General, appeared as attorney for the Division. At the conclusion of Newfield’s presentation-in-chief, and based on the evidence and testimony provided at the hearing, Mr. Alder expressed the Division’s support for the granting of Newfield’s Request for Agency Action filed on July 10, 2017 (“Request”).

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. Newfield is a Texas corporation with its principal place of business for Rocky Mountain operations in The Woodlands, Texas. Newfield is duly qualified to conduct business in the State of Utah, and is fully and appropriately bonded with all relevant Federal, Indian and State of Utah agencies.

2. The oil, gas and hydrocarbons underlying Section 28, Township 3 South, Range 3 West, USM, are owned in fee and by the Ute Tribe and Ute Allottees. The majority

of interests are leased to Newfield or Crescent Point Energy U.S. Corp. However, there are unleased owners within the said lands.

3. By its order in Cause No. 139-90, entered on May 9, 2012 (the “139-90 Order”), the Board established Section 28 of T3S, R3W, USM, as a drilling unit for the production of oil, gas and hydrocarbons from the Lower Green River-Wasatch formations, defined as follows:

the interval from the top of the Lower Green River formation (TGR₃ marker) to the base of the Green River-Wasatch formations (top of Cretaceous), which base is defined as the stratigraphic equivalent of the Dual Induction Log depths of 16,720 feet in the Shell-Ute 1-18B5 well located in the S½NE¼ of Section 18, Township 2 South, Range 5 West, U.S.M., and 16,970 feet in the Shell-Brotherson 1-11B4 well located in the S½NE¼ of Section 11, Township 2 South, Range 4 West, U.S.M.,

(the “Subject Formations”), and authorized up to four (4) producing wells, whether all vertical, all horizontal, or a combination of both, upon said drilling unit, to be drilled at the option of the operator and with the operator’s full discretion as to the development of the hydrocarbon reserves, provided each well shall not be closer than 1,320 feet from an existing unit well completed in and producing from the Subject Formations and no closer than 660 feet from a drilling unit boundary.

4. Newfield proposes to drill the Toponotes UT 13-22 3-3-28-1H Short Lateral Horizontal Well (the “Well”) with a surface location 200 feet FSL and 331 feet FWL in

the SW¹/₄SW¹/₄ of adjacent Section 22, with productive intervals to commence 330 feet FNL and 660 feet FEL in the NE¹/₄NE¹/₄ of subject Section 28, and a terminus 330 feet FSL and 660 feet FEL in the SE¹/₄SE¹/₄ of subject Section 28. The lateral will be drilled and perforated in the Uteland Butte Member of the Lower Green River formation, and cased and cemented from the surface location through to the 330-ft. northern boundary setback.

5. The Well will be the first of the four authorized wells upon the Section 28 drilling unit. Newfield certifies it has secured both the surface and subsurface rights necessary to drill the well through Section 22 into Section 28 as specified.

6. The proposed productive interval commencement point and terminus are not in conformance with the north and south 660-ft spacing unit boundary setbacks established under the 139-90 Order. Consequently, an exception location for the Well is required under Utah Admin. Code Rule R649-3-3.

7. Newfield has made a good faith attempt to locate and solicit the written consent to the proposed location of the Well from all “owners” of the oil, gas and hydrocarbons in the affected sectional drilling units north and south of Section 28, but many of the owners in said Sections 21 and 33 have failed to respond to Newfield’s request.

8. Image log data and a Uteland Butte micro-seismic data collection and study in the general vicinity of the Well have confirmed a Uteland Butte Member fracture orientation on average of 155° azimuth (or N25°W). That orientation, when combined with

the low matrix permeability and average effective fracture half lengths, justifies a reduction of the north and south section line setbacks from 660 feet to 330 feet to allow up to an additional 660 feet of Uteland Butte Member contact. No adverse impact upon the correlative rights of the production interest owners in the adjacent Sections 21 and 33, respectively, will result from such setback reductions.

9. The Well is scheduled to be spud on or about August 24, 2017. Immediate approval of Newfield's request will enable it to complete drilling operations in a timely manner.

10. A copy of the Request was mailed, postage pre-paid, certified with return receipt requested, and properly addressed to all "owners" in the adjacent Sections 21 and 33, including unleased owners, affected by the requested set back reductions from 660 feet to 330 feet. The mailings were sent to said parties at their last addresses disclosed by the relevant agency and Duchesne County realty records.

11. Notice of the filing of the Request and of the hearing thereon was duly published in the Salt Lake Tribune and the Deseret Morning News on August 6, 2017, and in the Uintah Basin Standard on August 1, 2017.

12. The vote of the Board members present and participating in the hearing on this Cause was unanimous (7-0) 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 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 R649-3-3.

3. In the absence of obtaining the written consent of all “owners” as that term is defined in Utah Code Ann. §40-6-2(17) and Utah Admin. Code Rule R649-1, only the Board may grant the requested exception location approval pursuant to Utah Admin. Code Rule R649-3-3.

4. The reduction of the north and south section line setbacks from 660 feet to 330 feet will allow recovery of additional resources without adversely affecting the correlative rights of the production interest owners in the adjacent lands.

5. The relief granted hereby will result in greater recovery of oil, gas and associated hydrocarbons from the spacing unit comprised of Section 28, prevent waste, and adequately protect the correlative rights of all affected parties.

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

ORDER

Based upon 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, effective as of August 23, 2017.
2. An exception location is granted for the Toponotes UT 13-22 3-3-28-1H Short Lateral Horizontal Well, allowing it to be located with a surface location 200 feet FSL and 331 feet FWL in the SW¹/₄SW¹/₄ of adjacent Section 22, with productive interval in the Uteland Butte Member of the Lower Green river formation to commence at a location 330 feet FNL and 660 feet FEL in the NE¹/₄NE¹/₄ of subject Section 28, and a terminus 330 feet FSL and 660 feet FEL in the SE¹/₄SE¹/₄ of subject Section 28.
3. 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.
4. 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.

5. 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(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 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.

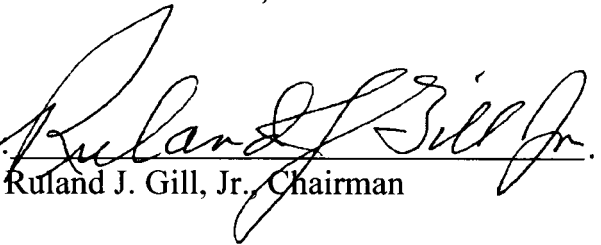
Id. See Utah Admin. Code Rule R641-110-200 for the required contents of a petition for Rehearing. If there is any conflict between the deadline in Utah Code Ann. § 63G-4-302 and the deadline in Utah Admin. Code Rule R641-110-100 for moving to rehear this matter, the Board hereby rules that the later 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 25th day of August, 2017.

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

By 
Ruland J. Gill, Jr., Chairman

2000.47

CERTIFICATE OF SERVICE

I hereby certify that on this 25th day of August, 2017, I caused a true and correct copy of the foregoing **FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER** for Docket No. 2017-019, Cause No. 139-148, to be mailed with postage prepaid, via E-mail, Certified Mail, or First Class Mail, to the following:

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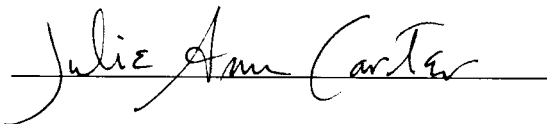
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A handwritten signature in cursive script that reads "Julie Ann Carter". The signature is written in black ink and is positioned above a solid horizontal line.