

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

IN THE MATTER OF THE PETITION OF TXO *
PRODUCTION CORPORATION FOR AN ORDER *
ALLOWING TWO PRODUCTION WELLS WITHIN *
ESTABLISHED 320 ACRE SPACING UNITS *
FOR THE UINTA FORMATION IN THE *
HORSESHOE BEND FIELD, UINTAH COUNTY, *
UTAH. *

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

Docket No. 85-044
Cause No. 145-8

Pursuant to the Petition of TXO Production Corporation, this cause came on for hearing before the Board of Oil, Gas & Mining, Department of Natural Resources and Energy, State of Utah, on Thursday, August 22, 1985, at 10 o'clock a.m. in the Board Room of the Division of Oil, Gas & Mining, 355 West North Temple, 3 Triad Center, Suite 301, Salt Lake City, Utah. The following Board members were present:

Gregory P. Williams, Chairman
James W. Carter
Richard B. Larsen
John M. Garr
E. Steele McIntyre
Charles R. Henderson

The Board was represented by Mark C. Moench, Esq., Assistant Attorney General for the State of Utah.

Appearances for the Division of Oil, Gas & Mining were made by:

Ronald J. Firth, Associate Director,
Oil & Gas

John R. Baza, Petroleum Engineer

The Division was represented by Barbara W. Roberts, Assistant Attorney General for the State of Utah.

The Petitioner, TXO Production Corporation was represented by John A. Harja of Hugh C. Garner & Associates, 310 S. Main Street, Suite 1400, Salt Lake City, Utah 84101.

Testimony was given by:

Ricky J. Taylor; Geologist, for Petitioner
Russ E. Gillis; Petroleum Engineer, for Petitioner
Thomas A. Mitchell; Attorney-at-law, for Petitioner

Mr. Assad M. Raffoul, Petroleum Engineer of the Utah State Office of the Bureau of Land Management was also present.

NOW, THEREFORE, the Board having considered the testimony adduced and the exhibits reviewed in said hearing, and being fully advised in the premises, 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 as required by law and the Rules and Regulations of the Board. Said parties are listed in Exhibit "B" attached to the Petition.

2. The Board has jurisdiction over the subject matter of the Petition and over all parties interested therein and has jurisdiction to make and promulgate the Order hereinafter set forth.

3. The Board entered its Order in Cause No. 145-2 to establish 320 acre spacing units for the Uinta formation within the following lands:

Township 6 South, Range 21 East, S.L.M.
Sections 25-27, 34-36

Township 6 South, Range 22 East, S.L.M.
Sections 28-33

Township 7 South, Range 21 East, S.L.M.
Sections 1-3, 10-12

Township 7 South, Range 22 East, S.L.M.
Sections 4-6, 8-10

These 320 acre drilling units are composed of the N1/2 and S1/2 of each governmental surveyed section.

4. The Order in Cause No. 145-2 further provided that well sites within the units would be located not less than 1000 feet from the North line and 1000 feet from the East line of the Northeast Quarter, and not less than 1000 feet from the South line and 1000 feet from the West line of the Southwest Quarter of each section, except in Section 2, Township 7 South, Range 21 East, S.L.M., and Sections 27 and 34 of Township 6 South, Range 21 East, S.L.M., where the permitted well locations were established as not less than 1000 feet from the North line and 1000 feet from the West line of the Northwest Quarter and not less than 1000 feet from the South line and 1000 feet from the East line of the Southeast Quarter of each such exception section.

5. The Order in Cause No. 145-2 further provided that the Board may by administration make exceptions to the prescribed well

locations in the event topographic and other structural considerations so require.

6. This Board entered its Order in Cause No. 145-3 to extend the provisions of the Order in Cause No. 145-2 to Section 4, Township 7 South, Range 21 East, S.L.M., Uintah County, Utah.

7. This Board entered its Order in Cause No. 145-4 to allow for the drilling of and simultaneous production from two wells in the Uinta formation within each 320 acre spacing drilling unit in Sections 31, 32 and 33 of Township 6 South, Range 22 East, S.L.M.

8. The Order in Cause No. 145-4 restricted the permitted well locations within Sections 31, 32 and 33 to the area not less than 500 feet from the boundaries of each surveyed quarter section.

9. The Order in Cause No. 145-4 provided that the Board may administratively make exceptions to the prescribed well locations in the event topographic and other structural variations so require.

10. This Board entered its Order in Cause No. 145-5 to allow, inter alia, two production wells per 320 acre spacing unit for the Uinta formation within Sections 28, 29, 30 of Township 6 South, Range 22 East, S.L.M. Said Order further provided that the permitted well locations should be located within each quarter Section, no closer than 500 feet from the boundaries of such quarter section, and that exception locations to the prescribed well locations may be granted administratively by the Division of Oil, Gas & Mining in the event topographic conditions so require.

11. This Board entered its Order in Cause No. 145-6 to extend the 320 acre Uinta formation spacing (established by Cause No. 145-2) to Section 32, Township 6 South, Range 21 East, S.L.M. Said Order also provided that exceptions to the prescribed well locations, may be granted administratively, (without Board hearing) in the event topography or other structural reasons so require.

12. The Uinta formation constitutes a common source of supply of gas under the following tracts:

Township 6 South, Range 21 East, S.L.M.
Sections 25-27, 32, 34-36

Township 7 South, Range 21 East, S.L.M.
Sections 1-4, 10-12

Township 7 South, Range 22 East, S.L.M.
Sections 4-6, 8-10

13. One well per each 320 acre drilling/spacing unit previously established on the lands described in paragraph 12 will not effectively, efficiently, or adequately drain the gas within the Uinta formation.

14. Economic evaluation of the proposed wells in the lands described in paragraph 12 indicates that the wells will very probably recover commercial amounts of gas, reach payout and provide a good rate of return to investors.

15. The Board has the authority, pursuant to Section 40-6-6(4) U.C.A. (1953 as amended) to modify previous orders to authorize additional wells on each previously established spacing/drilling unit.

16. To protect the correlative rights of the various interest owners, and to prevent waste, maximize recovery of the natural

resource, and prevent the drilling of unnecessary wells, the Board should enter an Order permitting two (2) wells to be drilled and produce simultaneously within each 320 acre Uinta formation drilling unit on the lands described in paragraph 12 above.

17. The permitted well locations within each 320 acre Uinta formation spacing unit should be within each government surveyed quarter section, one well per quarter section, no closer than 500 feet from the boundaries of each quarter section.

18. The Division of Oil, Gas and Mining, or successor agency, should have the right to administratively approve exceptions to the prescribed well locations if topographical, cultural, geological or other considerations so require.

CONCLUSIONS OF LAW

1. The Board has the authority, pursuant to Section 40-6-6(4) U.C.A. (1953 as amended) to modify previous orders to authorize additional wells on each previously established spacing/drilling unit.

2. An Order permitting (a) the drilling of additional wells on existing units as provided herein, and (b) the simultaneous production of two wells per 320 acre Uinta formation spacing/drilling unit will prevent waste, maximize recovery, prevent the drilling of unnecessary wells, and protect the correlative rights of interest owners.

Sufficient evidence now being available upon which to reach a decision, the Board issues the following:

ORDER

Based upon evidence presented covering the geology, ownership, reservoir characteristics and reserves of natural gas, and to protect correlative rights and maximize the recovery of gas, the Orders issued in Cause Nos. 145-2, 145-3, 145-6, and 145-7 are hereby amended to the extent necessary to authorize the following:

1. Two production wells are allowed per each 320 acre Uinta formation drilling unit on the following lands:

Township 6 South, Range 21 East, S.L.M.
Sections 25-27, 32, 34-36

Township 7 South, Range 21 East, S.L.M.
Sections 1-4, 10-12

Township 7 South, Range 22 East, S.L.M.
Sections 4-6, 8-10

2. The permitted well locations within each 320 acre drilling unit are within each government surveyed quarter section, one well per quarter section, at a point no closer than 500 feet from the boundaries of each quarter section;

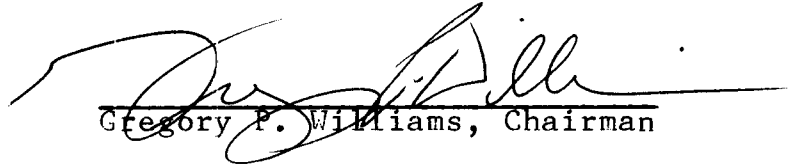
3. The Division of Oil, Gas & Mining, or successor agency, may administratively approve exceptions to the prescribed well locations pursuant to Rule C3 of the General Rules and Regulations of the Board (or any duly promulgated replacement rule) if topographical, cultural, geological or other considerations so require;

4. The Board retains exclusive and continuing jurisdiction of all matters covered by this Order and of all parties affected

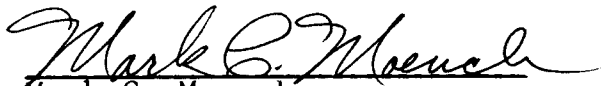
thereby, and particularly reserves exclusive and continuing jurisdiction to make further orders as appropriate and as authorized by statute and regulation.

DATED this 19th day of Sept., 1985.

STATE OF UTAH
BOARD OF OIL, GAS & MINING


Gregory P. Williams, Chairman

Approved as to form:


Mark C. Moench
Assistant Attorney General