

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

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IN THE MATTER OF THE PETITION  
OF DERNICK RESOURCES, INC. FOR  
AN ORDER EXTENDING THE SPACING  
UNIT PROVISIONS ESTABLISHED IN  
CAUSE NO. 145-8 TO THE S1/2  
SECTION 23, TOWNSHIP 6 SOUTH,  
RANGE 21 EAST, S.L.M., UINTAH  
COUNTY, UTAH.

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FINDINGS OF FACT,  
CONCLUSIONS OF LAW,  
AND ORDER

Docket No. 85-061  
Cause No. 145-9

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Pursuant to the Petition of Dernick Resources, Inc.,  
this cause came on for hearing before the Board of Oil, Gas &  
Mining, Department of Natural Resources and Energy, State of  
Utah, on Thursday, January 23, 1986 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  
John M. Garr  
Charles R. Henderson  
E. Steele McIntyre

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:

Dr. Dianne Nielson, Director  
Division of Oil, Gas & Mining

Ronald J. Firth, Assistant 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, Dernick Resources, Inc., was represented by John A. Harja and Thomas A. Mitchell of Hugh C. Garner & Associates, 310 South Main Street, Suite 1400, Salt Lake City, Utah 84101.

Testimony was given by:

John Osmond; Consulting Geologist, for Petitioner Thomas A. Mitchell; Attorney-at-law, for Petitioner

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. The parties specifically served with notice are listed in Exhibit "A" attached to the Amended Petition, which names represent all persons who own the right to explore for and produce hydrocarbons from the subject lands and all lands immediately adjacent to and cornering upon the subject lands.

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 Amended Petition in this matter is a request for 160 acre drilling/spacing units for the Uinta formation underlying the S1/2 Section 23, Township 6 South, Range 21 East, S.L.M., Uintah County, Utah, said units to be composed of a regularly surveyed governmental quarter section (or lots corresponding thereto). Petitioner further requested that the permitted well upon each unit be located no closer than 500 feet from the unit boundaries, with exceptions to this requirement to be administratively approved (pursuant to Rule 302.1 of the Oil and Gas Rules for Utah) for geologic, topographic, cultural, or other reasons.

4. This Board entered its Order in Cause No. 145-8 to allow two production wells per 320 acre Uinta formation drilling unit upon lands immediately to the south of Section 23, i.e. Sections 25-27, Township 6 South, Range 21 East, S.L.M., among others. The Order in Cause No. 145-8 further provides that one well is allowed per governmental quarter section, to be located no closer than 500 feet from the boundaries of each quarter section, with exceptions to the prescribed well locations to be approved administratively pursuant to Rule C3 of the General Rules and Regulations of the Board (now Rule 302.1) if

topographical, cultural, geological or other conditions so require.

5. Geologic evidence indicates that the Uinta formation extends under both the S1/2 Section 23, Township 6 South, Range 21 East, S.L.M., and Sections 25-27, Township 6 South, Range 21 East, S.L.M., Uintah County, Utah (the latter lands covered by the Order in Cause No. 145-8) and constitutes a common source of supply of recoverable hydrocarbons, principally natural gas.

6. Currently available geologic evidence indicates that 160 acre drilling/spacing units are not smaller than the maximum area that can be efficiently and economically drained by one well.

7. The establishment of 160 acre drilling/spacing units for the Uinta formation underlying S1/2 Section 23 will prevent waste of the resource, prevent the drilling of unnecessary wells and protect the correlative rights of the various interest owners in the section.

#### CONCLUSIONS OF LAW

1. The Uinta formation underlying S1/2 Section 23, Township 6 South, Range 21 East, S.L.M. is a "common source of supply" as that term is defined in Utah Code Ann. §40-6-2(a) (1953, as amended).

2. The Board has the authority, pursuant to U.C.A. §40-6-6(3), (1953, as amended) to modify previous spacing orders

to include additional areas which are underlaid by a common source of supply.

3. The establishment of 160 acre units on S1/2 Section 23, Township 6 South, Range 21 East, S.L.M., will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

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

ORDER

IT IS HEREBY ORDERED THAT:

1. 160 acre drilling/spacing units are established for the production of hydrocarbons from the Uinta formation underlying S1/2 Section 23, Township 6 South, Range 21 East, S.L.M., Uintah County, Utah.

2. Each such unit shall be composed of and equivalent to a regularly surveyed quarter section (or lots corresponding thereto).

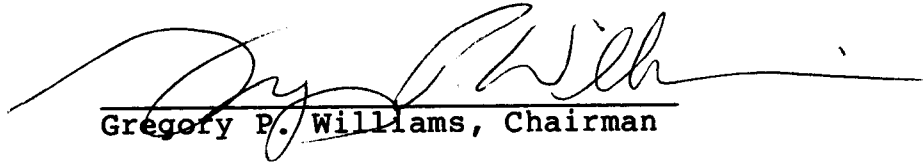
3. One production well is allowed per drilling unit at a location no closer than 500 feet from the unit boundaries, with exceptions to this requirement to be administratively approved (pursuant to Rule 302.1 of the Oil and Gas Rules) for geologic, topographic, cultural or other reasons.

4. The Board retains exclusive and continuing jurisdiction over all matters covered by this Order and over all parties affected thereby and particularly reserves exclusive and

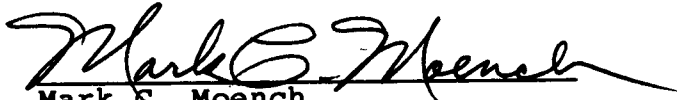
continuing jurisdiction to make further orders as appropriate and as authorized by statute and regulation.

DATED this 27<sup>th</sup> day of February, 1986.

STATE OF UTAH  
BOARD OF OIL, GAS & MINING

  
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Gregory P. Williams, Chairman

Approved as to form:

  
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Mark C. Moench  
Assistant Attorney General

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

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IN THE MATTER OF THE PETITION OF	*	
DERNICK RESOURCES, INC. FOR AN	*	<b>ORDER ALLOWING CONTINUANCE</b>
ORDER EXTENDING THE SPACING UNIT	*	
PROVISIONS ESTABLISHED IN CAUSE	*	
NO. 145-8 TO THE S1/2 SECTION 23,	*	Docket No. 85-061
TOWNSHIP 6 SOUTH, RANGE 21 EAST,	*	Cause No. 145-9
S.L.M., UINTAH, UTAH.	*	

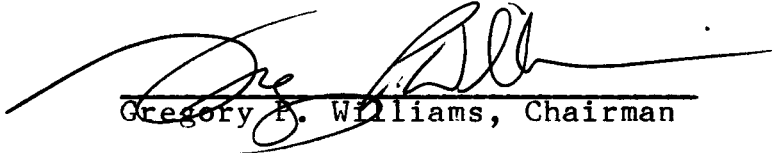
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**ORDER**

Petitioner's Motion for Continuance of Hearing was heard ex parte before Gregory P. Williams, Chairman of the Board of Oil, Gas & Mining on the 22<sup>nd</sup> day of November, 1985. Based upon the representations contained in the Motion, it is hereby ordered that the hearing in the above-mentioned matter is continued until the January, 1986 regularly scheduled meeting of the Board.

DATED this 22<sup>nd</sup> day of November, 1985.

BOARD OF OIL, GAS & MINING  
STATE OF UTAH

  
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Gregory P. Williams, Chairman