

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)
AMERICAN QUASAR PETROLEUM COMPANY OF)
NEW MEXICO FOR AMENDMENT TO THE SPA-) ORDER
CING ORDER FOR THE NUGGET FORMATION)
AND THE TWIN CREEK FORMATION IN THE) CAUSE NO. 160-18
NUGGET RESERVOIR, PINEVIEW FIELD,)
SUMMIT COUNTY, UTAH)

This cause came to be heard regularly before the Board of Oil, Gas and Mining ("Board"), and was heard, pursuant to due and proper Application and Notice of Hearing, on September 25, 1980 in the Executive Conference Room, Holiday Inn, 1659 West North Temple, Salt Lake City, Utah.

The following members of the Board (constituting a quorum of the Board) were present and in accordance with the law participated in the hearing upon all matters and the decision resulting in this order:

Charles R. Henderson, Chairman
John L. Bell
Edward T. Beck
E. Steele McIntyre
Max A. Farbman

The following members of the Board's staff were also present and participating:

Michael T. Minder, Geological Engineer
Denise A. Dragoo, Special Assistant Attorney General

Appearances of Counsel were made as follows:

Frank Gustin, Salt Lake City, Utah, and
Frank Douglass, Austin, Texas,
Attorneys representing American Quasar Petroleum Company
of New Mexico, Applicant herein;
Joe Henry, Denver, Colorado, and
R. C. McGinnis, Austin, Texas,
Attorneys representing Champlin Petroleum Company, the only
other operator in the subject field and an interested party
herein.

NOW, THEREFORE, the Board having fully considered the testimony of all witnesses, statements of others and all exhibits, statements introduced and received in the course of said hearing, and in all respects being fully advised in the premises, makes and enters the following Findings of Fact and Conclusions of Law and renders its permanent and final Order as follows:

FINDINGS OF FACT

1. American Quasar Petroleum Company (Applicant) owns oil and gas leases and operates wells in both the Twin Creek Formation and the Nugget Formation in the Pineview Field as spaced by the Board's Order of July 28, 1976, in Cause No. 160-6.

2. The July 28, 1976 order does not sufficiently describe the area spaced by said order. The July 28, 1976 order specifically rescinded all preexisting orders relating to drilling and spacing units in the subject lands.

3. The evidence shows that the following description is an accurate and definite description of the area spaced by the July 28, 1976 order entered in Cause No. 160-6:

All of Sections 2,3,4,5,8,9,10 and 11 in Township 2 North, Range 7 East, SLM, Summit County, Utah;

All of Sections 32,33,34 and 35 in Township 3 North, Range 7 East, SLM, Summit County, Utah.

4. There is sufficient evidence to show that surface topography and drilling conditions in the Nugget Reservoir Pineview Field require that operators be given more flexibility in spotting surface locations and drilling bottomhole locations in overthrust geological conditions.

5. In order to provide such flexibility, and in order to afford each owner of an interest in production in the Nugget formation and the Twin Creek formation of the Pineview field an opportunity to protect his correlative rights to produce the share of recoverable hydrocarbons initially in place under his respective tract, the spacing rules, as reflected in the July 26, 1976 order entered in Cause No. 160-6 should be amended to provide as follows:

- (a) Provided, however, the wellbore shall not be perforated or otherwise open to production in a manner that the lowest perforation or producing interval is nearer than 300 feet, measured horizontally, from quarter quarter section line on which the well was drilled and if said perforations are closer than said 300', then said well shall be immediately shut-in until the Board, after notice and hearing, determines whether said well shall be (1) permitted to be produced or (2) straightened, and if permitted to produce, at what rate. However, if the operator drilling said well owns or controls the adjacent or contiguous oil and gas lease(s) and the correlative rights of the royalty owners would not be violated then the well need not be shut-in. Nevertheless, a hearing will be held to determine the status of the well.
- (b) Upon written application to the Board and notice to each offset owner to said drilling unit, an operator may commence the drilling of a well under this order at a surface location of the operator's choice within the quarter quarter section permitted under this order and at a total depth such well shall, at the bottom of the hole, be located within the boundaries of the quarter quarter section, provided, however, that the well be drilled and completed in accordance with the provisions of subparagraph (a) above.

CONCLUSIONS OF LAW

1. The Board has jurisdiction over all matters covered by the Application of American Quasar Petroleum Company for amendment to the spacing order for the Nugget and Twin Creek Formation in the Pineview Field, Summit County, Utah. The Board also has jurisdiction over all matters covered by the Notice of Hearing and over the subject lands and mineral leases covered by the Application, and all parties interested in said subject lands as their respective interests appear. Further, the Board has the authority under applicable law to make and enter the order set forth herein:

2. The Application is in the form as provided by the applicable statutes and the rules and regulations governing proceedings before the Board.

3. Due, proper, 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 prescribed by the applicable statutes and the rules and regulations of the Board.

That, pursuant to the foregoing Findings of Fact and Conclusions of Law, the Board hereby makes and adopts the following:

CONCLUSIONS

1. IT IS HEREBY ORDERED that the July 26, 1976 order entered in Cause No. 160-6 and any other applicable spacing order is amended to provide the following description of the area covered by said Order:

All of Sections 2,3,4,5,8,9,10 and 11 in Township 2 North, Range 7 East,
SLM, Summit County, Utah;

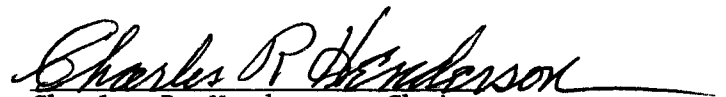
All of Sections 32,33,34 and 35 in Township 3 North, Range 7 East, SLM,
Summit County, Utah.

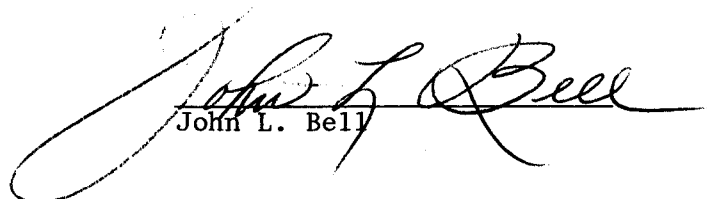
2. IT IS FURTHER ORDERED that Ordering Paragraph 2, Page 7 of the July
26, 1976 order entered in Cause No. 160-6 is amended to provide as follows:

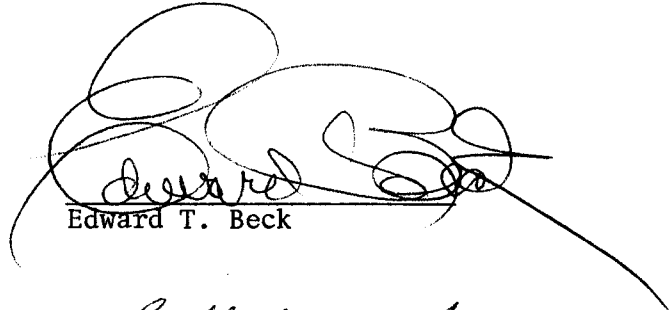
- "2. In order to afford each owner of an interest in production from the subject lands an opportunity to protect his respective correlative right to produce the share of recoverable hydrocarbons initially in place under his respective tract, drilling and spacing units should consist of the N/2 and S/2 of each quarter section and the permitted well location for each such drilling and spacing unit shall be located in the center of the NW/4 and the center of the SE/4 of each quarter section with the tolerance of 200 feet in any direction when surface topography makes it necessary.
- (a) Provided, however, the wellbore shall not be perforated or otherwise open to production in a manner that the lowest perforation or producing interval is nearer than 300 feet, measured horizontally, from quarter quarter section line on which the well was drilled and if said perforations are closer than said 300', then said well shall be immediately shut-in until the Board, after notice and hearing, determines whether said well shall be (1) permitted to be produced or (2) straightened, and, if permitted to produce, at what rate. However, if the operator drilling said well owns or controls the adjacent or contiguous oil and gas lease(s) and the correlative rights of the royalty owners would not be violated then the well need not be shut-in. Nevertheless, a hearing will be held to determine the status of the well.
- (b) Upon written application to the Board and notice to each offset owner to said drilling unit, an operator may commence the drilling of said well under this order at a surface location of the operator's choice within the quarter quarter section permitted under this order and at a total depth such well shall, at the bottom of the hole, be located within the boundaries of the quarter quarter section, provided, however, that the well be drilled and completed in accordance with the provisions of subparagraph (a) above.

ENTERED THIS 25th day of September, 1980.

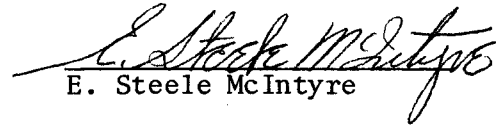
STATE OF UTAH
BOARD OF OIL, GAS AND MINING


Charles R. Henderson, Chairman


John L. Bell



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