

FILED

MAR 24 1999

SECRETARY, BOARD OF OIL, GAS & MINING

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 )
COASTAL OIL & GAS )
CORPORATION FOR AN ORDER )
MODIFYING THE SPACING )
ORDERS IN CAUSE NOS. 173-9-S, )
173-10, AND 173-12(A) TO PROVIDE )
FOR THE DRILLING OF )
ADDITIONAL WELLS TO ACHIEVE )
A WELL DENSITY EQUIVALENT TO )
40-ACRE WELL SPACING FOR )
PRODUCTION OF GAS AND )
ASSOCIATED HYDROCARBONS )
FROM THE WASATCH- )
MESAVERDE FORMATION IN )
EXISTING DRILLING UNITS IN THE )
OURAY FIELD AREA IN UINTAH )
COUNTY, UTAH )

AMENDED FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

Docket No. 98-023

Cause No. 173-13

This cause came on regularly for hearing before the Board of Oil, Gas and Mining (the "Board") on Wednesday, December 9, 1998, at 10:00 a.m., in the Hearing Room of the Utah Department of Natural Resources at 1594 West North Temple Street, in Salt Lake City, Utah.

The following Board members present and participating in the hearing were: Chairman Dave D. Lauriski, Raymond Murray, Thomas B. Faddies, Elise L. Erler, W. Allan Mashburn, and Stephanie Cartwright. John R. Baza, Associate Director for Oil and Gas of the Division of Oil, Gas and Mining (the "Division") was present at and participated in the hearing.

Phillip Wm. Lear, Esq., of Snell & Wilmer L.L.P. appeared on behalf of Coastal Oil & Gas Corporation (“Coastal”), and Donald H. Spicer, Robert J. La Rocque, and Howard W. Musgrove appeared as witnesses for Coastal.

Thomas W. Clawson, Esq., of Van Cott, Bagley, Cornwall & McCarthy appeared on behalf of Chandler & Associates, LLC (“Chandler”); and Keaton Barker, Allan R. Larson, and Terry J. Cox appeared as witnesses for Chandler. Chandler, having filed a protest to the proposed spacing modifications and stipulating with Coastal as to the inclusion of some lands and the exclusion of other lands in the proposed spacing modification, appeared in support of Coastal’s Request for Agency Action.

Daniel G. Moquin, Esq., Assistant Attorney General, represented the Board; and Patrick J. O’Hara, Esq., Assistant Attorney General, represented the Division. John R. Baza of the Division appeared as a witness to challenge the adequacy of Coastal’s notice.

Assad Rafoul, Petroleum Engineer, Branch of Fluid Minerals (Utah State Office), and Jerry Kenczka, Petroleum Engineer (Vernal District Office), appeared for the United States Department of the Interior, Bureau of Land Management.

Charles W. Cameron, Petroleum Engineer, Uintah & Ouray Agency, Bureau of Land Management, appeared on behalf of the Bureau of Indian Affairs. Ferron Sekakaku, Ute Indian Tribe, Department of Minerals, appeared on behalf of the Ute Indian Tribe.

**NOW THEREFORE**, the Board, having fully considered the testimony adduced and the exhibits received at the hearing, and being fully advised in the premises, makes and enters its Findings of Fact, Conclusions of Law, and Order, as follows:

## FINDINGS OF FACT

1. The Board mailed notice of the December 9, 1998 hearing to interested parties on November 17, 1998, and caused notice to be published in the *Deseret News* and in the *Salt Lake Tribune* on November 22, 1998, and in the *Vernal Express* on November 18, 1998.

2. Coastal mailed photocopies of the Request for Agency Action to the last known address of all owners having interests in the spaced area to be modified by certified mail, return receipt requested.

3. Coastal is a Delaware corporation in good standing, having its principal place of business in Houston, Texas. Coastal is licensed to do business in Utah.

4. Coastal is an owner of working interests in the lands which are the subject matter of this Request for Agency Action.

5. Chandler is a Colorado limited liability company in good standing, having its principal place of business in Denver, Colorado. Chandler is authorized to do business in the State of Utah.

6. Chandler is an owner of working interests in the lands which are the subject matter to this Request for Agency Action.

7. By oral motion at the hearing, Coastal modified its Request for Agency Action to correct footage and township designations appearing in the stratigraphic definition for the Wasatch–Mesaverde formations and by deleting allegation 10 of the Request for Agency Action pertaining to the “Modified Spaced Interval.”

8. Chandler, having initially appeared in opposition to the Request for Agency Action, stipulated with Coastal for the inclusion of some lands and leases owned by Chandler and the exclusion of others and joined Coastal in support of the Request of Agency Action as orally amended and modified at the hearing.

9. The modifications requested by Chandler and accepted by Coastal eliminated from the lands for which spacing modifications were sought lands in the south half of Section 30, Township 8 South, Range 22 East, S.L.M., and included the lands in the north half of Section 36, Township 8 South, Range 21 East, S.L.M.

10. Also, Coastal excluded from the lands for which spacing modification was sought, the N½S½ of Sections 1 and 4, Township 9 South, Range 21 East, S.L.M., due to conflicts with the Natural Buttes Unit.

11. The lands affected by this Request for Agency Action, as modified at the hearing, are public domain lands of the United States of America administered by the Bureau of Land Management (the “BLM”); lands of the State of Utah administered by the State Institutional Trust Lands Administration (“SITLA”); Indian Tribal and Allotted Lands administered by the Bureau of Indian Affairs; and private lands.

12. The lands to be affected by the proposed spacing modifications are situated in the Ouray Field of Uintah County, Utah, and are more particularly described, as follows:

**Township 8 South, Range 20 East, S.L.M.**

Section 33: All  
Section 34: All  
Section 35: S½  
Section 36: All

**Township 8 South, Range 21 East, S.L.M.**

Section 31: S $\frac{1}{2}$   
Section 32: S $\frac{1}{2}$   
Section 33: S $\frac{1}{2}$   
Section 34: S $\frac{1}{2}$   
Section 35: All  
Section 36: All

**Township 8 South, Range 22 East, S.L.M.**

Section 31: All

**Township 9 South, Range 20 East, S.L.M.**

Section 1: All  
Section 2: N $\frac{1}{2}$   
Section 3: N $\frac{1}{2}$   
Section 4: N $\frac{1}{2}$

**Township 9 South, Range 21 East, S.L.M.**

Section 1: N $\frac{1}{2}$   
Section 2: N $\frac{1}{2}$   
Section 3: N $\frac{1}{2}$   
Section 4: N $\frac{1}{2}$   
Section 5: All  
Section 6: All

**Township 9 South, Range 22 East, S.L.M.**

Section 6: All

(hereinafter “**Subject Lands**”). A copy of Coastal’s amended Exhibit #2 depicting the Subject Lands for which spacing modifications are sought and supplemented to reflect the stipulation with Chandler and oral amendments at the hearing is available for review at the Division of Oil, Gas and Mining’s Public Information Center, 1594 West North Temple, Suite 1210, Salt Lake City, Utah.

13. By Orders in Cause Nos. 173-1 and 173-2, the Board established 320-acre, lay-down drilling units for the Subject Lands, authorizing one well in each drilling unit for production from the common source of supply.

14. By Order in Cause No. 173-9-S dated August 1, 1991, the Board modified its Order in Cause No. 173-1 to provide for an optional additional well (for a total of two wells), to be drilled for production in each such 320-acre drilling unit in the Subject Lands, and other lands.

15. By Order in Cause No. 173-10 dated July 7, 1995, the Board created a well density equivalent to 80-acre spacing (four wells) within two 320-acre drilling units in that portion of the Subject Lands described as follows:

**Township 8 South, Range 21 East, S.L.M.**

Section 34: SE $\frac{1}{4}$   
Section 35: SE $\frac{1}{4}$

16. By Order in Cause No. 173-12(A) dated March 11, 1997, the Board further modified its original orders to create a well density equivalent to 80-acre spacing (four wells) within each 320-acre drilling unit in that portion of the Subject Lands described as follows:

**Township 8 South, Range 21 East, S.L.M.**

Section 35: N $\frac{1}{2}$   
Section 36: S $\frac{1}{2}$

**Township 8 South Range 22 East, S.L.M.**

Section 31: N $\frac{1}{2}$   
Section 31: S $\frac{1}{2}$

**Township 9 South, Range 21 East, S.L.M.**

Section 1: N $\frac{1}{2}$

**Township 9 South, Range 22 East, S.L.M.**

Section 6: N½

17. The Subject Lands are underlain by channel sand reservoirs embedded in shale and constituting common sources of supply in the Wasatch–Mesaverde formation from which natural gas and associated hydrocarbons can be produced.

18. The interval spaced in the Orders in the Cause No. 173 series is the Wasatch–Mesaverde formation, more particularly described in the underlying orders as:

That interval below the stratigraphic equivalent of 4,772 feet down to and including the stratigraphic equivalent of 9,740 feet, as shown on the induction electrical log of the Chapita Wells Unit Well No. 5 located 1,908 feet from the south line and 2,360 feet from the west line of the NE¼SW¼ of Section 22, Township 9 South, Range 22 East, S.L.M., Uintah County, Utah.

(“Spaced Interval”).

19. The maximum area that can be efficiently and economically drained by one well from the Spaced Interval underlying the Subject Lands is 40 acres. Additional wells up to a total of eight wells per 320–acre drilling units are required to efficiently and economically develop a drilling unit. Permitted wells should be located no closer than 460 feet from the drilling unit boundary line and no closer than 920 feet from any existing well producing from the Spaced Interval.

20. Chandler introduced land ownership, geological, and engineering evidence to support the inclusion of its interests in the north half of Section 36, Township 8 South, Range 21 East, S.L.M.

21. An order modifying the existing spacing in the Subject Lands to authorize additional wells up to eight wells to be drilled in the existing 320–acre drilling units for the production of gas

and associated hydrocarbons from the Spaced Interval in the Subject Lands will promote the public interest, increase ultimate recovery, prevent waste, and protect the correlative rights of all owners.

### CONCLUSIONS OF LAW

1. The Board has jurisdiction of the parties and of the subject matter of this Amended Request for Agency Action pursuant to Chapter 6 of Title 40 of the *Utah Code Annotated*.

2. Owners of lands within the Ouray Field spaced in the Cause No. 173 series of orders whose lands and interests lie within drilling units outside the area for which spacing modification is sought do not have legally protected interests in the proposed spacing modifications requiring notice by the Division and service of a copy of the Request of Agency Action by Coastal.

3. The Division gave due and regular notice of the time, place, and purpose of the hearing to all interested parties as required by law and by the rules and regulations of the Board.

4. Under the circumstances of this case, Coastal properly served all owners entitled to notice of spacing modifications by mailing copies of the Request for Agency Action to those owners having lands and interests within the Subject Lands.

5. Coastal's Request for Agency Action as orally amended at the hearing to conform to the stipulations and modifications made at the hearing identified in Paragraphs 7, 8, 9, and 10 of the Findings of Fact poses an appropriate request modifying the existing spacing to provide for the drilling of additional wells.

6. The Subject Lands are currently spaced on 320-acre, lay-down drilling units, authorizing the drilling of two wells for production from the Spaced Interval as to a portion of the



Subject Lands and authorizing the drilling of four wells for production from the Spaced Interval as to the remainder of the Subject Lands.

7. Forty-acre drainage patterns are not smaller than the maximum area within the Subject Lands that can be efficiently and economically drained by one production well.

8. Forty-acre drainage patterns within the existing 320-acre drilling units are of a uniform size and shape throughout the Subject Lands and conform to the predominant pattern in the area established by orders of the Board for adjacent lands in the Natural Buttes Unit and the Chapita Wells Unit.

9. The terms and conditions sought by Coastal's Request for Agency Action, as orally amended and modified at the hearing, are just and reasonable.

10. An order authorizing the drilling of additional wells up to eight wells in each 320-acre drilling unit for the production of gas and associated hydrocarbons from the Spaced Interval in the Subject Lands will promote the public interest, increase ultimate recovery, prevent waste, and protect correlative rights of all owners.

### **ORDER**

**IT IS THEREFORE ORDERED** that in order to promote the public interest; to increase the ultimate recovery of the resource; to prevent physical waste of gas and associated hydrocarbons; and to protect the correlative rights of all owners:

A. Coastal's Request for Agency Action as orally amended and modified at the hearing is granted.

B. The existing spacing orders for the Subject Lands are hereby modified to authorize the drilling of additional wells up to a total of eight wells in each 320-acre drilling unit for the production of gas and associated hydrocarbons from the Spaced Interval.

C. The permitted wells shall be no closer than 460 feet from the drilling unit boundary line with 920 feet between wells producing from the Spaced Interval.

D. Administrative approval may be granted for exception well locations for topographic, environmental, and archaeologic considerations and when “no surface occupancy” stipulations imposed by the landowners (lessors) prohibit drilling at a legal location, without the necessity of a full hearing before the Board.

E. The Board has considered and decided this matter as a formal adjudication, pursuant to the Utah Administrative Procedures Act, Utah Code Ann. §§ 63-46b-6 through -10 (1993), and of the Rules of Practice and Procedure before the Board of Oil, Gas and Mining, Utah Admin. Code R641 (1998).

F. This Amended Findings of Fact, Conclusions of Law, and Order (“**Order**”) is based exclusively upon evidence of record in this proceeding or on facts officially noted, and constitutes the signed written order stating the Board’s decision and the reasons for the decision, as required by the Utah Administrative Procedures Act, Utah Code Ann. § 63-46b-10 (1993), and the Rules of Practice and Procedure before the Board of Oil, Gas and Mining, Utah Admin. Code R641-109 (1998); and constitutes a final agency action as defined in the Utah Administrative Procedures Act and Board rules.

**G. Notice of Right of Judicial Review by the Supreme Court of the State of Utah.**

The Board hereby notifies all parties to this proceeding that they have the right to seek judicial review of this Order by filing an appeal with the Supreme Court of the State of Utah within 30 days after the date this Order is entered. Utah Code Ann. § 63-46b-10(f) (1993).

**H. Notice of Right to Petition for Reconsideration.** As an alternative, but not as a prerequisite to judicial review, the Board hereby notifies all parties to this proceeding that they may apply for reconsideration of this Order. Utah Code Ann. § 63-46b-10(e) (1993). The Utah Administrative Procedures Act provides:

(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.

Utah Code Ann. § 63-46b-13 (1993).

The Rules of Practice and Procedure before the Board of Oil, Gas and Mining entitled "Rehearing and Modification of Existing Orders" state:

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.

Utah Admin. Code R641-110-100 (1998).

The Board hereby rules that should there be any conflict between the deadlines provided in the Utah Administrative Procedures Act and the Rules of Practice and Procedure before the Board of Oil, Gas and Mining, 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 aggrieved party may seek judicial review of the order by perfecting an appeal with the Utah Supreme Court within 30 days thereafter.

I. The Board retains exclusive and continuing jurisdiction of all matters covered by this Order and of all parties affected thereby; and specifically, the Board retains and reserves exclusive and continuing jurisdiction to make further orders as appropriate and authorized by statute and applicable regulations.

J. The Chairman's signature on a facsimile copy of this Order shall be deemed the equivalent of a signed original for all purposes.

ENTERED this 24<sup>th</sup> day of March, 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 AMENDED FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER for Docket No. 98-023, Cause No. 173-13 to be mailed with postage prepaid, this 26<sup>th</sup> day of March, 1999, to the following:

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TYMCO INC  
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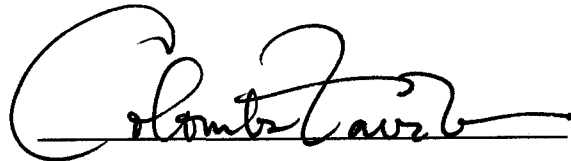
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A handwritten signature in black ink, appearing to read "Robert Zole", written over a horizontal line.

**BEFORE THE BOARD OF OIL, GAS AND MINING**

**DEPARTMENT OF NATURAL RESOURCES**

**STATE OF UTAH**

---

<b>IN THE MATTER OF THE REQUEST</b>	)	
<b>FOR AGENCY ACTION OF</b>	)	
<b>COASTAL OIL &amp; GAS</b>	)	
<b>CORPORATION FOR AN ORDER</b>	)	
<b>MODIFYING THE SPACING</b>	)	<b>ORDER TO AMEND</b>
<b>ORDERS IN CAUSE NOS. 173-9-S,</b>	)	
<b>173-10, AND 173-12(A) TO PROVIDE</b>	)	
<b>FOR THE DRILLING OF</b>	)	Docket No. 98-023
<b>ADDITIONAL WELLS TO ACHIEVE</b>	)	
<b>A WELL DENSITY EQUIVALENT TO</b>	)	Cause No. 173-13
<b>40-ACRE WELL SPACING FOR</b>	)	
<b>PRODUCTION OF GAS AND</b>	)	
<b>ASSOCIATED HYDROCARBONS</b>	)	
<b>FROM THE WASATCH-</b>	)	
<b>MESAVERDE FORMATION IN</b>	)	
<b>EXISTING DRILLING UNITS IN THE</b>	)	
<b>OURAY FIELD AREA IN Uintah</b>	)	
<b>COUNTY, UTAH</b>	)	
	)	

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Having read the PETITION FOR REHEARING submitted by Coastal Oil & Gas Corporation ("Petitioner"), by and through its counsel, in the above-referenced matter and having heard oral argument, the Utah Board of Oil, Gas and Mining hereby grants the Petitioner's request to strike Paragraph E of the certain order issued December 31, 1998 for Docket No. 98-023, Cause No. 173-13. The Board requests that Petitioner submit an amended order reflecting this change.

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 24<sup>th</sup> day of March, 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 TO AMEND for Docket No. 98-023, Cause No. 173-13 to be mailed by first-class mail, postage prepaid, this 25 day of March, 1999, to the following:

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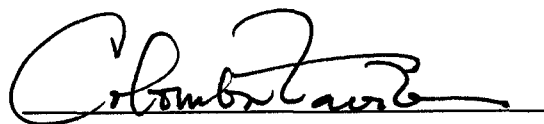
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JAN 1 9 1999

SECRETARY, BOARD OF  
OIL, GAS & MINING

Before the Board of Oil, Gas & Mining  
Department of Natural Resources  
State of Utah

IN THE MATTER OF THE REQUEST )  
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FROM THE WASATCH- )  
MESAVERT DE FORMATION IN )  
EXISTING DRILLING UNITS IN THE )  
OURAY FIELD AREA IN UINTAH )  
COUNTY, UTAH )  
)

**ORDER DENYING THE  
OBJECTIONS OF THE DIVISION  
TO THE NOTICE PROVIDED  
BY COASTAL**

Docket No. 98-023

Cause No. 173-13

Pursuant to Notice, the State of Utah's Board of Oil, Gas and Mining (the "Board") convened a public hearing in the above matter December 9, 1998 at 10 a.m. in Room 1040A at the Department of Natural Resources Building in Salt Lake City, Utah. The following Board members were present and participated at the hearing, creating a quorum: Chairman Dave D. Lauriski, Board members Stephanie Cartwright, Elise L. Erler, Thomas B. Faddies, W. Allan Mashburn, and Raymond Murray.

The hearing on the motion in Docket No. 98-023, Cause No. 173-13 was held so the Board could hear oral argument concerning the question whether the Board should go forward to hear the modifying of previously approved board spacing orders. The Division of Oil, Gas and Mining ("Division") raised objection to whether adequate notice had been given all potentially concerned parties.

The Division was represented by its counsel, Patrick J. O'Hara. Coastal Oil & Gas Corporation was represented at the hearing by attorney, Phillip William Lear with the law firm of Snell & Wilmer. Chandler & Associates was represented by attorney Thomas W. Clawson with the law firm of Van Cott, Bagley, Cornwall & McCarthy.

John Baza, the Division's Associate Director for Oil & Gas testified on behalf of the Division. Counsel to the Board at the hearing was Daniel G. Moquin, Assistant Attorney General, State of Utah. Based on the information made available to the Board as a result of the Division's hearing arguments and testimony in the motion by the Division and for good cause shown, IT IS HEREBY ORDERED:

The motion by the Division to postpone until Coastal has notified additional potentially interested parties is denied for the following reasons:

1. The Board finds that under the unique circumstances of this case, the Division shall be subject to the provisions of Utah Administrative Rule R641-105-120 which states that objections must be filed no later than the 10th day of the month in the month of the hearing, or no later than two weeks prior to the hearing, whichever is earlier. Thus, the Division has raised an untimely objection.

2. On the merits of the matter of the motion, the Board finds that Coastal has notified all owners of the subject lands within the drilling unit. The circumstances of the case would place an undue hardship on Coastal to notify additional potential parties prior to the Board Hearing.

3. The Board finds as a matter of law that due and regular notice of the time, place and purpose of the hearing was properly given to all interested parties and in the form and manner as required by law and regulations of the Board.

4. 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.

5. 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.

6. 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.

7. A signed, faxed copy of this Order shall be deemed equivalent to an original for all purposes.

ISSUED this 13<sup>th</sup> day of January, 1999.

STATE OF UTAH  
BOARD OF OIL, GAS & MINING



---

Dave D. Lauriski, Chairman

CERTIFICATE OF SERVICE

I hereby certify that I mailed a true and correct copy of the foregoing ORDER DENYING THE OBJECTIONS OF THE DIVISION TO THE NOTICE PROVIDED BY COASTAL this 19 day of January, 1999 to the following:

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• JACK ARRIVIE, JR., UNC 558  
• JOHN MCCOOK, UNC 445  
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SAN ANTONIO TX 78232

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C/O ASHER RESOURCES  
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ENRON OIL & GAS COMPANY  
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DENVER CO 80202-5411

KEY PRODUCTION COMPANY INC  
707 17TH ST #3300  
DENVER CO 80202-3404

EL NORTE RESOURCES INC  
528 FAIR FOUNDATION BUILDING  
TYLER TX 75702

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EARL VICTOR GRITTON  
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\_\_\_\_\_

DEC 31 1998

SECRETARY, BOARD OF  
OIL, GAS & MINING

**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 )  
 COASTAL OIL & GAS )  
 CORPORATION FOR AN ORDER )  
 MODIFYING THE SPACING )  
 ORDERS IN CAUSE NOS. 173-9-S, )  
 173-10, AND 173-12(A) TO PROVIDE )  
 FOR THE DRILLING OF )  
 ADDITIONAL WELLS TO ACHIEVE )  
 A WELL DENSITY EQUIVALENT TO )  
 40-ACRE WELL SPACING FOR )  
 PRODUCTION OF GAS AND )  
 ASSOCIATED HYDROCARBONS )  
 FROM THE WASATCH- )  
 MESAVERDE FORMATION IN )  
 EXISTING DRILLING UNITS IN THE )  
 OURAY FIELD AREA IN UINTAH )  
 COUNTY, UTAH )

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

Docket No. 98-023

Cause No. 173-13

This cause came on regularly for hearing before the Board of Oil, Gas and Mining (the "Board") on Wednesday, December 9, 1998, at 10:00 am., in the Hearing Room of the Utah Department of Natural Resources at 1594 West North Temple Street, in Salt Lake City, Utah.

The following Board members present and participating in the hearing were: Chairman Dave D. Lauriski, Raymond Murray, Thomas B. Faddies, Elise L. Erler, W. Allan Mashburn, and Stephanie Cartwright. John R. Baza, Associate Director for Oil and Gas of the Division of Oil, Gas and Mining (the "Division") was present at and participated in the hearing.

Phillip Wm. Lear, Esq., of Snell & Wilmer L.L.P. appeared on behalf of Coastal Oil & Gas Corporation (“Coastal”), and Donald H. Spicer, Robert J. La Rocque, and Howard W. Musgrove appeared as witnesses for Coastal.

Thomas W. Clawson, Esq., of Van Cott, Bagley, Cornwall & McCarthy appeared on behalf of Chandler & Associates, LLC (“Chandler”); and Keaton Barker, Allan R. Larson, and Terry J. Cox appeared as witnesses for Chandler. Chandler, having filed a protest to the proposed spacing modifications and stipulating with Coastal as to the inclusion of some lands and the exclusion of other lands in the proposed spacing modification, appeared in support of Coastal’s Request for Agency Action.

Daniel G. Moquin, Esq., Assistant Attorney General, represented the Board; and Patrick J. O’Hara, Esq., Assistant Attorney General, represented the Division. John R. Baza of the Division appeared as a witness to challenge the adequacy of Coastal’s notice.

Assad Rafoul, Petroleum Engineer, Branch of Fluid Minerals (Utah State Office), and Jerry Kenczka, Petroleum Engineer (Vernal District Office), appeared for the United States Department of the Interior, Bureau of Land Management.

Charles W. Cameron, Petroleum Engineer, Uintah & Ouray Agency, Bureau of Land Management appeared on behalf of the Bureau of Indian Affairs. Ferron Sekakaku, Ute Indian Tribe, Department of Minerals, appeared on behalf of the Ute Indian Tribe.

**NOW THEREFORE**, the Board, having fully considered the testimony adduced and the exhibits received at the hearing, and being fully advised in the premises, makes and enters its Findings of Fact, Conclusions of Law, and Order, as follows:

## FINDINGS OF FACT

1. The Board mailed notice of the December 9, 1998 hearing to interested parties on November 17, 1998, and caused notice to be published in the *Deseret News* and in the *Salt Lake Tribune* on November 22, 1998, and in the *Vernal Express* on November 18, 1998.
2. Coastal mailed photocopies of the Request for Agency Action to the last known address of all owners having interests in the spaced area to be modified by certified mail, return receipt requested.
3. Coastal is a Delaware corporation in good standing, having its principal place of business in Houston, Texas. Coastal is licensed to do business in Utah.
4. Coastal is an owner of working interests in the lands which are the subject matter of this Request for Agency Action.
5. Chandler is a Colorado limited liability company in good standing, having its principal place of business in Denver, Colorado. Chandler is authorized to do business in the State of Utah.
6. Chandler is an owner of working interests in the lands which are the subject matter to this Request for Agency Action.
7. By oral motion at the hearing, Coastal modified its Request for Agency Action to correct footage and township designations appearing in the stratigraphic definition for the Wasatch–Mesaverde formations and by deleting allegation 10 of the Request for Agency Action pertaining to the “Modified Spaced Interval.”

8. Chandler, having initially appeared in opposition to the Request for Agency Action, stipulated with Coastal for the inclusion of some lands and leases owned by Chandler and the exclusion of others and joined Coastal in support of the Request of Agency Action as orally amended and modified at the hearing.

9. The modifications requested by Chandler and accepted by Coastal eliminated from the lands for which spacing modifications were sought lands in the south half of Section 30, Township 8 South, Range 22 East, S.L.M., and included the lands in the north half of Section 36, Township 8 South, Range 21 East, S.L.M.

10. Also, Coastal excluded from the lands for which spacing modification was sought, the N½S½ of Sections 1 and 4, Township 9 South, Range 21 East, S.L.M., due to conflicts with the Natural Buttes Unit.

11. The lands affected by this Request for Agency Action, as modified at the hearing, are public domain lands of the United States of America administered by the Bureau of Land Management (the “BLM”); lands of the State of Utah administered by the State Institutional Trust Lands Administration (“SITLA”); Indian Tribal and Allotted Lands administered by the Bureau of Indian Affairs; and private lands.

12. The lands to be affected by the proposed spacing modifications are situated in the Ouray Field of Uintah County, Utah, and are more particularly described, as follows:

**Township 8 South, Range 20 East, S.L.M.**

Section 33: All

Section 34: All

Section 35: S½

Section 36: All

**Township 8 South, Range 21 East, S.L.M.**

Section 31: S½  
Section 32: S½  
Section 33: S½  
Section 34: S½  
Section 35: All  
Section 36: All

**Township 8 South, Range 22 East, S.L.M.**

Section 31: All

**Township 9 South, Range 20 East, S.L.M.**

Section 1: All  
Section 2: N½  
Section 3: N½  
Section 4: N½

**Township 9 South, Range 21 East, S.L.M.**

Section 1: N½  
Section 2: N½  
Section 3: N½  
Section 4: N½  
Section 5: All  
Section 6: All

**Township 9 South, Range 22 East, S.L.M.**

Section 6: All

(hereinafter “**Subject Lands**”). A copy of Coastal’s amended Exhibit #2 depicting the Subject Lands for which spacing modifications are sought and supplemented to reflect the stipulation with Chandler and oral amendments at the hearing is available for review at the Division of Oil, Gas and Mining’s Public Information Center, 1594 West North Temple, Suite 1210, Salt Lake City, Utah.

13. By Orders in Cause Nos. 173-1 and 173-2, the Board established 320-acre, lay-down drilling units for the Subject Lands, authorizing one well in each drilling unit for production from the common source of supply.

14. By Order in Cause No. 173-9-S dated August 1, 1991, the Board modified its Order in Cause No. 173-1 to provide for an optional additional well (for a total of two wells), to be drilled for production in each such 320-acre drilling unit in the Subject Lands, and other lands.

15. By Order in Cause No. 173-10 dated July 7, 1995, the Board created a well density equivalent to 80-acre spacing (four wells) within two 320-acre drilling units in that portion of the Subject Lands described as follows:

**Township 8 South. Range 21 East. S.L.M.**

Section 34: SE $\frac{1}{4}$   
Section 35: SE $\frac{1}{4}$

16. By Order in Cause No. 173-12(A) dated March 11, 1997, the Board further modified its original orders to create a well density equivalent to 80-acre spacing (four wells) within each 320-acre drilling unit in that portion of the Subject Lands described as follows:

**Township 8 South. Range 21 East. S.L.M.**

Section 35: N $\frac{1}{2}$   
Section 36: S $\frac{1}{2}$

**Township 8 South Range 22 East, S.L.M.**

Section 31: N $\frac{1}{2}$   
Section 31: S $\frac{1}{2}$

**Township 9 South, Range 21 East, S.L.M.**

Section 1: N $\frac{1}{2}$

**Township 9 South, Range 22 East, S.L.M.**

Section 6: N½

17. The Subject Lands are underlain by channel sand reservoirs embedded in shale and constituting common sources of supply in the Wasatch–Mesaverde formation from which natural gas and associated hydrocarbons can be produced.

18. The interval spaced in the Orders in the Cause No. 173 series is the Wasatch–Mesaverde formation, more particularly described in the underlying orders as:

That interval below the stratigraphic equivalent of 4,772 feet down to and including the stratigraphic equivalent of 9,740 feet, as shown on the induction electrical log of the Chapita Wells Unit Well No. 5 located 1,908 feet from the south line and 2,360 feet from the west line of the NE¼SW¼ of Section 22, Township 9 South, Range 22 East, S.L.M., Uintah County, Utah.

(“Spaced Interval”).

19. The maximum area that can be efficiently and economically drained by one well from the Spaced Interval underlying the Subject Lands is 40 acres. Additional wells up to a total of eight wells per 320–acre drilling units are required to efficiently and economically develop a drilling unit. Permitted wells should be located no closer 460 feet from the drilling unit boundary line and no closer than 920 feet from any existing well producing from the Spaced Interval.

20. Chandler introduced land ownership, geological, and engineering evidence to support the inclusion of its interests in the north half of Section 36, Township 8 South, Range 21 East, S.L.M.

21. An order modifying the existing spacing in the Subject Lands to authorize additional wells up to eight wells to be drilled in the existing 320–acre drilling units for the production of gas



and associated hydrocarbons from the Spaced Interval in the Subject Lands will promote the public interest, increase ultimate recovery, prevent waste, and protect the correlative rights of all owners.

### CONCLUSIONS OF LAW

1. The Board has jurisdiction of the parties and of the subject matter of this Amended Request for Agency Action pursuant to Chapter 6 of Title 40 of the *Utah Code Annotated*.

2. Owners of lands within the Ouray Field spaced in the Cause No. 173 series of orders whose lands and interests lie within drilling units outside the area for which spacing modification is sought do not have legally protected interests in the proposed spacing modifications requiring notice by the Division and service of a copy of the Request of Agency Action by Coastal.

3. The Division gave due and regular notice of the time, place, and purpose of the hearing to all interested parties as required by law and by the rules and regulations of the Board.

4. Under the circumstances of this case, Coastal properly served all owners entitled to notice of spacing modifications by mailing copies of the Request for Agency Action to those owners having lands and interests within the Subject Lands.

5. Coastal's Request for Agency Action as orally amended at the hearing to conform to the stipulations and modifications made at the hearing identified in Paragraphs 7, 8, 9, and 10 of the Findings of Fact poses an appropriate request modifying the existing spacing to provide for the drilling of additional wells.

6. The Subject Lands are currently spaced on 320-acre, lay-down drilling units, authorizing the drilling of two wells for production from the Spaced Interval as to a portion of the

Subject Lands and authorizing the drilling of four wells for production from the Spaced Interval as to the remainder of the Subject Lands.

7. Forty-acre drainage patterns are not smaller than the maximum area within the Subject Lands that can be efficiently and economically drained by one production well.

8. Forty-acre drainage patterns within the existing 320-acre drilling units are of a uniform size and shape throughout the Subject Lands and conform to the predominant pattern in the area established by orders of the Board for adjacent lands in the Natural Buttes Unit and the Chapita Wells Unit.

9. The terms and conditions sought by Coastal's Request for Agency Action, as orally amended and modified at the hearing, are just and reasonable.

10. An order authorizing the drilling of additional wells up to eight wells in each 320-acre drilling unit for the production of gas and associated hydrocarbons from the Spaced Interval in the Subject Lands will promote the public interest, increase ultimate recovery, prevent waste, and protect correlative rights of all owners.

### **ORDER**

**IT IS THEREFORE ORDERED** that in order to promote the public interest; to increase the ultimate recovery of the resource; to prevent physical waste of gas and associated hydrocarbons; and to protect the correlative rights of all owners:

A. Coastal's Request for Agency Action as orally amended and modified at the hearing is granted.

B. The existing spacing orders for the Subject Lands are hereby modified to authorize the drilling of additional wells up to a total of eight wells in each 320-acre drilling unit for the production of gas and associated hydrocarbons from the Spaced Interval.

C. The permitted wells shall be no closer than 460 feet from the drilling unit boundary line with 920 feet between wells producing from the Spaced Interval.

D. Administrative approval may be granted for exception well locations for topographic, environmental, and archaeological considerations and when “no surface occupancy” stipulations imposed by the landowners (lessors) prohibit drilling at a legal location, without the necessity of a full hearing before the Board.

E. Coastal shall provide the Division with all known addresses of parties in the original Ouray Field spaced area.

F. The Board has considered and decided this matter as a formal adjudication, pursuant to the Utah Administrative Procedures Act, Utah Code Ann. §§ 63-46b-6 through -10 (1993), and of the Rules of Practice and Procedure before the Board of Oil, Gas and Mining, Utah Admin. Code R641 (1998).

G. This Findings of Fact, Conclusions of Law, and Order (“**Order**”) is based exclusively upon evidence of record in this proceeding or on facts officially noted, and constitutes the signed written order stating the Board’s decision and the reasons for the decision, as required by the Utah Administrative Procedures Act, Utah Code Ann § 63-46b-10 (1993), and the Rules of Practice and Procedure before the Board of Oil, Gas and Mining, Utah Admin. Code R641-109 (1998); and constitutes a final agency action as defined in the Utah Administrative Procedures Act and Board rules.

**H. Notice of Right of Judicial Review by the Supreme Court of the State of Utah.**

The Board hereby notifies all parties to this proceeding that they have the right to seek judicial review of this Order by filing an appeal with the Supreme Court of the State of Utah within 30 days after the date this Order is entered. Utah Code Ann. § 63-46b-10(f) (1993).

**I. Notice of Right to Petition for Reconsideration.** As an alternative, but not as a prerequisite to judicial review, the Board hereby notifies all parties to this proceeding that they may apply for reconsideration of this Order. Utah Code Ann. § 63-46b-10(e) (1993). The Utah Administrative Procedures Act provides:

(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.

Utah Code Ann. § 63-46b-13 (1993).

The Rules of Practice and Procedure before the Board of Oil, Gas and Mining entitled "Rehearing and Modification of Existing Orders" state:

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.

Utah Admin. Code R641-110-100 (1998).

The Board hereby rules that should there be any conflict between the deadlines provided in the Utah Administrative Procedures Act and the Rules of Practice and Procedure before the Board of Oil, Gas and Mining, 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 aggrieved party may seek judicial review of the order by perfecting an appeal with the Utah Supreme Court within 30 days thereafter.

J. The Board retains exclusive and continuing jurisdiction of all matters covered by this Order and of all parties affected thereby; and specifically, the Board retains and reserves exclusive and continuing jurisdiction to make further orders as appropriate and authorized by statute and applicable regulations.

K. The Chairman's signature on a facsimile copy of this Order shall be deemed the equivalent of a signed original for all purposes.

ENTERED this 31<sup>st</sup> day of December, 1998.

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 FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER for Docket No. 98-023, Cause No. 173-13 to be mailed with postage prepaid, this 31 day of December, 1998, to the following:

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ASHER RESOURCES  
14800 SAN PEDRO STE 102  
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ASHER FUND  
C/O ASHER RESOURCES  
14800 SAN PEDRO STE 102  
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TONI LEI MILLER - *Re-mailed 1/19/99*  
ENRON OIL & GAS COMPANY  
1625 BROADWAY STE 1300  
DENVER CO 80202

KEY PRODUCTION COMPANY INC  
707 17TH ST #3300  
DENVER CO 80202-3404

EL NORTE RESOURCES INC  
528 FAIR FOUNDATION BUILDING  
TYLER TX 75702

TYMCO INC  
528 FAIR FOUNDATION BUILDING  
TYLER TX 75702

GW MCDONALD  
571 FAIR FOUNDATION  
TYLER TX 75702

CIG EXPLORATION INC  
PO BOX 749  
DENVER CO 80201-0749

ROBERT AND LINDA ZOLE  
5663 LONG COURT  
NEW TRIPOLI PA 18066

CHEVRON USA INC  
PO BOX 1635  
HOUSTON TX 77251

RICHARD L BAYLESS JR  
621 17TH STREET STE 640  
DENVER CO 80293

LARRY B DUKE  
PO BOX 187  
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BETH FREDRICKSON SULLIVAN  
409 WEST 500 NORTH  
VERNAL UT 84078

HAROLD FREDRICKSON  
BOX 154  
ROOSEVELT UT 84066

EARL VICTOR GRITTON  
2586 ELIZABETH #4  
SALT LAKE CITY UT 84106

*Diane Rubey*

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 COASTAL FOR	:	
AN ORDER MODIFYING THE SPACING	:	ORDER AUTHORIZING
ORDERS IN CAUSE NOS. 173-9-S, 173-10,	:	SUBSTITUTION OF PARTIES
AND 173-12(A) TO PROVIDE FOR THE	:	
DRILLING OF ADDITIONAL WELLS	:	
TO ACHIEVE A WELL DENSITY	:	Docket No. 98-023
EQUIVALENT TO 40-ACRE WELL	:	Cause No. 173-13
SPACING FOR PRODUCTION OF GAS	:	
AND ASSOCIATED HYDROCARBONS	:	
FROM THE WASATCH-MESA VERDE	:	
FORMATION IN EXISTING DRILLING	:	
UNITS AND TO MODIFY THE SPACED	:	
INTERVAL WITHIN PORTIONS OF	:	
TOWNSHIPS 8 AND 9 SOUTH,	:	
RANGES 20, 21 AND 22 EAST,	:	
S.L.M., UINTAH COUNTY, UTAH.	:	

---oo0oo---

The BOARD OF OIL, GAS & MINING having considered the motion of  
CONOCO INC. ("Conoco") and COASTAL OIL & GAS CORPORATION ("Coastal")  
to substitute Coastal for Conoco in this matter and being fully advised in the premises;

IT IS HEREBY ORDERED that:

1. The Joint Motion for Substitution of Parties is hereby granted authorizing Coastal to be substituted as the Petitioner in this matter in Conoco's stead.
2. The caption for this matter reflects this change.



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

ISSUED this 30<sup>th</sup> day of November, 1998.

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 AUTHORIZING SUBSTITUTION OF PARTIES for Docket No. 98-023, Cause No. 173-13 to be mailed by first-class mail, postage prepaid, this 1 day of December, 1998, to the following:

PHILLIP WM LEAR  
SNELL & WILMER LLP  
ATTORNEYS FOR CONOCO INC  
AND COASTAL OIL & GAS CORP  
111 EAST BROADWAY STE 900  
SALT LAKE CITY UT 84111

THOMAS W CLAWSON  
VAN COTT BAGLEY CORNWALL MCCARTHY  
ATTORNEYS FOR CHANDLER & ASSOC  
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ASSISTANT ATTORNEY GENERAL  
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SALT LAKE CITY UT 84114-0857

DANIEL G MOQUIN ESQ  
ASSISTANT ATTORNEY GENERAL  
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(HAND DELIVERED)

JOHN BAZA  
ASSOC DIRECTOR OIL & GAS  
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(HAND DELIVERED)

DONALD H SPICER  
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JERRY D HARDIN  
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MIDLAND TX 79705-4500

CHANDLER & ASSOCIATES INC  
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JERRY KENCZKA  
BUREAU OF LAND MANAGEMENT  
VERNAL DISTRICT OFFICE  
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VERNAL UT 84078

STATE OF UTAH  
TRUST LANDS ADMINISTRATION  
675 EAST 500 SOUTH #500  
SALT LAKE CITY UT 84102

DAVID L ALLISON  
BUREAU OF INDIAN AFFAIRS  
TRUSTEE FOR UNLEASED HEIRS OF:  
• YA-POO-ITS, UNC 268  
• JACK ARRIVIE, JR., UNC 558  
• JOHN MCCOOK, UNC 445  
• ELLA JENKS, UNC 458  
• MARION ARRIVIE, UNC 401  
UINTAH & OURAY AGENCY  
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ROBERT S THOMPSON  
UTE INDIAN TRIBE  
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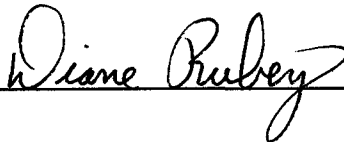
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