

BEFORE THE BOARD OF OIL, GAS AND MINING

DEPARTMENT OF NATURAL RESOURCES

STATE OF UTAH

**FILED**

MAR 22 2000

SECRETARY, BOARD OF  
OIL, GAS & MINING

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IN THE MATTER OF THE REQUEST )  
FOR AGENCY ACTION OF )  
COASTAL OIL & GAS )  
CORPORATION FOR AN ORDER )  
VACATING THE CAUSE NO. 173 )  
SERIES OF SPACING ORDERS AS )  
TO THE SOUTH-HALF OF SECTION )  
30, TOWNSHIP 8 SOUTH, RANGE 22 )  
EAST, S.L.M., PERTAINING TO THE )  
PRODUCTION OF GAS AND )  
ASSOCIATED HYDROCARBONS )  
FROM THE WASATCH- )  
MESAVERDE FORMATION IN THE )  
OURAY FIELD OF UINTAH )  
COUNTY, UTAH )

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FINDINGS OF FACT, CONCLUSIONS  
OF LAW, AND ORDER

Docket No. 2000-002

Cause No. 173-17

This cause came on regularly for hearing before the Board of Oil, Gas and Mining (the "Board") on Wednesday, February 23, 2000, 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: Thomas B. Faddies, Acting Chairman, Raymond W. Murray, Elise L. Erler, W. Allan Mashburn, Stephanie Cartwright, and James Peacock. 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, of Snell & Wilmer L.L.P. appeared on behalf of Coastal Oil & Gas Corporation (“Coastal”), and Donald H. Spicer, Joel A. Degenstein, and Howard W. Musgrove appeared as witnesses for Coastal.

Thomas A. Mitchell, 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 to present the Staff Memorandum to the Board dated February 9, 2000, and the Division’s recommendations.

Robert Henricks, Chief, Branch of Fluid Minerals (Utah State Office) appeared for the United States Department of the Interior, Bureau of Land Management.

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

### **FINDINGS OF FACT**

1. The Board set this matter initially for its regularly scheduled hearing on January 26, 2000.
2. The Board mailed notices of the January 26, 2000 hearing to interested parties on January 4, 2000, and caused notice to be published in the *Deseret News* and in the *Salt Lake Tribune* on January 9, 2000, and in the *Vernal Express* on January 5, 2000. By Order dated January 10, 2000, the Board continued the hearing to February 23, 2000.
3. Coastal mailed photocopies of the Request for Agency Action to the last known address of all owners having legally protected interests in the lands subject to the Request for Agency Action by certified mail, return receipt requested.

4. 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.

5. Coastal owns working interests in the lands which are the subject matter of this Request for Agency Action.

6. The lands affected by this Request for Agency Action are public domain lands of the United States of America administered by the Bureau of Land Management (the "BLM") and private lands.

7. The lands pertaining to the proposed spacing modification are situated in Uintah County, Utah, and are more particularly described, as follows:

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

Section 30: Lots 3, 4, 13, 14, & 15,  
E $\frac{1}{2}$ SW $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$  (S $\frac{1}{2}$ )

(containing 328.22 acres, more or less)

hereinafter "**Subject Lands.**"

8. The Subject Lands are part of the Ouray Field, a designated field known for the production of gas from the Wasatch and Mesaverde formations.

9. By Orders in Cause Nos. 173-1 and 173-2, the Board established lay-down, 320-acre drilling units comprising the north half and the south half of public land survey sections, or their equivalent lots, for production of oil and gas from the Wasatch and Mesaverde formations from lands in the Ouray Field, including the Subject Lands. Those orders authorized one well in each drilling unit for production from the common source of supply. By Order in Cause No. 173-9-S, the Board modified its original orders and authorized an additional well to be drilled in each drilling unit.

10. The Subject Lands are governed by the Order in Cause No. 173-9-S.

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

That interval below the stratigraphic equivalent of 4,722 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.

(hereinafter “**Spaced Interval**”). The Wasatch and Mesaverde formations are commonly occurring formations throughout the Uinta Basin.

12. Forty acres constitute an area no smaller than the maximum area drained by one well in the in the Spaced Interval in the Subject Land.

13. A well density equivalent to 40–acre spacing may be accomplished by vacating the spacing in the currently Spaced Interval to achieve the same effect pursuant to the Board’s well location and siting rules, while allowing the owners maximum flexibility in operating their leases and drilling their own wells.

14. No wells have been drilled to the Spaced Interval on the Subject Lands. No pooling or other sharing arrangements exist among the owners in the Subject Lands that would preclude development of the Subject Lands under the Board’s well location and siting rules.

15. Developing the Spaced Interval in the Subject Lands under the Board’s well siting and location rules will prevent waste, protect correlative rights, and promote the maximum ultimate recovery of oil and gas.

## CONCLUSIONS OF LAW

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

17. Coastal properly served all owners having a legally protected interest in the subject matter of this hearing.

18. 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.

19. Because 40 acres constitute an area no smaller than the maximum area drained by one well in the in the Spaced Interval in the Subject Lands, no correlative rights of owners will be violated by vacating the existing spacing orders affecting the Subject Lands.

20. An order vacating the spacing established by the Board in the Cause Nos. 173 series of orders 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 maximum 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 in Cause No. 173-17 is hereby granted.
- B. The orders in Cause Nos. 173-1, 173-2, and 173-9-S are hereby vacated as to the drilling unit comprising the Spaced Interval in the Subject Lands.
- C. Development of oil and gas reserves in the Subject Lands will henceforth be governed by the Board's well siting and location rules until further order of the Board.

D. 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).

E. These Findings of Fact, Conclusions of Law, and Order (“**Order**”) are based exclusively upon evidence of record in these 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 final agency actions as defined in the Utah Administrative Procedures Act and Board rules.

F. **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).

G. **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).

H. 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).

I. 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 (or acting chairman's ) signature on a facsimile copy of this Order shall be deemed the equivalent of a signed original for all purposes.

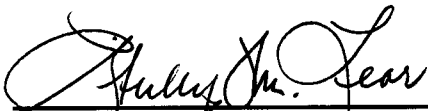
Issued this 22 day of March, 2000.

STATE OF UTAH  
BOARD OF OIL, GAS AND MINING

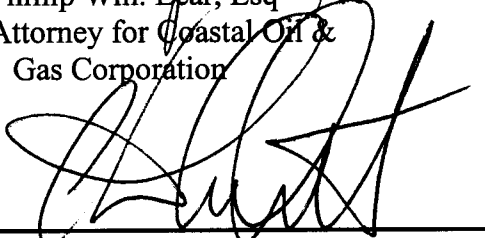


Thomas B. Faddies  
Acting Chairman

Approved as to Form:



Phillip Wm. Lear, Esq  
Attorney for Coastal Oil &  
Gas Corporation



Thomas A. Mitchell, Esq.  
Assistant Attorney General  
Attorney for the Board



**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. 2000-002, Cause No. 173-17 to be mailed with postage prepaid, this 23 day of March, 2000, to the following:

Phillip Wm. Lear  
Christopher D. Jones  
SNELL & WILMER LLP  
Attorneys for Coastal Oil & Gas Corporation  
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John Baza  
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Division of Oil, Gas & Mining  
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Utah State Office  
304 South State Street, Suite 300  
Salt Lake City, UT 84111

United States of America  
Bureau of Land Management  
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Vernal District Office  
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Vernal, UT 84078

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Ulrika Southwick

JAN-10-00 SUN 04:31 PM

D OIL GAS MINING

FAX NO. 3593940

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**FILED**

JAN 10 2000

SECRETARY, BOARD OF  
OIL, GAS & MINING

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

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IN THE MATTER OF THE REQUEST  
FOR AGENCY ACTION OF COASTAL  
OIL & GAS CORPORATION FOR AN  
ORDER VACATING THE CAUSE  
NO. 173 SERIES OF SPACING ORDERS  
AS TO THE SOUTH-HALF OF  
SECTION 30, TOWNSHIP 8 SOUTH,  
RANGE 22 EAST, S.L.M., PERTAINING  
TO THE PRODUCTION OF GAS AND  
ASSOCIATED HYDROCARBONS  
FROM THE WASATCH-MESAVERDE  
FORMATION IN THE OURAY FIELD  
OF UINTAH COUNTY, UTAH.

ORDER GRANTING CONTINUANCE

DOCKET NO. 2000-002

CAUSE NO. 173-17

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The BOARD OF OIL, GAS & MINING having considered the motion of COASTAL OIL & GAS CORPORATION, Petitioner in this matter, for an order continuing the hearing in this matter to the regularly scheduled hearing date in February 2000, and being fully advised in the premises;

IT IS HEREBY ORDERED that the Motion for Continuance is granted and the above-captioned case continued to the regularly scheduled hearing on February 23, 2000.

DATED this 10<sup>th</sup> day of January, 2000.

BOARD OF OIL, GAS AND MINING

By   
Dave D. Lauriski, Chairman

## CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing ORDER GRANTING CONTINUANCE for Docket No. 2000-002, Cause No. 173-17 to be mailed with postage prepaid, this 11 day of January, 2000, to the following:

Phillip Wm. Lear  
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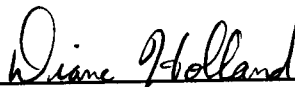
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