

No statements were made in opposition of the Request for Agency Action and no other parties appeared or participated at the hearing.

The Board, having considered the testimony presented and the exhibits received at the hearing, being fully advised, and for good cause appearing, hereby makes the following findings of fact, conclusions of law, and order.

FINDINGS OF FACT

1. Cimarron is the operator of the Cimarron Energy # 1AXZ well (the "Well"), which has a surface location in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 14, Township 15 South, Range 3 East, SLM.

2. In May, 1996, Cimarron attempted to fracture stimulate the Tununk formation but, even with pressures at 15,000 psi surface, those efforts failed to establish commercial quantities of hydrocarbons from the Well. The Tununk formation matrix porosity and permeability do not appear to be sufficient to establish commercial production with a vertical or slightly deviated wellbore and conventional fracture stimulation.

3. Data generated by Cimarron in connection with its 1996 activities indicate that the Tununk formation in this vicinity is under stresses that have fractured the rock with distinct fracture planes running in a north-south direction and caused a regional dip of approximately 20° downward to the east.

4. Cimarron has proposed directional drilling in the Well, with the lateral extending to a maximum terminus of 700 feet FEL and 1,320 feet FNL in the E $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 14, which has the potential for intersecting these various fracture planes and

yielding commercial producing rates. The direction and distance of the lateral must, however, be finally determined in the field based upon geology encountered during drilling. Under these circumstances, the proposed directional drilling is justified.

5. Cimarron is a Utah corporation in good standing, is fully bonded with the Division, and is capable of carrying out the proposed directional drilling in a prudent manner.

6. Cimarron has agreed that, should the proposed directional drilling be successful, it will, based upon the data generated from the Well, petition the Board for an appropriate spacing order and pool any and all interests necessary to protect correlative rights.

7. Cimarron has nearly all of the oil and gas rights within the N $\frac{1}{2}$ of Section 14, and particularly within a 460 foot radius of the proposed directional lateral, under lease. The Heirs and/or Devisees of A.D. Solsbery and Ross Blackham and Carlene Blackham, joint tenants, are fee owners of oil and gas within the N $\frac{1}{2}$ of Section 14 who have not leased to Cimarron and who have not provided written consent to the directional drilling.

8. Pursuant to the requirements of statute and regulation, Cimarron mailed, certified mail-return receipt, a copy of the Request for Agency Action to the last addresses disclosed by the county records for the parties identified in Paragraph 7 above.

9. Notice was duly published as required by Utah Admin. Code Rule R641-106-100.

10. After testimony, the Division expressed its support for the Request for Agency Action.

11. The vote of the Board members present in the hearing and in this cause was unanimous in favor of granting the Request for Agency Action.

12. Cimarron requested that Exhibits "A", "B" and "C" introduced into evidence at the hearing be deemed confidential and provided protection as such to the fullest extent permitted by law.

CONCLUSIONS OF LAW

1. Due and regular notice of the time, place, and purpose of the hearing was properly given to all interested parties in the form and manner as required by law and the rules and regulations of the Board and Division.

2. The Board has jurisdiction over all matters covered by the Request for Agency Action, pursuant to Utah Code Ann. § 40-6-5 and Utah Admin. Code Rule R649-3-11.

3. The directional drilling proposed by Cimarron is justifiable and is designed to allow for a greater ultimate recovery of oil and gas without waste.

ORDER

Based upon the Request for Agency Action, testimony and evidence submitted, and the Findings of Fact and Conclusions of Law stated above, the Board hereby orders:

1. Cimarron is authorized by the Board, pursuant to Utah Code Ann. § 40-6-5 and Utah Admin. Code Rule R649-3-11, to directionally drill the Cimarron Energy #1AXZ

well with a lateral extending to a maximum terminus of 700 feet FEL and 1,320 feet FNL in the E¹/₂NE¹/₄ of Section 14, Township 15 South, Range 3 East, SLM, Sanpete County, all in accordance with an appropriate application for permit to drill incorporating the terms of its Request for Agency Action and filed with and approved by the Division.

2. Should its directional drilling efforts prove successful, Cimarron will, within a reasonable time, petition the Board for an appropriate spacing order and any other relief necessary to protect correlative rights and prevent waste.

3. Exhibits "A", "B" and "C" received into evidence in this matter are deemed confidential and shall be protected as such to the full extent allowed under the Government Records Access and Management Act (Utah Code Ann. §§ 63-2-101, *et seq*) and Utah Admin. Code R649-2-11 ("Confidentiality of Well Log Information").

4. Pursuant to Utah Administrative Code R641 and Utah Code Ann. § 63-46b-6 to -10 (1953, as amended), the Board has considered and decided this matter as a formal adjudication.

5. This Amended Findings of Fact, Conclusion of Law and Order ("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.

6. 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 issued. Utah Code Ann. § 63-46b-14(3)(a) and -16 (1953, as amended). As an alternative to seeking immediate judicial review, and 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.

7. 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.

8. The signature of the Chairman on a faxed copy of this Order shall be deemed equivalent to an original signature for all purposes.

ISSUED this 4th day of September, 1997.

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. 97-013, Cause No. 176-3 to be mailed by first-class mail, postage prepaid, this 4th day of September, 1997, to the following:

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