

CAUSE NO. 179-7 / DOCKET NO. 94-026

IN THE MATTER OF THE REQUEST
FOR AGENCY ACTION OF SNYDER
OIL CORPORATION FOR AN ORDER
ESTABLISHING STAND-UP 80-ACRE
DRILLING UNITS FOR PRODUCTION
OF OIL AND GAS FROM THE
WASATCH AND MESAVERDE
FORMATIONS IN THE NATURAL
BUTTES FIELD AREA IN UINTAH
COUNTY, UTAH; AND AUTHORIZING
AN EXCEPTION WELL LOCATION
FOR THE SOUTHMAN CANYON
#31-1-L WELL IN LOT 3 OF
SECTION 31, TOWNSHIP 9
SOUTH, RANGE 233 EAST, U.S.M.

ORDERS

<u>ORDER #</u>	<u>DATE SIGNED</u>	<u>DESCRIPTION</u>
#1	9/14/94	ORDER GRANTING MOTION FOR CONTINUANCE
#2	2/3/95	FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

February 3, 1995

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 SNYDER)
OIL CORPORATION FOR AN ORDER)
ESTABLISHING STAND-UP 80-ACRE)
DRILLING UNITS FOR PRODUCTION)
OF OIL AND GAS FROM THE)
WASATCH AND MESAVERDE)
FORMATIONS IN THE NATURAL)
BUTTES FIELD AREA IN Uintah)
COUNTY, UTAH; AND)
AUTHORIZING AN EXCEPTION)
WELL LOCATION FOR THE)
SOUTHMAN CANYON #31-1-L WELL)
IN LOT 3 OF SECTION 31,)
TOWNSHIP 9 SOUTH, RANGE 23)
EAST, U.S.M.)

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

Docket No. 94-026

Cause No. 179-7

This cause came on regularly for hearing before the Board of Oil, Gas and Mining (the "**Board**") on Wednesday, December 7, 1994, at 10:00 am., in the Boardroom of the Division of Oil, Gas and Mining at 355 West North Temple, 3 Triad Center, Suite 520, Salt Lake City, Utah.

The following Board members present and participating in the hearing were: Chairman David D. Lauriski, Judith F. Lever, Jay L. Christensen, Kent G. Stringham, Raymond Murray, and Thomas Faddies. Staff members of the Division of Oil, Gas and Mining (the "**Division**") present and participating in the hearing included James W. Carter, Director; Ronald J. Firth, Associate Director for Oil and Gas; Brad Hill, geologist; and Frank Matthews, petroleum engineer.

Phillip Wm. Lear, Esq., of Snell & Wilmer appeared on behalf of Snyder Oil Corporation ("Snyder Oil") and Norman G. Damon, Linda M. Jacobs, and William E. Richardson appeared as witnesses for Snyder Oil.

Thomas A. Mitchell, Esq., Assistant Attorney General, represented the Board; and John W. Andrews, Esq., Assistant Attorney General, represented the Division. No persons appeared in opposition.

Robert A. Henricks, Chief, Branch of Fluid Minerals (Utah State Office) and Edwin Forsman, Petroleum Engineer (Vernal District 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 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 7, 1994 hearing to all interested parties by certified mail, return receipt requested on November 16, 1994, and caused notice to be published in the *Deseret News* and in the *Salt Lake Tribune* on November 18, 1994, and in the *Vernal Express* on November 16, 1994.

2. Snyder Oil mailed photocopies of the Request for Agency Action to the last known address of all owners.

3. Snyder Oil is a Delaware Corporation in good standing, having its principal place of business in Fort Worth, Texas. Snyder Oil is licensed to do business in Utah.

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

5. 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").

6. The lands to be spaced are situated in Uintah County, Utah, and are more particularly described, as follows:

Township 9 South, Range 23 East, S.L.M.

Section 31: Lots 1,2,3,4, E½,
E½W½ (All)

(containing 635.68 acres, more or less),

(the "**Subject Lands**"). The Subject Lands constitute an island in the geographical area for which no formal spacing or unit area well pattern has been established.

7. Lands immediately adjacent to the Subject Lands to the north and east are committed to the Chapita Wells Unit Agreement and spacing patterns dictated by the Chapita Well Unit Operating Agreement, resulting in a de facto spacing of 80 acres.

8. Lands immediately adjacent to the Subject Lands to the west are committed to the Natural Buttes Unit Agreement, and unit wells have been drilled on 80-acre

spacing patterns dictated by the Natural Buttes Unit Operating Agreement and plans of unit development, resulting in a de facto spacing of 80 acres.

9. Lands immediately adjacent to the Subject Lands to the south are subject to the Board's Order in Cause No. 179-1, as amended by Cause No. 179-6, providing for de facto spacing of 160 acres.

10. The Subject Lands are currently governed by well siting and location rules promulgated by the Board, providing for one well to be located in the center of each governmental survey quarter-quarter section, or substantially equivalent lot or tract, with a tolerance of 200 feet in any direction from the center location, creating a 400-foot square drilling window centered on the location, pursuant to *Utah Admin. Code* R649-3-2 (1994).

11. The Subject Lands are underlain by a common source of supply from which oil, gas, and associated hydrocarbons can be produced from the Wasatch--Mesaverde formations.

12. The interval to be spaced under this Request for Agency Action should be defined as being from the top of the Wasatch formation down to the base of the Mesaverde formation (the "**Spaced Interval**"), an easily-identifiable stratigraphic horizon throughout the entire area which is customarily drilled and explored for oil and/or gas potential.

13. Geologic and engineering data obtained from drilling and development operations in the geographic area, related technical studies on the Subject Lands and in the immediately adjacent lands to the west, north, and east, and the position of the existing producing wells on those adjacent lands indicates that the drilling units for the development of the Subject Lands and Spaced Interval should comprise 80 acres. The permitted wells for

each such drilling unit should be located in the NW¼ and SE¼ of each quarter section or its governmental survey equivalent (stand-up 80-acre drilling units) and allowing for a tolerance of 200 feet from the center location of each such drilling unit, thereby creating a drilling window 400 feet square on the center location. Further, provision should be made for granting administrative approval 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.

14. Only one well producing from the Spaced Interval should be permitted for each drilling unit.

15. The maximum area that can be drained efficiently and economically by one well from the Spaced Interval underlying the Subject Lands is 80 acres.

16. The Snyder Southman Canyon #31-1-L Well (the "**Well**") has been drilled as an exception well to the well location and siting rules, at a location 367 feet from the west line and 2,218 feet from the south line of the subject Section 31 and constitutes an existing gas well capable of production, subject to connection to a pipeline.

17. An order establishing 80-acre stand-up drilling units for 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 Request for Agency Action pursuant to Chapter 6 of Title 40 of the *Utah Code Annotated*.
2. 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.
3. Snyder Oil's petition poses an appropriate request for spacing.
4. The Subject Lands are unspaced and are currently subject to the Board's well location and siting rules.
5. The Subject Lands include all lands in the area determined by the Board to overlay the Spaced Interval not heretofore spaced by order of the Board or subject to an approved federal agreement for unit development.
6. The Spaced Interval constitutes a pool or common source of supply underlying the Subject Lands.
7. Stand-up 80-acre drilling units for the Spaced Interval are not smaller than the maximum areas within the Subject Lands that can be efficiently and economically drained by one production well.
8. Stand-up 80-acre drilling units for the Spaced Interval comprising two quarter-quarter sections of the public lands survey system or their equivalent lots, stacked one on top of the other, create drilling units of a uniform size and shape throughout the Subject Lands and conform to the predominant pattern in the area established by federal units surrounding the Subject Lands to the east, north, and west.

9. The Well constitutes an authorized exception well to the proposed spacing pattern for the drilling unit comprising Lots 3 and 4.

10. All parties owning an interest in the Subject Lands and in lands off-setting the Subject Lands have consented to the existence of the Well as an exception well to the proposed spacing pattern.

11. The terms and conditions sought by Snyder Oil's Request for Agency Action are just and reasonable.

12. An order establishing 80-acre, stand-up drilling units for 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 oil, gas and associated hydrocarbons, and to prevent economic waste:

A. Snyder Oil's Request for Agency Action is granted.

B. Eighty-acre, stand-up drilling units comprising two quarter-quarter sections or equivalent lots of the public lands survey system shall be, and hereby are, established for the Spaced Interval in the Subject Lands.

C. The permitted wells for each such drilling unit shall be located in the NW $\frac{1}{4}$ and SE $\frac{1}{4}$ of each quarter section or its governmental survey equivalent, within a drilling window 400 feet square on the center location.

D. The Division may grant administrative approval 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. The Well shall be, and hereby is, authorized as an exception well to the drilling patterns for the Spaced Interval established by this Order.

F. 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.

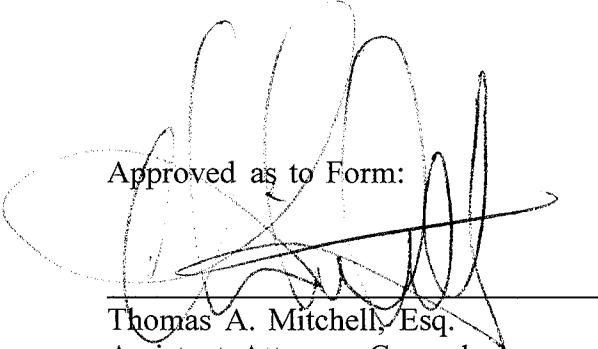
ENTERED this 3rd day of ^{February} ~~January~~, 1995.

STATE OF UTAH
BOARD OF OIL, GAS AND MINING

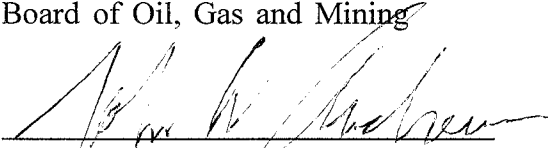


David D. Lauriski
Chairman

Approved as to Form:



Thomas A. Mitchell, Esq.
Assistant Attorney General
Board of Oil, Gas and Mining



John W. Andrews, Esq.
Assistant Attorney General
Division of Oil, Gas and Mining

CERTIFICATE OF MAILING

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. 94-026, Cause No. 179-7 to be mailed by certified mail, postage prepaid, on the 6th day of February 1995, to the following:

Phillip Wm. Lear, Esq. ✓
Jeffrey T. Sivertsen, Esq. ✓
Snell & Wilmer
Broadway Center
111 East Broadway, Suite 900
Salt Lake City, Utah 84111

*Received
2-10-95*

Norman G. Damon ✓
Snyder Oil Production Company
1625 Broadway, Suite 2200
Denver, Colorado 80202

Received 2-9-95

Mailed First Class to:

Bureau of Land Management
324 South State Street, Suite 300
P.O. Box 45155
Salt Lake City, UT 84145-0155

Donald H. Spicer
CIG Exploration, Inc.
600 17th Street, Suite 800 South
P.O. Box 749
Denver, Colorado 80201-0749

Donald H. Spicer
Coastal Oil & Gas Corporation
600 17th Street, Suite 800 South
P.O. Box 749
Denver, Colorado 80201-0749

Rod Mellott
Enron Oil & Gas Company
1625 Broadway, Suite 2200
Denver, Colorado 80202

Janean Burns

SUPPLEMENTAL CERTIFICATE OF MAILING

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. 94-026, Cause No. 179-7 to be mailed by certified mail, postage prepaid, on the 16th day of February 1995, to the following:

William W. Griffith
Snyder Oil Production Company
1625 Broadway, Suite 2200
Denver, Colorado 80202



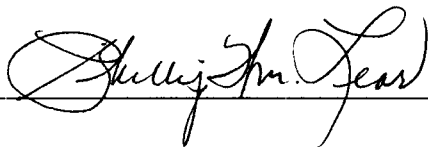
CERTIFICATE OF MAILING

I hereby certify that I caused a true and correct copy of the within and foregoing proposed Findings of Fact, Conclusions of Law, and Order to be mailed by United States first class mail, postage prepaid, this 24th day of January 1995, to the following:

United States of America
Bureau of Land Management
Utah State Office
304 South State Street, Suite 300
Salt Lake City, UT 84111

Enron Oil & Gas Company
1625 Broadway, Suite 2200
Denver, CO 80202
Attn: Mr. Rod Mellott

Coastal Oil & Gas Corporation
600 17th Street, Suite 800 South
P.O. Box 749
Denver, CO 80201-0749
Attn: Mr. Donald H. Spicer



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

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FOR AGENCY ACTION OF SNYDER	:	ORDER GRANTING MOTION
OIL CORPORATION FOR AN ORDER	:	FOR CONTINUANCE
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DRILLING UNITS FOR PRODUCTION	:	
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FORMATIONS IN THE NATURAL	:	
BUTTES FIELD AREA IN Uintah	:	
COUNTY, UTAH; AND AUTHORIZING	:	
AN EXCEPTION WELL LOCATION	:	
FOR THE SOUTHMAN CANYON	:	
#31-1-L WELL IN LOT 3 OF	:	
SECTION 31, TOWNSHIP 9	:	
SOUTH, RANGE 23 EAST, U.S.M.	:	

To Lisha
9/26/94

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Upon consideration of Snyder Oil Corporation's, Petitioner, Motion for Continuance moving the Board of Oil, Gas and Mining for a continuance of the hearing in this matter from September 28, 1994, until the regularly scheduled hearing date for November/December, and for good cause showing, the Board therefore grants Petitioner's motion and the above-captioned matter will be continued until December 7, 1994.

DATED this 14th day of September 1994.

STATE OF UTAH
BOARD OF OIL, GAS AND MINING



Dave D. Lauriski
Chairman

CERTIFICATE OF MAILING

I hereby certify that I caused a true and correct copy of the foregoing ORDER GRANTING MOTION FOR CONTINUANCE for Docket No. 94-026, Cause No. 179-7 to be mailed by certified mail, postage prepaid, on the 20th day of September 1994, to the following:

Phillip Wm. Lear, Esq. ✓
Jeffrey T. Sivertsen, Esq.
Snell & Wilmer
Broadway Center
111 East Broadway, Suite 900
Salt Lake City, Utah 84111

Norman G. Damon ✓
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