

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

**FILED**  
MAY 19 2005  
SECRETARY, BOARD OF  
OIL, GAS & MINING

IN THE MATTER OF THE REQUEST FOR )  
AGENCY ACTION OF QUESTAR )  
EXPLORATION AND PRODUCTION )  
COMPANY FOR AN ORDER MODIFYING )  
THE ORDERS IN CAUSE NOS. 179-1, 179-6 )  
AND 179-9 TO PROVIDE FOR THE )  
DRILLING OF ADDITIONAL WELLS TO )  
ACHIEVE A WELL DENSITY EQUIVALENT )  
TO 40-ACRE WELL SPACING UNITS FOR )  
THE PRODUCTION OF OIL, GAS AND )  
ASSOCIATED HYDROCARBONS FROM ALL )  
FORMATIONS FROM THE SURFACE DOWN )  
TO THE TOP OF THE MANCOS FORMATION )  
COMPRISING THE W<sup>1</sup>/<sub>2</sub> OF SECTION 16 IN )  
TOWNSHIP 10 SOUTH, RANGE 23 EAST, )  
SLM, UINTAH COUNTY, UTAH )

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

Docket No.: 2005-007

Cause No.: 179-11

This cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, April 27, 2005, at approximately 6:15 p.m. The following Board members were present and participated at the hearing: Chairman J. James Peacock, Robert J. Bayer, Douglas E. Johnson, Kent R. Petersen and Jake Y. Harouny. Board members Samuel C. Quigley and Jean Semborski were unable to attend. The Board was represented by Michael S. Johnson, Esq. and Stephen E. Schwendiman, Esq., Assistant Attorneys General.

Testifying on behalf of Petitioner Questar Exploration and Production Company ("Questar") were Nathan C. Koeniger – Landman, J.D. Herman – Geologist, and Carole

R. Edwards-Knight – Reservoir Engineer. William E. Ward, Esq., of and for Pruitt Gushee, a Professional Corporation, appeared as attorney for Questar.

Testifying on behalf of the Division of Oil, Gas and Mining (the “Division”) was John R. Baza, Associate Director – Oil and Gas. Steven F. Alder, Esq., Assistant Attorney General, appeared as attorney on behalf of the Division.

No other party filed a response to Questar’s Request for Agency Action and no other party appeared or participated at the hearing.

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

#### **FINDINGS OF FACT**

1. Questar is a Texas corporation in good standing. Questar is duly qualified to conduct business in the State of Utah and is fully bonded with all appropriate State agencies.

2. By Order in Cause No. 179-1 dated October 24, 1978, the Board established a 320 acre stand-up drilling unit for the Subject Lands for the production of oil, gas and associated hydrocarbons from the common source of supply in the interval described as being from the surface down to the top of the Mancos formation, comprising the Uinta, Green River, Wasatch, Mesaverde, and Castlegate formation (“Spaced Interval”).

3. By Order in Cause No. 179-6 dated May 27, 1994, the Board modified its Order in Cause No. 179-1 to allow for the drilling of an additional well in each drilling unit.

4. By Order in Cause No. 179-9 dated December 28, 1999, the Board modified its Order in Cause Nos. 179-1 and 179-6 to allow the drilling of up to four wells in each drilling unit.

5. Oil and Gas ownership in the W½ of Section 16, Township 10 South, Range 23 East, SLM ("Subject Lands") is vested in the State of Utah and is administered by the School and Institutional Trust Lands Administration. The oil and gas is currently subject to Oil, Gas and Hydrocarbon Lease ML-22186, under which Questar is the sole lessee. Leasehold ownership is uniform within the Subject Lands

6. Questar operates the four wells on the Subject Lands ("Existing Wells") currently allowed. The wells and their locations are as follows:

<u>Well</u>	<u>Location</u>
Kaye State 1-16	1,272' FNL and 1,180' FWL in the NW¼NW¼
SC 13 ML-16-10-23	686' FSL and 972' FWL in the SW¼SW¼
SC 3ML-16-10-23	489' FNL and 1,043' FWL in the NE¼NW¼
SC 11ML-16-10-23	2,026' FSL and 1,989' FWL in the NE¼SW¼

7. It is probable that, if development of the Subject Lands as to the Spaced Interval does not occur based on a well density equivalent to 40-acre spacing, valuable resources will not be recovered.

8. Based on the evidence presented, it appears that one well completed in the Spaced Interval of the Subject Lands will efficiently and economically drain not more than 40 acres.

9. A copy of the Request for Agency Action was mailed to all royalty, overriding royalty and working interest owners within the entirety of the Subject Lands at their last addresses disclosed by the appropriate Federal, State and County realty records.

10. Notice of the filing of Questar's Request for Agency Action and of the hearing thereon was duly published in the *Salt Lake Tribune*, *Deseret Morning News* and *Vernal Express*.

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.

### **CONCLUSIONS OF LAW**

1. Due and regular notice of the time, place and purpose of the hearing was properly given to all parties whose legally protected interests are affected by the Request for Agency Action 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 and all interested parties therein, and has the power and authority to

render the order herein set forth pursuant to Utah Code Ann. §§ 40-6-5(3)(b) and 40-6-6(6).

3. The Subject Lands are currently spaced as a 320 acre stand-up drilling unit with four wells authorized for production from the Spaced Interval.

4. 40-acre drainage patterns are not smaller than the maximum area within the Spaced Interval in the Subject Lands that can be efficiently and economically drained by one production well.

5. The drilling of four additional wells in the Subject Lands as proposed by Questar is just and reasonable under the circumstances.

6. Questar has sustained its burden of proof, demonstrated good cause, and satisfied all legal requirements for the granting of its Request for Agency Action.

7. The relief granted hereby will result in the orderly development and greatest recovery of gas from the Spaced Interval as to the Subject Lands, prevent waste and adequately protect the correlative rights of all affected parties.

### **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. The Request for Agency Action in this cause is granted.
2. The Board's Orders entered in Cause Nos. 179-1, 179-6 and 179-9 insofar and only insofar as they pertain to the W½ of Section 16, Township 10 South, Range 23 East, SLM, are hereby modified to authorize the drilling of additional wells up to a total

of eight wells to establish a well density substantially equivalent to 40-acre spacing for the development and production of oil, gas and associated hydrocarbons from all formations from the surface down to the top of the Mancos formation, defined as the stratigraphic equivalent of 9,420 feet as shown on the open log suite of the Southman Canyon 3ML-16-10-23 well located in the NE $\frac{1}{4}$ NW $\frac{1}{4}$  of subject Section 16.

3. The Existing Wells located on the Subject Lands are drilled in a legal location and the permitted additional wells shall be located no closer than 920 feet from an existing well producing from the spaced interval and no closer than 460 feet from the exterior boundary of the W $\frac{1}{2}$  of Section 16, or such other location as may be granted administratively by the Division.

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

5. 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 Admin. Code Rule 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), 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. 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 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 Admin. Code Rule 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 the month.

*Id.* See Utah Admin. Code Rule 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 and the deadline in Utah Admin. Code Rule 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. For all purposes, the Chairman's signature on a faxed copy of this Order shall be deemed the equivalent of a signed original.

DATED this 19<sup>th</sup> day of May, 2005.

**STATE OF UTAH  
BOARD OF OIL, GAS AND MINING**

By: 

J. James Peacock, 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. 2005-007, Cause No. 179-11 to be mailed with postage prepaid, this 25<sup>th</sup> day of May, 2005, to the following:

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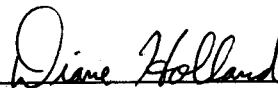
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