

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

IN THE MATTER OF THE MOTION) FOR AGENCY ACTION OF YATES) PETROLEUM CORPORATION FOR) AN ORDER VACATING THE ORDERS) IN CAUSE NOS. 188-1 and) 188-1(C) DATED NOVEMBER 19,) 1980, AND JUNE 29, 1982,) RESPECTIVELY, WHICH) ESTABLISHED DRILLING) UNITS FOR THE DESERT CREEK) FORMATION IN THE SQUAW) CANYON AREA OF SAN JUAN) COUNTY, UTAH)	FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER Docket No. 88-020 Cause No. 188-3(A)
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This cause came on regularly for hearing before the Board of Oil, Gas and Mining (the "Board") on Thursday, October 27, 1988, at 10:00 a.m., in the Board Room of the Division of Oil, Gas and Mining at 355 West North Temple, 3 Triad Center, Suite 301, Salt Lake City, Utah.

The following Board members were present: Gregory P. Williams, Chairman; Charles R. Henderson; E. Steele McIntyre; Richard B. Larsen; James W. Carter; and John M. Garr. Staff members of the Division of Oil, Gas and Mining (the "Division") present and participating in the hearing included Dr. Dianne R. Nielson, Director; Ronald J. Firth, Associate Director; John R. Baza, Petroleum Engineer; and Ray Kearns, Geologist, Utah Geological and Mineral Survey. Appearances were made by

Matthew F. McNulty III of Van Cott, Bagley, Cornwall & McCarthy for Yates Petroleum Corporation; Alan S. Bachman for the Board; and Barbara W. Roberts for the Division. Robert A. Henricks, Chief, Branch of Fluid Minerals, Bureau of Land Management, appeared on behalf of the 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, now makes and enters its Findings of Fact, Conclusions of Law, and Order as follows:

FINDINGS OF FACT

1. Notice of the October 27, 1988 hearing was mailed to all interested parties by certified mail, return receipt requested, on September 29, 1988, and was published in the Deseret News and Salt Lake Tribune on October 2, 1988, and in the San Juan County Record on October 5, 1988.

2. Yates Petroleum Corporation ("Yates") is a New Mexico corporation in good standing, having its principal place of business in Artesia, New Mexico. Yates is licensed to do business in Utah.

3. The Board has jurisdiction of the parties and subject matter of this Motion for Agency Action, pursuant to sections 40-6-5(3)(b) and 40-6-6 of the Utah Code Annotated.

4. This matter was heard before a Board-appointed hearing examiner, R. J. Firth of the Division, on October 25,

1988, at 10:00 a.m. Phillip Wm. Lear appeared for Yates, and John R. Baza appeared for the Division. No appearances were made in opposition to the Motion.

5. Notice of the October 15, 1988 hearing before the hearing examiner was given to all interested parties.

6. By Orders in Cause Nos. 188-1 and 188-1(C), dated November 19, 1980, and June 29, 1982, respectively, the Board established 80-acre stand-up drilling units comprising the $W\frac{1}{2}$ and $E\frac{1}{2}$ of each public land survey quarter section for oil, gas, and associated hydrocarbons produced from the Desert Creek formation in the following described lands in San Juan County, Utah:

Township 38 South, Range 26 East, S.L.M.

Section 18: $S\frac{1}{2}$
Section 19: All
Section 20: $W\frac{1}{2}W\frac{1}{2}$

The location for each permitted well is the center of the $NW\frac{1}{4}$ and the center of the $SE\frac{1}{4}$ of each quarter section, with a tolerance of 200 feet from the center of each designated quarter-quarter section.

7. Those lands affected by the Orders in Cause Nos. 188-1 and 188-1(C) that are the subject of this Motion for Agency Action are owned by the United States of America and are managed by the Bureau of Land Management.

8. Yates owns working interest in the $NW\frac{1}{4}$ and $SE\frac{1}{4}$ of Section 19.

9. MCO Resources, Inc. or its subsidiary, MCOR Oil & Gas Corporation ("MCOR"); Mobil Oil Corporation, and Celsius Energy Company own working interests/operating rights in various combinations in all subject lands.

10. Eight wells have been drilled in the Squaw Canyon Field, affecting eight of the fourteen established drilling units.

11. MCOR has drilled two producing wells in the Squaw Canyon Field. The first well, the discovery well for the Squaw Canyon Field, is the Federal No. 1-19 Well situated in the SE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 19. The second well is the Federal No. 3-19 Well situated in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 19. Both MCOR wells were drilled within the on-pattern quarter-quarter sections in the respective 80-acres stand-up drilling units under the Orders and Cause No. 188-1 and 188-1(C). However, both locations are unorthodox because they are outside their respective tolerance windows.

12. The MCOR Federal No. 3-19 Well produces from the Upper Ismay formation, a formation not spaced under the Orders in Cause No. 188-1 and 188-1(C). There is no Desert Creek production in the Federal No. 3-19 Well.

13. The MCOR Federal No. 1-19 Well situated in the SE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 19 is the only well in the Squaw Canyon Field which produces from the Desert Creek formation, the formation spaced in the Orders for Cause No. 188-1 and 188-1(C).

Production in the well now comes from the Lower Desert Creek formation and Upper Ismay formation.

14. Dry holes or non-commercial wells that have been plugged and abandoned have been drilled by MCOR in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 19 (MCOR Federal No. 2-19 Well), in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 18 (MCOR Federal No. 1-18 Well), in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 20, and in the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 20.

15. Dry holes or non-commercial wells that have been plugged and abandoned have been drilled by Jerry Chambers in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 18 and in the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 19. No wells have been drilled in the SW $\frac{1}{4}$ of Section 19.

16. A ninth well, the Three Amigos Federal No. 1 Well, will be drilled on the ninth of the fourteen drilling units. It is intended to produce from the Upper Ismay formation, but will also penetrate the Lower Desert Creek formation. Production from the Lower Desert Creek formation is not anticipated in the Three Amigos Federal No. 1 Well.

17. The predominate producing interval in the area is the Upper Ismay formation.

18. Development drilling in the vicinity of the spaced area is being pursued under 40-acre state-wide well-siting and location rules.

19. The nine wells that have permitted to be drilled on the established drilling units in the Squaw Canyon Field have, because of numerous exceptions to the spacing orders, established a pattern closely resembling 40-acre spacing.

20. The lands in the S $\frac{1}{2}$ of Section 18 and W $\frac{1}{2}$ W $\frac{1}{2}$ of Section 20 are currently embraced within the Hammerhead Unit, a federal exploratory unit.

CONCLUSIONS OF LAW

1. Due and regular notice of the time, place, and purpose of the October 27, 1988 hearing was given to all interested parties in the form and manner and within the time required by law in the rules and regulations of the Board.

2. Due and regular notice of the time, place, and purpose of the October 25, 1988 hearing before the hearing examiner was given to all interested parties in the form and manner and within the time required by law in rules and regulations of the Board.

3. Vacating the Orders in Cause Nos. 188-1 and 188-1(C) is in the public interest and will promote conservation, will increase ultimate recovery, will prevent waste, and will protect the correlative rights of each owner or producer in the area.

4. The Board has jurisdiction over all matters covered by the Request for Agency Action, pursuant to sections 40-6-5(3)(b) and 40-6-6 of the Utah Code Annotated, and has power and authority to make and promulgate the order herein set forth.

5. Vacating the Orders is reasonably necessary to fulfill the purposes of Chapter 6 of Title 40 Utah Code Ann.

ORDER

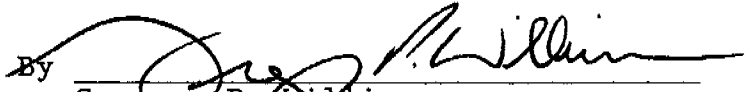
IT IS THEREFORE ORDERED, that:

1. The Orders in Cause Nos. 188-1 and 188-1(C) are hereby vacated. Operations in the Squaw Canyon Field Area are to be governed by R615-3-2 of the Oil and Gas General Rules, Utah Admin. Code (1987), pertaining to the location and siting of wells.

2. The Board retains continuing jurisdiction over the subject matter and the parties.

DATED this 14th day of ^{January}~~November~~, 1988⁹.

BOARD OF OIL, GAS AND MINING

By 
Gregory P. Williams
Chairman

Approved as to Form:

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110488

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

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IN THE MATTER OF THE MOTION	:	FINDINGS AND CONCLUSIONS
FOR AGENCY ACTION OF YATES	:	
PETROLEUM CORPORATION FOR AN	:	DOCKET NO. 88-020
ORDER VACATING THE ORDERS IN	:	CAUSE NO. 188-3(A)
CAUSE NOS. 188-1 AND 188-1(C)	:	
DATED NOVEMBER 19, 1980 AND	:	
JUNE 29, 1982 RESPECTIVELY,	:	
WHICH ESTABLISHED DRILLING	:	
UNITS FOR THE DESERT CREEK	:	
FORMATION IN THE SQUAW CANYON	:	
AREA OF SAN JUAN COUNTY, UTAH	:	

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Pursuant to Notice of Hearing dated September 27, 1988, issued by the Board of Oil, Gas and Mining, this matter came on for hearing before a Hearing Examiner appointed by the Board of Oil, Gas and Mining at 10:00 a.m. on Tuesday, October 25, 1988, in the boardroom of the Division of Oil, Gas and Mining, 355 West North Temple, 3 Triad Center, Suite 301, Salt Lake City, Utah.

The following staff members were present:

Ronald J. Firth, Hearing Examiner
John R. Baza, Petroleum Engineer
Gilbert L. Hunt, Supervisor, Environmental/Geological
Marjorie L. Anderson, Secretary of the Board
of Oil, Gas and Mining

Appearances were made as follows:

Yates Petroleum Corporation:

Phillip Wm. Lear, Attorney

The representative for Yates, Mr. Lear, testified that: 1) eight or nine wells had been drilled in the spaced area and that only the No. 1-19 Well, located in the SE1/4 NE1/4, Section 19, was producing in the Desert Creek formation; 2) the predominate producing interval in the area is the Lower Ismay formation; 3) most of the development drilling in the vicinity of the spaced area was being pursued on 40-acre spacing (statewide location and siting); and 4) vacating the orders in Cause No. 188-1 and 188-1(C) was appropriate and future development in the area should be conducted in accordance with rule R615-3-2, Location and Siting of Wells. Mr. Lear additionally requested that the evidence and testimony

presented at the hearing in Cause No. 188-3, September 22, 1988, be incorporated with the record in this matter and considered in determining the appropriateness in vacating the spacing orders.

Mr. John R. Baza, Division Petroleum Engineer, presented exhibits and testimony in support of Mr. Lear's recommendation that 40-acre statewide spacing was appropriate for the area. The exhibits presented were: 1) Exhibit A - Area of 80-acre spacing, 2) Exhibit B - Drilling units, 3) Exhibit C - Hammerhead Unit area, and 4) Exhibit D - Well listing.

The Hearing Examiner having considered the testimony, statements, and exhibits presented, makes the following findings and conclusions.

Findings

1. Due and proper notice of the time, place and purpose of the hearing was given to all interested parties as required by law and the rules of the Board.
2. The Board has jurisdiction over the matter covered by the notice and of the parties interested therein, and jurisdiction to promulgate the order in this matter.
3. On November 19, 1980 and June 29, 1982, the Board issued its Orders in Cause Nos. 188-1 and 188-1(C), which established 80-acre standup drilling units comprising the W1/2 and E1/2 of each quarter section for the production of oil, gas, and associated hydrocarbons from the Desert Creek formation underlying the following described lands in San Juan County:

Township 38 South, Range 26 East, S.L.M.

Section 18: S1/2
Section 19: All
Section 20: W1/2 W1/2

The location for each permitted well is in the center of the NW1/4 and the SE1/4 of each quarter section with a tolerance of 200 feet from the center of each designated quarter - quarter section.

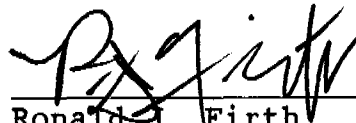
4. That sufficient wells have been drilled and completed in the spaced area to adequately determine the potential of the reservoir underlying each of the drilling units.
5. That numerous wells have been permitted to be drilled as exceptions to the spacing orders, thus, in some of the spaced area, a pattern of wells has resulted which closely depicts 40-acre spacing.

6. That a portion of the acreage underlying the spaced area is now included within the federal Hammerhead Unit and may be developed in accordance with the provisions of that unit agreement.
7. That the development drilling operations in the vicinity of the spaced area is generally conducted on statewide 40-acre spacing.

Conclusions

The Hearing Examiner concludes and recommends to the Board that the orders in Cause No. 188-1 and 188-1(C) be rescinded and operations in the area, as described in Finding 3 herein, should be governed by the general rules of the Board.

Dated this 26th day of October, 1988.



Ronald J. Firth
Hearing Examiner