

**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 THE ANSCHUTZ
CORPORATION FOR AN EXCEPTION TO THE
DRILLING LOCATION ESTABLISHED BY
BOARD ORDER IN CAUSE NO. 189-1 AND
AFFECTING OIL AND GAS DRILLING UNIT 2
CONSISTING OF SECTION 33 AND PART OF
SECTION 32, TOWNSHIP 6 NORTH, RANGE 8
EAST, SLB&M, SUMMIT COUNTY, UTAH

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) **FINDINGS OF FACT,
CONCLUSIONS OF LAW AND
ORDER OF APPROVAL**
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) **Docket No. 96-008
Cause No. 189-1B**
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This cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, August 28, 1996, at the hour of 10:30 a.m. The following Board members were present and participated at the hearing:

Dave D. Lauriski, Chairman
Thomas B. Faddies
Jay L. Christensen
Kent G. Stringham
Judy F. Lever
Elise Erler
Raymond Murray

Attending and participating on behalf of the Division of Oil, Gas and Mining (the "Division") were James W. Carter, Director; Lowell P. Braxton, Deputy Director; Ronald J. Firth, Associate Director, Oil and Gas; Brad G. Hill, Petroleum Geologist; and Gilbert L. Hunt, Environmental Manager. The Board and the Division were represented by Patrick J. O'Hara, Esq. and Thomas A. Mitchell, Esq., respectively, Assistant Attorneys General.

Testifying on behalf of Petitioner The Anschutz Corporation ("Anschutz") were Paul R. Lamerson, Consulting Geologist, and Hal Koerner, Jr., Petroleum Engineer and Anschutz's General Manager for Drilling and Production. A. John Davis, Pruitt, Gushee & Bachtell, appeared as attorney on behalf of Anschutz.

The Board received into the record, together with other exhibits, letters from the owners in the adjacent drilling & spacing units and from the Wyoming Oil and Gas Conservation Commission stating they did not object to and/or would not protest Anschutz's Request for Agency Action (the "Request"). No objections or protests were made in opposition to the Request 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. On July 10, 1996, Anschutz submitted its Request for Agency Action in this matter, in accordance with Utah statute and the applicable rules and regulations of the Board and Division, for an exception to the drilling location established by Board Order in Cause 189-1 dated November 19, 1980 ("the 1980 Order"), and affecting oil and gas Drilling & Spacing Unit No. 2 consisting of the following real property located in Summit County, Utah:

Township 6 North, Range 8 East, SLB&M
Section 33: Lots 1 through 4; W $\frac{1}{2}$ W $\frac{1}{2}$
Section 32: E $\frac{1}{2}$, E $\frac{1}{2}$ E $\frac{1}{2}$ W $\frac{1}{2}$,
consisting of 646.91 acres

2. In the 1980 Order, the Board established Drilling Unit No. 2, together with two other gas drilling and spacing units of approximately 646 acres for future wells drilled into the Phosphoria Formation, Yellow Creek Deep Field.

3. The permitted location for each well in the drilling and spacing units was required to be no closer than "1,000 feet from the boundary of what could be considered the NW¼ and no closer than 1,000 feet from the boundary of what could be considered the SE¼ of the drilling unit."

4. Anschutz requested the exception in order to drill the AL&L 14-33 gas well for the production of sour gas and condensate in Drilling Unit No. 2 from the Phosphoria Formation at a surface location in what could be considered the SE¼ of Drilling Unit No. 2. The surface location requested was 532 feet from the south line (FSL) and 786 feet from the east line (FEL). The bottom hole location requested was 100 FSL and 460 FEL as shown on the plat which was received into evidence as Exhibit "A".

5. Anschutz and the Division, through Mr. Davis and Mr. Mitchell, entered a stipulation on the record stipulating and representing that (a) all owners of record in the unit, together with the State of Wyoming had no objection to and/or do not protest the Request; (b) the Division had reviewed the Request and the Affidavits and exhibits in support thereof, supported and would administratively approve Anschutz's Request; and (c) based upon the expert opinions of Mssrs. Lamerson and Koerner, geologic, structure and reservoir conditions present in the Phosphoria Formation justified the drilling of the subject well at the

requested location and would maximize the economic recovery of natural gas, production, prevent waste and loss of gas, and protect correlative rights.

6. Based upon the statements of Mr. Carter and Mr. Mitchell, the testimony of Anschutz's expert witnesses, and the exhibits in support thereof, the Board finds as follows:

- (a) The legal well location established in the 1980 Order was based upon limited geologic, structural, and reservoir information available at that time pertaining to the Yellow Creek Field and Phosphoria Formation;
- (b) The requested exception location is based upon a wealth of geologic, structural, and reservoir data obtained from a large number of wells drilled in the field since the 1980 Order, including two deep wells into the Phosphoria Formation;
- (c) From analysis of that data, it is generally agreed that the Yellow Creek anticline is asymmetrical and plunges deeply to the southwest at the Nugget Sandstone Structural position. At the Phosphoria Formation level, the anticline has a steep to overturned southeast flank and a gentle northwest flank. To obtain maximum drainage of reserves from the Phosphoria Formation, the bottom hole must be located as high as structurally possible on the northwest flank and the southwest plunge of the anticline. By locating the bottom hole of the proposed well at the location requested, Anschutz expects to intercept the Phosphoria Formation close to the crest of the structure. By doing so, in addition to maximizing the available amount of reserves, Anschutz also expects

to take advantage of natural fracturing and minimize water production. In contrast, a well drilled at the legal location would bottom hole much lower in the Phosphoria Structure in Drilling Unit No. 2 close to the gas/water contact and well away from the area of maximum fracture density; and

- (d) The proposed exception location is in the public interest, will promote conservation, is designed to increase the ultimate recovery of oil and gas and prevent waste, and will protect the correlative rights of each affected owner.

7. Pursuant to the requirements of statute and Utah Admin. Code Rules R649-3-3.5 and R649-106-300, Anschutz mailed, postage prepaid, a copy of the Request for Agency Action, and supporting affidavits, to the owners of all directly or diagonally offsetting drilling units.

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

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

CONCLUSIONS OF LAW

10. 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.

11. The Board has jurisdiction over all matters covered by the Request for Agency Action pursuant to Utah Code Ann. § 40-6-5 and has the power and authority under Utah Code Ann. § 40-6-6(6) to render the order herein set forth.

12. The proposed exception location is reasonably necessary to fulfill the purposes of the Utah Oil and Gas Conservation Act (Utah Code Ann. §§ 40-6-1, *et seq.*).

ORDER

Based upon the Request for Agency Action, the stipulation, testimony and evidence submitted, and the findings of fact and conclusions of law stated above, the Board orders as follows:

1. The Board hereby grants Anschutz's Request for an exception well location for the purpose of drilling a Phosphoria Formation gas well in Drilling Unit No. 2 established by Order in Cause No. 189-1 dated November 19, 1980, at a surface location 532 feet from the south line and 786 feet from the east line and a bottom hole location 100 feet from the south line and 460 feet from the east line in what would be considered the SE¼ of said Drilling Unit No. 2.

2. The Board retains continuing jurisdiction over all matters covered by this Order and over all parties affected thereby.

DATED this 18th day of September, 1996.

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 OF APPROVAL for Docket No. 96-008, Cause No. 189-1B to be mailed by certified mail, postage prepaid, on this 19th day of September, 1996, to the following:

A. John Davis ✓
PRUITT, GUSHEE & BACHTELL
1850 Beneficial Life Tower
Salt Lake City, Utah 84111

The Anschutz Corporation ✓
555 - 17th Street, Suite 2400
Denver, Colorado 80202

Sent by Hand Delivery To:

Patrick J. O'Hara, Esq.
Assistant Attorney General
1594 West North Temple, Suite 300
Box 140855
Salt Lake City, UT 84114-0855

Thomas A. Mitchell
Assistant Attorney General
1594 West North Temple, Suite 300
Box 140855
Salt Lake City, UT 84114-0855

First-Class Mail, Postage Prepaid To:

Wyoming Oil & Gas Conservation Comm
Attn: Don Basko, Oil & Gas Supervisor
P. O. Box 2640
Casper, Wyoming 82602

Union Pacific Resources
801 Cherry Street
Ft. Worth, Texas 76102-6803

AT&T COMMUNICATIONS, INC.
c/o Prentice-Hall Corp.,
Registered Agent
201 South Main, Suite 1800
Salt Lake City, Utah 84111-2218

J. M. Brown, Jr.
Attn: Jens Gran
P. O. Box 210
Polson, Montana 59860

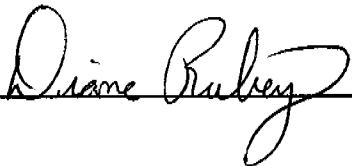
Hawks Industries, Inc.
Attn: Bruce Hinchey
P. O. Box 359
Casper, Wyoming 82602

Amoco Production Company
1670 Broadway
Denver, Colorado 80201

APO Operating Partnership
Attn: George H. Solich
2000 Post Oak Blvd., Suite 100
Houston, Texas 77056-4400

H.O.M.M.E.
Attn: Orrin R. Homme
P. O. Box 654
Rancho Mirage, California 92270

Douglas A. Denton
P. O. Box 7947
Midland, Texas 79707



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EAST, SLB&M, SUMMIT COUNTY, UTAH)

ORDER

**Docket No. 96-008
Cause No. 189-1B**

The undersigned, as Chairman of the Board of Oil, Gas & Mining, having received and reviewed Petitioner, The Anschutz Corporation's, *Ex Parte* Motion For Leave to File Affidavits in variance with Rule 641-105-100 of the Utah Administrative Code, and for good cause shown,

HEREBY GRANTS Anschutz leave to file the Affidavits of Paul R. Lamerson and Hal Koerner, Jr. in support of its Request for an Exception to the Drilling Location in this matter.

DATED this 5th day of August, 1996.

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** for Docket No. 96-008, Cause No. 189-1B to be mailed by certified mail, postage prepaid, on this 14th day of August, 1996, to the following:

A. John Davis ✓
PRUITT, GUSHEE & BACHTELL
1850 Beneficial Life Tower
Salt Lake City, Utah 84111

The Anschutz Corporation ✓
555 - 17th Street, Suite 2400
Denver, Colorado 80202

First-Class Mail, Postage Prepaid To:

Wyoming Oil & Gas Conservation Comm
Attn: Don Basko, Oil & Gas Supervisor
P. O. Box 2640
Casper, Wyoming 82602

Amoco Production Company
1670 Broadway
Denver, Colorado 80201

Union Pacific Resources
801 Cherry Street
Ft. Worth, Texas 76102-6803

APO Operating Partnership
Attn: George H. Solich
2000 Post Oak Blvd., Suite 100
Houston, Texas 77056-4400

AT&T COMMUNICATIONS, INC.
c/o Prentice-Hall Corp.,
Registered Agent
201 South Main, Suite 1800
Salt Lake City, Utah 84111-2218

H.O.M.M.E.
Attn: Orrin R. Homme
P. O. Box 654
Rancho Mirage, California 92270

J. M. Brown, Jr.
Attn: Jens Gran
P. O. Box 210
Polson, Montana 59860

Douglas A. Denton
P. O. Box 7947
Midland, Texas 79707

Hawks Industries, Inc.
Attn: Bruce Hinchey
P. O. Box 359
Casper, Wyoming 82602