

**FILED**

BEFORE THE BOARD OF OIL, GAS AND MINING

JUL 1 0 2000

DEPARTMENT OF NATURAL RESOURCES

SECRETARY, BOARD OF  
OIL, GAS & MINING

STATE OF UTAH

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IN THE MATTER OF THE REQUEST )	
FOR AGENCY ACTION OF THE )	
ANSCHUTZ CORPORATION FOR AN )	FINDINGS OF FACT, CONCLUSIONS
ORDER ESTABLISHING A SINGLE )	OF LAW, AND ORDER
391.51-ACRE DRILLING AND )	ESTABLISHING DRILLING AND
SPACING UNIT FOR THE )	SPACING UNIT, DESIGNATING
PRODUCTION OF HYDROCARBONS )	UNIT WELL, APPROVING
FROM THE WEBER FORMATION )	ALLOCATION OF PRODUCTION,
UNDERLYING APPROXIMATELY )	AND ENTERING DEFAULT
184.81 ACRES IN SECTION 33, )	
TOWNSHIP 6 NORTH, RANGE 8 )	
EAST, S.L.B. & M., SUMMIT COUNTY, )	Docket No. 2000-006
UTAH, AND APPROXIMATELY 206.7 )	Cause No. 189-5
ACRES IN SECTIONS 10 AND 11, )	
TOWNSHIP 14 NORTH, RANGE 121 )	
WEST, 6TH P.M., UINTA COUNTY, )	
WYOMING )	

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This cause came on regularly for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, May 24, 2000, at the hour of 10:00 a.m. in the Emery County Courthouse, Commission Chambers, 95 East Main, Castle Dale, Utah.

The following Board members were present at the hearing: Dave D. Lauriski, Chairman, Raymond Murray; Thomas B. Faddies, Elise L. Erler; W. Allan Mashburn; Stephanie B.

Cartwright; and Jim Peacock. Lowell Braxton, Director, and John Baza, Associate Director, Oil and Gas, were present for the Division of Oil, Gas and Mining (the

"Division"). Thomas A. Mitchell and Kurt E. Seel, Assistant Attorneys General and counsel to the Division and the Board, respectively, were also present. The petitioner,

The Anschutz Corporation ("Anschutz"), was represented by Thomas W. Clawson of Van Cott, Bagley, Cornwall & McCarthy. Pamela S. Kalstrom, Senior Landman, Paul R. Lamerson, Consulting Geologist, and Hal B. Koerner, Jr., Petroleum Engineer, testified on behalf of Anschutz. Anschutz's Request for Agency Action was unopposed. After considering the testimony introduced and the exhibits received at the May 24, 2000 hearing, the Board unanimously approved Anschutz's Request for Agency Action.

NOW, THEREFORE, the Board having fully considered the testimony adduced and the exhibits received at the May 24, 2000 hearing, and being fully advised, and good cause appearing, hereby makes the following Findings of Fact, Conclusions of Law, and Order:

#### **FINDINGS OF FACT**

1. Notices of the time, place, and purpose of the May 24, 2000 hearing were mailed to all interested parties by first-class mail, postage prepaid, and were duly published in the Salt Lake Tribune, Deseret News, Summit County Bee, and The Park Record pursuant to the requirements of Utah Administrative Code ("U.A.C.") Rule R641-106-100 (2000). Copies of the Request for Agency Action were mailed to all interested parties pursuant to U.A.C. Rule R641-104-135.
2. The Anschutz Corporation is a Kansas corporation in good standing, having its principal place of business in Denver, Colorado, and is qualified to do, and is doing, business in Utah.
3. Anschutz's Request for Agency Action sought an order by the Board establishing a single approximate 391.51-acre drilling and spacing unit for the production of

hydrocarbons from the Weber Formation underlying the following described lands in Summit County, Utah (hereinafter the "Utah Subject Lands"):

Township 6 North, Range 8 East, S.L.B. & M.

Section 33: S $\frac{1}{2}$ N $\frac{1}{2}$  (SW $\frac{1}{4}$ NW $\frac{1}{4}$  and Lot 2)  
S $\frac{1}{2}$  (W $\frac{1}{2}$ SW $\frac{1}{4}$  and Lots 3 and 4)

containing 184.81 acres, more or less. The remaining lands contained within the proposed approximate 391.51-acre proposed drilling and spacing unit are located in Uinta County, Wyoming, and are described as follows (the "Wyoming Subject Lands"):

Township 14 North, Range 121 West, 6th P.M.

Section 10: Lots 1 and 2 (46.70 acres)  
Section 11: NW $\frac{1}{4}$

containing 206.7 acres, more or less. The Utah Subject Lands and the Wyoming Subject Lands are hereinafter collectively referred to as the "Subject Lands."

4. Anschutz is the owner of certain working interests and operating rights, or the contractual right to acquire the same, or both, in and to all or a portion of the Subject Lands. Anschutz and related entities own approximately 99.4% of the working interest in the proposed drilling and spacing unit.

5. The minerals in the lands embraced within the Subject Lands are privately owned and, except for a 1-acre tract owned by AT&T Communications located within the Utah Subject Lands, are subject to fee oil and gas leases. The surface estate of portions of the Utah Subject Lands has been severed from the mineral estate and is owned by Castle Rock Land and Livestock LLC.

6. The formation to be unitized for drilling and spacing purposes is the

Weber Formation defined as follows:

The Weber Formation as identified by the log run in the Urroz WIU No. 1 Well located in Section 2, Township 14 North, Range 121 West, Uinta County, Wyoming, with the top of the unitized formation being found at a measured depth of 12,686 feet and the base of the unitized formation being found at a measured depth of 13,692 feet or stratigraphic equivalent thereof.

7. The Weber Formation underlies all or substantially all of the Subject Lands and constitutes a "pool" as defined in the Utah Code.

8. The proposed designated (or authorized) well for the Weber Formation drilling and spacing unit embracing the Subject Lands is Anschutz's proposed AL&L No. 14-33ST Well (the "Subject Well"), to be located at the surface 592 feet from the south line, and 748 feet from the east line of Section 33, Township 6 North, Range 8 East, in Summit County, Utah. The anticipated bottomhole location for the Subject Well is to be located in the State of Wyoming, in Section 10, Township 14 North, Range 121 West: 1,320 feet from the north line and 440 feet from the west line of said Section 10. Anschutz proposes to re-enter and sidetrack the existing AL&L No. 14-33 Well. That well penetrated only the top of the Weber Formation. The logs from the well indicate that there was no significant gas production from the Phosphoria Formation. The well eventually watered out through a fracture in the Phosphoria Formation, and has been plugged back and shut in.

9. Anschutz will be the operator of the Subject Well.

10. The Subject Well will be directionally-drilled, and the wellbore of the proposed well likely will be deviated when it encounters the Weber Formation

upstructure to the northeast. Anschutz anticipates that the perforations in the top of the Weber Formation in the Subject Well will be located very close to, or may even straddle, the Utah-Wyoming state line, and that the Subject Well will produce from the Weber Formation underlying both the Utah and Wyoming Subject Lands.

11. The Utah Subject Lands are not subject to any spacing orders of the Board for the production of hydrocarbons from the Weber Formation. The Phosphoria Formation, which is stratigraphically above the Weber Formation, is subject to the November 19, 1980 Order of the Board entered in Cause No. 189-1. The well location for the AL&L No. 14-33 Well (for the Phosphoria Formation) was approved by the Board by Order dated September 18, 1996, in Cause No. 189-1B. Anschutz does not intend the Subject Well to produce hydrocarbons from the Phosphoria Formation and did not request that the existing spacing pattern established under the Order entered in Cause No. 189-1 be modified.

12. The pool in the Weber Formation beneath the Subject Lands is separate and distinct from the pool contained within the Phosphoria Formation beneath the Subject Lands.

13. In its Request for Agency Action, Anschutz also sought approval of the allocation of production from the proposed Weber Formation drilling and spacing unit, for all purposes, between the separately-owned tracts in the Utah Subject Lands and in the Wyoming Subject Lands on the basis of the bulk rock volume in the Weber Formation underlying the Subject Lands. That allocation would yield an allocation of approximately 60.1815% of production to the Utah Subject Lands and approximately 39.8185% of

production to the Wyoming Subject Lands. Geologic and technical evidence presented at the May 24, 2000 hearing establishes that the Utah Subject Lands contain approximately 60.1815% of the proposed drilling and spacing unit's bulk rock volume for the Weber Formation and the Wyoming Subject Lands contain approximately 39.8185% of the bulk rock volume for that formation as calculated by Anschutz. Because the pool within the Weber Formation beneath the Subject Lands is contained within a structural trap, allocation of production between the Utah Subject Lands and the Wyoming Subject Lands on the basis of bulk rock volume is fair and equitable.

14. Approximately 391.51 acres is not smaller than the maximum area within the Subject Lands that can be efficiently and economically drained by one well.

15. The Subject Well will economically and efficiently drain the Weber Formation beneath the Subject Lands.

16. The establishment of an approximate 391.51-acre drilling and spacing unit for the Weber Formation, the designation of the Subject Well as the authorized unit well within the Subject Lands, and the allocation of production of hydrocarbons from the Weber Formation within the drilling and spacing unit on the basis of bulk rock volume as proposed (and calculated) by Anschutz will allow for the orderly development of the Subject Lands and will prevent the drilling of unnecessary wells. The proposed drilling and spacing unit also will protect correlative rights and will prevent waste (or aid in the prevention of waste) by the production of hydrocarbons that would otherwise not be recovered, and therefore, will result in the greatest recovery of hydrocarbon substances from the Subject Lands.

17. Anschutz presented a “mirror-image” application of its Request for Agency Action for the proposed drilling and spacing unit covering the Subject Lands to the Wyoming Oil and Gas Conservation Commission (the “Wyoming Commission”) (Wyoming Docket No. 107-2000), which was heard by the Wyoming Commission on April 12, 2000 in Casper, Wyoming. The Wyoming Commission approved Anschutz’s application by its Order dated May 19, 2000. The Wyoming Commission approved: (1) the approximate 391.51-acre Weber Formation drilling and spacing unit comprising lands beneath both Utah and Wyoming (the Subject Lands) as to the Wyoming Subject Lands; (2) the Subject Well as the authorized well for the drilling and spacing unit; and (3) that the allocation of production from the Weber Formation shall be allocated, for all purposes, on the basis of bulk rock volume so that approximately 39.8185% of production shall be allocated to the separately-owned tracts within Wyoming and approximately 60.1815% of production shall be allocated to the separately-owned tracts within Utah. The Wyoming Commission’s approval was made contingent upon the Board’s approval of Anschutz’s Request for Agency Action.

18. At the May 24, 2000 hearing Anschutz made an oral motion for the entry of an order of default against all parties who failed to participate in the Board’s formal adjudicative proceeding that was initiated by Anschutz’s Request for Agency Action.

#### **CONCLUSIONS OF LAW**

1. Due and regular notice of the time, place, and purposes of the May 24, 2000 hearing was given to all interested parties in the form and manner and within the time required by law and the Rules and Regulations of the Board. Due and regular

notice of the filing of the Request for Agency Action was given to all interested parties in the form and manner and within the time required by law and the Rules and Regulations of the Board.

2. The Board has jurisdiction of the parties and subject matter of this Request for Agency Action, pursuant to Sections 40-6-5 and 40-6-6 of the Utah Code and has the power and authority to make and promulgate the order herein set forth insofar as the Utah Subject Lands and the hydrocarbons beneath them are concerned. The Wyoming Commission has jurisdiction over the Wyoming Subject Lands and the hydrocarbons beneath them. Approval of the proposed Weber Formation drilling and spacing unit and the authorization of the Subject Well as the designated well for the drilling and spacing unit by both the Board and the Wyoming Commission is necessary for the establishment of the drilling and spacing unit and the allocation of production as requested by Anschutz.

3. The establishment of an approximate 391.51-acre drilling and spacing unit for the production of hydrocarbons from the Weber Formation beneath the Subject Lands, the designation of the Subject Well as the authorized unit well for the drilling and spacing unit, and the allocation of production of hydrocarbons from the Weber Formation beneath the proposed drilling and spacing unit on the basis of bulk rock volume as proposed (and calculated) by Anschutz is in the public interest and will adequately protect the correlative rights of all interested parties. The proposed drilling and spacing unit will promote conservation, increase ultimate recovery, and will prevent waste. Accordingly, the establishment of the proposed drilling and spacing unit as proposed by Anschutz is just and reasonable under the circumstances.



4. Anschutz's Request for Agency Action satisfies all statutory and regulatory requirements for the relief sought therein and should be granted.

5. The establishment of the proposed Weber Formation drilling and spacing unit, the designation of the Subject Well as the authorized unit well, and the allocation of production as proposed (and calculated) by Anschutz is reasonably necessary to fulfill the purposes of Chapter 6 of Title 40 of the Utah Code.

6. Pursuant to Section 63-46b-11(1)(b) of the Utah Code and U.A.C. Rule R641-104-151.1, the Board may enter an order of default against a party to a formal adjudicative proceeding who fails to attend or participate in a properly scheduled hearing after receiving proper notice. No written objections to Anschutz's Request for Agency Action were filed with the Board and no one appeared at the May 24, 2000 hearing in protest of Anschutz's Request. Accordingly, it is proper to enter an order of default against all parties who received proper notice of the May 24, 2000 hearing and who did not participate in the Board's formal adjudicative proceedings.

### **ORDER**

Based upon Anschutz's Request for Agency Action, the testimony and evidence submitted, and the Findings of Fact and Conclusions of Law set forth above, and good cause appearing, IT IS HEREBY ORDERED:

1. The Request for Agency Action in this cause is granted.
2. The Weber Formation, defined as follows:

The Weber Formation as identified by the log run in the Urroz WIU No. 1 Well located in Section 2, Township 14 North, Range 121 West, Uinta County, Wyoming, with

the top of the unitized formation being found at a measured depth of 12,686 feet and the base of the unitized formation being found at a measured depth of 13,692 feet or stratigraphic equivalent thereof,

underlying the lands described as follows:

Township 6 North, Range 8 East, S.L.B.& M.

Section 33: S $\frac{1}{2}$ N $\frac{1}{2}$  (SW $\frac{1}{4}$ NW $\frac{1}{4}$  and Lot 2)  
S $\frac{1}{2}$  (W $\frac{1}{2}$ SW $\frac{1}{4}$  and Lots 3 and 4)

(containing 184.81 acres, more or less) (the "Utah Subject Lands")

Township 14 North, Range 121 West, 6th P.M.

Section 10: Lots 1 and 2 (46.70 acres)  
Section 11: NW $\frac{1}{4}$

(containing 206.7 acres, more or less) (the "Wyoming Subject Lands")

constitutes a pool for the purposes of establishing a drilling and spacing unit for production of hydrocarbons from the Weber Formation. As to the Utah Subject Lands within the approximate 391.51-acre drilling and spacing unit, the Board hereby establishes the same as a pool to be operated as a drilling and spacing unit for the production of hydrocarbons from the Weber Formation and for the operation of the designated unit well thereon.

3. The AL&L No. 14-33(ST) Well, to be located at the surface 592 feet from the south line, and 748 feet from the east line of Section 33, Township 6 North, Range 8 East, in Summit County, Utah, and the anticipated bottomhole location to be located in the State of Wyoming, in Section 10, Township 14 North, Range 121 West: 1,320 feet from the north line and 440 feet from the west line of said Section 10, shall be the designated and authorized well for the drilling and spacing unit as approved in this proceeding.

4. The allocation of production from the Weber Formation underlying the drilling and spacing unit shall be allocated, for all purposes, on the basis of bulk rock volume so that approximately 60.1815% of production shall be allocated to the separately-owned tracts in Utah and approximately 39.8185% of production shall be allocated to the separately-owned tracts in Wyoming.

5. Anschutz's oral motion made at the May 24, 2000 hearing for entry of an order of default against all parties who received notice of Anschutz's Request for Agency Action and the May 24, 2000 hearing, but who failed to participate in the Board's formal adjudicative proceedings, is granted.

6. If any additional development is proposed within the approximate 391.51-acre drilling and spacing unit, whether it be within the Utah Subject Lands or the Wyoming Subject Lands, Anschutz shall provide timely written notice of the same to both the Utah Board and the Wyoming Commission.

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

8. This 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 Utah Administrative Procedures Act, Utah Code Ann. § 63-46b-10 and Utah Administrative Code R641-109.

9. 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 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 10<sup>th</sup> 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 15<sup>th</sup> 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 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.

10. 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.

11. For all purposes, the Chairman's signature on a faxed copy of this Order shall be deemed the equivalent of a signed original.

ISSUED this 10<sup>th</sup> day of <sup>July</sup>~~June~~, 2000.

STATE OF UTAH  
BOARD OF OIL, GAS AND MINING

By   
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 Establishing Drilling and Spacing Unit, Designating Unit Well, Approving Allocation of Production, and Entering Default" for Docket No. 2000-006, Cause No. 189-5 to be mailed with postage prepaid, this 12 day of July, 2000, to the following:

Thomas W. Clawson  
Van Cott, Bagley, Cornwall & McCarthy  
Attorney for Anschutz Corporation  
50 South Main Street, Suite 1600  
P.O. Box 45340  
Salt Lake City, UT 84145-0340

Thomas A. Mitchell  
Assistant Attorney General  
160 East 300 South, 5th Floor  
P.O. Box 140857  
Salt Lake City, UT 84114-0857

John Baza  
Associate Director, Oil & Gas  
Division of Oil, Gas & Mining  
1594 West North Temple, Suite 1210  
P.O. Box 145801  
Salt Lake City, UT 84114-5801  
(Hand Delivered)

The Anschutz Corporation  
Attn: Pamela S. Kalstrom  
555 Seventeenth Street, Suite 2400  
Denver, CO 80202

The Anschutz Corporation  
Antelope Company  
Hugh C. Braly, Trustee of the Fred B.  
Anschutz Trust for the benefit of  
Sue Anschutz Rodgers and Issue  
555 Seventeenth Street, Suite 2400  
Denver, CO 80202

Merit Energy Company U  
P. O. Box 891091  
Dallas, TX 75389-1091

Douglas A. Denton  
1501 Princeton St.  
Midland, TX 79701

Anschutz Land & Livestock Company  
555 Seventeenth Street, Suite 2400  
Denver, CO 80202

Spinnaker Royalty Company  
P.O. Box 844103  
Dallas, TX 75284-4103

Summit County Treasurer  
P.O. Box 128  
Coalville, UT 84017

J.M. Brown, Jr.  
(Undeliverable)

AT&T Communications, Inc.  
c/o CT Corporation System  
Registered Agent  
50 West Broadway, 8th Floor  
Salt Lake City, UT 84101-2006

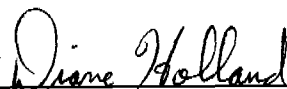
Hawks Industries, Inc.  
P.O. Box 359  
Casper, WY 82602

Castle Rock Land and Livestock LLC  
139 East South Temple, Suite 320  
Salt Lake City, UT 84111

Piedmont Minerals Company  
5838 Stanida Circle  
Salt Lake City, UT 84121

Utah Tax Commission  
Auditing Oil & Gas Section  
Attn: Ms. Inge-Lise Gosf  
210 North 1950 West  
Salt Lake City, UT 84134

H.O.M.M.E.  
P. O. Box 654  
Rancho Mirage, CA 92270

  
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MAY 22 2000

DIVISION OF  
OIL, GAS AND MINING  
Docket No.  
2000-006  
Cause No.  
189-5

BEFORE THE OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF WYOMING

IN THE MATTER OF A HEARING BROUGHT ON )  
THE APPLICATION OF THE ANSCHUTZ CORPO- )  
RATION FOR AN ORDER FROM THE COMMISSION )  
ESTABLISHING A SINGLE APPROXIMATE )  
391.51-ACRE DRILLING AND SPACING UNIT )  
FOR THE PRODUCTION OF HYDROCARBONS FROM )  
THE WEBER FORMATION UNDERLYING APPROXI- )  
MATELY 206.7 ACRES OF LAND IN UINTA )  
COUNTY, WYOMING, IN SECTIONS 10 AND 11 )  
OF TOWNSHIP 14 NORTH, RANGE 121 WEST, )  
6TH P.M., TOGETHER WITH 184.81 ACRES OF )  
LAND IN SUMMIT COUNTY, UTAH, IN SECTION )  
33 OF TOWNSHIP 6 NORTH, RANGE 8 EAST, )  
6TH P.M., PROVIDING THAT THE PERMITTED )  
WELL FOR SUCH DRILLING AND SPACING UNIT )  
SHALL BE THE APPLICANT'S PROPOSED AL&L )  
NO. 14-33ST WELL, TO BE DRILLED AS A )  
HORIZONTAL AND DIRECTIONALLY-CONTROLLED )  
WELL COMMENCING AT A SURFACE LOCATION )  
IN SUMMIT COUNTY, UTAH, AND ENDING AT A )  
BOTTOMHOLE LOCATION IN UINTA COUNTY, )  
WYOMING; AND ALLOCATING PRODUCTION, FOR )  
ALL PURPOSES, FROM SUCH WELL WITHIN )  
SUCH DRILLING AND SPACING UNIT ON THE )  
BASIS OF BULK ROCK VOLUME CONTAINED IN )  
EACH SEPARATELY-OWNED TRACT IN THE )  
STATES OF WYOMING AND UTAH, ALL )  
CONTINGENT UPON THE UTAH BOARD OF OIL, )  
GAS AND MINING APPROVING A PARALLEL )  
APPLICATION FOR THE LANDS LOCATED )  
WITHIN THE PROPOSED DRILLING UNIT IN )  
THE STATE OF UTAH; ALL IN THE YELLOW )  
CREEK FIELD AREA, UINTA COUNTY, WYOMING )  
)

CAUSE NO. 1  
ORDER NO. 51  
DOCKET NO. 107-2000

APPEARANCE:

CRAIG NEWMAN, Attorney representing The Anschutz Corporation

Others in attendance:

THE ANSCHUTZ CORPORATION - Pam Kalstrom  
Paul R. Lamerson  
Hal B. Koerner, Jr.

STATE OF WYOMING - Don J. Likwartz,  
State Oil and Gas Supervisor

Roberta L. Rinegar,  
Sr. Assistant Attorney General

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DIVISION OF  
OIL, GAS AND MINING

REPORT OF THE COMMISSION

This cause came on regularly for hearing before the Wyoming Oil and Gas Conservatin Commission (hereinafter, "the Commission") at approximately 1:33 p.m. on the 12th day of April, 2000 in the Conference Room of the Office of the State Oil and Gas Supervisor, 777 West First Street, Casper, Wyoming, after due and legal notice was given as required by law and as required by the Rules and Regulations of the Commission, to consider the application of The Anschutz Corporation (hereinafter, "Anschutz") for an order establishing a single approximate 391.51-acre drilling and spacing unit for the production of hydrocarbons from the Weber Formation underlying approximately 206.7 acres of land in Uinta County, Wyoming, in Sections 10 and 11 of Township 14 North, Range 121 West, 6th P.M., together with 184.81 acres of land in Summit County, Utah, in Section 33 of Township 6 North, Range 8 East, 6th P.M., providing that the permitted well for such drilling and spacing unit shall be the applicant's proposed AL&L No. 14-33ST well, to be drilled as a horizontal and directionally-controlled well commencing at a surface location in Summit County, Utah, and ending at a bottomhole location in Uinta County, Wyoming; and allocating production, for all purposes, from such well within such drilling and spacing unit on the basis of bulk rock volume contained in each separately-owned tract in the States of Wyoming and Utah, all contingent upon the Utah Board of Oil, Gas and Mining approving a parallel application for the lands located within the proposed drilling unit in the State of Utah; all in the Yellow Creek Field Area, Uinta County, Wyoming.

No written objections to the application were filed with the Commission and no one appeared in protest of it. Commissioner Lance Cook recused himself from voting in this



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matter. After having considered the sworn testimony of the witnesses and the evidence offered, the Commission makes the following Findings of Fact, Conclusions of Law, and Order:

FINDINGS OF FACT

1. All of strip Section 10 (consisting of approximately 92.84 acres which abut the Wyoming/Utah border) and the westernmost 593.58 acres of Section 11, Township 14 North, Range 121 West of the 6th P.M., Yellow Creek Field, Uinta County, Wyoming were in previous years established by the Commission as temporary approximate 686.42-acre drilling and spacing units for the exploration and production of hydrocarbons from the Phosphoria and Weber Formations (Phosphoria Drilling Unit No. 5 and Weber Drilling Unit No. 7). Anschutz acquired all of Union Pacific Resources Company's interest in the Section 11 portion of these drilling and spacing units in June, 1999. Both the Phosphoria and Weber temporary drilling and spacing units on these lands were continued by the Commission's orders until the matter was reviewed by the Commission on April 10, 2000 in WOGCC Docket No. 111-2000.

2. The Commission takes administrative notice of the contents of its administrative records and Report of the Commission dated May 2, 2000 in Docket No. 111-2000 pursuant to the authority vested in the Commission by the Wyoming Administrative Procedures Act, Wyo. Stat. §16-3-108(d)(1999). The Commission in Docket No. 111-2000 vacated the approximate 686.42-acre drilling and spacing unit comprised of strip Section 10 and the westernmost 593.58-acres of Section 11, Township 14 North, Range 121 West as to the Weber Formation (Weber Drilling Unit No. 7) and made the Phosphoria Formation drilling and

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spacing unit on the same lands (Phosphoria Drilling Unit No. 5) permanent.

3. The South Yellow Creek Deep No. 11-3 well (hereinafter, "the 11-3") was drilled in the northwest corner of Section 11, Township 14 North, Range 121 West. The 11-3 bottomed in the Phosphoria Formation above the Weber producing horizon. The producing perforations are in the top 400 feet of the Phosphoria Formation and the well has produced over 8 bcf of gas exclusively from the Phosphoria Formation.

4. Anschutz owns certain working interests and operating rights and/or the contractual right to acquire the same, in and to all or a portion of the following described lands (hereinafter, collectively, "subject lands"):

- A. Yellow Creek Field, Uinta County, Wyoming ("Wyoming subject lands"):

Township 14 North, Range 121 West, 6th P.M.

Section 10: Lots 1 and 2 (46.70 acres)

Section 11: NW1/4

containing approximately 206.7 acres more or less, and

- B. Yellow Creek Field, Summit County, Utah ("Utah subject lands"):

Township 6 North, Range 8 East, 6th P.M.

Section 33: Lots 2, 3, 4, SW1/4, SW1/4NW1/4

containing approximately 184.81 acres of land, more or less.

5. Anschutz' application requests the establishment of an approximate 391.51-acre drilling and spacing unit for the production of hydrocarbons from the Weber Formation underlying subject lands and that the permitted well be the proposed AL&L No. 14-33ST well (hereinafter, "the 14-33ST") with a proposed surface location in the State of Utah, Township 6 North, Range 8 East, Section 33: 592' FSL and 748' FEL and a proposed bottomhole location in the State of Wyoming, Uinta County, Yellow Creek Field, Township 14 North, Range 121 West, Section

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10: 1,320' FNL and 440' FWL. The wellbore of the 14-33ST is proposed to be deviated when it encounters the Weber Formation and it is expected that the top of the Weber Formation perforations in the well will be located very close to, or even straddle, the state line. The application further seeks approval of the allocation of production from the proposed Weber Formation drilling and spacing unit, for all purposes, between the separately-owned tracts in the Wyoming subject lands and in the Utah subject lands on the basis of the bulk rock volume in the Weber Formation underlying subject lands, yielding an allocation of approximately 39.8185% of production to the Wyoming subject lands and approximately 60.1815% of production to the Utah subject lands. Additionally, the application recognizes that the Commission has jurisdiction only over the Wyoming subject lands and therefore requests that any approval of it as to the Wyoming subject lands be contingent upon approval by the Utah Board of Oil, Gas and Mining of a parallel, mirror-image application as to the Utah subject lands which will be presented to the Utah agency at its May, 2000 hearing date.

6. Anschutz and related entities own approximately 99.4% of the working interest in the proposed drilling and spacing unit (Anschutz' Exhibits 1 and 2).

7. The Weber Formation underlies all or substantially all of subject lands in the proposed drilling and spacing unit and is believed to constitute a separate pool or reservoir of a common accumulation of gas and associated hydrocarbons as defined by Section 2(jj) of Chapter 1 of the Rules and Regulations of the Commission (Anschutz' Exhibits 4 through 8).

8. Anschutz drilled the AL&L 14-33 well ("the 14-33") in Summit County, Utah, Township 6 North, Range 8 East, Section 33, approximately 592' FSL and 748' FEL as shown on its Exhibit Nos.

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1 and 12. The well cut only the very top of the Weber and did not fully penetrate the Weber sand. The logs from the well show no gas production from the Phosphoria Formation. The 14-33 watered out and it is believed that the water came up through a fracture in the Phosphoria Formation. Phosphoria Formation fractures are much wider and conducive to carrying water than fractures in the Weber Formation.

9. The proposed horizontal 14-33ST would be directionally drilled from the 14-33 well pad in the southern part of Section 33, Summit County, Utah upstructure to the northeast into Section 10, Uinta County, Wyoming and would produce from the Weber Formation underlying both the Wyoming and Utah subject lands (Anschutz' Exhibit 1).

10. Anschutz has calculated the bulk rock volume of the productive Weber Formation underlying subject lands (Exhibit No. 11) and the bulk rock volume in each tract within the proposed drilling and spacing unit (Exhibit No. 2). The surface area underlain by productive Weber in the proposed drilling and spacing unit is about 74% in Utah and about 26.4% in Wyoming. The top of the structure lies in Wyoming and the Wyoming portion is much thicker, so the bulk rock volume is disproportionately higher in Wyoming than the surface area that's underlain by productive Weber. Anschutz' allocation formula between the lands in Wyoming and Utah is fair and equitable. Utah subject lands contain approximately 60.8185% of the proposed drilling and spacing unit's bulk rock volume and Wyoming subject lands have approximately 39.1815% of the bulk rock volume as calculated by Anschutz.

11. The acreage included in the proposed drilling and spacing unit, 391.51 acres, is not smaller than the maximum area that can be efficiently drained by the proposed 14-33ST

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horizontal well drilled to the Weber Formation as proposed by Anschutz. The proposed drilling and spacing unit and the drilling of the proposed 14-33ST would prevent or aid in the prevention of waste by the production of hydrocarbons which would otherwise not be recovered and would protect correlative rights.

CONCLUSIONS OF LAW

1. Due and legal notice of time, place, and purpose of this hearing has been afforded to all interested parties in all respects as is required by law.

2. The Commission has jurisdiction over this matter and over all parties interested, and has jurisdiction to make and promulgate the order hereinafter set forth only insofar as the Wyoming subject lands and hydrocarbons under them are concerned. The Utah Board of Oil, Gas and Mining has jurisdiction over the Utah subject lands and hydrocarbons under them. Approval of the proposed Weber Formation drilling and spacing unit and the authorization of the proposed horizontal 14-33ST as the permitted well for the drilling and spacing unit by both the Commission and the Utah Board of Oil, Gas and Mining would be necessary for the establishment of the drilling and spacing unit and allocation of production as requested by Anschutz.

3. The testimony adduced at this hearing shall be transcribed and copies thereof may be obtained from the reporter by any and all interested parties.

4. The Commission has the power, "When required to protect correlative rights or, to prevent or to assist in preventing any of the various types of waste of oil and gas . . . to establish drilling units of specified and approximately uniform size cov-

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ering any pool," Wyo. Stat. §30-5-109(a)(1999). Section 30-5-109(b), Wyo. Stat.(1999) states:

In establishing a drilling unit, the acreage to be embraced within each unit and the shape thereof shall be determined by the commission from the evidence introduced at the hearing but shall not be smaller than the maximum area that can be efficiently drained by one (1) well.

5. The establishment of an approximate 391.51-acre drilling and spacing unit for the production of hydrocarbons from the Weber underlying subject lands, the directional drilling of the AL&L No. 14-33ST well, and the allocation of production from the drilling and spacing unit on the basis of bulk rock volume as proposed by Anschutz are prudent and necessary to prevent or aid in the prevention of waste, to recover hydrocarbons that would not otherwise be recovered, and to protect correlative rights. Anschutz' application should be granted contingent upon approval of a parallel mirror-image application by the Utah Board of Oil, Gas and Mining.

ORDER

IT IS THEREFORE HEREBY ORDERED BY THE COMMISSION that The Anschutz Corporation's application to establish an approximate 391.51-acre drilling and spacing unit for the production of hydrocarbons from the Weber Formation underlying the following described lands shall be, and hereby is approved as to the lands within the Yellow Creek Field, Uinta County, Wyoming:

Township 14 North, Range 121 West, 6th P.M.

Section 10: Lots 1 and 2 (46.70 acres)

Section 11: NW1/4

containing approximately 206.7 acres,  
more or less, in Uinta County, Wyoming;

Township 6 North, Range 8 East, 6th P.M.

Section 33: Lots 2, 3, 4, SW1/4, SW1/4NW1/4

containing approximately 184.81 acres,  
more or less, in Summit County, Utah.

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IT IS FURTHER ORDERED that the permitted well for the drilling and spacing unit shall be the AL&L No. 14-33ST with a surface location in the State of Utah, Township 6 North, Range 8 East, Section 33: 592' FSL and 748' FEL which will be directionally drilled to its proposed bottomhole location in the State of Wyoming, Township 14 North, Range 121 West, Section 10: 1,320' FNL and 440' FWL.

IT IS FURTHER ORDERED that allocation of production from the Weber Formation underlying the drilling and spacing unit shall be allocated, for all purposes, on the basis of bulk rock volume so that approximately 39.8185% shall be allocated to the seperately-owned tracts within Wyoming and approximately 60.1815% shall be allocated to the seperately-owned tracts within Utah;

IT IS FURTHER ORDERED that this approval of the drilling and spacing unit, the authorization of the AL&L No. 14-33ST well as its permitted well, and approval of the production allocation shall be, and hereby are contingent upon approval by the Utah Board of Oil, Gas and Mining of a parallel mirror-image application as to the Utah subject lands which will be presented to that agency at its May, 2000 hearing date;

IT IS FURTHER ORDERED that this order shall become void and have no force and effect whatsoever should the Utah Board of Oil, Gas and Mining not approve a parallel mirror-image application at its May, 2000 hearing date.

IT IS FURTHER ORDERED that The Anschutz Corporation shall, as soon as possible, provide the Commission with a copy of the report issued by the Utah Board of Oil, Gas and Mining following its May, 2000 hearing on the parallel mirror-image application;

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IT IS FURTHER ORDERED that the Commission shall retain jurisdiction in this matter to take such additional action, if any, as the Commission deems necessary and proper.

DATED this 19<sup>th</sup> day of May, 2000.

WYOMING OIL AND GAS  
CONSERVATION COMMISSION

/s/ Stephen A. Reynolds  
Mr. Stephen A. Reynolds,  
Acting Chairman-Commissioner

/s/ Elmer S. Parson  
Mr. Elmer S. Parson,  
Commissioner

/s/ Lance W. Cook  
Mr. Lance W. Cook,  
Commissioner

/s/ Robert A. King  
Mr. Robert A. King,  
Commissioner