

CAUSE NO. 197-5 / DOCKET NO. 94-006

IN THE MATTER OF THE  
REQUEST FOR AGENCY ACTION  
OF COASTAL OIL & GAS  
CORPORATION FOR AN ORDER  
AMENDING THE ORDER IN CAUSE  
NO. 197-1 TO AUTHORIZE AN  
EXCEPTION WELL LOCATION  
FOR THE SW¼ OF SECTION 12,  
TOWNSHIP 9 SOUTH, RANGE 20  
EAST, S.L.M., IN THE GREEN  
RIVER FORMATION OF THE  
NATURAL BUTTES AREA OF  
UINTAH COUNTY, UTAH

ORDER INDEX

<u>ORDER #</u>	<u>DATE SIGNED</u>	<u>DESCRIPTION</u>
#1	6/27/94	FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

August 2, 1994

**BEFORE THE BOARD OF OIL, GAS AND MINING**

**DEPARTMENT OF NATURAL RESOURCES**

**STATE OF UTAH**

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To Lisa  
5/8/94

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

Docket No. 94-006

Cause No. 197-5

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This cause came on regularly for hearing before the Board of Oil, Gas and Mining (the "Board") on Wednesday, April 27, 1994, at 10:00 am., in the Hearing Room 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, Thomas Faddies, and Elise L. Erler. 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 Coastal Oil & Gas Corporation ("Coastal"); and Donald H. Spicer, Wendell A. Cole, and David K. Dillon appeared as witnesses for Coastal.

Thomas A. Mitchell, Esq., Assistant Attorney General, represented the Board; and William R. Richards, Esq., Assistant Attorney General, represented the Division. No persons appeared in opposition.

Robert A. Henricks, Chief, Branch of Fluid Minerals (Utah State Office); Assad N. Raffoul, petroleum engineer (Utah State Office); and Edwin Forsgren, 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 April 27, 1994 hearing to all interested parties by certified mail, return receipt requested on April 1, 1994, and caused notice to be published in the *Deseret News* and in the *Salt Lake Tribune* on April 4, 1994, and in the *Vernal Express* on April 6, 1994.
2. Coastal mailed photocopies of the Request for Agency Action to all owners.

3. Coastal is a Delaware Corporation in good standing, having its principal place of business in Houston, Texas. Coastal is licensed to do business in Utah.

4. The lands affected by the Request for Agency Action are public domain lands of the United States of America, administered by the Bureau of Land Management ("BLM") and State of Utah trust lands administered by the Utah Division of State Lands and Forestry.

5. By order in Cause No 197-1 dated April 29, 1982 (the "Order"), the Board established 160-acre drilling units for the production of gas and associated hydrocarbons from the Green River formation in the Natural Buttes Area, affecting the following described lands ("Spaced Lands") in Uintah County, Utah:

**Township 9 South, Range 20 East, S.L.M.**

Sections 12 through 15  
Sections 21 through 28  
Sections 33 through 36

**Township 9 South, Range 21 East, S.L.M.**

Sections 7 through 35

**Township 10 South, Range 20 East, S.L.M.**

Sections 1 and 12

**Township 10 South, Range 21 East, S.L.M.**

Sections 2 through 9

6. The drilling units conform to a governmental survey quarter-section or its equivalent, and the Order provides for one well to produce from the Green River formation interval ("Spaced Interval"), the base of which is more particularly described as follows:

[T]he stratigraphic equivalent of the correlation point established at the depth of 4,822 feet below Kelly Bushing in the Ute Trail #10 Well drilled by DeKalb Petroleum Company in the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 34, Township 9 South, Range 21 East, S.L.M., Uintah County, Utah.

7. The Order provides for a uniform spacing pattern in the Spaced Lands and Spaced Interval by authorizing the legal location for each permitted well to be not fewer than 1,000 feet from the exterior boundary line of each drilling unit.

8. Coastal owns or controls the entire working interest in the Spaced Interval in the drilling unit comprising the SW $\frac{1}{4}$  of Section 12, Township 9 South, Range 20 East. Coastal also owns or controls the entire working interest in the off-setting drilling units comprising the NW $\frac{1}{4}$  of Section 12 and the NW $\frac{1}{4}$  of Section 13.

9. Enron Oil and Gas Company owns or controls the entire working interest in the off-setting drilling units comprising the NE $\frac{1}{4}$  of Section 12, the NE $\frac{1}{4}$  of Section 13, and the NE $\frac{1}{4}$  of Section 14. Enron also owns or controls the working interest in N $\frac{1}{2}$ SE $\frac{1}{4}$  and the SW $\frac{1}{4}$ SE $\frac{1}{4}$  of the drilling unit comprising the SE $\frac{1}{4}$  of Section 12. The SE $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 12 is owned or controlled by Kerr-McGee Corporation.

10. Enron also owns or controls 60% of the drilling units comprising the NE $\frac{1}{4}$  and the SE $\frac{1}{4}$  of Section 11 (with the exception of the SE $\frac{1}{4}$ SE $\frac{1}{4}$ ). Celeste Grynberg and Texas Crude Energy, Inc. own the remaining undivided interests in the drilling units comprising the NE $\frac{1}{4}$  and the SE $\frac{1}{4}$  (with the exception of the SE $\frac{1}{4}$ SE $\frac{1}{4}$ ). The SE $\frac{1}{4}$ SE $\frac{1}{4}$  of said Section 11 is wholly owned by the United States of America and is unleased.

11. Coastal provided to the Board written consents to the exception well location signed by all interested parties except Texas Crude Energy, Inc.

12. The Green River formation underlying the subject drilling units and its eight off-setting drilling units constitutes a pool as that term is defined in section 40-6-2(9) of the *Utah Code Annotated*, and is a highly complex series of isolated and discontinuous beds of productive rock that are randomly distributed vertically over a several thousand foot-thick interval. Many of the beds are separate and distinct and not in communication with each other. They comprise continental deposits including channel sandstones, siltstones, and shales deposited by aggrading streams flowing northwesterly into the Uinta Basin. The lenticular channel sandstones form the common source of supply where the hydrocarbons are stratigraphically trapped in their updip pinchout.

13. The Green River formation contains two productive zones, the M-2 and M-10 Zones, having sands in excess of five-feet thick and having porosities greater than 10% within the boundaries of the drilling unit for the SW $\frac{1}{4}$  of Section 12. Both the M-2 and the M-10 Zones have insufficient productive sands in the drilling unit to economically justify the drilling of a new well, but have sufficient sands to justify recompletion in an existing wellbore.

14. No Green River formation wells exist in the drilling unit for the SW $\frac{1}{4}$  of Section 12 or in the directly or diagonally offsetting drilling units.

15. Coastal's exception well will be a recompletion of its Natural Buttes Unit #45N Well to the Green River formation in the SW $\frac{1}{4}$  of Section 12 at a location 1,555 feet from the south line and 792 feet from the west line in the NW $\frac{1}{4}$ SW $\frac{1}{4}$  of the section. The location of the exception well exceeds by 208 feet the authorized tolerance of 1,000 feet from

the exterior boundary of the drilling unit in the SW¼. The wellbore of the Natural Buttes Unit #45 N Well intersects both productive zones in the Green River formation.

16. Recompletion of the existing wellbore for the Natural Buttes Unit #45 N Well in the Green River formation will prevent economic waste through the drilling of unnecessary wells, namely a new well to test the Green River formation.

17. Recompletion of the existing wellbore for the Natural Buttes Unit #45 N Well in the Green River formation will minimize the environmental consequences of preparing a new drill pad and well site.

18. The productive formation has inadequate reserves to justify the drilling of a new well for production, but has sufficient reserves to justify the recompletion of the existing Natural Buttes Unit #45 N Well.

19. Inasmuch as the lands are within a designated oil shale area, recompletion of the existing wellbore for the Natural Buttes Unit #45 N Well in the Green River formation will preserve the integrity of oil shale section by drilling one fewer wellbore through the Parachute Creek Member in the SW¼ of Section 12.

20. Geologic and engineering data support the recompletion of Coastal's Natural Buttes Unit #45N to the Green River formation without said well communicating or otherwise interfering with off-setting wells that could be drilled at legal locations in the adjoining drilling units.

21. Correlative rights of owners in the directly and diagonally offsetting drilling units will not be affected adversely.

22. An order authorizing the recompletion of Coastal's Natural Buttes Unit #45N Well to test the Green River formation at the exception location requested will promote the public interest, increase ultimate recovery, prevent waste, and protect correlative rights of all owners.

### CONCLUSIONS OF LAW

1. The Board has jurisdiction of the parties and of the subject matter of Coastal's Request for Agency Action, pursuant to Chapter 6 of Title 40 of the *Utah Code Annotated* and pursuant to the Order; and has the authority to make and promulgate the order hereinafter set forth.

2. The Board has authority to modify its previous orders to grant exceptions to authorized locations pursuant to section 40-6-6(6) of the *Utah Code Annotated* and to R649-3-3.1.3 of the *Utah Administrative Code*.

3. 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.

4. Coastal's petition poses an appropriate request for modification of the existing Order to authorize an exception well location.

5. Recompletion of the Natural Buttes Unit #45 N Well will prevent the drilling of unnecessary wells, and therefore economic waste, inasmuch as Coastal will be able to intersect productive sands not justifying the drilling of a new production well.

6. Recompletion of the Natural Buttes Unit #45 N Well in the Green River formation as an exception location will promote the development, production, and utilization



of oil and gas within the Spaced Interval in such a manner as to achieve the greatest ultimate recovery.

**ORDER**

**IT IS THEREFORE ORDERED** that in order to prevent waste of the oil, gas, and associated hydrocarbons, to increase the ultimate recovery of the resource, to prevent physical and economic waste:

A. Coastal's Request for Agency Action is granted.

B. Recompletion of the Natural Buttes Unit #45 N Well to the Green River formation in the proposed exception well location is authorized, to be administered and supervised by the Division.

C. 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 27<sup>th</sup> day of June, 1994.

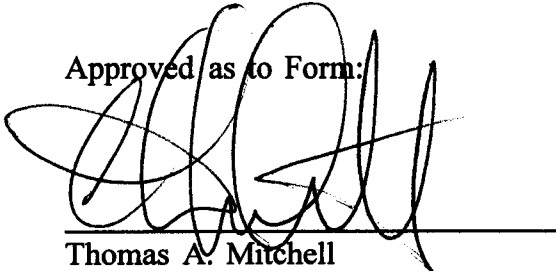
STATE OF UTAH  
BOARD OF OIL, GAS AND MINING



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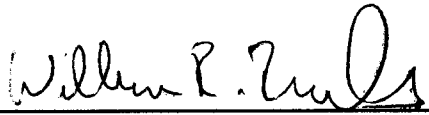
David D. Lauriski  
Chairman

Approved as to Form:



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



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William R. Richards  
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. 94-006, Cause No. 197-5 to be mailed by certified mail, postage prepaid, on the 2nd day of August 1994, to the following:

Phillip Wm. Lear, Esq.  
Jeffrey T. Sivertsen  
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Coastal Oil and Gas Corporation  
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Sent by first class mail to the following:

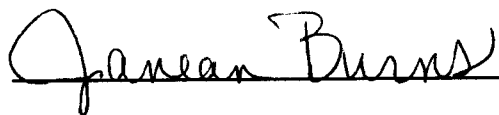
Celeste C. Grynberg  
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