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AUG 30 2004

SECRETARY, BOARD OF
OIL, GAS & MINING

**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 HOUSTON)
EXPLORATION COMPANY FOR AN)
ORDER APPROVING AN EXCEPTION)
LOCATION FOR THE BONANZA #4D-16)
WELL IN THE NW¼NW¼ OF SECTION 16,)
TOWNSHIP 9 SOUTH, RANGE 24 EAST,)
SLM, UINTAH COUNTY, UTAH)

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

Docket No. 2004-009
Cause No. 254-01

This cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, July 28, 2004, at the hour of 10:00 a.m. The following Board members were present and participated at the hearing: Chairman W. Allan Mashburn, Robert J. Bayer, Stephanie Cartwright, Douglas E. Johnson, J. James Peacock, Kent R. Petersen, and Samuel C. Quigley. The Board was represented by Michael S. Johnson, Esq., Assistant Attorney General.

Testifying on behalf of Petitioner The Houston Exploration Company ("THX") was Larry M. Dunn, Landman. Frederick M. MacDonald, Esq., of and for Pruitt Gushee, a Professional Corporation, appeared as attorney for THX.

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. At the conclusion of its

presentation, the Division expressed its support for the granting of the Request for Agency Action.

No other party filed a timely response to THX'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 appearing, hereby makes the following findings of fact, conclusions of law, and order.

FINDINGS OF FACT

1. THX is a Delaware corporation in good standing, having its principal place of business in Houston, Texas. THX is duly qualified to conduct business in the State of Utah, and is fully and appropriately bonded with all Federal and State of Utah agencies.

2. THX is the record title lessee (including all associated operating rights) of the State of Utah Oil, Gas and Hydrocarbon Lease ML-46526 (the "Lease"), which covers the N $\frac{1}{2}$ N $\frac{1}{2}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$ and S $\frac{1}{2}$ SW $\frac{1}{4}$ of subject Section 16 (the "Leased Lands"). The Lease is administered by the Utah School and Institutional Trust Lands Administration ("TLA") on behalf of the State of Utah.

3. Neither the Leased Lands nor the remaining lands within subject Section 16 are currently subject to any drilling and spacing unit orders entered by the Board.

4. On April 2, 2004, THX, through its contract agent, filed an application for permit to drill (“APD”) with the Division for the Bonanza #4D-16 Well, with a location 1,152 feet from the north line (“FNL”) and 1,209 feet from the west line (“FWL”) in the NW¼NW¼ of Section 16, Township 9 South, Range 24 East, SLM, Uintah County, Utah (the “Proposed Location”). The Proposed Location is located more than 200 feet from the center of the NW¼NW¼ of subject Section 16, and more than 920 feet from any other producing well.

5. Based on a review of the Uintah County realty records conducted by THX’s contract landman, the following parties were, at the time of the filing of the Request for Agency Action, determined to be the unleased owners of the minerals in the SW¼NW¼ of subject Section 16: St. Louis Union Trust Company (apparently succeeded by Bank of America), Trustee under the Will of Marion C. Early; St. Louis Union Trust Company (apparently succeeded by Minerals Service, Inc.), Trustee for Washington University; Northern Trust Company & Robert H. Taylor, Co-Trustee under Agreement dated 11/3/1998 with Mary F. Quinlan Laidlow, Grantee; and Robert Fowler Taylor & US Bank, as Co-Trustees of the Mary T. Cunningham Revocable Trust (the “Fee Owners”).

6. By Letters sent certified mail on April 23, 2004, THX, through its contract agent, solicited the written consent of the Fee Owners to the Proposed Location. THX has

also had subsequent follow-up contact with some of the Fee Owners. However, to date, no written consents have been obtained.

7. The 400 square foot area around the center of the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 16 has a rock-capped bluff in it and an intermittent drainage wash which runs east-west along the foot of the bluff. The topography therefore makes the 400 square foot area an undesirable location for a well.

8. A copy of the Request for Agency Action was mailed, via certified mail-return receipt, to the Fee Owners and TLA.

9. Notice was duly published in the Salt Lake Tribune, Deseret Morning News and Vernal Express, as required by Utah Admin. Code Rule R641-106-100.

10. 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.

CONCLUSION OF LAW

1. 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 Utah Admin. Code Rule R649-3-3.

2. The Proposed Location is outside the 400 square foot “window” allowed under Utah Admin. Code Rule R649-3-2, and therefore requires an exception location

approved in accordance with Utah Admin. Code Rule R649-3-3. Without the written consent of all “Owners” (as that term is defined in Utah Admin. Code Rule R649-2-1) within a 460-foot radius of the Proposed Location, the Division may not legally administratively approve the exception location; instead, Board approval is required.

3. The Fee Owners, THX and TLA constitute all of the “Owners” within a 460-foot radius of the Proposed Location and who required notice of an exception location request in accordance with Utah Admin. Code Rule R649-3-3.

4. Due and proper notice of the time, place, and purpose of the hearing was properly given to said “Owners” and all other interested parties in the form and manner as required by law and the rules and regulations of the Board and Division.

5. THX has sustained its burden of proof, demonstrated good cause, and satisfied all legal requirements, including those set forth in Utah Admin. Code Rule R649-3-3, for the granting of its Request for Agency Action.

6. Approval of the Proposed Location, in exception to Utah Admin. Code Rule R649-3-2, will result in the orderly development and greatest recovery of oil, gas and/or associated hydrocarbons, prevent waste, adequately protect the correlative rights of all affected parties, and is just and reasonable under the circumstances.

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 location of the Bonanza #4D-16 Well at 1,152 feet FNL and 1,209 feet FWL in the NW¼NW¼ of Section 16, T9S, R24E, SLM, in exception to Utah Admin. Code Rule R649-3-2, is hereby approved.
3. 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.
4. 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 Administrative Code Rule R641-109.
5. 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 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 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.

6. 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.

7. 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 30th day of August, 2004.

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

By: 
W. Allan Mashburn, 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. 2004-009, Cause No. 254-01 to be mailed with postage prepaid, this 1 day of September, 2004, to the following:

Frederick M. MacDonald
PRUITT GUSHEE
Attorneys for Houston Exploration Company
1800 Beneficial Life Tower
Salt Lake City, UT 84111

Michael S. Johnson
Assistant Attorney General
Utah Board of Oil, Gas & Mining
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Utah Board of Oil, Gas & Mining
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Salt Lake City, UT 84114-0815

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

The Houston Exploration Company
Attention: W. Greg Davis, Landman
1100 Louisiana, Suite 2000
Houston, TX 77002-5215

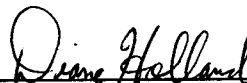
School & Institutional Trust Lands Admin.
Attention: LaVonne Garrison
675 East 500 South, Suite 500
Salt Lake City, UT 84102

St. Louis Union Trust Company,
Trustee under the Will of Marion C. Early
c/o Bank of America
Attention: Terry Young, Trust Adm.
Bank of America Plaza
901 Main Street
Dallas, TX 75202

St. Louis Union Trust Company,
Trustee for Washington University
c/o Minerals Services, Inc.
Karen Schultz - Owner
Agent for Washington University
P.O. Box 244
St. Jacob, IL 62281

Northern Trust Company & Robert H. Taylor,
Co-Trustees under Agreement Dated
11/03/1998 with Mary F. Quinlan
Laidlaw Grantee
c/o Michael E. Rinehart, V.P.
2121 San Jacinto St., Suite 2400
P.O. Box 226270
Dallas, TX 75222

Robert Fowler Taylor & US Bank,
as Co-Trustees of the Mary T. Cunningham
Revocable Trust
c/o Private Client Group
Attention: Robert C. Archer
777 E. Wisconsin Avenue
P.O. Box 3194
Milwaukee, WI 53210-3194



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**BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
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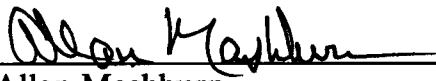
IN THE MATTER OF THE REQUEST FOR)	ORDER GRANTING MOTION
AGENCY ACTION OF THE HOUSTON)	FOR CONTINUANCE
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LOCATION FOR THE BONANZA #4D-16)	
WELL IN THE NW ¼ NW ¼ OF SECTION 16,)	Docket No. 2004-009
TOWNSHIP 9 SOUTH, RANGE 24 EAST,)	
SLM, UINTAH COUNTY, UTAH)	Cause No. 254-01

The Board of Oil, Gas and Mining (the "Board"), having fully considered Petitioner The Houston Exploration Company's Motion to Continue the June 23, 2004 hearing on Petitioner's Request for Agency Action (the "Motion") and the grounds and reasons provided therefore, and good cause appearing, hereby grants Petitioner's Motion. The hearing on Petitioner's Request for Agency Action is hereby ordered continued from the June 23, 2004 meeting of the Board, to be held in the Commission Room of the San Juan County Courthouse, 117 So. Main, Monticello, Utah, to the Wednesday, July 28, 2004 meeting of the Board, to be held in the Boardroom of the Utah Department of Natural Resources, 1594 W. North Temple, Salt Lake City, Utah, at 10:00 a.m., or as soon thereafter as possible.

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 18th day of June, 2004.

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



Allan Mashburn
Chairman

FMM:pr
2225.08

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing "Order Granting Motion for Continuance of Hearing" for Docket No. 2004-009, Cause No. 254-01 to be mailed with postage prepaid, this 30th day of June, 2004, to the following:

Frederick M. MacDonald
PRUITT GUSHEE
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Attention: W. Greg Davis, Landman
1100 Louisiana, Suite 2000
Houston, TX 77002-5215

School & Institutional Trust Lands Admin.
Attention: LaVonne Garrison
675 East 500 South, Suite 500
Salt Lake City, UT 84102

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Trustee under the Will of Marion C. Early
c/o Bank of America
Attention: Terry Young, Trust Adm.
Bank of America Plaza
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Dallas, TX 75202

St. Louis Union Trust Company,
Trustee for Washington University
c/o Minerals Services, Inc.
Karen Schultz - Owner
Agent for Washington University
P.O. Box 244
St. Jacob, IL 62281

Northern Trust Company & Robert H. Taylor,
Co-Trustees under Agreement Dated
11/03/1998 with Mary F. Quinlan
Laidlaw Grantee
c/o Michael E. Rinehart, V.P.
2121 San Jacinto St., Suite 2400
P.O. Box 226270
Dallas, TX 75222

Robert Fowler Taylor & US Bank,
as Co-Trustees of the Mary T. Cunningham
Revocable Trust
c/o Private Client Group
Attention: Robert C. Archer
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