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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 BILL BARRETT CORPORATION FOR AN ORDER ESTABLISHING A 160-ACRE DRILLING AND SPACING UNIT FOR THE PRODUCTION OF OIL, GAS AND ASSOCIATED HYDROCARBONS FROM THE WASATCH AND NORTH HORN FORMATIONS, COMPRISED OF THE SW¹/₄ OF SECTION 15, TOWNSHIP 5 SOUTH, RANGE 6 WEST, USM, DUCHESNE COUNTY, UTAH

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

Docket No. 2006-013

Cause No. 260-01

This cause came on for hearing before the Utah Board of Oil, Gas and Mining (the “Board”) on Wednesday, August 23, 2006, at 8:45 a.m. The following Board members were present and participated at the hearing: Chairman J. James Peacock, Robert J. Bayer, Douglas E. Johnson, Kent R. Petersen, Samuel C. Quigley, Jean Semborski and Jake Y. Harouny. The Board was represented by Michael S. Johnson, Esq., Assistant Attorney General.

Testifying on behalf of Petitioner Bill Barrett Corporation (“BBC”) were Douglas W.G. Gundry-White – Senior Landman, Gregory S. Hinds – Senior Geologist, and Fredrick P. LeGrand – Advisory Reservoir Engineer. Frederick M. MacDonald, Esq., of and for Pruitt Gushee, a Professional Corporation, appeared as attorney for BBC.

Testifying on behalf of the Division of Oil, Gas and Mining (the “Division”) was Dustin Doucet, Petroleum Engineer. Keli Beard, Esq., Assistant Attorney General, appeared

as attorney on behalf of the Division. The Division expressed its support for the granting of the Request for Agency Action at the conclusion of its presentation.

At the conclusion of BBC's and the Division's presentation, Assad Raffoul, Petroleum Engineer, Utah State Office of the Bureau of Land Management, in its advisory capacity to the Bureau of Indian Affairs, made an appearance and expressed his Agency's support for the granting of the Request for Agency Action. No other party filed a response to BBC'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, hereby makes the following findings of fact, conclusions of law and order.

FINDINGS OF FACT

1. BBC is a Delaware corporation with its principal place of business in Denver, Colorado. BBC is duly qualified to conduct business in the State of Utah, and is fully and appropriately bonded with all relevant Federal, Indian and State of Utah agencies.

2. The SW¹/₄ of Section 15, Township 5 South, Range 6 West, USM, Duchesne County, Utah (the "Subject Lands") was, as of the date of the hearing, not subject to any spacing order of the Board.

3. The oil, gas and associated hydrocarbon ownership and leasehold status of the Subject Lands were, as of the date of the hearing, as follows:

<u>Lands</u>	<u>Ownership (%)</u>	<u>Lease/E&D Agreement</u>
W $\frac{1}{2}$ SW $\frac{1}{4}$	David A. Evans and Alicia Evans, Successors Trustees of the Lusty Herefords Trust (100%)	Fee Oil and Gas Lease dated 5/20/03 and recorded 12/31/03 in Book 303MR, Page 8
E $\frac{1}{2}$ SW $\frac{1}{4}$	United States of America, in trust for the Ute Indian Tribe of the Uintah and Ouray Reservation (100%)	BIA No. 14-20-H62-5500

BBC and Berry Petroleum Corporation (“Berry”) are the working interest/operating rights owners under these agreements as to the formations described in Paragraph 4 below. There are no overriding royalty or other production interest owners.

4. The Wasatch and North Horn formations for purposes of this cause are defined as follows:

that interval between 4,874 feet and 9,558 feet as measured by the Gamma Ray and Resistivity Curves of the logs for the #1DLB 12-15-56 well located in the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 15, T5S, R6W, USM, Duchesne County, Utah,

(the “Subject Formations”).

5. The Subject Formations as underlying the Subject Lands are interpreted to be primarily sandstone, siltstones, shales and mudstones deposited in alluvial plain and fluvial depositional environments. The reservoirs are generally considered to be of braided stream and point bar origin from meandering streams. Point bar sands are generally considered to be

highly lenticular in nature and of limited aerial extent. Braided stream deposits have the potential to be larger in extent. Production is greatly enhanced by natural fracturing and this may be the case with respect to the Subject Formations as underlying the Subject Lands.

6. The Subject Formations constitute a common source of supply of oil, gas and associated hydrocarbons in the Subject Lands.

7. BBC, on its own behalf and as Berry's duly designated operator, drilled the "#1 DLB 12-15-56" well in the NW $\frac{1}{4}$ SW $\frac{1}{4}$ (1,976' FSL and 637' FWL) of subject Section 15 ("the Well") in accordance with an application for permit to drill approved by the Division. The Well was completed as a producing oil and gas well on April 12, 2006 with production achieved from the Subject Formations.

8. Volumetric and decline curve analysis of the Well support the conclusion that one well producing from the Subject Formations will economically and effectively drain 160 acres.

9. There is no communization agreement currently approved and in effect covering the Subject Lands.

10. A copy of the Request for Agency Action was mailed certified, postage pre-paid and properly addressed to their last addresses as disclosed by the appropriate Indian and County realty records to, and received by, all royalty and working interest owners within the Subject Lands. In addition, a copy of the Request for Agency Action was mailed certified,

postage prepaid and properly addressed to their last addresses as disclosed by the appropriate Indian and County realty records to all working interest owners, including unleased owners, within the NW¼ of Section 15 and the E½ of Section 16, T5S, R6W, USM.

11. Notice of the filing of BBC's Request for Agency Action and of the hearing thereon was duly published in the Salt Lake Tribune, Deseret Morning News and Uintah Basin Standard.

12. 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.

CONCLUSIONS OF LAW

1. Due and regular notice of the time, place and purpose of the hearing was properly given to all parties whose legally protected interests are affected by the Request for Agency Action in the form and manner as required by law and the rules and regulations of the Board and Division.

2. The Board has jurisdiction over all matter 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 40-6-6.

3. Because the Subject Lands are subject to both a fee lease and an Indian exploration and development agreement, the entry of this Order retroactive to the date of first production of the Well is a prerequisite to execution and approval of a conforming

communitization agreement necessary for protection of correlative rights of the owners of interests in those respective agreements.

4. The establishment of a drilling and spacing units for the production of oil, gas and associated hydrocarbons from the Wasatch and North Horn formations as so defined for the Subject Lands will be in furtherance of the public policies of this State to promote greater recovery of said resources without waste and with protection of the correlative rights of all affected owners, will allow for the orderly development of the Subject Lands, and is just and reasonable under the circumstances.

5. The declaration that the Well to be at a lawful location notwithstanding the consequences of the relief granted herein, and to be the authorized well for the drilling and spacing unit established hereby is just and reasonable under the circumstances.

6. BBC has sustained its burden of proof, demonstrated good cause, and satisfied all legal requirements for the granting of its Request for Agency Action.

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. A drilling and spacing unit for the production of oil, gas and associated hydrocarbons from the Wasatch and North Horn formations defined as follows:

that interval between 4,874 feet and 9,558 feet as measured by the Gamma Ray and Resistivity Curves of the logs for the #1DLB 12-15-56 well located in the NW¹/₄SW¹/₄ of Section 15, T5S, R6W, USM, Duchesne County, Utah,

comprised of the SW¹/₄ of Section 15, Township 5 South, Range 6 West, USM, Duchesne County, Utah, is hereby established.

3. The #1DLB 12-15-56 Well is hereby declared as the authorized well for production of oil, gas and associated hydrocarbons from the Wasatch and North Horn formations as so defined for said unit, and to be drilled at a lawful location notwithstanding the consequences of the relief granted hereby.

4. This Order shall be deemed retroactively effective as of April 12, 2006, the date of first production of the #1DLB 12-15-56 well.

5. 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.

6. 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.

7. 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.

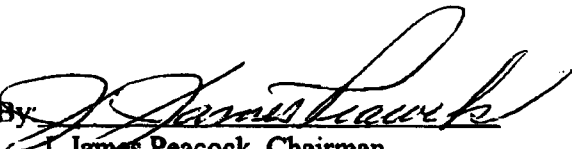
Id. See Utah Admin. Code Rule R641-110-200 for the required contents of a petition for Rehearing. If there is any conflict between the deadline in Utah Code Ann. § 63-46b-13 and the deadline in Utah Admin. Code Rule R641-110-100 for moving to rehear this matter, the Board hereby rules that the later 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.

8. 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.

9. 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 12th day of Sept., 2006.

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

By 
J. James Peacock, 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" to be mailed, postage prepaid, this 19th day of September, 2006, to the following:

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