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JUL 31 2018

**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 WOLVERINE GAS AND OIL COMPANY OF UTAH, LLC FOR AN ORDER SUSPENDING UTAH ADMIN. CODE RULES R649-3-2, R649-3-10 AND R649-3-11(1) AND (2) AS TO THE WOLVERINE FEDERAL UNIT, COMPRISED OF PORTIONS OF SECTIONS 13 AND 23-26 OF TOWNSHIP 20 SOUTH, RANGE 1 EAST, SLM, SANPETE COUNTY, UTAH, AND SECTIONS 17-20 OF TOWNSHIP 23 SOUTH, RANGE 1 WEST, SLM, SEVIER COUNTY, UTAH

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

Docket No. 2018-012

Cause No. 269-03

This Cause came on for hearing before the Utah Board of Oil, Gas and Mining (the “Board”) on Wednesday, July 25, 2018, at approximately 2:15 p.m., in the Auditorium of the Utah Department of Natural Resources Building in Salt Lake City. The following Board members were present and participated at the hearing: Chairman Ruland J. Gill, Jr., Carl F. Kendell, Gordon L. Moon, Chris D. Hansen and Susan S. Davis. Board members Michael R. Brown and Richard K. Borden were unable to attend. The Board was represented by Michael Begley, Esq., Assistant Attorney General.

Participating and testifying on behalf of Petitioner Wolverine Gas and Oil Company of Utah, LLC (“Wolverine”) electronically from Wolverine’s Grand Rapids offices (pursuant to authorization granted by the Board in an Order entered on July 18, 2018) were

Richard D. Moritz, Esq., Vice President - Land, Wolverine Gas and Oil Corporation; Emily E. Hartwick, Manager - Geology, Wolverine Gas and Oil Corporation; and Edward A. Higuera, Vice President - Exploration & Engineering, Wolverine Gas and Oil Corporation. Ms. Hartwick and Mr. Higuera were recognized by the Board as experts in geology and petroleum engineering, respectively, for purposes of this Cause. Frederick M. MacDonald, Esq., of and for MacDonald & Miller Mineral Legal Services, PLLC, appeared in person before the Board as attorney for Wolverine.

The Division of Oil, Gas and Mining (the "Division") did not file a staff memorandum in this Cause but nevertheless participated in the hearing. Steven F. Alder, Esq., Assistant Attorney General, appeared as attorney for the Division. At the conclusion of Wolverine's presentation in-chief, Mr. Alder expressed that the Division supported the granting of Wolverine's Request for Agency Action dated June 8, 2018 (the "Request"), as conformed to the testimony and other evidence provided at the hearing.

No other party filed a response to the Request 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 in this Cause.

FINDINGS OF FACT

1. Wolverine is a Michigan limited liability company with its principal place of business in Grand Rapids, Michigan. Its sole member is Wolverine Gas and Oil Corporation. Wolverine is duly qualified to conduct business in the State of Utah, and is fully and appropriately bonded with all relevant Federal and State of Utah agencies.

2. Wolverine is the operator of the Wolverine Federal Unit (the "Unit"). The Unit was originally approved by the United States Bureau of Land Management ("BLM") effective July 28, 2003. All formations underlying the Unit Area are deemed unitized. Although the Unit encompassed as much as 70,144 acres at one time, effective as of March 16, 2012, the Unit contracted down to its two existing participating areas: the Initial Navajo 1 Formation-Carbon Sequestration Participating Area, a/k/a the Providence Field, comprised of the following described Sanpete County lands:

Township 20 South, Range 1 East, SLM

Section 13: SE¹/₄NE¹/₄SW¹/₄, SE¹/₄SW¹/₄,
SE¹/₄SW¹/₄SW¹/₄, W¹/₂SW¹/₄SE¹/₄
Section 23: E¹/₂SE¹/₄NE¹/₄, E¹/₂E¹/₂SE¹/₄
Section 24: SW¹/₄NW¹/₄NW¹/₄,
E¹/₂NW¹/₄NW¹/₄, SW¹/₄NW¹/₄,
E¹/₂NW¹/₄, W¹/₂NE¹/₄,
W¹/₂SE¹/₄NE¹/₄, SW¹/₄, NW¹/₄SE¹/₄,
NW¹/₄NE¹/₄SE¹/₄, NW¹/₄SW¹/₄SE¹/₄
Section 25: N¹/₂NW¹/₄NW¹/₄, NW¹/₄NE¹/₄NW¹/₄
Section 26: N¹/₂NE¹/₄NE¹/₄

(containing 660 acres)

(the “Providence Field”), and the 7th Revised Navajo Participating Area, a/k/a the Covenant Field, comprised of the following described Sevier County lands:

Township 23 South, Range 1 West, SLM

- Section 17: Lots 1 (37.97) and 2 (37.44),
W $\frac{1}{2}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$, N $\frac{1}{2}$ [All]
- Section 18: Lots 5 (40.20) and 12 (40.20)
[E $\frac{1}{2}$ SE $\frac{1}{4}$]
- Section 19: Lots 1 (40.85), 2 (40.83), 7
(40.83), 8 (40.85) and 9 (40.87)
and N $\frac{1}{2}$ of Lot 10 (20.44)
- Section 20: NW $\frac{1}{4}$

(containing 1,100.48 acres)

(the “Covenant Field”) (the Providence Field and Covenant Field collectively hereinafter the “Unit Area”). The Board certified the Providence Field as an “Enhanced Recovery Project” (utilizing gas reinjection) by Order entered in Cause No. 269-02 on December 31, 2013 (the “269-02 Order”).

3. The oil and gas underlying the Unit Area are primarily owned by the United States (600 acres in the Providence Field; 860.48 acres in the Covenant Field), with the remainder in the Providence Field owned in fee (60 acres), and the remainder in the Covenant Field owned by the State of Utah, administered by the Utah School and Institutional Trust Lands Administration (“SITLA”) (80 acres), and in fee (160 acres). All are under lease and all leaseholds are commonly owned by Wolverine Gas and Oil Corporation and several other parties. All of the leaseholds are committed to the Unit and

subject to the governing Unit and Unit Operating Agreements; there are no uncommitted Unit tracts.

4. Other than the 269-02 Order, there are no other Board orders pertaining to the Unit Area. Consequently, the general operational rules, including in particular Utah Admin. Code Rules R649-3-2, R649-3-10 and R649-3-11(1) and (2), have been applicable to the Unit Area.

5. However, well location and density patterns within the Unit Area are additionally determined in accordance with the Unit Agreement and, in particular, the annual plans of Unit development approved by the BLM. Said plans are primarily developed on such well density as the reservoir conditions justify.

6. To date, Wolverine has been able to develop the Unit Area within the confines of the general operational rules and approved annual plans of Unit development, and pursuant to applications for permits to drill approved by both the BLM and the Division. Wolverine therefore seeks confirmation from the Board that the existing Unit wells are deemed to be in legal locations. However, future development, primarily of the Covenant Field, will require numerous exception locations.

7. The Covenant Field produces from the White Throne and Navajo sandstones, which are both eolian dune deposits. The White Throne and Navajo sandstones are stratigraphically separated by the Sinawava, an approximately 50-foot thick non-reservoir

mudstone layer. However, because the Covenant Field is overprinted with a complex system of normal faults that have been identified in wellbores evidenced by missing section as well as in a proprietary 3D seismic volume over the Field, the White Throne and Navajo are in pressure communication, especially where White Throne is juxtaposed next to Navajo, and thus are included as part of the same participating area formation. The pressure communication has been confirmed with a pressure transient pulse test performed in 2008. The orientation of White Throne and Navajo dune-related permeability anisotropy coupled with the orientation of the fault system results in a drainage pattern that could be partially limited by fault block boundaries.

8. Because of these geologic complexities, wells drilled on a 40-acre density pattern are not adequately spaced to maximize recoveries from the White Throne and Navajo reservoirs within mapped fault blocks and, without a tighter density pattern (*i.e.*, wells drilled closer than 920 feet from each other and/or outside the allowed 400-ft. square regulatory drilling “window”), it is highly likely that oil reserves will be unrecoverable and waste will occur. A tighter density drilling pattern is required in these areas to improve Field recovery as well as provide opportunities for open-hole logging to monitor and evaluate drainage complexity related to the fault system. Due to topographical constraints and environmental considerations, it is important to maximize use of existing pads as very limited surface area is available for new pads and expanding existing pads after initial wells

have been drilled and become operational is more difficult. Consequently, directional drilling of the new proposed wells will be required.

9. As evidenced by Exhibit "F" admitted into evidence, both the BLM and SITLA have certified that operations under the terms of the governing Unit Agreement are in the public interest for the purpose of more properly conserving the natural resource. In addition, Article 16 of the governing Unit Agreement expressly requires the Unit Operator to produce unitized substances and conduct all operations to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State or Federal law or regulations. Wolverine has and continues to operate the Unit under these governing principles.

10. Given the findings outlined in Paragraph Nos. 7 through 9 above, suspending Utah Admin. Code Rules R649-3-2, R649-3-10 and R649-3-11(1) and (2), as to the lands within the Unit Area is fair, reasonable and justified; provided however that no future well may be drilled closer than 460 feet from the boundary of the Unit Area without administrative approval of the Division or Board in accordance with Utah Admin. Code Rule R649-3-3 to protect the correlative rights of the adjacent lands outside the Unit Area, and the requirement for the Unit Operator to provide a directional survey for any directionally drilled well under Utah Admin. Code Rule R649-3-11(3) remains applicable. Such action is consistent with previous Board Orders granting similar relief under similar

circumstances, *e.g.*, the Board's Orders entered in Cause Nos. 191-06, 259-01, 268-06, 173-25, 233-02 and 187-11.

11. A copy of the Request was mailed, postage pre-paid, certified with return receipt requested and properly addressed to all "owners," as that term is statutorily defined, in the Unit Area, and to SITLA as a lessor, and the State and Richfield Field Offices of the BLM as a lessor and as the governmental agency having jurisdiction over the Unit. The mailings were sent to said parties at their last addresses disclosed by the BLM, SITLA and Sanpete and Sevier County realty records, and from Wolverine's internal land records including title opinions and pay decks (being a computerized method of determining the money needed to pay royalties and taxes monthly).

12. Notice of the filing of the Request and of the hearing thereon was duly published in the Salt Lake Tribune and Deseret Morning News on July 1, 2018, and in the Sanpete Messenger and the Richfield Reaper on July 5, 2018.

13. The vote of the Board members present and participating in the hearing on this Cause was unanimous (5-0) in favor of granting the Request as conformed to the testimony and the evidence presented at the hearing.

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

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 matters covered by the Request and all interested parties therein pursuant to Utah Code Ann. §40-6-5(3)(b) and Utah Admin. Code Rule R649-2-3.

3. Wolverine has demonstrated good cause, and has sustained its burden of proof for the granting of the Request as provided for by Utah Admin. Code Rule R649-2-3.

4. Suspending Utah Admin. Code Rules R649-3-2, R649-3-10 and R649-3-11(1) and (2), as applicable to the entire Unit Area, will not impede the conservation of oil and gas or cause waste.

5. The Request satisfies all statutory and regulatory requirements for the relief sought therein, and therefore the Request should be granted.

ORDER

Based on the Request, testimony and evidence submitted, and findings of fact and conclusions of law stated above, the Board hereby orders:

1. The Request in this Cause, as conformed to the testimony and other evidence provided at the hearing, is granted.

2. All wells existing within the Unit Area as of the date of this Order are deemed to be at legal locations.

3. Utah Admin. Code Rules R649-3-2, R649-3-10 and R649-3-11(1) and (2) as to lands within the Unit Area are suspended.

4. No future wells within the Unit Area may be located closer than 460 feet from the boundary of the Unit Area without administrative approval of the Division or Board in accordance with Utah Admin. Code Rule R649-3-3.

5. Pursuant to Utah Admin. Code Rules R641 and Utah Code Ann. § 63G-4-204 to 208, 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. § 63G-4-208 and Utah Administrative Code Rule R64-109.

7. Notice re: Right to Seek Judicial Review by the Utah Supreme Court or to Request Board Reconsideration: As required by Utah Code Ann. § 63G-4-208(e) - (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. §§ 63G-4-401(3)(a) and 403. 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. § 63G-4-302, 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 63G-4-301 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. § 63G-4-302 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 an electronic version or a faxed copy of this Order shall be deemed the equivalent of a signed original.

DATED this 31st day of July, 2018.

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

By: _____


Ruland J. Gill, Jr., Chairman

CERTIFICATE OF SERVICE

I hereby certify that on this 1st day of August, 2018, I caused a true and correct copy of the foregoing **FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER** for Docket No. 2018-012, Cause No. 269-03, to be mailed with postage prepaid, via E-mail, or First Class Mail, to the following:

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