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December 22, 1981

State of Utah
Division of Oil, Gas and Mining
Room 4241 State Office Building
Salt Lake City, Utah 84114

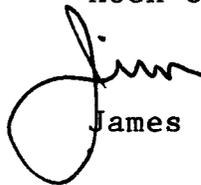
Attention: Mr. Cleon Feight, Director

Dear Jack:

Enclosed is a draft order for the Board's signature to be entered in Cause No. 107-3. If the Order appears regular, I would greatly appreciate it if you would present it to the Board for their signatures. Thanking you in advance, I remain

Very truly yours,

HUGH C. GARNER & ASSOCIATES



James W. Carter

JWC/da

enclosure

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OIL, GAS & MINING

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DEC 24 1981

DIVISION OF
OIL, GAS & MINING

BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES AND ENERGY
IN AND FOR THE STATE OF UTAH

IN THE MATTER OF THE APPLICATION	*	
OF TXO PRODUCTION CORP. FOR AN	*	
ORDER EXTENDING DRILLING AND	*	ORDER
SPACING UNITS AS ESTABLISHED BY	*	
THIS BOARD'S ORDER IN CAUSE NO.	*	Cause No. 107-3
107-1 FOR THE DAKOTA AND MORRISON	*	
FORMATIONS UNDERLYING SECTION 31,	*	
TOWNSHIP 15-1/2 SOUTH, RANGE 26	*	
EAST, S.L.M., GRAND COUNTY, UTAH.	*	

Pursuant to the Application of TXO Production Corporation this cause came on for hearing before the Board of Oil, Gas and Mining, Department of Natural Resources and Energy, State of Utah, on Thursday, December 17, 1981 at 10:00 A.M. in the State Office Building Auditorium, Salt Lake City, Utah. The following Board members were present:

Herm Olsen, Chairman, Presiding
John L. Bell
Charles R. Henderson
Steele McIntyre
Margaret Bird
Robert R. Norman

Appearances were made as follows: for TXO Production Corp. (Applicant) James W. Carter, Esq., 1100 Kennecott Building, Salt Lake City, Utah 84133.

NOW THEREFORE, the Board having considered the testimony adduced and the exhibits reviewed in said hearing and being fully advised in the premises, now makes and enters the following:

FINDINGS

1. In pursuance of the Application of Sinclair Oil and Gas Company this Board issued its Findings of Fact and Order in Cause 107-1 under date of February 11, 1965 establishing drilling units of uniform size and shape with respect to certain lands

therein more particularly described as being situate in Township 16 South, Ranges 25 and 26 East, S.L.M.

2. Said Order provided for drilling units of 320 surface acres, according to the government survey, for said lands and included in said lands the Dakota Sands group and the Morrison Formation underlying said spacing units.

3. Applicant has applied for an Order extending drilling and spacing units as established under this Board's Order in said Cause 107-1 for such formations underlying Section 31, Township 15-1/2 South, Range 26 East, S.L.M., Grand County, Utah, and for designation of its proposed Teton Federal No. 1 Well as the drilling unit well for drilling and spacing unit No. 2.

Sufficient evidence now being available upon which to reach a decision, the Board issues the following:

ORDER

IT IS HEREBY ORDERED BY THIS BOARD AS FOLLOWS:

To Prevent the waste of oil, gas and associated hydrocarbons, to avoid the drilling of unnecessary wells, to protect correlative rights and to establish drilling units of uniform size and shape, the Board hereby extends its Order heretofore entered in Cause No. 107-1 and orders and decrees as follows:

With regard to said Section 31, Township 15-1/2 South, Range 26 East, two drilling and spacing units shall be established as follows: Unit No. 1; Section 31, Lots 3 and 4, SW1/4 (containing 219.65 acres, more or less); Unit No. 2: Section 31, Lots 1 and 2, SE1/4 (containing 219.19 acres, more or less) Said units shall be established for the development of gas production from the Dakota and Morrison Formations underlying said drilling and spacing units.

With respect to Drilling and Spacing Unit No. 2 as described above, a well proposed to be drilled by Applicant designated the Teton Federal No. 1, located 1,709 feet from the south line and 1,191 feet from the east line of said section is hereby designated as the drilling unit well.

A well shall be permitted on each of said units (as to which there is not presently a unit well designated herein) to be located not nearer than 1,000 feet from the spacing unit boundary with a 500-foot tolerance to be granted administratively for geological and/or topographical exceptions, and no closer than 2,500 feet from a producing well in the adjacent area, and that a 500-foot tolerance is hereby permitted in the footage between wells in the event surface obstructions or undue hazards are encountered.

DATED this 17th day of December, 1981.

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

Herm Olsen
Herm Olsen, Chairman

Charles R. Henderson
Charles R. Henderson

John L. Bell
John L. Bell

Steele McIntyre
Steele McIntyre

Margaret R. Bird
Margaret Bird

Robert R. Norman
Robert R. Norman