

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

FILED
MAY 19 2005
SECRETARY, BOARD OF
OIL, GAS & MINING

IN THE MATTER OF THE AMENDED REQUEST)
FOR AGENCY ACTION OF QUESTAR)
EXPLORATION AND PRODUCTION COMPANY FOR)
AN ORDER DOWNSPACING THE EXISTING 320-)
ACRE SPACING ORDER ESTABLISHED UNDER)
CAUSE NO. 114-3 TO FOUR 80-ACRE SPACING)
UNITS FOR THE PRODUCTION OF GAS AND)
ASSOCIATED HYDROCARBONS FROM THE GREEN)
RIVER FORMATION COMPRISING THE E¹/₂ OF)
SECTION 11 IN TOWNSHIP 7 SOUTH, RANGE 24)
EAST, SLM, Uintah County, Utah)
)
)

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

Docket No. 2005-004

Cause No. 114-07

This cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, April 27, 2005, at the hour of 2:00 p.m. The following Board members were present and participated at the hearing: Chairman J. James Peacock, Robert J. Bayer, Douglas E. Johnson, Jake Y. Harouny and Kent R. Petersen. Board members Samuel C. Quigley and Jean Semborski were unable to attend. The Board was represented by Michael S. Johnson, Esq., Assistant Attorney General.

Testifying on behalf of Petitioner Questar Exploration and Production Company ("QEP") were: Angela Page, Landman; Russell Griffin, Petroleum Geologist; and Carole R. Edwards-Knight, Petroleum Engineer. A. John Davis, Esq., of and for Pruitt Gushee, a Professional Corporation, appeared as attorney for QEP.

Testifying on behalf of the Division of Oil, Gas and Mining (the "Division") was Dustin K. Doucet, Petroleum Engineer. Alison D. Garner, Esq., Assistant Attorney General, appeared as attorney on behalf of the Division.

In its presentation, the Division reviewed the comments and recommendations set forth in its Staff Memorandum to the Board in this matter dated April 11, 2005, stated that QEP had adequately addressed the issues and recommendations therein and expressed its support for granting the Amended Request for Agency Action (the "Amended Request").

Attending and participating on behalf of the Bureau of Land Management ("BLM") were Robert Henricks, Acting Branch Chief, Branch of Fluid and Minerals, and Assad Raffoul, Petroleum Engineer, both with the BLM, Utah State Office. The BLM expressed its support for the granting of the Amended Request.

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

FINDINGS OF FACT

1. QEP is a Texas Corporation in good standing and authorized to conduct business in the State of Utah.

2. By the Order entered in Cause No. 114-3 on December 18, 1980 (the "1980 Order"), the Board established stand-up 320-acre drilling units (the E½ and the W½ of

said Section 11) for the development and production of gas from the Green River formation in the subject Section 11, Township 7 South, Range 24 East, SLM, Uintah County, Utah. The 1980 Order authorized one well in each such drilling unit. The 1980 Order did not provide a stratigraphic definition for the Green River formation. QEP's Amended Request seeks to downspace the E $\frac{1}{2}$ of subject Section 11 (the "Subject Lands") to four 80-acre drilling units for the development and production of gas and associated hydrocarbons from the Green River formation.

3. The gas underlying the Subject Lands is owned by the United States of America and administered by the BLM. The NE $\frac{1}{4}$ of the Subject Lands is subject to a Federal oil and gas lease, United States Oil and Gas Lease UTU-73914. QEP is the owner of a 43.75% operating rights interest in Lease No. UTU-73914. The remainder of the leasehold interest, namely 56.25%, is owned by III Exploration Company. The SW $\frac{1}{4}$ SE $\frac{1}{4}$ of the Subject Lands is subject to United States Oil and Gas Lease UTU-38430. QEP is the record title and operating rights owner of Lease No. UTU-38430. The remainder of the Subject Lands, consisting of the NW $\frac{1}{4}$ SE $\frac{1}{4}$ and the E $\frac{1}{2}$ SE $\frac{1}{4}$, is unleased.

4. QEP, in response to the Division's recommendation, established the following stratigraphic definition of the Green River formation:

From the top of the Green River Formation, defined as the stratigraphic equivalent of 2,515 feet to the base of the Green River Formation, defined as the stratigraphic equivalent of 5,370 feet both as shown in the electric log of the RW34-22C well located in the SW $\frac{1}{4}$ SE $\frac{1}{4}$, Section 22, Township 7 South, Range 24 East, SLM, Uintah County, Utah.

5. Geologic and engineering data obtained from existing gas wells drilled east and north of the Subject Lands and from the logs of two wells, drilled in the SW¼ of subject Section 11, together with other geologic evidence, indicates that the thick, regionally correlative sands in the middle portions of the Green River Formation common in the eastern Red Wash Unit area are not prevalent in the Subject Lands, rather there appear to be thinner, discontinuous sands in the middle and lower Green River formation. These sands may be compartmentalized by local faulting and associated fracturing.

6. As noted above, QEP is proposing to downspace the Subject Lands from one-320 acre drilling unit in the Subject Lands to four-80 acre drilling and spacing units. QEP is further proposing to designate these drilling units as 80 acre "lay-down" drilling units consisting of the N½ and S½ of each quarter section of the Subject Lands.

7. It is probable that, if development of the Green River formation does not occur on a 80 acre density pattern in the Subject Lands, valuable resources will not be recovered.

8. Based on the evidence presented, it appears that one well will efficiently and economically drain not more than 80 acres in the Subject Lands.

9. A copy of the Amended Request was mailed to all royalty, overriding royalty, record title, and working interest owners within the Subject Lands as disclosed by the appropriate Federal and County realty records.

10. Notice of the Filing of the Amended Request and of the hearing thereon was duly published in the Salt Lake Tribune, Deseret Morning News and Vernal Express, as required by Utah Admin. Code Rule R641-106-100.

11. The vote of the Board members present in the hearing and in this cause was unanimous in favor of granting the Amended Request.

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 interest are affected by the Amended 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 Amended Request 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. Modifying the 1980 Order as to the Subject Lands to create 80 acre spacing and drilling units consisting of the N½ and S½ of each quarter section in the Subject Lands with the provision that one well shall be located in each unit no closer than 460 feet from the existing boundary of such unit and no closer than 920 feet from any other well completed in and producing gas from the Green River formation without approval as provided in R649-3-3 is just and reasonable and protective of correlative rights.

4. The foregoing Conclusion of Law is subject to the Board's Order provided in ¶ 5 below, that QEP report to the Division following completion of the first well in the Subject Lands and provide the stratigraphic and geologic data derived from such well.

5. QEP has sustained its burden of proof, demonstrated good cause, and satisfied all legal requirements for the granting of its Amended Request.

6. The relief granted hereby will result in the orderly development and greatest recovery of gas in the Subject Lands, prevent waste and adequately protect the correlative rights of all affected parties.

7. Except as modified herein or by other previous orders of the Board, the 1980 Order remains in full force and effect.

ORDER

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

1. The Amended Request in this cause is granted.
2. The Board's Order entered in Cause No. 114-3 on December 18, 1980 is hereby modified insofar and only insofar as it pertains to the following lands:

Township 7 South, Range 24 East, SLM

Section 11: E $\frac{1}{2}$

3. 80-acre drilling and spacing units, comprised of the N $\frac{1}{2}$ and S $\frac{1}{2}$ of each quarter section in Section 11, are hereby established for the production of gas from the Green River formation, defined as:

From the top of the Green River Formation, defined as the stratigraphic equivalent of 2,515 feet to the base of the Green River Formation, defined as the stratigraphic equivalent of 5,370 feet both as shown in the electric log of the RW34-22C well located in the SW $\frac{1}{4}$ SE $\frac{1}{4}$, Section 22, Township 7 South, Range 24 East, SLM, Uintah County, Utah.

One well per drilling unit is authorized; provided, however, that no well shall be located closer than 920 feet from another well completed in and producing gas from the Green

River formation, and no closer than 460 feet from the exterior boundary of the drilling unit without approval as provided in Utah Admin. Code Rule R649-3-3.

5. Within three months following completion of the first well in the Subject Lands, QEP shall present to the Division a report on the stratigraphic and geologic data derived from such well, such report may include well, electrical and radioactivity logs, electrical and electromagnetic surveys, core analysis and descriptions, maps, cross sections and other geological, geophysical and engineering information. The report and all data in support thereof may be designated confidential by QEP in accordance with Utah Administrative Code Rule R649-2-11. At the first regularly scheduled meeting of the Board following QEP's report to the Division, the Division shall present to the Board its findings and conclusions regarding QEP's report. The Division may present logs, surveys and other data and information designated confidential under Utah Admin. Code Rule R649-2-11 to the Board only by in camera review and not in the open public hearing.

6. 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.

7. 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.

8. 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.

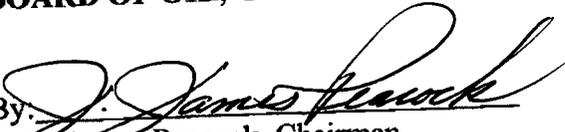
Id. See Utah Admin. Code Rule R641-110-200 for the required contents of a petition for Rehearing. If there is any conflict between the deadline in Utah Code Ann. § 63-46b-13 and the deadline in Utah Admin. Code Rule R641-110-100 for moving to rehear this matter, the Board hereby rules that the later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

9. 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.

10. 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 19th day of May, 2005.

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

By: 
J. James Peacock, Chairman

(pr) 0725.238/FofF

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. 2005-004, Cause No. 114-07 to be mailed with postage prepaid, this 24th day of May, 2005, to the following:

A. John Davis, III
William E. Ward
PRUITT GUSHEE
Attorneys for Questar Expl. & Prod. Co.
36 South State Street, Suite 1800
Salt Lake City, UT 84111

Michael S. Johnson
Assistant Attorney General
Utah Board of Oil, Gas & Mining
1594 West North Temple, Suite 300
Salt Lake City, UT 84116
(Hand Delivered)

Stephen Schwendiman
Assistant Attorney General
Utah Board of Oil, Gas & Mining
160 East 300 South, 5th Floor
P.O. Box 140815
Salt Lake City, UT 84114-0815

Steven F. Alder
Alison D. Garner
Assistant Attorneys General
Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 300
Salt Lake City, UT 84116
(Hand Delivered)

Gil Hunt, Acting 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)

Questar Exploration and Production Co.
Attn: Angela Page, Associate Landman
1050 17th Street, Suite 500
Denver, CO 80265

Bureau of Land Management
Attn: Terry Catlin
P.O. Box 45155
Salt Lake City, UT 84145-0155

John H. Brunel (Undeliverable)
621 Seventeenth Street, Suite 1520
Denver, CO 80293

F.S. Di Grappa
621 Seventeenth Street, Suite 1520
Denver, CO 80293

William M. Berryman (Undeliverable)
202 Spring Street
Morrison, CO 80465

Allan R. Larson
4976 West Fair Avenue
Littleton, CO 80123

III Exploration Company
555 South Cole Road
P.O. Box 7608
Boise, ID 83707



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

FILED

MAR 11 2005

**SECRETARY, BOARD OF
OIL, GAS & MINING**

IN THE MATTER OF THE REQUEST FOR)
AGENCY ACTION OF QUESTAR)
EXPLORATION AND PRODUCTION)
COMPANY FOR AN ORDER DOWN SPACING)
THE EXISTING 320-ACRE SPACING)
ESTABLISHED UNDER CAUSE NO. 114-3)
TO TWO 160-ACRE SPACING UNITS FOR)
THE PRODUCTION OF GAS AND)
ASSOCIATED HYDROCARBONS FROM THE)
GREEN RIVER FORMATION COMPRISING)
THE E½ OF SECTION 11, TOWNSHIP 7)
SOUTH, RANGE 24 EAST, SLM, UINTAH)
COUNTY, UTAH)

**ORDER FOR
CONTINUANCE OF HEARING**

Docket No.: 2005-004

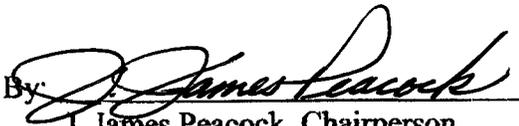
Cause No.: 114-07

Based on the foregoing Motion for Continuance of Hearing, and good cause appearing therefor, IT IS HEREBY ORDERED:

That the hearing currently set in this matter for March 23, 2005 shall be and the same is hereby continued until the Board of Oil, Gas and Mining's next regularly scheduled hearing date set for April 27, 2005.

DATED this 11 day of March, 2005.

BOARD OF OIL, GAS AND MINING

By: 
J. James Peacock, Chairperson

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing ORDER FOR CONTINUANCE OF HEARING for Docket No. 2005-004, Cause No. 114-07 to be mailed with postage prepaid, this 11th day of March, 2005, to the following:

William E. Ward
PRUITT GUSHEE
Attorneys for Questar Expl. & Prod. Co.
1800 Beneficial Life Tower
Salt Lake City, UT 84111

Michael S. Johnson
Assistant Attorney General
Utah Board of Oil, Gas & Mining
1594 West North Temple, Suite 300
Salt Lake City, UT 84116
(Hand Delivered)

Stephen Schwendiman
Assistant Attorney General
Utah Board of Oil, Gas & Mining
160 East 300 South, 5th Floor
P.O. Box 140815
Salt Lake City, UT 84114-0815

Steven F. Alder
Alison D. Garner
Assistant Attorneys General
Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 300
Salt Lake City, UT 84116
(Hand Delivered)

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)

Questar Exploration and Production Co.
Attn: Angela Page, Associate Landman
1050 17th Street, Suite 500
Denver, CO 80265

Bureau of Land Management
Attn: Terry Catlin
P.O. Box 45155
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202 Spring Street
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4976 West Fair Avenue
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III Exploration Company
555 South Cole Road
P.O. Box 7608
Boise, ID 83707