

CAUSE NO. 139-69 / DOCKET NO. 93-007

IN THE MATTER OF THE REQUEST
FOR AGENCY ACTION OF ANR
PRODUCTION COMPANY FOR AN
ORDER AMENDING THE ORDER IN
CAUSE NO. 139-42 TO AUTHORIZE
AN EXCEPTION WELL LOCATION
FOR THE NW $\frac{1}{2}$ NW $\frac{1}{4}$ OF SECTION
20, TOWNSHIP 2 SOUTH, RANGE
4 WEST, U.S.M. IN THE GREATER
ALTAMONT-BLUEBELL FIELD IN
DUCHESNE COUNTY, UTAH

ORDERS INDEX

<u>ORDER #</u>	<u>DATE SIGNED</u>	<u>DESCRIPTION</u>
#1	3/24/93	FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

May 17, 1993



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

an equal opportunity employer

F.F.C.L.v.O.

93-007

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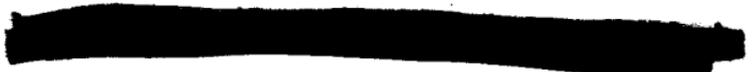
MAY 11 1993

DIVISION OF
OIL GAS & MINING

CLARENCE L PILLING
P O BOX 668
BOUNTIFUL UT 84010


RETURN TO SENDER
NOT DELIVERABLE
AS ADDRESSED -
UNABLE TO FORWARD

PILL668 840112021 1N 05/08/93
RETURN TO SENDER
NO FORWARD ORDER ON FILE
UNABLE TO FORWARD
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BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH

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IN THE MATTER OF THE REQUEST	:	FINDINGS OF FACT,
FOR AGENCY ACTION OF ANR	:	CONCLUSIONS OF LAW,
PRODUCTION COMPANY FOR AN	:	AND ORDER
ORDER AMENDING THE ORDER	:	
IN CAUSE NO. 139-42 TO	:	
AUTHORIZE AN EXCEPTION WELL	:	
LOCATION FOR THE NW $\frac{1}{4}$ NW $\frac{1}{4}$ OF	:	DOCKET NO. 93-007
SECTION 20, TOWNSHIP 2 SOUTH,	:	
RANGE 4 WEST, U.S.M. IN THE	:	CAUSE NO. 139-69
GREATER ALTAMONT-BLUEBELL	:	
FIELD IN DUCHESNE COUNTY,	:	
UTAH	:	

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This cause came on regularly for hearing before the Board of Oil, Gas and Mining (the "Board") on Wednesday, March 24, 1993, at 10:00 a.m., in the Boardroom of the Division of Oil, Gas and Mining at 355 West North Temple, 3 Triad Center, Suite 520, Salt Lake City, Utah.

The following Board members were present and participating:

James W. Carter, Chairman
Judy F. Lever
Jay L. Christensen
Kent G. Stringham
Raymond Murray
David D. Lauriski
Thomas Faddies

Staff members of the Division of Oil, Gas and Mining (the "Division") present and participating in the hearing included Ronald J. Firth, Associate Director for Oil and Gas; Brad Hill, Geologist; and Frank Matthews, Petroleum Engineer.

Phillip Wm. Lear, Esq. of Van Cott, Bagley, Cornwall & McCarthy represented ANR Production Company ("ANR") and appearing

as witnesses for ANR were Richard Liebling, District Exploitation Manager and Sam Prutch, Senior Petroleum Engineer.

Thomas A. Mitchell, Esq., Assistant Attorney General, represented the Board; and William R. Richards, Esq., Assistant Attorney General, represented the Division. No parties appeared in opposition.

NOW THEREFORE, the Board, having fully considered the testimony adduced and the exhibits received at the hearing and being fully advised in the premises, makes and enters its Findings of Fact, Conclusions of Law, and Order, as follows:

FINDINGS OF FACT

1. The Board mailed notice of the March 24, 1993, hearing to all interested parties by first class mail, postage prepaid, on March 11, 1993, and caused notice to be published in the Deseret News and in the Salt Lake Tribune on March 8, 1993, and in the Uintah Basin Standard on March 9, 1993.
2. ANR mailed photocopies of the Request for Agency Action to all owners.
3. ANR is a Delaware Corporation in good standing, having its principal place of business in Houston, Texas. ANR is licensed to do business in Utah.
4. ANR is the owner of working interests in Section 20 of Township 2 South, Range 4 West, U.S.M., and in the eight sections surrounding Section 20.
5. ANR is the operator of the existing wells in Section 20; of the proposed exception well, the Ellsworth #3-20B4 Well;

and of all wells located in the eight sections surrounding Section 20.

6. By orders in Cause Nos. 139-3, 139-4, 139-5, 139-8 and 139-17, the Board established 640-acre drilling units for the Altamont Field in Duchesne County, Utah. The spaced interval in those orders is the Lower Green River/Wasatch formation, more particularly described as follows:

The interval from the top of the Lower Green River formation (TGR₃ marker) to the base of the Green River-Wasatch formations (top of Cretaceous), which base is defined as the stratigraphic equivalent of the Dual Induction Log depths of 16,720 feet in the Shell, Ute 1-18B5 well located in the S $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 18, Township 2 South, Range 5 West, U.S.M., and 16,970 feet in the Shell, Brotherson 1-11B4 well located in the S $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 11, Township 2 South, Range 4 West, U.S. M.

(hereinafter "spaced interval"). Those orders ultimately provided for one well within each 640-acre drilling unit to produce from the spaced interval.

7. The Lower Green River/Wasatch Formation underlying Section 20 and the eight surrounding sections constitutes a pool as that term is defined in Utah Code Ann. § 40-6-2(9), and is a highly complex series of isolated and discontinuous beds of productive rock that are randomly distributed vertically over a several thousand foot-thick interval. Many of the productive beds are separate and distinct and not in communication with each other.

8. Many of the productive beds are not correlatable from

well to well and will not afford communication between wells located 1000 feet apart. Of the productive beds that correlate, various geological features, such as fractures, prevent a significant number of such correlatable beds from communicating between wells within the same section.

9. By Order in Cause No. 139-42, dated April 17, 1985 ("ANR Order"), the Board authorized additional wells in the Altamont-Bluebell-Cedar Rim-Sink Draw area in each drilling unit comprising governmental sections or their equivalents (and other designated drilling units of at least 400 acres), not to exceed two simultaneously producing wells for each such drilling unit.

10. Geologic and engineering information from nearly 225 initial and 153 second (increased density) wells drilled in the Greater Altamont-Bluebell Field show that a single well will not effectively drain the recoverable oil and gas underlying any 640-acre spacing unit because the productive beds have insufficient thickness or have limiting characteristics precluding effective and efficient drainage of the recoverable reserves underlying the drilling units.

11. Two wells have been drilled for production in the spaced interval in Section 20. Shell Oil Company completed the Ellsworth #1-20B4 Well in the SW $\frac{1}{4}$ NE $\frac{1}{4}$, in the spaced interval on November 17, 1975, as a well capable of producing oil and gas. The Ellsworth #1-20B4 Well has produced continually since the date of first production.

12. Utex Oil Company completed the Ellsworth #2-20B4 Well

in the NW $\frac{1}{4}$ SW $\frac{1}{4}$ in the spaced interval on July 16, 1985, as a well capable of producing oil and gas. The Ellsworth #2-20B4 Well produced 76,779 barrels of oil prior to sustaining mechanical damage and is temporarily abandoned.

13. The Ellsworth #2-20B4 Well is incapable of producing from the spaced interval and the wellbore is virtually plugged across the producing interval.

14. The cost of reworking the Ellsworth #2-20B4 when compared to the cost of drilling a new well is economically insignificant given the risk factor involved for successfully reworking the Ellsworth #2-20B4 Well and time value of money.

15. The drilling of a new well will provide a greater return on the investment dollar.

16. Approximately 225 first wells and 153 second wells have been drilled in the Greater Altamont-Bluebell Field to date. ANR operates or is involved in 169 wells, 80 of which are second (increased density) wells. Ninety percent of ANR acreage holdings in the Greater Altamont Bluebell field contain second (increased density) wells.

17. Geologic and engineering data indicates that drilling of the ANR Ellsworth #3-20B4 Well will not provide for communication with or otherwise interfere with the currently producing Ellsworth #1-20B4 Well, the existing Ellsworth #2-20B4 Well, or the off-setting wells in the adjoining drilling units.

18. Data from production logs and field performance show that second (increased density) wells drilled under the ANR Order

have provided for the recovery of substantial amounts of oil from separate and distinct productive beds and from previously undepleted productive beds, and that the drilling of the Ellsworth #3-20B4 Well in Section 20 will increase the ultimate recovery of oil from Section 20.

19. The proposed Ellsworth #3-20B4 Well is to be located 1,500 feet from the north line and 1,200 feet from the west line of Section 20, and is thus located more than 1,320 feet from any existing well and not closer than 660 feet from the exterior boundary of the drilling unit in conformance with the ANR Order.

20. All parties owning cost bearing interests in Section 20 and in the surrounding eight sections have filed their written consents with the Board, except for Mr. Clarence Pilling, who cannot be located after due diligence. All mailings to Mr. Pilling's last known address have been returned by the United States Postal Service as undeliverable due to expiration of forwarding address information.

21. Engineering evidence shows that the Ellsworth #2-20B4 Well may be repairable at some future date, given a favorable economic environment, and that to permanently plug the well, would constitute physical and economic waste.

CONCLUSIONS OF LAW

1. The Board has jurisdiction of the parties and of the subject matter pursuant to Chapter 6 of Title 40 of the Utah Code Annotated, and has the authority to make and promulgate the order hereinafter set forth.

2. The Board has authority to modify its previous orders to permit additional wells to be drilled within established units pursuant to Utah Code Ann. § 40-6-6(4), and to grant exception well locations under the ANR Order.

3. The Division provided due and regular notice of the time, place and purpose of the hearing to all interested parties as required by law and by the rules and regulations of the Board.

4. The exception location for the Ellsworth #3-20B4 Well is a legal location under the ANR Order.

5. The drilling of the Ellsworth #3-20B4 Well is economically sound in light of risk factors involved in the reworking of the existing Ellsworth #2-20B4 Well, and in light of the time-value of money, and complies with the mandate for economic feasibility contained in the ANR Order.

6. An Order authorizing the drilling of ANR's proposed well at the exception location will still preserve the integrity of the ANR Order, as only two wells will simultaneously produce from the spaced interval if the exception well is successful.

7. An order authorizing the drilling of the Ellsworth #3-20B4 Well at the exception location will promote the public interest, increase ultimate recovery, prevent physical and economic waste, and protect correlative rights of all owners.

ORDER

IT IS THEREFORE ORDERED that:

To prevent waste of the oil, gas and associated hydrocarbons; to increase the ultimate recovery of the resource;

to prevent physical and economic waste; and to protect correlative rights; the following order is hereby promulgated to govern operations in Section 20, as follows:

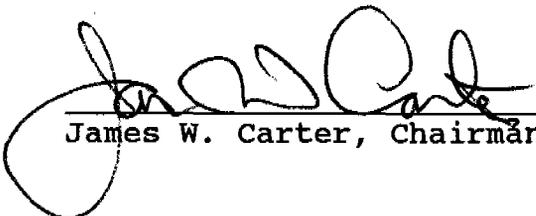
A. The ANR Order is hereby modified to authorize the drilling of the Ellsworth #3-20B4 Well at the exception well location in Section 20.

B. Approval of the operations and requirements incidental to the shut-in and temporary abandonment of the existing Ellsworth #2-20B4 Well shall be handled administratively by the Division.

C. The Board retains exclusive and continuing jurisdiction of all matters covered by this order and of all parties affected thereby and particularly that the Board retains and reserves exclusive and continuing jurisdiction to make further orders as appropriate and authorized by statute and applicable rules and regulations.

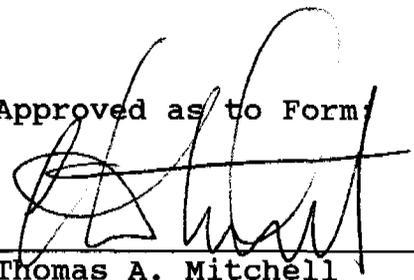
ENTERED AND SIGNED this 24th day of March, 1993.

STATE OF UTAH
BOARD OF OIL, GAS AND MINING



James W. Carter, Chairman

Approved as to Form:



Thomas A. Mitchell
Assistant Attorney General

CERTIFICATE OF MAILING

I hereby certify that I caused a true and correct copy of the foregoing FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER in Docket No. 93-007, Cause No. 139-69 to be mailed by certified mail, postage prepaid, on the 6th day of May, 1993, to the following:

✓ Phillip Wm. Lear
Snell & Wilmer
11 East Broadway, Ste 900
Broadway Center
Salt Lake City, Utah 84111

ANR Production Company
Attn: Jon R. Nelsen
600 17th St., Ste 800 South
P.O. Box 749
Denver, Colorado 80201-0749

Mailed by first class mail, postage prepaid, on the 6th day of May, 1993, to the following:

ATCO Investment Company
333 Texas, #2300
Shreveport, LA 71101

Pennzoil Exploration &
Production Co.
Vice President-Western
Production Division
Attn. George San Filippo
700 Milam
P.O. Box 2967
Houston, TX 77252-2967

Club Oil & Gas Ltd.
Attn: Paul J. Cella
600 Seventeenth St.
Suite 2300S
Denver, CO 80202

Pennzoil Company
Vice President-Western
Production Division
Attn: George San Filippo
700 Milam
P.O. Box 2967
Houston, TX 77252-2967

Convest Energy Corporation
Attn: Harvey Williams
2401 Fountain View Dr.
Ste 700
Houston, TX 77057

Clarence L. Pilling
P.O. Box 668
Bountiful, UT 84010

Walter Duncan Estate
Attn: Bruce E. Johnston
1777 S. Harrison, Penthouse #1
Denver, CO 80201

Plaza Resources Company
Attn: Truman Anderson
95 Dexter Street
Denver, CO 80220

Forcenergy Partners, L.P.
Attn: Stig Wannerstrom
2730 S.W. Third Avenue
Miami, FL 33129

Hattie Mae Johnson
Charlotte J. Snyder
c/o Alfred O. Brehmer
1335 Western Federal Bldg.
717 Seventeenth Street
Denver, CO 80201


Lynda Jensen