

**FILED**  
SEP 26 2007  
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 FLYING J OIL & GAS INC. FOR AN ORDER MODIFYING THE BOARD'S ORDERS ENTERED IN CAUSE NOS. 131-14 AND 139-42 TO AUTHORIZE IN-FILL DRILLING AND ALLOW UP TO FOUR WELLS FOR THE PRODUCTION OF OIL AND ASSOCIATED GAS AND HYDROCARBONS FROM THE LOWER GREEN RIVER-WASATCH TRANSITIONAL FORMATIONS ON THE ESTABLISHED DRILLING UNITS COMPRISED OF SECTIONS 2, 11 AND 12, RESPECTIVELY, TOWNSHIP 1 SOUTH, RANGE 1 WEST, USM, UINTAH COUNTY, UTAH

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

Docket No. 2007-018

Cause No. 139-79

This Cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, August 22, 2007, at approximately 12:30 p.m. The following Board members were present and participated at the hearing: Kent R. Petersen, Robert J. Bayer, Samuel C. Quigley, Jean Semborski and Jake Y. Harouny. Chairman Douglas E. Johnson and Ruland J. Gill, Jr. were unable to attend; Kent R. Petersen served as Acting Chairman in Mr. Johnson's stead. The Board was represented by Michael S. Johnson, Esq., Assistant Attorney General.

Testifying on behalf of Petitioner Flying J Oil & Gas Inc. ("Flying J") were Chris J. Malan – Vice-President, General Counsel and Manager of Lands; Carl F. Kendell – Chief Geologist and Exploration Manager; and James W. Wilson – Vice-President Operations,

Operations Manager and Petroleum Engineer. Frederick M. MacDonald, Esq., of and for Pruitt Gushee, a Professional Corporation, appeared as attorney for Flying J.

Testifying on behalf of the Division of Oil, Gas and Mining (the "Division") was Dustin K. Doucet, Petroleum Engineer. Steven F. Alder, Esq., Assistant Attorney General, appeared as attorney on behalf of the Division. At the conclusion of Flying J's presentation, the Division expressed its support for the Request.

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.

#### **FINDINGS OF FACT**

1. Flying J is a Utah corporation in good standing, with its principal place of business in North Salt Lake. It is fully and appropriately bonded with all relevant Federal, Indian and State of Utah agencies.

2. By virtue of the Order entered in Cause No. 131-14 on August 11, 1971 (the "Bluebell Order"), the Board established 640-acre (or substantial equivalent combination of lots and quarter-quarter sections) drilling units comprised of the following Uintah County lands:

Township 1 South, Range 1 West, USM

Section 2: Lots 1 (43.93), 2 (44.03), 3 (44.13) and 4  
(44.23), S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  [All]

Section 11: All

Section 12: All,

(the "Subject Lands"), among many other lands, for the development of oil, gas and associated hydrocarbons from the Lower Green River – Wasatch transitional formations, defined as follows:

that interval below the stratigraphic equivalent of 9,600 feet depth in the "E" Log of the Carter #2 Bluebell well located in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ , Section 3, Township 1 South, Range 2 West, U.S.M. (which equivalence is the depth 9,530 feet of the SP curve, Dual Induction Log, run March 13, 1968, in the Chevron #1 Blanchard well located in the NW $\frac{1}{4}$ SE $\frac{1}{4}$  of said [Section 3]), to the base of the Green River-Wasatch formations,

(the "Spaced Formation"), and ruled one well on each unit producing in said interval would be allowed.

3. By virtue of the Order entered in Cause No. 139-42 on April 17, 1985 (the "ANR Order"), the Board modified the Bluebell Order to provide that additional wells may be drilled, completed, and produced in the Spaced Formation on established drilling units to a density of no greater than two producing wells in each unit comprising a section. Additional wells may be drilled at the option of the operator of the unit based upon geologic and engineering data for that unit which will justify an additional well in order to recover oil,

provided that said operator would have a reasonable opportunity to recover costs of drilling, completing, producing and operating a well plus a reasonable profit. Any additional well must be located at least 1,320 feet from an existing well in the unit and not closer than 660 feet from the exterior boundary of the unit. No two wells may be drilled in the same quarter section.

4. Flying J operates several wells in the Greater Altamont/Bluebell field, including the following wells located on the Subject Lands which produce or are capable of producing from the Spaced Formation:

<u>Well Name</u>	<u>Location</u>
Bastian 1-2A1	Section 2: NE $\frac{1}{4}$ SW $\frac{1}{4}$ (1,535' FSL/1,581' FWL)
Bisel-Gurr 11-1	Section 11: NE $\frac{1}{4}$ SW $\frac{1}{4}$ (1,923' FSL/1,900' FWL)
Bisel-Gurr 2-11A1	Section 11: NE $\frac{1}{4}$ NE $\frac{1}{4}$ (1,125' FNL/660' FEL)
L. Bolton 1-12A1	Section 12: NE $\frac{1}{4}$ SW $\frac{1}{4}$ (1,561' FSL/2,384' FWL)

In addition, Flying J is currently in the process of permitting the "Flying J Fee 2-12A1" Well, to be located in the NE $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 12 (659' FNL/1,977' FWL) and targeting production from the Spaced Formation.

5. As found by the Board in the ANR Order, the Spaced Formation is a highly

complex series of isolated and discontinuous beds of productive rock that are randomly distributed vertically over a several thousand feet thick interval, and that the productive beds are separate and distinct and not in communication with each other. The Board further found that many of the productive beds are not correlatable from well to well and will not afford communication between wells as close as 1,000 feet and, of the productive beds that do correlate, various geologic factors prevent a significant number from communicating between wells in the same section.

6. As pertaining to the Subject Lands, the Lower Green River formation, comprising in part the Spaced Formation, is itself comprised of marginal lacustrine sandstone deposits of near shore deltaic and shoreline origin. These sandstones are of limited extent and relatively discontinuous. These reservoirs are enhanced by natural fractures which, in most cases, are required for sandstones to produce commercially. The structural dip is north-northwest at about 200 feet per mile. There is a slight southwest bend in the strike of the beds in the area, creating a mild structural nose which may be responsible for enhancing natural fracturing in the Subject Lands and thus creating more prolific production from the Lower Green River formation.

7. The discontinuity of the Spaced Formation indicates that, even with two wells per section on the Subject Lands, productive zones will be untapped and reserves will be left in the ground. Furthermore, even where there is continuity, it appears there is no or limited

communication between wells such that additional wells in each section are justified.

8. Decline curve analyses for the existing wells on the Subject Lands reflect nearly flat production (0% decline) over the last 3 to 5 years. Volumetric analyses reflect there should be no or limited communication between up to four wells per section, and a conservative estimate of 200,000 bbls. of recoverable oil per proposed in-fill well.

9. As a consequence, it appears up to four wells per section may be necessary to adequately recover the reserves in each section. Economic analysis reflects four wells per section may be economically drilled and produced. Drilling and producing up to four wells in the Spaced Formation per section will not constitute waste.

10. There are existing pooling agreements covering Sections 2 and 11, respectively, and an existing communitization agreement covering Section 12 as to the Spaced Formation pursuant to which production from any well drilled on the respective section will be allocated on a pro-rata acreage basis to the production interest owners in that section in conformance with the Bluebell Order.

11. A copy of the Request was mailed addressed to their last addresses as disclosed by the appropriate State, Indian and County realty records to all working interest owners within the Subject Lands. In addition, a copy of the Request was mailed properly addressed to their last addresses to all governmental agencies having any supervisory jurisdiction over the Subject Lands.

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 August 5, 2007, and in the Vernal Express on August 1, 2007.

13. The vote of the Board members present in the hearing and in this Cause was unanimous in favor of granting the 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 interests might be 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 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. The authorization of in-fill drilling to allow up to four wells producing from the Spaced Formation per section, with the same set-off limitations as contained in the ANR Order, 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.

4. Flying J has sustained its burden of proof, demonstrated good cause, and satisfied all legal requirements for the granting of the Request.

### ORDER

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

1. The Request in this Cause is granted.
2. The Board's Orders entered in Cause Nos. 131-14 and 139-42 are hereby modified to authorize in-fill drilling and allow up to four (4) wells for the production of oil and associated gas and hydrocarbons from the Lower Green River - Wasatch transitional formations, defined as:

that interval below the stratigraphic equivalent of 9,600 feet depth in the "E" Log of the Carter #2 Bluebell well located in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ , Section 3, Township 1 South, Range 2 West, U.S.M. (which equivalence is the depth 9,530 feet of the SP curve, Dual Induction Log, run March 13, 1968, in the Chevron #1 Blanchard well located in the NW $\frac{1}{4}$ SE $\frac{1}{4}$  of said [Section 3]), to the base of the Green River-Wasatch formations,

upon each of the established drilling units comprised of the following Uintah County lands:

#### Township 1 South, Range 1 West, USM

- Section 2: Lots 1 (43.93), 2 (44.03), 3 (44.13) and 4 (44.23), S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  [All]  
Section 11: All  
Section 12: All;

provided, however, that the additional wells so authorized may not be located any closer than 1,320 feet from another well producing from said formations and no closer than 660 feet from a drilling unit boundary without an exception location approval from the Division in accordance with Utah Admin. Code Rule R649-3-3.

3. 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.

4. 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 Admin. Code Rule R641-109.

5. 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 is 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 10<sup>th</sup> 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 15<sup>th</sup> 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.

6. 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.

7. For all purposes, the Acting Chairman's signature on a faxed copy of this Order shall be deemed the equivalent of a signed original.

DATED this 26 day of September 2007.

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

By:   
Kent R. Petersen, Acting Chairman

**CERTIFICATE OF SERVICE**

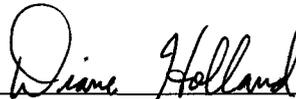
I hereby certify that I caused a true and correct copy of the foregoing FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER for Docket No. 2007-018, Cause No. 139-79 to be mailed, postage prepaid, on this 2nd day of October, 2007, to those as listed on this page and on the following attachment:

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TOOELE UT 84074

LAMAR B ROEMER  
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DENVER CO 80222

CHAPIN FAMILY TRUST  
15605 W WHITEWOOD DRIVE  
SUN CITY WEST AZ 85375

BMI/OKLAHOMA 1982-I  
A CALIFORNIA LTD PARTNERSHIP  
C/O BRUCE MCALLISTER INV CO  
1424 S WOODLAWN ROAD  
SPOKANE WA 99216

EARLY BIRD CONTRACTORS  
4132 E 465 NORTH  
RIGBY ID 83442

RIDGEWOOD ENERGY 1982 DRILLING  
PROGRAM LTD  
C/O LYDIA PAZ  
947 LINWOOD AVENUE  
RIDGEWOOD NJ 07450

ESTATE OF KENNETH P BIRD  
C/O CARMA BIRD  
PERSONAL REPRESENTATIVE  
4132 E 465 NORTH  
RIGBY ID 83442

WARREN K KOURT & ASSOCIATES INC  
C/O WARREN K KOURT PRESIDENT  
1355 MILLER DRIVE  
LOS ANGELES CA 90096

ACORD-SORENSEN INVESTMENTS  
525 E 4500 SOUTH F-130  
SALT LAKE CITY UT 84107-2917

AMERICAN PETROLEUM DRILLING  
PROGRAM 1982-A LTD  
C/O AMERICAN PETROLEUM CORPORATION  
44 CHASE LANE  
MEDUSA NY 12120

BOYCE SORENSEN  
3316 W 4305 SOUTH  
WEST VALLEY CITY UT 84119

PROVIDENCE ENERGY CORP  
14860 MONTFORT DRIVE SUITE 209  
DALLAS TX 75254

GEOTECH PRODUCTION INC  
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7844 S ESPANA WAY  
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MYRTLE MAE (MAY) SPROUSE  
C/O LAVAR MOFFITT  
1790 W STODDARD LANE  
MORGAN UT 84050

WILLIAM W GRIFFITH  
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MYRTLE MAE (MAY) SPROUSE  
C/O GARY SPROUSE  
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(Undeliverable)

RENEE S CHASEL  
C/O JOHN D CHASEL MANAGER  
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OKLAHOMA CITY OK 73102-8260

MYRTLE MAE (MAY) SPROUSE  
C/O JUDY SCOZZAFAVA  
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ST GEORGE UT 84770  
(Undeliverable)

HEIRS OR DEVISEES OF  
JOY G KOROLOGOS  
C/O TOM KOROLOGOS EXECUTOR  
1850 "K" STREET SUITE 850  
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(Undeliverable)

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PINE CO 80470

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ENGLEWOOD CO 80155-4782

ROBERT L COOK AND LARUE COOK  
JOINT TENANTS  
3311 WAGON WHEEL ROAD  
BOISE ID 83702

HEIRS OR DEVISEES OF MABEL KILLEEN  
C/O MARSHALL FOX SR  
104 HOLLYHOCK LANE  
LAS VEGAS NV 89107

CHARLOTTE RICHARDSON GEE  
6403 NW DRIVE  
DES MOINES IA 50332  
(Undeliverable)

ANNE P LIVINGSTON  
1825 SIGNATURE CIRCLE  
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REX ROSS WALKER  
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BOULDER CO 80301

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DOMINION ENERGY PARTNERS LTD  
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E R ZUCHETTO TRUSTEE  
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CLINTON SHERWOOD BUTTERFIELD  
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CLOYD J BUTTERFIELD TRUSTEE  
FOR KELLY LYNN BUTTERFIELD  
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BOZEMAN MT 59718

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BERYL UT 84714

JUDY JENIEL B FUNK  
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OREM UT 84058

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KATY TX 77450  
(Undeliverable)

RIVERBEND PRODUCTION LP  
A TEXAS LIMITED PARTNERSHIP  
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UTE DISTRIBUTION CORPORATION  
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FT DUCHESNE UT 84026

TRUST LANDS ADMINISTRATION  
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SALT LAKE CITY UT 84102

BUREAU OF LAND MANAGEMENT  
ATTN: GREG NOBLE, ACTING CHIEF  
BRANCH OF FLUID MINERALS  
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SALT LAKE CITY UT 84145-0155

BUREAU OF INDIAN AFFAIRS  
UINTAH & OURAY RESERVATION  
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BUREAU OF LAND MANAGEMENT  
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VERNAL UT 84078

**FILED**

AUG 22 2007

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 FLYING J OIL & GAS INC. FOR AN ORDER MODIFYING THE BOARD'S ORDERS ENTERED IN CAUSE NOS. 131-14 AND 139-42 TO AUTHORIZE IN-FILL DRILLING AND ALLOW UP TO FOUR WELLS FOR THE PRODUCTION OF OIL AND ASSOCIATED GAS AND HYDROCARBONS FROM THE LOWER GREEN RIVER-WASATCH TRANSITIONAL FORMATIONS ON THE ESTABLISHED DRILLING UNITS COMPRISED OF SECTIONS 2, 11 AND 12, RESPECTIVELY, TOWNSHIP 1 SOUTH, RANGE 1 WEST, USM, UINTAH COUNTY, UTAH

**ORDER GRANTING LEAVE TO  
FILE ADDITIONAL EXHIBITS**

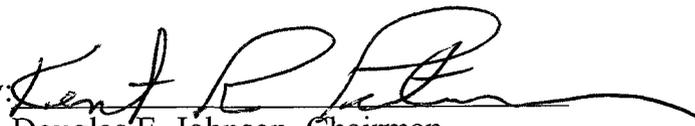
Docket No. 2007-018

Cause No. 139-79

The Board of Oil, Gas and Mining, having fully considered Flying J Oil & Gas Inc.'s ("Flying J's") Motion for Leave to File Additional Exhibits filed August 20, 2007, and finding good cause therefor, hereby grants said Motion and authorizes the filing and acceptance of Corrected Exhibit "E" (to be substituted in lieu of the Exhibit "E" already on file) and Exhibit "J," attached to Flying J's Motion.

DATED this 22 day of August, 2007.

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

By   
for Douglas E. Johnson, Chairman