

**FILED**

**MAY 29 2001**

BEFORE THE BOARD OF OIL, GAS AND MINING

SECRETARY, BOARD OF  
OIL, GAS & MINING

DEPARTMENT OF NATURAL RESOURCES

STATE OF UTAH

IN THE MATTER OF THE REQUEST )  
 FOR AGENCY ACTION OF WASATCH )  
 OIL & GAS LLC FOR AN ORDER )  
 VACATING THE ORDERS IN CAUSE )  
 NUMBER 157-1 AND CAUSE NUMBER )  
 157-2, AND SUSPENDING R649-3-2 )  
 INSOFAR AS IT APPLIES TO THE )  
 PETERS POINT UNIT LOCATED IN )  
 TOWNSHIPS 12 AND 13 SOUTH, )  
 RANGES 16 AND 17 EAST, AND THE )  
 JACK CANYON UNIT LOCATED IN )  
 TOWNSHIP 12 SOUTH, RANGE 16 )  
 EAST, CARBON COUNTY, UTAH )  
 )

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

Docket No. 2001-012

Cause No. 157-03

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

Pursuant to the Request for Agency Action (“Request”) of Wasatch Oil & Gas LLC (“Wasatch”), this cause came before the Board of Oil, Gas and Mining (“Board”) on April 25, 2001. Chairman Dave D. Lauriski conducted the proceedings of the hearing. All members of the Board participated in the hearing: Robert J. Bayer, Stephanie B. Cartwright, Elise L. Erler, W. Allan Mashburn, J. James Peacock, and Kent R. Petersen. Philip C. Pugsley, Assistant Attorney General, appeared on behalf of the Board.

John S. Kirkham of the law firm Stoel Rives LLP represented Wasatch. Appearing as witnesses for Wasatch were Heggie Wilson, a certified landman affiliated with Stonegate Resources, LLC; Mary McPherson, a geologist with McPherson Geologic Consulting; and Dan Hall, a degreed petroleum engineer with Energy Operating Company, Inc.

Thomas A. Mitchell, Assistant Attorney General, and John R. Baza, Associate Director, appeared on behalf of the Division of Oil, Gas and Mining (“Division”).

NOW THEREFORE, the Board, having considered the Request, the testimony of the witnesses and the arguments and exhibits presented at the April 25, 2001 hearing and being fully advised, now makes and enters the following:

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Due and regular notice of the time, place and purpose of the April 25, 2001 hearing was given to all interested parties as required by law and the rules and regulations of the Board.
2. The Board has jurisdiction over the subject matter of this Request pursuant to the provisions of § 40-6-5 Utah Code Annotated and has jurisdiction over all parties interested therein.
3. Wasatch is a limited liability company authorized to transact business in the State of Utah.
4. Wasatch is the unit operator of the Peters Point Unit and the Jack Canyon Unit, both “federal” units approved by a duly authorized officer of the Bureau of Land Management (“BLM”).

5. Wasatch is a working interest owner in the Peters Point Unit and the Jack Canyon Unit.

6. Wasatch provided the information concerning the identity of all parties potentially interested in the matters which were the subject of the Request. The only parties having a direct interest in this matter are the working interest owners, royalty owners and overriding royalty owners in the lands included within the land area described in the Orders. The names and current mailing addresses as contained in Wasatch's records of these interested parties are set forth on Exhibit "P-1" which was made a part of the record. The information on Exhibit "P-1" was amended on the Board's records prior to the sending of the Notice of Hearing to reflect the best information available with respect to the current addresses of all interested parties.

7. The lands affected by the Orders in Cause Nos. 157-1 and 157-2 are more particularly set forth in the Orders made a part of the record as Exhibits "P-2" and "P-3."

8. Exhibit "P-4," which was made a part of the record, is a map identified as the "East Nine Mile Canyon Complex" and it depicts the exterior boundaries of the areas described in the Orders. Also depicted on Exhibit "P-4" are the exterior boundaries of the Peters Point Unit (including its Participating Areas), the Jack Canyon Unit and the leases that presently exist in the immediate vicinity of the boundaries of the land area covered by those two unit agreements.

9. Exhibit "P-5" as made a part of the record depicts a generalized stratigraphic column for the area of the Orders.

10. The Order in Cause No. 157-1 established 640 acre drilling and spacing units for the production of gas from the stratigraphic interval between the base of the Green River Formation and the top of the Mesa Verde Formation, which interval expressly includes the Lower Green River Transition Zone and the Wasatch Formation (Order No. 157-1, at paragraph 1).

11. In its Findings of Fact, the Order in Cause No 157-2 determined that the lands identified in the application were underlain by sources of supply consisting of non-contiguous sands with limited interconnection and that the acreage to be drained by any well within the lands covered by the application “would not be in excess of 320 acres.” (Order 157-2, at paragraph 4).

12. The sandstone reservoirs in the area covered by the Orders are fluvial in nature, primarily meandering streams systems and fan deltas. By definition, these types of fluvial systems are generally characterized by heterogeneity within a small geographical area and therefore cannot be drained or developed adequately within the current Orders.

13. Subsequent exploration and drilling within the area of the Orders has demonstrated that the maximum area that can be efficiently and economically drained by one well does not exceed 160 acres.

14. Advances in drilling technology that have developed since the entry of the Orders will allow the development of reserves in areas of adverse topography via the use of directional drilling techniques.

15. All lands contained within the Orders, the Peters Point Unit and the Jack Canyon Unit are either state or federal lands.

16. The existence of the Peters Point Unit and the Jack Canyon Unit, covering substantially all of the lands within the area covered by Order Nos. 157-1 and 157-2, insures that the objectives of the Utah Oil & Gas Conservation Act, namely the prevention of waste, the obtaining of the greatest ultimate recovery of unitized substances, and the protection of the correlative rights of all owners, will be accomplished.

17. Wasatch has pending before the Division of Oil, Gas & Mining, applications for permit to drill with respect to the Peters Point 36-2, Peters Point 36-3 and Peters Point 36-4 wells, all of which will not satisfy the spacing as required by the Order in Cause No. 157-1.

18. But for the existence of the Orders, well location and density patterns within both the Peters Point Unit and the Jack Canyon Unit would be determined in accordance with the terms of the respective Unit Agreements, the Unit Operating Agreements and the annual plans of unit development approved by the BLM. The location of the currently pending applications for permit to drill, as well as all subsequent applications for permit to drill, within the areas of Order No. 157-1 and Order No. 157-2 within the Peters Point Unit and the Jack Canyon Unit will be subject to approval by the BLM.

19. In order to allow the greatest flexibility for orderly development and to account for topographical, archeological, geological and environmental restrictions imposed upon federal lessees within the areas currently included within the Orders, an order of the Board vacating the Orders and suspending the application of Utah Administrative Rule R649-3-2

within the Peters Point Unit and the Jack Canyon Unit so long as such units exist is necessary and appropriate. Upon contraction of said units, the lands eliminated from the Unit Area shall automatically become subject to Utah Administrative Rule R649-3-2.

20. The vacation of the Orders and the suspension of Utah Administrative Rule R649-3-2 during the existence of the Peters Points Unit and the Jack Canyon Unit will promote the public interest, prevent waste, increase ultimate recovery and protect correlative rights of all owners within said unit boundaries.

21. Based upon its unanimous vote, the Board decided to grant the Request.

### **ORDER**

Based upon the Findings of Fact and Conclusions of Law set forth above, IT IS HEREBY ORDERED THAT:

- A. The Order in Cause No. 157-1 as entered on November 20, 1974 is hereby vacated;
- B. The Order in Cause No. 157-2 as entered on April 29, 1982 is hereby vacated;
- C. The application of Utah Administrative Rule R649-3-2 insofar as it applies to the areas contained within the Peters Point Unit and the Jack Canyon Unit as they presently exist or as they subsequently may be expanded or contracted, is hereby suspended;
- D. The spacing and siting of surface and bottom-hole locations at such locations as may be approved by the BLM subject to the condition that in no event shall the bottom-hole location of any well approach closer than 460 feet to the exterior boundary of the existing units is hereby authorized.

E. Pursuant to Utah Administrative Code R641 and Utah Code Ann. § 63-46b-6 to -10 (1953, as amended), the Board has considered and decided this matter as a formal adjudication.

F. This Findings of Fact, Conclusion of Law and Order (“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 Utah Administrative Procedures Act, Utah Code Ann. § 63-46b-10 and Utah Administrative Code R641-109.

G. 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) (1953, as amended), 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 (1953, as amended). 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 Administrative Code 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 that month.

Id. See Utah Administrative Code 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 (1953, as amended) and the deadline in Utah Administrative Code 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.

H. 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.

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

ISSUED this 29<sup>th</sup> day of May, 2001.

STATE OF UTAH  
BOARD OF OIL, GAS AND MINING

By Elise L. Erler  
Elise L. Erler, Acting Chairman

## 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. 2001-012, Cause No. 157-03 to be mailed with postage prepaid, this 30 day of May, 2001, to the following:

John S. Kirkham  
STOEL RIVES LLP  
Attorneys for Wasatch Oil & Gas LLC  
201 South Main, Suite 1100  
Salt Lake City, Utah 84111-4904

Kurt E. Seel  
Assistant Attorney General  
160 East 300 South, 5th Floor  
P.O. Box 140857  
Salt Lake City, Utah 84114-0857

Thomas W. Clawson  
Van Cott, Bagley, Cornwall & McCarthy  
Attorneys for Belle Oil & Gas, Inc.  
50 South Main Street, Suite 1600  
P.O. Box 45340  
Salt Lake City, Utah 84145-0340

Philip C. Pugsley  
Assistant Attorney General  
160 East 300 South, 5th Floor  
P.O. Box 140857  
Salt Lake City, Utah 84114-0857

Thomas A. Mitchell  
Assistant Attorney General  
160 East 300 South, 5th Floor  
P.O. Box 140857  
Salt Lake City, Utah 84114-0857

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, Utah 84114-5801  
(Hand Delivered)

### Working Interest Owners

Stonegate Resources  
4994 E. Meadows Drive  
Park City, Utah 84098

Wasatch Oil & Gas  
P.O. Box 699  
Farmington, Utah 84025

Sapient Energy Corp.  
8801 South Yale, Suite 150  
Tulsa, Oklahoma 74137

LiTMus EPO, L.L.C.  
3607 E. Briarwood Avenue  
Littleton, Colorado 80122

Mission Energy, LLC  
519 Encinitas Blvd., Suite 109  
Encinitas, California 92024-3738

R. G. Davis, Project Landman  
EOG Resources, Inc.  
600 17th Street, Suite 1100 N  
Denver, Colorado 80202

## Royalty Owners

Bureau of Land Management  
Utah State Office  
Attn: Robert A. Henricks  
324 South State, Suite 301  
P.O. Box 45155  
Salt Lake City, Utah 84145-0155

School and Institutional  
Trust Lands Administration  
Attn: LaVonne Garrison  
& Thomas Faddies  
675 East 500 South, Suite 500  
Salt Lake City, Utah 84102-2818

## Overriding Royalty Owners

Centennial OGM, LLC  
1641 California Street  
Denver, Colorado 80202

Tamara Sutton  
1408 Cambridge Road  
Lansing, Michigan 48911

Denver Minerals Partnership  
1525 West Hinsdale Drive  
Littleton, Colorado 80120

Belle Oil & Gas, Inc.  
93 South 5th Avenue  
Clarion, Pennsylvania 16214

Elliott A. Riggs  
P.O. Box 711  
Farmington, New Mexico 87499-0711

Randall G. Browning, MD, Trustee  
Tri-City Emergency Medical Group  
Retirement Trust FBO  
4051 Sunnyhill Drive  
Carlsbad, California 92008

Fred H. Carr  
535 W. Yellowstone, Suite 202  
Casper, Wyoming 82601

Henzel Company, LLC  
3025 South St. Paul Street  
Denver, Colorado 80210-6760

J.M. Huber Corporation  
Oil & Gas Division  
11451 Katy Fwy., #400  
Houston, Texas 77079-2001

Irrevocable Trust of (Undeliverable)  
Richard Craig Krause Trust  
Richard L. Krause, Trustee  
305 E. Willow Road  
Prospect Heights, Illinois 60070

Steven G. Shaddock  
925 St. Andrews Lane  
Louisville, Colorado 80027

Richard P. Burris, Trustee  
Tri-City Emergency Medical Group  
Retirement Plan Trust, U/A dated 11-1-89  
7226 Aviara Drive  
Carlsbad, California 92009

AA Production, Inc.  
c/o 3 Radnor Corp. CTR Suite 400  
Radnor, Pennsylvania 19807

Carol Lee Hatch  
1939 South 300 West, Suite 200  
Salt Lake City, Utah 84115

George T. Snell  
[ADDRESS UNKNOWN]

John R. Anderson  
1939 South 300 West, Suite 200  
Salt Lake City, Utah 84115

Kaiser-Francis Oil Company  
P.O. Box 840234  
Dallas, Texas 75234-0234

Lane Lasrich  
2597 E. Bridger Blvd.  
Sandy, Utah 84093

Wilma Bordeaux  
L/K/A/ 6661 South Village Road  
Salt Lake City, Utah 84110

Zar E. Hayes  
2349 Maywood Drive  
Salt Lake City, Utah 84109

Anderman Oils, L.L.C.  
1776 Lincoln Street, Suite 500  
Denver, Colorado 80203

St. Mary Land & Exploration Company  
1776 Lincoln Street, Suite 1100  
Denver, Colorado 80203

John and Lois Haun Family Partnership  
1238 County Road 23  
Evergreen, Colorado 80439

Robert P. Davison and  
Stasia W. Davison  
5 Tamarac Lane  
Englewood, Colorado 80110

Wells Petroleum, Inc.  
602 Park Point Drive, #225  
Golden, Colorado 80401

Ralph H. Smith  
7060 S. Yale, Suite 800  
Tulsa, Oklahoma 74136-5741

Dona M. Mohan  
1776 Lincoln Street, Suite 500  
Denver, Colorado 80203

  
\_\_\_\_\_