

JAN 16 2001

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)
COASTAL OIL & GAS RESOURCES,)
INC. FOR AN ORDER EXTENDING)
THE ORDER IN CAUSE NO. 173-13)
TO LANDS IN THE SOUTH-HALF OF)
SECTION 4, TOWNSHIP 9 SOUTH,)
RANGE 21 EAST, S.L.M.,)
PROVIDING FOR THE DRILLING)
OF ADDITIONAL WELLS TO)
ACHIEVE A WELL DENSITY)
EQUIVALENT OF 40-ACRE WELL)
SPACING FOR PRODUCTION OF)
GAS AND ASSOCIATED)
HYDROCARBONS FROM THE)
WASATCH-MESAVERDE)
FORMATION IN THE OURAY FIELD)
OF UINTAH COUNTY, UTAH)

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

Docket No. 2000-015

Cause No. 173-18

This cause came on regularly for hearing before the Board of Oil, Gas and Mining (the "Board") on Wednesday, December 6, 2000, at 10:00 a.m., in the Hearing Room of the Utah Department of Natural Resources at 1594 West North Temple Street, in Salt Lake City, Utah.

The following Board members present and participating in the hearing were: Chairman Dave D. Lauriski, Raymond Murray, Thomas B. Faddies, Elise L. Erler, W. Allan Mashburn, Stephanie Cartwright, and James Peacock. John R. Baza, Associate Director for Oil and Gas of the Division of Oil, Gas and Mining (the "Division") was present and participated in the hearing.

Phillip Wm. Lear, Esq., of Snell & Wilmer L.L.P. appeared on behalf of Coastal Oil & Gas Resources, Inc. ("**Coastal**"), and Donald H. Spicer, Curtis P. Conrad, and Howard W. Musgrove appeared as witnesses for Coastal.

Thomas W. Bachtell, Esq., of Pruitt, Gushee & Bachtell appeared on behalf of EOG Resources, Inc. ("**EOG**"). EOG filed its response to the proposed spacing modifications, protesting to the extent the Request for Agency Action were deemed to modify or lift the existing suspension of spacing orders and rules affecting the S $\frac{1}{2}$ S $\frac{1}{2}$ of Section 4.

Kurt E. Seel, Esq., Assistant Attorney General, represented the Board; and Thomas A. Mitchell, Assistant Attorney General, represented the Division.

Assad Rafoul, Petroleum Engineer, Branch of Fluid Minerals (Utah State Office), and Jerry Kenczka, Petroleum Engineer (Vernal District Office), appeared for the United States Department of the Interior, Bureau of Land Management.

Ferron Sekakaku, Ute Indian Tribe, Department of Minerals, appeared on behalf of the Ute Indian Tribe.

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 December 6, 2000 hearing to interested parties on November 16, 2000, and caused notice to be published in the *Deseret News* and in the *Salt Lake Tribune* on November 19, 2000, and in the *Vernal Express* on November 15, 2000.

2. Coastal mailed photocopies of the Request for Agency Action and errata to the last known address of all owners having interests in the spaced area to be modified by certified mail, return receipt requested.

3. Coastal is a Delaware corporation in good standing having its principal place of business in Houston, Texas. Coastal is authorized to do, and is doing, business in the State of Utah.

4. Coastal and EOG own working interests in the lands that are the subject matter of the Request for Agency Action.

5. The lands pertaining to the proposed spacing modification are situated in Uintah County, Utah, and are more particularly described, as follows:

Township 9 South, Range 21 East, S.L.M.

Section 4: S½

(containing 320.0 acres, more or less)

(hereinafter "**Subject Lands**").

6. The Subject Lands comprise public domain lands of the United States, tribal Indian lands, and allotted Indian lands.

7. The Subject Lands are part of the Ouray Field, a designated field known for the production of gas from the Wasatch and Mesaverde formations.

8. By Orders in Cause Nos. 173-1 and 173-2, the Board established lay-down, 320-acre drilling units comprising the north half and the south half of public land survey sections, or their equivalent lots, for production of gas from the common source of supply in the Ouray Field and authorizing one well in each drilling unit for production from the common source of supply.

By Order in Cause No. 173-9-S, the Board modified its original orders and authorized an additional well to be drilled in each drilling unit.

9. The interval spaced in the Orders in the Cause No. 173 series is the Wasatch-Mesaverde formation, more particularly described in the underlying orders as:

That interval below the stratigraphic equivalent of 4,772 feet down to and including the stratigraphic equivalent of 9,740 feet, as shown on the induction electrical log of the Chapita Wells Unit Well No. 5 located 1,908 feet from the south line and 2,360 feet from the west line of the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 22, Township 9 South, Range 22 East, S.L.M., Uintah County, Utah.

(hereinafter "**Spaced Interval**"). The Wasatch and Mesaverde formations are commonly occurring formations throughout the Uinta Basin.

10. The Subject Lands are underlain by channel sand reservoirs embedded in shale and constituting the common sources of supply in the Spaced Interval from which natural gas and associated hydrocarbons can be produced.

11. Geologic and engineering data obtained from existing gas wells on the Subject Land and other drilling and development operations in the Ouray Field and surrounding area support the extension of the Order in Cause No. 173-13 to the Subject Lands.

12. The maximum area that can be efficiently and economically drained by one well from the Spaced Interval underlying the Subject Lands is 40 acres. Additional wells up to a total of eight wells are required to efficiently and economically develop the drilling unit. Permitted wells should be located no closer than 460 feet from the drilling unit boundary line and no closer than 920 feet from any existing well producing from the Spaced Interval.

13. The south-half of the Subject Lands (being the S $\frac{1}{2}$ S $\frac{1}{2}$ of Section 4) is committed to the Natural Buttes Unit. By consolidated Order dated December 2, 1999, in

Cause No. 173-14, the Board suspended its well siting and location rules and order in the Natural Buttes Unit, including all orders in the Cause No. 173 series of orders.

14. The order sought shall be deemed to apply to the entire drilling unit in the Subject Lands, but shall be suspended as to the south-half of the Subject Lands (the S½S½ of Section 4) upon entry, consistent with, and in accordance with, the Board's Order in Cause No. 173-14.

15. An order modifying the existing spacing in the Subject Lands to authorize additional wells up to eight wells to be drilled in the existing 320-acre drilling units for the production of gas and associated hydrocarbons from the Spaced Interval in the Subject Lands will promote the public interest, increase ultimate recovery, prevent waste, and protect the correlative rights of all owners.

CONCLUSIONS OF LAW

1. The Board has jurisdiction of the parties and of the subject matter of the Request for Agency Action pursuant to Chapter 6 of Title 40 of the *Utah Code Annotated*.

2. The Division gave 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.

3. Coastal properly served all owners entitled to notice of spacing modifications by mailing copies of the Request for Agency Action to those owners having legally protected interests.

4. The Subject Lands are currently spaced on a 320-acre, lay-down drilling unit, authorizing the drilling of two wells for production from the Spaced Interval.

5. All spacing orders of the Board and all well-location and siting rules are suspended as to the Spaced Interval in the south-half of the Subject Lands (being the S½S½ of Section 4) in accordance with the Board's Order in Cause No. 173-14.

6. Forty-acre drainage patterns are not smaller than the maximum area within the Subject Lands that can be efficiently and economically drained by one production well.

7. Forty-acre drainage patterns within the existing 320-acre drilling unit are of a uniform size and shape throughout the Subject Lands and conform to the predominant pattern in the area established by orders of the Board for the Ouray field and adjacent lands in the Natural Buttes Unit and the Chapita Wells Unit.

8. The terms and conditions sought by Coastal's Request for Agency Action, as orally amended and modified at the hearing, are just and reasonable.

9. An order authorizing the drilling of additional wells, up to eight wells in the 320-acre drilling unit, for the production of gas and associated hydrocarbons from the Spaced Interval in the Subject Lands will promote the public interest, increase ultimate recovery, prevent waste, and protect correlative rights of all owners.

ORDER

IT IS THEREFORE ORDERED that in order to promote the public interest; to increase the ultimate recovery of the resource; to prevent physical waste of gas and associated hydrocarbons; and to protect the correlative rights of all owners:

A. Coastal's Request for Agency Action, as orally amended and modified at the hearing, is granted.

B. The existing spacing orders for the Subject Lands are hereby modified to authorize the drilling of additional wells up to a total of eight wells in the 320-acre drilling unit for the production of gas and associated hydrocarbons from the Spaced Interval.

C. The permitted wells shall be no closer than 460 feet from either the drilling unit or Natural Buttes Unit boundary line with not less than 920 feet between wells producing from the Spaced Interval.

D. Administrative approval may be granted for exception well locations for topographic, environmental, and archaeological considerations and when "no surface occupancy" stipulations imposed by the landowners (lessors) prohibit drilling at a legal location, without the necessity of a full hearing before the Board.

E. This order shall be deemed to apply to the entire drilling unit in the Subject Lands, but shall be suspended as to the south-half of the Subject Lands (being the S½S½ of Section 4) upon entry, consistent, and in accordance, with the Board's Order in Cause No. 173-14.

F. The Board has considered and decided this matter as a formal adjudication, pursuant to the Utah Administrative Procedures Act, Utah Code Ann. §§ 63-46b-6 through -10 (1993), and of the Rules of Practice and Procedure before the Board of Oil, Gas and Mining, Utah Admin. Code R641 (1998).

G. This Findings of Fact, Conclusions of Law, and Order ("**Order**") is based exclusively upon evidence of record in this proceeding or on facts officially noted, and constitutes the signed written order stating the Board's decision and the reasons for the decision, as required by the Utah Administrative Procedures Act, Utah Code Ann. § 63-46b-10 (1993), and the Rules of Practice and Procedure before the Board of Oil, Gas and Mining, Utah Admin. Code R641-109 (1998); and constitutes a final agency action as defined in the Utah Administrative Procedures Act and Board rules.

H. Notice of Right of Judicial Review by the Supreme Court of the State of Utah. The Board hereby notifies all parties to this proceeding that they have the right to seek judicial review of this Order by filing an appeal with the Supreme Court of the State of Utah within 30 days after the date this Order is entered. Utah Code Ann. § 63-46b-10(1)(f) (1993).

I. Notice of Right to Petition for Reconsideration. As an alternative, but not as a prerequisite to judicial review, the Board hereby notifies all parties to this proceeding that they may apply for reconsideration of this Order. Utah Code Ann. § 63-46b-10(1)(e) (1993). The Utah Administrative Procedures Act provides:

(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.

Utah Code Ann. § 63-46b-13 (1993).

The Rules of Practice and Procedure before the Board of Oil, Gas and Mining entitled "Rehearing and Modification of Existing Orders" state:

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 that month.

Utah Admin. Code R641-110-100 (1998).

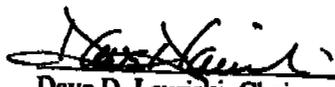
The Board hereby rules that should there be any conflict between the deadlines provided in the Utah Administrative Procedures Act and the Rules of Practice and Procedure before the Board of Oil, Gas and Mining, the later of the two deadlines shall be available to any party moving to rehear this matter. If the Board later denies a timely petition for rehearing, the aggrieved party may seek judicial review of the order by perfecting an appeal with the Utah Supreme Court within 30 days thereafter.

J. The Board retains exclusive and continuing jurisdiction of all matters covered by this Order and of all parties affected thereby, 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; and specifically, the Board retains and reserves exclusive and continuing jurisdiction to make further orders as appropriate and authorized by statute and applicable regulations.

K. The Chairman's signature on a facsimile copy of this Order shall be deemed the equivalent of a signed original for all purposes.

ENTERED this 14th day of January 2001.

STATE OF UTAH
BOARD OF OIL, GAS AND MINING



Dave D. Lauriski, Chairman

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 that month.

Utah Admin. Code R641-110-100 (1998).

The Board hereby rules that should there be any conflict between the deadlines provided in the Utah Administrative Procedures Act and the Rules of Practice and Procedure before the Board of Oil, Gas and Mining, 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 aggrieved party may seek judicial review of the order by perfecting an appeal with the Utah Supreme Court within 30 days thereafter.

J. The Board retains exclusive and continuing jurisdiction of all matters covered by this Order and of all parties affected thereby, 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; and specifically, the Board retains and reserves exclusive and continuing jurisdiction to make further orders as appropriate and authorized by statute and applicable regulations.

K. The Chairman's signature on a facsimile copy of this Order shall be deemed the equivalent of a signed original for all purposes.

ENTERED this ____ day of January 2001.

STATE OF UTAH
BOARD OF OIL, GAS AND MINING

Dave D. Lauriski, 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. 2000-015, Cause No. 173-18 to be mailed with postage prepaid, this 16 day of January, 2001, to the following:

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