

CAUSE 179-6 / DOCKET NO. 94-010

IN THE MATTER OF THE  
REQUEST FOR AGENCY ACTION  
OF SNYER OIL CORPORATION  
FOR AN ORDER MODIFYING THE  
ORDER IN CAUSE NO. 179-1 TO  
AUTHORIZE THE DRILLING OF  
ADDITIONAL WELLS IN  
ESTABLISHED DRILLING UNITS IN  
THE BONANZA FIELD AREA IN  
UINTAH COUNTY, UTAH, AS TO  
THE WASATCH AND MESA VERDA  
FORMATIONS; MODIFYING SET  
BACK REQUIREMENTS; AND  
AUTHORIZING COMMINGLING OF  
PRODUCTION FROM PRODUCING  
HORIZONS

ORDER INDEX

<u>ORDER #</u>	<u>DATE SIGNED</u>	<u>DESCRIPTION</u>
#1	5/27/94	FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

August 3, 1994

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

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IN THE MATTER OF THE	:	FINDINGS OF FACT,
REQUEST FOR AGENCY ACTION	:	CONCLUSIONS OF LAW,
OF SNYDER OIL CORPORATION	:	AND ORDER
FOR AN ORDER MODIFYING THE	:	
ORDER IN CAUSE NO. 179-1 TO	:	DOCKET NO. 94-010
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ADDITIONAL WELLS IN	:	CAUSE NO. 179-6
ESTABLISHED DRILLING UNITS IN	:	
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UINTAH COUNTY, UTAH, AS TO	:	
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FORMATIONS; MODIFYING SET	:	
BACK REQUIREMENTS; AND	:	
AUTHORIZING COMMINGLING OF	:	
PRODUCTION FROM PRODUCING	:	
HORIZONS	:	

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This cause came on regularly for hearing before the Board of Oil, Gas and Mining (the "Board") on Wednesday, April 27, 1994, 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 present and participating in the hearing were: Chairman Dave D. Lauriski, Judy F. Lever, Jay L. Christensen, Kent G. Stringham, Raymond Murray, Thomas Faddies, and Elise L. Erler. Staff members of the Division of Oil, Gas and Mining (the "Division") present and participating in the hearing included James W. Carter, Director; Ronald J. Firth, Associate Director for Oil and Gas; Brad Hill, geologist; and Frank Matthews, petroleum engineer.

Phillip Wm. Lear, Esq., of Snell & Wilmer appeared on behalf of Snyder Oil Corporation ("Snyder"); and Julie L. Weber, Linda M. Jacobs, and William E. Richardson appeared as witnesses for Snyder.

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

Robert A. Henricks, Chief, Branch of Fluid Minerals (Utah State Office); Assad N. Raffoul, petroleum engineer (Utah State Office); and Edwin Forsgren, petroleum engineer (Vernal District Office) appeared for the United States of the Interior, Bureau of Land Management.

**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 April 27, 1994, hearing to all interested parties by certified mail, return receipt requested on April 1, 1994, and caused notice to be published in the *Deseret News* and in the *Salt Lake Tribune* on April 4, 1994, and in the *Vernal Express* on April 6, 1994.

2. Snyder mailed photocopies of the Request for Agency action to all owners.

3. Snyder is a Delaware Corporation in good standing, having its principal place of business in Fort Worth, Texas. Snyder is licensed to do business in Utah.

4. The lands affected by the Request for Agency Action are public domain lands of the United States of America, administered by the Bureau of Land Management ("BLM"); allotted Indian lands; and trust lands of the State of Utah, administered by the Utah Division of State Lands and Forestry.

5. By Order in Cause No. 179-1 dated October 24, 1978 (the "Order"), the Board established 320-acre stand-up<sup>1</sup> drilling units for the Bonanza Field Area of Uintah County for the production of oil, gas and associated hydrocarbons from the common source of supply in the Green River, Wasatch, Mesa Verde, and Castlegate formations in the following described lands in Uintah County, Utah;

Township 10 South, Range 23 East, S.L.M.

Section 1: All  
Section 2: All  
Section 3: All  
Section 4: All  
Section 5: All  
Section 6: All  
Section 7: All  
Section 8: All  
Section 9: All  
Section 10: All  
Section 11: All  
Section 12: All  
Section 13: N½  
Section 14: N½  
Section 15: All  
Section 16: All

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<sup>1</sup> The north-half of Sections 13 and 14 comprise lay-down 320-acre drilling units.

Section 17: All  
Section 18: All

(containing 10,884 acres, more or less)

These lands are hereinafter referred to as the "Spaced Lands."

6. The interval spaced in the Spaced Lands is described as being from the surface down to the top of the Mancos formation and includes the Green River, Wasatch, Mesa Verde, and Castlegate formations ("Spaced Interval"). The Order ultimately provided for one well to produce from the Spaced Interval in each drilling unit.

7. Under the Order, the Board established a uniform spacing pattern in the Spaced Lands and Spaced Interval authorizing the legal location for unit wells at the center of the NW $\frac{1}{4}$  and SE $\frac{1}{4}$  of each governmental survey section or its equivalent, excepting only the N $\frac{1}{2}$  of Sections 13 and 14 where the permitted location is authorized at the center of the NW $\frac{1}{4}$  or its equivalent, and further permitting a tolerance of 600 feet from the center of such designated quarter-sections.

8. Snyder owns or controls 9,591 of the 10,844 acres comprising the Spaced Lands and is the predominant owner of working interests in the Spaced Lands and Spaced Interval.

9. Snyder or its predecessors have successfully drilled, tested, and produced wells at legal locations in the drilling units; and 20 wells are currently capable of production from the Spaced Interval ("Existing Wells").

10. Snyder is the operator of 19 of the Existing Wells, and Chevron U.S.A. Inc. is the operator of the remaining Existing Well.

11. The productive horizons are the Wasatch and Mesaverde formations, comprising continental deposits including channel sandstones, siltstones, and shales deposited by aggrading streams flowing northwesterly into the Uinta Basin. The lenticular channel sandstones form the common source of supply where the hydrocarbons are stratigraphically trapped in their updip pinchout.

12. The Spaced Interval thicknesses across the Spaced Lands range from 3,950 to 4,350 feet, with the productive Wasatch and Mesaverde formations ranging in thickness from 20 feet to 70 feet in channels less than one-half mile wide.

13. Geologic and engineering data obtained from drilling and development operations on the Spaced Lands and in the Spaced Interval, related technical studies within the same geologic provenance and formations in adjoining lands containing the identical horizons, and the position of the existing producing wells confirms that one well drilled in legal locations in the drilling units does not drain the common source of supply in the Spaced Interval. The beds have insufficient thickness or have limiting characteristics precluding effective and efficient drainage of the recoverable reserves from the common source of supply.

14. Many of the productive beds are not correlatable from well to well and will not afford communication between wells located 1,000 feet apart.

15. The surface of the Spaced Lands exhibits severe topographic relief consisting of high mesas and steep canyons incised and dissected by the White River and its tributaries. Appropriate locations for oil and gas drilling operations are radically limited, justifying larger than usual drilling windows defined by setbacks of 330 feet from the drilling unit boundary (quarter-section lines) for interior drilling units to accommodate drilling.

16. Archeological and environmental considerations further limit the number of adequate drilling locations in the Spaced Lands.

17. The Spaced Lands are bounded on three sides by federal exploratory units necessitating 500-foot setbacks from the exterior boundaries of the Spaced Lands.

18. By allowing administrative approval for exception wells for topographic, archaeological, and environmental reasons and when the landowners impose "no surface occupancy" stipulations upon the lease or similar conditions upon the permits to drill (without limitation to a footage tolerance), Snyder will be able to select appropriate locations even at the exterior boundaries of the Spaced Lands.

19. All existing wells conform to the existing spacing pattern and to the spacing pattern established in this Order.

20. Snyder proposes to drill wells to the Spaced Interval at the following potential locations in the Spaced Lands:

SW¼ Section 4-10S-23E  
NE¼ Section 4-10S-23E

NW¼ Section 8-10S-23E  
SE¼ Section 8-10S-23E  
SW¼ Section 9-10S-23E  
SE¼ Section 9-10S-23E  
NW¼ Section 10-10S-23E  
SW¼ Section 10-10S-23E  
NE¼ Section 16-10S-23E  
SW¼ Section 11-10S-23E

These wells would constitute legal locations under the Order as modified.

21. At the hearing, Snyder orally modified its Request for Agency Action to apply to, and embrace, all formations spaced under the Order; and further, orally modified its Request for Agency Action to provide setbacks for the drilling windows of 500 feet from the exterior boundary of the Spaced Lands.

#### CONCLUSIONS OF LAW

1. The Board has jurisdiction of the parties and of the subject matter of Snyder's Request for Agency Action, pursuant to Chapter 6 of Title 40 of the *Utah Code Annotated* and pursuant to the Order; and has the authority to make and promulgate the order hereinafter set forth.

2. The Board has authority to modify its previous Order to permit additional wells to be drilled within established units pursuant to section 40-6-6(4) of the *Utah Code Annotated*.

3. The Board 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.

4. Snyder's petition poses an appropriate request for modification of the existing Order to authorize infill drilling under Utah law.

5. A 330-foot setback from the exterior boundary of all interior drilling units and a 500-foot setback from the exterior boundary of the Spaced Lands will prevent waste of the resource in the common source of supply by allowing Snyder to drill at surface locations not otherwise available.

6. Drilling at the locations as modified will prevent the drilling of unnecessary wells, and therefore economic waste, inasmuch as Snyder will be able to intersect productive sands not otherwise accessible from the existing legal locations.

7. Modifying the existing Order to authorize the drilling of a second production well within the established drilling units will protect the correlative rights of owners who have participated in the drilling of existing wells.

8. Based upon the known geologic and engineering data, modification of the existing Order to authorize production from a second well in the Spaced Interval within the 320-acre drilling units will promote the development, production, and utilization of oil and gas within the Spaced Interval in such a manner as to achieve the greatest ultimate recovery.

#### **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:

A. Snyder's Request for Agency Action, as orally amended at the hearing to include all existing formations within the Spaced Interval, is granted.

B. The Order in Cause No. 179-1 is hereby modified to authorize the drilling of a second production well from the Spaced Interval in the existing drilling units at locations hereinafter defined.

C. Wells shall be drilled no closer than 1,000 feet from the nearest well producing from the Spaced Interval.

D. The legal location for second wells within the existing drilling units shall be near the center of each governmental survey quarter-section or its equivalent, within a drilling unit described as follows:

**For Interior Drilling Units:** by setbacks of no less than 330 feet from the existing exterior boundary of each interior drilling unit.

**For Exterior Drilling Units:** by setbacks of no less than 330 feet on the three interior sides of the drilling unit and by no less than 500 feet on the exterior side of the drilling unit for those drilling units comprising the exterior drilling units of the Spaced Lands.

E. The Division may grant administrative approval for exception wells for topographic, archaeological, and environmental reasons and when the landowners impose "no surface occupancy" stipulations to the leases or "no surface occupancy" conditions to the permits to drill, without limitation as to footage from legal locations under this order.

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

ENTERED this 27<sup>th</sup> day of May, 1994.

STATE OF UTAH  
BOARD OF OIL, GAS AND MINING



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Dave D. Lauriski  
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 for Docket No. 94-010, Cause No. 179-6 to be mailed by certified mail, postage prepaid, on the 2nd day of August 1994, to the following:

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