

**FILED**

AUG 23 2006

SECRETARY, BOARD OF  
OIL, GAS & MINING

**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 FOR )  
AGENCY ACTION OF QUESTAR )  
EXPLORATION AND PRODUCTION )  
COMPANY FOR AN ORDER )  
SUSPENDING RULES R649-3-2, R649-3- )  
10 AND R649-3-11(1) AND (2) INsofar )  
AS THEY APPLY TO THE LANDS )  
WITHIN THE WHITE RIVER FEDERAL )  
EXPLORATORY UNIT LOCATED IN )  
TOWNSHIP 8 SOUTH, RANGES 22 AND )  
23 EAST, SLM, UINTAH COUNTY, )  
UTAH )

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

Docket No. 2006-012

Cause No. 187-08

This cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, July 26, 2006 at the hour of 2:30 p.m. The following Board members were present and participated at the hearing: Chairman J. James Peacock, Robert J. Bayer, Douglas E. Johnson, Samuel C. Quigley and Kent R. Petersen. Board member Jean Semborski was unable to attend and Board member Jake Y. Harouny recused himself due to a potential conflict of interests. The Board was represented by Stephen G. Schwendiman, Esq., Assistant Attorney General.

Testifying on behalf of Petitioner Questar Exploration and Production Company ("Questar") were: Cory Miller, Landman; Russell Griffin, Petroleum Geologist; and Carole

R. Edwards-Knight, Petroleum Engineer. A. John Davis, Esq., of and for Pruitt Gushee, a Professional Corporation, appeared as attorney for Questar.

Testifying on behalf of the Division of Oil, Gas and Mining (the "Division") was Brad Hill, Petroleum Engineer. Steven F. Alder, Esq., Assistant Attorney General, appeared as attorney on behalf of the Division.

In its presentation, the Division expressed no objection to the suspension of Rule R649-3-2 with the caveat that Questar or its successors be required to return and seek Board approval of any drilling on a density pattern tighter than 20-acres, with an allowance for a two quarter section pilot program for a tighter density pattern without such additional Board approval, but objected to the suspension of Rules R649-3-10 and R649-3-11(1) and (2) on the basis that, in its opinion, the requirements of said rules resulted in no additional paperwork burden upon the Petitioner, all as outlined in the Division's Staff Memorandum dated July 20, 2006 submitted to the Board.

Attending and participating on behalf of the Bureau of Land Management ("BLM") was Michael Coulthard, Petroleum Engineer with the BLM, Utah State Office. The BLM expressed its support for the granting of the Request for Agency Action ("Request").

The Board received two letters of support regarding Questar's Request, one from Kerr-McGee Oil & Gas Onshore LP, a working interest owner within the White River Unit, and one from EOG Resources, an owner of leases in the area of the White River Unit. In

addition, a representative of Dominion Exploration and Production Company, Wendy L. Straatmann, appeared at the hearing to express support for the Request.

The Board, having considered the testimony presented and the exhibits received into evidence at the hearing, being fully advised, and for good cause appearing, hereby makes the following findings of fact, conclusions of law, and order.

### **FINDINGS OF FACT**

1. Questar is in good standing and authorized to conduct business in the State of Utah. Questar is fully and appropriately bonded with all relevant Federal and State of Utah agencies.

2. Questar is an owner of working interest in, and is the designated unit operator of, the White River Unit ("Unit") which comprises the following lands:

#### **Township 8 South, Range 22 East, SLM**

Section 3:	S $\frac{1}{2}$ S $\frac{1}{2}$
Section 4:	Lots 2 (20.49), 3 (20.47), 4 (25.72), 5 (50.30), 6 (40.00), 7 (40.00), 8 (40.00), 9 (50.29), 10 (50.29) and 11 (50.27), S $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$
Section 9:	Lots 1 (49.44), 2 (48.12), 3 (46.81), 5 (35.20), 6 (35.52) and 7 (35.84), W $\frac{1}{2}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$
Section 10:	N $\frac{1}{2}$ N $\frac{1}{2}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ NW $\frac{1}{4}$ , N $\frac{1}{2}$ SW $\frac{1}{4}$
Section 23:	SE $\frac{1}{4}$
Section 24:	SW $\frac{1}{4}$

Section 25:       NW<sup>1</sup>/<sub>4</sub>, W<sup>1</sup>/<sub>2</sub>SW<sup>1</sup>/<sub>4</sub>  
Section 26:       E<sup>1</sup>/<sub>2</sub>, E<sup>1</sup>/<sub>2</sub>SW<sup>1</sup>/<sub>4</sub>  
Section 35:       All

Township 8 South, Range 23 East, SLM

Section 5:       Lots 2 (39.46), 3 (39.40) and 4 (39.33),  
                    SW<sup>1</sup>/<sub>4</sub>NE<sup>1</sup>/<sub>4</sub>, S<sup>1</sup>/<sub>2</sub>NW<sup>1</sup>/<sub>4</sub>

(containing a total of 3,716.95 acres, more or less)

(hereinafter referred to as the "Subject Lands")

3.     The Unit is administered by the BLM. There are no uncommitted lands within the Unit Area.

4.     The Unit was initially approved effective February 26, 1957 and originally covered all geological formations in the Subject Lands. However, effective June 28, 1995, the Unit Agreement was amended to exclude the Glen Bench interval of the Green River formation from only the Subject Lands located in Sections 3, 4, 9 and 10 of Township 8 South, Range 22 East, SLM. The Glen Bench interval is defined as follows:

That formation identified by the Compensated Neutron-Formation Density Curve Log run in the NGC Corp. #22-20 well located in the SE<sup>1</sup>/<sub>4</sub>NW<sup>1</sup>/<sub>4</sub> of Section 20, Township 8 South, Range 22 East, Uintah County, Utah, with the top of the Glen Bench Formation being found at a measured depth of 4851 feet and the base of the Glen Bench Formation being found at a measured depth of 4862 feet or the stratigraphic equivalent thereof.

5. The lands within the White River Unit Area are currently not covered by any Board well spacing order.

6. Paragraph 16 of the Unit Agreement expressly requires the Unit operator to produce unitized substances, and conduct all operations to provide for the most economical and efficient recovery of said substances, without waste, as defined by or pursuant to State or Federal law or regulation.

7. Well location and density patterns within the Unit Area are determined in accordance with the terms of the Unit Agreement and, in particular, the plans of Unit development approved by the BLM. Applications for permit to drill for wells in the Unit are approved by both the BLM and the Division.

8. With the exception of a pilot well program, development in the Unit to date has occurred on a 40-acre equivalent density pattern. Based on the information obtained from these wells, the Wasatch and Mesaverde reservoirs are comprised of very tight sands in narrow, sinuous channels, ranging from 5 to 25 feet thick, which are shaley and have low porosity (averaging less than 9% of the total rock volume) and permeability (below .005 and 5 md). Based on well log correlation, surface outcrops and the study of modern fluvial environments, the sands appear to be less than 250 feet wide. Additional evaluation of fracture orientation, production logs, and pressure tests also indicate that wells drilled based on a 40-acre density patterns are not intersecting portions of the sands, and without a tighter

density pattern, there is a high possibility gas reserves in the unit will be left in the ground and unrecoverable.

9. Questar is proposing to drill Wasatch-Mesaverde gas wells on the equivalent of an approximate 20-acre density pattern in the Unit in order to access those additional sands and associated reserves.

10. In addition, there are substantial variations in elevation across the Unit. Optimal geologic drilling locations are frequently compromised in order to build pads or sites that minimize surface disturbance and to comply with other regulatory restrictions, including environmental constraints. These constraints will additionally prohibit Questar from locating wells within the allowed “window” under Utah Admin. Code Rule R649-3-2.

11. A copy of the Request was mailed to all working interest owners within the Subject Lands as disclosed by the appropriate Federal and County realty records as well as to the BLM.

12. Notice of the Filing of the Request and of the hearing thereon was duly published in the Salt Lake Tribune, Deseret Morning News and Vernal Express, as required by Utah Admin. Code Rule R641-106-100.

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 interest are 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 matters covered by the Request 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 conservation of oil and gas and the prevention of waste are accomplished by operations conducted in accordance with the terms of the Unit Agreement.

4. In the absence of any Board spacing orders covering the Subject Lands, the lands are subject to the general statewide well siting and directional drilling rules (Utah Admin. Code Rules R649-3-2, R649-3-10 and R649-3-11).

5. Suspending Rule R649-3-2, R649-3-10 and R649-3-11(1) and (2) insofar as they apply to the Subject Lands will allow the greatest flexibility for orderly development and will allow Questar to account for the geological conditions and topographical constraints within the Unit Area.

6. A proposed 20-acre density drilling program for production from the Wasatch-Mesaverde formations for the Unit appears reasonable, justified and economic.

7. The foregoing Conclusions of Law are subject to the Board's Order imposing the conditions outlined in paragraphs 3-8 below.

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

9. The relief granted hereby will result in the orderly development and greatest recovery of gas in the Subject Lands, prevent waste and adequately protect the correlative rights of all affected parties.

### **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. Utah Admin. Code Rule R649-3-2, R649-3-10 and R649-3-11(1) and (2) are hereby suspended insofar as they apply to the Subject Lands.
3. This suspension will remain in effect until such time as the lands are eliminated from the White River Unit by contraction or termination. Thereafter the rules shall once again apply to those eliminated lands.
4. No well within the Subject Lands may be located closer than 460 feet to the boundaries of the White River Unit Area without approval from the Division or the Board in accordance with Utah Admin. Code Rule R649-3-3.

5. No well may be directionally drilled within the Subject Lands if any portion of the proposed wellbore is closer than 460 feet to a boundary of the White River Unit, without approval of the Division or the Board in accordance with Utah Admin. Code Rules R649-3-3 and R649-3-11.

6. Questar, or any successor unit operator, must file a copy of the annual plan of unit development required by the Unit Agreement for the White River Unit with the Division.

7. Questar, or any successor unit operator, shall provide the Division a plat or drawing showing the distance from the target location within the intended producing interval to the Unit boundaries and for directional wells the distance of the intended wellbore from the Unit boundaries.

8. If the Division determines that operations within the Unit are being conducted in a manner which is not adequately protecting correlative rights, preventing waste or resulting in the ultimate recovery of hydrocarbons from the Subject Lands, it may initiate a Notice of Agency Action in accordance with Utah Admin. Code Rule R641-104-100 for the Board to reconsider the suspension of the relevant rules granted hereby.

9. Pursuant to Utah Admin. Rule R641 and Utah Code Ann. § 63-46b-6 to 10, the Board has considered and decided this matter as a formal adjudication.

10. 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 Administrative Code Rule R641-109.

11. 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 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

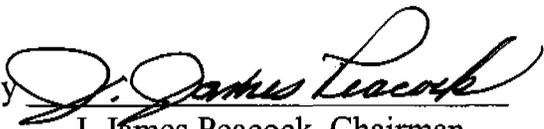
still seek judicial review of the Order by perfecting a timely appeal with the Utah Supreme Court within 30 days thereafter.

12. 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.

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

Dated this 23<sup>rd</sup> day of August, 2006.

STATE OF UTAH  
BOARD OF OIL, GAS AND MINING

By   
J. James Peacock, 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. 2006-012, Cause No. 187-08 to be mailed with postage prepaid, this 7<sup>th</sup> day of September, 2006, to the following:

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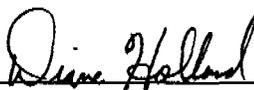
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