

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

**FILED**  
NOV 29 2006  
SECRETARY, BOARD OF  
OIL, GAS & MINING

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IN THE MATTER OF THE REQUEST FOR )  
AGENCY ACTION OF QUESTAR )  
EXPLORATION AND PRODUCTION COMPANY )  
FOR AN ORDER MODIFYING THE GENERAL )  
WELL LOCATION RULE, RULE R649-3-2(1), )  
FOR WELLS TARGETING GAS AND )  
ASSOCIATED HYDROCARBONS FROM THE )  
WASATCH FORMATION AND MESAVERDE )  
GROUP TO ALLOW FOR THE DRILLING OF )  
ADDITIONAL WELLS AT AN INCREASED )  
DENSITY EQUIVALENT TO APPROXIMATELY )  
20 ACRES IN LANDS LOCATED IN TOWNSHIP )  
8 SOUTH, RANGE 22 EAST, SLM, UINTAH )  
COUNTY, UTAH )

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

Docket No. 2006-029

Cause No. 187-09

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This cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, October 25, 2006 at the hour of 8:30 a.m. The following Board members were present and participated at the hearing: Chairman J. James Peacock, Robert J. Bayer, Douglas E. Johnson, Jean Semborski, Jake Y. Harouny and Kent R. Petersen. Board member Samuel C. Quigley was unable to attend. The Board was represented by Michael Johnson, 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 Dustin Doucet, Petroleum Engineer. Keli Beard, Esq., Assistant Attorney General, appeared as attorney on behalf of the Division.

In its presentation, the Division expressed no objection to the Request for Agency Action ("Request"). The Division also submitted to the Board a staff memorandum dated October 10, 2006, which expressed the Division's support for the Request.

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.

The Board received two letters of support regarding Questar's Request, one from Kerr-McGee Oil & Gas Onshore LP and one from EOG Resources, Inc. both of whom are working interest owners within the Subject Lands.

The Board received no objection to Questar's 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 a Texas corporation which is in good standing and authorized to conduct business in the State of Utah.

2. The SE $\frac{1}{4}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$  and SE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 8 of Township 8 South, Range 22 East, SLM were not originally included in Questar's Request. During the hearing on this matter the Board granted Questar's motion to amend the Request to include these lands. The Request, as amended, covers the following lands:

Township 8 South, Range 22 East, SLM

Section 2:	Lots 3 (20.56), 4 (20.57), 5 (40.00) and 6 (40.00), S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$
Section 3:	Lots 3 (20.54), 4 (20.53), 5 (40.00) and 6 (40.00), S $\frac{1}{2}$ N $\frac{1}{2}$ , N $\frac{1}{2}$ S $\frac{1}{2}$
Section 4:	Lot 1 (20.51)
Section 8:	SE $\frac{1}{4}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$
Section 9:	Lot 4 (39.72)
Section 10:	SE $\frac{1}{4}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$
Section 11:	All
Section 14:	All
Section 15:	All
Section 16:	All
Section 17:	E $\frac{1}{2}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$
Section 18:	Lots 5 (42.66), 11 (43.55) and 12 (43.52)
Section 19:	Lots 5 (45.06), 6 (44.78), 9 (44.13), 10(43.91), 11 (43.83), 12 (44.10), 13 (43.21), 14 (43.10), 15 (43.65), 16 (43.52) 17 (42.68), 18 (43.29), 19 (42.10) and 20 (42.16)
Section 20:	All
Section 21:	All
Section 22:	All
Section 23:	N $\frac{1}{2}$ , SW $\frac{1}{4}$
Section 27:	All
Section 29:	Lots 1 (42.19), 2 (42.79), 3 (42.81), 4 (42.20), 5 (42.30) and 6 (42.29), E $\frac{1}{2}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$
Section 30:	Lots 3 (39.84), 4 (39.52), 5 (42.83), 6 (41.88), 7 (42.68), 8 (41.96), 9 (41.56), 10 (42.21), 11 (42.01), 12 (42.96), 13 (43.17), 14 (42.43) and 15 (43.26), NE $\frac{1}{4}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$

(containing a total of 9,882.57 acres, more or less)

(hereinafter referred to as the “Subject Lands”)

3. The Subject Lands are currently not covered by any Board well spacing order.

4. Under Utah Admin. Code Rule R649-3-2(1) (the “Well Location Rule”) each well is to be located within a 400 foot “window” surrounding the center of each governmental quarter-quarter section. In addition, no well may be located closer than 920 feet from an existing well producing from the same formation.

5. Questar and the other owners of operating rights in the Subject Lands have drilled, or soon will drill, a gas well targeting the Wasatch formation and Mesaverde group in every location on the Subject Lands allowed by the Well Location Rule. The equivalent of a 40-acre density pattern.

6. Based on the information obtained from the existing 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 productive sands, and without a tighter density pattern, there is a high possibility gas reserves in the Subject Lands will be left in the ground and unrecoverable.

7. The geological interval involved is the Wasatch formation and Mesaverde group (“Subject Depths”) and is more particularly described as follows:

All depths from the top of the Wasatch formation, found at the stratigraphic equivalent of 5,978 feet, to the base of the Castlegate, a member of the Mesaverde group, found at the stratigraphic equivalent of 11,552 feet, in the SG 10M-15-8-22 well located in the NW¼SE¼ of Section 15, Township 8 South, Range 22 East, SLM, Uintah County, Utah.

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

9. Due to the distribution of current wells in the Subject Lands under the Well Location Rule (essentially the center of each quarter), it is impractical, if not impossible, to create uniform stand-up or lay-down 20 acre drilling and spacing units within each 40 acre quarter-quarter.

10. A copy of the Request was mailed to all working interest owners within the Subject Lands as disclosed by the appropriate Federal, State and County realty records as well as to the BLM, the Utah School and Institutional Trust Lands Administration and Bureau of Indian Affairs.

11. 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.

12. 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. In the absence of any Board spacing order covering the Subject Lands, the location of wells is governed by the Well Location Rule.

4. Increasing the well density within the Subject Lands can not be accomplished under the Well Location Rule without obtaining an exception location for each new well.

5. Modifying the Well Location Rule, insofar as it applies to the Subject Lands and Subject Depths, will allow the greatest flexibility for orderly development and will allow Questar, and the other operators, to account for the geological conditions and topographical constraints within the Subject Lands.

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

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

8. 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(1) is hereby modified to require that each additional well, above those drilled under the existing Well Location Rule, be located to result in an approximate 20 acre density pattern subject to the limitation that no well may be located closer than 460 feet from:
  - (1) any well drilled to or capable of producing gas from the Subject Depths;
  - (2) the boundaries of the Subject Lands; or
  - (3) any existing lease line within the Subject Lands.
3. Any well proposed within the Subject Lands in violation of any of the limitations set forth in paragraph 2 above will require an exception location in accordance with Utah Admin. Code Rule R649-3-3.

4. Questar, or any successor unit operator, shall include with any Application for Permit to Drill submitted to the Division for a well within the Subject Lands targeting the Subject Depths a plat or map illustrating that the proposed well is (1) not less than 460 feet from any well drilled to or producing from the Subject Depths, (2) not less than 460 feet from any lease line within the Subject Lands and, (3) not less than 460 feet from a boundary of the Subject Lands.

5. Because the SE $\frac{1}{4}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$  and SE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 8 of Township 8 South, Range 22 East, SLM were not originally included in Questar's Request, but were added to the Request via oral motion at the October 25, 2006 hearing, those lands were not included in the newspaper publication notice referenced in paragraph 11 of the Findings of Fact, above. To remedy that omission, notice of the addition of those lands to the Request is being published by the Board in Salt Lake County and Uintah County newspapers pursuant to R641-106-100. This Order shall be effective immediately as to all lands originally included in Questar's Request. This Order shall become effective as to the lands added at the October 25, 2006 hearing (and identified in this paragraph, above) on December 18, 2006, so long as no objections are received by the Board in response to the published notice. If objections are received by December 18, 2006, and a hearing is requested by an objecting party, the Board shall set this Cause for a hearing as to the added lands.

6. Pursuant to Utah Admin. Rule R641-100-100 *et seq.* and Utah Code Ann. § 63-46b-6 to 10, the Board has considered and decided this matter as a formal adjudication.

7. 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 R641-109-100.

8. 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

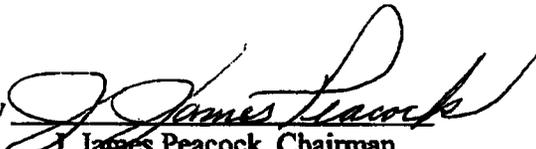
to rehear this matter. If the Board later denies a timely petition for rehearing, the party may still seek judicial review of the Order by perfecting a timely appeal with the Utah Supreme Court within 30 days thereafter.

9. 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.

10. 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 29<sup>th</sup> day of November, 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. 2006-029, Cause No. 187-09 to be mailed with postage prepaid, this 29<sup>th</sup> day of November, 2006, to the following:

A. John Davis, III  
William E. Ward  
PRUITT GUSHEE  
Attorneys for Questar  
48 West Market Street, Suite 300  
Salt Lake City, UT 84101

Michael S. Johnson  
Stephen Schwendiman  
Assistant Attorneys General  
Utah Board of Oil, Gas & Mining  
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Salt Lake City, UT 84116  
*(Hand Delivered)*

Steven F. Alder  
Keli Beard  
Assistant Attorneys General  
Utah Division of Oil, Gas & Mining  
1594 West North Temple, Suite 300  
Salt Lake City, UT 84116  
*(Hand Delivered)*

Questar Exploration and Production Co.  
Attn: Cory Miller, Landman  
1050 17th Street, Suite 500  
Denver, CO 80265

III Exploration Company  
555 South Cole Road  
P.O. Box 7608  
Boise, ID 83707

EOG Resources, Inc.  
Attn: Toni Miller  
600 Seventeenth Street, Suite 1000 N  
Denver, CO 80202

Kerr-McGee Oil & Gas Onshore LP  
Attn: W. Chris Latimer  
1999 Broadway, Suite 3700  
Denver, CO 80202

Douglas F. Cook  
Chief-Branch of Fluid Minerals  
U.S. Bureau of Land Management  
Utah State Office  
P.O. Box 45155  
Salt Lake City, UT 84145-0155

U.S. Bureau of Land Management  
Vernal Field Office  
Attn: Howard Cleavinger  
170 South 500 East  
Vernal, UT 84078

Bureau of Indian Affairs  
Uintah & Ouray Area Office  
Attn: Superintendent  
P.O. Box 130  
Fort Duchesne, UT 84026

Utah School & Institutional  
Trust Lands Administration  
Attn: LaVonne Garrison  
675 East 500 South, Suite 500  
Salt Lake City, UT 84102

  
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**FILED**

**SEP 12 2006**

**SECRETARY, BOARD OF  
OIL, GAS & MINING**

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

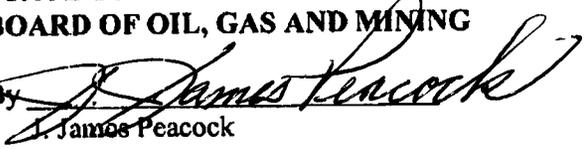
IN THE MATTER OF THE REQUEST FOR ) AGENCY ACTION OF QUESTAR ) EXPLORATION AND PRODUCTION COMPANY ) FOR AN ORDER MODIFYING THE GENERAL ) WELL LOCATION RULE FOR WELLS ) TARGETING GAS AND ASSOCIATED ) HYDROCARBONS FROM THE WASATCH- ) MESAVERDE FORMATIONS TO ALLOW FOR ) THE DRILLING OF ADDITIONAL WELLS AT ) AN INCREASED DENSITY EQUIVALENT TO ) APPROXIMATELY 20 ACRES IN LANDS ) LOCATED IN TOWNSHIP 8 SOUTH, RANGE 22 ) EAST, SLM, UINTAH COUNTY, UTAH )	<b>ORDER GRANTING LEAVE TO FILE REQUEST LATE</b>  Docket No. <u>2006-029</u>  Cause No. <u>187-09</u>
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The Board of Oil, Gas and Mining, having fully considered Questar Exploration and Production Company's Motion for Leave to File Request Late filed September 11, 2006, and finding good cause therefore, hereby grants said Motion and authorizes the filing of the Request for Agency Action no later than Wednesday September 13, 2006.

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 12<sup>th</sup> day of September, 2006.

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

By   
James Peacock  
Chairman



State of Utah

Department of  
Natural Resources

MICHAEL R. STYLER  
*Executive Director*

Division of  
Oil, Gas & Mining

JOHN R. BAZA  
*Division Director*

JON M. HUNTSMAN, JR.  
*Governor*

GARY R. HERBERT  
*Lieutenant Governor*

UTAH DIVISION OF OIL, GAS AND MINING  
FACSIMILE COVER SHEET

DATE: September 12, 2006

FAX #: 531-8468

ATTN: William E. Ward  
PRUITT GUSHEE

FROM: Diane Holland, Legal Secretary 

NUMBER OF PAGES BEING SENT (INCLUDING THIS ONE): 4

*If you do not receive all of the pages, or if they are illegible, please call  
Diane Holland at 801-538-5302.*

MESSAGES:

Please find attached the Questar Motion and Order Granting Leave to File Request Late, Docket No. 2006-029, Cause No. 187-09.

We look forward to receiving your Request for Agency Action on Sept. 13.

IMPORTANT: This message is intended for the use of the individual or entity to which it is addressed and may contain information that is privileged, confidential and exempt from disclosure under applicable law. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution, or copying of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by telephone and return this original message to us at the above address via regular postal service. Thank you.

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P. 01

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FOR: OIL, GAS & MINING

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State of Utah

Department of Natural Resources

MICHAEL R. STYLER  
Executive Director

Division of Oil, Gas & Mining

JOHN R. BAZA  
Division Director

JON M. HUNTSMAN, JR.  
Governor

GARY R. HERBERT  
Lieutenant Governor

UTAH DIVISION OF OIL, GAS AND MINING  
FACSIMILE COVER SHEET

DATE: September 12, 2006

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ATTN: William E. Ward  
PRUITT GUSHEE

FROM: Diane Holland, Legal Secretary *Diane*

NUMBER OF PAGES BEING SENT (INCLUDING THIS ONE): 4

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MESSAGES: