

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	:	FINDINGS OF FACT,
FOR AGENCY ACTION OF SANTA FE	:	CONCLUSIONS OF LAW
ENERGY OPERATING PARTNERS, L.P.	:	AND ORDER
FOR AN ORDER ESTABLISHING A	:	
640-ACRE DRILLING UNIT FOR	:	DOCKET NO. 89-013
THE DEVELOPMENT AND PRODUCTION	:	CAUSE NO. 197-4
OF OIL AND GAS FROM THE	:	
WASATCH - MESA VERDE FORMATIONS	:	
IN SECTION 28 OF TOWNSHIP 10	:	
SOUTH, RANGE 20 EAST, S.L.M.,	:	
IN UTAH COUNTY, UTAH	:	

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This cause came on regularly for hearing before the Board of Oil, Gas and Mining (the "Board") on Thursday, August 24, 1989, 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 301, Salt Lake City, Utah.

The following Board members were present: Gregory P. Williams, Chairman; E. Steele McIntyre; Richard B. Larsen; Judy F. Lever; and Kent G. Stringham. Staff members of the Division of Oil, Gas and Mining (the "Division") present and participating in the hearing included Dr. Dianne R. Nielson, Director; Ronald J. Firth, Associate Director; John R. Baza, Petroleum Engineer; and Brad Hill, Petroleum Geologist. Appearance was made by Phillip Wm. Lear of Van Cott, Bagley, Cornwall & McCarthy for Santa Fe Energy Operating Partners, Ltd. Barbara W. Roberts appeared on behalf of the Board and Division. Robert A. Henricks, Chief, Branch of Fluid Minerals, Bureau of Land Management, appeared on behalf of the 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, now makes and enters its Findings of Fact, Conclusions of Law, and Order as follows:

FINDINGS OF FACT

1. Notice of the time, place, and purpose of the August 24, 1989 hearing was mailed to all interested parties by certified mail, return receipt requested, on July 31, 1989, and was published in the Deseret News, Salt Lake Tribune, and in the Vernal Express as required by the procedural rules of the Board of Oil, Gas and Mining.

2. Copies of the Request for Agency Action were mailed to all interested persons as required by the law.

3. Santa Fe Energy Operating Partners, L.P. ("Santa Fe Energy") is a Delaware limited partnership, having its principal place of business in Houston, Texas.

4. Santa Fe Pacific Exploration Company is the managing general partner and is qualified to do business in the State of Utah.

5. The Board is empowered by Section 40-6-6 of the Utah Code Annotated (1988) to establish drilling units covering any pool or stratigraphic zone of any pool upon terms and conditions that are just and reasonable.

6. Santa Fe Energy Company is the operator of the Federal 1-28 Well to be situated in the NW1/4 of Section 28, Township 10 South, Range 20 East, S.L.M.

7. Santa Fe Energy is the lessee of record of United States Oil and Gas Lease U-28203 and of two Ute Indian Tribe Oil and Gas Exploration and Development Leases-Allotted Indian Lands covering the following described lands in Uintah County, Utah:

Township 10 South, Range 20 East, S.L.M.

Section 28: All

(containing 640.0 acres, more or less).

The Indian leases affect the stratigraphic interval from the surface down to the base of the Mancos formation.

8. Santa Fe Energy and other operators have successfully drilled, tested, and produced gas from the stratigraphic interval of the Wasatch - Mesa Verde formations on lands and leases approximate to those lands and leases to be included within the requested drilling unit.

9. Geological and engineering data obtained during drilling and development operations and related technical studies conducted within the immediately adjacent area affected by the Request for Agency Action indicate that the area to be included within the requested drilling unit initially should be as follows:

Township 10 South, Range 20 East, S.L.M.

Section 28: All

(containing 640.0 acres, more or less).

These lands are believed to be underlain by a common source of supply from which gas and associated hydrocarbons can be produced.

10. These lands are currently subject to the authority of the well location and siting Rule R615-3-2 of the Oil and Gas General Rules of the Board, Utah Admin. Code (1989). That rule establishes locating and siting of oil and gas wells, with the requirement that the well be located in the center of a 40-acre quarter-quarter section or substantially equivalent lot or tract, with the tolerance of 200 feet in any direction from the center location.

11. The interval underlying the requested drilling unit is defined as being the same interval underlying the Natural Buttes and River Bend Units for the common source of supply in the Wasatch - Mesa Verde formations, more particularly described as follows:

That interval below the top of the Wasatch formation defined as the stratigraphic equivalent of the 4,960 foot depth in the Dual Induction log run March 28, 1974, in the Conoco Home No. 1 Well located in the NW1/4NW/14 of Section 13, Township 10 South, Range 20 East, S.L.M., down to the top of the Mancos formation defined as depth 10,400 feet in said Dual Induction log.

The interval is a definite and easily identifiable stratigraphic horizon throughout the entire area which is customarily drilled and explored for gas potential.

12. The well is to be located in the W1/2 of Section 28, consistent with wells drilled on adjacent lands.

13. Only one producing well into the underlying interval should be permitted within the drilling unit established by the Board.

14. The maximum area that can be efficiently and economically drained by one well from the interval underlying the requested drilling unit is 640 acres.

15. A communitization agreement is currently being prepared for approval by the Bureau of Land Management and Bureau of Indian Affairs to authorize the pooling of the leases for common development.

16. The establishment of a drilling unit will prevent waste, avoid the drilling of unnecessary wells, provide for the operation and development of the underlying interval in such a manner that a greater ultimate recovery of gas and associated hydrocarbons

obtained, and provide for the protection of correlative rights of all parties owning an interest in the requested drilling unit.

CONCLUSIONS OF LAW

1. Due and regular notice of the time, place and purpose of the August 24, 1989 hearing was given to all interested parties in the form and manner and within the time required by law in the rules and regulations of the Board.

2. The Board has jurisdiction over all matters covered by the Request for Agency Action and over all parties interested therein and has power and authority to make and promulgate the order herein set forth.

3. The Wasatch - Mesa Verde formations underlying the requested 640-acre drilling unit is a highly complex series of isolated and discontinuous beds of productive rock randomly distributed vertically over a several thousand foot thick interval.

4. The establishment of a drilling unit will prevent waste, avoid the drilling of unnecessary wells, provide for the operation and development of the underlying interval in such a manner that a greater ultimate recovery of gas and associated hydrocarbons may be maintained and provide for the protection of correlative rights of all parties owning an interest in the requested drilling unit.

ORDER

IT IS THEREFORE ORDERED THAT:

1. The drilling unit is hereby established for the development and production of gas and associated hydrocarbons from the Wasatch - Mesa Verde formations as defined in paragraph 11 of the Findings of Fact, in its aerial extent as follows:

Township 10 South, Range 20 East, S.L.M.

Section 28: All

(containing 640.0 acres, more or less).

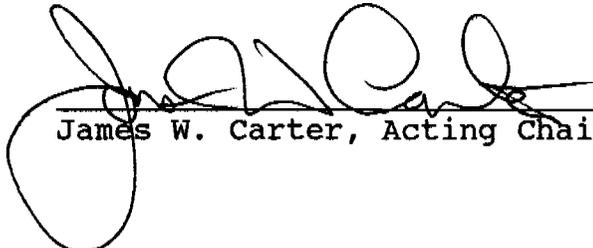
2. The Santa Fe Federal #1-28 Well to be situated in the NW1/4 of Section 28 is to be the unit well.

3. The unit well shall be sited in the W1/2 of the section with tolerances for topographic, geological, and other reasons, as allowed by applicable law, said tolerances or exceptions to be granted by administrative action without notice or hearing.

4. The Board retains continuing jurisdictions of all matters covered by this order and over all parties affected thereby.

DATED this 1st day of November, 1990; but effective as of August 24, 1989.

STATE OF UTAH
BOARD OF OIL, GAS AND MINING



James W. Carter, Acting Chairman