

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

IN THE MATTER OF THE PETITION	*	
OF TXO PRODUCTION CORPORATION	*	
FOR AN ORDER EXTENDING THE 160	*	
ACRE SPACING ESTABLISHED IN	*	FINDINGS OF FACT,
CAUSE NO. 206-1 TO SECTION 2	*	CONCLUSIONS OF LAW,
AND E1/2E1/2 SECTION 3, TOWNSHIP	*	AND ORDER
12 SOUTH, RANGE 25 EAST, S.L.M.,	*	Docket No. 85-049
UINTAH COUNTY, UTAH	*	Cause No. 206-2
	*	

Pursuant to the Petition of TXO Production Corporation, this cause came on for hearing before the Board of Oil, Gas & Mining, Department of Natural Resources and Energy, State of Utah, on Thursday, September 19, 1985, at 10 o'clock a.m. in the Board Room of the Division of Oil, Gas & Mining, 355 West North Temple, 3 Triad Center, Suite 301, Salt Lake City, Utah. The following Board members were present:

Gregory P. Williams, Chairman
James W. Carter
John M. Garr
Charles R. Henderson
Richard B. Larsen
E. Steele McIntyre

The Board was represented by Mark C. Moench, Esq.,
Assistant Attorney General for the State of Utah.

Appearances for the Division of Oil, Gas & Mining were made by:

Dr. Dianne Nielson, Director
Division of Oil, Gas & Mining

John R. Baza, Petroleum Engineer

The Division was represented by Barbara W. Roberts, Assistant Attorney General for the State of Utah.

The Petitioner, TXO Production Corporation, was represented by John A. Harja of Hugh C. Garner & Associates, 310 South Main Street, Suite 1400, Salt Lake City, Utah 84101.

Testimony was given by:

Ricky J. Taylor; Geologist, for Petitioner
Judith S. H. Atherton; Attorney-at-law, for Petitioner

Mr. H. Cleavinger of the Vernal Office of the Bureau of Land Management was also present.

NOW, THEREFORE, the Board, having considered the testimony adduced and the exhibits reviewed in said hearing and being fully advised in the premises, now makes and enters the following:

FINDINGS OF FACT

1. Due and regular notice of the time, place and purpose of the hearing was given to all interested parties as required by law and the rules and regulations of the Board. The parties specifically served with notice are listed in Exhibit "A" attached to the Petition.

2. The Board has jurisdiction over the subject matter of the Petition and over all parties interested therein and has jurisdiction to make and promulgate the Order hereinafter set forth.

3. The original Petition in this matter was a request to extend the 160 acre drilling/spacing units established by Cause No. 206-1 to Section 2 and the E1/2 E1/2 Section 3, Township 12 South, Range 25 East, S.L.M., Uintah County, Utah. The request for the Section 3 spacing unit was based upon surface constraints, specifically the unavailability for leasing of the lands surrounding Section 3, except to the east. However, since the BLM records and employees indicated to Petitioner on the day before the hearing that the lands to the north, west and south of Section 3 would become available for leasing in the near future (under the federal competitive system), the Board granted Petitioner's oral motion to amend the Petition and delete the request for spacing the E1/2 E1/2 of Section 3. The hearing proceeded as a spacing hearing for Section 2, Township 12 South, Range 25 East, S.L.M., Uintah County, Utah.

4. The Order in Cause No. 206-1 established 160 acre drilling/spacing units for the Dakota formation underlying Section 36, Township 11 South, Range 25 East, S.L.M., Uintah County, Utah. The Order further provided that one well may be drilled per drilling/spacing unit at a location no closer than 1,000 feet from the unit boundaries, with a 500 foot tolerance to be granted

administratively for geological or topographical reasons. Further, the permitted location could be no closer than 2,000 feet from a permitted well in an adjacent area, with the same 500 foot tolerance for geological or topographical reasons.

5. Geologic evidence indicates that the Dakota formation (including the Buckhorn Sands) extends under both Section 36, Township 11 South, Range 25 East, S.L.M., Uintah County, Utah and Section 2, Township 12 South, Range 25 East, S.L.M., Uintah County, Utah and constitutes a common source of supply of recoverable hydrocarbons, principally natural gas.

6. Geologic evidence indicates (at present) that 160 acre drilling/spacing units are not smaller than the maximum area that can be efficiently and economically drained by one well.

7. The establishment of 160 acre drilling/spacing units for the Dakota formation underlying Section 2 will prevent waste of the resource, prevent the drilling of unnecessary wells and protect the correlative rights of the various interest owners in the section.

CONCLUSIONS OF LAW

1. The Board has the authority, pursuant to U.C.A. §40-6-6(3), (1953, as amended) to modify previous spacing orders to include additional areas which are underlaid by a common source of supply.

Sufficient evidence now being available upon which to reach a decision, the Board issues the following:

ORDER

1. The provisions of the Order issued in Cause No. 206-1 are hereby extended to cover Section 2, Township 12 South, Range 25 East, S.L.M., Uintah County, Utah.

2. The 160 acre drilling/spacing units on Section 2 are established as follows:

- i) Unit 1: NW1/4
- ii) Unit 2: NE1/4
- iii) Unit 3: SE1/4
- iv) Unit 4: SW1/4

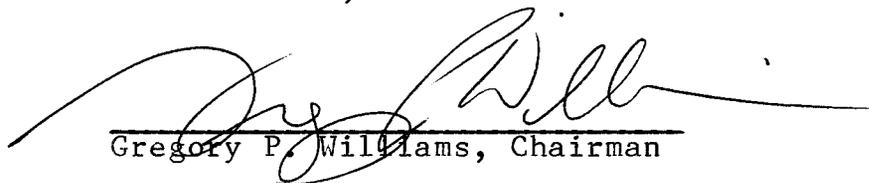
One well is allowed per drilling unit at a location no closer than 1,000 feet from unit boundaries, with 500 foot tolerance to be granted administratively for geological, topographical or cultural reasons. Further, the permitted location shall be no closer than 2,000 feet from a permitted well in an adjacent unit, with a 500 foot tolerance to be granted administratively for geological, topographical, or cultural reasons. Administrative approval of exceptions to the above locations shall be granted pursuant to Rule C3 of the General Rules and Regulations of the Board, or any duly promulgated replacement rule.

3. The Board retains exclusive and continuing jurisdiction over all matters covered by this Order and over all parties affected thereby and particularly reserves exclusive and

continuing jurisdiction to make further orders as appropriate and as authorized by statute and regulation.

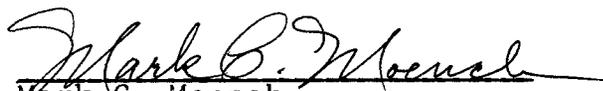
DATED this 24th day of October, 1985.

STATE OF UTAH
BOARD OF OIL, GAS & MINING



Gregory P. Williams, Chairman

Approved as to form:



Mark C. Moench
Assistant Attorney General