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AUG 18 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 DOMINION)
EXPLORATION & PRODUCTION, INC. FOR AN)
ORDER SUSPENDING APPLICATION OF UTAH)
ADMIN. CODE RULES R649-3-2, R649-3-10 AND)
R649-3-11 (1) AND (2) INSOFAR AS THEY)
PERTAIN TO LANDS WITHIN THE RIVER)
BEND AND LITTLE CANYON FEDERAL)
EXPLORATORY UNITS, COVERING PORTIONS)
OF TOWNSHIPS 9, 10 AND 11 SOUTH, RANGES)
18, 19, 20 AND 21 EAST, SLM, UINTAH)
COUNTY, UTAH)

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

Docket No. 2006-011

Cause No. 259-01

This cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, July 26, 2006, at 10:00 a.m. The following Board members were present and participated at the hearing: Chairman J. James Peacock, Robert J. Bayer, Douglas E. Johnson, Kent R. Petersen and Samuel C. Quigley. Board member Jean Semborski was unable to attend. At the commencement of the hearing, Board member Jake Y. Harouny announced he was an interest owner within the lands which are the subject of this Cause and therefore recused himself from further participation. The Board was represented by Stephen G. Schwendiman, Esq., Assistant Attorney General.

Testifying on behalf of Petitioner Dominion Exploration & Production, Inc. ("Dominion") were Wendy L. Straatmann, Geoscience Manager - Rocky Mountains, John M. Sabby, Reservoir Manager - Rocky Mountains, and Joseph W. Thames, President of Baseline

Minerals, Inc. - Contract Landman. Frederick M. MacDonald, Esq., of and for Pruitt Gushee, a Professional Corporation, appeared as attorney for Dominion.

Testifying on behalf of the Division of Oil, Gas and Mining (the "Division") was Brad Hill, Permitting Manager. Steven F. Alder, Esq., Assistant Attorney General, appeared as attorney on behalf of the Division. The Division expressed no objection to the suspension of Rule R649-3-2 with the caveat that Dominion 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 three 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.

At the conclusion of Dominion's and the Division's presentations, Michael L. Coulthard, Petroleum Engineer, Utah State Office of the Bureau of Land Management ("BLM"), made an appearance and expressed his Agency's support for the granting of the Request for Agency Action. No other party filed a response to Dominion's Request for Agency Action and no other party appeared or participated at the hearing.

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

FINDINGS OF FACT

1. Dominion is a Delaware corporation, with its principal place of business, as relevant to the lands which are the subject of this Cause, in Oklahoma City, Oklahoma. Dominion is duly qualified to conduct business in the State of Utah, and is fully and appropriately bonded with all relevant Federal, Indian and State of Utah agencies.

2. The following lands comprise the River Bend Federal Exploratory Unit (the “RB Unit”):

Township 9 South, Range 19 East, SLM

Section 33: Lots 10 [7.45] and 11 [36.05],
SE¹/₄SE¹/₄

Section 34: S¹/₂S¹/₂

Township 10 South, Range 18 East, SLM

Section 2: W¹/₂SE¹/₄, SW¹/₄

Section 3: SE¹/₄

Section 10: NE¹/₄

Section 11: W¹/₂NE¹/₄, NW¹/₄, NW¹/₄SE¹/₄

Township 10 South, Range 19 East, SLM

Section 3: Lots 1 [41.79], 2 [41.95], 3 [42.11],
and 4 [42.27], S¹/₂N¹/₂, S¹/₂ [All]

Section 4: Lots 1 [42.20], 5 [44.31], 6 [54.04],
7 [53.31], 8 [40.84], 9 [40.77], 10
[54.79], 11 [35.69], 12 [33.16], 13
[40.60] and 14 [48.95], S $\frac{1}{2}$ NE $\frac{1}{4}$
Section 9: Lots 5 [40.12], 6 [16.11], 7 [36.92],
8 [39.88] and 9 [52.02], S $\frac{1}{2}$ SE $\frac{1}{4}$
Section 10: All
Section 13: SE $\frac{1}{4}$ NE $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, W $\frac{1}{2}$, SE $\frac{1}{4}$
Section 14: All
Section 15: All
Section 16: All
Section 17: All
Section 20: E $\frac{1}{2}$
Section 21: All
Section 22: All
Section 23: All
Section 24: All

Township 10 South, Range 20 East, SLM

Section 2: Lots 1 [42.03], 2 [41.90], 3 [41.74]
and 4 [41.61], S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$ [All]
Section 3: Lots 1 [41.54], 2 [41.51], 3 [41.61],
and 4 [41.64], S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$ [All]
Section 10: All
Section 11: All
Section 14: All
Section 15: All
Section 16: All
Section 17: All
Section 18: Lots 2 [76.27], 3 [76.98] and
4 [76.80], SE $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$,
S $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$
Section 19: Lots 1 [77.04], 2 [77.48], 3 [78.44]
and 4 [78.90], E $\frac{1}{2}$ W $\frac{1}{2}$, E $\frac{1}{2}$ [All]
Section 20: All
Section 21: All

Section 22: All

Section 23: All

(containing 18,320.82 acres, more or less),

and the following lands comprise the Little Canyon Federal Exploratory Unit (the "LC Unit"):

Township 10 South, Range 20 East, SLM

Section 25: S $\frac{1}{2}$ SE $\frac{1}{4}$

Section 35: S $\frac{1}{2}$ NE $\frac{1}{4}$, W $\frac{1}{2}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$

Section 36: All

Township 11 South, Range 20 East, SLM

Section 1: Lots 1 [40.15], 2 [39.91], 3 [39.72]
and 4 [39.64], S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$ [All]

Section 2: Lots 1 [39.96], 2 [39.99], 3 [39.51]
and 4 [39.04], S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$ [All]

Section 3: Lots 1 [38.18], 2 [37.60], 3 [37.03]
and 4 [36.45], S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$ [All]

Section 4: Lots 1 [35.92] and 2 [35.83], S $\frac{1}{2}$ NE $\frac{1}{4}$,
SE $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$

Section 8: SE $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$

Section 9: All

Section 10: All

Section 11: All

Section 12: All

Section 16: All

Section 17: All

Township 11 South, Range 21 East, SLM

Section 6: Lots 1 [39.28], 2 [39.45], 3 [39.63],
4 [29.92], 5 [30.05], 6 [30.09] and

7 [30.12], S½NE¼, SE¼NW¼,
E½SW¼, SE¼ [All]

(containing 8,057.47 acres, more or less).

The RB Unit and LC Unit are collectively hereinafter referred to as the "Units."

3. The RB Unit was initially approved effective March 21, 1977 and has since been contracted once and expanded twice. The LC Unit was approved effective March 14, 2005. The Units are administered by the BLM. All oil and gas in any and all formations underlying the committed tracts within the Units are unitized. Dominion serves as Unit Operator of the Units. There are no uncommitted tracts within the RB Unit and only approximately 4.5% of the LC Unit is deemed by the BLM not to be committed at this time.

4. All lands within the Units currently are not covered by any Board spacing order.

5. Paragraph 16 of the respective Unit Agreements expressly requires the Unit Operator (currently Dominion) 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.

6. Well location and density patterns within the respective Unit Area are determined in accordance with the terms of the respective Unit Agreement and, in particular, the annual plan of Unit development approved by the BLM. Drilling applications are

approved by both the BLM (both on its own behalf and, as relevant to Indian lands, on behalf of the Bureau of Indian Affairs (“BIA”)) and the Division.

7. Development of the Units has occurred on a 40-acre equivalent density pattern, with over 400 wells drilled and producing gas, to date. Early drilling was more focused on the Tertiary Wasatch formation but the wells are now drilled roughly 1,000 feet into the Upper Cretaceous North Horn/Mesaverde formations. Partially as a consequence thereof, the participating areas currently established pursuant to the governing Unit Agreements are consolidated to include both the Wasatch and Mesaverde formations and the associated production therefrom.

8. The Wasatch and Mesaverde reservoirs are comprised of very tight sand 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 (between .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. As a consequence, wells drilled based on a 40-acre density pattern are not intersecting portions of the sands and, without a tighter density pattern, there is a high possibility gas reserves in the Units will be left in the ground and unrecoverable.

9. Dominion is proposing to drill Wasatch-Mesaverde gas wells on the equivalent of an approximate 20-acre density pattern in the Units in order to access those additional

sands and associated reserves. Dominion's engineering analysis suggest an additional 640 mcf to 1 bcf of gas will be recovered via a 20-acre density drilling program and will result in an increase in the rate of return of between 10% and 29%. The program therefore appears to be economic even if directional wells are included.

10. However, drilling on a 20-acre density pattern will almost always prohibit location within the allowed "window" under the general well siting regulation (Utah Admin. Code Rule R649-3-2) and conversely always require an exception location approval (in accordance with Utah Admin. Code Rule R649-3-3).

11. In addition, there is a sharp change in elevation (up to 400 feet) across certain portions of the Units. Optimal geologic drilling locations are frequently comprised in order to build pads or sites that minimize surface disturbance and to comply with other regulatory restriction, including environmental constraints. These constraints will additionally prohibit Dominion from locating wells within the allowed "window" under Utah Admin. Code Rule R649-3-2. Certain wells may have to be directionally drilled due to these constraints.

12. A copy of the Request for Agency Action was mailed via certified mail to all working interest owners within the Units at their last addresses as disclosed by the appropriate Federal, Indian, State and County realty records, as well as to the BLM, BIA and the Utah School and Institutional Trust Lands Administration.

13. Notice of the filing of Dominion's Request for Agency Action and of the hearing thereon was duly published in the Salt Lake Tribune and Deseret Morning News on July 2, 2006, and in the Vernal Express on July 5, 2006.

14. The vote of the Board members present in the hearing and in this cause was unanimous in favor of granting the Request for Agency Action.

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 interests are affected by the Request for Agency Action 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 matter covered by the Request for Agency Action 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 Utah Admin. Code Rule R649-2-3.

3. The conservation of oil and gas and the prevention of waste are accomplished by operations conducted in accordance with the terms of the respective Unit Agreement.

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

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

6 To account for Dominion's proposed 20-acre density drilling program for, and the topographical constraints in, the Units, suspension of Utah Admin. Code Rules R649-3-2, R649-3-10 and R649-3-11(1) and (2) insofar as they apply to the committed tracts only within the Units is fair, reasonable and justified with the following provisions:

(a) no future well within the Units may be located closer than 460 feet from a Unit boundary or from the boundary of an uncommitted tract within the Units without administrative approval of the Division in accordance with Utah Admin. Code Rule R649-3-3;

(b) no future well may be directionally drilled if any portion of a 460 foot radius along the projected wellbore encompasses a Unit boundary or the boundary of an uncommitted tract with the Units without approval of the Division or Board in accordance with Utah Admin. Code Rules R649-3-3 and R649-3-11;

(c) Dominion and any successor as Unit Operator shall provide the Division: (1) a plat or sketch showing the distance from the surface location to section and lease lines and the target location within the intended producing interval with any application for permit to drill filed for a well to be directionally drilled in the Unit Area; and (2) copies of the annual plan of Unit development for the Units filed with the BLM; and

(d) This suspension shall remain in effect only for committed lands which remain part of the Units. Upon Unit contraction or termination, lands eliminated from the Units shall once again become subject to the applicable rules.

7. Dominion has sustained its burden of proof, demonstrated good cause, and satisfied all legal requirements, including those set forth in Utah Admin. Code Rule R649-2-3, for the granting of its Request for Agency Action.

8. The relief granted hereby will result in the orderly development and greatest recovery of Unitized oil and gas, prevent waste and adequately protect the correlative rights of all affected parties in the Units.

ORDER

Based upon the Request for Agency Action, testimony and evidence submitted, and the findings of fact and conclusions of law stated above, the Board hereby orders:

1. The Request for Agency Action in this cause is granted.
2. Utah Admin. Code Rules R649-3-2, R649-3-10 and R649-3-11(1) and (2) are suspended insofar as they apply to the committed tracts only in the River Bend and Little Canyon Federal Exploratory Unit Areas as described above; provided, however, that:

(a) no future well within the Units may be located closer than 460 feet from a Unit boundary or from the boundary of an uncommitted tract within the Units without

administrative approval of the Division in accordance with Utah Admin. Code Rule R649-3-3;

(b) no future well may be directionally drilled if any portion of a 460 foot radius along the projected wellbore encompasses a Unit boundary or the boundary of an uncommitted tract with the Units without approval of the Division or Board in accordance with Utah Admin. Code Rules R649-3-3 and R649-3-11;

(c) Dominion and any successor as Unit Operator shall provide the Division: (1) a plat or sketch showing the distance from the surface location to section and lease lines and the target location within the intended producing interval with any application for permit to drill filed for a well to be directionally drilled in the Units; and (2) copies of the annual plan of Unit development for the Units filed with the BLM; and

(d) This suspension shall remain in effect only for committed lands which remain part of the Units. Upon Unit contraction or termination, lands eliminated from the Units shall once again become subject to the applicable rules.

3. If the Division should determine that operations within the Units are not being conducted in a manner which is intended to maximize recovery of oil and gas, promotes conservation, is protective of correlative rights, and/or without committing waste, 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.

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

5. 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.

6. 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 10th 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 15th 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

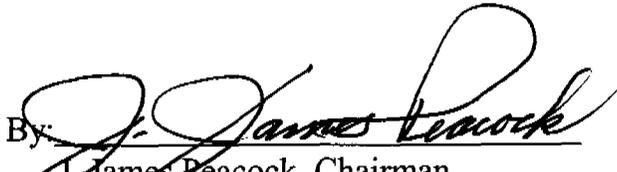
the deadline in Utah Admin. Code Rule R641-110-100 for moving to rehear this matter, the Board hereby rules that the later of the two deadlines shall be available to any party moving to rehear this matter. If the Board later denies a timely petition for rehearing, the party may still seek judicial review of the Order by perfecting a timely appeal with the Utah Supreme Court within 30 days thereafter.

7. 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.

8. 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 18th 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. 2006-011, Cause No. 259-01 to be mailed with postage prepaid, this 7th day of September, 2006, to the following:

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