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

NOTICE OF AGENCY ACTION FOR AN ORDER REQUIRING MARION ENERGY TO PLUG AND RECLAIM WELLS; OR FORFEIT SURETY BOND AND AUTHORIZE THE DIVISION TO PLUG AND RECLAIM WELLS LOCATED IN TOWNSHIPS 13 AND 14 SOUTH, RANGE 7 EAST, CARBON COUNTY, UTAH; AND AN ORDER REQUIRING MARION ENERGY TO IMMEDIATELY COMPLY WITH THE NOTICE OF VIOLATION FOR THE WELLS LOCATED IN TOWNSHIPS 12, 13, AND 14 SOUTH, RANGES 7 AND 10 EAST, CARBON COUNTY, UTAH.	**[PROPOSED] SECOND SUPPLEMENTAL ORDER** Docket No. 2011-018 Cause No. 250-02

This cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on June 26, 2013 at 9:00 a.m. in the Auditorium of the Utah Department of Natural Resources Building in Salt Lake City, Utah. The following Board members were present and participated at the hearing: Chairman James T. Jensen, Vice-Chairman Ruland J. Gill, Jr., Kelly L. Payne, Chris D. Hansen, Carl F. Kendell and Michael Brown. Board member Susan Davis was absent. The Board was represented by Michael S. Johnson, Esq., Assistant Attorney General.

At the hearing, Marion Energy, LLC ("Marion") was represented by Michael Malmquist, Esq., who provided the Board a factual and procedural summary of the events leading to this hearing. Jeff Clarke, Marion's President, testified to Marion's recent and ongoing efforts to comply with the Board's October, 2012 Supplemental Order.

The Division of Oil, Gas, and Mining ("Division") was represented by Cameron B. Johnson, Esq., Assistant Attorney General. Dustin Doucet, Petroleum Engineer for the Division, provided testimony and answered questions from the Board during the hearing.

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

BACKGROUND

This hearing arose before the Board as a continuation of the proceedings before the Board at its October 24, 2012 hearing in response to Respondent Marion Energy Inc.'s Request to Immediately Re-enter, Test and Produce the Oman 2-20 Well. Following the October 2012 hearing, the Board issued a Supplemental Order suspending the effect of its earlier plugging order[1] as to the Oman 2-20 well, and directing Marion to appear at the June 26, 2013 hearing to show cause as to why the Board's plugging order should not be implemented as to that well. The Board also attached pre-conditions to Marion's commencement of work on the Oman 2-20 well, i.e., to deposit an additional cash bond of $30,000 cash with the Division, and to perform mechanical integrity tests and demonstrate mechanical integrity to the Division for the water disposal pipeline and water disposal well. *See* Supplemental Order at 1.

At the June 26 hearing, Marion sought to have the Oman 2-20 well effectively removed from operation of the plugging order and returned to Marion's complete responsibility and control. The Board heard testimony from Jeff Clarke, President of Marion Energy, and from Dustin Doucet, Petroleum Engineer for the Division, and oral argument by the parties. The

[1] September 10, 2012 Findings of Fact, Conclusions of Law and Order.

Division also considered the Division's Statement of Facts and Argument Regarding Order to Show Cause, and Marion's Summary of Testimony, both filed in advance of the hearing.

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER

1. The Board, having considered the testimony, oral argument and pleadings, issues the following findings of fact, conclusions of law and order:

(a) Marion has fully complied with the following conditions of the Supplemental Order: Deposit of $30,000 cash, and mechanical integrity testing and demonstration of integrity for the lower portion of the water disposal pipeline and the ASD 3-17 water disposal well.

(b) Marion's progress towards putting the Oman 2-20 well back on production, including work on the well and associated infrastructure, testing of the well, and successful recapitalization of the company demonstrates sufficient good cause that the September, 2012 plugging order should not be implemented as to the Oman 2-20 well at this time.

(c) Suspension of the plugging order as to the Oman 2-20 well is extended until the Board hearing on August 28, 2013, or until such sooner time as the Division notifies the Board that it is satisfied that Marion has installed a compressor and other equipment necessary to assure that Marion is ready and able to make delivery of gas into the Questar pipeline, in which case the Board will sign an order in the form attached modifying the September plugging order to exclude the Oman 2-20 well, return complete responsibility for the well to Marion and provide that the $30,000.00 in bonding provided as a condition of the Board's staying of the September Order shall continue to be held by the Division as bond for the plugging of this and other wells operated by Marion.

(d) If by the August 28, 2013, Board hearing date the Division has not notified the Board that Marion has satisfied the conditions specified in Paragraph 1.c., Marion shall appear before the Board and show good cause why the plugging order should not be implemented as to the Oman 2-20 well.

2. The Board has considered and decided this matter as a formal adjudication, pursuant to the Utah Administrative Procedures Act, Utah Code Ann. §§ 63G-4-204 through 208, and of the Rules of Practice and Procedure before the Board of Oil, Gas and Mining, Utah Admin. Code R641.

3. Notice re: Right to Seek Judicial Review by the Utah Supreme Court or to Request Board Reconsideration: As required by Utah Code Ann. § 63G-4-208(e) - (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. §§ 63G-4-401(3)(a) and 403. 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. § 63G-4-302, 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 63G-4-301 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 mailed 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 that 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. § 63G-4-302 and the deadline in Utah Admin. Code 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.

4. 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.

5. The Chairman's signature on a facsimile copy of this Order shall be deemed the equivalent of a signed original for all purposes.

Dated this _____ day of July, 2013.

STATE OF UTAH
BOARD OF OIL, GAS AND MINING

By: _____
James T. Jensen, Chairman

Attachment

CERTIFICATE OF SERVICE

The Undersigned herby certifies that a true and correct copy of the foregoing SECOND SUPPLEMENTAL ORDER for Docket No. 2011-018, Cause No. 250-02 to be mailed postage prepaid to the addresses shown, and emailed to the emailed addresses shown, this ___ day of July, 2013, to the following:

Steve Alder, Assistant Attorney General
Utah Attorney General's Office
1594 W. North Temple, Suite 300
Counsel for Utah Division of Oil, Gas and Mining
stevealder@utah.gov

Michael Malmquist
Parsons Behle & Latimer
Attorneys for Marion Energy Inc.
201 South Main Street, Suite 1800
Salt Lake City, Utah 84111
mmalmquist@parsonsbehle.com

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

NOTICE OF AGENCY ACTION FOR AN ORDER REQUIRING MARION ENERGY TO PLUG AND RECLAIM WELLS; OR FORFEIT SURETY BOND AND AUTHORIZE THE DIVISION TO PLUG AND RECLAIM WELLS LOCATED IN TOWNSHIPS 13 AND 14 SOUTH, RANGE 7 EAST, CARBON COUNTY, UTAH; AND AN ORDER REQUIRING MARION ENERGY TO IMMEDIATELY COMPLY WITH THE NOTICE OF VIOLATION FOR THE WELLS LOCATED IN TOWNSHIPS 12, 13, AND 14 SOUTH, RANGES 7 AND 10 EAST, CARBON COUNTY, UTAH.	**MODIFICATION OF SEPTEMBER 10, 2012 ORDER AS TO THE OMAN 2-20 WELL** Docket No. 2011-018 Cause No. 250-02

By Order dated September 10, 2012[1] (the "plugging order"), the Utah Board of Oil, Gas and Mining (the "Board") directed that a bond held by Marion Energy Inc. ("Marion") be forfeited and that the proceeds be used by the Division of Oil, Gas and Mining (the "Division") to plug and abandon several wells in the Clear Creek Field in Carbon County, Utah, including the Oman 2-20 well. In a Supplemental Order dated October 26, 2012, the Board temporarily suspended the plugging order as to the Oman 2-20 well. By a Second Supplemental Order dated July 3, 2013, the Board extended that suspension and set forth the condition upon which it would issue an order modifying the plugging order to exclude the Oman 2-20 well from operation of the order, return complete responsibility for the well to Marion, and provide that the $30,000.00 in bonding provided as a condition of the Board's original suspension of the plugging order shall

[1] September 10, 2012 Findings of Fact, Conclusions of Law and Order.

continue to be held by the Division as bond for the plugging of this and other wells operated by Marion.

As per the Board's Second Supplemental Order, the condition upon which it will enter an order modifying the plugging order for the Oman 2-20 well as described above, is that the Division notifies the Board that it is satisfied that Marion has installed a compressor and other equipment necessary to assure that Marion is ready and able to make delivery of gas into the Questar pipeline.

On _____, 2013, the Board received written notification from the Division that it was satisfied that Marion has installed a compressor and other equipment necessary to assure that Marion is ready and able to make delivery of gas into the Questar Pipeline. A copy of the notification is attached. Based on receipt of the Division's notification, the Board hereby does, upon signature of this Modification of September 10, 2012 Order as to the Oman 2-20 Well, modify the plugging order as follows:

1. The Oman 2-20 well is removed from operation of the plugging order and complete responsibility for the well is returned to Marion Energy Inc.
2. The $30,000 in bonding provided by Marion as a condition of the Board's initial suspension of the plugging order as to the Oman 2-20 well shall continue to be held by the Division as bonding for plugging of this and other wells operated by Marion in the Clear Creek Field.

Dated this _____ day of _____, 2013.

STATE OF UTAH
BOARD OF OIL, GAS AND MINING

By: _____
James T. Jensen, Chairman

CERTIFICATE OF SERVICE

The Undersigned herby certifies that a true and correct copy of the foregoing MODIFICATION OF SEPTEMBER 10, 2012 ORDER AS TO THE OMAN 2-20 WELL for Docket No. 2011-018, Cause No. 250-02 to be mailed postage prepaid to the addresses shown, and emailed to the emailed addresses shown, this ___ day of _____, 2013, to the following:

Steve Alder, Assistant Attorney General
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Counsel for Utah Division of Oil, Gas and Mining
stevealder@utah.gov

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