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 BILL BARRETT CORPORATION FOR AN ORDER AUTHORIZING THE DRILLING OF A SECOND HORIZONTAL WELL FOR PRODUCTION OF GAS AND ASSOCIATED OIL AND HYDROCARBONS FROM THE MISSISSIPPIAN MANNING CANYON FORMATION WITHIN SECTION 32, TOWNSHIP 15 SOUTH, RANGE 12 EAST, SLM, CARBON COUNTY, UTAH	**AMENDED FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER** Docket No. 2009-10 Cause No. 267-001

This Cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, July 29, 2009, at 9:00 a.m., in Room 210 of the East (Senate) Building of the Capitol Complex in Salt Lake City. The following Board members were present and participated in the hearing, deliberations and vote: Chairman Douglas E. Johnson, Samuel C. Quigley, Ruland J. Gill, Jr., Jake Y. Harouny, James T. Jensen and Kelly L. Payne. At the commencement of the hearing, Board Member Jean Semborski disclosed that her employer, ConocoPhillips Company ("COP"), had submitted to the Board a letter in support for the granting of BBC's Request for Agency Action dated June 9, 2009, as amended on June 24, 2009 (collectively the "Request"), but that she personally had not been involved with the wells, leases and lands at issue in this Cause in the course of her employment. Chairman Johnson asked if there were any objections to Ms. Semborski's participation in the Cause, but none were voiced.

Notwithstanding, and despite her participation in the hearing, Ms. Semborski recused herself prior to the deliberations and vote on this Cause and did not participate therein. The Board was represented by Michael S. Johnson, Esq., Assistant Attorney General.

Testifying on behalf of Petitioner Bill Barrett Corporation ("BBC") were Douglas W.G. Gundry-White – Senior Landman, and James D. Huck, Senior Geophysicist, who were recognized as experts in petroleum land management and geology, respectively, for purposes of this Cause. Frederick M. MacDonald, Esq., of and for Beatty & Wozniak, P.C., appeared as attorney for BBC.

Testifying on behalf of the Division of Oil, Gas and Mining (the "Division") was Gil Hunt – Associate Director, Oil and Gas. Kevin Bolander, Esq., Assistant Attorney General, appeared as attorney on behalf of the Division. The Division expressed its support for the granting of the Request at the conclusion of its presentation.

At the conclusion of BBC's and the Division's presentations, LaVonne J. Garrison, Associate Director – Oil and Gas, Utah School and Institutional Trust Lands Administration ("TLA"), made a statement expressing the TLA's support for the granting of the Request.

Rod Markham, James R. Cone, Jr. and Lowry Lewis, record title owners in the oil, gas and hydrocarbon lease covering subject Section 32, filed letters with the Board on July 7, 2009, July 13, 2009 and July 7, 2009, respectively, in support for the granting of

the Request. COP, a co-farmee with BBC of the lease covering subject Section 32, a co-lessee with BBC of the leases covering the adjacent Sections 28-31 lands, and a co-operating rights owner of the formations relevant to this Cause in the lease covering adjacent Section 4, Township 16 South, Range 12 East, SLM, lands similarly filed a letter with the Board on July 13, 2009 in support for the granting of the Request. Finally, SWEPI LP, the lessee of the lease covering the adjacent Section 33 lands and the owner of contractual rights to the pending lease covering the adjacent Sections 5 and 6, Township 16 South, Range 12 East, SLM, lands once issued, also filed a letter with the Board on July 13, 2009 in support for the granting for the Request.

No other party filed a response to the Request and no other party appeared or participated in 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. BBC is a Delaware corporation with its principal place of business in Denver, Colorado. BBC is duly qualified to conduct business in the State of Utah, and is fully and appropriately bonded with all relevant Federal and State of Utah agencies.

2. The gas and associated oil and hydrocarbons underlying Section 32, Township 15 South, Range 12 East, SLM (the "Subject Lands"), are owned by the State of Utah in trust for the benefit of its schools and institutions, are administered by the TLA, and are currently subject to the terms and conditions of State of Utah Oil, Gas and Hydrocarbon Lease ML-49797.

3. The record title to Lease ML-49797 is currently vested as follows: Rod Markham (45%), Jim Cone (45%) and Lowry Lewis (10%). However, BBC and COP have entered into a farmout agreement with said record title owners under which they have earned, and may still earn, certain operating rights in said lease including those in the Mississippian Manning Canyon formation, defined for purposes of this Cause as follows:

> the stratigraphic equivalent of those depths between 7,585 feet and 8,401 feet as shown on the gamma ray log of the State 15-32-15-12 Well located in the SW¼SE¼ of Section 32, T15S, R12E, SLM, Carbon County, Utah,

(the "Subject Formation"). Ownership of the lease is, as relevant to the Subject Formation, uniform. All parties have designated BBC as operator of the lease.

4. Pursuant to the rights granted under the aforementioned Farmout Agreement and in accordance with an application for permit to drill ("APD") approved by the Utah Division of Oil, Gas and Mining (the "Division"), BBC spud the "State 15-

32-15-12" Well in the SW¼SE¼ of subject Section 32 on June 22, 2008, primarily to gain geologic data relating to the Subject Formation. An extensive suite of geophysical logs were acquired and 422 feet of core from the upper portions of the Subject Formation was recovered. The geophysical logs are currently being used to develop a mechanical earth model to determine rock properties for the improvement of drilling and completion techniques. The core has been analyzed to determine gas content and rock strength among other matters. The well is cased but is currently deemed to be in suspended drilling status. BBC intends to initially utilize the well as a microseismic monitoring well to determine the extent of hydraulic fracturing as additional wells (see below) are stimulated and completed.

5. In the fall of 2008, BBC acquired a one-square mile 3D seismic survey covering the Subject Lands, the purpose of which is to guide future horizontal wells and as a vibroseis parameter test for the acquisition of a larger 3D seismic survey that has been approved by the United States Bureau of Land Management ("BLM"). The 3D seismic will be integrated with the results of the hydraulic fracturing monitored from the State 15-32-15-12 well as additional wells are completed.

6. Based on the 3D seismic, pursuant to the rights granted under the aforementioned Farmout Agreement, and in accordance with an APD approved by the Division, BBC designed and proposed the "State 16H-32-15-12" horizontal well, and

spud it on March 2, 2009. The well has a surface hole location in the SE¼SE¼ of Section 32, an intersection point with the Subject Formation in the SE¼SE¼ of Section 32, and with an original proposed horizontal 3,960 feet in length and a terminus in the SW¼SW¼ of Section 32. However, the horizontal of the well was drilled only 2,382 of the proposed 3,960 feet. BBC chose to case the borehole short of the proposed terminus due to borehole instability. The well has encountered encouraging gas shows during its drilling. The well is still deemed to be in drilling status, with completion contemplated within the next few months.

7. The drilling of the two wells, along with the 3D seismic covering Section 32, has in essence been a pilot program to determine the feasibility of development of the Subject Formation throughout the Southern Uinta Basin.

8. Based on the testimony presented, the Subject Formation is of the same depositional nature and era (Palezoic) as, and therefore is analogous to, the Barnett Shales in Texas. According to the testimony presented, these shales are very tight, and development of the Barnett Shale has occurred and is occurring on an equivalent density of up to eight horizontal wells per section. It therefore appears highly unlikely that one horizontal well within the Subject Formation will drain an entire section or adversely affect adjacent sections if the producing intervals of the lateral are located no closer than 660 feet from a section line, as is currently required under Utah Admin. Code Rule R649-

3-2(3).

9. There currently are no Board orders in effect covering the Subject Land as relating to the Subject Formation. Utah Admin. Code Rules R646-3-2(3) through (10) govern horizontal drilling in the absence of such Board orders. In addition to the set-off limitations provided in Subsection (3) outlined in Paragraph 8 above, Subsection (4) provides the surface location of a horizontal well may be anywhere on the leasehold, Subsection (6) establishes a temporary 640-acre (sectional) spacing unit for the orderly development of the anticipated pool of the horizontal well and Subsection (10) provides additional horizontal wells upon said unit may be approved by the Board after hearing brought upon a request for agency action. The 16H-32-15-12 Well currently constitutes the one horizontal well for the Subject Lands and Subject Formation currently authorized under these regulations.

10. In furtherance of its pilot program, BBC is requesting Board authorization to drill a second horizontal well within the N½ of Section 32 to gain additional data and apply its accumulated knowledge to reduce the exploratory and drilling risk in evaluating and developing the Subject Formation.

11. BBC has agreed that, if a second horizontal well is so authorized, no portion of the productive intervals of the lateral shall be located closer than 660 feet from any section line, as is currently provided in Utah Admin. Code Rule R643-3-2(3). There

currently are no vertical wells completed and producing upon the Subject Lands as relevant to the Subject Formation. BBC has further represented that, upon completion of its pilot program and presuming the results thereof so justify, it will file an additional request for agency action seeking appropriate drilling unit designations from the Board.

12. A copy of the Request was mailed, certified and postage prepaid, to all royalty, record title and operating rights owners within the Subject Lands and to the operating rights owners in the Subject Formation in the leases and lands adjacent to the Subject Lands, including to the BLM and TLA, at their last addresses disclosed by the relevant Federal, State and Carbon and Emery County realty records.

13. Notice of the filing of the Request and of the hearing thereon was duly published in the Price Sun-Advocate on July 2, 2009, and in the Salt Lake Tribune and Deseret Morning News on July 5, 2009.

14. The vote of the Board members present in the hearing and participating in the deliberations in this Cause was unanimous (6-0) 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 interests 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 Utah Admin. Code Rule R649-3-2(10).

3. Allowing the drilling of a second horizontal well within the Subject Lands targeting the Subject Formation in furtherance of BBC's pilot program, so long as all portions of the productive interval of the lateral are located no closer than 660 feet from a sectional boundary line, is warranted and is just and reasonable under the circumstances.

4. Since the Subject Lands are covered by one lease and ownership therein is uniform, the correlative rights of the parties will not be adversely affected. Rights of "owners" and "operators," as those terms are defined in Utah Admin. Code Rule R649-1-1, in the lands adjacent to the Subject Lands will be adequately protected by incorporating the off-set limitations set forth in Conclusions of Law Paragraph 3 above.

5. The relief granted hereby will be in furtherance of the public policies of this State to promote greater recovery of gas and oil and associated hydrocarbons without waste and with protection of the correlative rights of all affected owners, constitutes orderly development of the Subject Lands, and is just and reasonable.

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

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. The drilling of a second horizontal well within the N½ of Section 32, Township 15 South, Range 12 East, SLM, for the production of gas and associated oil and hydrocarbons from Mississippian Manning Canyon formation, defined as follows:

> the stratigraphic equivalent of those depths between 7,585 feet and 8,401 feet as shown on the gamma ray log of the State 15-32-15-12 Well located in the SW¼SE¼ of Section 32, T15S, R12E, SLM, Carbon County, Utah,

is hereby authorized; provided, however, that no portion of the productive intervals of the horizontal lateral of said well shall be located closer than 660 feet from any section line.

3. Pursuant to Utah Admin. Code Rules R641 and Utah Code Ann. §63G-4-204 to 208, the Board has considered and decided this matter as a formal adjudication.

4. 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. §63G-4-208 and Utah Administrative Code Rule R641-109.

5. 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 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 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. §63G-4-302 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.

6. 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.

7. 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 17th day of August, 2009.

STATE OF UTAH
BOARD OF OIL, GAS AND MINING

By: _____
Douglas E. Johnson

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing AMENDED FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER for Docket No. 2009-010 Cause No. 267-001 to be mailed with postage prepaid this 17th day of August, 2009 to the following:

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