FILED

APR 17 2012

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 GASCO PRODUCTION COMPANY FOR AN ORDER MODIFYING UTAH ADMIN. CODE RULE R649-3-2 TO PROVIDE FOR THE DRILLING OF WELLS TO ACHIEVE THE EQUIVALENT OF AN APPROXIMATE 10-ACRE WELL DENSITY PATTERN FOR THE PRODUCTION OF GAS AND ASSOCIATED OIL AND HYDROCARBONS FROM THE WASATCH AND MESAVERDE FORMATIONS IN PORTIONS OF TOWNSHIPS 9 AND 10 SOUTH, RANGES 18 AND 19 EAST, SLM, UINTAH COUNTY, UTAH	**FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER** Docket No. 2012-011 Cause No. 173-26

This Cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, March 28, 2012, at approximately 10:30 a.m., in the Commission Chambers of the Washington County Administration Building in St. George. The following Board members were present and participated at the hearing: Chairman James T. Jensen, Jean Semborski, Ruland J. Gill, Jr., Carl F. Kendel and Chris D. Hansen. Board Members Jake Y. Harouny and Kelly L. Payne were unable to attend. The Board was represented by Michael S. Johnson, Esq., Assistant Attorney General.

Testifying on behalf of Petitioner Gasco Production Company ("Gasco") were Diane K. Westerberg – Land Manager, Robin Dean – Geological Manager, and Rhonda G. Gathers,

P.E. – Consulting Reservoir Engineer. Said witnesses were recognized by the Board as experts in petroleum land management, geology and petroleum engineering, respectively, for purposes of this Cause. Relma M. Miller, Esq., of and for Beatty & Wozniak, P.C., appeared as attorney for Gasco.

The Division of Oil, Gas and Mining (the "Division") did not file a staff memorandum in this Cause but nevertheless participated in the hearing. Dustin Doucet, Petroleum Engineer, asked questions on the Division's behalf. Steven F. Alder, Esq., Assistant Attorney General, appeared as attorney for the Division. At the conclusion of Gasco's presentation–in–chief, the Division expressed its support for the granting of Gasco's Request for Agency Action dated February 10, 2012 (the "Request"), as conformed to the testimony and other evidence provided at the hearing.

On March 21, 2012, the Vernal District Office of the United States Bureau of Land Management expressed its support for the granting of the Request.

No other party filed a response to the Request 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 in this Cause.

FINDINGS OF FACT

1. Gasco is a Delaware corporation with its principal place of business in Denver, Colorado. Gasco 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. Gasco is a lessee and owner of operating rights/working interests in the following Uintah County, Utah lands:

Township 9 South, Range 18 East, SLM

Section 36: All

Township 9 South, Range 19 East, SLM

Section 14:	Lot 4 (27.33), S½SW¼
Section 18:	SW¼, W½SE¼, SE¼SE¼
Section 19:	All
Section 20:	All
Section 21:	Lots 1 (35.20) and 2 (33.39), W½, NE¼, N½SE¼ [All]
Section 22:	Lots 1 (33.43) and 2 (38.87), N½, SW¼, W½SE¼ [All]
Section 23:	Lots 2 (43.29), 3(40.00), 6 (50.12) and 7 (13.40)
Section 27:	Lots 5 (18.48), 6 (3.65), 15 (26.73), and 16 (10.77)
Section 28:	Lots 6 (30.82), 7 (40.00), 8 (54.28), 9 (48.34) and 10 (44.02)
Section 29:	All
Section 30:	All
Section 31:	All
Section 32:	Lots 1 (24.17), 2 (30.36), 3 (41.11), 4 (40.00) and 5 (20.65), N½ [All]
Section 33:	Lots 5 (34.09) and 6 (21.76)

Township 10 South, Range 18 East, SLM

Section 1:	Lots 1 (40.01), 2 (39.99), 3 (39.98), 4 (39.96), 5 (40.06), 6 (40.10), and 7 (40.14), S½NW¼, SW¼NE¼, W½SE¼, SW¼ [All]
Section 2:	Lots 1 (39.97), 2 (39.99), 3 (40.01), and 4 (40.03), S½N½, S½ [All]
Section 11:	N½, N½SE¼, SE¼SE¼

(hereinafter the "Subject Lands").

3. The gas and associated oil and hydrocarbons underlying the Subject Lands are primarily under Federal Ownership, with some State of Utah and fee (private) ownership.

4. For purposes of this matter, the Wasatch Formation is defined as that interval below the stratigraphic equivalent of 5,097 feet down to and including the stratigraphic equivalent of 8,886 feet, and the Mesaverde Group is defined as the stratigraphic equivalent of 8,886 feet down to and including the stratigraphic equivalent of 11,596 feet as shown on the Dual Laterolog of Gasco Production Company Federal 14-31-9-19 well, located in the SW¼SW¼ of Sec. 31, T. 9 S., R. 19 E., S.L.M., Uintah County, Utah.

5. The Subject Lands are currently not subject to any orders of the Board and are therefore subject to the general statewide well siting rule set forth in Utah Admin. Code Rule R649-3-2 and the general directional drilling well rules set forth in Utah Admin. Code Rules R649-3-10 and R649-3-11.

6. Under Utah Admin. Code Rule R649-3-2, each well is to be located within a 400-foot "window" surrounding the center of each governmental quarter-quarter section, or a

substantially equivalent lot or tract or combination of lots or tracts, and no well may be located closer than 920 feet from an existing well drilling to or capable of producing from the same pool. The result of this location pattern is to allow a maximum of four (4) wells per quarter section and 16 wells per section, *i.e.* the equivalent of a 40-acre drilling density.

7. Due to existing geological factors, without a tighter density pattern, there is a high possibility that gas reserves in the Subject Lands will be left in the ground and unrecoverable.

8. Wells on 10-acre density may be economically drilled and operated.

9. Wells drilled on a 10-acre density pattern may be drilled from the same pad, thereby minimizing surface disturbance and alleviating certain environmental concerns.

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

11. A copy of the Request was mailed, postage pre-paid, certified with return receipt requested, and properly addressed to all mineral, leasehold and production interest owners in the Subject Lands, and to the governmental agencies having jurisdiction over the minerals underlying said lands. Copies of return receipts evidencing receipt of such mailings were included as Exhibit "B," which was admitted into evidence.

12. Notice of the filing of the Request and of the hearing thereon was duly published in the Salt Lake Tribune and the Deseret Morning News on March 4, 2012, the Uintah Basin Standard on March 6, 2012, and the Vernal Express on March 7, 2012.

13. The vote of the Board members present and participating in the hearing on this Cause was unanimous (5-0) 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 40-6-6.

3. The modification of Utah Admin. Code Rule R649-3-2 to allow the drilling of wells on the Subject Lands to achieve the equivalent of an approximate 10-acre well density pattern for the production of gas and associated oil and hydrocarbons from the Subject Formations, with the proviso that the wells so authorized may be located no closer than 460 feet from the exterior boundary of any lease within the Subject Lands unless an exception is granted by the Division in accordance with Utah Admin. Code Rule R649-3-3 for topographical, geological, environmental and archaeological considerations, is just and

reasonable under the circumstances. The Division may grant an exception to allow wells to be drilled less than 460 feet from any lease boundary if circumstances warrant.

4. Utah Admin. Code Rules R649-3-10 and R649-3-11 govern directional drilling in the absence of a specific Board order otherwise addressing such directional drilling. The elimination of any offset limitations as between wells within each leasehold in the Subject Lands and the suspension of Utah Admin. Code Rules R649-3-10 and R649-3-11(1) and (2), with the proviso that no well may be directionally drilled if any portion of a 460-foot radius along the projected wellbore intersects with a boundary of a lease without approval of the Division or Board in accordance with Utah Admin. Code Rules R649-3-10 and R649-3-11(1) and (2), is just and reasonable under the circumstances.

5. Declaring that all existing wells located in the Subject Lands and producing gas and associated oil and hydrocarbons from the Subject Formations are authorized and deemed to be at lawful locations, notwithstanding the relief granted hereby, is just and reasonable under the circumstances.

6. The relief granted hereby will result in the orderly development and greatest recovery of gas and associated oil and hydrocarbons from the Subject Formations underlying the Subject Lands, prevent waste and adequately protect the correlative rights of all affected parties.

7. Gasco 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. Utah Admin. Code Rule R649-3-2 is hereby modified as applicable to the Subject Formations underlying the Subject Lands to allow the drilling of wells on said lands to achieve the equivalent of an approximate 10-acre well density pattern for the production of gas and associated oil and hydrocarbons from said formations.

3. The wells so authorized may be located no closer than 460 feet from the exterior boundary of any lease within said lands, provided, however, that approval by the Division may be granted in accordance with Utah Admin. Code Rule R649-3-3 for exception well locations for topographical, geological, environmental, and archaeological considerations without the necessity of a full hearing before the Board.

4. Any inter-well offset limitation as between wells upon the same leasehold within the Subject Lands is hereby eliminated and Utah Admin. Code Rules R649-3-10 and R649-3-11(1) and (2) as applicable to each leasehold within the said lands are hereby suspended; provided, however, that no well may be directionally drilled if any portion of the 460-foot radius along the projected wellbore intersects with the boundary of a lease without approval of the Division or Board in accordance with Utah Admin. Code Rules R649-3-3 and R6493-11(1) and (2).

5. All existing wells located on the Subject Lands and producing gas and associated oil and hydrocarbons from the Subject Formations are hereby declared to be authorized and located at lawful locations, notwithstanding the consequences of the relief granted hereby.

6. At the hearing, there was discussion concerning whether 10-acre density drilling was best achieved by suspending the general well siting rules (as requested here), by establishing 10-acre drilling units, or by some other method. Based on the evidence presented and the lack of any objection to the Request, the Board concludes in this particular matter that the requested relief should be granted. Authorization of 10-acre density drilling is still a relatively new development in Utah and the Board continues to consider the most appropriate means of providing for such development. This Order applies to Gasco's specific request only and shall not be considered precedent for future requests to modify Utah Admin. Code Rules R649-3-2, R649-3-10 or R649-3-11 to allow the equivalent of 10-acre well density.

7. 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.

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

9. 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 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.

10. 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.

11. 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 April, 2012.

STATE OF UTAH
BOARD OF OIL, GAS AND MINING

By: James T. Jensen
James T. Jensen, 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. 2012-011, Cause No. 173-26 to be mailed with postage prepaid, this 17th day of April, 2012, to the following:

Relma M. Miller
Beatty & Wozniak, P.C.
7440 South Creek Road, Suite 300
Sandy, UT 84093

Michael S. Johnson
Assistant Attorneys General
Utah Board of Oil, Gas & Mining
1594 West North Temple, Suite 300
Salt Lake City, UT 84116
[Via Email]

Steven F. Alder
Assistant Attorneys General
Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 300
Salt Lake City, UT 84116
[Via Email]

Gasco Production Company
Attn: Diane K. Westerberg, Land Manager
8 Inverness Drive East, Suite 100
Englewood, CO 80112

United States of America
Bureau of Land Management
Utah State Office
Attn: Roger L. Bankert
P.O. Box 45155
Salt Lake City, UT 84145-0155

United States of America
Bureau of Land Management
Vernal Field Office
Attn: Jerry Kenczka
170 South 500 East
Vernal, UT 84078

Alan B. Nicol
468 South Reed St.
Lakewood, CO 80226-3311

Alexander N. Klikoff
1196 Hamilton Ave
Palo Alto, CA 94301

Alexandra Kilkoff
61 Verdoso Ave
La Selva Beach, CA 95076

ABO Petroleum Corporation
105 So. Fourth St.
Artesia, NM 88210-2118

C & J Hill LTD PTSHP, RLLLP
22757 Meadow View Road
Morrison, CO 80465

Chisholm Minerals
PO Box 17418
Fort Worth, TX 76102

Cochrane Resources
P.O. Box 1656
Roosevelt, UT 84066

Cynthia Hendel
Box 670310
Chugiak, AK 99567-0310

D & D Hill LTD PTNSHP, RLLLP
10931 W Indore Dr
Littleton, CO 80127

Dawne F. Meyer
3500 S Hillside Lane
Salt Lake City, UT 84109-4009

Dean Petroleum Inc
305 Leyden Street
Denver, CO 80220-5953

Arthur Bergquist
221 E 4th Ave S
Edmonds, WA 98020-3562

Rodella Minerals LLC
aka Bayshore Minerals LLC
10320 N Chatfield Drive
Littleton CO 80125-9504
[Address updated 3/2/2012]

Brett G. Taylor Royalty Trust
PO Box 9
Aledo, TX 76008-0009

Betelgeuse Trust
609 E. Speer Blvd. PO Box 1937
Fredericksburg, TX 78624

Charles R. Boardman
12124 E. Ashton Court
Knoxville, TN 37934

Doris Nelson
520 Jones Road
Guthrie, OK 73044

Dorothy Hendel Clough
521 Black Bear Loop Ne
Albuquerque, NM 87122

Emma Lou Sanders
Marital Income Trust
PO Box 746034
Arvada, CO 80006-6034

Eric F. Roberts
869 E Jeter Rd
Bartonville, TX 76226

First Griffin Group LLC
Attn: Shawne Malone
550 W Jackson Blvd, Ste 1400
Chicago, IL 60661

Deral R Nelson
PO Box 130
Guthrie, OK 73044

Dolar Energy, LLC
1333 College Parkway #172
Gulf Breeze, FL 32563

Hat Creek Energy LLc
3575 Cherry Creek Drive North
Denver, CO 80209

Hayes Spousal 2007 RevocableTrust
PO Box 410
Straton Mountain, VT 05155

Howard O. Sharpe Trust
9357 S. Prairie View Drive
Highlands Ranch, CO 80126

III Exploration Company
PO Box 70019
Boise, ID 83707

J M Blair Inc
837 Good Hope Drive
Castle Rock, CO 80108

J.C. Pace LTD
420 Throckmorton
Suite 710
Fort Worth, TX 76102-3724

James P Rooney, Jr
14 Hobart Street
Bronxville, NY 10708

Joan B Hendel
23905 Calle Alonso
Mission Viejo, CA 92692-2110

John Peyton
14654 Joplin Road
Manassas, VA 20112

Foree Oil Company
8235 Douglas Ave
Suite 402LB27
Dallas, TX 75225

Gary L Kornegay
PO Box 841286
Houston, TX 77284-1286

George E Shipp
1140 Us Hwy 287, #400-310
Broomfield, CO 80020

Gilman A Hill Trust UTA 9/7/87
7128 South Poplar Lane
Centennial, CO 80112

Jonathan S. Dean
305 Leyden St
Denver, CO 80220

JR Glennon Inc.
PO Box 1605
Red Lodge, MT 59068-1605

Karen Mcknight Sirstins
11638 E. Onyx Ave
Scottsdale, AZ 85259

Karl Lamb, Trustee
TTEE of Floyd E. Lamb Trust
PO Box 332
Myton, UT 84052

Kenell James Touryan Trust
DTD 4-28-93
PO Box 713
Indian Hills, Co 80454

Kimberly Hill Campbell
1905 Sunray Ct
West Linn, OR 97068

Ld Hunter
PO Box 251
Red Lodge, MT 59068

Locator's Oil & Gas Inc
PO Box 130
Guthrie, OK 73044

Lori L Schafer
72689 Beavertail Street
Palm Desert, CA 92260-3401
[Address updated 3/19/2012]

Mark A. Erickson
PO Box 7717
Helena, MT 59604

Martha Dickes
1450 Poydras St
New Orleans, LA 70112
[Undeliverable]

Matrix Utah Production Company
5725 Commonwealth Blvd
Sugar Land, TX 77479

MBG LLC
4415 Electric Road SW
Roanoke, VA 24018

MBGV Partition LLC
4415 Electric Road SW
Roanoke, VA 24018

M-I, LLC
P.O. Box 200132
Dallas, TX 75320-0132

Mike Glennon
3007 Ramada Drive
Billings, MT 59102

Office of Natural Resources Revenue (ONNR)
PO Box 25627
Denver, CO 80225-0627

Lavon S Hill Trust
7128 S. Poplar Lane
Englewood, CO 80112

Mountain States Fuels Inc
1444 Wazee Street
Denver, CO 80202

Myco Industries Inc
PO Box 840
Artesia, NM 88211-0840

Nabors Drilling USA LP
PO Box 973527
Dallas, TX 75397-3527

Newfield Production Company
1001 Seventeenth Street
Suite 2000
Denver, CO 80202

Newfield RMI LLC
Ste 2000
4 Water Way Square Place
Mail Code: D27701R
The Woodlands, TX 77380

NFR Uinta Basin LLC
1415 Louisiana St Ste 1600
Houston, TX 77002

ONG LLC. an Oregon Limited Liability Company
61496 Cultus Lake Court
Bend, OR 97702

Oxy Y-1
PO Box 841803
Dallas, TX 75284-1803

Sandra G. McKnight, Trustee
Decedents TR under RS McKnight REV TR
1615 Midas Drive
Winnemucca, NV 89445

Paula C. Dean
305 Leyden St
Denver, CO 80220

QEP Energy
P.O. Box 45601
Salt Lake City, UT 84145-0601

Red Oak Capital Management LLC
Three Riverway, Suite 1550
Houston, TX 77056

Randall C Thompson
Space 84
Littleton, CO 80128
[Undeliverable]

Richard Shane McKnight
PO Box 17169
Salt Lake City, UT 84117

Rosalie Flanagan
425 Village Drive
Riverton, WY 82501

Robin Dean
305 Leyden St
Denver, CO 80220

Thomas G Fails
965 S Monroe St
Denver, CO 80209

Vern Jones
PO Box 753
Salt Lake City, UT 84110-0753

Yates Petroleum Corporation
105 So. Fourth St.
Artesia, NM 88210-2118

Walter R Nordin & Frances E Nordin Trust
Wanda L. Lemke
PO Box 23509
Ventura, CA 93002-3509

Schlumberger Technology Corp.
PO Box 201992
Houston, TX 77216-1992

State Of Utah
School & Inst Trust Lands Adm
Attn: LaVonne Garrison
675 East 500 South
Suite 500
Salt Lake City, UT 84102-2818

Stone Energy Corporation
PO Box 52807
Lafayette, LA 70505-2807

The Burnett Foundation
801 Cherry St, Unit 16, Suite 1585
Fort Worth, TX 76102-6881

The Gose Family Trusts
C/O Harold D Rogers. Trustee
900 Eighth Street, #725
Wichita Falls, TX 76301

The Roach Foundation, Inc
Fort Worth Club Tower
Penthouse 11-J 777 Taylor St
Fort Worth, TX 76102

The Roger Hively ManagementTrust
Dated August 1, 2008
C/O Roger Hively, Trustee
31678 Conifer Mountain Drive
Conifer, CO 80433

Transmountain Production Co
3272 Westheimer, Suite 18
Houston, TX 77098
[Undeliverable]

Julie Ann Carter