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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 BILL BARRETT CORPORATION FOR AN ORDER MODIFYING THE BOARD'S ORDER IN CAUSE NO. 139-84 TO PROVIDE FOR THE DRILLING, ON A PILOT BASIS, OF ADDITIONAL WELLS TO ACHIEVE THE EQUIVALENT OF UP TO AN 80-ACRE WELL DENSITY PATTERN FOR THE PRODUCTION OF OIL, GAS AND ASSOCIATED HYDROCARBONS FOR THE LOWER GREEN RIVER – WASATCH FORMATIONS ON THE SECTIONAL DRILLING UNIT COMPRISED OF SECTION 5, TOWNSHIP 3 SOUTH, RANGE 5 WEST, USM, DUCHESNE COUNTY, UTAH	**REQUEST FOR AGENCY ACTION** Docket No. 2012-018 Cause No. 139-91

COMES NOW, Bill Barrett Corporation ("BBC"), acting by and through its attorneys, Beatty & Wozniak, P.C., and pursuant to Utah Code Ann. §§ 40-6-5(3)(b) and 40-6-6, and hereby respectfully requests the Board of Oil, Gas and Mining (the "Board") to enter an order modifying the Board's Order entered on December 30, 2008 in Cause No. 139-84 (the "139-84 Order") to provide, on a pilot basis, of additional wells, whether vertical, horizontal or a combination of both, to test the viability of up to an approximate 80-acre well density pattern for the production of oil, gas and associated hydrocarbons from the Lower Green River and Wasatch formations, defined in said Order (incorporated by reference of the Board's Order entered on September 20, 1971 in Cause No. 139-8 (the "139-8 Order")) as follows:

> the interval from the top of the Lower Green River formation (TGR_3 marker) to the base of the Green River-Wasatch formations (top of Cretaceous), which base is defined as the stratigraphic equivalent of the Dual Induction Log depths of 16,720 feet in the Shell-Ute 1-18B5 well located in the S½NE¼ of Section 18, Township 2 South, Range 5 West, U.S.M., and 16,970 feet in the Shell–Brotherson 1-11B4 well located in the S½NE¼ of Section 11, Township 2 South, Range 4 West, U.S.M.

(the "Spaced Formations") from the following established sectional drilling unit:

Township 3 South, Range 5 West, USM

Section 5 (636 acres)

These lands are located within the area designated by BBC as "Black Tail Ridge."

In support of this Request, BBC respectfully states and represents:

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, Indian and State of Utah agencies.

2. The oil, gas and associated hydrocarbons underlying Lots 1-4, S½NW¼, NW¼SW¼, S½SW¼, S½NE¼ and N½SE¼ of captioned Section 5 are Tribally owned and subject to an Exploration and Development Agreement between the Ute Indian Tribe, Ute Distribution Corporation and BBC, and approved by the United States Bureau of Indian Affairs (the "E&D Agreement"). Ute Energy Upstream, LLC ("Ute Energy") is also a party to the E&D Agreement. The oil, gas and associated hydrocarbons underlying

the NE¼SW¼ and S½SE¼ of captioned Section 5 are owned in fee and subject to leases currently owned by El Paso E&P Company LP ("El Paso"). BBC, Ute Energy, and El Paso have tentatively agreed to enter into a joint operating agreement governing operations relating to the drilling unit comprised of captioned Section 5 and to execute a communitization agreement communitizing, as to the Spaced Formation, the captioned Section 5 fee leases and the E&D Agreement and the lease to be earned thereunder.

3. By virtue of the 139-8 Order, the Board established captioned Section 5 as a drilling unit for the production of oil, gas and associated hydrocarbons from the Spaced Formations. By doing so, the Board made the legal determination and declared the Spaced Formations to constitute one "pool" or "common source of supply" of oil, gas and associated hydrocarbons.

4. By virtue of the 139-84 Order, the Board modified the 139-8 Order, among other orders, to allow up to four (4) producing wells upon the drilling unit comprised of captioned Section 5 to be drilled at the option of the operator and with the operator's full discretion as to the development of the hydrocarbon resources; provided, that each additional well shall be no closer than 1,320 feet from an existing unit well completed in and producing from the formations and no closer than 660 feet from the drilling unit boundary. The 139-84 Order does not specify whether the authorized wells may be all vertical, all horizontal or a combination of both.

5. The Ute 1-5C5 Well, located in Lot 2 [NW¼NE¼] of captioned Section 5, first produced from the Spaced Formations on December 30, 1973, and produced a cumulative total of 198,433 bbls. of oil and 417,511 mcf of gas before being plugged and abandoned on June 13, 2007. There currently are no producing wells located upon captioned Section 5.

6. Through BBC's development of the Black Tail Ridge area to date, it has been determined that:

> (a) the Wasatch formation is dominated by fluvial and alluvial deposits with a few carbonate deposits. The Wasatch formation is primarily comprised of lenticular sands that cannot be correlated between wells on 160-acre density (four wells per section). The permeability and porosity of these rocks is extremely low but natural fracturing allows the oil and gas to be stored for exploitation. The Green River formation is dominated by marginal lacustrine and open lacustrine deposits with a few alluvial deposits. Many of these deposits can be correlated between wells on 160-acre density but, due to the rock properties, are probably not effectively draining the entire 160 acres. Due to the poor porosity and permeability, the primary recovery factor for both of these formations is estimated at approximately 5%; and
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> (b) production occurs from a complex series of isolated and discontinuous beds randomly distributed vertically over a several thousand foot interval. The low matrix permeability and the nature of the natural fracture components of the reservoir reduces the effect of communication with the sand bodies that do correlate and does not allow for efficient drainage of the hydrocarbon resource.

Recent production results from a well drilled in an area of the field with large historical wells cumulative oil production, as close as ~ 1,200' (~ 40 acre offset) to a previous oil producer, have also indicated the potential need for increased well density.

7. As a consequence, BBC desires to conduct a pilot program for captioned Section 5 allowing wells to be drilled up to the equivalent of 80-acre well density, *i.e.* up to eight (8) producing wells from the Spaced Formation, whether all vertical, all horizontal or a combination of both, to help determine the most efficient and economic spacing to develop the field. The orientation of the 80-acres (stand-up or lay-down) is to be left to BBC's discretion; provided, however, that the orientation once selected must be consistent for the rest of the Section. No productive interval of a well may be located closer than 660 feet to a sectional boundary or 990 feet to another well producing in the Spaced Formations without an exception location approval obtained in accordance with Utah Admin. Code Rule R649-3-3.

8. Section 5 was selected to be part of the pilot program because:

(a) other than the Ute 1-5C5 Well, which is now plugged and abandoned, the section has not been drilled and developed and therefore remains virgin. This will allow BBC to test a "grass roots" 80-acre density pattern; and

(b) geology of the productive intervals is trending deeper and wells tend to be more prolific in this area. As opposed to the other Black Tail Ridge pilot area, recently approved by the Board (see Paragraph 9 below), there is a classic (sandstone) wedge that develops in the Lower Green River formation.

BBC believes and therefore avers the pilot program wells can be drilled economically.

9. This Request is not without without precedent. On March 28, 2012, the Board approved an identical pilot program for Sections 12 and 13 of Township 4 South,

Range 6 West, U.S.M., in Cause No. 139-89. This Request is essentially an extension of that approved pilot program, but will differ for the reasons outlined in Paragraph 8 above.

10. After the drilling has occurred and results analyzed, BBC agrees to report back to the Board on the success or failure of the pilot program. If the pilot program is successful, BBC expects to seek Board approval of such well density throughout the remainder of the Black Tail Ridge area.

11. Correlative rights will be protected by the fact that BBC, Ute Energy and El Paso, the operating rights owners in Section 5, have agreed to communitize all of the production interests in the Spaced Formations underlying said lands. Furthermore, the correlative rights of the parties in the adjacent sections are protected by virtue of maintaining the same sectional boundary set-offs as currently exist under the 139-84 Order.

12. BBC believes and therefore alleges that granting its Request will be in furtherance of the public policies of this State to promote greater recovery of oil, gas and associated hydrocarbons from the Subject Formations without waste and with protection of the correlative rights of all affected owners, constitutes orderly development of captioned Section 5, and is just and reasonable.

13. BBC will, in accordance with Board rules, timely submit exhibits and present testimony in support of these allegations.

14. BBC will separately file a certificate of mailing listing all parties known to it, based on a search of the respective State of Utah, Bureau of Indian Affairs and County realty records and the Division of Oil, Gas and Mining's records, whose "legally protected interests" will be affected by this Request. There are no respondents or adverse parties known at this time to BBC.

WHEREFORE, BBC respectfully requests:

1. That this matter be set for hearing on May 23, 2012 in Salt Lake City, Utah;

2. That notice of such hearing be given as provided by law; and

3. That, upon sufficient evidence produced and testimony given at the hearing, the Board issue an order:

> (a) Modifying the 139-84 Order to authorize the drilling, on a pilot basis, of additional wells, whether all vertical, all horizontal or a combination of both, upon the established drilling unit comprised of captioned Section 5 for production of oil, gas and associated hydrocarbons for the Spaced Formation up to the equivalent of an approximate 80-acre well density; provided, however, that within a reasonable time after analysis of the pilot program results but, in no event no more than two years after entry of the Order, BBC report back to the Board on the success or failure of the program;
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> (b) Providing the orientation (stand-up or lay-down) of the 80-acres may be at the discretion of BBC; provided, however, that the orientation once selected must be consistent for the rest of the section;
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> (c) Providing no productive interval of any well so authorized may be located closer than 660 feet to a sectional boundary or 990 feet to another well producing from the Spaced Formations without an exception location approval obtained in accordance with Utah Admin. Code Rule R649-3-3;

(d) Making such findings and orders in connection with this Request as it deems necessary; and

(e) Providing for such other and further relief as may be just and equitable under the circumstances.

Respectfully submitted this 9th day of April, 2012.

BEATTY & WOZNIAK, P.C.

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