

JUNE 26, 2013, BRIEFING SESSION MINUTES
BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
IN AND FOR THE STATE OF UTAH



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A **public meeting** will be held on **Wednesday, June 26, 2013**, in the auditorium of the Department of Natural Resources, 1594 West North Temple, Salt Lake City, Utah.

ATTENDEES:

BOARD MEMBERS:

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| 1. James T. Jensen, Chair | 12. John Baza, Director |
| 4. Ruland J. Gill, Jr., Vice-Chair | 13. Earlene Russell, Admin. Assistant |
| 2. Susan S. Davis - Excused | 14. Jim Springer, PIO |
| 3. Michael R. Brown | 15. Dana Dean, Assoc. Dir. Minerals |
| 5. Carl F. Kendell | 16. Steve Schneider, Admin. Policy Coord. |
| 6. Chris D. Hansen | 17. Julie Ann Carter, Board Sec. |
| 7. Kelly L. Payne | 18. Brad Hill, Permit Manager, Oil & Gas |
| 8. Michael S. Johnson, AAG, BOGM | 19. Clinton Dworshak, Hearings & Enf. |
| | 20. Dustin Doucet, Petroleum Engineer |
| | 21. Dan Jarvis, Field Operations Manager |

DIVISION:

- 9. Steven F. Alder, AAG, Division
- 10. Cameron Johnson, AAG, Division
- 11. Kass Wallin, AAG, Division

MEMBERS OF THE PUBLIC:

Kathleen Clarke, Public Lands Policy
Coordination Office (PLPCO)

The Board Chairman, James T. Jensen, called the meeting to order at 8:00 a.m. John R. Baza, Director, conducted the Briefing Session.

THE DIVISION OF OIL, GAS AND MINING WILL CONDUCT A BRIEFING SESSION AT 8:00 A.M:

- 1. Status of Informal Rulemaking: R641-100-600 Board Electronic Meetings

Mr. Steve Schneider, Administrative Policy Coordinator for the Division of Oil, Gas, and Mining, gave an update on the informal rulemaking process. See attached memo. The memo includes a status summary, an updated timetable, and the draft rule. The Division has received two comments in support of the rule. The Division is ready to close the informal process and move to proceed with formal rulemaking. The Board gave approval to the Division to proceed.

2. Update on Long-Term Bonding for Water Treatment in the Coal Program

The Board had previously assigned the Division to do some investigative work with the coal industry in Utah on the need for long term or perpetual water treatment. The Division has met with the UMA and Utah coal operators. The coal operators want a finite limit to their liability. They do not believe there is a demonstrated need for long term or perpetual bonding. They feel that the Crandall Canyon Mine is a unique occurrence that has been adequately addressed by the Board.

The opinion of the industry is not to proceed with rulemaking. The Division does not see the need to proceed with rulemaking at this time, but will do so at the Board's direction. Board member Ruland J. Gill, Jr., is in favor of proceeding with rulemaking to give the board more tools to make decisions in these matters and protect the public from unfunded liabilities. The Board will discuss this matter and decide whether there is anything further the Board would like to do.

3. Other

a) Kathleen Clarke, Public Lands Policy Coordination Office (PLPCO), gave a presentation on the Conservation Plan for Greater Sage-grouse in Utah. The U.S. Fish and Wildlife determined that sage grouse were warranted to be listed on the endangered species list. This is a threat to Utah - to oil and gas development, mining development, and our rural way of life. The Utah Division of Wildlife Resources developed a conservation plan to ensure an abundance of the species, and to ensure a vibrant and secure economy. A stakeholder group put together a conservation plan to keep the sage grouse off the endangered species list. The plan portends to protect 93% of the sage grouse populations. Kathleen Clarke asked that the Board and Division of Oil, Gas, and Mining consider the principles of the application of the plan when approving oil and gas permits. See handout.

b) A new employee, Mike Bradley, has been hired to work in the Minerals Regulatory Program as an environmental scientist. He was recently with IHI Engineering. He has degrees in geology and landscape architecture, and has much experience in a wide variety of natural resource projects, including construction and

industrial storm water permitting, wetland delineations, wetland mitigation plans, and permitting environmental assessments in mine reclamation planning. He is a great addition to our team in the Minerals Program.

4. Next Month's Agenda and Division Calendar

a) The Uintah Basin Oil and Gas Collaborative meeting will be held in Vernal on July 11. Haliburton will give a presentation on hydraulic fracturing. The Board is invited to attend the meeting.

b) The July hearing is scheduled for the fifth Wednesday rather than the fourth Wednesday to accommodate the Pioneer Day holiday.

5. Opportunity for Public Comment

The Board Chairman opened the meeting to comments from the public. Seeing no comments from the public, the briefing session was adjourned at 8:40 a.m. The meeting will reconvene at 9:00 a.m. for the formal portion of the meeting.

THE BOARD WILL HEAR THE FOLLOWING MATTERS AT 9:00 AM:

Please note: Transcripts of the formal items will be available for review at the Division offices approximately fifteen business days after the hearing date. Copies of individual transcripts may be purchased by calling Atkinson-Baker at (800) 288-3376 and requesting Job No. A7000E2, and the individual docket number.

1. Docket No. 2011-018 Cause No. 250-02 – 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.

(This matter is continued from the October 26, 2011 Board Hearing).

Time: 9:03 a.m. to 10:03 a.m.

Board Members present: James T. Jensen, Chair, Ruland J. Gill, Jr., Vice-Chair, Michael R. Brown, Carl F. Kendell, Chris D. Hansen, Kelly L. Payne, Susan S. Davis – Excused.

Counsel for the Board: Michael S. Johnson, Assistant Attorney General, Natural Resources Division.

Counsel for Marion Energy: Michael J. Malmquist, Parsons, Behle and Latimer. Witness - Jeffrey Clarke, President of Marion Energy.

Counsel for the Division: Cameron Johnson, Assistant Attorney General, Natural Resources Division. Witnesses: John Rogers, and Dustin Doucet.

Representing the Bureau of Land Management: Jerry Kenczka, Vernal Field Office

Marion Energy was required by a Supplemental Order issued on October 26, 2012 to come back before the Board at the June 26, 2013 hearing to show cause as to why the plugging order for the Oman 2-20 well should not be implemented. Testimony was given on the status of the Oman 2-20 Well. The Board ordered by unanimous vote that the stay of the plugging order be extended for 60 days. If Marion Energy can install a compressor and deliver the gas to the pipeline within 60 days the Board would consider a request to lift the plugging order on the Oman 2-20 well.

2. Docket No. 2013-010 Cause No. RO&G-2013-01 – In the Matter of FORMAL RULEMAKING to Repeal and Reenact the Oil and Gas Regulatory Program R649-9 Rules for Waste Management and Disposal.

(This matter is continued from the May hearing. The public comment period closed June 15, 2013. The Board may consider approval or action.)

Time: 10:03 a.m. to 10:17 a.m.

Board Members present: James T. Jensen, Chair, Ruland J. Gill, Jr., Vice-Chair, Michael R. Brown, Carl F. Kendell, Chris D. Hansen, Kelly L. Payne, Susan S. Davis – Excused.

Counsel for the Board: Michael S. Johnson, Assistant Attorney General, Natural Resources Division.

Counsel for the Division: Steven F. Alder, Assistant Attorney General, Natural Resources Division. Witnesses: Steve Schneider, Brad Hill, and Dustin Doucet.

The Division recommended that the Board approve the repeal and reenactment of the R649-9 rules for Waste Management and Disposal with an effective date of July 1, 2013. The Board granted the petition by unanimous vote.

3. Docket No. 2013-014 Cause No. 139-104 – In the Matter of the Request for Agency Action of NEWFIELD PRODUCTION COMPANY for an Order pooling all Interests in five drilling units established by the Board's Orders entered in Causes Nos. 131-51, 139-8, And 139-90 in Section 7, Township 3 South, Range 1 West, Section 27, Township 3 South, Range 2 West, and Sections 17, 20, and 29, Township 3 South, Range 3 West, U.S.M., Duchesne County, Utah.

(The portion of the hearing in this Cause involving the pooling of the interests in the drilling units encompassing Sections 17, 20, and 29, Township 3 South, Range 3 West, U.S.M., is continued from the May 15, 2013, hearing to the Board's June 26, 2013, hearing.)

Time: 10:17 a.m. to *11:00 a.m. *The Board revisited this matter at 12:08 p.m. to address the non-consent penalty. The Board was finished with this matter less than a minute later at 12:08 p.m.

Board Members present: James T. Jensen, Chair, Ruland J. Gill, Jr., Vice-Chair, Michael R. Brown, Carl F. Kendell, Chris D. Hansen, Kelly L. Payne, Susan S. Davis – Excused.

Counsel for the Board: Michael S. Johnson, Assistant Attorney General, Natural Resources Division.

Counsel for Newfield Production Company: Thomas W. Clawson, Vancott, Bagley, Cornwall, & McCarthy, P.C. Witnesses: Kenny Harris, Mike Jensen.

Counsel for QEP Energy Company: Megan B. Parkinson, Lear & Lear, LLP

Counsel for the Division: Steven F. Alder, Assistant Attorney General, Natural Resources Division. Witnesses: John Rogers, Brad Hill, and Dustin Doucet.

The Board approved the Request by unanimous vote.

4. Docket No. 2013-016 Cause No. 139-105 – In the Matter of the Request for Agency Action of NEWFIELD PRODUCTION COMPANY for an Order pooling all interests in four drilling units established by the Board's Orders entered in Causes Nos. 131-51 and 139-90 in Section 20, Township 3 South, Range 1 West, Sections 1 and 31, Township 3 South, Range 2 West, and Section 9, Township 3 South, Range 3 West, U.S.M., Duchesne County, Utah.

Time: 11:12 a.m. to 12:07 p.m.

Board Members present: James T. Jensen, Chair, Ruland J. Gill, Jr., Vice-Chair, Michael R. Brown, Carl F. Kendell, Chris D. Hansen, Kelly L. Payne, Susan S. Davis – Excused.

Counsel for the Board: Michael S. Johnson, Assistant Attorney General, Natural Resources Division.

Counsel for Newfield Production Company: Thomas W. Clawson, Vancott, Bagley, Cornwall, & McCarthy, P.C. Witnesses: Roxanne Eveland, Shane Gillespie, and Mike Jensen.

Counsel for the Division: Steven F. Alder, Assistant Attorney General, Natural Resources Division. Witnesses: John Rogers, Brad Hill, and Dustin Doucet.

The Board granted the request by unanimous vote.

5. Docket No. 2013-015 Cause No. 186-17 – In the Matter of the Request for Agency Action of D.J. SIMMONS, INC. for an Order vacating the Spacing Orders entered in Cause Nos. 186-14, 186-15, and 186-15(a) to allow for the drilling of wells under the State-wide well location rule for development and production of oil, gas and associated hydrocarbons from the Desert Creek Formation under the N½ of Section 10, Township 36 South, Range 26 East, SLM, San Juan County, Utah.

Time: 1:02 p.m. to 2:00 p.m.

Board Members present: James T. Jensen, Chair, Ruland J. Gill, Jr., Vice-Chair, Michael R. Brown, Carl F. Kendell, Chris D. Hansen, Kelly L. Payne, Susan S. Davis – Excused.

Counsel for the Board: Michael S. Johnson, Assistant Attorney General, Natural Resources Division.

Counsel for D.J. Simmons, Inc.: David P. Bolda, Beatty & Wozniak, P.C. Witnesses: Walter Parks, and David Clark.

Counsel for the Division: Cameron Johnson, Assistant Attorney General, Natural Resources Division. Witnesses: John Rogers, Brad Hill, and Dustin Doucet.

The Board approved the petition as requested by unanimous vote.

6. Docket No. 2013-017 Cause No. 259-03 – In the Matter of the Request for Agency Action of QEP ENERGY COMPANY for an Order authorizing the flaring of gas in excess of the amounts allowed under Utah Admin. Code Rule R649-3-20(1.1) from a total of six wells located within Township 10 South, Ranges 17 and 18 East, Duchesne and Uintah Counties, Utah.

Time: 2:01 p.m. to 3:26 p.m.

Board Members present: James T. Jensen, Chair, Ruland J. Gill, Jr., Vice-Chair, Michael R. Brown, Carl F. Kendell, Chris D. Hansen, Kelly L. Payne, Susan S. Davis – Excused.

Counsel for the Board: Michael S. Johnson, Assistant Attorney General, Natural Resources Division.

Counsel for QEP Energy Company: William E. Ward, Beatty & Wozniak, P.C. Witnesses: Raul Chavez, and Kirk Fleetwood.

Counsel for the Division: Kass Wallin, Assistant Attorney General, Natural Resources Division. Witnesses: John Rogers, Brad Hill, and Dustin Doucet.

Representing the Bureau of Land Management: Jerry Kenczka, Vernal Field Office

The Board ordered by unanimous vote that with respect to the two 16-G wells, that in the aggregate QEP would be allowed to flare 12,000 mcf per month through September 1, 2013, and with respect to the three 14-G wells, QEP would be allowed to flare an aggregate of 15,000 mcf per month through November 1, 2013.

The meeting adjourned at 3:26 p.m.

(Copies of the agenda are available at www.ogm.utah.gov and at the administrative offices.)

Pursuant to the Americans with Disabilities Act, persons requiring auxiliary communicative aids and services to enable them to participate in this hearing should call Julie Ann Carter at (801) 538-5277, at least three working days prior to the hearing.