

OCTOBER 22, 2014 MEETING 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 was held on Wednesday, October 22, 2014, in the auditorium of the Department of Natural Resources, 1594 West North Temple, Salt Lake City, Utah.

ATTENDEES:

BOARD MEMBERS:

Ruland Gill, Board Chair
Mike R. Brown, BOGM
Susan S. Davis, BOGM
Chris Hansen, BOGM
Carl Kendell, BOGM
Gordon L. Moon, BOGM
Mike Johnson, AAG, BOGM
Fred Donaldson, AAG, BOGM

Daron Haddock, Coal Program Mgr.
Randy Thackeray, O&G Program
Zeke Clements, O&G Program
Mike Styler, Executive Director,
Department of Natural Resources
Wade Kloos, GIS, DNR
Ammon McDonald, O&G Program
Emily Lewis, AAG
Helen Sadik-Macdonald
Rachel Medina

DIVISION:

John R. Baza, Director
Dana Dean, Assoc. Dir. Mining
John Rogers, Assoc. Dir. Oil & Gas
Steve Schneider, Admin. Policy Coord.
Jim Springer, PIO
Earlene Russell, Admin. Assistant
Julie Ann Carter, Board Secretary
Steven F. Alder, AAG, Division
Douglas J. Crapo, AAG, Division
John Robinson Jr., AAG, Division
Dustin Doucet, Petroleum Engineer
Clinton Dworshak, Compliance
Brad Hill, Permit Manager, O&G

MEMBERS OF THE PUBLIC:

Jerry Kenczka, Bureau of Land
Management, Vernal Field Office
Michael Coulthard, Bureau of Land
Management, Salt Lake City Office
Ed Bonner, SITLA
Lowell Braxton, Western Energy Alliance
Lee Peacock, Utah Petroleum Association
Frederick M. MacDonald, MacDonald &
Miller Mineral Legal Services, PLLC
Denise Dragoo, Snell and Wilmer
Thomas W. Clawson, Van Cott, Bagley,
Cornwall & McCarthy
Denise Dragoo

The Division of Oil, Gas and Mining conducted a Briefing Session at 8:00 a.m. The Board Chairman, Ruland J. Gill, Jr., called the meeting to order at 8:00 a.m. John R. Baza, Director, conducted the meeting.

1. Increasing Uintah Basin Oil Takeout Capacity

John C. Rogers, Associate Director, Oil and Gas, gave a presentation on plans to increase energy output of oil from the Uinta Basin. Potential plans include building a rail system from Price to Myton; a pipeline from Myton to Salt Lake City; a pipeline from Myton to Price; and using the oil load outs at the Price River Terminal, Savage Energy Terminal, and Wildcat Loadout in Helper.

2. Request for Approval of Board Hearing Schedule for Year 2015
The Board approved the hearing schedule for 2015.

3. Other

- a. Steve Schneider, Administrative Policy Coordinator, gave the Board an update on a request from the oil and gas industry to amend rules regarding permitting for directional drilling. Remarks were given by Lee Peacock, Utah Petroleum Association, and Frederick M. MacDonald, MacDonald and Miller working with UPA on behalf of clients. Industry is in favor of this rule making for the purpose of streamlining and clarifying the permit process, while continuing to protect mineral and surface rights. John Rogers, Associate Director, Oil and Gas, gave remarks regarding the Divisions concerns on greater burdens for continuous notice.

The Division submitted a timetable for rule making to the Board. The Board approved the timetable. The Division will move forward with informal rulemaking. The Division will report to the Board at the December 10, 2014, Board hearing.

- b. Horizontal Rules - Ruland would like a similar schedule for horizontal rules. He wants that done by March because that will be his last hearing.

4. Next Month's Agenda and Division Calendar

- Horizontal Drilling Workshop on December 9, 2014.

5. Opportunity for Public Comment

Ruland Gill, Chairman, opened the meeting for public comment. Seeing no comments, the briefing session adjourned.

The Board heard the following matters at 9:12 a.m.:

Please note: The transcript will be available for review at the Division offices approximately fifteen business days after the hearing date. Copies of the transcript may be purchased by calling Atkinson-Baker at (800) 288-3376 and requesting Job No. A70ACCD, and the docket number.

1. Docket No. 2014-030 Cause No. 264-04 – In the Matter of the Petition by the Division of Oil, Gas and Mining for an Order: (1) Forfeiting to the Division all funds evidenced by certificates of deposit (#003525857) and (#003525790) in the amounts of \$30,000 and \$70,754, held by Bank of the West, Sandy, Utah for the Division as surety for the plugging and abandonment of the State 2-23 and State 2-43x wells, located in Section 2, T16S, R12E, Emery County, Utah, formerly operated by GENESIS PETROLEUM US INC.; (2) Ordering the Bank of the West to deliver the amounts deposited and held in said accounts for the Division and authorizing the Utah Attorney General to take any and all actions necessary to obtain the delivery of these funds; (3) Authorizing the Division to use the funds to complete plugging and reclamation of the State 2-23 and State 2-43x wells and the lands affected by the wells; (4) Authorizing the Division to take other action necessary to recover from GENESIS PETROLEUM US INC. any and all costs associated with the plugging and reclamation of the State 2-23 and State 2-43x wells; and Authorizing any other action the Board deems reasonable

and appropriate.

(Continued from the September 24, 2014, Board Hearing.)

Time: 9:12 a.m. - 9:13 a.m.

Board Members present - Ruland J. Gill, Jr., Chairman, Michael R. Brown, Susan S. Davis, Chris D. Hansen, Carl F. Kendell, and Gordon L. Moon.

Counsel for the Board - Fredric J. Donaldson, Assistant Attorney General, Natural Resources.

Counsel for the Division - Steven F. Alder, Assistant Attorney General, Natural Resources.

Witness: Clint Dworshak.

Counsel for Bank of the West - Martin K. Banks, Stoel Rives, LLP. Not Present.

This matter is continued to the December 10, 2014, Board hearing.

2. Docket No. 2014-032 Cause No. 139-122 – In the Matter of the Request for Agency Action of NEWFIELD PRODUCTION COMPANY for an Order pooling all Interests in two 1,280-Acre (or substantial equivalent) drilling units established by the Board's Orders in Causes Nos. 139-98 and 139-103, in Sections 15 and 22, Township 3 South, Range 2 West, U.S.M., Duchesne County, Utah

(The Board will consider the Recommended Findings of Fact and Conclusions of Law generated by the Hearing Examiner from the September 11, 2014 hearing.)

Time: 9:13 a.m. - 9:21 a.m.

Board Members present - Ruland J. Gill, Jr., Chairman, Michael R. Brown, Susan S. Davis, Chris D. Hansen, Carl F. Kendell, and Gordon L. Moon.

Counsel for the Board - Fredric J. Donaldson, Assistant Attorney General, Natural Resources.

Hearing Examiner – John C. Rogers, Hearing Examiner, Assoc. Director, Oil & Gas.

Counsel for the Hearing Examiner – Steven F. Alder, Assistant Attorney General, Natural Resources.

Counsel for the Division - Douglas J. Crapo, Assistant Attorney General, Natural Resources.

Witnesses: Dustin Doucet, and Clinton Dworshak.

Counsel for the Petitioner - Thomas W. Clawson, Van Cott, Bagley, Cornwall & McCarthy.

Witness: Mike Jensen.

The Board approved the Hearing Examiner's recommendation by unanimous vote. Thomas W. Clawson will write the Order.

3. Docket No. 2014-031 Cause No. 191-06 – In the Matter of the Request for Agency Action of QEP Energy Company for an Order suspending the application of Utah Admin. Code R649-3-2, R649-3-10, and R649-3-11(1) and (2) for the Ouray Park II Federal Exploratory Unit, covering all of Section 2, all of Section 3, the N1/2, N1/2S1/2, S1/2SE1/4, and the SE1/4SW1/4 of Section 10, the W1/2NE1/4, W1/2, SE1/4NE1/4, and the SE1/4 of Section 11, the W1/2SW1/4 and the SE1/4SW1/4 of Section 12, and the E1/2 of Section 14, Township 7 South, Range 20 East, SLM, Uintah County, Utah.

Time: 9:21 a.m. - 9:50 a.m.

Board Members present - Ruland J. Gill, Jr., Chairman, Michael R. Brown, Susan S. Davis, Chris D. Hansen, Carl F. Kendell, and Gordon L. Moon.

Counsel for the Board - Fredric J. Donaldson, Assistant Attorney General, Natural Resources.

Counsel for the Division – Douglas J. Crapo, Assistant Attorney General, Natural Resources.
Witnesses: Dustin Doucet, Clinton Dworshak, and Brad Hill.

Counsel for QEP Energy Company – Mark L. Burghardt, and William E. Ward, Holland & Hart, LLP. Witnesses: Theresa Chapman, Erika P. Davis, and Daniel J. Rabiolo.

On behalf of Bureau of Land Management - Jerry Kenczka, Vernal Field Office

The Board approved the petition as submitted by unanimous vote. Mark L. Burghart will prepare the order.

4. Docket No. 2014-033 Cause No. 139-123 – In the Matter of the Request for Agency Action of NEWFIELD PRODUCTION COMPANY for an Order: (1) partially vacating the Board's Order entered in Cause No. 139-109 insofar as it pertains to Section 23, T3S, R3W, USM; and (2) modifying the Board's Orders entered in Cause Nos. 139-8, 131-51 and 139-90 to establish Special 1280-Acre (or substantial equivalent) Drilling Units for the production of oil, gas and associated hydrocarbons from the Upper Wasatch Formation, comprised of Sections 6 and 7, T3S, R1W, USM, Sections 5 and 8, 6 and 7, and 28 and 33, T3S, R2W, USM, and Sections 5 and 8, 13 and 24, and 14 and 23, T3S, R3W, USM, respectively, Duchesne County, Utah, and to authorize the drilling and production of up to Eight (8) Long Lateral Horizontal Wells on each such Special Drilling Unit so established.

Time: 9:52 a.m. - 11:32 a.m.

Board Members present - Ruland J. Gill, Jr., Chairman, Michael R. Brown, Susan S. Davis, Chris D. Hansen, Carl F. Kendell, and Gordon L. Moon.

Counsel for the Board - Fredric J. Donaldson, Assistant Attorney General, Natural Resources.

Counsel for the Division – Douglas J. Crapo, Assistant Attorney General, Natural Resources.
Witnesses: Dustin Doucet, and Brad Hill.

Counsel for Newfield Production Company – Frederick M. MacDonald, and Relma M. Miller, MacDonald & Miller Mineral Legal Services, PLLC. Ms. Miller was not present. Witnesses: Robert Miller, Jill Thompson, and Mike Jensen.

The Board approved the Request as written by unanimous vote. Frederick M. MacDonald will prepare the order.

5. Docket No. 2014-034 Cause No. 259-05 – In the Matter of the Request for Agency Action of ROBERT L. BAYLESS, PRODUCER LLC for an Order establishing two (2) Special Drilling Units for the production of oil, gas and associated hydrocarbons from the Uteland Butte Member of the Lower Green River Formation, comprised of Lot 3 and the bed of the Green River adjacent thereto (49.15 acres), and Lots 1 and 4 and the bed of the Green River adjacent thereto (66.66 acres), Section 9, T10S, R19E, SLM, Uintah County, Utah, and authorizing Directionally Drilled Wells on each such Drilling Unit so established to achieve an approximate equivalent 20-acre well density.

Time: 11:32 a.m. - 12:06 p.m.

Lunch break 12:06 - 1:10 p.m.

Time: 1:10 p.m. - 1:47 p.m.

Board Members present - Ruland J. Gill, Jr., Chairman, Michael R. Brown, Susan S. Davis, Chris D. Hansen, Carl F. Kendell, and Gordon L. Moon.

Counsel for the Board - Fredric J. Donaldson, and Douglas J. Crapo, Assistant Attorneys General, Natural Resources.

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

Counsel for Robert L. Bayless, Producer LLC - Frederick M. MacDonald, and Relma M. Miller, MacDonald & Miller Mineral Legal Services, PLLC. Ms. Miller was not present. Witnesses: Cranford D. Newell, Jr., George F. Coryell, and John D. Thomas.

Bureau of Land Management - Jerry Kenczka, Vernal Field Office

The Board approved the Request as submitted by unanimous vote. Frederick M. MacDonald will prepare the order.

6. Docket No. 2014-035 Cause No. 139-124 – In the Matter of the Joint Request for Agency Action of BILL BARRETT CORPORATION and EP ENERGY E&P COMPANY, L.P. for an Order modifying the Board's Orders entered in Cause Nos. 139-84, 139-85, 139-87 and 139-90 to authorize additional Vertical and/or Directionally Drilled 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 units comprising the

Black Tail Ridge, Lake Canyon and portions of the Western Altamont Fields, Duchesne County, Utah.

Time: 1:47 p.m. - 4:39 p.m.

Board Members present - Ruland J. Gill, Jr., Chairman, Michael R. Brown, Susan S. Davis, Chris D. Hansen, Carl F. Kendell, and Gordon L. Moon.

Counsel for the Board - Michael S. Johnson, and Douglas J. Crapo, Assistant Attorneys General, Natural Resources.

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

Counsel for Bill Barrett Corporation and EP Energy E&P Company, L.P. - Frederick M. MacDonald, and Relma M. Miller, MacDonald & Miller Mineral Legal Services, PLLC. Ms. Miller was not present. Witnesses for Bill Barrett Corporation: David M. Watts, Daniel S. Moore, and Anna M. Young. Witnesses for EP Energy E&P Company, L.P.: Michael J. Walcher, Jacquelyn L. Lynch, Ronald L. Schneider, and David W. Stilson.

Council for Respondent Paul Barton, Mark Barton and the Richard Gareth Barton Revocable Trust - Richard Gareth Barton Trustee, Pro Se

Members of the Public appearing on behalf of Linda A. Green, mineral interest owner - Jerry L. Fenstermaker and Ronald L. Jackson, Pro Se. Not present.

Surface Owner - Andy Ketterer, Pro Se

Remarks were given by Richard Barton, and by Andy Ketterer. Both noted issues regarding proper notice and placement of wells. The Board took the matter under advisement.

Time: 4:34 p.m. - 4:36 p.m.

After deliberation, the Board approved the order as amended by unanimous vote. Frederick M. MacDonald will prepare the order.

7. Docket No. 2014-037 Cause No. ACT/007/020 (04) – In re Hidden Splendor Mine, Inc. and Request by the Utah Division of Oil, Gas and Mining that the Board of Oil, Gas and Mining Forfeit the reclamation surety which consists of a Deed of Trust in Unit No. R-2404-N of the American Towers Condominiums located at 57 West 200 South, Salt Lake City, Salt Lake County, Utah; and has been provided to guaranty reclamation of the Horizon Mine, Permit ACT/007/020 located in Sections 13 and 17, Township 13 South, Range 8 East, SLM, Carbon County, Utah.

Time: 3:38 p.m. - 3:40 p.m.

Board Members present - Ruland J. Gill, Jr., Chairman, Michael R. Brown, Susan S. Davis, Chris D. Hansen, Carl F. Kendell, and Gordon L. Moon.

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

Counsel for the Division – Steven F. Alder, Assistant Attorney General, Natural Resources.
Witnesses: Paul Baker, and Peter Brinton.

Counsel for Hidden Splendor Mine Resources, Inc. – Denise A. Dragoo and James P. Allen, Snell & Wilmer L.L.P.

This matter is continued to the December 10, 2014 Board hearing.

8. Docket No. 2014-038 Cause No. 270-06 – In the Matter of the Request for Agency Action of ULTRA RESOURCES, INC. for an Order extending the Board’s Order entered in Cause 270-02 to establish 40-acre (or substantial equivalent) drilling units for the production of oil, gas and associated hydrocarbons from the Eocene Middle and Lower Green River Formations underlying the NW¼SE¼ and SW¼SE¼ of Section 27, Township 7 South, Range 20 East, SLM, Uintah County, Utah, and authorizing up to two (2) wells on each such drilling unit so established.

Time: 3:40 p.m. - 4:17 p.m.

Board Members present - Ruland J. Gill, Jr., Chairman, Michael R. Brown, Susan S. Davis, Chris D. Hansen, Carl F. Kendell, and Gordon L. Moon.

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

Counsel for the Division – Douglas J. Crapo, Assistant Attorney General, Natural Resources.
Witnesses: Dustin Doucet, Clinton Dworshak, and Brad Hill.

Counsel for Ultra Resources, Inc. – J. Brent Allen, and Relma M. Miller, MacDonald & Miller Mineral Legal Services, PLLC. Witnesses: Ned Higgins, Carl Lothringer, and Jeremy Golob.

The Board approved the Request as amended by unanimous vote. J. Brent Allen will prepare the order.

9. Docket No. 2014-039 Cause Nos. S/023/0087, S/039/0024, S/039/0027, S/039/0030 – In the Matter of the Notice of Agency Action to affecting the mining operations of M. TODD WILHITE, WALL & ROCK, INC., and/or WILHITE & ASSOCIATES, INC., by (1) withdrawing a Notice of Intention, (2) forfeiting a Certificate of Deposit No. 7089407881 in the amount of \$7000 plus accrued interest held by ZIONS BANK, (3) ordering reclamation of mines, and (4) requesting the Division of Oil, Gas and Mining and the Attorney General to take all other actions necessary to recover costs, fees, and fines for the operations occurring at (a)

Gulch Mine (S023/0087) in Juab County; (b) Freedom from War Mine (S/039/0024) in Sanpete County; (c) Mount Pleasant Mine (S/039/0027) in Sanpete County; and (d) Mount Pleasant North Mine (S/039/0030) in Sanpete County.

Time: 4:18 p.m. - 4:18 p.m.

Board Members present - Ruland J. Gill, Jr., Chairman, Michael R. Brown, Susan S. Davis, Chris D. Hansen, Carl F. Kendell, and Gordon L. Moon.

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

Counsel for the Division – Douglas J. Crapo, Assistant Attorney General, Natural Resources.
Witnesses:

Counsel for M. Todd Wilhite, Wall & Rock, Inc., and/or Wilhite & Associates, Inc. -

This matter is continued to the December 10, 2014 Board hearing.

The Board retired to chambers to deliberate on a prior matter. At 4:34 the Board returned to deliver the ruling. The hearing adjourned shortly after at 4:36 p.m.