

DECEMBER 10, 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, December 10, 2014, in the auditorium of the Department of Natural Resources, 1594 West North Temple, Salt Lake City, Utah.

ATTENDEES:

BOARD MEMBERS:

Ruland J. Gill Jr., Board Chair
Kelly L. Payne, Vice - Chair
Mike R. Brown, BOGM
Susan S. Davis, BOGM
Chris Hansen, BOGM
Carl Kendell, BOGM
Gordon L. Moon, BOGM
Mike Johnson, AAG, BOGM

Douglas J. Crapo, AAG, Division
John Robinson Jr., AAG, Division
Dustin Doucet, Petroleum Engineer
Clinton Dworshak, Compliance
Brad Hill, Permit Manager, O&G
Randy Thackeray, O&G Program
Zeke Clements, O&G Program

MEMBERS OF THE PUBLIC:

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

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

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. **Status of Informal Rulemaking: R649-3 Directional Drilling, Oil and Gas Program**

The rule was sent out to the Informal Rule Review group. A comment in favor of the rule as written was received by the Western Energy Alliance. The Division is ready to move forward with formal rule making if the Board is not opposed. Comments were heard from Lee Peacock, President of the Utah Petroleum Association (UPA), and Lowell Braxton, Western Energy Alliance. Both the UPA and Western Energy Association are in support of moving forward with formal rulemaking. The Board was supportive of the Division proceeding with formal rulemaking.

2. **Status Report on Horizontal Drilling Pilot Reports**

John R. Baza, Director, gave an update on the status of drilling pilot reports. The Division is expecting two reports to come in this month. The Division will distribute the reports to the Board. Further reports may be expected over the next few months. This activity is increasing in a big way in the Uintah Basin. Horizontal Drilling will be one of the main topics of interest for us in the coming years.

3. Other
 - The IOGCC Annual Business Meeting is scheduled for May 18-20, 2015, at the Grand America in Salt Lake City. All Board members are invited to attend.
 - The Governors Energy Summit will be held on May 21, 2015 in Salt Lake City.
 - The IOGCC Annual Business Conference will be held on September 28-30, 2015 in Oklahoma City.
 - In September, the BLM Washington Office sent the Division a letter regarding an Oil and Gas Memorandum of Understanding. The proposed MOU was a standard template version. The Division provided a reply to the BLM last week.
4. Next Month's Agenda and Division Calendar
 - Carbon and Emery Collaborative meeting in Price on December 18, 2014.
 - Uintah Basin Oil and Gas Collaborative meeting will be held on January 8, 2015, in Vernal.
 - Introduction of Lance Carter, new manager at BLM.
5. Opportunity for Public Comment

Ruland J. Gill Jr., Chairman, opened the meeting for public comment. Seeing no comments, the briefing session adjourned at 8:45 a.m.

The Board of Oil, Gas and Mining conducted a hearing at 9:00 a.m. The Board Chairman, Ruland J. Gill, Jr., called the meeting to order at 9:00 a.m.

The Board heard the following matters at 9:00 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. A70ACD3, and the docket number.

1. Docket No. 2013-011 Cause No. 196-44 – In the Matter of the Request for Agency Action of FIDELITY EXPLORATION & PRODUCTION COMPANY for an Order modifying the series of Cause No. 196 Orders and authorizing the Flaring of gas in excess of the amounts allowed under Utah Admin. Code Rule R649-3-20(1.1) on a unit-wide basis for the Cane Creek Federal Exploratory Unit, located in portions of Townships 25 and 26 South, Ranges 18 through 20 East, SLM, Grand and San Juan Counties, Utah.

Time: 9:07 a.m. - 9:36 a.m.

Board Members present - Ruland J. Gill, Jr., Chairman, Kelly L. Payne, Vice 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, and John Robinson Jr., Assistant Attorneys General, Natural Resources.

Witnesses: Dustin Doucet, Clint Dworshak, and Brad Hill.

Counsel for Fidelity Exploration & Production Company – Frederick M. MacDonald, MacDonald & Miller Mineral Legal Services, PLLC.
Witnesses: Wes Adams, and Michael J. Keller.

Representing SITLA – Jim Davis, Field Operation Supervisor, Oil and Gas.

SITLA is in support of continued flaring on the timeline that's been proposed.

Representing BLM – Beth Ransel Field Manager, Moab Field Office, and Lance Porter Canyon Country District Manager.

The BLM is in support of the request.

The Division, SITLA, and the BLM are in support of the request. The Board approved the request as written, extending authorization to flare through March 31, 2015, by unanimous vote. Frederick M. MacDonald will prepare the order.

2. 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) Authorizing the Division to forfeit and use the funds established as surety for the State 2-23 and State 2-43x wells to complete plugging and reclamation and the lands affected by the wells; (2) 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 (3) Authorizing any other action the Board deems reasonable and appropriate.

(Continued to the December 10, 2014 Board Hearing.)

Time: 11:10 a.m. 11:36 a.m.

Board Members present - Ruland J. Gill, Jr., Chairman, Kelly L. Payne, Vice 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, and Douglas J. Crapo, Assistant Attorneys General, Natural Resources.

Witness: Clint Dworshak.

Counsel for Bank of the West - Martin K. Banks, Stoel Rives, LLP.

The Board approved the request as presented by unanimous vote. Steven F. Alder will prepare the order.

3. Docket No. 2014-036 Cause No. 131-139 – In the Matter of the Request for Agency Action of CRESCENT POINT ENERGY U.S. CORP. to expand the ULT Waterflood Project located in Section 36, Township 3 South, Range 1 East, U.S.M., Uintah County, Utah, to include adjacent Sections 34 And 35, Township 3 South, Range 1 East, for approval of Enhanced And Secondary Recovery Operations in the Green River and Wasatch Formations in said Sections 34 and 35, for authority for Underground Injection of Water, and certification as an enhanced recovery project.

Time: 9:36 a.m. - 10:56 a.m.

Board Members present - Ruland J. Gill, Jr., Chairman, Kelly L. Payne, Vice 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: Dustin Doucet, Clint Dworshak, and Brad Hill.

Counsel for Crescent Point Energy U.S. Corp. - Thomas W. Clawson, Van Cott, Bagley, Cornwall & McCarthy P.C.

Witnesses: Ryan Waller, Laura Roberts, Katie Mathews.

The Division is in support of the proposal. The Board approved the request as submitted by unanimous vote. Thomas W. Clawson will prepare the order.

4. 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.

(Continued to the December 10, 2014 Board Hearing.)

Time: 11:37 a.m. - 11:37 a.m.

Board Members present - Ruland J. Gill, Jr., Chairman, Kelly L. Payne, Vice 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, and Douglas J. Crapo, Assistant Attorneys General, Natural Resources.

Counsel for Hidden Splendor Resources, Inc. - Denise A. Dragoo, and James P. Allen, Snell & Wilmer L.L.P. Not present.

This matter is continued to the January 28, 2015 Board Hearing.

5. 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.

(Continued to the December 10, 2014 Board Hearing.)

Time: 11:37 a.m. - 11:37 a.m.

Board Members present - Ruland J. Gill, Jr., Chairman, Kelly L. Payne, Vice 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, Douglas J. Crapo, and John Robinson Jr., Assistant Attorneys General, Natural Resources.

Counsel for M Todd Wilhite - Shane T. Peterson, Young, Kester, Black & Jube. Not present.

This matter is continued to the January 28, 2015 Board Hearing.

6. Docket No. 2014-041 Cause No. 139-125 – In the Matter of the Request for Agency Action of BILL BARRETT CORPORATION for an Order Pooling all Interests, including the Compulsory Pooling of the Interests of Certain Non-Consenting or Unlocatable Owners, in Two (2) Drilling Units established for the production of oil, gas and associated hydrocarbons from the Lower Green River-Wasatch Formations, comprised of all of Sections 8 and 9, respectively, Township 4 South, Range 6 West, USM, Duchesne County, Utah.

Time: 11:37 a.m. - 12:06 p.m.

Board Members present - Ruland J. Gill, Jr., Chairman, Kelly L. Payne, Vice 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, and John Robinson Jr., Assistant Attorneys General, Natural Resources.

Witnesses: Dustin Doucet, Clint Dworshak, and Brad Hill.

Counsel for Bill Barrett Corporation – Frederick M. MacDonald, and Kurt P. Gasser, MacDonald & Miller Mineral Legal Services, PLLC.

Witnesses: Teale P. Stone, David M. Watts, and Brent A. Murphy.

The Board approved the request as presented by unanimous vote. Kurt P. Gasser will prepare the order.

7. Docket No. 2014-042 Cause No. 239-03 – In the Matter of the Request for Agency Action of FINLEY RESOURCES INC. for an Order establishing 40 Acre Drilling Units for the production of oil, gas and associated hydrocarbons from the Eocene Middle and Lower Green River and portions of the Paleocene Wasatch Transitional Formations underlying Sections 13, 16, 21, 22 and the N½ of Section 27, Township 4 South, Range 1 East, USM, Uintah County, Utah, and authorizing up to Four (4) producing wells on each such Drilling Unit so established.

Time: 1:16 p.m. - 3:04 p.m.

Board Members present - Ruland J. Gill, Jr., Chairman, Kelly L. Payne, Vice 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: Dustin Doucet, Clint Dworshak, and Brad Hill.

Counsel for Finley Resources Inc. – Frederick M. MacDonald, and Seth A. Loughmiller, MacDonald & Miller Mineral Legal Services, PLLC.

Witnesses: Zachary Archer, Tom Duncan, and Brandon Neely.

The Board approved the request as written with the proviso that there will be a written response required to the Division in two years, in time to make it to the Board before the December hearing in 2016. The vote was unanimous. Seth A. Loughmiller will prepare the order.

8. Docket No. 2014-043 Cause No. M/023/0059 – In the Matter of the Notice of Agency Action to affect the mining operations of NEPHI SANDSTONE CORPORATION by (1) withdrawing a Notice of Intention, (2) forfeiting a surety bond by TRAVELERS CASUALTY AND INSURANCE COMPANY OF AMERICA (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 and fees for the operations occurring at Cedar Springs (M/023/0059) located at Southeast ¼ of Section 15, Township 16 South, Range 1 West, Salt Lake Meridian in Juab County in Utah.

Time: 11:38 a.m. - 11:38 a.m.

Board Members present - Ruland J. Gill, Jr., Chairman, Kelly L. Payne, Vice 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, Douglas J. Crapo, and John Robinson Jr. Assistant Attorneys General, Natural Resources.

Witnesses: Paul Baker, and Wayne Western.

Counsel for Nephi Sandstone Corporation – Not present.

This matter is continued to the January 28, 2015 Board Hearing.

9. Docket No. 2014-044 Cause No. 139-126 – In the Matter of the Request for Agency Action of RIG II, LLC, for an Order Force Pooling the Interests of all Owners refusing to agree to Lease their Interests or otherwise bear their proportionate share of the costs of drilling operations for the Pappadakis #15-24-2-1E Well in the Drilling Unit established by the Order in Cause No. 139-42, comprising Section 24, Township 2 South, Range 1 East, U.S.M., within the Greater Altamont/ Bluebell Area, Uintah County, Utah, for the production of oil and gas from the Lower Green River and Wasatch Formations.

Time: 11:38 a.m. - 11:38 a.m.

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

Counsel for the Board – Douglas J. Crapo, Assistant Attorney General, Natural Resources.

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

Witnesses: Dustin Doucet, Clint Dworshak, and Brad Hill.

Counsel for Rig II, LLC – Phillip Wm. Lear, and Clifford B. Parkinson, Lear & Lear L.L.P.

Witnesses: Tyson Kalstrom, and Richard A. Kopp. Not present.

This matter is continued to the January 28, 2015 Board Hearing.

The hearing adjourned at 3:05 p.m.