

JANUARY 28, 2015 MEETING MINUTES
OF THE REGULARY SCHEDULED MEETING
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, January 28, 2015, in the auditorium of the Department of Natural Resources, 1594 West North Temple, Salt Lake City, Utah.

ATTENDEES:

Board Members:

Ruland J. Gill Jr., Chairman
Mike R. Brown
Susan S. Davis
Chris Hansen
Carl Kendell
Gordon L. Moon

Utah Attorney General's Office, Natural Resources Division:

Mike Johnson, AAG, representing the Board of Oil, Gas and Mining,
and also representing the Division of Forestry, Fire and State Lands
Steven F. Alder, AAG, representing the Division
Douglas J. Crapo, AAG, representing the Board
John Robinson Jr., AAG, representing the Division
Frederic Donaldson, AAG, representing the Division of Forestry, Fire and State Lands

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
Dustin Doucet, Petroleum Engineer
Clinton Dworshak, Compliance
Brad Hill, Permit Manager, O&G
Randy Thackeray, O&G Program
Zeke Clements, O&G Program

Lear & Lear L.L.P.

Phillip Wm. Lear, Esq.
Clifford B. Parkinson, Esq.
Attorneys for Rig II, LLC

Rig II, LLC

Tyson P Kalstrom, Landman
Richard A. Kopp, Geoscientist

MacDonald & Miller Mineral Legal Services, PLLC

Frederick M. MacDonald, Esq.
J. Brent Allen, Esq.

Bill Barrett Corporation

Teale P. Stone, Landman
David M. Watts, Land Manager
Jeff Overman, Drilling Engineer

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
Thomas W. Clawson, Van Cott, Bagley, Cornwall & McCarthy

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

Briefing Session:**1. Earth Day Awards Overview**

Mr. John R. Baza, Director, reported that announcements for submitting nominations for Earth Day Awards were sent out in December. The deadline to submit nominations is the end of January. The Board will have an opportunity to review the nominations at the February hearing and select nominations to be heard at the March Hearing. In April there will be an Earth Day Awards ceremony.

2. Legislative Update

Mr. Steve Schneider, Legislative Liaison, reported on key issues of the Legislative Session, including the budget, energy bills, and administrative bills. The bill summary is attached.

3. Other

No "Other" items were reported.

4. Next Month's Agenda and Division Calendar

- Mr. John Rogers, Associate Director, Oil and Gas, will attend the Ground Water Protection Council (GWPC) meeting the first week of February.
- The next field trip for the Board will be on April 22, 2015. The Board will tour a well site near Green River, Utah, and a Fidelity Oil and Gas facility near Moab. The April hearing will be held on the following day in Moab, Utah.
- Discussion of future field trips.

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.

Please note: Transcripts 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. A80E6BF, and the docket number.

1. 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.

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

Time: 9:04 a.m. to 9:05 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 - Michael S. Johnson, Assistant Attorney General, Natural Resources.

Counsel for the Division – Steven F. Alder, and Douglas J. Crapo, Assistant Attorneys General, Natural Resources.

Witnesses:

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

This matter was continued to the next Board Hearing on February 25, 2015.

2. 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.

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

Time: 9:06 a.m. to 9:07 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 - 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.

This matter was continued to the Board hearing on May 27, 2015.

3. Docket No. 2014-040 Cause No. 239-02 – In the Matter of the Request for Agency Action of NEWFIELD PRODUCTION COMPANY for Approval of Unit Operations and Enhanced and Secondary Recovery Operations in the Green River and Wasatch Formations in Sections 1-4, 9-12, 14 and 15, Township 4 South, Range 1 East, USM, Uintah County, Utah, and for Certification of said Operations as an Enhanced Recovery Project.

Time: 9:07 a.m. to 9:07 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 - Michael S. Johnson, Assistant Attorney General, Natural Resources.

Counsel for the Division – Steven F. Alder, and John Robinson Jr., Assistant Attorneys General, Natural Resources.

Counsel for the Petitioner - Frederick M. MacDonald, and Relma M. Miller, MacDonald & Miller Mineral Legal Services, PLLC.

This matter has been withdrawn.

4. 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.

(This matter was continued to the January 28, 2015 Board Hearing.)

Time: 9:07 a.m. to 9:08 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 - 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 Nephi Sandstone Corporation – Not present.

This matter was withdrawn without prejudice.

5. 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.

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

Time: 11:06 a.m. to 4:33 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 – 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 the Petitioner – Phillip Wm. Lear, and Clifford B. Parkinson, Lear & Lear L.L.P.

Witnesses: Tyson Kalstrom, and Richard A. Kopp.

Counsel for the Division of Forestry, Fire and State Lands – Mike S. Johnson and Fredric Donaldson, Assistant Attorneys General, Natural Resources

The Board's decision had three parts: 1) The Board approved the Request for Agency Action by unanimous vote; 2) As to bifurcation on its own action, the Board will bifurcate this matter with regard to the Indian interests and, as we call it, the UDOT interest by unanimous vote; and 3) As to the risk allocation factor, the Board decided that it will go with a 300 percent risk allocation factor. The vote on that was 4 to 2, with 2 votes voting to go lower. Mr. Phillip Wm. Lear will prepare the order. Ruland J. Gill, Jr., Chairman, Michael R. Brown, Susan S. Davis, Chris D. Hansen, Carl F. Kendell, and Gordon L. Moon were present to participate in the hearing and vote on the matter.

6. Docket No. 2015-001 Cause No. 176-05 – In the Matter of the Request for Agency Action of WHITING OIL AND GAS CORPORATION for an Order authorizing the venting or flaring of gas from the Moroni 11M-1107 Well located in Section 11, Township 15 South, Range 3 East, S.L.M., Sanpete County, Utah.

Time: 9:08 a.m. to 9:08 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 - Michael S. Johnson, Assistant Attorney General, Natural Resources.

Counsel for the Division – John Robinson Jr., Assistant Attorney General, Natural Resources.

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

This matter was continued to the February 25, 2015 Board hearing.

7. Docket No. 2015-002 Cause No. 139-127 – In the Matter of the Request for Agency Action of NEWFIELD PRODUCTION COMPANY for an Order pooling all interests in three 1,280-acre (or substantial equivalent) drilling units established by the Board's Order in Cause No. 139-113 in Sections 2 and 11, 14 and 23, and 16 and 21, 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 January 21, 2015 hearing.)

Time: 9:08 a.m. to 9:08 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 - Michael S. Johnson, 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 – John Robinson Jr., Assistant Attorney General, Natural Resources.

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

This matter was continued to the February 25, 2015 Board hearing.

8. Docket No. 2015-003 Cause No. 139-128 – 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 ABH BAXTER LP, BAXSTO LLC, BLAIRBAX ENERGY LLC, BUFFY ENERGY LLC, ASHLEY BAXTER STOUT, ABBIE BLAIR BAXTER, KELLY HOLLIS BAXTER, and any other party claiming an Interest by, through, or under the estate of KELLY H. BAXTER, deceased, and any party claiming an Interest by, through, or under the estate of CHARLES A. JACOBS, deceased, in the drilling unit established for the production of oil, gas and associated hydrocarbons from the Lower Green River-Wasatch Formations, comprised of Section 11, Township 4 South, Range 7 West, USM, Duchesne County, Utah.

Time: 9:14 a.m. - 10:52 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 - 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, Clinton Dworshak, and Brad Hill.

Counsel for the Petitioner - Frederick M. MacDonald, and J. Brent Allen, MacDonald & Miller Mineral Legal Services, PLLC.

Witnesses: Teale P. Stone, David M. Watts, and Jeff Overman

The Board granted the Request for Agency Action, with the exception that the 15 risk allocation factor will be 300 percent, by unanimous vote. Mr. J. Brent Allen will prepare the order. Ruland J. Gill, Jr., Chairman, Michael R. Brown, Susan S. Davis, Chris D. Hansen, Carl F. Kendell, and Gordon L. Moon were present to participate at the hearing and vote on the matter.

9. Docket No. 2015-004 Cause No. 132-02 – In the Matter of the Request for Agency Action of AXIA ENERGY, LLC for an Order: (1) Partially vacating the Board’s Order entered in Cause No. 132-1; and (2) Establishing sectional (640-acre or substantially equivalent combination of lots and quarter-quarter sections) drilling units for the production of oil, gas and associated hydrocarbons from the Eocene Lower Green River and portions of the Paleocene Wasatch Transitional Producing Zones for Section 32, Township 5 South, Range 20 East, SLM, and Sections 2 and 16, Township 6 South, Range 20 East, SLM, Uintah County, Utah, and authorizing wells on each such drilling unit so established to achieve an approximate equivalent 20-acre well density.

Time: 9:08 a.m. to 9:09 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 - Michael S. Johnson, Assistant Attorney General, Natural Resources.

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

Counsel for the Petitioner - Frederick M. MacDonald, and Mary K. Milner, MacDonald & Miller Mineral Legal Services, PLLC.

This matter has been withdrawn without prejudice.

10. Docket No. 2015-005 Cause No. C/041/0002 – Request for Agency Action of Petitioner CANYON FUEL COMPANY, LLC, to vacate in their entirety Notices Of Violation 13148 and 13151 for the Sufco Mine in Sevier County, Utah.

Time: 9:09 a.m. to 9:09 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 - Michael S. Johnson, Assistant Attorney General, Natural Resources.

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

Witnesses:

Counsel for the Petitioner – William Prince, and Michael R. Drysdale, Dorsey & Whitney LLP.

This matter was withdrawn.

11. Docket No. 2015-006 Cause No. RO&G-2015-01 – In the Matter of Formal Rulemaking to amend the Oil and Gas R649-3 Rules concerning directional drilling.

(The Board will accept public comment.)

Time: 9:09 a.m. to 9:14 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 - Michael S. Johnson, Assistant Attorney General, Natural Resources.

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

Witness: Steven L. Schneider.

On Behalf of Utah Petroleum Association – Lee Peacock, President.

The Board opened the matter for public comment. Comments were taken from Mr. Lee Peacock, President of the Utah Petroleum Association. Mr. Peacock is in favor of the proposed rulemaking. Mr. Steve Schneider, Administrative Policy Coordinator for the Division of Oil, Gas and Mining, noted that the public comment period for this matter is open until February 17, 2015. Mr. Schneider asked the Board to continue this matter to the February 25, 2015 hearing, such that the Board could take appropriate action and hear the comments received, if any additional ones are received in written form. Seeing that no one else was there to address the issue, the Board continued the matter to the February 25, 2015 Board Hearing, at which time any written comments will also be considered. Ruland J. Gill, Jr., Chairman, Michael R. Brown, Susan S. Davis, Chris D. Hansen, Carl F. Kendell, and Gordon L. Moon were present to participate at the hearing and vote on the matter.

The Chairman of the Board adjourned the meeting at 4:33 p.m.