

JUNE 26, 2019 MEETING MINUTES
BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
IN AND FOR THE STATE OF UTAH



A public meeting was held on Wednesday, June 26, 2019 in the auditorium of the Department of Natural Resources, 1594 West North Temple, Salt Lake City, Utah. The meeting was streamed live on the Department of Natural Resources YouTube channel. The link for the Briefing Session was <https://youtu.be/3WEQP5PwRss>, and the link for the Board Hearing was <https://youtu.be/Hqfhg9g8XzA>.

ATTENDEES:

Board Members

Ruland J. Gill, Jr, Chairman
Chris D. Hansen, Vice Chairman
Michael R. Brown
Stephen B. Church
Susan S. Davis
Gordon L. Moon
Richard K. Borden

Utah Attorney General's Office, Natural Resources Division

Michael E. Begley, AAG, representing the Board
Steven F. Alder, AAG, representing the Division
Emma Whitaker, AAG, representing the Board
Thomas Kessinger, AAG representing the Division

Division of Oil, Gas and Mining

John R. Baza, Division Director
John Rogers, Assoc. Director, Oil and Gas Program
Dana Dean, Assoc. Director, Mining Program
Hollie Brown, Public Information Officer
Natasha Ballif, Legislative and Planning Coordinator
Julie Ann Carter, Board Secretary
Stephen Demczak – Coal Program
Dayne Doucet, Petroleum Engineer, Oil and Gas Program
Tom Thompson, Senior GIS Analyst
Michael Van Hatten, Engineering Technician
Ellis Peterson, Petroleum Engineer

Department of Natural Resources

Brian Steed, Executive Director

Advanced Reporting Solutions
Michelle Mallonee, RPR

Sinclair Oil & Gas
Jonathan Baker, Senior Landman

Law Offices of Carl E. Kingston
Carl E. Kingston, Esq.

MacDonald & Miller Mineral Legal Services, PLLC
Frederick M. MacDonald, Esq.

Newfield Production Company
Roxann Eveland, Manager of Rockies Land

Axia Energy II, LLC
Rick Gallegos, VP of Land

Hunter Mineral Law
Anthony T. Hunter, Esq.

Strong & Hanni
Reid W. Lambert

Wasatch Energy
Riley Brinkerhoff, Exploration Manager

J.P. Furlong
Timothy P. Furlong

BRIEFING SESSION:

The Chairman of the Board, Ruland J Gill, Jr., called the meeting to order at 9:00 a.m. Mr. John R. Baza, Director of the Division of Oil, Gas, and Mining, conducted the briefing session. Mr. Brian Steed, Executive Director, Department of Natural Resources, began the meeting by confirming the appointment of new board member Stephen B. Church, and the reappointments of Ruland J. Gill, Jr., and Chris B. Hansen.

1. Force Pooling in the Permian Basin

Mr. Jonathan Baker, Senior Landman with Sinclair, gave a presentation about force pooling practices in the Permian Basin. The Permian Basin is a heavily developed area except in a small area, a “Donut Hole”, around Howard County, Texas, near Howard and Big Spring cities.

The “Donut Hole” presented a challenging lease environment. Development had ended outside city limits. There were schools, churches, abandoned lots, a large Hispanic population, and many unlocatables. Additionally, the Texas Railroad Commission prefers that private agreements are made, rather than forcing a decision upon an owner, so it is difficult to get force pooling approved.

Sinclair came up with an unusual soliton. They opened an office in a busy street, advertised “We Lease or Purchase Minerals” in local newspapers, put up a billboard, and created a website to explain about leasing and offers to lease or sell. They educated locals, and then over a period of time they were able to lease and purchase 80% of the minerals available within the city. The leftover 20% were unlocatable. They went above and beyond in notifying unlocatables and working with the public and other operators. The result was that they were able to get force pooling approved by the Texas Railroad Commission.

2. Coal Hollow Drone Flight

Mr. Tom Thompson, Senior GIS Analyst, Division of Oil, Gas and Mining, gave a presentation on a drone flight he did at the Coal Hollow Mine in Kane County. Division staff went to Coal Hollow to collect volumetric measurements. Mr. Thompson demonstrated how the drone flies in a grid plan over the mine site collecting images. The drone images can estimate volumetrics within plus or minus of 50 to 70 cubic volumetric feet.

3. Other

No report was given.

4. Next Month’s Agenda and Division Calendar

- GWPC PW presentation will be given at the board meeting on July 31, 2019.
- Uintah Basin Energy Summit, August 28-29, 2019. Board members are invited to attend.

5. Opportunity for Public Comment

Mr. Ruland J. Gill, Jr., Chairman, opened the meeting for public comments, and seeing none, the board recessed until 10:00 a.m.

The Briefing Session adjourned at 9:51 a.m.

FORMAL SESSION:

The Chairman, Ruland J. Gill, Jr., called the formal session of the Board of Oil Gas and Mining hearing to order at 10:00 a.m. The Board heard the following matters:

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 from Advanced Reporting Solutions, 159 West Broadway, Broadway Lofts, Suite 100, Salt Lake City, Utah 84101, ph.: 801-746-5080.

1. Docket No. 2019-014 Cause No. C/007/0045 – In re: Request by the Utah Division of Oil, Gas, and Mining to forfeit the reclamation surety in order to complete reclamation of the Wellington Dry-Coal Cleaning Facility, Permit No. C/007/0045, located in Section 14, Township 15 South, Range 10 East, SLBM, Carbon County, Utah.

(This matter was continued from the May Board hearing)

Time: 10:05 a.m. to 1:51 p.m.

Board Members present: Ruland J Gill, Jr., Chairman, Chris D. Hansen, Vice-Chairman, Richard K. Borden, Michael R. Brown, Stephen B. Church, Susan S. Davis, and Gordon L. Moon.

Counsel for the Board: Michael E. Begley, Assistant Attorney General, Utah Attorney General's Office, Natural Resources Division.

Counsel for the Division: Steven F. Alder, and Thomas Kessinger, Assistant Attorney General, Utah Attorney General's Office, Natural Resources Division.
Witnesses: Steve Demczak, and Dana Dean.

Counsel for ATTCO Trucking: Carl E. Kingston, Esq., Law Offices of Carl E. Kingston.

The Division requested that the Board enter an order forfeiting the surety in place to the Division and authorizing the Division to use those funds to proceed with reclamation at the Wellington Dry-Coal Cleaning Facility, and to remedy off-site violations. The Division also requested that the matter be bifurcated and continued with respect to the imposition of civil penalties and the collection of outstanding fines in a civil action.

The Board granted the motion to bifurcate and continue this matter with respect to the imposition of civil penalties and the collection of outstanding fines in a civil action by unanimous vote.

The Board approved the bond forfeiture for the Wellington Dry-Coal Cleaning Facility and that the funds be restricted to the reclamation of the BRC Wellington Dry-Coal Cleaning Site by unanimous vote.

Mr. Ruland J Gill, Jr., Chairman, Mr. Chris D. Hansen, Vice-Chairman, Mr. Richard K. Borden, Mr. Michael R. Brown, Mr. Stephen B. Church, Ms. Susan S. Davis, and Mr. Gordon L. Moon were present to participate and vote on the matter.

2. Docket No. 2019-015 Cause No. S0390038 – *In the matter of:* bond forfeiture and reclamation of the Tom Fassio Property Mine, permit no. S/039/0038, operated by Mr. Aaron Dennison d/b/a Dennison Excavating, located in the N1/2 of the SE1/4 of Section 2 in Township 15 S, Range 4 E, Sanpete County, Utah.

Time: 1:51 p.m. to 1:51 p.m.

Board Members present: Ruland J Gill, Jr., Chairman, Chris D. Hansen, Vice-Chairman, Richard K. Borden, Michael R. Brown, Stephen B. Church, Susan S. Davis, and Gordon L. Moon.

Counsel for the Board: Michael E. Begley, Assistant Attorney General, Utah Attorney General's Office, Natural Resources Division.

Counsel for the Division: Steven F. Alder, and Emma Whitaker, Assistant Attorney General, Utah Attorney General's Office, Natural Resources Division.

This matter has been continued to the July 31, 2019, Board hearing.

3. Docket No. 2017-013 Cause No RO&G-2017-01 – *In the matter of* informal rule making associated with the 2017 and 2018 legislative amendments concerning forced pooling and the need to initiate rulemaking on other emerging matters, including but not limited to, rulemaking on operatorship designation.

(This matter was continued from the May Board hearing. There may be further public comment and discussion by the Board regarding any additional modification/amendment to the proposed compulsory rules prior to commencing formal rulemaking. Personal attendance by any individual/entity submitting written comment(s) or objection(s) is encouraged.)

Time: 1:52 p.m. to 5:50 p.m.

Board Members present: Ruland J Gill, Jr., Chairman, Chris D. Hansen, Vice-Chairman, Richard K. Borden, Michael R. Brown, Stephen B. Church, and Susan S. Davis. Gordon L. Moon was recused.

Counsel for the Board: Michael E. Begley, and Emma Whitaker, Assistant Attorneys General, Utah Attorney General's Office, Natural Resources Division.

Counsel for the Division: Steven F. Alder, and Thomas Kessinger, Assistant Attorney General, Utah Attorney General's Office, Natural Resources Division.

Witness: Ellis Peterson.

Respondent on behalf of Utah Petroleum Association, and EP Energy E&P Company LP: Frederick M. MacDonald, MacDonald and Miller Mineral Resources, PLLC

Respondent on behalf of Newfield Production Company: Roxann Eveland, Manager of Rockies Land

Respondent on behalf of Axia Energy II, LLC: Rick Gallegos, VP of Land

Respondent on behalf of J.P. Furlong Company: Anthony T. Hunter, Esq., Hunter Mineral Law

Respondent: Reid W. Lambert, Strong & Hanni

Respondent on behalf of Brad Gunnell: Riley Brinkerhoff, Exploration Manager, Wasatch Energy

Respondent: Timothy P. Furlong, J.P. Furlong Company

The Board heard comments and discussion regarding additional modifications and amendments to the proposed compulsory rules. The Board continued this matter to the July 31, 2019, Board hearing.

Mr. Ruland J Gill, Jr., Chairman, Mr. Chris D. Hansen, Vice-Chairman, Mr. Richard K. Borden, Mr. Michael R. Brown, Mr. Stephen B. Church, and Ms. Susan S. Davis, were present to participate and vote on the matter. Mr. Gordon L. Moon was recused.

The meeting was adjourned at 5:50 p.m.