

JULY 30, 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, July 30, 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
Kelly Payne, Vice-Chair - Excused
Mike R. Brown, BOGM
Susan S. Davis, BOGM
Chris Hansen, BOGM
Carl Kendell, BOGM
Gordon L. Moon, BOGM

Julie Ann Carter, Board Secretary
Clinton Dworshak, Compliance
Dustin Doucet, Petroleum Engineer
Robyn Pearson, Deputy Director, DNR
Mike Styler, Executive Director, DNR
Daron Haddock, Coal Program Mgr.
Randy Thackeray, O&G Program
Zeke Clements, O&G Program
Jan Morse, AMRP Program

DIVISION:

Mike Johnson, AAG, BOGM
Douglas J. Crapo, AAG, Division
Steven F. Alder, AAG, Division
Kassidy J. Wallin, AAG, Division
John R. Baza, Director
Earlene Russell, Admin. Assistant
Jim Springer, PIO
Dana Dean, Assoc. Dir. Mining
John Rogers, Assoc. Dir. Oil & Gas
Steve Schneider, Admin. Policy Coord.

MEMBERS OF THE PUBLIC:

Lowell Braxton, Western Energy Alliance
Lee Peacock, Utah Petroleum Association
Mark Compton, Utah Mining Association
Robin Hansen, representing Jerry Kenczka,
for the Vernal BLM
Ed Bonner, School and Institutional Trust
Lands Administration
LaVonne Garrison, School and Institutional
Trust Lands Administration

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

1. **Administrative Rules Due for 5-Year Renewal:**

- Coal R645-105: Blaster Training, Examination and Certification
- Coal R645-106: Inspection and Enforcement: Division Authority and Procedures
- Coal R645-400: Exemption for Coal Extraction Incidental to the Extraction of Other Minerals
- O&G R649-10: Administrative Procedures

Mr. Steve Schneider, Admin. Policy Coordinator, gave a report on four Administrative Rules due for five year renewal. Rules need to go through a 5-Year Renewal process to ensure they are still relevant. The Informal Rules Review Group has reviewed the rules, and support for

renewal was provided in writing by two parties from that group. The Division is ready to move to renew the rules. The Board had no opposition to renewing.

3. Additional Discussion on Guidance on Greater Sage-grouse

Mr. John R. Baza, Director, gave an update concerning Greater Sage-grouse Management. He introduced Mr. Eric Ellis, Division of Wildlife Resources (DWR), to present information on the 2014 Sage-grouse population report.

The DWR has been coordinating with oil and gas operators managing Sage-grouse conservation. This year the population is up 40% over the last 3 years, and 23% over last year. Other species, including mule deer, also benefit from the conservation efforts.

Mr. Baza asked for direction from the Board whether to proceed with rulemaking or continue discussions with the industry and public. The Division will proceed with discussions regarding developing Sage-grouse Conservation Rules.

4. Other

The Division has developed a new award. The Division's Annual Achievement Award allows employees to nominate one of their co-workers to be recognized for outstanding performance.

5. Next Month's Agenda and Division Calendar

- The Board is invited to attend the Division Summer meeting for lunch and an awards ceremony.
- Uintah Basin Energy Summit, Thursday September 4. The Board is invited to attend.
- The September Board meeting will be in Vernal. We will depart for Vernal on Tuesday September 23rd, for a field trip, and the hearing will be in Vernal on the following Wednesday, September 24th.

6. Opportunity for Public Comment

The Chairman opened the meeting for public comments.

Mr. Mark Compton, Utah Mining Association, invited the Board to attend the Mining Association's annual convention. The convention begins with an evening reception on Wednesday, August 20th, at the Utah Valley Conference Center, and continues on through Thursday, August 21st.

There were no other comments.

The Briefing Session was concluded at 8:30 a.m.

THE BOARD HEARD THE FOLLOWING MATTERS BEGINNING 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. A70ACC3, and the individual docket number.

1. Docket No. 2014-019 Cause No. 186-18 – In the Matter of the Request for Agency Action of SUMMIT OPERATING, LLC, for an Order establishing sectional (640-acre or substantial equivalent) drilling and spacing units for the production of gas and associated hydrocarbons from the Honaker Trail Formation underlying Sections 1, 10-15 and 22-26, Township 36 South, Range 24 East, SLM, and Sections 6, 7, 17-20 and 30, Township 36 South, Range 25 East, SLM, San Juan County, Utah.

(Continued from the June 25, 2014, Board Hearing)

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

This matter is dismissed without prejudice.

2. Docket No. 2014-024 Cause No. 270-03 – In the Matter of the Request for Agency Action of FINLEY RESOURCES INC. for an Order establishing Special 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, comprised of Lands in Township 3 South, Range 2 East, USM, and Townships 7 and 8 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

(Continued from the June 25, 2014, Board Hearing)

Time: 9:06 a.m. - 10:00 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. Kelly L. Payne, Vice-Chairman, was excused.

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

Counsel for Finley Resources – Tom Bachtell, Seth Loughmiller, MacDonald and Miller Mineral Legal Services, PLLC. Witnesses: Tom Duncan, Brandon Neely, and Zachary Archer.

Counsel for Respondent Crescent Point Energy – Jack R. Luellen, and Brent D. Chicken, Fox Rothschild, LLP, not present.

Counsel for the Division - Steven F. Alder, and Douglas J. Crapo, Assistant Attorneys General, Natural Resources. Witnesses: Clint Dworshak, and Dustin Doucet.

The Division had a concern, but otherwise supports the Request. The Board Chairman asked that the Division's concern be addressed in the Order. The Board approved the request as amended by Mr. Douglas Crapo with the addition of administratively reporting the setbacks. The vote was unanimous.

3. Docket No. 2014-025 Cause No. 139-120 – In the Matter of the Request for Agency Action of NEWFIELD PRODUCTION COMPANY for an Order 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, on a pilot basis, for the production of oil, gas and associated hydrocarbons from portions of the Black Shale and Castle Peak Members, also referred to as the “Bar F” Interval, of the Lower Green River Formation from long lateral horizontal wells, comprised of Sections 7 and 18, 10 and 15, and 12 and 13, respectively, of T3S, R2W, USM, Duchesne County, Utah.

Time: 10:10 a.m. - 11:30 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. Kelly L. Payne, Vice-Chairman, was excused.

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

Counsel for Newfield Production Company – Frederick M. MacDonald, MacDonald and Miller Mineral Legal Services, PLLC. Witnesses: Roxann Eveland, Brice A. Calder, and Mike Jensen.

Counsel for the Division - Steven F. Alder, and Cassidy J. Wallin, Assistant Attorney General, Natural Resources. Witnesses: Clint Dworshak, and Dustin Doucet.

The Division supports the relief as requested. The Board approved the petition as written, by unanimous vote.

4. Docket No. 2014-026 Cause No. 270-04 – In the Matter of the Request for Agency Action of ULTRA RESOURCES, INC. for an Order Modifying the Board’s Order Entered in Cause No. 270-02 to Create Special Drilling Units and Authorize “Lease Line” Wells for Production from the Eocene Middle and Lower Green River Formations in Portions of Sections 32-35, T7S, R20E, SLM, and Sections 2-6 and 8-10, T8S, R20E, SLM, Uintah County, Utah.

Time: 11:35 a.m. - 1:30 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. Kelly L. Payne, Vice-Chairman, was excused.

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

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

Counsel for the Division - Steven F. Alder, and Cassidy J. Wallin, Assistant Attorneys General, Natural Resources. Witnesses: Clint Dworshak, and Dustin Doucet.

Utah School & Institutional Trust Lands Administration - Edward Bonner

Bureau of Land Management - Robin Hansen, Vernal Field Office

The Petitioner verbally modified the Request. The Division supports the Request as verbally modified. SITLA neither supports nor objects to the Request. The BLM does not object to the Request as verbally modified. The Board granted the request as presented, amended by stipulation, and the Board's preference. The vote was unanimous.

5. Docket No. 2014-027 Cause No. 270-05 – In the Matter of the Request for Agency Action of ULTRA RESOURCES, INC. for Approval of Waterflood Operations in the Eocene Middle and Lower Green River Formations in Section 16, Township 8 South, Range 20 East, SLM, Uintah County, Utah, and Certification of Said Operations as an Enhanced Recovery Project.

Time: 1:31 p.m. - 2:23 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. Kelly L. Payne, Vice-Chairman, was excused.

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

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

Counsel for the Division - Steven F. Alder, and Cassidy J. Wallin, Assistant Attorneys General, Natural Resources. Witnesses: Clint Dworshak, and Dustin Doucet.

The Board approved the Request as written by unanimous vote.

6. Docket No. 2014-028 Cause No. 139-121 – In the Matter of the Request for Agency Action of NEWFIELD PRODUCTION COMPANY for an Order Pooling all Interests in Three Sectional Drilling Units Established by The Board's Order Entered in Cause No. 139-90 in Section 11, Township 3 South, Range 2 West; Section 35, Township 3 South, Range 3 West; and Section 6, Township 4 South, Range 3 West; and Two 1,280-Acre (or Substantial Equivalent) Drilling Units Established by The Board's Orders in Causes Nos. 139-113 and 139-98, in Sections 2 and 11, and Sections 4 and 9, Township 3 South, Range 2 West, Respectively, all in 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 July 15, 2014 hearing.)

Time: 9:00 a.m. - 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. Kelly L. Payne, Vice-Chairman, was excused.

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

Counsel for Newfield Production Company – Thomas W. Clawson, Van Cott, Bagley, Cornwall & McCarthy.

Hearing Examiner – John C. Rogers, Associate Director, Oil & Gas, Utah Division of Oil, Gas, and Mining.

Counsel for the Hearing Examiner – Kassidy J. Wallin, Assistant Attorney General, Natural Resources.

Counsel for the Division – Steven F. Alder, Assistant Attorney General, Natural Resources.
Witnesses: Clint Dworshak, and Dustin Doucet. Brad Hill (not present at hearing).

The Hearing Examiner gave testimony regarding the Hearing Examiner's Findings of Fact, and Conclusions of Law. The Division supports the Hearing Examiner's Findings of Fact, and Conclusions of Law. The Board voted unanimously to approve the Hearing Examiner's recommendations.

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. One or more members of the Board may participate electronically pursuant to R641-100-600. The specified meeting location would serve as the anchor location for participation by the public.