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FILED

APR 16 2004

SECRETARY, BOARD OF
OIL, GAS & MINING

BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH

IN THE MATTER OF THE REQUEST FOR
AGENCY ACTION OF WESTPORT OIL
AND GAS COMPANY, L.P. FOR AN
ORDER ESTABLISHING 160-ACRE
DRILLING AND SPACING UNITS FOR
THE PRODUCTION OF GAS (INCLUDING
COALBED METHANE) FROM THE
FERRON FORMATION IN ALL OF
SECTIONS 16, 21, 28 AND 33, T13S R11E,
AND ALL OF SECTIONS 4, AND 9, T14S
R11E, SLM, CARBON COUNTY, UTAH.

**FINDINGS OF FACT, CONCLUSIONS OF
LAW, AND ORDER**

Docket No.: 2004-004

Cause No.: 241-05

Pursuant to the January 12, 2004 Request for Agency Action (“**Petition**”) of Westport Oil and Gas Company, L.P. (“**Petitioner**”), this cause came on for hearing before the Utah Board of Oil, Gas and Mining (“**Board**”) on March 24, 2004, at the hour of 11:00 a.m. at the Department of Natural Resources Auditorium in Salt Lake City, Utah. The following Board members, constituting a quorum, were present and participated at the hearing:

Robert J. Bayer
Stephanie B. Cartwright
Douglas E. Johnson
W. Allan Mashburn
J. James Peacock
Kent R. Petersen
Samuel C. Quigley

The Board was represented by Stephen Schwendiman, Esq.

Attending and participating on behalf of the Division of Oil, Gas and Mining (“Division”) were Mike Hebertson, Manager, Hearings and Enforcement, who was sworn in as an expert witness and testified with respect to the technical evidence presented by the Petitioner in support of the Petition. The Division was represented by Steve Alder, Esq.

The United States Bureau of Land Management (“BLM”) and the Utah School and Institutional Trust Lands Administration were present at the hearing before the Board.

Testifying on behalf of Petitioner was Kevin Weller, Manager of Business Development, Northern Business Unit for Petitioner, a geological engineer for Westport who was sworn in and testified as an expert witness on behalf of Petitioner. Petitioner was represented by Chris D. Jones, Esq. of Snell and Wilmer, L.L.P.

Robert L. Bayless, Producer LLC did not make an appearance but submitted a letter to the Board, supporting the request of Petitioner.

No statements were made in opposition to the Petition.

The Petitioner and Division stipulated to the admission of Exhibits A through E to the Petition (including a minor correction to Exhibit A noted at the hearing).

The Division, Board and Petitioner corrected an error in Paragraph 3 of the Petition to acknowledge that there were overriding royalty interests with respect to the Subject Lands, and recognized that the overriding royalty interest owners were employees or affiliates of Petitioner and that such interest owners had consented in writing to the Petition and waived any required notice.

The Board having considered the testimony presented and the exhibits received at the hearing, being fully advised, and for good cause appearing, hereby makes and enters the following Findings of Fact, Conclusions of Law, and Order.

FINDINGS OF FACT

1. The Petitioner seeks an order to establish 160-acre drilling and spacing units for the production of gas, including but not limited to coalbed methane, from the Ferron Formation (defined below) in the following-described lands (“**Subject Lands**”):

T13S, R11E, SLM, Carbon County, Utah

Section 16:	All
Section 21:	All
Section 28:	All
Section 33:	All

T14S, R11E, SLM, Carbon County, Utah

Section 4:	All
Section 9:	All

2. The lands adjacent to the west of the Subject Lands are currently spaced on 160-acre drilling units from the Ferron Formation pursuant to the Board’s Order No. 241-4 (“**Prior Order**”) (which Prior Order is substantially similar in content to this Order), and the lands adjacent to the east of the Subject Lands are currently not subject to a spacing order of the Board.

3. For purposes of this Petition, the Ferron Formation is defined, consistently with the Prior Order, as the stratigraphic equivalent of the interval from 1,968 feet below the surface to 2,214 feet below the surface as shown in the density log for the Birch A-1 well located in the SW¼ of Section 5, T14S, R10E, SLM.

4. Petitioner is a Delaware limited partnership in good standing and authorized to conduct business in the State of Utah.

5. Petitioner is an operating rights owner with Robert L. Bayless, Producer, L.L.C. in all of the Subject Lands. Certain employees and affiliates of Petitioner own overriding royalty

interests with respect to the Subject Lands, and have consented in writing to the Petition and waived any rights to notice with respect to the Petition.

6. Petitioner intends to drill, complete and operate one or more wells within the Subject Lands, for the purpose of producing coalbed methane from the Ferron Formation within the Subject Lands.

7. The Ferron Formation, including all coal and surrounding sands, extends into and underlies the Subject Lands, constitutes one pool for gas contained within the Prior Lands and the Subject Lands, and 160-acres is the maximum area that can be efficiently and economically drained by one well in that pool.

8. Each such unit should comprise a governmental quarter section (e.g. NE $\frac{1}{4}$) or equivalent lots, and the permitted well for each such unit should be located no closer than 920 feet from other wells completed in and producing from the Ferron Formation and no closer than 460 feet from the outer boundary of the 160-acre drilling and spacing unit, or as may otherwise be permitted by administrative action for topographic or geologic reasons.

9. The establishment of 160-acre drilling and spacing units within the Subject Lands will allow for the orderly development of the Subject Lands, prevent waste in the drilling of unnecessary wells, adequately protect the correlative rights of all affected parties, and result in the greatest recovery of hydrocarbon substances, and is just and reasonable under the circumstances.

10. Petitioner or its agents have diligently searched the relevant public lands records to determine those owners whose legally protected interests in the Subject Lands will be affected by this Petition and caused a copy of the Petition to be mailed to their last known address. Notice of the hearing was also mailed to said owners by the Board. None of said owners have objected

in any way to the Petition. Petitioner obtained the written consent to the Petition and waiver of notice from all of the overriding royalty interest owners with respect to the Subject Lands.

CONCLUSIONS OF LAW

1. Due and regular notice of the time, place and purpose of the hearing on this Petition was given to all interested owners in the form and manner required by law and the rules of the Board. The Petition was properly before the Board at the hearing.

2. The Board has jurisdiction over the matters covered by the Petition and over all interested parties therein, and has jurisdiction to make and promulgate the Order hereinafter set forth, pursuant to Utah Code Annotated §§ 40-6-5 and 6.

3. The establishment of 160-acre drilling and spacing units within the Subject Lands will allow for the orderly development of the Subject Lands, prevent waste in the drilling of unnecessary wells, adequately protect the correlative rights of all affected parties, and result in the greatest recovery of hydrocarbon substances, and is just and reasonable under the circumstances.

ORDER

After considering the testimony and evidence presented at the hearing, along with the comments and recommendations received from representatives of the Division, the Board, having made the foregoing Findings of Fact and Conclusions of Law, now enters the following Order:

A. The Petitioner's Request for Agency Action is granted.

B. The Board hereby orders the following with respect to the Subject Lands:

1. The establishment of 160-acre drilling and spacing units for the Subject Lands (as defined herein) for the production of gas, including but not limited to coalbed

methane, from the Ferron Formation (as defined herein) including all coals and surrounding sands; and

2. Each such unit shall comprise a governmental quarter section (e.g. NE¼) or equivalent lots, and the permitted well for each such unit shall be located no closer than 920 feet from other wells completed in and producing from the Ferron Formation and no closer than 460 feet from outer boundary of the 160-acre drilling and spacing unit, unless otherwise permitted by administrative action approved by the Division in compliance with Utah Administrative Code R649-3-3 (i.e., rule governing “Exception to Location and Siting of Wells.”)

C. Pursuant to Utah Administrative Code R641 and Utah Code Ann. §63-46b-6 to – 10 (1953, as amended), the Board has considered and decided this matter as a formal adjudication.

D. This Finding of Fact, Conclusions of Law, and Order (“**Order**”) is based exclusively on evidence of record in the adjudicative proceeding or on facts officially noted, and constitutes the signed written order stating the Board’s decision and the reasons for the decision, all as required by the Administrative Procedures Act, Utah Code Ann. §63-46b-10 and Utah Administrative Code R641-109. The Order constitutes final agency action by the Board.

E. Notice re: Right to Seek Judicial Review by the Utah Supreme Court or to Request Board Reconsideration: As required by Utah Code Ann. §63-46b-10, the Board hereby notifies all parties in interest that they have the right to seek judicial review of this final Board Order in this formal adjudication by filing a timely appeal with the Utah Supreme Court within 30 days after the date that this Order issued. Utah Code Ann. §63-46b-14(3)(a) and –16 (1953, as amended). As an alternative to seeking immediate judicial review, and not as a prerequisite to seeking judicial review, the Board also hereby notifies parties that they may elect to request that

the Board reconsider this Order, which constitutes a final agency action of the Board. Utah Code Ann. §63-46b-13, entitled “Agency review – reconsideration,” states:

(1) (a) Within 20 days after the date that an order is issued for which review by the agency or by a superior agency under §63-46b-12 is unavailable, and if the order would otherwise constitute final agency action, any party may file a written request for reconsideration with the agency, stating the specific grounds upon which relief is requested.

(b) Unless otherwise provided by statute, the filing of the request is not a prerequisite for seeking judicial review of the order.

(2) The request for reconsideration shall be filed with the agency and one copy shall be mailed to each party by the person making the request.

(3) (a) The agency head, or a person designated for that purpose, shall issue a written order granting the request or denying the request.

(b) If the agency head or the person designated for that purpose does not issue an order within 20 days after the filing of the request, the request for reconsideration shall be considered to be denied.

The Board also hereby notifies the parties that Utah Administrative Code R641-110-100, which is a part of the group of Board rules entitled “Rehearing and Modification of Existing Orders,” states:

Any person affected by a final order or decision of the Board may file a petition for rehearing. Unless otherwise provided, a petition for rehearing must be filed no later than the 10th day of the month following the date of signing of the final order or decision for which the rehearing is sought. A copy of such petition will be served on each other party to the proceeding no later than the 15th day of that month.

See Utah Administrative Code R641-110-200 for the required contents of a petition for rehearing. If there is any conflict between the deadline in Utah Code Ann. §63-46b-13 and the deadline in Utah Administrative Code R641-110-100 for moving to rehear this matter, the Board hereby rules that the later of the two deadlines shall be available to any party moving to rehear this matter. If the Board later denies a timely petition for rehearing, the party may still seek

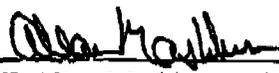
judicial review of the Order by perfecting a timely appeal with the Utah Supreme Court within 30 days thereafter.

F. The Board retains continuing jurisdiction over all the parties and over the subject matter of this matter, except to the extent said jurisdiction may be divested by the filing of a timely appeal to seek judicial review of this Order by the Utah Supreme Court.

G. For all purposes, the Chairman's signature on a faxed copy of this Order shall be deemed the equivalent of a signed original.

ISSUED this 16th day of April, 2004.

STATE OF UTAH
BOARD OF OIL, GAS AND MINING

By 
W. Allan Mashburn, Chairman

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER for Docket No. 2004-004, Cause No. 241-05 to be mailed with postage prepaid, this 16th day of April, 2004, to the following:

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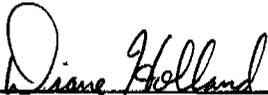
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FEB 25 2004

SECRETARY, BOARD OF
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AND ALL OF SECTIONS 4, AND 9, T14S
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ORDER GRANTING CONTINUANCE

Docket No.: 2004-004

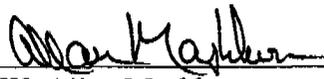
Cause No.: 241-05

The **Board of Oil, Gas & Mining** having considered the Motion for Continuance of **Westport Oil and Gas Company, L.P.**, Petitioner in this matter, for an order continuing the hearing in this matter to the regularly scheduled hearing date on March 2~~1~~²⁴, 2004, and being fully advised in the premises;

IT IS HEREBY ORDERED that the Motion for Continuance is granted and the above-captioned case continued to the regularly scheduled hearing on March 24, 2004.

DATED this 25th day of February, 2004.

BOARD OF OIL, GAS & MINING



W. Allan Mashburn
Chairman

Approved as to Form:



Stephen Schwendiman
Assistant Attorney General
Board of Oil, Gas & Mining



Steven F. Alder
Assistant Attorney General
Division of Oil, Gas & Mining

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing ORDER GRANTING CONTINUANCE for Docket No. 2004-004, Cause No. 241-05 to be mailed with postage prepaid, this 27th day of February, 2004, to the following:

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