

FILED

SEPTEMBER 17 2020

**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 RUNNING FOXES PETROLEUM CORPORATION, A/K/A RUNNING FOXES PETROLEUM, INC., FOR AN ORDER: (1) CONDITIONALLY APPROVING THE CONVERSION OF THE TXO 14-2 WELL, LOCATED IN THE SW¼SW¼ OF SECTION 14, TOWNSHIP 20 SOUTH, RANGE 23 EAST, SLM, GRAND COUNTY, UTAH, TO A CLASS II INJECTION WELL FOR ENHANCED RECOVERY; AND (2) APPROVING WATERFLOOD OPERATIONS IN THE DAKOTA D-1 SANDSTONES IN THE SW¼SW¼ OF SECTION 14 OF TOWNSHIP 20 SOUTH, RANGE 23 EAST, SLM, GRAND COUNTY, UTAH, AND CERTIFICATION OF SAID OPERATIONS AS AN ENHANCED RECOVERY PROJECT

**[PROPOSED]
FINDINGS OF FACT,
CONCLUSIONS OF LAW AND
ORDER**

Docket No. 2020-024

Cause No. 191-09

On August 18, 2020, the Chairman of the Board of Oil, Gas and Mining (the "Board") issued a written determination, pursuant to Utah Code Ann. § 52-4-207(4)(a), finding that holding in-person meetings in front of the Board presents a substantial risk to the health and safety of the participants due to COVID-19. The Chairman's written determination remained in effect for thirty (30) days, pursuant to Utah Code Ann. § 52-4-207(5). In an effort to comply with the Chairman's determination and streamline all proceedings that come before the Board during this time, the Board issued an Order on August 24, 2020 referring this matter to a hearing examiner, pursuant to Utah Admin. Code Rule R641-113-100, and the hearing was held electronically and without an anchor location, pursuant to Utah Code Ann. § 52-4-207(4), on September 15, 2020 at 2:00 p.m.

The following individuals were present and participated via the online meeting platform:

- John Baza, the Director of the Division of Oil, Gas and Mining (the “Division”), appeared as hearing examiner in this Cause (the “Hearing Examiner”), and Haley Sousa, Esq., Assistant Attorney General, appeared as attorney for the Hearing Examiner;
- Gordon Rowe, Esq., Assistant Attorney General, appeared as attorney for the Division. Mr. Dayne Doucet, Oil and Gas Permit Manager, made a statement, and Mr. Ammon McDonald, Permitting Environment Scientist, asked a question, on behalf of the Division; and
- Mr. Steven Tedesco, Owner of Petitioner Running Foxes Petroleum Corporation, a/k/a Running Foxes Petroleum, Inc. (“Running Foxes”), appeared as a witness, and Frederick M. MacDonald, Esq., of counsel with Lear & Lear, PLLC, appeared as attorney for Running Foxes. Mr. Tedesco was recognized by the Hearing Examiner as an expert in geology and waterflood operations for purposes of this Cause.

The Division did not file a Memorandum in this Cause and no other party filed a response or formally objected to Running Foxes’ Request for Agency Action filed in this Cause (the “Request”). At the conclusion of Running Foxes’ presentation, Mr. Rowe stated the Division supported the granting of the Request.

The Hearing Examiner, having considered the testimony presented and the exhibits received into evidence at the hearing, being fully advised, and for good cause, hereby makes the following findings of fact and conclusions of law and recommends the following order in this Cause.

FINDINGS OF FACT

1. Running Foxes is a Colorado corporation with its principal place of business in Centennial, Colorado. Running Foxes is duly qualified to conduct business in the State of Utah and is fully and appropriately bonded with all relevant Federal and State of Utah agencies.

2. The oil and gas in the SW¹/₄SW¹/₄ of Section 14, T20S, R23E, SW, Grand County, Utah (the "Project Area") is owned by the United States of America and is subject to United States Oil and Gas Lease UTU-44440 (the "Lease") administered by the Bureau of Land Management ("BLM"). Running Foxes is the current Lessee under the Lease, and the sole owner of the operating rights in the Dakota D-1 Sandstones, defined for purposes of this Cause as:

The stratigraphic equivalent of the interval between 1, 518 feet and 1,530 feet as shown on the Dual Induction Log of the TXO 14-2 Well, located 300 feet FSL and 820 feet FWL in the SW¹/₄SW¹/₄ of Section 14, T20S, R23E, SLM,

(the "Subject Formation") within the Project Area. There are no other production interest owners in the Lease as to the Subject Formation and Project Area other than the United States and Running Foxes.

3. There currently are three (3) oil wells located within the Project Area, all operated by Running Foxes:

- a) The TXO 14-1 Well (the "14-1 Well"), located 820 feet FSL and 660 feet FWL in the SW¹/₄SW¹/₄ of subject Section 14, is a currently producing oil well in the Subject Formation;
- b) The TXO 14-2 Well (the "14-2 Well"), located 300 feet FSL and 820 feet FWL in the SW¹/₄SW¹/₄ of subject Section 14, is a currently shut-in oil well but with perforated intervals in the Subject Formation; and
- c) The TXO 14-3 Well (the "14-3 Well"), located 275 feet FSL and 420 feet FWL in the SW¹/₄SW¹/₄ of Section 14, has always been and currently remains a shut-in oil well.

The Wells were drilled by Running Foxes' predecessor in title in accordance with the Board's Order entered in Cause No. 102-16B entered on November 15, 1979. Running Foxes plans to

convert the 14-2 Well to a Class II injection well and to plug and abandon the 14-3 Well in accordance with applicable Federal and State regulations.

4. The surface owner within a one-half mile radius of the 14-2 Well is the United States of America (administered by the BLM), with the exception of that portion within the SE¼ of Section 14 which instead is owned by San Arroyo Livestock LLC. San Arroyo Livestock LLC was notified of the Request and did not file any objections either with Running Foxes or with the Board.

5. The oil and gas owner within a one-half mile radius of the 14-2 Well is the United States of America (administered by the BLM). Running Foxes is the lessee and operating rights owner under all relevant Federal oil and gas leases, and operates all oil and gas wells, within the one-half mile radius. Propetroco Inc owns operating rights in Lease UTU-44440 but in lands outside the one-half mile radius.

6. There are no water wells within a one-half mile radius of the 14-2 Well. The Subject Formation does not constitute an “Underground Source of Drinking Water” as the term is defined in Utah Admin. Code Rule R649-1-1.

7. Production from the 14-1 and 14-2 Wells is currently at stripper well levels due to depressurization of the Subject Formation. Running Foxes proposes to re-pressurize the Subject Formation within the Project Area from a down-dip position by converting the 14-2 Well to an injection well and pushing the petroleum to recovery from the 14-1 Well through waterflood operations.

8. As supported by the exhibits and testimony received into evidence, the Subject Formation tends to be confined isolation traps. The sandstone reservoirs present in the 14-1 and 14-2 Wells are not connected to adjacent wells perforated in similar sands. The Subject Formation is confined both above and below by thick shales which, at the proposed injection rates outlined in Paragraph 10 below, will not be breached.

9. The water proposed for injection primarily will be produced water from the 14-1 Well, supplemented as needed with additional produced water from the nearby Cisco Springs B-1, Cisco Springs B-2, and Cisco SS 15-8 Wells, all operated by Running Foxes. The chemical analysis submitted as Exhibit "G" and admitted into evidence at hearing reflects the water is compatible for injection into the Subject Formation.

10. Running Foxes has submitted a UIC Form 1 Application to the Division to convert the 14-2 Well to a Class II injection well for enhanced recovery purposes, with proposed injection intervals in the Subject Formation, and with an anticipated maximum injection rate of 20 bbls./day at a maximum surface pressure of 600 psig. A mechanical integrity test on the 14-2 Well has not yet been conducted. Review and approval by the Division remains pending. Running Foxes has agreed that approval of its planned waterflood operation in the Project Area is conditioned upon the Division's approval of the UIC Form 1 Application.

11. Based on the exhibits and testimony received into evidence, the proposed waterflood operations are not expected to impact lands adjacent to the Project Area.

12. Exhibit “J” admitted into evidence and the testimony received with respect thereto reflect the value of the projected incremental production substantially exceeds the costs associated to conducting the proposed enhanced recovery operations.

13. As supported by exhibits and testimony received into evidence, the proposed waterflood operations are necessary to recover resources that would otherwise be left in place and avoid the unnecessary dissipation of reservoir energy, thereby preventing waste, and are a proper conservation mechanism.

14. A copy of the Request was mailed, postage pre-paid, certified with return receipt requested and properly addressed to all surface and mineral owners, “owners” as that term is statutorily defined in Utah Code Ann. §40-6-2(18) and Utah Admin. Code Rule R649-1, and operators within a one-half mile radius of the 14-2 Well and all mineral, leasehold and production interest owners in the Project Area. The mailings were sent to said parties at their last addresses disclosed by the relevant BLM and Grand County realty records. As evidenced by Exhibit “Z” admitted into evidence, all said parties received the mailing.

15. Notice of the filing of the Request and of the hearing thereon was duly published in the Moab Times-Independent on September 3, 2020 and in the Salt Lake Tribune and Deseret Morning News on September 6, 2020.

16. The Hearing Examiner recommends that the Request be granted.

CONCLUSIONS OF LAW

1. Due and regular notice of the time, place and purpose of the hearing was properly given to all parties whose legally protected interests are affected by the Request in the form and manner as required by law and the rules and regulations of the Board and Division.

2. The Board has jurisdiction over all matters covered by the Request and all interested parties therein pursuant to Utah Code Ann. §§40-6-5(3)(c), 40-6-7(1) and 59-5-102(9) and Utah Admin. Code Rule R649-3-37 and R649-5-1 *et seq.*

3. Running Foxes has demonstrated good cause and has sustained its burden of proof for the granting of the Request.

4. Approval of the Project Area for enhanced recovery purposes is in the public interest, will promote conservation, and will increase ultimate recovery without waste and with protection of correlative rights and is just and reasonable under the circumstances. Specifically, prevention of waste will occur because the waterflood operation constitutes prudent and economical operations and avoids the unnecessary dissipation of oil and gas and reservoir energy. Correlative rights are protected by virtue of common production interest ownership throughout the Project Area and the geologic characteristics outlined in the Findings of Fact above.

5. The Project Area qualifies as an “Enhanced Recovery Project” for purposes of Utah Code Ann. §59-5-102(9).

6. The Request satisfies all statutory and regulatory requirements for the relief sought therein, and therefore the Request should be granted.

ORDER

Based on the Request, testimony, and evidence submitted, and the findings of fact and conclusions of law stated above, and the recommendation of the Hearing Examiner, the Board hereby orders:

1. The Request in this Cause, as conformed to the testimony and other evidence provided at the hearing, is granted.

2. Conditioned upon the determination by the Division that the UIC Form 1 Application is complete and the Division approves the same, the conversion of the 14-2 Well to a Class II injection well for purposes of injecting water for enhanced recovery in accordance with the plan as outlined above and in the Application is approved. The Division will notify the Board's secretary of its determination on the Application so that the record in this Cause will be complete and, if approved, the Division shall issue the permit to Running Foxes without further Board action required.

3. The Project Area is hereby certified as an "Enhanced Recovery Project" in accordance with Utah Code §§40-6-7(1) and 59-5-102(9) and Utah Admin. Code Rule R649-3-37.

4. Pursuant to Utah Admin. Code Rules R641 and Utah Code Ann. §63G-4-204 to 208, the Board has considered and decided this matter as a formal adjudication.

5. This 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. § 63G-4-208 and Utah Administrative Code Rule R641-109.

6. Notice re: Right to Seek Judicial Review by the Utah Supreme Court or to Request Board Reconsideration: As required by Utah Code Ann. § 63G-4-208(e) - (g), 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. §§ 63G-4-401(3)(a) and 403. 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. § 63G-4-302, 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 Section 63G-4-301 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 sent by mail 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.

Id. The Board also hereby notifies the parties that Utah Admin. Code Rule R641-110-100, which is part of a 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 the month.

Id. See Utah Admin. Code Rule R641-110-200 for the required contents of a petition for Rehearing. If there is any conflict between the deadline in Utah Code Ann. § 63G-4-302 and the deadline in Utah Admin. Code Rule 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.

7. The Board retains continuing jurisdiction over all the parties and over the subject matter of this Cause, 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.

Pursuant to Utah Admin. Code Rule R641-113-400, the Hearing Examiner has made the above findings of fact and conclusions of law and proposes the above order.

PROPOSED by the Hearing Examiner this ____ day of _____,
2020.

JOHN BAZA
Hearing Examiner

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

ENTERED this ____ day of _____, 2020

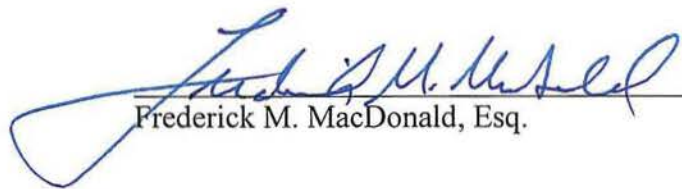
**STATE OF UTAH
BOARD OF OIL, GAS AND MINING**

By: _____
Chris Hansen, Chairman

CERTIFICATE OF SERVICE

I hereby certify that, on this 17th day of September, 2020, I caused a true and correct copy of the foregoing *Proposed Findings of Fact, Conclusions of Law and Order* to be mailed, postage pre-paid, and sent electronically to the following:

Gordon Rowe, Esq. Assistant Attorney General Attorney for the Division of Oil, Gas and Mining 1594 West North Temple, Suite 300 P.O. Box 145801 Salt Lake City, UT 84114-5801 E-mail: growe@agutah.gov	Michael Begley, Esq. Assistant Attorney General Attorney for the Board of Oil, Gas and Mining 1594 West North Temple, Suite 300 P.O. Box 145801 Salt Lake City, UT 84114-5801 E-mail: mbegley@agutah.gov
Haley Sousa, Esq. Assistant Attorney General Attorney for the Hearing Examiner 1594 West North Temple, Suite 300 P.O. Box 145801 Salt Lake City, UT 84114-5801 E-mail: hsousa@agutah.gov	John Baza Director - Division of Oil, Gas and Mining Hearing Examiner 1594 West North Temple, Suite 300 P.O. Box 145801 Salt Lake City, UT 84114-5801 E-mail: johnbaza@utah.gov



Frederick M. MacDonald, Esq.

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