

STATE OIL AND GAS BOARD MEETING  
 WALTER BRYAN JONES HALL  
 UNIVERSITY CAMPUS  
 TUSCALOOSA, ALABAMA .

Regular meeting of the State Oil and Gas Board, held  
 at Walter Bryan Jones Hall, University Campus, Tuscaloosa,  
 Alabama, on Friday, January 22, 1965, commencing at 10:00 a.m.

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BEFORE:

- E. K. Hanby, Jr., Chairman, Gasden, Alabama.
- Hugh L. Britton, Associate Member, Phenix City,  
Alabama.
- C. D. Glaze, Associate Member, Mobile, Alabama.

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ALSO APPEARING ON BEHALF OF THE TECHNICAL STAFF:

- P. E. LaMoreaux, Secretary.
- H. G. White, Chief Engineer.
- H. A. Harris, Attorney.
- W. E. Tucker, Field Agent.

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## APPEARANCES:

John A. Muir, Natural Bridge, Alabama, for Black Warrior Petroleum Company.

H. M. Townsend, Mobile, Alabama, appearing for Ancora Corporation.

Finnis Waltman, Citronelle, Alabama, appearing for self.

J. T. Noland, Birmingham, Alabama, appearing for First National Bank of Birmingham.

Douglas E. Jones, Tuscaloosa, Alabama, appearing for Walter B. Jones, Tuscaloosa, Alabama.

Boyd Bailey, Citronelle, Alabama, appearing for State Oil and Gas Board.

R. C. Wood, Citronelle, Alabama, appearing for State Oil and Gas Board.

PROCEEDINGS

CHAIRMAN HANBY: Gentlemen, we will now call our meeting to order. We will all rise, please, for a word of prayer. Gracious God, we thank thee for this opportunity of service. We pray, dear God, that the action we take here shall be according to thy plan and they program for this world. Be with us all as we go about our tasks and direct us in all things, we pray in Christ's name. Amen.

Gentlemen, we will get right on with out agenda this morning. The first item on our agenda -- I'm sorry Mr. LaMoreaux, will you report as to whether or not this meeting has been legally and regularly advertised as required by law?

MR. LaMOREAUX: Mr. Chairman, the meeting has been appropriately advertised and we may commence with the action before the Board today.

CHAIRMAN HANBY: Well, gentlemen, the first item on the agenda is the petition by the Black Warrior Petroleum Company to make permanent emergency order E-64-35, which granted approval to Black Warrior Petroleum Company to produce 1,000,000 cubic feet of natural gas per day from the No. 4 First National Bank of Birmingham Well, Whitehouse Gas Field, Marion County, Alabama. I believe also that this was subject to change, was it not,

Mr. White?

MR. WHITE: Yes, Mr. Chairman, it is written in the Order.

The provision to adjust the allowable is written in the Order.

CHAIRMAN HANBY: Is anyone here representing the petitioner?

MR. MUIR: Mr. Chairman, I am John Muir, a petroleum engineer, representing Black Warrior Petroleum Company. My present address is Natural Bridge, Alabama.

CHAIRMAN HANBY: Would you like to come down in front? Do you have any witnesses to testify?

MR. MUIR: No, sir.

CHAIRMAN HANBY: Mr. Muir, it might be in order if you would be sworn in, because there may be some question we would like to ask you. Would you raise your right hand?

(Witness sworn)

CHAIRMAN HANBY: Now this petition is to make permanent the emergency order, which was previously granted to produce the 1,000,000 cubic feet of natural gas per day from the No. 4 First National Bank of Birmingham Well, in the Whitehouse Gas Field, Marion County, Alabama. Would you tell the Board, Mr. Muir, the status at the present time of your production?

MR. MUIR: The present status of the well shut-in, awaiting production facilities to be delivered, in the form of dehydration

equipment, to be used to dry up the gas to pipeline specifications.

CHAIRMAN HANBY: Have you completed your negotiations with the pipeline company?

MR. MUIR: They are not completed. They are still in the process.

MR. GLAZE: Do you anticipate any trouble with the actual contract with them?

MR. MUIR: No, I don't myself. It is just a matter of dealing on a few terms that are suitable to them and ourselves both.

CHAIRMAN HANBY: Has a line been run?

MR. MUIR: Yes, the pipeline is laid yes, from the well to the metering point, the pipeline metering point near the No. 2 well.

CHAIRMAN HANBY: Would you mind refreshing my recollection. At the previous meeting in which you were granted the emergency order, what was your testimony as regards the production of this well? What was it capable of producing?

MR. MUIR: We have tested the well on several different rates and at different choke sizes, and had an actual producing rate of as high as 1,000,000 cubic feet a day.

CHAIRMAN HANBY: What size of choke was that?

MR. MUIR: That was approximately a one inch choke, and we, by using the points obtained from the other tests, have projected a full open-flow potential of at least 3,000,000 cubic feet per day.

I believe that is correct, 3,000,000 per day would not necessarily mean the rate we would try to flow it at, or even 1,000,000 a day, but we would employ what we call an efficient rate, which would take the best advantage of the pressures, volume and the so forth.

CHAIRMAN HANBY: Now, let's see. I believe you did have a test run by an outside company.

MR. MUIR: Yes.

CHAIRMAN HANBY: What were their findings on the flow?

MR. MUIR: They had projected an open-flow of around 2,000,000 per day, but we did not necessarily agree with that due to the way they had plotted their points, and I had sketched in a plot that I thought was more correct, which I am showing you now.

CHAIRMAN HANBY: What was the name of that company?

MR. MUIR: Associated Engineers, at Laurel, Mississippi.

MR. LaMOREAUX: Mr. Muir, what would be your considered opinion as to the most conservative potential of this well?

MR. MUIR: Well, the open-flow potential is sort of -- I call it a kind of ambiguous term, because it would depend upon the size of the pipe you had set to your formation -- your open-flow, whatever that pipe is capable of producing. We can't tell what is happening, necessarily, in the reservoir, I mean in the gas reservoir. There is an efficient rate, no doubt, but I couldn't predict it from what we have here, I don't think

MR. LaMOREAUX: In other words, on the basis of the information you have so far, there is no real reliable estimate of the potential, is that what you are saying?

MR. MUIR: No, I think -- I am just saying that the term "open-flow" potential is perhaps ambiguous.

MR. LaMOREAUX: I meant to ask you the potential --

MR. WHITE: The deliverability.

MR. LaMOREAUX: The deliverability potential. In your opinion what would be a conservative estimate?

MR. MUIR: Under the conditions we have, and the well, that we have and the pipe we have, I would say 1,000,000 a day is a conservative way to produce the well.

MR. LaMOREAUX: In other words, in your opinion there is no doubt that this well would produce the 1,000,000 cubic feet a day?

Mr. Muir, under present pressures, and the size pipe.

CHAIRMAN HANBY: Do you have any evidence as to whether or not that would be to the best interest of conservation? Can that well, in your opinion, produce 1,000,000 cubic feet a day and still meet all the requirements of good conservation practices, prevention of waste and that sort of thing?

MR. MUIR: In my opinion, yes, it will. I don't expect we will be producing at that rate, but we could without hurting the formation, or the well itself, according to the tests we have already run.

MR. HARRIS: Mr. Muir, do we understand that your negotiations

*Note  
This  
is Mr  
Muir's  
Answer  
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with the pipeline is the thing that is holding it up now; that the pipeline is ready, and that as soon as your negotiations are completed, you are ready to start producing, is that right?

MR. MUIR: No, that is not quite correct, Mr. Harris. We are waiting on some dehydration equipment, which won't be delivered for at least two or three more weeks, and in the meanwhile, we are negotiating with the pipeline.

MR. HARRIS: Do you think that when that is done that you will be ready to produce?

MR. MUIR: Yes, I think we will be all ready with our contract.

MR. HARRIS: Your estimated production date could be within two weeks?

MR. MUIR: Within a three weeks.

MR. HARRIS: Within three weeks?

MR. MUIR: Yes sir.

CHAIRMAN HANBY: Have you put this well back on tests?

MR. MUIR: No sir.

CHAIRMAN HANBY: Anytime since you have closed it <sup>in</sup> ~~out~~?

MR. MUIR: No, we haven't, because we considered the tests we had run were adequate, and there wouldn't be any purpose in any further tests.

CHAIRMAN HANBY: What was your water ratio?

MR. MUIR: There was no actual water ratio. The pipeline had measured the water content or the vapor content of the gas -- or the

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water vapor content you might say.

CHAIRMAN HANBY: You might say that there is no water problem at all?

MR. MUIR: No, there is no free water in the well. The water that will be reduced from the gas, will be water vapor, there is no mineral content at all.

CHAIRMAN HANBY: Any other questions?

MR. LaMOREAUX: I have no other questions.

CHAIRMAN HANBY: Mr. Muir, we will take this under consideration and advise you of our decision. I would like to, before we get away from that, you would probably want to incorporate in the minutes of this meeting all of the evidence previously introduced by the Black Warrior Petroleum Company, in support of the emergency order that was granted, is that correct?

MR. MUIR: Yes sir, I believe you have it all.

CHAIRMAN HANBY: So that will be done. All right the next item on the agenda is the petition by Finnis Waltman to process and reclaim non-merchantable oil from certain leases in the Gilbertown Field and in the Citronelle Field and to market said reclaimed oil and further to dispose of the salt water derived from the operation of the reclaiming plant in accordance with the laws of the State of Alabama and the rules and regulations of the State Oil and Gas Board. Is anyone here representing the petitioner?

MR. WALTMAN: Yes sir.

CHAIRMAN HANBY: Mr. Waltman, come around to the table, sir. I presume you want to testify, do you sir?

MR. WALTMAN: Yes sir.

CHAIRMAN HANBY: Do you have any witnesses?

MR. WALTMAN: No, just myself?

CHAIRMAN HANBY: All right, sir, would you raise your right hand, please sir, and be sworn? (Witness sworn) All right sir. You may proceed.

(Mr. Finnis Waltman was called as witness by and on behalf of the petitioner, being ~~the~~ first duly sworn, was examined and testified as follows:

#### DIRECT EXAMINATION

MR. WALTMAN: I have a couple of small drawings that might give you some ideas of what we are doing. This is being introduced in evidence as Exhibit No. 1.

CHAIRMAN HANBY: Let that be marked as Exhibit No. 1 to the testimony of Mr. Finnis Waltman. (the document above referred to was marked Exhibit No. 1 by Finnis Waltman for identification.)

MR. WALTMAN: I have another sheet. I would like for this second one to be marked as Exhibit No. 2. (the document above referred to was marked Exhibit No. 2 by Finnis Waltman.)

CHAIRMAN HANBY: All right. For the purpose of identifying Exhibit No. 1, what does the purport to be for the record, Mr. Waltman?

Will you merely state what that is so we will know what we are referring to.

MR. WALTMAN: Exhibit No. 1 is a sample stock tank, showing where crude oil is stored after being produced from a well. It is pumped into a stock tank. In this tank, in ample time it will naturally -- any impurities or foreign matter, such as BS, water and so forth, will settle out in the bottom of that tank. It shows also the pipeline connections, connected to the tank. This pipeline connection is usually one foot or more off of bottom. And when the bottom sediment or the BS and W is built up to an extent that there is a chance of drawing some out into the pipeline connections, which is as I say, usually one foot above the bottom, then the pipeline company says that the tank bottom needs to be cleaned because they are getting impurities in with their oil, going into the pipeline. That is when the operating company or the owner ask someone to clean the tank bottom, when the pipeline company tells them that they must be cleaned. Any oil that would be reclaimed from that particular tank, or any tank of similarly situated would be from the bottom, one foot, or one foot and one inch, or whatever was in the bottom of that tank, the accumulation of sediment over a period of time. This would not be a daily task that would be performed, but as it accumulates. In some instances it would take weeks, and in some instances it would take months, in one particular tank. The bottom half of this Exhibit

No. 1 is showing a heater-treater. Oil produced from the well usually goes through what we call a heater-treater. This treater is set up to separate BS and W from the oil that should go into the pipeline. Although it does its job the best it can, there always is a small amount that is carried over, and that small amount that is carried over will settle in the tank above. Out from this heater-treat~~er~~<sup>er</sup> there is in most cases, a BS and W pit; a burning pit, or BS and W pit, some now have tanks in the place of the pits, but the older fields and the older tank batteries have Bs and W pits, which drain the impurities from the treater into this pit. This is stored and there is an accumulation of oil, paraffin, or emulsified petroleum that will come to the top of the water that is in that pit, and as this water builds up or as the rains come and fill up these pits, it floats that out over the land and makes a mess, so it is necessary, on occasions, to suck this off of these pits, to keep them down so low that they will not flow over. That would be the two places that oil ~~to~~<sup>to</sup> be reclaimed would propose to come from. Then of course, any other place that it might come from, would be through some emergency, such as a line break or something similar, which is not normal, such as a line break or something similar, which is not normal, and was mentioned in here because that is not a regular, routing operation. You have emergency conditions occasionally that will arise, where there would be a small amount, but you cannot depend upon that because you may not have one in years, but that would be the main source of oil to be reclaimed or saved.

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CHAIRMAN HANBY: Did you prepare Exhibit No. 1, or was it prepared under your direction?

MR. WALTMAN: I prepared it myself.

CHAIRMAN HANBY: Now do you want to explain No. 2?

MR. WALTMAN: Exhibit No 2 is a simple drawing of the proposed plant that I would install, if granted this permit, to reprocess what oil should be picked up, to make it acceptable to any pipeline or any gatherer that might be interested in purchasing it.

Showing first a stock tank in which reclaimed oil would be stored, would be put into this tank until such time that there was enough to process. Then, being enough in this tank to process, you would have a transfer pump connected between that tank and a heater-treater; the valve being open from this tank, start up your transfer pump and pump these impurities through the heater-treater, and with heat in the heater-treater building up the necessary temperature so that you might have the separation of the impurities in what oil you might reclaim from it. Then your purest, or your oil that would be available for resale, would come out of the top of the heater-treater over into a stock tank, which would be the tank which you would put your stock in that would be available for sale.

Out of the bottom of the heater-treater would come your BS and W line, where your impurities would fall out into the bottom of the tank along with the water, and would go out also through a connecting line to a stock tank for BS and W, or bottom sediment and water.

CHAIRMAN HANBY: Did you prepare Exhibit No. 2 ?

MR. WALTMAN: I did.

CHAIRMAN HANBY: Yourself?

MR. WALTMAN: I did.

CHAIRMAN HANBY: Now on Exhibit No. 1, you have here -- it says "BS and W pit". Now what kind of pit would that be?

MR. WALTMAN: Sir, that is -- on all of the older batteries that is a earthern pit that was dug with a tractor, that this is allowed to go out into, from the heater-treater. Now that is sometimes called a burning pit, because the accumulations there are so small lots of time people just stick fire to it and burn it, burn the impurities off, but on the newer batteries, as time as gone by some had installed, like Exhibit No 2 shows, a stock tank to catch the BS and W in, then they haul it off to a disposal well, or to lime pits or some other place of disposal.

CHAIRMAN HANBY: Now what about the water that you would run into? What would you do with that?

MR. WALTMAN: Well, on water that was taken from any particular batteries, we don't anticipate too much water, other than

what would naturally accumulate in the bottom of the tanks, which would be very small. That in the pits, would be very small, other than rain water. In tanks, where tanks should be the case, that would accumulate faster, and that would be carried to the disposal system of the parent company, or the company that was having the work done.

CHAIRMAN HANBY: Does anyone have any questions?

COMMISSIONER BRITTON: The mystery comes out in my mind about whose responsibility it will be to dispose of this salt water. Will it be your responsibility, or the parent company's responsibility?

MR. WALTMAN: It would be my responsibility, at no charge to them.

MR. HARRIS: Mr. Waltman, how would the severance tax on that be paid?

MR. WALTMAN: Well, it would be paid by the purchaser, just like it is supposed to be on all other oil.

MR. HARRIS: The reclaimed oil would not be ~~be~~ the tax on that would not be measured because it was not sold, until after it is reclaimed, that is correct, isn't it?

MR. WALTMAN: Well --

MR. HARRIS: The oil that you reclaim -- of course no tax

has been paid on that because it is not --

MR. WALTMAN: That is right.

MR. HARRIS: Because it is not oil until it is reclaimed?

MR. WALTMAN: That is right.

MR. HARRIS: Now do you pay the tax on that to the Revenue Department, or does the person from whose tank you are getting that oil?

MR. WALTMAN: Oh no, I would have to pay the tax on it.

MR. HARRIS: You would have to pay the tax?

MR. WALTMAN: Yes sir, although you know, there is a case before the Tax Commissioner now, and there is a considerable amount there hasn't been any tax paid on, but I would propose to -- well in fact there would be, unless there was some letter of agreement to that extent, the purchaser would automatically withhold the severance tax on it, and turn it over to the State of Alabama.

MR. HARRIS: Then would you have specified forms on which to report that?

MR. WALTMAN: Oh yes, yes sir.

MR. HARRIS: Tax to the Revenue Department?

MR. WALTMAN: Yes sir.

MR. HARRIS: Could we get a copy of that?

MR. WALTMAN: I believe you do now, don't you, Gene, get a copy of that monthly?

MR. WHITE: We do, yes.

MR. HARRIS: Thank you.

MR. WHITE: Mr. Waltman, do you anticipate any problems as far as royalty owners are concerned?

MR. WALTMAN: No sir.

MR. WHITE: There would actually be a very slim chance, would there not, <sup>of</sup> actually allocating any of this production back to the royalty owners?

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MR. WALTMAN: Well, I will say this; if it ran into that I would give it up because there wouldn't be enough in it to justify the additional paper work that it would take.

MR. LaMOREAUX: Mr. Waltman, would you tell the Board what would be the quality control on this salable oil?

MR. WALTMAN: It would be the same as any other merchantable oil. You would be governed by the same Code 2500, the API Code that everybody else goes by. It would have to meet the API Standards.

MR. LaMOREAUX: Now, have you got any estimate as to the amount of salt water that will result from this operation that you are proposing?

MR. WALTMAN: I do have in my own mind. I have not tried this as such.

MR. LaMOREAUX: Based on your experience?

MR. WALTMAN: Based on my experience in cleaning tank bottoms and not trying to salvage any, in the tank bottoms that are picked up in the Citronelle Field, you would have very little water. The majority of that is paraffin. You would have very little water.

MR. LaMOREAUX: When you say "very little water" it is hard for me to understand.

MR. WALTMAN: Sir, I'm fixing to get to that now.

MR. LaMOREAUX: All right.

MR. WALTMAN: I would say you should be able to recover 80% or better of what you take out of the tank. The water content would be 20% or less. In some cases it would be less, and in some cases it would probably be as high as 20%.

COMMISSIONER GLAZE: What is the capacity of this storage tank on Exhibit No. 2, Mr. Waltman?

MR. WALTMAN: They vary. That is why it was put down that way. We will say 1,000 barrels. We will just call that 1,000 barrels, for the sake of reference.

COMMISSIONER GLAZE: All right. Thank you.

MR. HARRIS: Mr. Waltman, how does the field price of reclaimed oil compare with the original field price of the original oil?

MR. WALTMAN: I don't have any idea, Mr. Harris. I haven't ask them about the price that they would give. I understand that is

it is considerable less. Of course I would try to negotiate that, because if I am going to make something pure out of something that is impure, then I'm going to expect there to be a fair price on it. I would be pretty poor business man not to try to get the best price, and if I spent my time and work and energy to make it pure, then I want the same price that everybody else gets.

MR. LaMOREAUX: Mr. Waltman, I assume that your Exhibit No 2 is the flow diagram that you are proposing to install?

MR. WALTMAN: Right.

MR. LaMOREAUX: I notice in your Exhibit No. 1, you show the discharge pipe from the heater-treater directly to the BS and W pit, but in your Exhibit No. 2 you show that BS and W line discharging from the heater-treat, and from the stock tank to a BS and W tank -- ?

MR. WALTMAN: How this BS and W line in Exhibit No 2 is going to the heater-treater, is behind the stock tank. It goes directly to the BS and W tank.

MR. LaMOREAUX: Then I suggest that that diagram be corrected to show that. As it is shown now, it shows a direct flow from the heater-treat to the stock tank to the BS and W tank. That is a simple change, is it not?

MR. WALTMAN: Well, sir, that should be changed, yes sir.

MR. WHITE: Perhaps this question will clear that up here. I think, Exhibit No. 1, Mr. Waltman and correct me if I'm wrong, does not purport to represent your plant. That represents the installation of wells as they are presently?

MR. WALTMAN: Exhibit No. 1 represents the status of of locations that I will probably get orders to reclaim from, that has nothing to do with -- that has nothing to do with my operations. That is the probable points that oil would come from, to be reclaimed.

MR. WHITE: I see.

CHAIRMAN HANBY: In other words, there wouldn't be any more emptying into a pit, as shown here on Exhibit No. 1.

MR. WALTMAN: Oh no, there are pits in the older batteries now.

CHAIRMAN HANBY: Yes sir.

MR. WALTMAN: Such as that, where you would continue to pick that up until the operators install tanks.

CHAIRMAN HANBY: In other words, as shown on Exhibit No. 2 that would be, instead of the pit, that would be a BS and W tank?

MR. WALTMAN: Yes that is right.

CHAIRMAN HANBY: Now have you made any plans as to how you would dispose of what salt water you did get, you say of 20% or

less?

MR. WALTMAN: Well, yes, I have. The people that we would pick the oil up from, they are parties to the salt water disposal well.

CHAIRMAN HANBY: Your plan is that they would have that water taken up, and going to the disposal well?

MR. WALTMAN: That is a part of their water, that we are cleaning out of their tank for their benefit.

MR. LaMOREAUX: Oh, I understand now. This clarifies my question. In other words, you are going to be collecting some salt water in that last BS and W tank, and as that water accumulates, you will dispose of it by acceptable means.

MR. WALTMAN: Right.

MR. LaMOREAUX: That is fine.

MR. HARRIS: Mr. Waltman, what is the distance in Exhibit No. 2 from the heater-treater to the storage tank?

MR. WALTMAN: Well that is --

MR. HARRIS: Are they all consistant?

MR. WALTMAN: Now they are --

MR. HARRIS: Are they are all made alike?

MR. WALTMAN: No, they are not. Now the distance on mine, I would only have the one, so it would just be the difference as

permissible by law.

MR. HARRIS: In other words, that was what I was getting at. The heater-treater is not too close to be a fire hazard?

MR. WALTMAN: The heater-treater is 150 or 250 feet from the closest tank.

MR. HARRIS: It is more than would cause a fire hazard?

MR. WALTMAN: Right. In a case of the batteries that are already installed, there is a considerable difference in most every one. Some are closer -- some are farther, and there are all types, and what I would propose to put up there would be, of course, strictly to adhere to the rules and regulations which would be 150 feet from the closest tank.

CHAIRMAN HANBY: Now Mr. Waltman, on Exhibit No. 2 this first storage tank here would be where you would first put the reclaimed oil and water?

MR. WALTMAN: Right

CHAIRMAN HANBY: All together.

MR. WALTMAN: Right

CHAIRMAN HANBY So it would be a comingling of oil and of water from all of the wells that you get the reclaimed oil from?

MR. WALTMAN: Right.

CHAIRMAN HANBY: Have you thought about that you might run into a problem on trying to dispose of salt water, because it would

be more or less comingled, and it would be difficult to tell from which well so much water came from?

MR. WALTMAN: No sir, I haven't.

CHAIRMAN HANBY: You don't think that would be a problem?

MR. WALTMAN: No sir, I think it would be so small until --

CHAIRMAN HANBY: That wouldn't be a problem?

MR. WALTMAN: That wouldn't be a problem. If it was a problem, then there wouldn't be a thing in the world to prevent me from digging a line or cementing a pit of my own because the accumulation there is so small, that if you had a cemented pit --

CHAIRMAN HANBY: Of course that is what we are trying to get around. We want to get around that salt water going into a ~~well~~ <sup>pit</sup>, if possible. That is one trouble that we have had. Are there any other questions?

MR. LaMOREAUX: I have no further questions.

COMMISSIONER BRITTON: I have one question I would like to ask. Of this 20 % of this material that is taken out of the bottom of these tanks, of that 20% that is water, will this heater-treater evaporate or dispose of any of that water by itself?

MR. WALTMAN: By itself?

COMMISSIONER BRITTON: I mean will the heat itself

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evaporate any of the water?

MR. WALTMAN: Well, naturally anytime temperature, when you get up above its normal temperature you will have a certain amount of evaporation.

COMMISSIONER BRITTON: I understand that, but can you tell me what percentage of the 20% of the water left might be evaporated?

MR. WALTMAN: Well, no, I can not and -- maybe you misunderstood me. I didn't mean that there would be 20% of water in every bottom. There are considerable tanks in the Citronelle Field that you won't get 6% water out of.

COMMISSIONER BRITTON: Yes.

MR. WALTMAN: Because of all the water you have is what is suspended in your paraffin, and temperature is the only thing that is necessary to knock that water out of the paraffin, so if you get 6% or 3% or 2% or 10, it varies; it would depend upon how well the production has been separated before it has a chance to settle out in the bottom, but in most cases in the ~~Citronelle~~ <sup>Crude</sup> ~~crew~~ there are no problems to treat, all it takes is temperature.

CHAIRMAN HANBY: Mr. Waltman, let me ask you this. How soon could you go into this type of business and have your equipment ready, should you be granted the right to do so?

MR. WALTMAN: I have all the equipment on hand. I mean I own the equipment already.

CHAIRMAN HANBY: Would it be your plan to go into both the Gilberttown Field and the Citronelle Field at the same time?

MR. WALTMAN: Well, I think I would have to go any where that I could get some to reclaim, to even pay for the expense of it.

MR. HARRIS: Mr. Waltman you have had experience in tank cleaning operations prior to this, have you not?

MR. WALTMAN: Yes sir.

MR. HARRIS: In these fields in Alabama?

MR. WALTMAN: Yes sir.

CHAIRMAN HANBY: Does anyone have any more questions? Is there any one in the audience that has any questions, or want to be heard on this petition? If there are no objections, we will receive in evidence Exhibit No. 1 and No. 2, to the testimony of Mr. Finnis Waltman, into evidence. (the documents referred to previously marked Petitioner's Exhibit No. 1 and No. 2 witness, Waltman, received these in evidence.)

CHAIRMAN HANBY: Do you have any further comment?

MR. WALTMAN: No sir, that is all I have.

CHAIRMAN HANBY: All right, sir. The Board will take this under consideration, Mr. Waltman. Thank you.

THIS IS ALL THE EVIDENCE IN THIS CASE.

CHAIRMAN HANBY: The next item on the agenda is the petition by Erickson-Oglesby to drill a well at the following off-center location:

Land Brothers A-1, 330 feet WEL and 230 feet NSL, Southwest quarter of Northwest quarter of Section 36, Township 11 North, Range 5 West, Gilbertown Field, Choctaw County, Alabama. The Board reserves the right to prorate in the event the above petition is granted and this well becomes a producer. Anyone here representing the petitioner?

MR. WHITE: Mr. Chairman, I had a call from Mr. Oglesby this morning, stating that he was sick and would not be able to attend the meeting. He did plan to attend, but stated that he was sick and could not attend.

CHAIRMAN HANBY:: Does the Staff have any statement to make at this time?

MR. LaMOREAUX: *Therefore you (the Board) has*  
 No way of cross-examination\*

CHAIRMAN HANBY: What is the suggestion of the Board? Do you wish to continue this matter?

COMMISSIONER BRITTON: I make the motion that we continue this matter.

MR. GLAZE: I second the motion.

MR. HANBY: It has been moved and seconded that the petitioner

by Erickson-Oglesby, as contained in the agenda, Item No. 3, be continued due to the illness and inability of Mr. Oglesby to be present. All those in favor, let it be known by saying, "Aye".

COMMISSIONER GLAZE: "Aye".

COMMISSIONER BRITTON: "Aye".

CHAIRMAN HANBY: The "Ayes" have it, and the motion is granted.

MR. HARRIS: Is that to be continued generally, or until the next meeting, Mr. Chairman?

CHAIRMAN HANBY: Until the next meeting. The next item on the agenda is the petition by Ancora Corporation to dually complete the following well:

Citronelle Unit A - 24 - 12, Northeast quarter of Southwest quarter, Section 24, Township 2 North, Range 3 West, Citronelle Field, Mobile County, Alabama, in accordance with Order No. 82 as amended by Order No. 175.

Is anyone here representing Ancora Corporation?

MR. TOWNSEND: Yes sir, Mr. **Chairman**, I am H. M. Townsend. We request that you grant us this petition.

CHAIRMAN HANBY: Would you come up front, Mr. Townsend? Do you have any witnesses, Mr. **Towasend**?

MR. TOWNSEND: No sir.

CHAIRMAN HANBY: It might be wise for you to be sworn in, so that anything you say may be considered testimony. (H. M. Townsend, called as witness on behalf of the petitioner, being first duly sworn, was examined and testified as follows:

CHAIRMAN HANBY: Just be ~~seated~~, Mr. Townsend. Could you tell us the reason for ~~this~~ petition for an off-center location, Mr. Townsend?

MR. TOWNSEND: This is not an off-center location. This is a dual completion.

CHAIRMAN HANBY: Oh, I see. I am sorry.

MR. TOWNSEND: This unit, A-24-12, has three producing sands in it. In the upper donovan it has sands No. 14 and 16, and in the lower donovan it has sand No. 32, and it is the usual custom in the Citronelle Field, this type of well, we do dually complete these wells, and with the proper procedure, setting a plug in, separating the upper donovan from the lower donovan.

CHAIRMAN HANBY: Does the staff have any recommendations to make?

MR. LaMOREAUX: This petition is in order, Mr. Chairman, and all the necessary forms and documents have been received, and the staff recommends the granting of the petition.

CHAIRMAN HANBY: You have heard the testimony in this matter and the recommendation of the staff. What is the pleasure of the

Board?

COMMISSIONER GLAZE: I move that the petition by Ancora Corporation be granted, for the dual completion of this well.

COMMISSIONER BRITTON: I second the motion.

CHAIRMAN HANBY: It has been moved and seconded that the petition of Ancora Corporation be granted. Those in favor let it be known by saying "Aye".

COMMISSIONER BRITTON: "Aye."

COMMISSIONER GLAZE: "Aye."

CHAIRMAN HANBY: The "Ayes" have it, and it is so ordered. The next item on the agenda is the petition by Newkirk-Anderson Drilling & Exploration Co., Inc. to make permanent emergency order No. E-64-33 which granted approval to Newkirk-Anderson Drilling & Exploration Co., Inc. to drill a well at the following off-center location:

Mattie E. Clark No. 3, 330 feet EWL and 330 feet NSL, Northeast ~~quarter~~ of Southeast quarter, Section 1, Township 10 North, Range 3 West, Gilberttown Field, Choctaw County, Alabama. The Board reserves the right to prorate in the event the above well becomes a producer. It anyone here representing the petitioner?

(No response.)

COMMISSIONER GLAZE: You have heard from them?

MR. WHITE: No sir, I guess they presumed it wasn't necessary for them to appear, since they did appear at the last meeting and present<sup>ed</sup> evidence for the emergency order.

CHAIRMAN HANBY: I thought we had had an understanding of that unless there was some excuse, that we expect attendance at all of these petitions. I think that if it is important enough to warrant a place on this agenda, that it is certainly important enough for the person to be present.

COMMISSIONER GLAZE: I do too.

MR. LaMOREAUX: Mr. White, has Mr. Anderson -- is he cognizant of this need to be present? I am sure he has been advised of it.

MR. WHITE: He has been advised of it.

MR. LaMOREAUX: And in fact I think, the same type of thing happened at a Board Meeting two or three months ago.

CHAIRMAN HANBY: I am going to move that the matter be continued.

MR. WALTMAN: Mr. Chairman?

CHAIRMAN HANBY: Yes sir.

MR. WALTMAN: I would like to speak for them in this petition. I drilled that well for them. It has already been drilled and they will attempt to make a producer out of it, and since it is the eastern most well in the field --

CHAIRMAN HANBY: I believe ~~if you want to testify you had~~ better be sworn, Mr. Waltman, so come on up. (Finnis Waltman called as a witness on and behalf of the petitioner, being first duly sworn and testifing as follows:)

CHAIRMAN HANBY: Go ahead. What he has said, let it be included under oath. One thing we would want to know, Mr. Waltman, or rather we would have to know, if you are the official representative of Newkirk-Anderson Drilling & Exploration Co. Inc., in this petition?

MR. WALTMAN: No sir, I am not their official representative.

CHAIRMAN HANBY: Well now, we would be glad to hear your testimony, but I'm afraid it would not be sufficient, however, without their appearance here or having someone representing them, but if you want to testify, come up and we will be glad to hear from you.

MR. WALTMAN: Well the main thing I wanted to tell you was, that the well was drilled, and there was a small showing, and they were going to attempt to make a producer out of it.

CHAIRMAN HANBY: All right, sir, I make it the motion that this matter be continued until the next meeting.

COMMISSIONER GLAZE: Mr. Hanby, let me ask this question off the record. (Discussed off the record.)

CHAIRMAN HANBY: Let us see, Mr. Waltman, have you made a call to Mr. Anderson?

MR. WALTMAN: Yes, Mr. Chairman. I am now the official representative of Newkirk-Anderson Exploration Co., Inc. and this can be verified by Mr. Tucker.

CHAIRMAN HANBY: All right, sir. Now I believe you had been sworn and you have already given some testimony, and for the purpose of the record, what has been done previously will be considered as a sworn testimony, and you may continue, Mr. Waltman.

MR. WALTMAN: I would like for the testimony that has been represented in this petition previously, to be admitted also as evidence in this, and that the well has been drilled on the emergency order, and there was a small showing and there will be some other attempt made to produce it, and ask that this petition be made permanent, and also state that Mr. Anderson sends his apology, that he was not here because the notices evidently were sent to Newkirk-Anderson Drilling Co., which goes to Newkirk's address and he had no notice of the meeting and did not know that he would be required to be here. Of course he send his apologies.

CHAIRMAN HANBY: All right, sir. If you will, convey to him that from here on out we will appreciate his being here on any petition.

MR. WALTMAN: Yes sir.

CHAIRMAN HANBY: All right, the request has been made that the testimony previously introduced on the petition for an emergency order in this case, be accepted as testimony in this case. Without

objection it will be so received. Does the staff have any recommendations to make?

MR. LaMOREAUX: Gene, have you got any further questioning -- I mean regarding the actual result of their production tests, <sup>and</sup> so forth?

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MR. WHITE: We might ask of Mr. Waltman if he would give a completion report on the well; that is, how much casing was set and so forth and so on, and what was perforated and so forth.

MR. WALTMAN: I hasn't been perforated yes. The casing is set, though. I don't have those figures, but we will give you a copy of it.

MR. WHITE: But the well has not been perforated?

MR. WALTMAN: No.

MR. WHITE: Then there would be no production on it.

MR. LaMOREAUX: Well, as far as the petition, all the paper work is in order, and under the circumstances the staff would recommend that the petition be granted to make this emergency order permanent.

CHAIRMAN HANBY: All right, gentlemen. Now we have heard the testimony and the recommendation of the staff. What is the pleasure of the Board?

COMMISSIONER BRITTON: I move that the petition be granted, of Newkirk-Anderson Exploration Co., Inc., as petitioned for.

COMMISSIONER GLAZE: I second the motion.

CHAIRMAN HANBY: It has been moved and seconded that this petition be granted. Those in favor let it be known by saying "Aye" and those opposed "No".

ALL: "Aye."

CHAIRMAN HANBY: The "Ayes" have it. And the petition is granted. Now the next item on the agenda is open session. Do we have anyone here who would like to make any remarks, or enter into discussion in any phase of our oil and gas work? There seems to be no one who desires to enter into an open discussion. All right the next item --.

MR. LaMOREAUX: I believe we might at this time include in the record, Mr. Chairman, a letter from the Governor regarding the appointments to the committees of the Interstate Oil Compact Commission, for the coming year. I believe also that we should issue as a Board, a statement to the newspapers regarding these appointments. You will be pleased to know that the Governor has appointed Horace G. White, our Petroleum Engineer, to the Engineering Committee, Mr. A.J. Harris, of our Legal Staff to the Legal Committee, Mr. Claud D. Kelly, the Director of the Conservation Department, to the Public Land Committee, Mr. E.K. Hanby to the Regulatory Practices Committee, Phillip E. LaMoreaux to the Research Committee, and Mr. C.D. Glaze to the Secondary

Recovery and Pressure Maintenance Committee of the Interstate Oil Compact Commission.

The letter is signed "Yours very truly, George C. Wallace", the letter is directed to Mr. Lawrence R. Alley, Executive Secretary of the Interstate Oil Compact Commission.

CHAIRMAN HANBY: If there is no objection, then, the letter will be read into the minutes and will be made a part of the minutes of this meeting, and Mr. LaMoreaux will see to it that the proper publicity is given <sup>to</sup> our newspaper <sup>about</sup> the letter, and the appointments. *Handwritten: H.H.W. 4-5-65*

If there is nothing further to come in Open Session, we will go into Executive Session.

(At this time the committee went into Executive Session without the presence of the reporter.)

CHAIRMAN HANBY: Let the record show that the Board reconvened in regular Session at 12:56 p. m. There are two items on the agenda which were continued, and we will take these up at this time.

Item No. 1 on the agenda again, the petition by Black Warrior Petroleum Company, to make permanent emergency order E-64-35 to produce 1,000,000 cubic feet of natural gas per day, which is subject to adjustment either upward or downward, following the collection of sufficient production data to enable the Board to

adequately determine the well's possible potential to produce from this reservoir. We have heard the testimony introduced at the hearing. What is the recommendation, if any, of the staff?

MR. LaMOREAUX: Mr. Chairman, the staff recommends<sup>h</sup> that the Board grant the petition to Black Warrior.

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CHAIRMAN HANBY: The Board has heard the testimony and the recommendation of the staff. What is the pleasure of the Board?

MR. GLAZE: I move that the petition by the Black Warrior Petroleum Company, Inc., be made permanent.

COMMISSIONER ~~BRITTON~~: I second the motion.

CHAIRMAN HANBY: It was moved and seconded that this petition be granted. Those in favor let it be know by saying "Aye" opposed "No".

ALL: "Aye".

CHAIRMAN HANBY: The "Ayes" have it, and the petition is granted.

The next item on the agenda that we have not finished is the petition by Finnis Waltman to process and reclaim non-merchantable oil from certain leases in the Gilberttown and the Citronelle Field, which is set out as Item No. 2 on our agenda. Does the staff have any recommendations on this item?

MR. LaMOREAUX: The staff has studied the testimony by

Mr. Waltman and find that he clearly states his petition for the reclaiming of non-merchantable oil from certain leases in the Gilbertown and Citronelle Fields, and recommends that the petition be granted, in accord<sup>ance</sup> with his testimony.

CHAIRMAN HANBY: You have heard the testimony and the recommendation of the staff. What is the pleasure of the Board?

COMMISSIONER BRITTON: I move that we grant the petition.

COMMISSIONER GLAZE: I second the motion.

CHAIRMAN HANBY: It has been moved and seconded that the petition of Finnis Waltman be granted. Those in favor let it be known by saying "Aye" those opposed "No."

ALL: "Aye".

CHAIRMAN HANBY: The "Ayes" have it and the petition is granted.

Now gentlemen, that takes care of all the items on the agenda. Is there anything else to come before the Board?

MR. LaMOREAUX: We have nothing further from the technical staff.

MR. HARRIS: Nothing further.

CHAIRMAN HANBY: Do I hear a motion that we adjourn?

MR. GLAZE: I move that the meeting be adjourned.

MR. BRITTON: I second the motion.

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CHAIRMAN HANBY: It has been moved and seconded that we adjourn. All those in favor let it be known by saying "Aye" those opposed "No".

ALL: "Aye".

CHAIRMAN HANBY: The "Ayes" have it and we stand adjourn.

(Where upon at 12:58 p. m., Friday, January 22, 1965, the regular meeting of the State Oil and Gas Board was closed.)

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THIS IS TO CERTIFY that the above and fore-going thirty-eight (38) pages of typewritten matter contains a true and correct transcription of my shorthand notes taken on this date.

  
Court Reporter.

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