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STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

June 16, 1987

Testimony and proceedings before a Hearing Officer in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, pursuant to adjournment, on this the 16th day of June, 1987.

BEFORE:

Mr. Marvin Rogers.....Hearing Officer

BOARD STAFF

Dr. Ernest A. Mancini.....Secretary & Supervisor

Mr. Gary Wilson.....Assistant Supervisor

Mr. Jay Masingill.....Assistant Supervisor

Mr. Doug Hall.....Geologist

Mr. Frank Hinkle.....Geologist

Mr. Bennett Bearden.....Geologist

Mr. Richard Hamilton.....Petroleum Engineer

Mr. Dave Bolin.....Chief, Production & Engineering

(Reported by Jean W. Smith)

APPEARANCES

NAME	REPRESENTING
1. Steve Hammond P. O. Box 1906 Decatur, Alabama 35002	TXO Production Corp.
2. Bill Green 410 Edwards Shreveport, LA	TXO Production Corp.
3. Gary Griffith 410 Edward Shreveport, LA	TXO Production Corp.
4. Neil Oleson 202 NW 68th Oklahoma City, OK. 73116	Terra Resources, Inc.
5. Steve Harrison Tuscaloosa, Alabama	V. Monta Currie, Jr. Terra, Petrus, Taurus
6. Ken Carutta 1555 Poydras New Orleans, LA. 70171	Exxon
7. Bill Strawbridge 1555 Poydras New Orleans, LA. 70171	Exxon
8. Mike Begland 1555 Poydras New Orleans, LA. 70171	Exxon
9. Dave Eason Natchez, MS	V. Monta currie
10. Walter Smith Tuscaloosa, Alabama	JCBF

APPEARANCES  
(Cont'd)

NAME	REPRESENTING
11. J. Wayne Payton Tuscaloosa, Alabama	Michigan Oil Company
12. Craig Clark 202 NW 68th Oklahoma City, OK.	Terra Resources
13. David Carmony 202 NW 68th Oklahoma City, OK.	Terra Resources
14. Ike Espy Tuscaloosa, Alabama	Charles Cherry
15. Jane Pratte Birmingham, Alabama	Taurus

PROCEEDINGS

(The hearing was convened at 10:04 a.m. on  
Tuesday, June 16, 1987, at Tuscaloosa, Alabama)

MR. ROGERS: This hearing is in session. Dr. Mancini, has proper notice of this hearing been provided?

DR. MANCINI: Proper notice of this hearing has been provided.

NOTICE OF MEETING

"The State Oil and Gas Board of Alabama will hold its regular monthly meeting on Tuesday and Wednesday, June 16 and 17, 1987, at 10:00 a.m. in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, to consider among other items of business the following petitions and applications:

1. DOCKET NO. 5-19-872

Continued petition by Charles L. Cherry and Associates, Inc., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling and integrating all lands and interests in an 80-acre drilling unit consisting of the North Half of the Northwest Quarter of Section 4, Township 14 South, Range 13 West, Fayette County, Alabama, in the Wayside Oil Field, pursuant to Ala. Code Section 9-17-13 (1975) and Rule 400-1-13-.01 of the State Oil and Gas Board of Alabama Administrative Code.

2. DOCKET NO. 5-19-879

Continued petition by Hughes Eastern Corporation, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order establishing Special Field Rules for a new gas field in Washington County, Alabama, to be named the "Crosbys Creek Gas Field", or such other name as deemed appropriate by the Board. The proposed field limits for the new gas field consist of the following described parcels:

Sections 26, 27, 33, 34, and 35, Township 8 North, Range 4 West; and

Sections 2, 3, and 4, Township 7 North, Range 4 West, all in Washington County, Alabama.

The Smackover Gas Pool is to be defined as that interval

productive of hydrocarbons found between the Lithodensity Compensated Neutron Log measured depths of 16,394 feet and 16,421 feet, as encountered in the Sarah Middleton 34-11 No. 1 Well, Permit No. 5001, located in Section 34, Township 8 North, Range 4 West, Washington County, Alabama, including all zones in communication therewith and all productive extensions thereof. Petitioner is requesting spacing for wells in the Smackover Gas Pool of 640 contiguous surface acres with a tolerance not to exceed 30% greater than said 640 contiguous surface acres,, provided the addition of acreage is justified by sufficient technical data indicating that such acreage is being drained or is in imminent danger of being drained, all in accordance with the provisions of Section 9-17-12(b), Code of Alabama (1975).

Petitioner is also requesting that the 640-acre wildcat gas drilling unit for the Sarah Middleton 34-11 No. 1 Well, Permit No. 5001, consisting of Section 34, Township 8 North, Range 4 West, Washington County, Alabama, be the drilling and production unit for said well in the proposed new gas field, and that the 640-acre wildcat gas unit for the Darlys Dees 3-3 No. 1 Well, Permit No. 5115, consisting of Section 3, Township 7 North, Range 4 West, Washington County, Alabama, be the drilling and production unit for said well in the proposed new gas field.

3. DOCKET NO. 5-19-8710

Continued petition by Hughes Eastern Corporation, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving an exception to Rule 3 of the Special Field Rules for the proposed Crosbys Creek Field by approving an exceptional location for the Sarah Middleton 34-11 No. 1 Well, Permit No. 5001, located 1287 feet from the South line and 2181 feet from the West line of Section 34, Township 8 North, Range 4 West, Washington County, Alabama, on a 640-acre gas drilling unit consisting of said Section 34.

4. DOCKET NO. 5-19-8711

Continued petition by Hughes Eastern Corporation, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving an exception to Rule 3 of the Special Field Rules for the proposed Crosbys Creek Gas Field, by approving an exceptional location for the Darlys Dees 3-3 No. 1 Well, Permit No. 5115, located 674 feet from the North line and 1585 feet from the West line of Section 3, Township 7 North, Range 4 West, Washington County, Alabama, on a 640-acre drilling unit consisting of said Section 3.

5. DOCKET NO. 5-19-8712

Continued petition by Hughes Eastern Corporation, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order pursuant to Sections 9-17-1 through 9-17-32 and 9-17-80 through 9-17-88, Code of Alabama (1975) approving and establishing a reservoir-wide unit for a portion of the Crosbys Creek Gas Field, to be known as the "Crosbys Creek Smackover Gas Unit", consisting of the hereinafter described "Unit Area" in Washington County, Alabama, and requiring the operations of said unit as a single reservoir-wide unit for secondary recovery, development and production of oil, gas, gaseous substances, sulphur, condensate, distillate, and all associated and constituent liquid or liquefiable substances within or produced from the unitized interval in order to prevent waste, to maximize recovery of unitized substances, to avoid the drilling of unnecessary wells and to protect the coequal and correlative rights of interested parties. The "Unitized Formation" is to be designated as the Smackover Formation which includes the Smackover Gas Pool, and is defined as the productive interval found between the Lithodensity Compensated Neutron Log measured depths of 16,394 feet and 16,421 feet in the Sarah Middleton 34-11 No. 1 Well, Permit No. 5001,

located 1,281 feet FSL and 2,069 feet FWL of Section 34, Township 8 North, Range 4 West, Washington County, Alabama, and including those strata productive of unitized substances which can be correlated therewith, or such other enlarged interval as may be ordered by the State Oil and Gas Board. Said petition further seeks an order from the Board approving the form of the Unit Agreement, Ratification Agreement, and Unit Operating Agreement for the proposed reservoir-wide unit and the amendments to the Special Field Rules for the Crosbys Creek Gas Field so as to provide for unitized operations in conformity with the provisions of said Unit Agreement and Unit Operating Agreement.

Said petition further seeks entry of an order by the State Oil and Gas Board approving the unitization plan with the stipulation that within six months from the date of said order approving said plan, Petitioner presents proof of ratification or approval of said Unit by the owners of at least 75% in interests as costs are shared under the terms of the order and by 75% in interest of the royalty and overriding royalty owners in the Unit Area and the Board has issued a supplemental order approving same. The petition seeks to have Hughes Eastern Corporation named as Operator of the "Unit Area" in accordance with the laws of the State of Alabama. The proposed "Unit

Area" contains approximately 1856 acres, and is more particularly described as follows:

Beginning at the Northwest Corner of Section 34, Township 8 North, Range 4 West, Washington County, Alabama; run thence Easterly along the North line of said Section 34 for 2641.6 feet, more or less; thence Northerly along the West line of the East Half of Section 27, Township 8 North, Range 4 West, Washington County, Alabama, for 658.5 feet, more or less; thence Easterly along the North line of the South Half of the South Half of the Southeast Quarter of said Section 27 for 2642.1 feet, more or less; thence Easterly along the North line of the South Half of the Southwest Quarter of the Southwest Quarter of Section 26, Township 8 North, Range 4 West, Washington County, Alabama, for 1312.0 feet, more or less; thence Southerly along the East line of said Southwest Quarter of the Southwest Quarter for 655.4 feet, more or less; thence Southerly along the East line of the West Half of the West Half of Section 35, Township 8 North, Range 4 West, Washington County, Alabama, for 5276.7 feet, more or less; thence Westerly along the South line of said Section 35 for 661.3 feet, more or less; thence Southerly along the East line of the West Half of the West Half of the Northwest Quarter of Section 2, Township 7 North, Range 4 West, Washington County, Alabama, for 1888.5 feet, more or less; thence Westerly along the South line of the North Half of the South Half of the Northwest Quarter of said Section 2 for 661.2 feet, more or less; thence Southerly along the East line of Section 3, Township 7 North, Range 4 West, Washington County, Alabama for 3145.6 feet, more or less; thence Westerly along the South line of said Section 3 for 5157.9 feet, more or less; thence Westerly along the South line of Section 4, Township 7 North, Range 4 West, Washington County, Alabama, for 1056.0 feet, more or less; thence Northerly along the West line of Lot 9 of Rolling Hills Subdivision, a subdivision of land of L. O. Miller as recorded in Plat Book 4 at Page 24 in the records of the Office of the Judge of Probate, Washington County, Alabama, for 1290.0 feet, more or less; thence Westerly

along the North line of Lots 8 & 7 of said Rolling Hills Subdivision for 933.5 feet, more or less; thence Northerly along the West line of Lot 4 of said Rolling Hills Subdivision for 928.0 feet, more or less; thence Easterly along the North line of said Lot 4 for 220.6 feet, more or less; thence Northerly along the West line of Lot 3 of said Rolling Hills Subdivision for 1564.3 feet, more or less; thence Westerly along the South line of the North Half of the Northeast Quarter of said Section 4 for 221.3 feet, more or less; thence Northerly along the West line of the East Half of the West Half of the Northeast Quarter for 1262.3 feet, more or less; thence Northerly along the West line of the East Half of the West Half of the Southeast Quarter of Section 33, Township 8 North, Range 4 West, Washington County, Alabama, for 1989.9 feet, more or less; thence Easterly along the North line of the South Half of the North Half of the Southeast Quarter of said Section 33 for 661.8 feet, more or less; thence Northerly along the West line of the East Half of the East Half of said Section 33 for 1966.4 feet, more or less; thence Easterly along the North line of the South Half of the Northeast Quarter of said Section 33 for 1314.2 feet; thence Northerly along the East line of said Section 33 for 1317.4 feet, more or less, to the point of beginning.

The above described tract is situated in Sections 26, 27, 33, 34, and 35, Township 8 North, Range 4 West, and Sections 2, 3, and 4, Township 7 North, Range 4 West, Washington County, Alabama, and contains 1856.0 acres, more or less.

6. DOCKET NO. 5-19-8713

Continued petition by Strago Petroleum Corporation, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order amending Rule 1 of the Special Field Rules for the Wallers Creek Field, Monroe County,

Alabama, by adding the Southwest Quarter of Section 9, Township 4 North, Range 5 East, to the field limits of said field.

7. DOCKET NO. 5-19-8716

Continued petition by Michigan Oil Company, an Alabama corporation, requesting that the Board enter an order approving the drilling of a well at a location 1600 feet from the South line and 435 feet from the East line of the South Half of Section 2, Township 15 South, Range 12 West, Fayette County, Alabama. Said location would be an exception to applicable spacing rules, which would otherwise require that all wells be located at least 660 feet from the boundary of a proposed unit. The unit for said well would be the South Half of Section 2.

8. DOCKET NO. 5-19-8718

Continued petition by Exxon Corporation, a New Jersey Corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order amending Rules 11 and 12 of the Special Field Rules for the Flomaton Field, Escambia County, Alabama, said rules pertaining to the Gas Allowables and Balancing of Production to Allowables. The proposed amendments would specify that no well shall receive an allowable greater than its actual production and during any period of imbalance, in order to achieve balance, a

well or wells would be restricted to producing only 20 percent of its average allowable during the previous six-month period. All interested parties take notice that the Board reserves the right, after hearing the evidence in this matter, to grant whatever relief may be deemed appropriate.

9. DOCKET NO. 6-16-871

Petition by TXO Production Corp., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order amending Rule 1 of the Special Field Rules for the Northeast Davis Chapel Field in Fayette County, Alabama, to include within the field limits for such field the South Half of Section 5, Township 15 South, Range 10 West, Fayette County, Alabama. This petition is filed pursuant to Section 9-17-12 et seq. of the 1975 Alabama Code and Rule 400-1-2-.02 et seq of the State Oil and Gas Board of Alabama Administrative Code.

10. DOCKET NO. 6-16-872

Petition by TXO Production Corp., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving petitioner's request for the drilling of a gas well at an exceptional location 395 feet from the South Line and 1,030 feet from the East Line in a 320 acre

drilling and production unit consisting of the South Half of Section 36, Township 16 South, Range 16 West, in Mud Creek Field, Lamar County, Alabama. This petition is filed pursuant to Section 9-17-12, Code of Alabama (1975) and as an exception to the Special Field Rules for the Mud Creek Field, Lamar County, Alabama, which require each well to be located no closer than 660 feet from each unit line and 2,000 feet from each producing well in the pool.

11. DOCKET NO. 6-16-873

Petition by TXO Production Corp., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling all tracts and interests in a 320 acre drilling and production unit consisting of the South Half of Section 36, Township 16 South, Range 16 West, in Mud Creek Field, Lamar County, Alabama. This Petition is filed pursuant to Section 9-17-13, Code of Alabama (1975) and Rule 400-1-13-.01 of the State Oil and Gas Board of Alabama Administrative Code

12. DOCKET NO. 6-16-874

Petition by Barnes Oil and Gas, Inc., an Alabama Corporation authorized to do and doing business in Alabama, requesting the State Oil and Gas Board to enter an order approving a well location 775 feet from the west line and 381 feet from the north line of a unit consisting

of SE/4 of Section 7, Township 11 South, Range 11 West, Marion County, Alabama. Said exceptional location would be an exception to Rule 400-1-2-.02(b)2 of the State Oil and Gas Board of Alabama Administrative Code, which requires wildcat wells in Marion County, Alabama, to be drilled on units consisting of 160 acres at a location at least six hundred sixty (660) feet from every exterior boundary of the unit.

13. DOCKET NO. 6-16-875

Petition by Strago Petroleum Corporation, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving an exception to Rule 3(c) of the Special Field Rules for the Wallers Creek Field for an exceptional location for the Irvin Langford 9-14 No. 3 Well, Permit No. 5019, with a bottom hole location 1038.37 feet from the South line and 638.71 feet from the East line of Section 9, Township 4 North, Range 5 East, Monroe County, Alabama. Said well is located on a unit consisting of the Southwest Quarter of Section 9. Rule 3(c) of the Special Field Rules for the Wallers Creek Field require wells to be located at least 660 feet from the exterior boundaries of the unit.

14. DOCKET NO. 6-16-876

Petition by Browning & Welch, Inc., a foreign corporation

authorized to do and doing business in the State of Alabama, to amend Rule 1 of the Special Field Rules for the Bluff Oil Field, Fayette County, Alabama, so as to add the East Half of the Southwest Quarter of Section 6, Township 14 South, Range 13 West, Fayette County, Alabama, to the field limits for said field

15. DOCKET NO. 6-16-877

Petition by Browning & Welch, Inc., a foreign corporation authorized to do and doing business in the State of Alabama, to reform the unit for the Browning & Welch, Inc.-Sizemore 6-14 No. 1 Well, Permit No. 5212, from a 320-acre gas unit consisting of the West Half of Section 6, Township 14 South, Range 13 West, Fayette County, Alabama, to an 80-acre oil unit consisting of the East Half of the Southwest Quarter of said Section 6, in the Bluff Oil Field.

16. DOCKET NO. 6-16-878

Petition by Hughes Eastern Corporation, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving an exception to Rule 3(a) of the Special Field Rules for the Foshee Oil Field by approving a 40-acre drilling unit consisting of the South Half of the Southwest Quarter of the Southeast Quarter, Section 35, Township 2 North, Range 8 East, and the North

Half of the Northwest Quarter of the Northeast Quarter of Section 2, Township 1 North, Range 8 East, all in Escambia County, Alabama.

17. DOCKET NO. 6-16-879

Petition by Hughes Eastern Corporation, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling all tracts and interests in a 40-acre drilling unit consisting of the South Half of the Southwest Quarter of the Southeast Quarter, Section 35, Township 2 North, Range 8 East, and the North Half of the Northwest Quarter of the Northeast Quarter of Section 2, Township 1 North, Range 8 East, all in the Foshee Oil Field, Escambia County, Alabama, pursuant to Section 9-17-13, Code of Alabama (1975), and Rule 400-1-13-.01 of the State Oil and Gas Board of Alabama Administrative Code.

18. DOCKET NO. 6-16-8710

Petition by V. Monta Currie, Jr., an independent operator, authorized to do and doing business in the State of Alabama, to approve a well location 330 feet from the North line and 1,110 feet from the East Line of the following described unit in the Swift's Landing Field:

Commencing at the Southwest corner of Township 8 South, Range 4 East, Baldwin County, Alabama; Run thence North 00 degrees 03' 58" East along Range line for 1314.83 feet; Thence North 89 degrees 47' 46" East for 1326.60 feet to a point; Said point here-in-after referred to as

the point of beginning; Run thence North 00 degrees 03' 58" East for 2640.00 feet; Thence North 89 degrees 47' 46" East for 2650.85 feet; Thence South 00 degrees 00' 54" West for 2640.00 feet; Thence South 89 degrees 47' 46" West for 2653.20 feet to the point of beginning.

The above described tract is situated in fractional Sections 31 and 38, Township 8 South, Range 4 East, Baldwin County, Alabama, and contains 160.73 acres.

The Special Field Rules for the Swift's Landing Field require all wells to be located at least 660 feet from all exterior unit boundaries, however, the above-described proposed location is only 330 feet from the North Line of the unit.

19. DOCKET NO. 6-16-8711

Petition by V. Monta Currie, Jr., an independent operator, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling all tracts and interests in an irregular 160-acre, more or less, gas drilling unit in the Swift's Landing Field, described as follows:

Commencing at the Southwest corner of Township 8 South, Range 4 East, Baldwin County, Alabama; Run thence North 00 degrees 03' 58" East along Range line for 1314.83 feet; Thence North 89 degrees 47' 46" East for 1326.60 feet to a point; Said point here-in-after referred to as the point of beginning; Run thence North 00 degrees 03' 58" East for 2640.00 feet; Thence North 89 degrees 47' 46" East for 2650.85 feet; Thence South 00 degrees 00' 54" West for 2640.00 feet; Thence South 89 degrees 47' 46" West for 2653.20 feet to the point of beginning.

The above described tract is situated in fractional Sections 31 and 38, Township 8 South, Range 4 East, Baldwin County, Alabama, and contains 160.73 acres.

This petition is filed in accordance with Section 9-17-13, Code of Alabama (1975) and Rule 400-1-13-.01 of the State Oil and Gas Board of Alabama Administrative Code.

20. DOCKET NO. 6-16-8712

Petition by Taurus Exploration, Inc., a foreign corporation authorized to do and doing business in the State of Alabama, to amend the field limits for the Oak Grove Coal Degasification Field, Jefferson and Tuscaloosa Counties, Alabama, by adding the following lands: Sections 33, 34, 35 and 36, Township 17 South, Range 6 West, Sections 5, 6, 8, 9 and 16, Township 18 South, Range 5 West; and Sections 1, 2, 3, 4, 19, 20, 30 and 31 of Township 18 South, Range 6 West, all in Jefferson County, Alabama.

21. DOCKET NO. 6-16-8713

Petition by Terra Resources, Inc., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board, to allow commingling of production from the Lewis Sand Gas Pool and the Millerella Sand Gas Pool in the A.M.C. 14-15 No. 1 well, Permit No. 4667, located on a unit consisting of the South Half of Section 14, Township 16 South, Range 13 West, Fayette County, Alabama, in the McCracken Mountain Field.

22. DOCKET NO. 6-16-8714

Petition by Terra Resources, Inc., a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board, to allow commingling of production from the Carter Sand Gas Pool and the Benton Sand Gas Pool in the M. E. Bains No. 1 Well, Permit No. 2364, located on a unit consisting of the South Half of Section 20, Township 16 South, Range 12 West, Fayette County, Alabama, in the McCracken Mountain Field.

23. DOCKET NO. 6-16-8715

Petition by Terra Resources, Inc., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board, to allow commingling of production from the Carter Sand Gas Pool and the Millerella Sand Gas Pool in the Gravlee 13-14 Well, Permit No. 4276, located on a unit consisting of the West Half of Section 13, Township 16 South, Range 13 West, Fayette County, Alabama, in the McCracken Mountain Field.

24. DOCKET NO. 6-16-8716

Petition by Terra Resources, Inc., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to allow commingling of production from the Lewis Sand Gas Pool and the Benton Sand Gas Pool in the D. Gray No. 1 Well, Permit

No. 2453, located on a unit consisting of the South Half of Section 21, Township 16 South, Range 12 West, Fayette County, Alabama, in the McCracken Mountain Field.

25. DOCKET NO. 6-16-8717

Petition by Terra Resources, Inc., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to allow commingling of production from the Lewis Sand Gas Pool and the Benton Sand Gas Pool in the Hodges-South 28-5 Well, Permit No. 2804, located on a unit consisting of the North Half of Section 28, Township 16 South, Range 12 West, Fayette County, Alabama, in the McCracken Mountain Field.

26. DOCKET NO. 6-16-8718

Petition by Terra Resources, Inc., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to allow commingling of production from the Carter Sand Gas Pool and the Millerella Sand Gas Pool in the D. Morrison 35-1 Well, Permit No. 2812, located on a unit consisting of the East Half of Section 35, Township 14 South, Range 14 West, Lamar County, Alabama, in the Blowhorn Creek Field.

27. DOCKET NO. 6-16-8719

Petition by Terra Resources, Inc., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to allow

commingling of production from the Carter Sand Gas Pool and the Millerella Sand Gas Pool in the Morrison 36-4 Well, Permit No. 3080, located on a unit consisting of the West Half of Section 36, Township 14 South, Range 14 West, Lamar County, Alabama, in the Blowhorn Creek Field.

28. DOCKET NO. 6-16-8720

Petition by Terra Resources, Inc., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to allow commingling of production from the Lewis Sand Gas Pool and the Carter Sand Gas Pool in the Newman-Crowley 24-5 Well, Permit No. 4277, located on a unit consisting of the North Half of Section 24, Township 18 South, Range 14 West, Pickens County, Alabama, in the Coal Fire Creek Field.

29. DOCKET NO. 6-16-8721

Petition by Petrus Oil Company, L.P., a limited partnership authorized to do and doing business in the State of Alabama, to force pool all tracts and interests in a 320-acre gas drilling unit consisting of the East Half of Section 11, Township 16 South, Range 13 West, Fayette County, Alabama, in the West Fayette Field, pursuant to Section 9-17-13, Code of Alabama (1975) and Rule 400-1-13-.01 of the State Oil and Gas Board of Alabama Administrative Code.

30. DOCKET NO. 6-16-8722

Petition by U. S. Steel Mining Co., Inc., a foreign corporation authorized to do and doing business in the State of Alabama, to enter an order pursuant to Section 9-17-85, Code of Alabama (1975), approving an amendment to the Unit Agreement for Unit I of the Oak Grove Coal Degasification Field, said Unit I lying in Jefferson County, Alabama and described hereinbelow and said field lying in Jefferson and Tuscaloosa Counties, Alabama, which redefines the definition of the Unitized Formation for said Unit to include all those strata correlative to the coal seams encountered in the interval between 171.73 feet and 1060 feet below ground surface of the U. S. Steel core hole Well No. C-3 located 763 feet East of the section line and 712 feet North of the section line in the Southwest Quarter of the Southwest Quarter of Section 18, Township 18 South, Range 5 West, Jefferson County, Alabama, as indicated on the electrical log and core of said well, all zones in communication therewith, and all productive extensions thereof.

The Unit Area of the Oak Grove Coal Degasification Field Unit I includes the following described lands:

All of Section 31 and the NW/4 of Section 32, Township 18 South, Range 5 West; the N/2 of NW/4 of Section 6, Township 19 South, Range 5 West; all of Section 36, Township 18 South, Range 6 West; the N/2 of the NE/4 and the N/2 of NW/4, all in Section 1, Township 19 South, Range 6 West; Jefferson County, Alabama.

31. DOCKET NO. 6-16-8723

Petition by U. S. Steel Mining Co., Inc., a foreign corporation authorized to do and doing business in the State of Alabama, to amend Rule 13 of the Special Field Rules for the Oak Grove Coal Degasification Field, Jefferson and Tuscaloosa Counties, Alabama, so as to redefine the Unitized Formation for Unit I of the Oak Grove Coal Degasification Field as follows:

Rule 13: UNITIZED FORMATION DEFINED.

As used herein the term "Unitized Formation" shall mean those strata correlative to the coal seams encountered in the interval between 171.73 feet and 1060 feet below ground surface of the U. S. Steel Core Hole Well No. C-3 located 763 feet East of the section line and 712 feet North of the section line in the Southwest Quarter of the Southwest Quarter of Section 18, Township 18 South, Range 5 West, Jefferson County, Alabama, as indicated on the electrical log and core of said well, all zones in communication therewith, and all productive extensions thereof.

The Unit Area of the Oak Grove Coal Degasification Field Unit I includes the following described lands:

All of Section 31 and the NW/4 of Section 32, Township 18 South, Range 5 West; the N/2 of NW/4 of Section 6, Township 19 South, Range 5 West; all of Section 36, Township 18 South, Range 6 West; the N/2 of the NE/4 and the N/2 of NW/4, all in Section 1, Township 19 South, Range 6 West; Jefferson County, Alabama.

32. DOCKET NO. 6-16-8724

Petition by O'Boyle Energy Corporation, a foreign

corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling all tracts and interests in a 320 acre gas drilling and producing unit consisting of the North Half (N 1/2) of Section 18, Township 12 South, Range 15 West as a possible productive extension of either the West Detroit or East Detroit Fields, Lamar County, Alabama. This Petition is in accordance with Section 9-17-13, Code of Alabama (1975) and Rule 400-1-13-.01 of the State Oil and Gas Board of Alabama Administrative Code.

33. DOCKET NO. 6-16-8725

Petition by Terra Resources, Inc., a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the Board to enter an order pursuant to Section 9-17-12(c), Code of Alabama (1975), approving a well location approximately 660 feet from the East Line and 900 feet from the South Line of Section 32, Township 12 South, Range 15 West, Lamar County, Alabama, in the Beaverton Field. Petitioner proposes to drill a well to the Lewis Sand Gas Pool on a unit consisting of the East Half of said Section 32. Rule 3(c) of the Special Field Rules for the Beaverton Field requires all wells to be located at least 2,000 feet from all other wells producing from the same zone in said field, but as proposed, this

well would be an exception to said rule in that it would only be approximately 1,700 feet from the Grace Ogden 5-1 Well, Permit No. 2651, located in the East Half of Section 5, Township 13 South, Range 15 West, Lamar County, Alabama.

34. DOCKET NO. 6-16-8726

Motion by the Board to amend Rule 400-1-1-.04 Forms, to add the following forms to the list of forms to be submitted in accordance with the rules and regulations of the State Oil and Gas Board of Alabama: Form OGB-2C, Affidavit of Ownership or Control, Underground Injection Control; Form OGB-25, Eligibility to Transport Waste Liquids; and, Form OGB-26, Waste Liquids Manifest.

35. DOCKET NO. 6-16-8727

Motion by the Board to amend Rule 400-1-2-.02 Spacing of Wells to clarify certain language and to provide that if the spacing for a well governed by special field rules is greater than 40 acres in size and said well is completed in a zone that is not governed by special field rules, that the spacing for said well shall revert to an alternate 40 acre unit designated on the permit application.

36. DOCKET NO. 6-16-8728

Motion by the Board to amend Rule 400-1-5-.03 Pits, Emergency Reserve Pits, Dikes and Firewalls, to clarify certain language in the rule and to add language to

require that the fluid levels in pits be kept at least two (2) feet below the top of the pit wall or dike.

37. DOCKET NO. 6-16-8729

Motion by the Board to amend Rule 400-1-2-.01 Permitting of Wells, to add language providing for the filing of Form OGB-2C, Affidavit of Ownership or Control, Underground Injection Control; to clarify language pertaining to the submission of a plat; and, to clarify the requirements for deepening and sidetracking a well.

38. DOCKET NO. 6-16-8730

Motion by the Board to amend Rule 400-1-3-.02 Notice of Activities, to clarify section (1)(m) of said rule.

39. DOCKET NO. 6-16-8731

Motion by the Board to amend Rule 400-1-5-.07 Restoration of Drilling Location, to add language requiring that all material and/or equipment such as drill pipe, casing, tubing, treaters, separators, tanks and debris be removed from the location.

40. DOCKET NO. 6-16-8732

Motion by the Board to amend Rule 400-1-3-.05 Plugging Methods and Procedures to require that a cement plug not less than 200 feet in length be placed above each producing formation, that a cement plug not less than 200 feet in length shall be placed approximately 100 feet below all fresh-water bearing strata, and that a cement

plug not less than 200 feet in length shall be placed 100 feet above and 100 feet below the base of surface casing.

41. DOCKET NO. 6-16-8733

Motion by the Board to amend Rule 400-1-3-.16 Daylight Hours to modify and further clarify the rule.

42. DOCKET NO. 6-16-8734

Motion by the Board to amend Rule 400-3-.01 Notice of Activities to clarify section (1)(m) of said rule.

43. DOCKET NO. 6-16-8735

Motion by the Board to amend Rule 400-1-9-.02 Plant Project Hearing Required to delete the requirement for a hearing for salt water disposal systems.

44. DOCKET NO. 5-19-8719A

Continued amended motion by the Board requesting the operator and interest owners of the following wells to show cause why these wells should not be ordered by the Board to be immediately plugged. The Supervisor has declared these wells abandoned pursuant to Rule 400-1-1-.03 of the State Oil and Gas Board of Alabama Administrative Code. Rule 400-1-3-.06 of the State Oil and Gas Board of Alabama Administrative Code requires that all wells be plugged within thirty (30) days of completion or abandonment, unless special provisions for the future utility of these wells have been approved by the Supervisor. If the Board orders a well to be plugged and

the operator fails to plug the well properly, then the Board will contact the surety of the well bond to collect the proceeds of the well bond in order to commence plugging operations. Section 9-17-6(5) of the Code of Alabama (1975) authorizes the Board to require a reasonable bond, conditioned upon the performance of duties, one of which is the duty to plug each dry or abandoned well:

<u>Well Name</u>	<u>Permit No.</u>	<u>Operator</u>	<u>Location</u>	<u>Field</u>
Farrabee #24-4-2	3709-C	Alabama Energy Group, Inc.	S24,T21S,R9W Tuscaloosa Co.	Peterson Coal Degas.
Farrabee #24-3-1	3710-C	Alabama Energy Group, Inc.	S24,T21S,R9W Tuscaloosa Co.	Peterson Coal Degas.
Copeland #13-13-2	3711-C	Alabama Energy Group, Inc.	S13,T21S,R9W Tuscaloosa Co.	Peterson Coal Degas.
Copeland #13-14-1	3712-C	Alabama Energy Group, Inc.	S13,T21S,R9W Tuscaloosa Co.	Peterson Coal Degas.
Beadle #13-15-1	3713-C	Alabama Energy Group, Inc.	S13,T21S,R9W Tuscaloosa Co.	Peterson Coal Degas.
Copeland #13-11-3	3860-C	Alabama Energy Group, Inc.	S13,T21S,R9W Tuscaloosa Co.	Peterson Coal Degas.
Copeland #13-12-4	3861-C	Alabama Energy Group, Inc.	S13,T21S,R9W Tuscaloosa Co.	Peterson Coal Degas.
Copeland #13-6-5	3862-C	Alabama Energy Group, Inc.	S13,T21S,R9W Tuscaloosa Co.	Peterson Coal Degas.
Alston #13-7-1	3863-C	Alabama Energy Group, Inc.	S13,T21S,R9W Tuscaloosa Co.	Peterson Coal Degas.
Alston #13-8-2	3864-C	Alabama Energy Group, Inc.	S13,T21S,R9W Tuscaloosa Co.	Peterson Coal Degas.
Alston #13-1-3	3896-C	Alabama Energy Group, Inc.	S13,T21S,R9W Tuscaloosa Co.	Peterson Coal Degas.

Copeland #13-2-6	3897-C	Alabama Energy Group, Inc.	S13,T21S,R9W Tuscaloosa Co.	Peterson Coal Degas.
Copeland #13-3-7	3898-C	Alabama Energy Group, Inc.	S13,T21S,R9W Tuscaloosa Co.	Peterson Coal Degas.
Thomas #13-10-1	4142-C	Alabama Energy Group, Inc.	S13,T21S,R9W Tuscaloosa Co.	Peterson Coal Degas.
Copeland #12-15-8	4143-C	Alabama Energy Group, Inc.	S12,T21S,R9W Tuscaloosa Co.	Peterson Coal Degas.
Copeland #12-16-9	4144-C	Alabama Energy Group, Inc.	S12,T21S,R9W Tuscaloosa Co.	Peterson Coal Degas.
Thomas #13-9-2	4160-C	Alabama Energy Group, Inc.	S13,T21S,R9W Tuscaloosa Co.	Peterson Coal Degas.

APPLICATIONS FOR NATURAL GAS POLICY ACT  
OF 1978 (NGPA) WELL STATUS DETERMINATIONS

45. DOCKET NO. 11-1-8424PD

Continued application by TRW, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the Gulf States Paper Corp. 25-14 #18 well (Permit No. 4166-C) in Section 25, Township 20S, Range 9W, Tuscaloosa County, Alabama in the Deerlick Creek Coal Degasification Field, Pottsville Coal Interval.

46. DOCKET NO. 4-17-8511PD

Continued application by Coaltech, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the Reichhold Chemical 3-9 #5 well (Permit No. 4379-C) in Section 3, Township 21S, Range 9W, Tuscaloosa County, Alabama in the Holt Coal Degasification Field, Pottsville Coal Interval.

47. DOCKET NO. 5-19-873PD

Continued application by Carless Resources, Inc. for a new natural gas determination under Section 102(c)(1)(C) (New Onshore Reservoir) of the NGPA for

the Nolan 06-05 well (Permit No. 5133) in Section 6, Township 15S, Range 10W, Fayette County, Alabama in the Northeast Davis Chapel Field, Carter Sand Gas Pool.

48. DOCKET NO. 5-19-875PD

Continued application by Black Warrior Methane Corp. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 34-10-04 well (Permit No. 5192CG) in Section 34, Township 19S, Range 7W, Tuscaloosa County, Alabama in the Brookwood Coal Degasification Field, Pottsville Coal Interval.

49. DOCKET NO. 6-16-871PD

Application by Terra Resources, Inc. for a new natural gas determination under Section 102(c)(1)(C) (New Onshore Reservoir) of the NGPA for the Morrison 01-04 well (Permit No. 5042) in Section 01, Township 15S, Range 14W, Lamar County, Alabama in the Corinth Field, Carter Sand Gas Pool.

50. DOCKET NO. 6-16-872PD

Application by Black Warrior Methane Corp. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S.

Pipe & Foundry 19-07-05 well (Permit No. 5196CG) in Section 19, Township 20S, Range 7W, Tuscaloosa County, Alabama in the Brookwood Coal Degasification Field, Pottsville Coal Interval.

51. DOCKET NO. 6-16-873PD

Application by Black Warrior Methane Corp. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S.

Pipe & Foundry 19-07-06 well (Permit No. 5197CG) in Section 19, Township 20S, Range 7W, Tuscaloosa County, Alabama in the Brookwood Coal Degasification Field, Pottsville Coal Interval.

52. DOCKET NO. 6-16-874PD

Application by Black Warrior Methane Corp. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S.

Pipe & Foundry 11-07-29 well (Permit No. 5209CG) in Section 11, Township 20S, Range 8W, Tuscaloosa County, Alabama in the Brookwood Coal Degasification Field, Pottsville Coal Interval.

53. DOCKET NO. 6-16-875PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 102(c)(1)(C)

(New Onshore Reservoir) of the NGPA for the Jenkins 03-01 well (Permit No. 4679) in Section 03, Township 15S, Range 14W, Lamar County, Alabama in the Corinth Field, Millerella Sand Gas Pool.

54. DOCKET NO. 6-16-876PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8601-33-12 #108 well (Permit No. 4888C) in Section 33, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

55. DOCKET NO. 6-16-877PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8602-33-11 #109 well (Permit No. 4927C) in Section 33, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

56. DOCKET NO. 6-16-878PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3)

(High Cost Natural Gas) of the NGPA for the U.S. Steel 8604-33-14 #103 well (Permit No. 4928C) in Section 33, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

57. DOCKET NO. 6-16-879PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8618-04-03 #303 well (Permit No. 4929C) in Section 4, Township 19S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

58. DOCKET NO. 6-16-8710PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8630-33-13 #104 well (Permit No. 4930C) in Section 33, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

59. DOCKET NO. 6-16-8711PD

Application by Taurus Exploration, Inc. for a new

natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8617-32-16 #105 well (Permit No. 4931C) in Section 32, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

60. DOCKET NO. 6-16-8712PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8615-32-10 #106 well (Permit No. 4932C) in Section 32, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

61. DOCKET NO. 6-16-8713PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8614-32-08 #116 well (Permit No. 4933C) in Section 32, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

62. DOCKET NO. 6-16-8714PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8613-32-01 #119 well (Permit No. 4934C) in Section 32, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

63. DOCKET NO. 6-16-8715PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8610-33-04 #120 well (Permit No. 4935C) in Section 33, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

64. DOCKET NO. 6-16-8716PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8611-33-03 #121 well (Permit No. 4936C) in Section 33, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification

Field, Pottsville Coal Interval.

65. DOCKET NO. 6-16-8717PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8612-28-13 #127 well (Permit No. 4937C) in Section 28, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

66. DOCKET NO. 6-16-8718PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8608-33-05 #115 well (Permit No. 4938C) in Section 33, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

67. DOCKET NO. 6-16-8719PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8609-33-06 #114 well (Permit No. 4939C) in Section 33, Township 18S, Range 6W, Jefferson

County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

68. DOCKET NO. 6-16-8720PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8605-33-15 #102 well (Permit No. 4940C) in Section 33, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

69. DOCKET NO. 6-16-8721PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8616-32-09 #107 well (Permit No. 4953C) in Section 32, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

70. DOCKET NO. 6-16-8722PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8603-33-10 #110 well (Permit No. 4954C) in

Section 33, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

71. DOCKET NO. 6-16-8723PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8607-33-09 #111 well (Permit No. 4955C) in Section 33, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

72. DOCKET NO. 6-16-8724PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8606-33-16 #101 well (Permit No. 4956C) in Section 33, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

73. DOCKET NO. 6-16-8725PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S.

Steel 8619-04-02 #302 well (Permit No. 4957C) in Section 4, Township 19S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification, Pottsville Coal Interval.

74. DOCKET NO. 6-16-8726PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8620-04-07 #307 well (Permit No. 4958C) in Section 4, Township 19S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

75. DOCKET NO. 6-16-8727PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8624-33-01 #123 well (Permit No. 4960C) in Section 33, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

76. DOCKET NO. 6-16-8728PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3)

(High Cost Natural Gas) of the NGPA for the U.S. Steel 8623-33-02 #122 well (Permit No. 4961C) in Section 33, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

77. DOCKET NO. 6-16-8729PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8625-28-16 #124 well (Permit No. 4962C) in Section 28, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

78. DOCKET NO. 6-16-8730PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8626-28-15 #125 well (Permit No. 4963C) in Section 28, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

79. DOCKET NO. 6-16-8731PD

Application by Taurus Exploration, Inc. for a new

natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8627-28-11 #130 well (Permit No. 4964C) in Section 28, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degassification Field, Pottsville Coal Interval.

80. DOCKET NO. 6-16-8732PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8628-28-10 #131 well (Permit No. 4965C) in Section 28, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degassification Field, Pottsville Coal Interval.

81. DOCKET NO. 6-16-8733PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8622-33-07 #113 well (Permit No. 4966C) in Section 33, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degassification Field, Pottsville Coal Interval.

82. DOCKET NO. 6-16-8734PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8629-28-09 #132 well (Permit No. 4967C) in Section 28, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

83. DOCKET NO. 6-16-8735PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8631-28-07 #134 well (Permit No. 5010C) in Section 28, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

84. DOCKET NO. 6-16-8736PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the Ford 8701-21-07 #167 well (Permit No. 5094C) in Section 21, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field.

Pottsville Coal Interval.

85. DOCKET NO. 6-16-8737PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8702-29-09 #129 well (Permit No. 5120C) in Section 29, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

86. DOCKET NO. 6-16-8738PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8704-28-06 #135 well (Permit No. 5121C) in Section 28, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

87. DOCKET NO. 6-16-8739PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8705-28-02 #139 well (Permit No. 5122C) in Section 28, Township 18S, Range 6W, Jefferson

County, Alabama in the Oak Grove Coal Degasification Field, Pottsville Coal Interval.

88. DOCKET NO. 6-16-8740PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8706-28-01 #140 well (Permit No. 5123C) in Section 28, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

89. DOCKET NO. 6-16-8741PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8707-27-04 #141A well (Permit No. 5124C) in Section 27, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

90. DOCKET NO. 6-16-8742PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8708-27-04 #141B well (Permit No. 5125C) in

Section 27, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

91. DOCKET NO. 6-16-8743PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8711-22-13 #148 well (Permit No. 5126C) in Section 22, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

92. DOCKET NO. 6-16-8744PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8710-21-16 #149 well (Permit No. 5127C) in Section 21, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

93. DOCKET NO. 6-16-8745PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the Fealy

8709-21-14 #151 well (Permit No. 5128C) in Section 21, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

94. DOCKET NO. 6-16-8746PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8712-21-09 #157 well (Permit No. 5129C) in Section 21, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

95. DOCKET NO. 6-16-8747PD

Application by Taurus Exploration, Inc. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 8703-28-05 #136 well (Permit No. 5136C) in Section 28, Township 18S, Range 6W, Jefferson County, Alabama in the Oak Grove Degasification Field, Pottsville Coal Interval.

96. DOCKET NO. 6-16-8748PD

Application by Anderman/Smith Operating Company for a new natural gas determination under Section

102(c)(1)(C) (New Onshore Reservoir) of the NGPA for the Holliman Heirs 1-1 well (Permit No. 5144) in Section 1, Township 15S, Range 11W, Fayette County, Alabama in the Northeast Davis Chapel Field, Carter Sand Gas Pool.

97. DOCKET NO. 6-16-8749PD

Application by Black Warrior Methane Corp. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the Shook 06-03-07 well (Permit No. 5221CG) in Section 6, Township 20S, Range 7W, Tuscaloosa County, Alabama in the Brookwood Coal Degasification Field, Pottsville Coal Interval.

"The public is invited to attend this meeting and to present to the Board their position concerning these matters.

The public is advised that the Board may promulgate orders concerning a petition which may differ from that requested by the petitioner concerning the lands described in the notice. Pursuant to this hearing, Section 9-17-12 et seq. of the Code of Alabama (1975) hereinafter set forth, and the rules and regulations promulgated thereunder, the Board will enter such order or orders as in its judgment may be necessary based upon the evidence presented.

The State Oil and Gas Board was originally established by Act No. 1 of the Legislature of Alabama in the Regular Session of 1945. The applicable law pertaining to the establishment of the Board now appears in Section 9-17-1 et seq. of the Code of Alabama (1975), as last amended. The applicable rules pertaining to the conduct of hearings by the Board are found in Rule 400-1-12-.01 et seq. of the State Oil and Gas Board of Alabama Administrative Code. The applicable rules pertaining to NGPA price determinations are found in Rules 400-2-X-.01 through 400-2-X-.09 of the State Oil and Gas Board of Alabama Administrative Code.

"The July meeting of the Board will be held on Wednesday and Thursday, July 22 and 23, 1987. The notices for the July meeting must be filed on or before June 29, 1987. Petitions, exhibits, affidavits and proposed orders must be filed on or before July 8, 1987.

The September meeting of the Board will be held on Wednesday and Thursday, September 10 and 11, 1987.

The October meeting of the Board will be held on Tuesday and Wednesday, October 6 and 7, 1987.

The November meeting of the Board will be held on Thursday and Friday, November 12 and 13, 1987.

The December meeting of the Board will be held on Thursday and Friday, December 17 and 18, 1987.

Dr. Ernest A. Mancini  
Secretary to the Board  
Oil and Gas Supervisor "

MR. ROGERS: The State Oil and Gas Board has appointed me as Hearing Officer to conduct this hearing on behalf of the Board. The procedure is as follows: The Hearing Officer and staff will hear the uncontested items today and the State Oil and Gas Board will hear the contested items and certain other items beginning at 10 o'clock a.m. on June 17, 1987. When an item is called on the docket, parties will state whether their items are contested. We have identified the following items as contested: Items 2, 3, 4, and 5, Docket Nos. 5-19-879, 5-19-8710, 5-19-8711, and 5-19-8712, all petitions by Hughes Eastern Corporation. We've also received a request from Hughes Eastern that the other petitions filed by Hughes Eastern be heard on Wednesday, the 17th. Those petitions bearing Docket Nos. 6-16-878A and 6-16-879 will be heard tomorrow, Wednesday, June 17, 1987. Also on the docket are a number of motions by the Board. These motions are Items 34 through 44. Items 34 through 43 are proposed rule changes. Copies of those rules will be available, are available outside the hearing room and we would--anyone is welcome to issue comments or make comments to the Board in the next--during the--before the next Board meeting

Item 1

and at that next Board meeting. At the Board meeting tomorrow we'll recommend that these items be continued. Item 44, a motion by the Board for operator, Alabama Energy Group, Inc., to plug certain wells will be heard tomorrow. Are there any other items on the docket that are contested? (No response) When an item is called you may state whether you wish to request a continuance or a dismissal of the item. The Hearing Officer will make a recommendation to the Board on all items when the Board convenes tomorrow at 10 o'clock a.m. Dr. Mancini will call the first item.

DR. MANCINI: Item 1, Docket No. 5-19-872A, continued petition by Charles L. Cherry and Associates, Inc.

MR. ESPY: Mr. Hearing Officer, I'm Ike Espy. I represent Charles L. Cherry and Associates, Inc., in a request to force pool the N/2 of the NW/4, Section 4, 14 South, 13 West, Fayette County, in the Wayside Field. I have heretofore submitted an affidavit showing that proper notice has been given in addition to the published notice. At this time I would like to hand up a revised affidavit of a landman in this case. As originally filed, this unit lacked a small working interest participation.

Item 1

That was subsequently obtained and the petition was amended to include only a potential interest by unknown claimants that might claim out of an estate that was not probated. None of these potential individuals could be identified. I would ask that the affidavit of notice and that the revised amended affidavit be admitted to the record.

MR. ROGERS: Those affidavits are admitted.

(Whereupon, the affidavits were  
received in evidence)

MR. ESPY: We would like to submit this on affidavit, so we'll note for the record that Permit No. 5225 was issued in this unit once all working interest was obtained.

MR. ROGERS: Those affidavits are admitted and we'll make a recommendation to the Board on this matter tomorrow.

DR. MANCINI: Items 2, 3, 4, and 5, as mentioned previously, will be heard by the Board tomorrow. Item 6, Docket No. 5-19-8713, continued petition by Strago Petroleum Corporation.

MR. WATSON: Mr. Rogers, I'd ask that you continue Item 6 and a companion item on the docket, Item 13, Docket No. 6-16-875,

I would ask that you recommend that that be dismissed without prejudice, please.

MR. ROGERS: We'll make those recommendations to the Board. Six is recommended be dismissed without prejudice. Is that right, Mr. Watson?

MR. WATSON: Six continued---

MR. ROGERS: Six continued and 13 dismissed without prejudice. Thank you.

DR. MANCINI: Item 7, Docket No. 5-19-8716A, continued petition by Michigan Oil Company.

MR. SLEDGE: Mr. Chairman, I'm Jim Sledge from Tuscaloosa representing the petitioner in this matter, which is a request for approval of an exceptional location 1600 feet from the South line and 435 feet from the East line of a unit consisting of the S/2 of Section 2 of Township 15 South, Range 12 West, in Fayette County. One witness that needs to be sworn.

MR. ROGERS: Will you stand and state your name and address?

WITNESS: Wayne Payton, Tuscaloosa, Alabama.

(Witness was sworn by Mr. Rogers)

MR. SLEDGE: Mr. Payton, you've previously testified before

this Board?

MR. PAYTON: Yes, I have.

MR. SLEDGE: Your qualifications as an expert petroleum geologist have been accepted by this Board?

MR. PAYTON: Yes, they have.

MR. SLEDGE: We would ask that he be recognized for the purpose of this hearing as an expert petroleum geologist.

MR. ROGERS: He's so recognized.

WAYNE PAYTON

Appearing as a witness on behalf of Petitioner, Michigan Oil Company, testified as follows:

DIRECT EXAMINATION

Questions by Mr. Sledge:

Q Mr. Payton, would you tell the Board what the purpose of this request is, why we need this exceptional location?

A Yes. We are proposing to drill a well in Fayette County and the well is located well within the flood plain of the Sipse River and we're attempting to prevent major problems that we would expect with flooding and at the same time we feel the location will be geologically--it will enhance geologically the prospect.

Q You are a consulting geologist?

A Yes, I am.

Q And you've been retained by Michigan Oil Company in this particular matter?

A Yes.

Q You were actually retained after the exhibits which have been submitted were prepared by Jesse Ellard, another geologist who is employed by Michigan, is that right?

A That's correct.

Q Have you reviewed the exhibits and adopted them as your own?

A Yes, I have.

Q You have executed or signed the original exhibits that were submitted to the Board?

A Yes, I have.

Q Would you please review those exhibits for the record now?

A O.K. I have two exhibits. Exhibit No. 1 is a well location plat for the proposed Michigan Oil Company-Lawrence 2-9 located in the SE/4 of Section 2, Township 15 South, Range 12 West of Fayette County. The proposed well is to be located 1600 feet from the South line and 435 feet from the East line of Section 2. The proposed drilling unit for the Lawrence 2-9 is a S/2 or laydown unit and is shown on this exhibit outlined in red.

Q The next exhibit?

- A No. 2 is a gross sand isopach map of the Carter Sand with two overlays attached. If you will turn to the base map for this exhibit, you will see the proposed location for the Lawrence 2-9 in the SE/4 of Section 2. This location was selected geologically because we believe that by drilling at this site we enhance the probability of encountering the Carter Sand with a thickness greater than 10 feet and, thereby, hopefully enhancing the probability of making a productive well. The first overlay is a topographic map of the area around the proposed well. This exhibit shows that practically the entirety of Section 2 is in the Sipsy River flood plain. The second overlay shows the 100 year flood elevation for the Sipsy River as a pink, shaded area. This exhibit illustrates that we are attempting to drill the proposed well at what we believe to be the optimum location geologically while trying to eliminate future flooding problems and at the same time trying to keep as close to a legal location as possible.
- Q In your opinion will this, the permitting of the well at this location, be the optimum location considering matters

such as cost of building a location at a legal location?

A Yes, it will.

Q And therefore, granting of this petition will prevent waste by allowing the well to be drilled at the most reasonable economic cost?

A Yes.

Q In a location that is geologically advantageous?

A Yes.

MR. SLEDGE: Mr. Rogers, I think that is the sum of our presentation. I would ask that the exhibits be admitted and also that an affidavit prepared, that I executed, relating to notice or the lack of need for notice, be admitted into the record.

MR. ROGERS: The affidavit is admitted and the exhibits are admitted into the record.

(Whereupon, the affidavit and exhibits were received in evidence)

MR. SLEDGE: We would submit the witness for any questions the staff might have.

Item 7

& Item 8

DR. MANCINI: Mr. Rogers, we have no questions.

MR. ROGERS: We'll make a recommendation to the Board on this matter tomorrow.

MR. SLEDGE: Thank you.

DR. MANCINI: Item 8, Docket No. 5-19-8718, continued petition by Exxon Corporation.

ATTORNEY: Mr. Hearing Officer, I'm Kenneth Carretta. I and Mr. William Watson are attorneys representing petitioner, Exxon Corporation, in this matter. Mr. Hearing Officer, our amended petition today requests this Board to amend Rules 11 and 12 of the Special Field Rules for Flomaton Field which pertain to the gas allowable and balancing of production to allowables. Basically, we are proposing that the allowables should continue to be initially allocated to the wells in the field based upon their surface acreage as now provided in the rules, but that where any such allowable exceeds the well's actual production the excess allowable would be allocated to other wells in the field based upon their ability to produce. Similarly, we are proposing that where a well is in an underproduced status at the end of the six-month period following the balancing date, as that

term is now defined in the rules, that such underproduction should be allocated to overproduced wells based upon their ability to produce. We will show by testimony that in the absence of these proposed changes the existing Rules 11 and 12 have had and will continue to result in capable wells being shut in even though there is sufficient treating plant capacity to produce them. We're also requesting that Rule 12 be amended in order to allow wells which are still in an overproduced status at the end of the six-month period following the balance date to be produced at 20% of their capacity. This will be a change from the existing rule which requires overproduced wells to be shut in completely until they reach balance. This change will assure that if the operator has to balance the well with a significant amount of overproduction he can do so in a manner which will pose the least risk of damaging the well bore, and finally, we're also requesting that Rule 11 be amended to set forth the procedure for equitably reducing field production in the event treating facility capacity falls below a level sufficient to produce all wells at

their maximum ability to produce. This will assure fair treatment for all owners in the field in the event of restrictions in treating facility capacity. Before I call my witness, I would ask that the prefiled affidavit that proper notice has been given in accordance with the current Board rules regarding notice be admitted into evidence in this matter.

MR. ROGERS: The affidavit is admitted.

(Whereupon, the affidavit was  
received in evidence)

MR. CARRETTA: I would like at this time to call my witness, Mr. Begland, and request that he be sworn for testimony.

MR. ROGERS: Mr. Begland, would you state your name and address for the record?

MR. BEGLAND: Michael Begland, New Orleans.

(Witness was sworn by Mr. Rogers)

MR. CARRETTA: Please state your full name and business address.

MR. BEGLAND: Michael B. Begland, New Orleans, Louisiana.

MR. CARRETTA: And in what capacity are you employed--uh--

who are you employed by?

MR. BEGLAND: I'm a reservoir engineer for Exxon.

MR. CARRETTA: And would you please summarize your qualifications in the area of petroleum engineering?

MR. BEGLAND: I received a Bachelor of Science degree in Chemical Engineering with a petroleum tech co-option from Ohio State University in 1983. I then completed two years of graduate course work in petroleum engineering at Louisiana State University. I was employed by Exxon in 1985 as a reservoir engineer and I've since held reservoir engineering responsibilities for the Big Escambia Creek Field, Fanny Church Field, and Flomaton Field.

(Mr. Begland was asked to speak into microphone)

MR. CARRETTA: And Mr. Begland, you've also attended some specialized technical schools on various aspects of petroleum reservoir engineering, isn't that correct?

MR. BEGLAND: Yes. I've attended four Exxon Company schools totaling six weeks of training in specialized reservoir engineering topics.

MR. CARRETTA: Mr. Hearing Officer, I would like to submit

at this time Mr. Begland's affidavit concerning his qualifications as a petroleum engineer. I would also request that this Board recognize Mr. Begland as an expert in the field of petroleum engineering.

MR. ROGERS: He is so recognized.

MICHAEL BEGLAND

Appearing as a witness on behalf of Petitioner, Exxon Corporation, testified as follows:

DIRECT EXAMINATION

Questions by Mr. Carretta:

Q Mr. Begland, will you describe in general Exxon's interest in Flomaton Field?

A Yes. Exxon operates 12 of the 16 producing wells at Flomaton Field and we also operate the treating facility.

Q And are you familiar with the methodology for assigning and balancing allowables in Flomaton Field as set forth in Rules 11 and 12 of the Special Field Rules?

A Yes, I am familiar with this.

Q And would you please describe to us how these provisions operate?

A Currently, a total field allowable is determined as the actual plant production each month. A base well allowable is defined from this in a proportion to the surface acreage each well has in comparison to total surface acreage. At this point on a monthly basis any excess allowable above a well's ability to produce is reallocated again based on a surface acreage ratio. Also at the end of a balancing period any underproduction that has been canceled and not made up is again reallocated to capable wells based on a surface acreage ratio.

Q Mr. Begland, you've indicated that the total field allowable was based upon the Flomaton treating plant capacity. What purpose does that limitation serve?

A The produced fluid at Flomaton Field is sour, containing 10 to 20 percent  $H_2S$ . As provided in Rule 8 of the field rules, this production must be treated through a cleansing facility to remove the  $H_2S$ . As such, in the beginning of the field, the well deliverability was greater than this plant capacity so that the allowable needed to be allocated amongst the wells. Currently, the well deliverability is

less than plant capacity, so we no longer have that situation.

Q Would it be fair to say that the way Rules 11 and 12 were designed to allocate, were designed to allocate limited available plant capacity to the wells in the field so that at any given point in time the total field production would equal total plant capacity?

A That's correct.

Q And how well has this procedure worked?

A This procedure worked very well until just recently. In the past well deliverability was in excess of plant capacity so that this procedure was necessary to divvy up the production--the capacity of the plant. Currently, our production is less than plant capacity so we no longer need to allocate our plant capacity amongst the wells.

Q I'd like to draw your attention to Exxon Exhibits 1, 2, and 3. Would you please explain to us what they show?

A Exhibit 1 is a plot of full well stream gas production from the Flomaton Field versus time. On the left scale the gas production is plotted in millions of cubic feet per day,

and on the lower scale we see a time plot from 1980 through to 1987. As you can see in the 1983 and 1984 time period, our production was relatively at the plant capacity limit of 40,000,000 cubic feet per day. In the past several years we've dropped below that. The wells no longer have deliverability to make that volume of gas. Of particular interest is the sharp decreases in production that you can see at the end of each year. This corresponds to our balancing period and when we must cut back on wells to get them in balance.

Q So these are artificial restraints imposed by the way in which the allowable allocation and balancing to allowable rules work?

A That's correct. There is well deliverability available at this time and plant capacity available at this time, but it cannot be utilized under the current system.

Q Let me direct your attention to the other Exxon exhibits.

A Exhibit 2 shows the end of 1986 and 1987 in more detail. This covers the 7-86 to 12-86 make-up period and since we did not get our wells into balance by the end of December

of '86, we had to shut them in for parts of January, February, and March of '87. Specifically, this shows the three wells that we had to cut back on production during this time period. The volumes shown again are in millions of cubic feet per day. This volume is the amount of gas that we had to restrict from this well in order to get it into balance. I might note that in July of 1986 we did not restrict any production and the plant volume that month was 31,000,000 cubic feet. Starting in August of '86, we began our cuts to achieve balance. This resulted in a decrease of 11 1/2 million cubic feet per day for a maximum in January of 1987 and a corresponding plant volume of only 20.6 million cubic feet per day for that month.

Q And at this time plant capacity would have been what?

A And again, available plant capacity would have been somewhere in the 40,000,000 cubic feet per day range. Exhibit 3 is similar to Exhibit 2. This shows the same restrictions for the three wells that we expect in 1987 under the current system. Again it shows that there are significant cuts, seven to eight million cubic feet per

day for a five-month period from August to December. Again, this will limit the plant throughput to less than what we have capacity to handle.

Q Mr. Begland, will you explain why the rules are now operating to artificially limit production in this manner?

A There are two reasons that we feel these rules are operating this way. On a monthly basis any excess allowable is reallocated based on surface acreage, irregardless of the deliverability of a particular well. On an annual basis at the end of the period, any underproduction is again reallocated based on a surface acreage basis. Again, what this does is allocate underproduction to wells that do not necessarily have the capability to make this production.

Q So would it be a fair statement to say that the rules now operate in such a manner that some wells are assigned allowables much greater than their actual ability to produce while other wells are assigned allowables well below their ability to produce?

A That's correct.

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Q And would you please describe how Exxon's proposed amendments to the rules would deal with this problem?

A Our proposed amendments will change the reallocation process from a surface acreage basis to a tested ability basis. We feel this will allocate the excess allowable to the wells which actually show the deliverability to make this production and keep the treating facility loaded to the maximum extent possible.

Q So if our proposed amendments are adopted, it would be much less likely for there to be shut-in wells at the same time that there was plant capacity available to treat production from those wells?

A That's correct.

Q And what are the other proposed amendments to existing Rules 11 and 12 set forth in Exxon's amended petition?

A We have two other amendments. One deals with wells that are still overproduced at the end of a balancing period and the other deals with limited facility capacity.

Q And what is the purpose of the proposed amendment concerning the production of an out-of-balance well?

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A Currently, if a well is still overproduced at the end of a balancing period, it must be shut in until a balance is achieved. This can create some operational problems and we'd like to change that and allow a well to produce up to 20% of its allowable each month, and this will still achieve a balance in a reasonable period of time.

Q And what is the purpose of the proposed amendment addressing the situation of restricted plant capacity?

A In the event of restricted facility capacity below that which all the wells can produce to, at their ability to produce, some measure was needed to allocate production to each of the wells. This amendment will take that situation into account and allocate allowable, actual production during that temporary restricted capacity period to each of the wells.

Q And was this proposed amendment an addition to Exxon's original petition in this matter?

A No, this is something that Mosbacher Petroleum, another operator in the field, brought up, and we recognized it as being something that needed to be addressed, and so we

added this to our petition.

Q So it's an addition to our original petition in this---

A That's correct.

Q If the wells in Flomaton Field are assigned allowables and balanced in the manner we have proposed, would this in any way cause damage to the wells or to the reservoir from which they produce?

A No, it will not.

Q Mr. Begland, are you familiar with the definition of waste as set forth in the Code of Alabama?

A Yes, I am.

Q And in your opinion would the granting of the amended petition as requested prevent waste and protect the correlative rights of all owners in the field?

A Yes, it will.

Q Mr. Begland, were the exhibits we have distributed prepared by you or under your supervision?

A Yes, I prepared these exhibits.

Q And Mr. Begland, were these exhibits prefilled with the Board?

A Yes, they were.

MR. CARRETTA: Mr. Hearing Officer, I would like to request at this time that Exxon Exhibits 1, 2, and 3 be admitted into evidence in this matter.

MR. ROGERS: They're admitted into the record.

(Whereupon, Exhibits 1, 2, and 3  
were received in evidence to the  
testimony of Mr. Begland)

MR. CARRETTA: Mr. Rogers, this concludes Exxon's direct testimony in this matter. I would like to tender the witness to you for any questions that you and the Board, or you or the staff might have.

DR. MANCINI: Mr. Rogers, we have no questions.

MR. ROGERS: We'd like to introduce into the record a letter from Mosbacher Energy Company in which they state that they have no objection to these proposed amendments, and also we'd received a letter from George A. Brown in which he stated at one time he was opposed. He's an interested party. But in a telephone conference he stated he no longer opposes this petition and I have a letter from me to him confirming our

Item 8

& Item 9

conversation. These two items are admitted into the record.

(Whereupon, the described items  
were received in evidence)

MR. ROGERS: Is there anything else?

MR. CARRETTA: That will be all. Thank you very much.

MR. ROGERS: We'll make a recommendation to the Board on  
this matter tomorrow. Thank you.

DR. MANCINI: Item 9, Docket No. 6-16-871, petition by TXO  
Production Corporation.

MR. HAMMOND: Mr. Rogers, we have one witness.

MR. ROGERS: Will you stand and state your name and address?

WITNESS: My name is Gary Lee Griffith. I'm from  
Shreveport, Louisiana.

(Witness was sworn by Mr. Rogers)

MR. HAMMOND: By whom are you employed, Mr. Griffith?

MR. GRIFFITH: I'm employed by TXO Production Corporation.

MR. HAMMOND: And what is your occupation there?

MR. GRIFFITH: I'm a petroleum geologist.

MR. HAMMOND: Have you testified before the Alabama Oil and  
Gas Board in the past as an expert petroleum geologist?

MR. GRIFFITH: Yes, I have.

MR. HAMMOND: And were your credentials accepted at that time as an expert petroleum geologist?

MR. GRIFFITH: Yes.

MR. HAMMOND: We ask that the witness be recognized as an expert petroleum geologist.

MR. ROGERS: He is so recognized.

GARY LEE GRIFFITH

Appearing as a witness on behalf of Petitioner, TXO Production Corp., testified as follows:

DIRECT EXAMINATION

Questions by Mr. Hammond:

Q Are you familiar, Mr. Griffith, with the Northeast Davis Chapel Field?

A Yes, I am.

Q Have you conducted a study of the field?

A Yes, I have.

Q What have you examined in conducting your study of the field?

A The records available to me included electric logs,

completion cards, State Oil and Gas Board of Alabama monthly production reports, and the well files of TXO Production Corporation.

Q All right, sir. And has TXO recently completed a well in the Northeast Davis Chapel Field?

A Yes, they have.

Q What is the name of that well?

A It's the TRPPC 5-11.

Q Where is it located?

A In the S/2 of Section 5 of 15 South, 10 West, in Fayette County, Alabama.

Q And when was it completed?

A It was completed in 3 of '87.

Q That's March of '87?

A March of '87.

Q How was the well permitted, Mr. Griffith?

A I believe it was an extension to the Northeast Davis Chapel Field.

Q A productive extension?

A Yes.

Q On a 320-acre spacing unit?

A Yes, sir.

Q Is that the normal spacing unit for Northeast Davis Chapel?

A Yes, sir.

Q All right. Was the well completed in the Carter Sand Gas Pool?

A Yes, it was.

Q At what depth?

A The perforations are from 2319 to 2324.

Q All right, sir. Have you prepared some exhibits to introduce into evidence today?

A Yes, I have.

Q Were these exhibits prepared by you or under your direct supervision?

A Yes, that is correct.

Q And do they accurately portray what you intended them to portray?

A They do.

Q O.K. What exhibits have you prepared?

A Exhibit 1 is a structural contour map on top of the Carter

Sandstone. Exhibit 2 is a Carter Sandstone porosity isopach map, porosity greater than or equal to 9%, and Exhibit 3 is a stratigraphic cross section labeled A-A'.

Q All right, sir, would you please explain your Exhibit 1 to the Board?

A O.K. Exhibit 1, again, is a structural contour map on top of the Carter Sandstone and it shows the structure area to be striking east-west and dipping to the south. The TRPPC 5-11 is on strike with other wells in the field.

Q Explain Exhibit 2, please sir.

A Exhibit 2 is the porosity, Carter porosity net sand isopach map and it shows the Carter Sandstone to be an elongate lenticular sandstone body. These are interpreted to be marine bars with their axes oriented in a northwest to southeast fashion. As shown on Exhibit 2, the TRPPC is along the same bar axis as other wells in the Northeast Davis Chapel Field.

Q All right, sir, and what about Exhibit 3?

A Exhibit 3 is a stratigraphic cross section showing the Carter Sandstone in the TXO No. 1 TRPPC 5-11 correlating

to the Morrow No. 1 USA 5-5 which is in the Northeast Davis Chapel Field.

Q And the Morrow 5-5 is completed in the N/2 of Section 5?

A Yes, that is correct.

Q The same section that the TRPPC is completed in, is that correct?

A Yes.

Q All right, sir. What was the initial bottom hole pressure of the TRPPC?

A On 5-15 of '87 the bottom hole pressure was 683 pounds.

Q O.K. And what does this indicate to you concerning whether or not it's in the Northeast Davis Chapel Field?

A Since virgin pressure in the reservoir was 1,038, it indicates to me that it is in communication with the rest of the field.

Q All right, sir. Are you familiar with the Special Field Rules for the Northeast Davis Chapel Field?

A Yes.

Q And with the definition of the Carter Sand Gas Pool within those field rules?

A Yes.

Q Does the Carter Sand encountered by the TRPPC correlate to the defined Carter Sand Gas Pool under the Northeast Davis Chapel Field?

A Yes, it does.

Q Are you familiar with the definition of waste as defined in the State of Alabama?

A Yes.

Q Would the granting of this petition prevent waste?

A Yes, it would.

Q Would the granting of this petition protect the coequal and correlative rights of all owners in the Northeast Davis Chapel Field?

A Yes.

Q And would the granting of this petition, in your opinion, allow each owner within the field to recover his just and equitable share of the reservoir?

A Yes, that's correct.

MR. HAMMOND: We ask that Exhibits 1 through 3 be introduced into evidence.

MR. ROGERS: They're admitted into the record.

(Whereupon, Exhibits 1 through  
3 were received in evidence to  
the testimony of Mr. Griffith)

MR. HAMMOND: And Mr. Rogers, I have submitted an affidavit  
of notice in here and I ask that that be admitted to the record.

MR. ROGERS: That's admitted also.

(Whereupon, the affidavit was  
received in evidence)

MR. HAMMOND: All right. We tender the witness.

MR. ROGERS: No questions. We'll make a recommendation to  
the Board on this matter tomorrow.

MR. HAMMOND: Thank you.

DR. MANCINI: Item 10, Docket No. 6-16-872, petition by TXO  
Production Corporation.

MR. ROGERS: Mr. Hammond, this is Item 10.

MR. HAMMOND: Oh, I'm sorry, excuse me. We ask that that  
be dismissed without prejudice.

MR. ROGERS: We'll make that recommendation to the Board.

DR. MANCINI: Item 11, Docket No. 6-16-873, petition by

TXO Production Corporation.

MR. HAMMOND: Same request. Dismissed without prejudice.

MR. ROGERS: We'll make that recommendation to the Board.

MR. HAMMOND: Thank you.

DR. MANCINI: Item 12, Docket No. 6-16-874, petition by Barnes Oil & Gas, Inc.

MR. ROGERS: That's the one that--yeah, just have a seat.

MR. SHELTON: Mr. Chairman, my name is Jim Shelton. I'm here today substituting for John Dobbs, attorney for Barnes Oil and Gas. He was ill and not able to make it and I would like to represent him as well as Barnes Oil and Gas. This is a petition for the Board to approve an exceptional location in the SE/4 of Section 7, Township 11 South, Range 11 West, Marion County, Alabama. The said unit was force pooled by the Board at the February meeting. The unit well of said unit was drilled several years ago and at the time of the hearing we noticed that there was no survey plat in the file, so upon obtaining the survey plat we noticed that the existing well was at an exceptional location. Therefore, it's necessary to file for an exceptional location. I would like to introduce the well plat

Item 12

& Item 18

into the record. I'd also like to put the well file for the First National Bank 10-7 well, Permit No. 738, into the record. And that's all.

MR. ROGERS: We have all that and that's, the plat and the well file are admitted into the record.

(Whereupon, the described documents were received in evidence)

MR. ROGERS: All right, those items are admitted. Any questions? We'll make a recommendation to the Board on this matter tomorrow.

MR. SHELTON: Thank you.

MR. ROGERS: Thank you.

DR. MANCINI: Item 14, Docket No. 6-16-876, petition by Browning & Welch, Inc.

MR. HARRISON: Mr. Supervisor, we would ask that Items 14 and 15 be continued.

MR. ROGERS: We'll make that recommendation to the Board.

DR. MANCINI: As mentioned previously, Items 16 and 17 will be heard by the Board tomorrow. Item 18, Docket No. 6-16-8710,

petition by V. Monta Currie, Jr.

MR. HARRISON: Mr. Hearing Officer, I'm Steve Harrison of Tuscaloosa representing Monta Currie. I have one witness I'd like to have sworn, please.

MR. ROGERS: Will you state your name and address?

WITNESS: Dave Eason, Natchez, Mississippi.

(Witness was sworn by Mr. Rogers)

MR. HARRISON: Mr. Hearing Officer, we would request that Items 18 and 19 be consolidated for hearing purposes.

MR. ROGERS: Your request is granted.

MR. HARRISON: Both of these items relate to a well that is proposed to be drilled by Monta Currie in the Swift's Landing Field in Baldwin County, Alabama. The proposed location is 330 feet from the North line and 1110 feet from the East line of a regular 160-acre unit in fractional Sections 31 and 38 of Township 8 South, Range 4 East, of Baldwin County. Mr. Eason, have you previously testified before this Board?

MR. EASON: Yes, I have.

MR. HARRISON: And is there an affidavit of your qualifications on file with the Board?

MR. EASOM: Yes, there is.

MR. HARRISON: I ask that Mr. Easom be accepted as an expert petroleum geologist.

MR. ROGERS: He's so recognized.

DAVE EASOM

Appearing as a witness on behalf of Petitioner, V. Monta Currie, Jr., testified as follows:

DIRECT EXAMINATION

Questions by Mr. Harrison:

Q Mr. Easom, have you prepared exhibits in support of this petition?

A Yes, I have.

Q All right, could you explain your Exhibit No. 1 to the staff, please?

A O.K. Exhibit 1 is an area map showing the proposed, or showing the field limits of the Swift's Landing Field as well as the existing 160-acre units and also the proposed location for the V. Monta Currie-Smith 38-2.

Q All right, your Exhibit 2, please?

A Exhibit 2 is a location plat showing the location of the exception well 330 from the North line of the unit and 1110 from the East line of the unit.

Q And your Exhibit 3?

A Exhibit 3 is a structure map prepared on top of the Amos

Sand with a contour interval of 20 feet and shows the outline of the field limits and the 160-acre units. The structure appears to be a simple nosing feature dipping to the south.

Q All right, your Exhibit 4, please?

A Exhibit 4 is a seismic plat showing the location of our bright spot anomaly that we see from geophysical data as well as the location of the Smith well and how it's situated within our bright spot.

Q All right, you have previously proposed a well in this unit, is that correct?

A Right, the Magnolia 38 well was proposed originally in this unit and it is our purpose to move this location to the location of the Smith well to gain a more favorable structural position in this unit.

Q All right. Now your Exhibit 5, please.

A Exhibit 5 is a seismic line shot by Monta Currie, Line N-24, and it simply shows the proposed location and its location within the seismic anomaly which is situated at .6 of a second.

Q All right, anything further?

A That's it.

MR. HARRISON: I would ask that Exhibits 1 through 5 to the testimony of Mr. Eason be admitted into evidence.

MR. ROGERS: They're admitted into the record.

(Whereupon, Exhibits 1 through  
5 were received in evidence to  
the testimony of Mr. Eason)

MR. HARRISON: All right, and for the record I would state that there are no other producing wells in the direction of the exceptional location that we've proposed today, therefore, notice of this matter was given by publication only.

MR. ROGERS: All right.

Q Mr. Eason, are you familiar with the term "waste" as defined by the statutes of the State of Alabama?

A Yes, I am.

Q And in your opinion will the granting of the petition requesting approval of the exceptional location prevent waste?

A Yes, it will.

Q Will it protect the coequal and correlative rights of all owners in this field?

A Yes.

MR. HARRISON: All right. I would also ask that the affidavit of notice and affidavit of testimony in the item requesting force pooling of this unit also be admitted into evidence.

MR. ROGERS: I've reviewed those items. They're in order and they're admitted into the record.

(Whereupon, the affidavits were received in evidence)

MR. HARRISON: All right. And we would request that both of these petitions be granted on the basis of the evidence and the affidavits presented today.

MR. ROGERS: We'll review the matters and make a recommendation to the Board tomorrow.

MR. HARRISON: Thank you.

DR. MANCINI: Item 20, Docket No. 6-16-8712, petition by Taurus Exploration, Inc.

MR. HARRISON: Mr. Hearing Officer, again I'm Steve

Harrison of Tuscaloosa representing Taurus in this matter. I have one witness I need to have sworn, please.

MR. ROGERS: Ma'am, would you state your name and address?

WITNESS: My name is Jane Pratte. I'm from Birmingham, Alabama.

(Witness was sworn by Mr. Rogers)

MR. HARRISON: Gentlemen, this is a petition by Taurus requesting that Rule 2 of the Special Field Rules for the Oak Grove Coal Degasification Field in Jefferson and Tuscaloosa Counties, Alabama, be amended so as to add all of Sections 33, 34, 35, and 36, Township 17 South, Range 6 West; all of Sections 5, 6, 8, 9, and 16 of Township 18 South, Range 5 West; and all of Sections 1, 2, 3, 4, 19, 20, 30, and 31 of Township 18 South, Range 6 West, all in Jefferson County, Alabama. Ms. Pratte, have you previously testified before this Board?

MS. PRATTE: No.

MR. HARRISON: Could you give the Hearing Officer and staff a brief summary of your qualifications as an expert petroleum geologist?

MS. PRATTE: I graduated from the University of Alabama in

Birmingham in 1983 with a Bachelor degree in Geology. During my last two years of school I started employment with U. S. Steel Corporation as a research geologist and worked with them until 1986, and at which time I was employed by Taurus Exploration as a geologist with the coalbed methane group.

MR. HARRISON: All right. I tender Ms. Pratte as an expert petroleum geologist.

MR. ROGERS: She's so recognized.

MR. HARRISON: Thank you.

JANE PRATTE

Appearing as a witness on behalf of Petitioner, Taurus Exploration, Inc., testified as follows:

DIRECT EXAMINATION

Questions by Mr. Harrison:

Q Ms. Pratte, have you prepared exhibits in support of this petition today?

A Yes, I have.

Q All right. Could you explain your Exhibit A to the staff?

A Exhibit A is a structure contour map that extends within these areas that we would like to petition. It's drawn

with the datum on the bottom of the Blue Creek Seam. It shows the contour interval. Contour interval is 20 feet and it just shows the contiguous nature of the coal seam throughout the area.

Q All right. And it is your opinion that the area that we are proposing to add to the field is in communication with the other coal seam as defined in the existing portion of the field, is that correct?

A Yes.

Q And your Exhibit B, could you explain that, please?

A Exhibit B is a stratigraphic cross section showing that the coal seams are in communication that extend through the existing field as well as outside the existing field boundaries. The datum is on top of the Pratt Group and I've correlated the Mary Lee Group at the bottom of the drawing.

Q O.K. All right, I would ask that Exhibit A and B to the testimony of Ms. Pratt be admitted into evidence.

MR. ROGERS: They're admitted into the record.

(Whereupon, Exhibits A & B were received in evidence to the testimony of Ms. Pratt)

MR. HARRISON: And also I have prefiled an affidavit of notice in this matter. I would ask that that affidavit also be admitted into the record.

MR. ROGERS: The affidavit is in order and it's admitted into the record.

(Whereupon, the affidavit was received in evidence)

Q All right, Ms. Pratt, are you familiar with the term "waste" as defined by the statutes of the State of Alabama?

A Yes.

Q And in your opinion will the granting of this petition prevent waste?

A Yes.

Q Will it protect the coequal and correlative rights of all owners in this field?

A Yes.

MR. HARRISON: We have nothing further. I tender

Item 20

& Items 22, 24, 25, 26,  
27, & 28

Ms. Pratt to the staff and Hearing Officer for any questions you may have.

DR. MANCINI: Mr. Rogers, we have no questions.

MR. ROGERS: We will make a recommendation to the Board on this matter tomorrow.

MR. HARRISON: O.K. Thank you.

DR. MANCINI: Item 21, Docket No. 6-16-8713, petition by Terra Resources, Inc.

MR. HARRISON: Mr. Supervisor, we would request that Items 21 and 23 be dismissed.

MR. ROGERS: We will make that recommendation.

MR. HARRISON: And we would also like to consolidate Items 22, 24, 25, 26, 27, and 28 for hearing purposes.

MR. ROGERS: Those items are consolidated for hearing purposes.

MR. HARRISON: I have one witness I'd like to have sworn, please.

MR. ROGERS: Sir, would you state your name and address?

WITNESS: David Carmony, Oklahoma City.

(Witness was sworn by Mr. Rogers)

MR. HARRISON: Gentlemen, this is a series of petitions by Terra where we are proposing to commingle production from two zones in various wells in the McCracken Mountain Field in Fayette County, Alabama, in the Blowhorn Creek Field in Lamar County, Alabama, and in the Coal Fire Creek Field in Pickens County, Alabama. We propose to take these petitions well by well and we will simply go through the exhibits for each well and explain to you why we are requesting commingling in that particular well. Mr. Carmony, have you previously testified before this Board?

MR. CARMONY: No, I have not.

MR. HARRISON: Could you briefly summarize for the Hearing Officer your qualifications as an expert petroleum engineer?

MR. CARMONY: I graduated from the University of Oklahoma with a B.S. in Petroleum Engineering in 1982. I'm currently employed with Terra Resources working in Operation in Oklahoma City, responsible for wells in the Black Warrior Basin. Prior to that I was employed by Mitchell Energy Corporation in Houston, Columbus, Ohio, and Midland, Texas, responsible for well operations in these areas.

MR. HARRISON: All right. I tender Mr. Carmony as an expert petroleum engineer.

MR. ROGERS: He's so recognized.

MR. HARRISON: Our first petition before you deals with the M. E. Baines No. 1 well, Permit No. 2364, in McCracken Mountain Field in Fayette County.

DAVID CARMONY

Appearing as a witness on behalf of Petitioner, Terra Resources, Inc., testified as follows:

DIRECT EXAMINATION

Questions by Mr. Harrison:

Q Mr. Carmony, have you prepared exhibits in support of this petition?

A I have.

Q Could you explain those exhibits, please?

A Exhibit No. 1 first lists the well which we are considering, the M. E. Baines for commingling. Second is the zone or producing horizon with the loading problem, which is the Carter, and it's loaded with water and it's produced through the tubing. The minimum flowing pressure

which we're currently experiencing due to compression is 150 psi. The calculated minimum gas rate to unload the well was 213 MCF a day and the well is currently producing 174 MCF a day.

Q All right, the zone that is loading up is the Carter and we are proposing to commingle that with the Benton Sand Gas Pool, is that correct?

A Yes.

Q All right, your Exhibit No. 2, please?

A Exhibit No. 2 is a economic comparison of options to produce the well. Our first option listed is the option if we do commingle the well it would be shift the sliding sleeve if it is installed in the well and allow the flowing zone to assist in unloading the loaded up zone. Just based on sheer economics, this option is desirable in Terra's investment decision. The investment of approximately \$400 is a very quick pay out of three days and since there are no mechanical installation there we see no associated problems with this. The second option here is if the well is not permitted to be commingled would be to install a

pumping unit with elaborate type gas separation and crossover. In our eyes this is uneconomical and something we probably wouldn't be able to do. Our investment for this type of installation would be approximately \$28,000. An optimistic pay out would be one year, and in our eyes this would, since we wouldn't be able to do this type of investment, would be reservoir waste. There are a lot of associated problems if we were to have to install this with gas locking. It would create high operating costs and eventually just--it would always be uneconomical production. And the third option is what we're currently doing and the only way that we're able to unload the wells right now is continued monthly swabbing operations, which is approximately a thousand dollars every time this operation has to occur, and the problems that we have with this is that the wells, they continue to load up shortly right after they're swabbed and unloaded and the wells that are completed in the tubing casing annulus, swabbing operations cannot be performed.

Q All right, let's go to your Exhibit 3, please.

A Exhibit No. 3 is a well bore schematic of the subject well. As you can see, the Benton and the Carter zones are the zones that are completed in the subject well. The Benton zone is being produced up the tubing casing annulus. The Carter zone is produced through the tubing. The Carter is currently loading up with water and the Benton right now is flowing, and what we propose is to shift the sliding sleeve that's installed on the tubing string and use the gas production from the Benton to assist in unloading the water from the Carter.

Q All right, your Exhibit 4, please.

A Exhibit No. 4 is the production history of the Benton zone in the subject well. As you can see, it has sufficient gas to lift the Carter zone. It's producing now, as you can see, approximately 360 MCF a day.

Q And your Exhibit 5?

A Exhibit 5 is the production history from the Carter zone in the subject well. As you can see, with the up and down erratic flow that it indicates liquid loading in the well,

and it is currently producing below a rate that will unload the Carter zone at approximately 165 MCF a day.

Q O.K. Your Exhibit 6, please.

A Exhibit 6 is reserve based allowable, State Form OGB-23, which shows an allowable of 1719 MCF a day. If this well is approved for commingling, we propose to perform a test on the individual zones prior to commingling and allocate the wells based on those tests.

Q All right, and Exhibit 6 is the OGB-23 for the Benton Sand, is that correct?

A Yes.

Q All right, your Exhibit 7, please.

A Exhibit 7 is the OGB-23 reserve calculation for the Carter zone with a reserve base allowable of 810 MCF a day.

Q And your Exhibit 8?

A Exhibit 8 is the OGB-22, well capacity test, shows the deliverability of 891 MCF a day for the Benton zone.

Q O.K. And your Exhibit 9?

A Exhibit No. 9 is the OGB-22 well capacity test for the Carter, which shows the deliverability of 284 MCF a day.

Q All right, let's move to the next well, which is the D. Gray No. 1 well, Permit No. 2453, also in the McCracken Mountain Field of Fayette County, Alabama. Have you prepared exhibits in support of this petition?

A Yes, I have.

Q All right, let's explain those to the Hearing Officer and staff, please.

A Exhibit No. 1 lists the D. Gray No. 1, the subject well considered for commingling. The current producing horizon that is loading up is the Lewis. It is loading up with water and has produced through the tubing. The current minimum flowing pressure experienced at the well site is 200 psi. Calculated minimum flow rate to unload the well is 284 MCF a day, and the current gas rate that the well is producing is 217 MCF a day.

Q All right, and we are proposing to commingle the Benton Sand with the Lewis in this well, is that correct?

A That's correct.

Q All right. Your Exhibit 2, again, is an economic comparison. Would your testimony be the same as previously

on the economics for this?

A Yes, it would.

Q All right, let's go on to your Exhibit 3, please.

A Exhibit No. 3 is the well bore schematic for the D. Gray No. 1 in the McCracken Mountain Field. It shows that the Benton and the Lewis are the zones that are completed in this well. The Benton is currently flowing up the tubing casing annulus. The Lewis is produced through the tubing. The Benton is currently flowing and we would use, open the sliding sleeve and use the gas produced through the Benton to assist in unloading the Lewis water.

Q All right, let's go to your Exhibit 4.

A Exhibit 4 is the Benton zone production history for the subject well. It shows that there is sufficient amount of gas and reserves to assist in unloading the Carter zone, the Lewis zone.

Q O.K. Your Exhibit 5?

A Exhibit No. 5 shows the Lewis zone production history in the subject well, and it shows again that there is erratic flow and that liquid loading does exist in the well and it

is currently producing approximately 220 MCF a day.

Q O.K. Your Exhibit 6, please.

A Exhibit No. 6 is the OGB-23 State form for the reserve calculation in the Benton Sand, which shows the reserve base allowable of 1501 MCF a day, and as mentioned earlier, we would perform tests prior to commingling of the well and base that, our allocation of the zone, production on those tests.

Q All right, your Exhibit 7, please.

A Exhibit No. 7 is the OGB-23, lease reserve calculation for the Lewis Sand, which shows a reserve base allowable of 1646 MCF.

Q And Exhibit 8?

A Exhibit No. 8 is the OGB-22, well capacity test for the Benton Sand. It shows a deliverability of 1182 MCF a day.

Q And your Exhibit 9?

A Exhibit No. 9 is the OGB-22 well capacity test for the Lewis Sand, which shows a deliverability of 1283 MCF.

Q All right, let's move to the next well, which is the Hodges-South 28-5 well, Permit No. 2804, again in the

McCracken Mountain Field. Here we are proposing to commingle the Benton and the Lewis Sands. Your Exhibit No. 1 for this item, please?

A Exhibit No. 1 shows the Hodges-South 28-5 is the subject well for commingling. The current producing horizon with loading problems is the Benton. The well is loading up with oil and water and it's produced through the tubing casing annulus. This well is loaded up and the expected minimum flowing pressure due to compression at the well site would be 155 psi and the calculated minimum gas rate to unload it in the tubing casing annulus is 597 MCF a day, and this well is currently loaded up.

Q All right, again your Exhibit No. 2 is economic comparisons. Would this be the same as your prior testimony?

A Yes.

Q All right, let's go to your Exhibit 3, please.

A Exhibit No. 3 shows the well bore schematic for the Hodges-South 28-5 in the McCracken Mountain Field. This well is completed in the Benton and Lewis zone. The Lewis

zone is currently flowing. We--the Benton zone is produced up the tubing casing annulus and is loaded up. The Lewis is the formation which we're proposing to commingle with the Benton and use its gas production to assist in unloading the Benton fluid.

Q All right, your Exhibit 4, please.

A Exhibit No. 4 is the production history for the Benton Sand which shows significant enough gas to produce and lift the Benton production.

Q All right, this is production from the Lewis zone, is that correct?

A Correct. There is no production history since the well is not produced from the Benton Sand.

Q All right, your Exhibit 5, please.

A Exhibit 5 is the initial OGB-23 performed on the Benton. As you can see, there is liquid loading already from the reserve base allowable, which was 52 MCF a day at that time.

Q O.K. Your Exhibit 6?

A Exhibit No. 6 is the OGB-23 reserve, lease reserve calculation for the Lewis Sand and which shows the reserve

base allowable of 1340 MCF a day.

Q And your Exhibit 7?

A Exhibit No. 7 is the OGB-22 for the new well when the Benton was completed. Shows the deliverability of 154 MCF a day.

Q And your Exhibit 8?

A Exhibit No. 8 is the OGB-22 well capacity test for the Lewis Sand, shows a deliverability of 1237 MCF.

Q All right, occasionally in your testimony you will refer to the Lewis well or the Benton well. By that you are meaning the same thing as the Lewis zone or the Benton zone within that single well bore, correct?

A That's correct.

Q All right, let's move on to the next well, which is the D. Morrison 35-1 in the Blowhorn Creek Field of Lamar County, Alabama, Permit No. 2812, where we're proposing to commingle production from the Carter and Millerella Sand Gas Pools. Your Exhibit No. 1, please?

A Exhibit No. 1 is the critical gas velocity calculation for the subject well to be considered for commingling the

Morrison 35-1. The Millerella is the current producing horizon that is loaded up with oil and it is produced through the tubing casing annulus. The minimum flowing pressure at this well site is 60 psi. The calculated minimum gas rate to unload the well is 231 MCF a day and this well is currently loaded up.

Q All right, again Exhibit 2 is an economic comparison. Do you have any different testimony on that?

A No.

Q All right, your Exhibit 3, please?

A Exhibit No. 3 is the well bore schematic for the Morrison 35-1 in Blooming Grove Field. This well is currently completed in the Millerella in the Carter Formation, the Millerella being produced up through the tubing casing annulus, the Carter being produced through the tubing. The Millerella is currently loaded up with oil and we're proposing to commingle the Millerella Formation, Carter Formation, and use the gas production from the Carter to assist in unloading the Millerella.

Q All right, your Exhibit 4, please?

- A Exhibit No. 4 shows production history from the Millerella zone, the bold line being oil production, the other line being gas production. As you can see, this well has already loaded up and we have not got any production from the well since 1984.
- Q O.K. Your Exhibit 5?
- A From the zone. Exhibit No. 5 is the production history for the Carter zone in the subject well. This well, this is the zone that we're proposing to use and as you can see, we do have significant enough gas to produce what we are--the oil that we're already producing in the Carter zone plus the additional oil that--oil and gas that we propose to lift from the Millerella.
- Q O.K. Your Exhibit 6, please?
- A Exhibit No. 6 is the OGB-23 for the Millerella, the lease reserve calculation. This is an old test. We're showing a reserve base allowable for 549 MCF. This zone is currently loaded up right now.
- Q All right, your Exhibit 7, please?
- A Exhibit No. 7 is the OGB-23, lease reserve calculation for

the Carter Sand and shows a reserve base allowable of 410 MCF a day.

Q Your Exhibit 8?

A Exhibit No. 8 is the OGB-22, well capacity test for the Millerella. It shows a deliverability of 109 MCF a day.

Q And your Exhibit 9?

A Exhibit No. 9 is the OGB-22, well capacity test for the Carter Sand and shows a deliverability of 437 MCF a day.

Q All right, our next well is the Morrison 36-4, also located in the Blowhorn Creek Field, Lamar County, Alabama. Permit No. is 3080. Your Exhibit No. 1, please?

A Exhibit No. 1 shows the critical gas velocity calculation for the Millerella in the Morrison 36-4 which is loaded up currently with oil. The minimum flowing pressure that we anticipate is 50 psi with the minimum gas rate to unload is 192 MCF a day. The--both zones in this well are currently loaded up and are not producing.

Q All right, your Exhibit No. 2, economic comparisons. Any difference there in your prior testimony?

A No.

Q All right, your Exhibit 3, please?

A Exhibit No. 3 shows the well bore schematic for the Morrison 36-4, which is produced--which is completed in the Millerella and Carter Formation. The Millerella was produced through the tubing casing annulus, the Carter through the tubing. Right now economics--when the well was shut in earlier, the well was shut in to test an offset well, and at that time the well experienced loading problems and we were unable to, at that time, due to economics, install a pumping unit, due to \$10 a barrel oil. This well will probably, within time, if we can't kick it off after, with swabbing, after shifting the sliding sleeve, will best be pumped with a pumping unit. We can anticipate that in the future, and without commingling the economics are not there, and due to sheer mechanics of pumping two zones, trying to isolate them, it's mechanically very hard to do.

Q All right, your Exhibit 4, please?

A Exhibit No. 4 shows the Millerella zone production history in the subject well. As you can see, this well is loaded

up in 1985, in the Millerella, which is produced through the tubing casing annulus.

Q And Exhibit 5?

A Exhibit No. 5 is the Carter zone, the production history in the subject well. This well was shut in in 1986 for testing purposes of offset wells. As you can see, this well was producing between 200 and 250 MCF a day prior to it loading up.

Q All right, your Exhibit 6, please?

A Exhibit No. 6 is the OGB-23 for the Millerella, the lease reserve calculation, which shows a reserve base allowable of 798 MCF a day.

Q All right, your Exhibit 7?

A Exhibit No. 7 is the OGB-23 for the Carter. Lease reserve calculation, which shows a reserve base allowable of 535 MCF a day.

Q Your Exhibit 8?

A Exhibit No. 8 is the OGB-22, well capacity test, the annual test for the Millerella, which shows a deliverability of 859 MCF.

Q And your Exhibit 9?

A Exhibit No. 9 is the OGB-22, well capacity test for the Carter. Shows the deliverability of 454 MCF a day.

Q All right, our last well is the Newman-Crowley 24-5, Permit No. 4277, located in the Coal Fire Creek Field, Pickens County, Alabama. Your Exhibit No. 1, please?

A Exhibit No. 1, the critical gas velocity calculation, shows the subject well for commingling, the Newman-Crowley 24-5, which the current producing horizon that is loaded up with oil is the Carter. It is produced up the tubing casing annulus. Our minimum flowing pressure at the well currently is 80 psi and our minimum gas, calculated gas rate to unload the well is 308 MCF a day and its current gas rate on the back side is 42 MCF a day.

Q All right. Exhibit No. 2, again, is your economic comparison. Any difference there?

A No.

Q All right, your Exhibit 3, please?

A Exhibit No. 3 is the well bore schematic for the Newman-Crowley 24-5 in the Coal Fire Creek Field. This

well is currently completed in the Upper Carter in the Carter zone, produced through the tubing casing annulus, and the Lewis zone, which is produced through the tubing, the Lewis zone is currently flowing and we're proposing to, since this well doesn't have a sliding sleeve, we'll punch a hole in the tubing and use Lewis gas to assist in unloading the Upper Carter and Carter zone.

Q All right, your Exhibit 4, please?

A Exhibit 4 is the Lewis production history in the subject well. As you can see, it's producing approximately 100 MCF a day.

Q And your Exhibit 5?

A Exhibit 5 is the production history for the Carter zone in the subject well and shows that this well is currently loading up with the producing rate, the gas that's producing up through the liquid, of 14 MCF a day.

Q O.K. Your Exhibit 6?

A Exhibit No. 6 is the OGB-23, lease reserve calculation for the Lewis Sand reserve base allowable, 99 MCF a day.

Q Your Exhibit 7?

A Exhibit No. 7 is the OGB-23 lease reserve calculation for the Carter. It shows an allowable of 18 MCF a day.

Q Your Exhibit 8, please?

A Exhibit No. 8 is the OGB-22 lease well capacity test for the Lewis Sand. Deliverability of 181 MCF a day.

Q And your Exhibit 9?

A It's the OGB-22, well capacity test for the Carter with a deliverability of 41 MCF.

Q All right, Mr. Carmony, for clarification's sake as to allocation among the various zones in these different wells, could you explain one more time how you would propose to allocate production between zones in each of these wells?

A Testing will be performed on individual zones prior to commingling and based on the well test that we get from that zone production will be allocated based on that well test.

Q Based on a ratio between those two zones?

A Yes.

Q In each well? All right. I would ask that all of the

exhibits to the testimony of Mr. Carmony be admitted into evidence.

MR. ROGERS: They're all admitted into the record.

(Whereupon, the exhibits were received in evidence to the testimony of Mr. Carmony)

MR. HARRISON: All right. I have also submitted affidavits of notice in each of these items. I would ask that all of those affidavits be admitted, please.

MR. ROGERS: Let me get all those. They're all admitted.

(Whereupon, the affidavits were received in evidence)

Q All right. Mr. Carmony, are you familiar with the term "waste" as defined in the statutes of the State of Alabama?

A Yes.

Q And in your opinion will the granting of these petitions prevent waste?

A Yes.

Q Will it protect the coequal and correlative rights of all owners in the subject fields?

Items 22, 24, 25, 26, 27,  
& 28 & Item 29

A Yes.

MR. HARRISON: We have nothing further. I tender Mr. Carmony to the staff for any questions you may have.

DR. MANCINI: Mr. Rogers, we have no questions.

MR. ROGERS: We will review these and make recommendations to the Board on these items tomorrow.

MR. HARRISON: O.K. Thank you.

DR. MANCINI: Item 29, Docket No. 6-16-8721, petition by Petrus Oil Company, L.P.

MR. HARRISON: Mr. Hearing Officer, Steve Harrison of Tuscaloosa representing Petrus. I have previously submitted both an affidavit of notice in this matter, signed by myself, and an affidavit of testimony of Mr. Tom Langford. I would ask that both of those affidavits be admitted into the record for this item which deals with the force pooling of the E/2 of Section 11, Township 16 South, Range 16 West, Fayette County, Alabama, in the West Fayette Field.

MR. ROGERS: I've reviewed those affidavits. They're in order and they're admitted into the record.

(Whereupon, the exhibits were  
received in evidence)

Item 29

& Item 33

MR. HARRISON: All right, thank you. I would request that the petition be granted on the basis of those affidavits.

MR. ROGERS: We'll make a recommendation to the Board on these items.

DR. MANCINI: Item 30, Docket No. 6-16-8722, petition by U. S. Steel Mining Co., Inc.

MR. HARRISON: Uh--let's see--we would request that Item 30 and 31 be continued, please.

MR. ROGERS: We will make that recommendation to the Board.

DR. MANCINI: Item 32, Docket No. 6-16-8724, petition by O'Boyle Energy Corporation.

MR. ROGERS: We have a request from the attorney for petitioner that the matter be continued and we'll make that recommendation to the Board.

DR. MANCINI: Item 33, Docket No. 6-16-8725, petition by Terra Resources, Inc.

MR. HARRISON: Mr. Supervisor, Steve Harrison again representing Terra. I have one witness I'd like to have sworn, please.

MR. ROGERS: Would you stand and state your name and

address, sir?

WITNESS: Neal Olesen, Oklahoma City.

(Witness was sworn by Mr. Rogers)

DR. MANCINI: This is Item 33?

MR. HARRISON: Yes, sir, that's correct. This is a petition by Terra Resources to approve an exceptional location in the Beaverton Field of Lamar County, Alabama. Petitioner is proposing a well location approximately 660 feet from the East line and 900 feet from the South line of Section 32, Township 12 South, Range 15 West, of Lamar County. This location is an exception because it is less than 2,000 feet from the nearest well in the Lewis Sand Gas Formation which is the Grace Petroleum Corporation-Ogden 5-1 well, Permit No. 2651, which is located in the E/2 of Section 5 of Township 13 South, Range 15 West, Lamar County, Alabama. We have noticed this item that the proposed location is approximately 1700 feet from the Ogden well. Our survey was completed, I believe yesterday. It indicates that the location is 1693 feet from the Ogden well. Mr. Olesen, have you previously testified before this Board?

MR. OLESEN: Yes.

MR. HARRISON: And is there an affidavit of your qualifications on file with the Board?

MR. OLESEN: Yes.

MR. HARRISON: I tender Mr. Neal Olesen as an expert petroleum geologist.

MR. ROGERS: He's so recognized.

MR. HARRISON: Thank you.

NEAL OLESEN

Appearing as a witness on behalf of Petitioner, Terra Resources, Inc., testified as follows:

DIRECT EXAMINATION

Questions by Mr. Harrison:

Q Mr. Olesen, have you prepared exhibits in support of this petition?

A Yes.

Q All right, could you explain your Exhibit 1 to the Board, please?

A O.K. Exhibit 1 is just a location plat showing the wells in the general vicinity. Our location is in the SW/4 of the E/2 of Section 32, 12 South, 15 West. The key well

that we--the well that we are in exception location to is the--directly south approximately 1700 feet, being the Grace-Ogden 5-1 well.

Q All right, your Exhibit 2, please?

A Exhibit 2 is the structural map on the base of the Millerella Limestone. It shows regional dip to the southwest. Nothing very important here. One item of interest is the down-to-the-north trapping fault which provides the trapping mechanism for the Lewis production as it exists in Section 32, 33, Section 4 and Section 5.

Q All right, your Exhibit 3, please?

A Section(sic) 3 is the Lewis net sand map based on positive microlog separation. It shows the lenticular nature of the Lewis Sandstone in the area which has an elongate axis trending from the northwest to the southeast. Our proposed location in the Southwest--SE/4 of Section 32 is just to the north of the Ogden, which has seven feet of microlog separation, and therefore, permeability or net pay. Going to the north there is zero feet of microlog separation in the J. F. Holley well, the 32-8, as well as zero in the

Pruet & Hughes-Wright well, 32-6. We feel that a location in, an exceptional location such as we've proposed therefore will help mitigate geologic risk for our proposed well, namely, the risk being that if you go north, well, you're running a risk of finding zero effective feet of pay. Furthermore, we feel that a well at our proposed location, exceptional location, will best protect the correlative and coequal rights of the mineral holders in Section 32. My reasoning behind that is that it would be the closest thing to a mirror location to the Grace-Ogden 5-1 well.

Q All right, Mr. Olesen, this exhibit that is presently before the Board differs slightly from the one that was prefiled with the Board. Could you explain what change was made and why that was made?

A Yes, the change that was made on the J. F. Holley No. 1 well in Section 32, that's the 32-8 well, was prev--previously had three net feet of pay listed. It now has zero. It was a drafting error and it has subsequently been revised.

Q So the result was simply pulling that nose in just slightly closer?

A It pulls the zero line southward a little bit.

Q All right. Your Exhibit 4, please?

A Exhibit 4 is a stratigraphic cross section, datum top of the Lewis Lime. The cross section is A-A' marked on the sand map, and A would be up to the northwest, A' to the southeast, and it shows to the southeast the Strawbridge 33-14 well currently producing out of the Lewis Sandstone, thick pay section, and then moving northwestwardly to the No. 1 Wright 32-6 well. Here the Lewis is tight, both with respect to porosity and permeability. I might add that the 32-8 Holley well looks virtually identical this, so this cross section therefore indicates that we are losing reservoir rapidly to the north and the northwest and to mitigate geologic risk that we are proposing this exceptional location.

Q All right, Mr. Olesen, the proposed unit for a well located at this proposed location would be the E/2 of Section 32, is that correct?

A Yes.

Q All right, and there is currently a well on that unit producing from the Carter Sand, is that correct?

A That's correct.

Q If Terra is the operator of the well drilled at this proposed location, does Terra have any intention to perforate or attempt completion in the Carter zone?

A None whatsoever.

Q This would strictly be a Lewis Sand test, is that correct?

A That's correct.

Q All right. Currently, Southland, as operator of this unit, has until approximately June 22 to make an election as to whether or not they will operate this proposed location, is that correct?

A Yes.

Q All right. And Terra has no intention to attempt to permit a well at this location prior to Southland's election, is that correct?

A That's correct.

Q All right, and it's possible that Southland could, under

the operating agreement, wind up being the operator of this well and would actually submit the permit application for this well at this location, is that correct?

A That's true.

Q All right. I would ask that Exhibits 1 through 4 to the testimony of Mr. Olesen be admitted into the record.

MR. ROGERS: They're admitted into the record.

(Whereupon, Exhibits 1 through 4  
were received in evidence to  
the testimony of Mr. Olesen)

MR. HARRISON: And also the affidavit of notice that I have previously submitted.

MR. ROGERS: The affidavit is admitted.

(Whereupon, the affidavit was  
received in evidence)

MR. HARRISON: I would also state for the record that Southland Royalty as operator, current operator of the Carter well in the E/2 of Section 32, did have actual notice of this petition even though they are not listed as having received first class mail notice of this petition. Mr. Olesen, are you

familiar with the term "waste" as defined by the statutes of the State of Alabama?

A Yes.

Q And in your opinion will the granting of this petition prevent waste?

A Yes.

Q Will it protect the coequal and correlative rights of all owners in the Lewis Sand Gas Pool of the Beaverton Field?

A Yes.

MR. HARRISON: We have nothing further. I tender Mr. Olesen to the staff or the Hearing Officer for any questions you may have.

MR. ROGERS: Mr. Harrison, do you intend to propose any specific stipulation concerning the approval of Southland, the present operator of the unit, concerning this petition?

MR. HARRISON: We do not have a specific stipulation to propose, but we would not object to a stipulation being put into the order.

MR. ROGERS: All right, thank you. We'll make a recommendation to the Board on this matter tomorrow.

MR. HARRISON: Thank you.

DR. MANCINI: Items 34, 35, 36, 37, 38, 39, 40, 41, 42, and 43 are motions by the Board to amend certain rules. Copies of those proposed rule changes are available at the back of the hearing room. Mr. Hearing Officer, we would recommend that you recommend to the Board tomorrow that these items be continued.

MR. ROGERS: I'll make that recommendation to the Board.

DR. MANCINI: Item 44, Docket No. 5-19-8719A, continued amended motion by the Board requesting the operator and interest owners of the following wells to show cause why these wells should not be ordered by the Board to be immediately plugged.

MR. ROGERS: Concerning Item 44, I had previously stated that we would--that that would be heard by the Board. However, we would like to make a recommendation to the Board in that matter. The attorney for the operator of those wells, Alabama Energy Group, Inc., has submitted a letter in which he requested that a temporary shut-in status be approved for those wells, and our recommendation to the Board is that the matter be continued for six months until the next regular meeting of the Board after six months from the Board's meeting tomorrow. That will be our

recommendation tomorrow. Also, we will place this letter from the attorney for Alabama Energy Group, Inc., into the record of this item.

(Whereupon, the letter was received in evidence)

MR. ROGERS: That's all the items and the meeting is adjourned. Thank you.

(Whereupon, at 11:30 a.m. the hearing was adjourned)

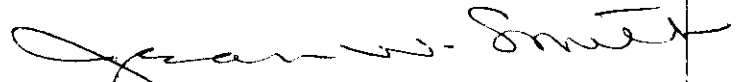
REPORTER'S CERTIFICATE

STATE OF ALABAMA        ()

COUNTY OF TUSCALOOSA ()

I, Jean W. Smith, Hearings Reporter in and for the State of Alabama, do hereby certify that on Tuesday, June 16, 1987, in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, I reported the proceedings before a Hearing Officer; that the foregoing 126 typewritten pages contain a true and accurate verbatim transcription of said proceedings to the best of my ability, skill, knowledge, and belief.

I further certify that I am neither of kin or counsel to the parties to said cause, nor in any manner interested in the results thereof.



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Jean W. Smith  
Hearings Reporter  
State of Alabama