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EXHIBITS

TITLE	DESCRIPTION	OFFERED	RECEIVED
Exhibit A (Item 20)	Affidavit of David Rigsby	38	38
Board Exhibit 1 (Item 24)	11-4-87 letters to Board from Robert & Le with attachment	52 tha Taylo	53 or
Board Exhibit 2 (Item 24)	10-21-87 letter to Pat Drexler, MWJ, from Richard Hamilton, Boar		61
Board Exhibit 3 (Item 24)	10-23-87 letter to Richard Hamilton, Boar Pat Drexler, TXO	61 d, from	61
Exhibit 1 (Item 6)	Affidavit of notice by Isaac P. Espy	62	62
Exhibit 1 (Item 30)	Copy of proposed rule	89	89
Exhibit 1 (Item 35)	7 - 9 - 87 letter from Watson & Harrison to E	91 Board	91
Exhibit 1 (Item 38)	7 - 9 - 87 letter to Board from Watson & Harrisor		91
Exhibit 1 (Item 34)	7-6-87 letter to Board from Hughes Eastern	1 91	91
Exhibit 2 (Item 34)	7 - 9 - 87 letter to Board from Hughes Eastern	1 91	91
Exhibit 1 (Item 36)	7 -6- 87 letter to Board from Hughes Eastern	1 91	91
Exhibit 2 (Item 36)	7-17-87 letter to Boan from Taurus	d 91	91
Exhibit 1 (Item 31)	Copy of proposed rule	91	91

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Exhibit 1 (Item 32)	Copy of proposed rule	91	91				
Exhibit 1 (Item 33)	Copy of proposed rule	91	91				
Exhibit 3 (Item 34)	Copy of proposed rule	91	91				
Exhibit 2 (Item 35)	Copy of proposed rule	91	91				
Exhibit 3 (Item 36)	Copy of proposed rule	91	91				
Exhibit 1 (Item 37)	Copy of proposed rule	91	91				
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STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

November 13, 1987

Testimony and proceedings before the State Oil and Gas Board of Alabama in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, pursuant to adjournment, on this the 13th day of November, 1987.

BEFORE:

BOARD MEMBERS

Dr.	Ralph AdamsChairman
Mr.	Gaines McCorquodaleAssociate Member
	BOARD STAFF
Dr.	Ernest A. Mancini & Supervisor
Mr.	Marvin RogersAttorney
Mr.	Gary Wilson Supervisor

Mr. Jay Masingill.....Assistant Supervisor
Mr. Dave Bolin.....Assistant Supervisor
Mr. Tom Sexton.....Geologist
Mr. Richard Hamilton....Petroleum Engineer

(Reported by Jean W. Smith)

APPEARANCES

NAME

REPRESENTING

Boyd Bailey 1. P. O. Box 127 Woodstock, AL 35188 2. C. W. Hendry Tallahassee, FL H. Wayne Stafford 3. Jackson, MS Walt Schmidt 4. Tallahassee, FL 5. Steve Harrison Tuscaloosa, AL Ken Magee 6. Jackson, MS Bonzell McGee 7. Aberdeen, MS 8. Ike Espy Tuscaloosa, AL Eugene McClellan 9. Tallahassee, FL 10. Chris J. Krotzer Metairie, LA Roland D. Taylor 11. River Ridge, LA John L. Jernigan III 12. Brewton, AL

13. Emmett Sanford Vernon, AL Estate of Ella D. Allen

Florida Dept. of Natural Resources

Pruet Production Co.

Florida Geological Survey

MWJ, Sanford

Hughes Eastern

Not listed

John L. Jernigan, et al

Florida Dept. of Natural Resources

John Jernigan, Jr.

John Jernigan, Jr.

John L. Jernigan Estate

Sanford Oil & Gas

		APPEARANCES (Contd)
	NAME	REPRESENTING
14.	Burt Hankins Vernon, AL	Sanford Oil & Gas
15.	Joe O. Sams, Jr. P. O. Box 249 Columbus, MS	McGee, Ltd.
16.	Paul McGee P. O. Box 9067 Columbus, MS	Not listed

PROCEEDINGS

(The hearing was convened at 10:08 a.m. on Friday, November 13, 1987, at Tuscaloosa, Alabama)

(Board Member Metcalfe was absent)

CHMN. ADAMS: Let the record reflect that the Oil and Gas Board is now in session. Mr. Supervisor, has this meeting been properly noted?

DR. MANCINI: Mr. Chairman, proper notice of today's meeting has been provided. A copy of today's meeting has been transmitted to the recording secretary.

NOTICE OF MEETING

"The State Oil and Gas Board of Alabama will hold its regular monthly meeting on Thursday and Friday, November 12 and 13, 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. 7-22-879

Continued petition by Tucker Operating Company, Inc., a corporation authorized to do and doing business in the State of Alabama, requesting that the State Oil and Gas Board of Alabama amend Rule 1 of the Special Field Rules for the Mt. Olive Church Field, Lamar County, Alabama, by adding to the field limits for said field the West Half of Section 35, Township 16 South, Range 15 West, Lamar County, Alabama.

2. DOCKET NO. 7-22-8721

Continued petition by Hawkeye Oil & Gas, Inc., a corporation organized under the laws of the State of Alabama, and 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 the West Half of Section 22, Township 10 South, Range 15 West, Marion County, Alabama, all pursuant to Section 9-17-13, <u>Code of Alabama</u> (1975) and Rule 400-1-13 of the <u>State Oil and Gas Board of Alabama Administrative Code.</u>

3. DOCKET NO. 7-22-8722

Continued petition by Hawkeye Oil & Gas, Inc., a corporation organized under the laws of the State of Alabama, and 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 the West Half of Section 27, Township 10 South, Range 15 West, Marion County, Alabama, all pursuant to Section 9-17-13, <u>Code of Alabama</u> (1975) and Rule 400-1-13 of the <u>State Oil and Gas Board of Alabama Administrative Code</u>.

4. DOCKET NO. 9-10-879

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 of Alabama to enter an order pursuant to <u>Ala. Code</u> Section 9-17-1 through Section 9-17-32, and Section 9-17-80 through Section 9-17-88 (1975) approving and establishing a secondary-recovery unit for a portion of the Wayside Oil Field, to be known as the "Wayside Unit", consisting of the hereinafter described Unit Area in Fayette County, Alabama, and requiring the operations of said unit as a single unit for secondary recovery, development and production of all oil, gas, gaseous substances, and all associated and constituent substances within or produced from the unitized interval in order to

maximize of unitized recovery prevent waste, to substances, to avoid the drilling of unnecessary wells and protect the coequal and correlative rights of to The Unitized Formation is to be interested parties. the Carter Formation which includes the designated as Carter Sand Oil Pool, and is defined as the subsurface portion of the Unit Area between the top of the Carter Sand and the base of said sand, which strata occur between the depths of 2151 feet and 2172 feet in the Charles L. Cherry and Associates No. 1 Junior Atkinson 3-6 Well, Permit No. 4465, located 1590 feet from the North line and 1980 feet from the West line of Section 3, Township 14 South, Range 13 West, Fayette County, Alabama, as indicated on the Dual Induction - SFL log of said well, and including those strata productive of hydrocarbons which can be correlated therewith, or such enlarged interval as may be ordered by the State Oil and Gas Said petition further seeks an order from the Board. Board approving the form of the Unit Agreement, Ratification Agreement, and Unit Operating Agreement for the proposed unit and the amendments to the Special Field Rules for the Wayside Oil Field so as to provide for unitized operations in conformity with the provisions of said Unit Agreement and Unit Operating Agreement.

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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 the The petition seeks to have Charles L. Cherry and same. Unit in Operator of the Associates, Inc. named as accordance with the laws of the State of Alabama. The proposed "Unit Area" contains approximately 880 acres, and is more particularly described as follows:

The South Half of the Southwest Quarter, and the Southeast Quarter of Section 33, and the Southwest Quarter of Section 34, all in Township 13 South, Range 13 West; and the North Half of Section 3, and the North Half of the North Half of Section 4, Township 14 South, Range 13 West; all in Fayette County, Alabama.

5. DOCKET NO. 9-10-8710

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 of Alabama to enter an order approving the deletion from the field limits of the Wayside Oil Field the following described area:

The South Half of the North Half of Section 4, Township 14 South, Range 13 West; and the North Southwest Quarter, of the Half and the Northeast Quarter of Section 33. and the Northwest Quarter and the East Half of Section 34, Township 13 South, Range 13 West; all in Fayette County, Alabama;

and to amend the Special Field Rules for said field to conform thereto. This petition is filed pursuant to <u>Ala.</u> <u>Code</u> Section 9-17-12 (1975) and Rule 400-1-2-.02 of the <u>State Oil and Gas Board of Alabama Administrative Code</u>.

6. DOCKET NO. 10-6-872

Continued petition by John L. Jernigan, Jr., a resident of Alabama, and Mary Jane Fitzpatrick, AmSouth Bank N.A. Trustee for Mary Jane Fitzpatrick, Arabelle B. Jernigan, Melissa Welbourne, and Cecille J. Perry, requesting the State Oil and Gas Board of Alabama to enter an Order finding that the contribution of the separately owned tracts in the Jay and Little Escambia Creek Fields Unit have been shown to be erroneous by subsequently discovered data and should be altered, and approving a corrected tract participation of each tract in the Jay and Little Escambia Creek Fields Unit in Escambia County, Alabama, which correction results from alteration of the tract contribution and has been calculated by Petitioners in accordance with Ala. Code Section 9-17-86 (1975); that since the Jay and Little Escambia Creek Fields Unit was established by Board Order Nos. 73-61 and 74-48, the following wells have been drilled:

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WELL NAME	PERMIT	NO.
Simmons No. 1 McDavid Lands 30-2B J. L. Jernigan, et al. 31-5	2029 2533 2611	В
Stephenson Heirs No. 1 L & N Railroad 30-4B	2784 3137	В
T. R. Miller Mill Co. 33-4B Miller Mill Co St. Line	3138	В
Trust 32-5 T. R. Miller Mill Co. 30-5	3260 3729	В
T. R. Miller Mill Co. 33-5 T. R. Miller Mill Co. 29-10 J. L. Jernigan, et al. 31-6	3730 3767 3963	В
T. R. Miller Mill Co. 31-8	4560	В

and the subsequently obtained data from said wells show that the contribution (and therefore the allocation shown by the tract participation) of the separately owned tracts in the Unit is erroneous because the porosity-acre-feet assigned to some of the tracts in the Unit is incorrect, making the percentage of total porosity-acre-feet allotted and, as a result, requiring all tracts incorrect to alteration of the tract contribution and consequently correction of the tract participation of each tract in the Unit. Petitioner has calculated the new tract participations to reflect the altered tract contribution, and approval thereof is now being requested along with such other relief as the Board in equity may deem proper. The altered tract contributions requested apply only to the Alabama tracts, and the total contribution and tract participation of all Alabama Tracts, as a percentage of the Jay and Little Escambia Creek Fields Unit is not changed under this petition.

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The Unit Area of that part of the Jay and Little Escambia Creek Fields Unit in Escambia County, Alabama, is described as follows:

> Beginning at the southeast corner of Section 33, Township 1 North, Range 9 East, Escambia County, Alabama, said corner being on the Alabama-Florida State Line;

> Thence westerly along said State Line as follows:

S	86	degrees	55'	31"	W	3413.76	feet
S	87	degrees	34'	32"	W	5302.35	feet
S	87	degrees	20'	00"	W	8569.76	feet

to a point on the unit boundary;

Thence along the unit boundary as follows:

N	00	degrees	17'	29''	Ε	1206.64 feet
Ν	88	degrees	36'	16"	Ε	624.00 feet
N	00	degrees	17'	29''	Ε	207.75 feet
Ν	88	degrees	36'	16"	Ε	700.51 feet
Ν	00	degrees	24'	27''	Ε	454.97 feet
N	50	degrees	11'	42''	Е	1165.82 feet
S	24	degrees	00'	55''	Ε	257.10 feet
Ν	64	degrees	59'	05''	Ε	210.00 feet
Ν	24	degrees	00'	55''	W	312.81 feet
Ν	50	degrees	11'	42''	Ε	64.77 feet
S	89	degrees	51'	41"	Ε	231.86 feet
Ν	00	degrees	36'	21''	Ε	1330.53 feet
Ν	89	degrees	51'	34''	W	1342.83 feet
N	00	degrees	24'	27''	Ε	630.72 feet
Ν	65	degrees	03'	29''	Ε	1490.73 feet
Ν	00	degrees	36'	21"	Ε	67.82 feet
N	89	degrees	51'	24''	W	1.24 feet
N	00	degrees	44'	43''	W	2646.61 feet
S	89	degrees	58'	37"	Ε	1325.67 feet
S	01	degrees	11'	16"	Ε	1324.89 feet
S	89	degrees	55'	00''	Ε	1550.79 feet
N	65	degrees	03'	20''	Ε	1215.91 feet
S	02	degrees	04'	12"	Ε	108.54 feet
N	65	degrees	03'	20''	Е	2168.66 feet
S	89	degrees	48'	10"	Ε	580.43 feet
S	01	degrees	43'	39"	Ε	2611.63 feet

N 89 degrees	12'	17"	Ε	640.80 feet
S 00 degrees	06'	18''	Ε	1319.79 feet
N 89 degrees	12'	50''	Ε	647.02 feet
N 00 degrees	22'	32''	W	408.92 feet
N 89 degrees	12'	49''	Ε	850.32 feet
S 00 degrees	55'	36''	Ε	408.91 feet
N 89 degrees	12'	49''	Ε	440.00 feet
S 89 degrees	57'	08''	Ε	1335.23 feet
S 00 degrees	50'	37"	Ε	1013.12 feet
N 88 degrees	36'	20''	Ε	1333.58 feet
S 00 degrees	47'	05''	Ε	340.54 feet
S 89 degrees	56'	54''	Ε	666.48 feet
S 00 degrees	43'	02''	Ε	470.49 feet
N 39 degrees	05'	33''	Ε	238.60 feet
N 34 degrees	27'	20''	Ε	345.57 feet
S 89 degrees	56'	54"	Ε	1647.48 feet
S 00 degrees	34'	41"	Ε	2100.05 feet

to the point of beginning.

All bearings are based on True Meridian through U.S.C.&G.S. Station Jay, 1938 Lat. 30 degrees 59' 04" Long. 87 degrees 09' 07".

This petition is filed pursuant to <u>Ala. Code</u> Section 9-17-86 (1975).

7. DOCKET NO. 10-6-8711

Continued 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 force pool all tracts and intersts in a 320-acre gas unit consisting of the West Half of Section 22, Township 13 South, Range 14 West, Lamar County, Alabama, as a productive extension of the Armstrong Branch Gas Field, pursuant to Section 9-17-13, <u>Code of Alabama</u> (1975), and Rule 400-1-13-.01 of the <u>State Oil and Gas</u> Board of Alabama Administrative Code.

Energy Corporation, Petition by First а foreign corporation qualified to do and doing business in the State of Alabama, seeking an Order of the Board approving and authorizing the drilling of a well as a productive extension of the Smackover Reservoir for the Big Escambia Creek Field, Escambia County, Alabama at an exceptional location to the Special Field Rules for the Big Escambia Creek Field. The proposed bottom hole location for the well to be drilled by Petitioner will be 660 feet from the South line and 660 feet from the West line of a unit consisting of Section 36, Township 2 North, Range 6 East, Escambia County, Alabama. The Petitioner avers that a well drilled at a regular location as required by the Field Rules for the Big Escambia Creek Field would not be at an optimum geological location and also avers that said well is necessary in order to prevent undue drainage, waste and the abuse of correlative and coequal rights of the owners of lands and interests in said Section 36. The proposed well is an exception to the Special Field Rules for the Big Escambia Creek Field inasmuch as the proposed location is less than 1320 feet from each exterior boundary of said proposed unit.

The Petitioner also seeks such general and special relief as the Board may deem appropriate.

Petition by Amerind Oil Co., 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 all tracts and interests in a 40-acre drilling unit consisting of the NE/4 of the NW/4 of the NW/4; the SE/4 of the NW/4 of the NW/4; the NW/4 of the NE/4 of the NW/4; and the SW/4 of the NE/4 of the NW/4 of Section 9, Township 6 North, Range 5 East, Monroe County, Alabama pursuant to Section 9-17-13, <u>Code of Alabama</u> (1975), and Rule 400-1-13-.01 of the <u>State Oil and Gas</u> Board of Alabama Administrative Code.

10. DOCKET NO. 11-12-873

Petition by Howell Petroleum Corporation, a foreign corporation qualified 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 Cobb 12-9 well located in the South Half of Section 12, Township 18 South, Range 15 West, Pickens County, Alabama, in the Coal Fire Creek Gas Field, said well being drilled under Permit No. 5176. Said petition being for the additional purpose of allowing such commingling on a permanent basis and to confirm a previous emergency order entered by the Oil and Gas Board allowing temporary commingling.

Petition by McGee, Ltd., a limited partnership, registered in Mississippi and qualified to do business in the State of Alabama, requesting the State Oil and Gas Board of Alabama to issue an order amending Rule 8 of the Special Field Rules of the Star Field, Lamar County, Alabama, so as to shut-in the Bonzell McGee 13-8 Well (Permit No. 3074) and the Falkner 18-4 Well (Permit No. 2333) until 18-12 Well (Permit No. 3433) and the Odom the McGee-Weyerhaeuser 13-9 Well (Permit No. 3197) have produced their just and equitable share of the gas from the Carter Sand Gas Pool and the Lewis Sand Gas Pool in said field.

12. DOCKET NO. 11-12-875

Petition by McGee, Ltd., a limited partnership, registered in Mississippi and qualified to do business in the State of Alabama, requesting the State Oil and Gas Board of Alabama to issue an order amending Rule 8 of the Special Field Rules of the McGee Lake Field, Lamar County, Alabama, so as to shut-in the C.C. Cunningham 24-10 Well (Permit No. 3045) until the Odom 24-8 Well (Permit No. 3292) has produced its just and equitable share of the gas from the Carter Sand Gas Pool in said field.

Petition by Union Exploration Partners, Ltd., a Texas limited partnership, requesting the State Oil and Gas Board of Alabama to enter an order amending the Special Field Rules for the Uriah Field, Monroe County, Alabama, by amending Rule 3, "Spacing of Oil Wells," to provide that wells shall be drilled units containing on approximately 160 surface acres, comprised of the E/2 of governmental quarter-section and the W/2 of the one adjacent governmental quarter-section; by deleting Rule 4, "Discovery Drilling Unit"; by amending the Field Limits set forth in Rule 1 so as to include only that area consisting of the SE/4 of Section 1, and the E/2 of Section 12, Township 4 North, Range 5 East, and the S/2 of Section 6, all of Section 7, and the W/2 of Section 8, Township 4 North, Range 6 East; by adding certain rules relating to production volumes, well allowables, measurement of production, equipment for tests, use of meters, and surveying and testing of wells; and by making certain other changes in said field rules, all as more particularly set forth in said petition. As presently written, the Field Limits for the Uriah Field include, in addition to the above described property, the following property which is proposed to be deleted from said field: the SW/4 of Section 1, the SE/4 of Section 2, the E/2 of

Section 11, the W/2 of Section 12, and the N/2 of Section 13, Township 4 North, Range 5 East, and the W/2 of Section 17 and all of Section 18, Township 4 North, Range 6 East. This petition is filed pursuant to Ala. Code Section 9-17-1, <u>et seq</u>. (and, in particular, Section 9-17-12) and Rules 400-1-1-.01, <u>et seq</u>. (and in particular Rules 400-1-12-.01, <u>et seq</u>.) of the <u>State Oil and Gas Board of</u> <u>Alabama Administrative Code</u>.

14. DOCKET NO. 11-12-877

Petition by Union Exploration Partners, Ltd., a Texas limited partnership, requesting that the State Oil and Gas Board of Alabama enter an order force pooling and integrating all tracts and interests in the E/2 of the NE/4 of Section 12, Township 4 North, Range 5 East, and the W/2 of the NW/4 of Section 7, Township 4 North, Range 6 East, Uriah Field, Monroe County, Alabama, all pursuant to and in accordance with Ala. Code Section 9-17-1, et seq., and in particular Ala. Code Section 9-17-13, and State Oil and Gas Board of Alabama Administrative Code Rules 400-1-2-.02, 400-1-12-.01 et seq., and 400-1-13-.01, et seq., and for such other, further, and different relief as the Board may deem proper.

15. DOCKET NO. 11-12-878

Petition by Anderman/Smith Operating Company, 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 an 80-acre drilling unit consisting of the West Half of the Northwest Quarter (W/2 of the NW/4) of Section 8, Township 17 South, Range 15 West as a productive extension of the Mud Creek Oil Field, Lamar County, Alabama. This Petition is in accordance with Section 9-17-13, <u>Code of Alabama</u> (1975) and Rule 400-1-13-.01 of the <u>State Oil and</u> Gas Board of Alabama Administrative Code.

16. DOCKET NO. 11-12-879

Petition by Anderman/Smith Operating Company, 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 an 80-acre drilling unit consisting of the East Half of the Northeast Quarter (E/2 of the NE/4) of Section 7, Township 17 South, Range 15 West as a productive extension of the Mud Creek Oil Field, Lamar County, Alabama. This Petition is in accordance with Section 9-17-13, <u>Code of</u> <u>Alabama</u> (1975) and Rule 400-1-13-.01 of the <u>State Oil and</u> Gas Board of Alabama Administrative Code.

17. DOCKET NO. 11-12-8710

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 amending Rule 1 of the Special Field Rules for the Foshee Oil Field, Escambia County, Alabama, by deleting from the field limits the following parcels:

> South Half of the Southwest Quarter and the Northwest Quarter of the Southwest Quarter, all in Section 34, Township 2 North, Range 8 East, Escambia County, Alabama,

and adding the following described parcels:

Southeast Quarter of the Northwest Quarter and the South Half of the Northeast Quarter of Section 34, and the Southwest Quarter of the Northwest Quarter of Section 35, all in Township 2 North, Range 8 East, Escambia County, Alabama,

so that Rule 1, as amended, will read as follows:

"RULE 1: Field Limits.

Southeast Quarter of the Northwest Quarter; South Half of the Northeast Quarter; Northeast Quarter of the Southwest Quarter; and the Southeast Quarter of Section 34; Southwest Quarter of the Northwest Quarter and the South Half of Section 35, all in Township 2 North, Range 8 East, and the North Half of the North Half of Section 2, Township 1 North, Range 8 East, Escambia County, Alabama."

18. DOCKET NO. 11-12-8711

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 amending Rule 2 of the Special Field Rules for the Foshee Oil Field, Escambia County, Alabama, by adding a new oil pool, namely the Massive Sand Oil Pool, and as used in said Rule 2, the new oil pool shall be construed to mean those strata of the Lower Tuscaloosa productive of hydrocarbons in the interval between 6,138 feet to 6,209 feet as indicated on the Dual Induction-SFL Log for the A.T.I.C. 34-16 No. 3 Well, Permit No. 5308, located 420 feet from the South line and 330 feet from the East line of Section 34, Township 2 North, Range 8 East, Escambia County, Alabama, including those strata which can be correlated therewith and all productive extensions thereof.

19. DOCKET NO. 11-12-8712

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 the "West Foshee Oil Field", or some other name deemed appropriate by the Board, as a new oil field and promulgate Special Field Rules for said field in accordance with the State Oil and Board of Alabama Administrative Gas Code. Petitioner requests that the field limits for the new field consist of the Northeast Quarter of the Northeast Quarter of Section 32; the North Half and the Northeast Quarter of Southeast Quarter of Section 33; and the South Half of the Northwest Quarter, all of the Southwest Quarter and the West Half of the Southeast Quarter of Section 34, all in Township 2 North, Range 8 East,

Escambia County, Alabama. The new oil pool for said field is to consist of the Lower Tuscaloosa - "Pilot Sand" Oil Pool defined as those strata of said pool productive of hydrocarbons in the interval between 6,165 feet to 6,280 feet as defined on the Dual Induction-SFL-Gamma Ray Log for the A.T.I.C. 34-12 No. 1 Well, Permit No. 5325, located 1,850 feet from the South line and 330 feet from the West line of Section 34, Township 2 North, Range 8 East, Escambia County, Alabama, and the strata productive of hydrocarbons which can be correlated therewith and all extensions productive thereof. Petitioner is also requesting that the Special Field Rules specify that wells are to be drilled on units consisting of 40 contiguous surface acres and for the establishment of allowables. Finally, Petitioner is requesting that the 40-acre wildcat drilling unit for the A.T.I.C. 34-12 No. 1 Well, consisting of the Northwest Quarter of the Southwest Quarter of Section 34, Escambia County, Alabama, be approved as the production unit for said well.

20. DOCKET NO. 11-12--8713

Peition by Terra Resources, Inc., a foreign corporation authorized to do and doing business in the State of Alabama, to force pool all tracts and interests in a gas drilling unit consisting of the West Half of Section 6, Township 15 South, Range 15 West, Lamar County, Alabama, in the Watson Creek Field, pursuant to Section 9-17-13, <u>Code of Alabama</u> (1975), and Rule 400-1-13-.01 of the <u>State</u> <u>Oil and Gas Board of Alabama Administrative Code</u>.

21. DOCKET NO. 11-12-8714

Petition by Terra Resources, Inc., a foreign corporation authorized to do and doing business in the State of Alabama, to approve a well location 503 feet from the North line and 2,123 feet from the West line of Section 6, Township 15 South, Range 15 West, Lamar County, Alabama, for a well to be drilled on a 320-acre unit consisting of the West Half of said Section 6, in the Watson Creek Field. Rule 3 of the Special Field Rules for the Watson Creek Field requires all wells to be located at least 660 feet from every exterior boundary of the drilling unit, but Petitioner's proposed location is an exception to said rule because it is only 503 feet from the North line and 517 feet from the East line of said unit. Rule 3 of said Special Field Rules also requires all wells to be 2000 feet from all other wells producing from the same pool, but Petitioner's proposed location is only approximately 1600 feet from the Norton 6-2 No. 1 Well, Permit No. 2729, If Petitioner located in the East Half of said Section 6. is unable to stake a well at the requested location, Petitioner requests approval of a well location that would than the the unit boundaries closer to be no above-requested location.

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Petition by Southern Union Exploration Company, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to approve an exceptional location for a wildcat Smackover well to be drilled 1,615 feet from the East line and 2,350 feet from the South line of Section 5, or 295 feet from the East line and 295 feet from the North line of the Northwest Quarter of the Southeast Quarter, Section 5, Township 2 North, Range 9 East, Escambia County, Alabama. Said location, if approved would be an exception to Rule 400-1-2-.02 of the <u>State Oil and Gas Board of Alabama</u> <u>Administrative Code</u> which requires 40-acre wildcat wells to be located at least 330 feet from every exterior boundary of the drilling unit.

23. DOCKET NO. 11-12-8716

Petition by Southern Union Exploration Company, 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 granting an exception to Rule 6 -Cleansing of Production - of the Special Field Rules for the Hanberry Church Field, Escambia County, Alabama, in order to permit production from the Huxford 34-2 No. 1 Well, Permit No. 5178, without processing such production through an installation or plant designed and equipped to cleanse the same of hydrogen sulfide.

Petition by MWJ Producing Company, a foreign corporation authorized to do and doing business in the State of Alabama, to approve the present location of the McDonald 23-6 Well, Permit No. 5324, being approximately 2180 feet from the North line and 1651.74 feet from the West line of Section 23, Township 13 South, Range 13 West, Fayette County, Alabama, as an exception to the Special Field Rules for the Sugar Creek Field. Said well was drilled on a unit consisting of the North Half of said Section 23, and was believed to have been drilled 660 feet from the South line of said unit. A subsequent resurvey of the section, however, indicates that said well is only 500.69 feet from the South line of the unit, and Rule 3(b) of the Special Field Rules for the Sugar Creek Field requires all wells to be located at least 660 feet from all exterior boundaries of the unit. Petitioner therefore requests approval of the present location of said well as an exception to said Special Field Rules.

25. DOCKET NO. 11-12-8718

Petition by Granite Drilling Co., a foreign corporation authorized to do and doing business in the State of Alabama, to force pool all tracts and interests in a wildcat 160-acre gas drilling unit consisting of the Southwest Quarter of Section 19, Township 10 South, Range 15 West, Marion County, Alabama, pursuant to Section 9-17-13, <u>Code of Alabama</u> (1975), and Rule 400-1-13-.01 of the <u>State Oil and Gas Board of Alabama Administrative Code</u>

26. DOCKET NO. 11-12-8719

Petition by Granite Drilling Co., a foreign corporation authorized to do and doing business in the State of Alabama, to force pool all tracts and interests in a wildcat 160-acre gas drilling unit consisting of the Northwest Quarter of Section 19, Township 10 South, Range 15 West, Marion County, Alabama, pursuant to Section 9-17-13, <u>Code of Alabama</u> (1975), and Rule 400-1-13-.01 of the <u>State Oil and Gas Board of Alabama Administrative Code</u>.

27. DOCKET NO. 11-12-8720

Petition by Pruet Production Co., a foreign corporation authorized to do and doing business in the State of Alabama, to force pool all tracts and interests in a 40-acre drilling unit consisting of the Northwest Quarter of the Southeast Quarter, Section 10, Township 6 North, Range 4 East, Clarke County, Alabama, pursuant to Section 9-17-13, <u>Code of Alabama</u> (1975), and Rule 400-1-13-.01 of the <u>State Oil and Gas Board of Alabama Administrative Code</u>.

28. DOCKET NO. 11-12-8721

Petition by Smackco, Ltd., an Alabama Limited partnership, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order reforming the unit for the Wefel Trust 10-3 No. 1 (Permit No. 4833-B) from a 40 acre wildcat drilling unit consisting of the East Half of the Northwest Quarter of the Northwest Quarter (E/2 of NW/4 of the NW/4) and the West Half of the Northeast Quarter of the Northwest Quarter (W/2 of the NE/4 of the NW/4) of Section 10, Township 3 North, Range 9 East, Escambia County, Alabama, to a 160 acre producing unit consisting of the entire Northwest Quarter (NW/4) of the said Section 10, Township 3 North, Range 9 East, Escambia County, Alabama.

29. DOCKET NO. 11-12-8722

Petition by Smackco, Ltd., an Alabama Limited Partnership, 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" ("Field Limits") of the Special Field Rules for the Burnt Corn Creek Field, Escambia County, Alabama, so as to add to the now existing limits of said Field all the lands described below, as underlain by the Smackover Oil Pool and all productive extensions thereof.

Escambia County, Alabama Township 3 North, Range 9 East Section 9: Northeast Quarter (NE/4) Section 10: Northwest Quarter (NW/4)

30. DOCKET NO. 7-22-8728

Continued motion by the Board to amend Rule 400-1-12-.04 relating to <u>Commencement of Proceedings</u> to require copies

of exhibits being presented by parties other than petitioner to be presented to the Board and to the Petitioner, or the attorney for the Petitioner, at least two (2) days prior to the hearing.

31. DOCKET NO. 6-16-8726

Continued motion by the Board to amend Rule 400-1-1-.04 <u>Forms</u>, 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.

32. DOCKET NO. 6-16-8727

Continued motion by the Board to amend Rule 400-1-2-.02 <u>Spacing of Wells</u> 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.

33. DOCKET NO. 6-16-8728

Continued motion by the Board to amend Rule 400-1-5-.03 <u>Pits, Emergency Reserve Pits, Dikes and Firewalls</u>, 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.

34. DOCKET NO. 6-16-8729

Continued motion by the Board to amend Rule 400-1-2-.01 <u>Permitting of Wells</u>, 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.

35. DOCKET NO. 6-16-8730

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

36. DOCKET NO. 6-16-8731

Continued motion by the Board to amend Rule 400-1-5-.07 <u>Restoration of Drilling Location</u>, 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.

37. DOCKET NO. 6-16-8732

Continued motion by the Board to amend Rule 400-1-3-.05 <u>Plugging Methods and Procedures</u> 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.

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38. DOCKET NO. 6-16-8733 Continued motion by the Board to amend Rule 400-1-3-.16 Daylight Hours to modify and further clarify the rule.

39. DOCKET NO. 6-16-8734

Continued motion by the Board to amend Rule 400-4-3-.01 <u>Notice of Activities</u> to clarify section (1)(m) of said rule.

40. DOCKET NO. 6-16-8735

Continued motion by the Board to amend Rule 400-1-9-.02 <u>Plant Project Hearing Required</u> to delete the requirement for a hearing for salt water disposal systems. APPLICATIONS FOR NATURAL GAS POLICY ACT OF 1978 (NGPA) WELL STATUS DETERMINATIONS

41. 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.

42. 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.

43. DOCKET NO. 6-16-8737PD

Continued 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.

44. DOCKET NO. 6-16-8740PD

Continued 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.

45. DOCKET NO. 6-16-8746PD

Continued 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.

46. DOCKET NO. 10-6-871PD

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. Pipe & Foundry 19-02-08 well (Permit No. 5320CG) in Section 19, Township 20S, Range 7W, Tuscaloosa County, Alabama in the Brookwood Coal Degasification Field, Pottsville Coal Interval.

47. DOCKET NO. 11-12-871PD

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 18-15-04 well (Permit No. 5327CG) in Section 18. Township 20S. Range 7W. Tuscaloosa County. Alabama in the Brookwood Coal Degasification Field. Pottsville Coal Interval.

48. DOCKET NO. 11-12-872PD

Application by Alabama Methane Production Co. for a new natural gas determination under Section 102(c)(1)(C) (New Onshore Reservoir) of the NGPA for the AMPCO 25-9 #16 well (Permit No. 5307C) in Section 25, Township 21S, Range 8W, Tuscaloosa County, Alabama in the Cedar Cove Coal Degasification Field, Pottsville Coal Interval.

49. DOCKET NO. 11-12-873PD

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 Shook 35-12-15 well (Permit No. 5351CG) in Section 35, Township 19S, Range 8W, Tuscaloosa County, Alabama in the Brookwood Coal Degasification Field, Pottsville Coal Interval.

50. DOCKET NO. 11-12-874PD

Application by Morrow Oil and Gas Co. for a new natural gas determination under Section 102(c)(1)(C) (New Onshore Reservoir) of the NGPA for the Altmayer 29-12 #1 well (Permit No. 5173) in Section 29. Township 16S, Range 11W, Fayette County, Alabama in the Pine Knot Creek Field, Lewis Sand Gas Pool. "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 <u>Code</u> <u>of Alabama</u> (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 January meeting of the Board will be held on Thursday and Friday, January 28 and 29, 1988, at 10:00 a.m. The notices for the January meeting must be filed on or before January 5, 1988. Petitions, exhibits, affidavits and proposed orders must be filed on or before January 14, 1988.

"There will not be a meeting of the Board in February, 1988.

"The March meeting of the Board will be held on Thursday and Friday, March 10 and 11, 1988.

"The April meeting of the Board will be held on Thursday and Friday, April 14 and 15, 1988.

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

DR. MANCINI: At this time the Hearing Officer will make his report to the Board.

MR. ROGERS: Mr. Chairman and Mr. McCorquodale, this is the report of the Hearing Officer on the items heard by the Hearing Officer and the staff on Thursday, November 12, 1987. I recommend that the following items be continued. Item 1, Docket No. 7-22-879, petition by Tucker Operating Company, Inc.; Item 2, Docket No. 7-22-8721, petition by Hawkeye Oil & Gas, Inc.; Item 3, Docket No. 7-22-8722, petition by Hawkeye Oil & Gas, Inc.; Item 25, Docket No. 11-12-8718, petition by Granite Drilling Co.; Item 28, Docket No. 11-12-8721, petition by Smackco, Ltd.; and Item 29, Docket No. 11-12-8722, petition by Smackco, Ltd. It's the recommendation of the Hearing Officer that those items be continued.

MR. MCCORQUODALE: So move.

CHMN. ADAMS: Second. All in favor say "aye".

(Both Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: It's the recommendation of the Hearing Officer that the following items be dismissed without prejudice: Item 7, Docket No. 10-6-8711, petition by O'Boyle Energy Corporation; Item 13, Docket No. 11-12-876, petition by Union Exploration Partners, Ltd.; Item 14, Docket No. 11-12-877, petition by Union Exploration Partners, Ltd.; and Item 26, petition--Docket No. 11-12-8719, petition by Granite Drilling Company. It's the recommendation of the Hearing Officer that those items be dismissed without prejudice.

MR. MCCORQUODALE: So move.

CHMN. ADAMS: Second. All in favor say "aye".

(Both Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

DR. MANCINI: Mr. Chairman, the staff has examined petitions, proposed orders, exhibits, and other evidence presented for the following items that will be addressed by the Hearing Officer. A record has been prepared for these items. After reviewing these documents and evidence, we find that the technical exhibits and documents are in order and the evidence supports petitioners' requests. The Hearing Officer will present recommendations to the Board.

MR. ROGERS: The following petitions for force pooling are recommended for approval: Item 9, Docket No. 11-12-872, petition

by Amerind Oil Co., Inc.; Item 15, Docket No. 11-12-878, petition by Anderman/Smith Operating Company; Item 16, Docket No. 11-12-879, petition by Anderman/Smith Operating Company; and Item 27, Docket No. 11-12-8720, petition by Pruet Production Company. It's the recommendation of the Hearing Officer that those petitions for force pooling be granted.

MR. MCCORQUODALE: So move.

CHMN. ADAMS: Second. All in favor say "aye".

(Both Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: Item 20, Docket No. 11-12-8713, is a petition by Terra Resources, Inc., and in that item the record was left open for submission of an affidavit, and Mr. Harrison---

MR. HARRISON: Mr. Rogers, I have that original affidavit here and would submit that and ask that the petition be granted on the basis of that affidavit.

MR. ROGERS: We'd recommend this affidavit be admitted into the record.

CHMN. ADAMS: The affidavit is admitted.

(Whereupon, the affidavit was received in evidence)

MR. HARRISON: Thank you.

MR. ROGERS: I'll say, the Hearing Officer---

MR. MCCORQUODALE: I move approval of the item, Mr.

Chairman.

CHMN. ADAMS: Second. All in favor say "aye".

(Both Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: Thank you. Item 8, Docket No. 11-12-871, is a petition by First Energy Corporation for an exceptional location in the Big Escambia Creek Field, Escambia County, Alabama. I recommend the petition be granted with the stipulation that the well be subject to proration and that the bottom hole location be no closer than 660 feet from the South line and 660 feet from the West line of the unit.

MR. MCCORQUODALE: So move.

CHMN. ADAMS: Second. All in favor say "aye".

(Both Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: Item 10, Docket No. 11-12-873, is a petition by Howell Petroleum Corporation to allow commingling of production from the Lewis Sand Gas Pool and the Carter Sand Gas Pool in the Cobb 12-9 well in the Coal Fire Creek Field in Pickens County, Alabama. I recommend that petition be granted.

MR. MCCORQUODALE: So move.

CHMN. ADAMS: Second. All in favor say "aye".

(Both Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: Item 17, Docket No. 11-12-8710, is a petition by Hughes Eastern Corporation to amend Rule 1 of the Special Field Rules for the Foshee Oil Field in Escambia County, Alabama. I recommend the petition be granted.

MR. MCCORQUODALE: So move.

CHMN. ADAMS: Second. All in favor say "aye".

(Both Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: Item 18, Docket No. 11-12-8711, is a petition by Hughes Eastern Corporation to amend Rule 2 of the Special Field Rules for the Foshee Oil Field in Escambia County, Alabama. I recommend the petition be granted.

MR. MCCORQUODALE: So move.

CHMN. ADAMS: Second. All in favor say "aye".

(Both Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: Item 19, Docket No. 11-12-8712, is a petition by Hughes Eastern Corporation to name a new oil field the West Foshee Oil Field in Escambia County, Alabama, and to establish Special Field Rules therefor. I recommend that petition be granted.

MR. MCCORQUODALE: So move.

CHMN. ADAMS: Second. All in favor say "aye".

(Both Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: Item 21, Docket No. 11-12-8714, is a petition by Terra Resources, Inc., for an exceptional location in the Watson Creek Field in Lamar County, Alabama. I recommend that petition be granted with the stipulation the well be subject to proration.

MR. MCCORQUODALE: So move.

CHMN. ADAMS: Second. All in favor say "aye", (Both Board members voted "aye") CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: Item 22, Docket No. 11-12-8715, is a petition by Southern Union Exploration Company for an exceptional location in Escambia County, Alabama. I recommend that petition be granted with the stipulation the well be subject to proration and that the bottom hole location of the well be no closer than 295 feet from the North line and 295 feet from the East line of the unit.

MR. MCCORQUODALE: So move.

CHMN. ADAMS: Second. All in favor say "aye".

(Both Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: Item 23, Docket No. 11-12-8716, is a petition by Southern Union Exploration Company for an exception to Rule 6 of the Special Field Rules for the Hanberry Church Field. I recommend that petition be granted with the stipulation that the order and exception be effective for a period of one year and that said operation shall be subject to the rules and regulations of the Alabama Department of Environmental Management.

MR. MCCORQUODALE: So move.

CHMN. ADAMS: Second. All in favor say "aye".

(Both Board members voted "aye") CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: Items 4 and 5, petitions by Charles L. Cherry & Associates, Inc., were heard by the Board yesterday. Briefs are due to be submitted in those items on November 30, 1987, and thereafter the Board will have 30 days to issue its order.

DR. MANCINI: In regard to Applications for Natural Gas Policy Act Well Status Determinations, today we request action on two categories. The first category is request for continuance which includes Item 41, application by TRW, Inc.; Item 42, application by Coaltech, Inc.; Items 43 and 44, applications by Taurus Exploration, Inc.; and Items 46 and 47, applications by Black Warrior Methane Corporation. If there are no objections, we'd recommend that these requests for continuance be granted.

MR. MCCORQUODALE: So move.

CHMN. ADAMS: Second. All in favor say "aye".

(Both Board members voted "aye") CHMN. ADAMS: "Ayes" have it. DR. MANCINI: The staff has examined applications and exhibits for Natural Gas Policy Act Well Status Determinations submitted concerning Item 45, application by Taurus Exploration, Inc.; Item 48, application by Alabama Methane Production Company; Item 49, application by Black Warrior Methane Corporation; and Item 50, application by Morrow Oil & Gas Company. We'd recommend that the exhibits submitted relating to these items be admitted into the record.

CHMN. ADAMS: They're admitted.

DR. MANCINI: If there are no objections, we recommend that these NGPA applications be approved.

MR. MCCORQUODALE: So move.

CHMN. ADAMS: Second. All in favor say "aye".

(Both Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

DR. MANCINI: The next item on the agenda is approval of the minutes of the October 6, 1987, and October 26, 1987, Hearing Officer meetings and the October 6 and 7, 1987, Special Meeting of the Board, and the October 7 regular meeting of the Board. We recommend that these minutes of these meetings be accepted.

MR. MCCORQUODALE: So move.

CHMN. ADAMS: Second. All in favor say "aye".

(Both Board members voted "aye")

CHMN. ADAMS: The "ayes" have it.

DR. MANCINI: Set for hearing today are the following items: Item 6, Docket No. 10-6-872, continued petition by John L. Jernigan, et al; Item 11, Docket No. 11-12-874, petition by McGee, Ltd.; Item 12, Docket No. 11-12-875, petition by McGee, Ltd.; Item 24, Docket No. 11-12-8717, petition by MWJ Producing Company. These items are all contested. And Items 30 through 40, motions by the Board. There are requests for continuance for Items 11, 12, and 24, and therefore, if there are no objections, I'd recommend that we hear the argument for continuance for Items 11 and 12 first, the argument for continuance for Item 24 second, hear the contested Item No. 6 third, and hear the motions by the Board, Items 30 through 40, last.

CHMN. ADAMS: It's agreeable.

DR. MANCINI: First up then would be Items 11 and 12, Docket No. 11-12-874 and Docket No. 11-12-875, petitions by McGee, Ltd.

MR. WATSON: Mr.Chairman, do you want to hear from the---MR. MCCORQUODALE: You're requesting the continuance, right? MR. WATSON: Yes.

MR. MCCORQUODALE: Why don't we hear from you then, cause I'm assuming that the petitioner does not want a continuance. UNIDENTIFIED: That's correct.

MR. WATSON: For the record, Mr. Chairman, my name is Tom Watson and I represent Pruet Production Company, Hughes Eastern Corporation, and Southland Royalty, or Meridian Oil Company. We are here today to ask for a continuance of these two items filed by McGee, Ltd. It's requesting an amendment to Rule 8 of the Special Field Rules for the McGee Lake and Star Fields. If this Board intends to go forward and hear these petitions, I submit to you that we need more time to prepare for what McGee, Ltd., has filed with you for this reason. Rule 8, as incorporated in the Special Field Rules for McGee Lake and the Star Field, was developed over a period of time by this Board after going through

various variations in the marketplace, and was thought to be by this Board and petitioners before this Board supporting the rule the appropriate rule to address production from the Black Warrior Basin. Rule 8 appears I think in almost every gas field we have in the Warrior Basin. It's a standard procedure that everyone operates under. As I read the two petitions filed by McGee, Ltd., they seek to, by amending Rule 8, address a market situation over which we have little if any control and over which this Board has no control. We submit to you that to amend Rule 8 for a situation caused by the marketplace is not warranted. We submit to you that the marketplace was in issue when Rule 8 was brought in. I recall for you numerous hearings before this Board when we discussed procedures to handle variations in the marketplace. We had at least five hearings before the Board on a nomination procedure that was not adopted. So to make a wholesale change in the way we operate in the Warrior Basin, and when I say "we" I mean all operators, is a matter that has serious ramifications and this Board has been very lenient in granting those people affected by petitions an opportunity to be prepared. The three companies that I represent

are not prepared to go forward to address a change in Rule 8, and I submit to you that there are other companies that if they thought Rule 8 was about to be changed would be here too, and I don't know which side they'd be on, but I submit to you that they possibly could be involved. So we ask for no more than you've granted numerous times. That's an opportunity, if we're going to go forward with this, to be prepared and to have our information available for this Board's consideration as you approach the grave question of possibly amending and altering Rule 8.

MR. MCCORQUODALE: Mr. McGee.

UNIDENTIFIED: May it please the Board, I'm the counsel for McGee, Ltd., Joe Sams from Columbus, Mississippi. In opposition to the motion for continuance, we---

CHMN. ADAMS: Could you speak up a little louder, please?

MR. SAMS: I'm sorry, sir. In opposition--I'm not familiar with these mikes here... In opposition to the motion for a continuance, we point out to the Board that the situation complained of in both petitions which are before you, which are in Items 11 and 12 on your docket, are matters which have been

ongoing for approximately four years. As shown by the petition, this is not a case where a landowner comes in at the last minute complaining of a minute infraction or the market disparity or anything like this. The petitions clearly reflect that Mr. McGee has done everything possible before coming before this He has tried to deal in good faith with all parties Board. concerned and only as a last resort and as a last remedy that as a citizen he comes here before this Board asking for the relief prayed for in the petition, and we respectfully submit that we're entitled to a hearing at this time or some type of protection by this Board, either an order granting temporarily the relief prayed for or under your procedure you may, I believe, elect a bond in lieu thereof. We do oppose any continuance at this time for the reasons stated in the petitions and for the reasons shown by that petition and the relief prayed for.

MR. MCCORQUODALE: Would you state your name again for the record, please, sir?

MR. SAMS: Joe O. Sams, Jr., Sams & Kessler.

MR. MCCORQUODALE: Am I correct in reading this date that's stamped on the petition it was filed October 29? Is that correct?

MR. SAMS: Mr. McGee would have to say.

MR. MCGEE: Right, that's correct.

MR. MCCORQUODALE: All right. Do you have anything further, Mr. Watson?

MR. WATSON: No, sir, I don't---

MR. MCCORQUODALE: Does anybody else want to speak to this issue? (No response)

CHMN. ADAMS: We'll take a short recess.

(The hearing was recessed approximately two minutes)

CHMN. ADAMS: Let the record reflect the Board is again in session.

MR. MCCORQUODALE: Mr. Chairman, let me make a statement to all of these parties before I make a motion. It has been for many, many years the policy of this Board, except in very rare or very unusual situations, to grant requests for a continuance when an item has been set for the very first time and when those parties who are involved in that petition, or that particular

item come before this Board and represent that they need time to get prepared. That has been the policy of this Board almost without exception for many years now, and we believe that that policy is sound because we never want to proceed on any item when any party that comes before this Board has not had an opportunity to prepare to defend any particular petition. I will say additionally for your benefit Mr. McGee, and your attorneys, who possibly are appearing before this Board for the first time, that we also take a very strong position that if they come in and request that one time continuance that the next time that this item is set that it will not be postponed, that it will be tried, and as I say, this has been the policy for some time and on that basis I would move that this item be continued.

CHMN. ADAMS: Second. All in favor say "aye".

(Both Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. MCCORQUODALE: Mr. Watson, of course, you understand that being our policy and we would expect your people to be ready for trial on the December docket.

MR. WATSON: They will be. Thank you.

MR. MCCORQUODALE: Thank you.

DR. MANCINI: Item 24, Docket No. 11-12-8717, petition by MWJ Producing Company.

MR. HARRISON: Mr. Chairman, I'm Steve Harrison of Tuscaloosa representing MWJ Producing Company. We're the petitioners and are prepared to go forward in this matter.

MR. ROGERS: Mr. Chairman, before we proceed, I should mention that we received on November 5 a letter dated November 4 from Robert Taylor and Letha Taylor from Ocala, Florida, and in the letter they state: "We are asking the Board to postpone this item until the December meeting due to my illness. I have been in the hospital and unable to pursue the necessary information pertaining to this issue. I am opposed to this November date for the above reasons. Enclosed is a statement from my doctor. Thank you for your consideration." Attached to that is a statement from a physician discussing his illness, surgery. Also we received a letter from Mr. Taylor dated the same date in which he discusses a survey and he has attached a survey that he had on this property, and I would request these items be made a, be entered into the record.

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CHMN. ADAMS: They're admitted.

(Whereupon, the described items were received in evidence)

MR. ROGERS: We also received some correspondence from Mr. Clifford England and Banks England. Are you all associated with them?

I am. And if, Mr. Chairman, if you please, UNIDENTIFIED: my name is Von Memory. I am an attorney from Montgomery. Let me introduce -- this is Mrs. Taylor at the far end of the table, Mr. England here. They--Mr. Taylor is not here. As the letter indicates, he had very serious surgery in the middle of October, prostate surgery, got out of the hospital I believe the 25th, or whatever the document says that he got out of the hospital. As the result of that, we feel like a continuance is merited if for no other reason than his health problems because he is realistically unable to be here or to prepare for this hearing. Just briefly, allow me to explain. The petition requests a special dispensation to be granted for the dimensions or the location of a well in a specific drilling unit, which I found for the first time, or viewed for the first time yesterday. I've

been involved in this case two days and although they have engaged a surveyor, which is here in Mr. Mitchum, it appears that there will also, in order to provide intelligent testimony to this Board, will have to be a geologist to help us to position as closely as we can the pool that is involved. You see you have one, one surveyor that has been engaged who locates this well 500 feet from one of the boundaries of the established 322--20--acre unit. Mr. Mitchum, the surveyor that Mr. Taylor, Mr. and Mrs. Taylor and Mr. and Mrs. England have engaged, placed the boundary of that unit 150 feet from the well. That being the case, there's several options obviously available to this company who have filed the petition, but in order to properly evaluate the position of everyone, and under these circumstances of, you see Mr. Taylor was only even able to really be involved with lawyers in the last few days himself, let alone to engage the professional people that would be needed to oppose this petition that we feel like is very serious and could impact upon a number of people. Lastly, it appears to me, in looking at the Rules of Practice and Procedure of this Board, it may very well be that there would be other people that should

be notified as well. We don't believe that there has been timely notice, nor do we believe that all of the people have been properly notified, and those people that are here are not in a position to properly respond with the expertise that is necessary and under the longstanding rule that you have previously cited in the hearing just before, we feel like a continuance is merited in this particular case.

MR. MCCORQUODALE: Mr. Harrison, do you want to respond?

MR. HARRISON: Yes, sir. Mr. Memory made two statements. First of all, that he'd only been engaged in this matter for two days. There were two attorneys involved in the matter representing the Englands and Taylors prior to that. We had been negotiating with those attorneys in good faith up until yesterday morning. Did not know of Mr. Memory's involvement until this morning. He also mentioned that he doubts that adequate notice has been given. The only notice required by the Rules and Regulations of this Board is notice to offset operators. There is no existing well in the S/2 unit where Mr. Taylor's and Mr. England's property is located. In fact, we have drilled two dry holes in that S/2 unit. We did give actual

notice to Mr. England and Mr. Taylor just because they had raised the question initially as to the specific location of this well. Our surveyor does admit that the initial survey that he made in order to get the permit for this well was in error. It was--it was surveyed--the location was surveyed in at 660 feet from the South line of the unit. After a more detailed survey was conducted after Mr. Taylor and Mr. England raised the question, we have determined that the well location is in fact only 500 feet from the South line of the unit. The reason that we would propose that this item be heard today is that my client is suffering economic harm in that this is one of the best sales seasons for gas in the district. If they do not sell the gas now, normally the summer is a very slow sales period, we are losing some of the best sales times that we have. We also are possibly suffering damage to the well by it being shut in. The well has not cleaned up completely. It has only been on production for approximately seven to ten days. I'm not sure exactly what total production has been, but there was never stabilization of the well during that period. We think we need at least 30 days production just to see what the allowable should

be for this well. As we see it, the only real remedy that Mr. England and Mr. Taylor have before this Board is to have the allowable for our well prorated. Every exceptional location ordered by this Board is subject to proration, and we do not have a problem with the well being subject to proration, and then Mr. England and Mr. Taylor are free to drill another well on their unit should they desire to do so, but I would point out that we have already drilled two dry holes, one of those on Mr. Taylor's property. So for those reasons we are prepared to go forward with the hearing today for the exceptional location and would request that we be allowed to be heard and that we be allowed to get this well back on production as quickly as possible.

MR. MEMORY: Mr. Chairman.

MR. MCCORQUODALE: Yes, sir.

MR. MEMORY: Mr. Chairman, if I could briefly respond. What the gentleman has stated is somewhat true, but let me just follow some of his arguments. Because of the notice requirements, if notice is timely, and we're not conceding that notice was timely nor proper in this case, even if it were, you

have such a brief amount of time that is available to these people to respond. Mr. England and Mrs. Taylor have in fact consulted two attorneys, one locally in Tuscaloosa, the other one a Mr. Beck. Neither of those lawyers were engaged or retained. Mr. Beck, regrettably, was involved in an embezzlement case in Tuskeegee the last few days and could not be involved. There was a very small amount of time for these people to respond about a very important matter. You see, once it is established exactly where this sectional line is, uh, Mr. Harrison has brought out that maybe there could be drilling on that S/2. Well, unfortunately, according to these Special Field Rules, it would only place those wells -- it would -- at a maximum, or minimum, those wells would have to be spaced 2,000 feet apart, and if this well indeed is in the location where we suggest of being right on the line, right on that half section line, then it effectively prevents these people from drilling in a location that we believe to be where this pool is located. As a result of that it is very important that a geologist be engaged to help us to set out as best we can where this pool is located, and time would be needed to do that. He points out

that there has been at least one dry hole drilled that is dry. It is about 1700 feet from where the well is on the line as we, as we suggest, and in order to properly place their well where we feel like it should be and to place us in a position where we could also drill in our half section, it would take the, a special alignment of these wells and it would include the testimony of a geologist. We understand that this gentlemen may want to come. We want to, first of all, bring to you gentlemen's attention that not only are they asking for an exception of the Special Field Rules, they're asking for an exception of the Rules and Regulations of this Board, which specify that the wells are no closer than 660 feet from that section line. We have had very, very, a limited amount of time to respond to this petition to oppose it, and we do not have the professional people that is necessary and to perhaps respond as to the repercussions of leaving this well in the location that they suggest. We don't feel like that a one-month continuance in order to allow us to get owners and then to engage professional people is unreasonable.

MR. MCCORQUODALE: I won't make my speech again. It wasn't

that good anyway, but I'll move on the basis that again this is the policy of the Board that we continue this matter for one time.

CHMN. ADAMS: Second the motion. All in favor say "aye".

(Both Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

DR. MANCINI: Mr.Chairman, I do have two letters I'd like to put in the record on this item if I could. The first letter was written to Ms. Pat Drexler, MWJ Producing Company, from Richard Hamilton and excerpts from the letter read as follow: "As you are aware, it has come to our attention that the McDonald 23-6 Well is in violation of Rule 3(b), <u>Spacing of Gas</u> <u>Wells</u>, of the Special Field Rules for the Sugar Creek Field. Please submit a report detailing test operations performed on the well to date and notify us in writing as to when the well can be safely shut in without causing damage to the well or reservoir." The second letter is to Richard Hamilton in response to his letter from Pat Drexler, and the letter reads: "MWJ Producing is in receipt of your letter dated October 21, 1987, regarding the captioned well. It appears to be 'cleaning

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up', so we anticipate being able to shut it in on Monday, October 26th." I request that those two letters be admitted.

CHMN. ADAMS: They are admitted.

(Whereupon, the described letters were received in evidence)

MR. MCCORQUODALE: All right. It's continued for one time. MR. MEMORY: Thank you, Mr. Chairman.

DR. MANCINI: Item 6, Docket No. 10-6-872, continued petition by John L. Jernigan, et al.

MR. ESPY: Mr. Chairman, my name is Ike Espy. I represent John L. Jernigan, Jr., Mary Jane Fitzpatrick, AmSouth Bank N.A. Trustee for Mary Jane Fitzpatrick, Arabelle B. Jernigan, Melissa Welbourne, and Cecille J. Perry in this Docket No. 10-6-872 requesting that the State Oil and Gas Board order that the tract participation factors for the Alabama portion of the Jay-Little Escambia Creek Fields unit be revised to reflect data which have been obtained since the creation of that unit. I've previously submitted an affidavit regarding notice showing that all owners of working interest, royalty interest, and overriding interest

in the Escambia County, Alabama, portion of the unit were properly notified. This also includes an affidavit by a representative of Exxon Corporation that their royalty owners were notified and that's subsumed within my affidavit. I ask that that be admitted to record.

MR. ROGERS: Mr. Chairman, that's in order and should be admitted.

CHMN. ADAMS: It's admitted.

(Whereupon the affidavit was received in evidence)

MR. ESPY: I have two witnesses to be sworn, Mr. Chris Krotzer and Roland Taylor. Would you stand, please?

MR. ROGERS: You gentlemen state your names and addresses.

FIRST WITNESS: My name is Chris Krotzer. I live 6408 Ithica Street, Metairie, Louisiana.

SECOND WITNESS: My name is Roland Taylor. I live at River Ridge, Louisiana.

(Witnesses were sworn by Mr. Rogers)

MR. MCCORQUODALE: For the record, there's opposition to the petition.

MR. WATSON: Yes, sir.

MR. MCCORQUODALE: Can we identify that?

MR. WATSON: Yes, sir. Mr. Chairman, for the record, my name is Tom Watson. I represent Exxon Corporation, unit operator. I also represent T.R. Miller Mill Company, the McDavid Lands, and the W. T. Neal Trust, together owning approximately 32% of the royalty in the Jay-Little Escambia Creek unit as a whole. Those parties oppose this petition and are prepared to make an opening statement if the Board's procedure is such that you would like to hear our position.

MR. MCCORQUODALE: I think we'd like to hear some sort of opening statement. Would you like to add anything to what you said, Mr. Espy?

MR. ESPY: Well, I---

MR. MCCORQUODALE: That was part of an opening statement anyway, huh?

MR. ESPY: I tried to make it just an introduction.

MR. MCCORQUODALE: Right. If you'd like to add something to it, feel free, and then Mr. Watson can---

MR. ESPY: All right, thank you. Mr. Chairman, in order to

make more of an introduction and to apprise the Board and the staff, briefly, of our petition, the Jay Field in Florida and the Little Escambia Creek in Alabama were joined as a unit by orders issued in 1973, and after some planned accounted for drilling in the original petition and after the information that was obtained from that drilling was obtained, a second order in 1984--1974--established the combined Jay-Little Escambia Creek Fields unit covering parts of Alabama and Florida. The Alabama portion comprises only about seven percent of the field, of the total unit. Since the creation of the unit in 1974 and specifically since 1979, there have been 12 wells drilled on the Alabama side. I believe that three of these are outside the unit outline but are close enough to provide potential data and nine within the Alabama field. Beginning with the 1979 well, the very first well drilled since the creation of the unit, if I recall the specific wells correctly, it showed that there was maybe 40 to 50% more porosity feet in that well than was shown on the original exhibit. In 1980-81 another well was drilled on the Alabama side which showed an even larger increase than the anticipated porosity feet. In 1984 a well was drilled on the

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Alabama side, and again, if I remember my figures correctly, it came in about 250% greater than that anticipated by the original These drillings basically took place at the opposite document. ends of the Alabama field, the northwest side and the southeast The drilling indicated that approximately 600 acre feet, side. additional porosity feet, as it was defined in the original Unit Agreement, should be added according to all of the original definitions, and not changing anything except what was dictated by new wells. Nothing was reexamined where there was no new data. All of the conventions for drafting productive limits were held constant, even though the new data might have changed some of those. Only the wells themselves, the new wells. We expect the evidence to show that this caused a substantial change in the tract factors for about five tracts, increasing. We expect that the contribution for their gain will come from about six tracts and that the other 19 tracts in the field will be changed very little, probably no more change than would be changed by the fluctuation of the price or the production for a month. And all of these are brought into account because of the recent drilling. We have two witnesses. One will present the

geology, one will show the extensions of the volumes from that geological information. We think it's very straightforward. We believe that this was anticipated as in every other unit which has been set up in Alabama. The parameters regarding the setting up of the unit are common across every unit that I know of, and that there is no legal reason why this should not take place.

MR. WATSON: Mr. Chairman and Mr. McCorquodale, and members of the staff, since 1974 the Little Escambia Creek Field has been and continues to be operated with the Jay Field in Florida as a single fieldwide unit. This Board's records reflect the procedure whereby this Board and the Florida Board acted in concert to create a unit. Therefore, at the outset, it's incomprehensible to think that this Board would even entertain a petition that fails to recognize the validity of its own order, not to mention taking an action that could be viewed as a breach of an agreement with our sister state agency. Just as this unit could not be put in place by one state, it cannot be altered or amended by one state. Therefore, it's Exxon's position and the position of my royalty owner clients that this Board lacks

jurisdiction to unilaterally alter amendments or unilaterally alter agreements approved by the interest owners in this unit as well as the Florida Board. In addition, it should be noted that the changes proposed by Mr. Jernigan's petition are not subject to ratification by the 75% in interest of the owners in the unit. Without the requisite statutory ratifications or a provision for ratification, we submit this Board lacks jurisdiction to grant this petition. The Unit Agreement approved by this Board and the Florida Board does not provide for a redetermination as proposed in the Jernigan petition. The Unit Agreement allows for correction of clerical errors and it provided a procedure for enlargement, as well as for incorporating data that was available during the finality of putting this unit together. Our evidence will show that the minutes from the unitization committee meetings reflect a conscious decision not to include a redetermination provision in this Unit Agreement, and that was due to the nature of the project and the vast amount of reservoir data available at the time of unitization. Therefore, we submit that the approved Unit Agreement, which by virtue of your order has the force of

law, controls in this situation. Section 9-17-86 is alleged in Jernigan's petitions, petition, as having application here, and if Section 9-17-86 of the Code of Alabama applied, this statute would have to be read in connection with Florida law since the Smackover-Norphlet Oil Pool underlies two states, and that's the pool that we unitized. I have a handout here of the Florida law xeroxed by the Alabama law, and in the Florida law there's clearly no provision for an equity redetermination once a unit is approved. Again, I must stress that this unit couldn't have been put into place by one state, either Alabama or Florida, and I submit it can't be altered by one state, and Mr. Espy has shown me no efforts to do anything in the Florida jurisdiction. Now, let's assume that only the Alabama statute applied, that is, the Alabama unitization statute, and particularly 9-17-86 of the statute, implicit in that statute is that contributions be That's what it's all about. We're prepared to show corrected. that the corrections have not been made in any of the tracts. Furthermore, a key assumption in Jernigan's petition is the adjustment factor applied to the participation formula specified in the Unit Agreement, which by definition by using an adjustment

factor it alters the participation formula, and our evidence will show that it alters it by 4.3%. Any such alteration in the participation formula is not addressed in 9-17-86 of our Code. Any changes in the agreement would require 75% approval of working interests and royalty owners, and no provision has been included in the petition for an adjustment of investment charges as required in 9-17-86. Now the Board orders Mr. Espy referred to, your Board Orders 73-61 and 74-48, are supported by evidence and those orders are reasonable. I've been involved in several unitization projects and the record reflects that seldom does any unitization project before a regulatory agency have the quantity and quality data that was available in this case when this unit was put together. In fact, the record in the December 7, 1973, hearing shows that there were more reservoir descriptions made in these fields than in any other fields in the United States at that time. Exhibit E-2 in that hearing summarized the vast amount of reservoir description data, such as analyses of over 23,000 feet of cores, 282 porosity logs, 93 resistivity logs, and 233 bottom hole pressure measurements, just to name a few, and remember these two fields were developed

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on 160-acre spacing, both in Alabama and in Florida. Furthermore, in addition to active working interest participation in forming this unit, royalty owners participated before this Board and hired the most prestigious consulting firms available, such as DeGolyer & McNaughton of Houston, the Atwater firm of New Orleans, and they were hired to review the data as a whole and the agreements and the equity participations proposed. These firms concluded and reported to this Board through witnesses that appeared before you that the two-phase approach and the parameters used for calculating unit participation as set forth in the Unit Agreement was fair and reasonable and it was a fair and reasonable approach to establishing the equities for the owners. Petitioners John Jernigan, Jr., and Mary Jane Fitzpatrick, acting by and through the Trust Department of what's now the Amsouth Bank, apparently agreed to all aspects of this unitization project for they ratified the Unit Agreement on October 5, for Mr. Jernigan and his wife, and on October 25 by the bank for Mary Jane Fitzpatrick. Now they cause a petition to be filed that asks this Board to disregard contractual obligations they entered

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into with more than 75% of the working and royalty owners in this unit and if granted, if this Board grants the petition, just in the Alabama portion of the unit, 25 out of the 30 tracts lose participation. Tracts that do not change in pore volume lose participation. Two tracts that gain pore volume lose, and 15 tracts that show no change in pore volume, yet they lose 4.3% of their participation due to the Jernigan adjustment factor that was conceived in an attempt to minimize changes in other interests so that the Jernigan tracts could increase their interest. None of the additional wells cited in Jernigan's petition have justified a change in the productive limits of the unit and neither have the new wells coupled with 14 years of production history changed the original oil in place that was presented to this Board. The petition is a naked collateral attack on Board Order 73-61 and 74-48. Jernigan and Fitzpatrick are attempting to avoid, evade, and even defeat these unit orders. The orders are valid. The agreements approved by the orders are valid, and Jernigan now wants to deny the force and effect of these orders and agreements on these two fields that were meticulously put together and legally ratified by two state

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regulatory bodies, hundreds of corporations, partnerships, and people representing more than 75% in interests, and if this collateral attack succeeds with the record this Board has to stand on, we'll have endless hearings on every field and unit in this state. Unitization commands finality and this case certainly justifies it. At the prehearing conference held a week ago, Mr. Espy indicated that his geology was straightforward, that he'd used the same formula and definitions, that there was no controversy over the technical merits in his case. The staff will recall that I reserved, on behalf of my client, Exxon, an opportunity to address those technical exhibits at this hearing. We found it incredible to think that this matter would proceed beyond the procedural arguments, but as a prudent operator we were duty bound to review Jernigan's technical exhibits. Again, we were astonished. The exhibits prefiled by Jernigan clearly indicate that the prescribed participation formula in the Unit Agreement was not followed, and the geology is not straightforward for we found discrepancy in the treatment of the log data, and furthermore, we question whether or not Mr. Jernigan's technical

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expert even bothered to read the rules set forth in the Unit Agreement. And I call your attention to Exhibit C of the Unit Agreement on mapping as but one example of his failure to follow the procedure. I mean, gentlemen, we're talking about that exhibit calls for the remapping to be done by a particular computer program that did the first mapping and here you have exhibits presented to you that are hand planimetered and we're trying to determine equities where equities have been determined to six or seven decimal place accuracy, and that's following procedure? I submit to you it's not. In addition, we, like Mr. Espy, received Mr. Rogers' letter directing that additional notice of this matter be given beyond those requirements specified in your rules. The letter appears to us to have required notice to the unit, and we submit that the prefiled affidavit of notice is the best evidence of whether or not that letter was complied with. I submit to you that there are parties affected by this petition, or potentially affected by this petition, who do not know what's pending before this Board today. And as a representative of the unit operator and the largest royalty owner in this unit, owning approximately 32% of

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the royalty, I urge you to carefully consider whether or not you want to get into this seriously flawed attempt to invoke your jurisdiction. For you have sanctioned contractual agreements to which these petitioners are signatory parties, and those agreements are the cornerstone for one of the most successful unit operations in this country. If you undertake to hear this petition, that's all at risk, and our evidence will show that.

CHMN. ADAMS: Who are you representing, Mr. Watson?

MR. WATSON: Sir?

CHMN. ADAMS: Who do you represent?

MR. WATSON: I represent Exxon Corporation, the unit operator, Dr. Adams. I also represent the T. R. Miller Mill Company, the McDavid Lands, and the W. T. Neal Trust, as royalty owners.

MR. MCCORQUODALE: As I understand what you said, Mr. Watson, you are raising the question as to whether or not this Board has jurisdiction to hear this matter?

MR. WATSON: Yes, sir.

MR. MCCORQUODALE: You want to respond to that I suppose? MR. ESPY: I couldn't tell whether that was an opening

statement, closing argument, or a motion. There was no formal motion. Are you gonna--he hasn't moved as far I'm---

MR. MCCORQUODALE: That was my question I guess. Are you moving to dismiss this because we don't have jurisdiction to hear it, or is---

MR. WATSON: Mr. McCorquodale, I'm a little reluctant to make a motion in this matter. I've stated very clearly that I think that two state agencies are required to put this unit together. If you'd like a formal motion, yes, sir, I'd ask you to grant a motion to dismiss this item, and I make that motion.

MR. MCCORQUODALE: All right, you want to respond to that I assume, Mr. Espy?

MR. ESPY: All right, sir.

MR. MCCORQUODALE: Let me ask, is there any question, to make sure I know where I stand, is there any question about whether or not your clients did ratify the Unit Agreement? Is that an issue?

MR. ESPY: No, that's not an issue. MR. MCCORQUODALE: O.K. They did? MR. ESPY: Yes.

MR. MCCORQUODALE: All right, go ahead.

MR. ESPY: Anticipating some of these questions, I have addressed them and will furnish it in writing to the Board and will not cite at length those matters that are cited in my The first question is are they bound by having ratified brief. this Unit Agreement? The Unit Agreement is the closest thing to a contract and it is ratified or approved as required by the Code in 9-17-83--84--but there is no provision in that Unit Agreement, no provision in the Unit Operating Agreement which bars them from requesting that the participation set out in the agreement itself be enforced as to the most recent data. In fact, it would appear to be the duty of the operator, Exxon, to have addressed these own issues itself in 1984 when they came to the fore. I was so astonished by the implication that ratification of a Unit Agreement was a binding contract that I undertook to search the cases for it and could find none. In fact, I found many in where that same argument was attempted to be used along with the same argument of a collateral attack on a Board order, the same argument about the statute not covering it, the same argument about the statute not providing for it, and

found in every case where it was brought up that it was not allowed by the board, the appellate court, or a trial court that reviewed it. As just an indication of how ridiculous that is, I point out that in Docket No. 12-10-863 before this Board Getty Oil Company came to this Board in another field in Alabama asking that this Board look at the revised participations because of new information gained by drilling new wells, and in that case they said we recognize that by changing one section, Section 3, this well indicated it had about half the pore volume that we had predicted it had. This changes not only the participation there but the participation all over the field.

MR. MCCORQUODALE: Let me ask you a question, not to interrupt you. Did the Unit Operating Agreement in that instance allow for a redetermination as opposed to this Operating Agreement, which as I understand Mr. Watson's argument, that this one does not allow for a redetermination? Is there a difference in those two Operating Agreements?

MR. ESPY: No, sir. I have looked at both agreements paragraph by paragraph, and in every case where there might have an effect on it. There's some differences in the agreements but

they have to do because of different parties and different Those two agreements are taken from the identical field. I don't know which came first, the chicken or the egg, forms. but they're identical to each other, they're identical to Kuntz, all came from Kuntz or from the same source. The same format that was used in a petition for Crosbys Creek, the same format that was used in the proposed Wayside Field, the same format for every field of which I have been aware, and none of them say that you can't recalculate and none of them say that you can because it's governed by the statute, 9-17-86, and Getty Oil Company in this prior docket came in and said in, under the circumstances so identical I can't think of a difference, except that theirs showed less and ours shows more, and they said we need to recalculate the tract factors, and so they did, and because of this, except in Section 3, which went down, every other tract in the field went up, even though their pore volume didn't change, because the denominator went down. And one of the biggest parts of enumerators was about a half interest in Section 28 owned by Exxon Corporation, which didn't object at that point in time to violating an agreement by taking the

advantage of recalculating the Hatter's Pond, and that's because there is no such thing. Well, the Unit Agreement has no effect on it.

MR. MCCORQUODALE: Not to belabor the point, but I think that what we have obviously is a threshold question that we've got to resolve before we get into any geological or engineering data, but look with me, Mr. Rogers has handed me Article 2, paragraph 2.4 of the Unit Agreement, Mr. Espy. The part on correcting errors. It's on page 5 I think.

MR. ESPY: All right.

MR. MCCORQUODALE: And the very last sentence on page 5 begins: "The revision shall not include any reevaluation of engineering or geological interpretations used in determining tract participation."

MR. ESPY: Right. I'm sorry.

MR. MCCORQUODALE: My question is how do we get around that? MR. ESPY: All right.

MR. MCCORQUODALE: What does that say to you?

MR. ESPY: That says the same thing that all of them say in that place. That if you've got a mechanical error, if you've

added two plus two and gotten a total of five, the unit operator without the concurrence of the Board, without vote of the participants, can go back and correct a clerical error, which is just what it says, a mechanical miscalculation or a clerical error. The working interest owners can do that, but they alone by themselves by this procedure can't go back and correct for geology. And that's in all of them. It just gives a way to correct a secretary's error or a manual mistake, and it specifically says in that you can't do geology.

MR. MCCORQUODALE: All right, so you contend, obviously, that we can go back just like any Alabama Unit Agreement and make a change?

MR. ESPY: Yes, sir, definitely, yes, sir.

MR. MCCORQUODALE: All right.

MR. CALDWELL: Mr. Chairman, may I make a statement in this connection?

MR. MCCORQUODALE: Does Mr. Watson represent you?

MR. WATSON: Let's let him finish.

MR. CALDWELL: Oh, I thought he was through---

MR. MCCORQUODALE: Let's--if we're gonna have opening statements---

MR. ESPY: I'm answering a question but I'm not through.

MR. MCCORQUODALE: Well, if we're gonna have opening statements, let's limit that to the lawyers for both sides. Tell him and he can tell them.

MR. ESPY: Was there any other part of that question? MR. MCCORQUODALE: No, sir, that's all.

MR. ESPY: All right, then that's the Unit Agreement. Then you get to the point can this Board take its own order? I believe the statement was a naked collateral attack on Board orders. Let's--Alabama Code 83--9-17-83-3 requires that the order provide an allocation among the interests relative to the interests, to how those interests contribute to the unit. Sec. 9-17-86 allows that order to be amended where subsequent data shows original order to be incorrect. That's the purpose for which that statute is on the book and that's the purpose for which that statute has been used, to Exxon's benefit. Under its enabling statute, this Board has a continuing jurisdiction over oil and gas activity as it affects two major areas, waste and correlative rights. This is a classical case of correlative

rights. As with any administrative agency, its quasi-judicial orders have a finality, but like judicial orders to some degree, not when the circumstances have changed. Essentially every month this Board reforms units, extends and diminishes field limits, grants exceptional locations. In fact, much of its normal activity is to grant adjustments to its former orders under statewide and special field rules. All of these actions every month amend prior final orders. The Board has not been reluctant to do so in issues of this kind. For example, the uncontested, same issue in, last December when I believe Mr. Watson, I believe I was here and I don't think he objected to Exxon benefiting by the same procedure. The same kinds of legal arguments were made in Cornelius v. Arkansas Oil and Gas Commission, Arkansas 1966, and that supreme court found them baseless. Oklahoma Supreme Court a number of times, and I have cited in my brief here one in particular, that to amend earlier final orders, that they could amend earlier final orders when a change in conditions or a change in knowledge of conditions has occurred since the prior order. Supreme Court of Louisiana in a very similar case required that newly found sands within the

boundary, unit boundary of the Erath Field, be considered a part of that unit and that the tract factors be adjusted. In that case, Texaco v. Vermillion Parish, the Court approved the finding of the trial court and that of the intermediate appellate court that despite any language to that effect in the Unit Agreement, both the trial court, the intermediate appellate court, and the Supreme Court held that that agreement, that the entire purport of that agreement was and is to insure for each landowner the value of the minerals in place under his land then known to exist and to be discovered thereafter within the definition of the unitized substance. That case, if I read the parties correctly in it, was, the, was a--the petitioners arguing for that effect were Humble Oil & Refining Company, the predecessor in name to the petitioners here. There is nothing about the Jay-Little Escambia Creek Field that is inherently different. I've talked about the Unit Agreements, sure there was a great level of confidence in the data that was there at the time, but it too has been proven wrong. The technical reasons are spurious. Anytime the total pore volume increases, the total, any discrete pore volume is going to decrease in

percentage. Even though that tract's volume may not have gone up or down, it will decrease simply because the denominator increases. If there is totally less pore volume then every tract in the factor by mathmathics goes up a little bit as it did in Hatter's Pond. Everybody went up even though the pore volume didn't go up. In this case the total pore volume went up, therefore, everybody decreases including, in a relative proportion, my clients. Because even their newly found pore volume is going to be divided by more pore volume. So everybody accounts for the exact percentage that Alabama was granted, but it was divided according to the pore volume per tract divided by the total pore volume. There is absolutely nothing different in that from the rule called for in the Unit Agreement and in--as it is treated in every other field. I submit that we have every right to proceed. This Board has absolute jurisdiction, as well as will have after the presentation of good technical reasons.

MR. WATSON: A brief response. I think, you know, to take a Unit Agreement and say a Unit Agreement is a Unit Agreement is stretching it a little bit. I think that the Hatter's Pond Unit Agreement and the orders of this Board put it in a class to

itself, and to spill over that easily is just too simple. Secondly, we're talking about a compulsory unit here. We're talking about invoking this Board's jurisdiction to approve a unit only after there has been ratification by the interest owners 75% in number. Now, Mr. Espy is talking about you have the prerogative to change orders and you change orders and grant exceptions all the time. Absolutely. No one argues with that. But to invoke the Board's jurisdiction at the very outset you've got to have in compulsory unitization 75% of the people that bring something to you and say we've agreed, now will you give us a compulsory order for those who have not? So we can't compare Board order to Board order just as we can't compare Unit Agreement to Unit Agreement. We've got to look at these documents. Section 9-17-86 talks about errors in the original contribution awarded in one case. There's no error in the original contribution to these tracts. And Mr. Espy in his own admission talks about changes in a unit under a provision where a redetermination is allowed as affecting the entire unit. How in the world can he suggest to you that what he proposes now is only applicable to part of the unit? That's the incredible thing

to me. Are we just gonna stop at the state line. We didn't the first time and I submit we don't have to this time if we're gonna do something. I submit to you that Mr. Espy's position is just totally out of line with your orders, totally out of line with the Unit Agreement. The motion to dismiss ought to be granted.

MR. MCCORQUODALE: I move we take a short recess, Mr. Chairman.

CHMN. ADAMS: We'll take a short recess.

(The Board was recessed approximately 50 minutes)

CHMN. ADAMS: Let the record reflect that the Board is again in session.

MR. MCCORQUODALE: Gentlemen, some very serious and complicated issues have arisen, obviously, regarding the jurisdiction of this Board to hear this matter, and what the Board would request of each of you is that by December 1 we would like for each one of the attorneys to provide us with a brief and any other information, not limited to a brief of legal issues, on the following issues that I am going to state, and in addition to these issues, if there are any other issues of

jurisdictional matters that you think are pertinent that we need to see, we'd like to see those. No. 1, we'd like to see any evidence that petitioners have agreed that the original agreement was final and not to be altered or redetermined. Now that evidence can be in the form of letters or notations in the minutes of the original meetings, or Unit Agreements, Board orders, any sort of evidence that this original agreement was intended to be final, and if there is evidence of that sort, we would like to see, and this would particularly apply to Mr. Espy, any ways that you think that your clients might can avoid the effect of those agreements or those commitments that were made at that time. Secondly, we would like to see the law on whether or not we have the jurisdiction to alter or redetermine the participation of only a portion of this unit. In other words, can we effectively make redeterminations of the Alabama portion of this unit without having to make a redetermination of the Florida portion? Third, if in fact we do make some redeterminations after listening to the evidence, we'd like to know whether or not you believe that the law or the agreements require that 75% of the royalty owners must, or the working

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interest owners, must ratify this, and if so, does that mean 75% of the entire unit or does that mean 75% of the Alabama portion of the unit? And lastly, we would like to know whether or not either of you believes that a redetermination of just the Alabama portion of this unit will affect any of the interest owners in the Florida portion of the unit. Will it increase or decrease their participation based on what we do in Alabama? Those are the issues that we have some concerns about. We'd like those briefed to us by December 1. We will then make a ruling and notify you within a week of receiving those briefs, and if we determine that we do have jurisdiction then we would intend to place this matter on our next meeting date and proceed with the evidence. If in fact we determine that we do not have jurisdiction to proceed, we would announce that and the petitioners could then take whatever steps they deem necessary to protect their interests. Are there any questions? (No response) With that, Mr. Chairman, I would move that this matter be continued.

CHMN. ADAMS: I second the motion. All in favor say "aye".

(Both Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. MCCORQUODALE: Thank you, gentlemen.

Items 30 through 40

DR. MANCINI: Next is continued motions by the Board. First is Item 30, Docket No. 7-22-8728, continued motion by the Board to amend Rule 400-1-12-.04 relating to <u>Commencement of</u> Proceedings. Marvin.

MR. ROGERS: Yes, sir. First, I'd just ask if there are any comments on this motion? (No response) Let the record reflect that there are no comments. I would request that a copy of the proposed rule be admitted into the record.

CHMN. ADAMS: It's admitted.

(Whereupon, the rule was received in evidence)

MR. ROGERS: And I recommend that the rule be approved. MR. MCCORQUODALE: So move.

CHMN. ADAMS: Second. All in favor say "aye".

(Both Board members voted "aye)

CHMN. ADAMS: "Ayes" have it.

DR. MANCINI: The following motions by the Board are also set to be heard: Item 31, Docket No. 6-16-8726, continued motion by the Board to amend Rule 400-1-1-.04, <u>Forms</u>; Item 32, Docket No. 6-16-8727, continued motion by the Board to amend

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Rule 400-1-2-.02 Spacing of Wells; Item 33, Docket No. 6-16-8728, continued motion by the Board to amend Rule 400-1-5-.03 Pits, Emergency Reserve Pits, Dikes and Firewalls; Item 34, Docket No. 6-16-8729, continued motion by the Board to amend Rule 400-1-2-.01 Permitting of Wells; Item 35, Docket No. 6-16-8730, continued motion by the Board to amend Rule 400-1-3-.02 Notice of Activities; Item 36, Docket No. 6-26-8731, continued motion by the Board to amend Rule 400-1-5-.07 Restoration of Drilling Location; Item 37, Docket No. 6-16-8732, a continued motion by the Board to amend Rule 400-1-3-.05 Plugging Methods and Procedures; Item 38, Docket No. 6-16-8733, continued motion by the Board to amend Rule 400-1-3-.16 Daylight Hours; Item 39, Docket No. 6-16-8734, continued motion by the Board to amend Rule 400-4-3-.01 Notice of Activities; and Item 40, Docket No. 6-16-8735, continued motion by the Board to amend Rule 400-1-9-.02 Plant Project Hearing Required. Since all of these are related, I request that they be consolidated for hearing purposes.

CHMN. ADAMS: The request is granted. DR. MANCINI: Mr. Masingill.

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MR. MASINGILL: Mr. Chairman, Items 31 through 40 are motions by the Board to amend various <u>Rules and Regulations of</u> <u>the State Oil and Gas Board of Alabama Administrative Code</u>. We've carried these motions on the Board's docket since June and have received various comments from industry on the proposed rule changes. At this time I would like to ask Mr. Marvin Rogers, who has copies of the rules and the comments we've received, to enter those into the record.

CHMN. ADAMS: They're entered.

(Whereupon, copies of the rules and comments were received in evidence)

MR. ROGERS: Thank you.

MR. MASINGILL: At this time I'd like to recommend that we approve---

DR. MANCINI: Are there any comments from anyone? (No response) Hearing no comments, we'd recommend that these rule changes be approved.

MR. MCCORQUODALE: So move.

CHMN. ADAMS: Second. All in favor say "aye".

Items 31 through 40

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(Both Board members voted "aye")

CHMN. ADAMS: "Ayes" have it. We are adjourned.

(Whereupon, at 12:22 p.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 Friday, November 13, 1987, in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, I reported the proceedings before the State Oil and Gas Board of Alabama in Regular Session; that the foregoing 92 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.

Eins.

Jean W. Smith Hearings Reporter State of Alabama