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<u>WITNESS</u>	<u>DIRECT EXAM.</u>	<u>REDIRECT</u>	<u>CROSS</u>	<u>EXAM. BY BD/STAFF</u>
1. Richard Walling	67-75 76-89	--	--	--

EXHIBITS

<u>TITLE</u>	<u>DESCRIPTION</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Exhibit 1A (Items 12 & 13, Richard Walling)	Location map S36, T2N, R6E Big Escambia Creek Field	66	75
Exhibit 1 (Item 15, Richard Walling)	Location plat Scott Paper GU 35-15 Big Escambia Creek Field	75	--
Exhibit A (Items 16 & 17)	July 19, 1988, letter to Board from W. M. Burkett and Ruby Burkett	90	90
Exhibit B (Items 16 & 17)	July 19, 1988, letter to Board from Georgia Peacock, Joseph Lambeth, Frances McMillian, Horace A. Lambeth, Corrie B. Lambeth, Gertrude Aaron, and Claude E. Lambeth	90	90
Exhibit 1 (Item 43)	Copy of Rule 400-1-8-.04 Gathering Lines	92	92
Exhibit 2 (Item 43)	Comments concerning proposed addition of Rule 400-1-8-.04, Gathering Lines	92	92
Exhibit 3 (Item 43)	February 16, 1988, letter from Hughes Eastern Corporation to Board	92	92
Exhibit 4 (Item 43)	February 25, 1988, letter from Hughes Eastern Corporation to Board	92	92
Exhibit 5 (Item 43)	March 15, 1988, letter from Chevron U.S.A. Inc., to Board	92	92
Exhibit 6 (Item 43)	March 8, 1988, letter from Justiss Oil Co., Inc. to Board	92	92

EXHIBITS  
(Contd.)

TITLE	DESCRIPTION	OFFERED	RECEIVED
Exhibit 7 (Item 43)	March 23, 1988, letter from Mobil Exploration & Producing U.S. Inc. to Board	92	92
Exhibit 8 (Item 43)	Comments concerning proposed rule amendments	92	92
Exhibit 9 (Item 43)	April 22, 1988, letter to Interested Parties from Dr. Ernest A. Mancini	92	92
Exhibit 10 (Item 43)	Attendance list at Supervisor's Conference 5-17-88	92	92
Exhibit 11 (Item 43)	June 8, 1988, letter to Interested Parties from David E. Bolin	92	92
Exhibit 12 (Item 43)	Attendance list at June 23, 1988, Supervisor's Conference	92	92
Exhibit 13 (Item 43)	July 15, 1988, letter from Exxon Company USA to Board	92	92
Exhibit 1 (Docket 8-3-8836, Terra Resources)	Newspaper proofs of publication from Lamar Democrat, Mobile Press, The Alabama Journal, Birmingham News	99	99
Exhibit 2 (Terra Resources, Docket 8-3-8836)	Affidavit of notice by William T. Watson	99	99

STATE OIL AND GAS BOARD OF ALABAMA

Gulf Shores, Alabama

August 5, 1988

Testimony and proceedings before the State Oil and Gas Board of Alabama at the Gulf State Park Convention Center, Gulf Shores, Alabama, pursuant to adjournment, on this the 5th day of August, 1988.

BEFORE:

BOARD MEMBERS

Dr. Ralph Adams.....Chairman  
Mr. Gaines C. McCorquodale.....Associate Member  
Mr. Matthew S. Metcalfe.....Associate Member

BOARD STAFF

Dr. Ernest A. Mancini.....Secretary & Supervisor  
Mr. Marvin Rogers.....Attorney  
Mr. Jay Masingill.....Assistant Supervisor  
Mr. Richard Hamilton.....Petroleum Engineer

(Reported by Jean W. Smith)

APPEARANCES

NAME	REPRESENTING
1. Herbert J. White Box 1017 Oneida, TN 37841	Miller Petroleum, Inc.
2. Niel Olesen 111 W. Capitol Jackson, MS	Terra Resources
3. Wayne Fletcher 111 W. Capitol Jackson, MS	Terra Resources
4. Gertrude Aaron 108 11th Ave. Chickasaw, AL 36611	Landowner for drilling S36, Escambia Co.
5. Richard Walling 16701 Greenspoint Pk. Dr. Suite 200 Houston, TX 77060	First Energy Corp.
6. Wesley Pipes 2 N Royal St. Mobile, AL	First Energy
7. Tom Watson Tuscaloosa, AL	Not listed
8. Albert Key Point Clear, AL	Anderman/Smith & Co.
9. David Barrett Point Clear, AL	Anderman/Smith Co.
10. Mary Lambeth 916 Smith Ave. (City not listed) AL	For drilling landowner
11. Horace Lambeth Rt. 9 Box 83E Eight Mile, AL	Landowner S36 Escambia County for drilling
12. Ward Pearson Tuscaloosa, AL	Moon & Hines & Taurus
13. Ed Hollingsworth Jackson, MS	Moon & Hines

APPEARANCES  
(Contd)

<u>NAME</u>	<u>REPRESENTING</u>
14. Chuck Elsey Jackson, MS	Terra
15. Melaine Lambeth Chunchula, AL	Not listed
16. Karen Bryan P. E. LaMoreaux & Assoc. Tuscaloosa, AL	J.G.B.F.
17. Frances McMillan Rt. 2 Box 268 Atmore, AL	Not listed
18. Georgia Peacock Rt. 2 Box 268 Atmore, AL	Not listed
19. T. A. Janiszewski New Orleans, LA	Exxon
20. Robert P. Roark Birmingham, AL	Taurus Exploration, Inc.
21. Craig Forshner New Orleans, LA	Amoco Production Co.
22. Gary Knapp New Orleans, LA	Amoco Production
23. Scott Hines Jackson, MS	Moon & Hines
24. John P. Lambert Rt. 2 Box 824 Irvington, AL	Not listed
25. Lollie Lambeth Rt. 9 Box 83-E Eight Mile, AL	Landowner for S36, Escambia Co.

PROCEEDINGS

(The hearing was convened at 9:20 a.m. on Friday,  
August 5, 1988, at Gulf Shores, Alabama)

CHMN. ADAMS: Let the record reflect that the State Oil and Gas Board is now in session. Has this meeting been properly noticed?

DR. MANCINI: Proper notice has been provided.

NOTICE OF MEETING

"The State Oil and Gas Board of Alabama will hold its regular monthly meeting on Wednesday and Friday, August 3, 1988, at 10:00 a.m. in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, and August 5, 1988, at 9:00 a.m. at the Gulf State Park Convention Center, Post Office Box 437, Gulf Shores, Alabama, 36542, telephone number: (205) 968-7531.

1. DOCKET NO. 4-14-885

Continued petition by ARCO Oil and Gas Company, a division of Atlantic Richfield Company, a foreign corporation, qualified to do and doing business in the State of Alabama seeking an Order of the State Oil and Gas Board of Alabama pursuant to Section 9-17-13, Code of Alabama, 1975 force integrating all lands and interests in a drilling unit comprised of Section 28, Township 2 South, Range 2 West, Mobile County, Alabama into and establishing all such lands and interests as a drilling unit; requiring all of the other owners or claimants of royalty, mineral, leasehold and all other mineral interests within said drilling unit to integrate their interests and to develop their land as a drilling unit; designating and approving Petitioner as the operator of the well (including replacement wells) to be drilled within said drilling unit and for such other and further relief as the Board may deem appropriate in the circumstances.

2. DOCKET NO. 4-14-886

Continued petition by ARCO Oil and Gas Company, a division of Atlantic Richfield Company, a foreign corporation, qualified to do and doing business in the State of Alabama

seeking an Order of the State Oil and Gas Board of Alabama approving the Petitioner's request for the drilling of a well at an exceptional location 693 feet from the South line and 1,378 feet from the West line of Section 28, Township 2 South, Range 2 West, Mobile County, Alabama as an exception to Rule 400-1-2-.02 of the State Oil and Gas Board of Alabama Administrative Code. Petitioner further requests that said well, to be named the ARCO B. E. Pruitt Unit 28-14 Well No. 1 be drilled as a 640-acre wildcat gas and/or gas condensate drilling unit and further avers that a well drilled at a regular location as required by the State Oil and Gas Board of Alabama Administrative Code would not be at an optimum geological location and Petitioner further seeks such general and special relief as the Board may deem appropriate. Said proposed well is 693 feet from the South line of the proposed unit, and Rule 400-1-2-.02 requires wildcat wells drilled on units containing 640 acres be no closer than 1320 feet to the nearest exterior boundary of the unit.

3. DOCKET NO. 4-14-887

Continued petition by ARCO Oil and Gas Company, a division of Atlantic Richfield Company, a foreign corporation, qualified to do and doing business in the State of Alabama seeking an Order of the State Oil and Gas Board of Alabama pursuant to Section 9-17-13, Code of Alabama, 1975 force

integrating all lands and interests in a drilling unit comprised of Section 33, Township 2 South, Range 2 West, Mobile County, Alabama into and establishing all such lands and interests as a drilling unit; requiring all of the other owners or claimants of royalty, mineral, leasehold and all other mineral interests within said drilling unit to integrate their interests and to develop their land as a drilling unit; designating and approving Petitioner as the operator of the well (including replacement wells) to be drilled within said drilling unit and for such other and further relief as the Board may deem appropriate in the circumstances.

4. DOCKET NO. 4-14-888

Continued petition by ARCO Oil and Gas Company, a division of Atlantic Richfield Company, a foreign corporation, qualified to do and doing business in the State of Alabama seeking an Order of the State Oil and Gas Board of Alabama approving the Petitioner's request for the drilling of a well at an exceptional location 680 feet from the North line and 2,383 feet from the West line of Section 33, Township 2 South, Range 2 West, Mobile County, Alabama as an exception to Rule 400-1-2-.02 of the State Oil and Gas Board of Alabama Administrative Code. Petitioner further requests that said well, to be named the ARCO-Chickasaw River Unit 33-3 Well No. 1 be drilled as a 640-acre

wildcat gas and/or gas condensate drilling unit and further avers that a well drilled at a regular location as required by the State Oil and Gas Board of Alabama Administrative Code would not be at an optimum geological location and Petitioner further seeks such general and special relief as the Board may deem appropriate. Said well is 680 feet from the North line of the proposed unit, and Rule 400-1-2-.02 requires wildcat wells drilled on units containing 640 acres be no closer than 1320 feet to the nearest exterior boundary of the unit.

5. DOCKET NO. 6-23-882

Continued petition by Exxon Corporation, a New Jersey Corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order making permanent amendments to Rules 10 and 11 of the Special Field Rules for the Big Escambia Creek Field, Escambia County, Alabama, said rules pertaining to the Gas Allowables and Balancing of Production to Allowables. By Order No. 87-156, the Board approved temporary amendments to said Rules 10 and 11, and directed Petitioner to request that said amendments be made permanent within nine (9) months from October 1, 1987. The proposed amendments would specify that reallocation of excess allowables and allocation of cancelled allowables shall be based upon a well's ability

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

6. DOCKET NO. 6-23-8813A

Continued amended petition by MWJ Producing 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 establishing a new gas field in Fayette County, Alabama, to be named the East Boxes Creek Field, or such other name as the Board deems appropriate, and to promulgate Special Field Rules for said field. The proposed field limits for the gas field consist of the South Half of Section 10 and the North Half of Section 15, all in Township 14 South, Range 11 West, Fayette County, Alabama, as underlain by the Bangor Limestone Gas Pool, and all productive extensions thereof. The Bangor Limestone Gas Pool is defined as that portion of the Bangor Limestone productive of hydrocarbons in the interval between 2,102 feet and 2,128 feet as indicated on the Neutron Density Log for the White No. 15-8 Well, Permit No. 5657, located 1,980 feet from the North line

and 660 feet from the East line of Section 15, Township 14 South, Range 11 West, Fayette County, Alabama. Petitioner is requesting 320-acre spacing, and the establishment of allowables for said field.

7. DOCKET NO. 6-23-8814

Continued petition by MWJ Producing 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 reforming a 40-acre wildcat drilling unit for the White 15-8 Well, Permit No. 5657, located on the Southeast Quarter of the Northeast Quarter of Section 15, Township 14 South, Range 11 West, Fayette County, Alabama, to a 320-acre gas unit consisting of the North Half of Section 15, Township 14 South, Range 11 West, Fayette County, Alabama, in the proposed East Boxes Creek Field.

8. DOCKET NO. 6-23-8815A

Continued amended petition by MWJ Producing 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 a 320-acre gas unit consisting of the North Half of Section 15, Township 14 South, Range 11 West, Fayette County, Alabama, in the proposed East Boxes Creek Field, pursuant to Section 9-17-13, Code of Alabama

(1975), and Rule 400-1-13-.01 of the State Oil and Gas Board of Alabama Administrative Code.

9. DOCKET NO. 8-3-881

Petition by Hawkeye Oil and Gas, Inc., an Alabama Corporation, requesting the State Oil and Gas Board to enter an order amending the field limits for the Watts Creek Field, Marion County, Alabama, by including within said field limits the West Half of Section 34 and all of Section 33, Township 10 South, Range 15 West, Marion County, Alabama.

10. DOCKET NO. 8-3-882

Petition by Amoco Production 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 amending Rule 2 of the Special Field Rules for the Oak Grove Coal Degasification Field, Jefferson and Tuscaloosa Counties, Alabama, by adding the following described parcels, to-wit:

Section 2, 9, 10, 11, 13, 14, 15, 16, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 33, 34, 35 and 36 and E/2 of Section 3, W/2 of Section 12, S/2 of Section 17 and E/2 and E/2 W/2 of Section 30 of Township 18 South, Range 7 West;

Sections 1, 2, 11, 12 and 13 and N/2 and E/2 SE/4 of  
Section 3 of Township 19 South, Range 7 West;

Section 24 and E/2 of Section 13 of Township 18  
South,  
Range 8 West, all in Jefferson County, Alabama; and

Sections 31 and 32 and W/2 W/2 of Section 30 of  
Township 18 South, Range 7 West;

Sections 4, 5, 6, 7, 8, 9, 10, 14, 16, 17, and 18 and  
SW/4 and W/2 SE/4 of Section 3 of Township 19 South,  
Range 7 West;

Sections 25, 26, 34, 35 and 36 and E/2 of Section 23  
of  
Township 18 South, Range 8 West;

Sections 1, 2, 3, 4, 9, 10, 11, 12, 13, 14, 15, 16,  
20, 21 and 22 and E/2 of Section 17 of Township 19  
South, Range 8 West, all in Tuscaloosa County,  
Alabama, as underlain by the Pottsville Coal Interval.

11. DOCKET NO. 8-3-883

Petition by Arco Oil and Gas Company, a division of  
Atlantic Richfield Company, a foreign corporation,

qualified to do and doing business in the State of Alabama seeking an Order of the State Oil and Gas Board of Alabama pursuant to Section 9-17-13, Code of Alabama, 1975, force integrating all lands and interests in a drilling unit comprised of Section 25, Township 2 South, Range 3 West, Mobile County, Alabama into and establishing all such lands and interests as a drilling unit; requiring all of the other owners or claimants of royalty, mineral, leasehold and all other mineral interests within said drilling unit to integrate their interests and to develop their land as a drilling unit; designated and approving Petitioner as the operator of the well (including replacement wells) to be drilled within said drilling unit and for such other and further relief as the Board may deem appropriate in the circumstances.

12. DOCKET NO. 8-3-884.

Petition by First Energy Corporation, a foreign corporation, authorized to do and doing business in the State of Alabama, seeking an order of the State Oil and Gas Board amending Rule 1 (Field Limits) of the Special Field Rules for the Big Escambia Creek Field, Escambia County, Alabama so as to add to the now existing limits of said field all of Section 36, Township 2 North, Range 6 East as underlain by the Smackover gas pool as defined in

Rule 2 of said Special Field Rules and all productive extensions thereof.

This Petition is filed as a companion to the Petition seeking an order approving the bottom hole location of the Scott Paper Company 36-13 Well No. 1 (Permit No. 5410). Both Petitions relate to the same subject matter, the Scott Paper Co. 36-13 Well.

13. DOCKET NO. 8-3-885.

Petition by First Energy Corporation, 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 and confirming the actual bottom hole location of the Scott Paper Company 36-13 Well No. 1 (Permit No. 5410) with a bottom hole location located 588 feet from the West line and 785 feet from the South line of Section 36, Township 2 North, Range 6 East, Escambia County, Alabama as an exception to the State Oil and Gas Board of Alabama Administrative Code (Rule 400-1-2-.02), Order No. 87-177 and the Special Field Rules for the Big Escambia Creek Field, Escambia County, Alabama.

This Petition is filed as a companion to the Petition seeking an order amending Rule 1 of the Special Field Rules for the Big Escambia Creek Field, Escambia County, Alabama so as to add all of Section 36, Township 2 North,

Range 6 East to said field. Both petitions relate to the same subject matter, the Scott Paper Co. 36-13 Well.

14. DOCKET NO. 8-3-886.

Petition by First Energy Corporation, a foreign corporation, authorized to do and doing business in the State of Alabama, seeking an order of the State Oil and Gas Board amending Rule 1 (Field Limits) of the Special Field Rules for the Big Escambia Creek Field, Escambia County, Alabama so as to add to the now existing limits of said field all of Section 35, Township 2 North, Range 7 East as underlain by the Smackover gas pool as defined in Rule 2 of said Special Field Rules and all productive extensions thereof.

This petition is filed as a companion to the petition seeking an order approving the bottom hole location of the Scott Paper Co. 35-15 No. 1 Well (Permit No. 5660). Both petitions relate to the same subject matter, the Scott Paper Co. 35-15 No. 1 Well.

15. DOCKET NO. 8-3-887.

Petition by First Energy Corporation, 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 and confirming the actual bottom hole location of the Scott Paper Company, et al. G.U. 35-15 No. 1 Well (Permit No. 5660) with a bottom

hole location 1,178 feet from the East line and 144 feet from the South line of Section 35, Township 2 North, Range 7 East, Escambia County, Alabama as an exception to the State Oil and Gas Board of Alabama Administrative Code ((Rule 400-1-2-.02) Order No. 88-85 and the Special Field Rules for the Big Escambia Creek Field, Escambia County, Alabama.

This petition is filed as a companion to the petition seeking an order amending Rule 1 of the Field Rules of the Big Escambia Creek Field, Escambia County, Alabama, so as to add all of Section 35, Township 2 North, Range 7 East to said field. Both petitions relate to the same subject matter, the Scott Paper Co. 35-15 No. 1 Well.

16. DOCKET NO. 8-3-888.

Petition by First Energy Corporation, a foreign corporation, authorized to do and doing business in the State of Alabama, seeking an Order of the State Oil and Gas Board of Alabama pursuant to Section 9-17-13, Code of Alabama, 1975, force integrating all lands and interests in a drilling unit comprised of all of Section 36, Township 2 North, Range 7 East, Escambia County, Alabama into and establishing all such lands and interests as a drilling unit; requiring all of the other owners or claimants of royalty, mineral, leasehold and all other mineral interests within said drilling unit to integrate

their interests and develop their lands as a drilling unit; designating and approving Petitioner as the operator of the well (including replacement wells) to be drilled within said drilling unit and for such other and further relief as the Board may deem appropriate in the circumstances. Said well is being drilled as a productive extension of the Big Escambia Creek Field.

This petition is filed as a companion to the petition seeking an order of the Board approving an exceptional bottom hole location in said section. Both petitions relate to the same subject matter, Section 36, Township 2 North, Range 7 East, Escambia County, Alabama

17. DOCKET NO. 8-3-889.

Petition by First Energy Corporation, a foreign corporation, authorized to be and doing business in the State of Alabama, seeking an order of the State Oil and Gas Board of Alabama approving the Petitioner's request for the drilling of a well at an exceptional location 330 feet from the South line and 1,370 feet from the West line of Section 36, Township 2 North, Range 7 East, Escambia County, Alabama as an exception to Rule 400-1-2-.02 of the State Oil and Gas Board of Alabama Administrative Code and as an exception to the Field Rules for the Big Escambia Creek Field, Escambia County, Alabama. Petitioner further avers that a well drilled at a regular location as

required by the Field Rules of the Big Escambia Creek Field and the statewide rules as set forth in the State Oil and Gas Board of Alabama Administrative Code would not be at an optimum geological location and that such exception is necessary to prevent drainage and to enforce the correlative and coequal rights of the owners in Section 36, Township 2 North, Range 7 East. The proposed well is an exception to the Special Field Rules of the Big Escambia Creek Field inasmuch as the proposed location is less than 1,320 feet from each exterior boundary of said proposed unit. Petitioner also seeks such general and special relief as the Board may deem appropriate.

This petition is filed as a companion to the petition seeking an order of the Board integrating all of Section 36, Township 2 North, Range 7 East, Escambia County, Alabama. Both petitions relate to the same subject matter, Section 36, Township 2 North, Range 7 East, Escambia County, Alabama.

18. DOCKET NO. 8-3-8810.

Petition by Triad Oil & Gas, Inc., a foreign corporation authorized to do and doing business in the State of Alabama, to request that the State Oil and Gas Board of Alabama enter an order to amend the Special Field Rules for the Bluegut Creek Field, Marion and Franklin Counties, Alabama, so as to add to the limits of the field the North

Half of Section 17, Township 9 South, Range 15 West, Marion County, Alabama, thereby including in the field the unit for the Keeton 17-4 No. 1 Well, Permit No. 5536.

19. DOCKET NO. 8-3-8811.

Petition by Terra Resources, Inc., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling all tracts and interests in the North Half of Section 26, Township 13 South, Range 14 West, Lamar County, Alabama, all pursuant to Section 9-17-13, Code of Alabama, (1975) and Rule 400-1-13 of the State Oil and Gas Board of Alabama Administrative Code.

20. DOCKET NO. 8-3-8812.

Petition by TXO Production Corporation, a foreign corporation authorized to do and doing business in the State of Alabama, to request that the State Oil and Gas Board of Alabama enter an order to amend the Special Field Rules for the Millport Field, Lamar County, Alabama, so as to add to the limits of said field the North Half of Section 25, Township 17 South, Range 15 West, Lamar County, Alabama.

21. DOCKET NO. 8-3-8813.

Petition by ENRON OIL AND GAS COMPANY, a foreign corporation, qualified to do and doing business in the State of Alabama seeking an Order of the State Oil and Gas

Board of Alabama pursuant to Section 9-17-13, Code of Alabama, 1975 force integrating all lands and interests in a drilling unit comprised of the south one-half of the southeast quarter and the southeast quarter of the southwest quarter of Section 12, Township 10 North, Range 3 West, Choctaw County, Alabama into and establishing all such lands and interests as a drilling unit; requiring all of the other owners or claimants or royalty, mineral, leasehold and all other mineral interests within said drilling unit to integrate their interests and to develop their land as a drilling unit; designating and approving Petitioner as the operator of the well (including replacement wells) to be drilled within said drilling unit and for such other and further relief as the Board may deem appropriate in the circumstances. The public is further advised that the lands and proposed unit lie partially within the defined field limits for the Barrytown Field, Choctaw County, Alabama and the proposed unit complies with the spacing requirements for the said Barrytown Field.

The Board may establish a unit and force integrate lands and interests in a drilling unit covering lands in the South half of Section 12, Township 10 North, Range 3 West, Choctaw County, Alabama in addition to and contiguous to the unit proposed by Petitioner Enron Oil

and Gas Company.

22. DOCKET NO. 8-3-8814.

Petition by Anadarko Petroleum Corporation, a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order establishing a new gas field in Escambia County, Alabama, to be named the Smiths Church Gas Field, or such other name as the Board deems appropriate, and to promulgate Special Field Rules for said field. The proposed field limits for the said field consist of all of Section 2, Township 2 North, Range 7 East, Escambia County, Alabama, as underlain by the Smackover Gas Pool, and all productive extensions thereof. The Smackover Gas Pool is defined as that portion of the Smackover Formation productive of hydrocarbons in the interval between 14,630 feet and 14,645 feet as indicated on the Dual Induction Log for the Kelly Unit 2-2 No. 1 Well, Permit No. 5498, located 1,000 feet from the North line and 1,652 feet from the East line of Section 2, Township 2 North, Range 7 East, Escambia County, Alabama. Petitioner is requesting 640-acre spacing, and the establishment of allowables for said field.

This petition is filed as a companion to the petitions for the force integration and reformation of the Kelly Unit 2-2 No. 1 Well. All petitions relate to the

same matter, the Smiths Church Gas Field and the Kelly Unit 2-2 No. 1 Well.

23. DOCKET NO. 8-3-8815.

Petition by Anadarko Petroleum Corporation, a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to reform the Kelly Unit 2-2 No. 1 Well, Permit No. 5498, from a 40-acre wildcat drilling unit consisting of the Northwest Quarter of the Northeast Quarter of Section 2, Township 2 North, Range 7 East, Escambia County, Alabama, to a 640-acre drilling and production unit consisting of all of Section 2, Township 2 North, Range 7 East, Escambia County, Alabama, in the proposed Smiths Church Gas Field.

This petition is filed as a companion to the petitions for the force integration of the above unit and the establishment of the new gas field. All petitions relate to the same matter, the Smiths Church Gas Field and the Kelly Unit 2-2 No. 1 Well.

24. DOCKET NO. 8-3-8816.

Petition by Anadarko Petroleum 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 interests in a 640-acre drilling and production unit consisting of Section 2, Township 2 North, Range 7 East, in the proposed Smiths

Church Gas Field, Escambia County, Alabama, pursuant to Section 9-17-13, Code of Alabama (1975), and Rule 400-1-13-.01 of the Administrative Code of this board.

This petition is filed as a companion to the petitions for reformation of the above -described unit and the establishment of the new gas field. All petitions relate to the same matter, the Smiths Church Gas Field and the Kelly Unit 2-2 No. 1 Well.

25. DOCKET NO. 8-3-8817.

Petition by Zinn Petroleum Company, 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 160-acre drilling unit consisting of the Southeast Quarter of Section 2, Township 5 North, Range 6 East, Monroe County, Alabama, in the Frisco City Field, pursuant to Section 9-17-13, Code of Alabama (1975), and Rule 400-1-13-.01 of the Administrative Code of this Board.

26. DOCKET NO. 8-3-8818.

Petition by Pruet Production Co. - Moon-Hines-Tigrett Operating Co., Inc., foreign corporations authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving an exceptional location for a well to be drilled at a location 1,400 feet from the South line and 2,440 feet

from the West Line of Section 21, Township 16 South, Range 15 West, Lamar County, Alabama, in the Mt. Zion Oil Field. The location is an exception to Rule 3 of the Special Field Rules for the Mt. Zion Oil Field in that it will be 200 feet from the East line of the 80-acre drilling unit which consist of the East Half of the Southwest Quarter of said Section 21, and said Rule 3 requires wells to be at least 330 feet from every exterior boundary of the drilling unit.

27. DOCKET NO. 8-3-8819.

Petition by Taurus Exploration, Inc., an Alabama corporation, requesting the State Oil and Gas Board to enter an order amending Rule 1 of the Special Field Rules for the West Brush Creek Oil Field, Lamar County, Alabama, by deleting the East Half of Northeast Quarter of Section 32, Township 14 South, Range 14 West, Lamar County, Alabama.

This petition is filed as a companion to the petition to add the above unit to the South Brush Creek Oil Field. Both petitions relate to the same matter, the Wefel Trust 32-1 No. 1 Well, Permit No. 5171.

28. DOCKET NO. 8-3-8820.

Petition by Taurus Exploration, Inc., an Alabama corporation, requesting the State Oil and Gas Board to enter an order amending Rule 1 of the Special Field Rules

for the South Brush Creek Oil Field, Lamar County, Alabama, by adding to the field limits the East Half of Northeast Quarter of Section 32, Township 14 South, Range 14 West, Lamar County. This proposed amendment would include the drilling unit for the Wefel Trust 32-1 No. 1 Well, Permit No. 5171, in the South Brush Creek Oil Field. In a companion petition, Petitioner is requesting that said well be removed from the West Brush Creek Oil Field.

This petition is filed as a companion to the petition to remove the above unit from the West Brush Creek Oil Field. Both petitions relate to the same matter, the Wefel Trust 32-1 No. 1 Well, Permit No. 5171.

29. DOCKET NO. 8-3-8821.

Petition by McKenzie Methane Corporation, a Texas 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 Oak Grove Coal Degasification Field, Jefferson and Tuscaloosa Counties, Alabama, by adding the following described parcels, all of which are located in Jefferson County, Alabama, to-wit:

Township 17 South, Range 6 West

All of Sections 31 and 32

Township 17 South, Range 7 West

All of Section 36

Township 18 South, Range 6 West

All of Sections 5, 6, 7, 8, 17 and 18

Township 18 South, Range 7 West

All of Section 1 and East Half of Section 12.

30. DOCKET 8-3-8822

Petition by Petrus Oil Company, L.P., a foreign limited partnership authorized to do and doing business in the State of Alabama, to force pool all tracts and interests in a 320-acre gas drilling unit consisting of the West Half of Section 8, Township 14 South, Range 15 West, Lamar County, Alabama, as a productive extension of the North Military Grove Field, pursuant to Section 9-17-13, Code of Alabama (1975), and Rule 400-1-13-.01 of the Administrative Code of this Board.

31. DOCKET NO. 8-3-8823

Petition by The River Gas Corporation, an Alabama

corporation, requesting that Rule 2 of the Special Field Rules for the Deerlick Creek Coal Degasification Field be amended so as to add the West Quarter of Section 6 and the Northwest Quarter of the Southeast Quarter of Section 19, all in Township 20 South, Range 8 West, Tuscaloosa County, Alabama, to the field limits for said field.

32. DOCKET NO. 8-3-8824

Petition by Hughes Eastern Corporation, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving a 40-acre drilling unit as an exception to Rule 3(a) of the Special Field Rules for the West Foshee Oil Field, Escambia County, Alabama. Petitioner seeks approval of a 40-acre drilling unit consisting of the following described parcels:

S/2 of N/2 of NE/4 of NE/4; and  
the S/2 of NE/4 of NE/4; and  
the N/2 of N/2 of SE/4 of NE/4,  
all in Section 32, Township 2 North, Range 8 East,  
Escambia County, Alabama.

Rule 3(a) requires all wells drilled in the West Foshee Oil Field to be located on a 40-acre drilling unit consisting of a governmental quarter-quarter section, and the above described 40-acre drilling unit does not consist of a governmental quarter-quarter section.

33. DOCKET NO. 8-3-8825.

Petition by Hughes Eastern Corporation , a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving an exceptional location for a well to be drilled 330 feet from the East line and 2,310 feet from the North line of Section 26, Township 14 South, Range 15 West, Lamar County, Alabama, in the East Watson Creek Field on a 320-acre drilling unit consisting of the North Half of said Section 26. Said well will be 330 feet from the South line and 330 feet from the line of said 320-acre drilling unit. In addition, said exceptional location will be approximately 1,300 feet from the Gilmer 26-9 No. 1 Well, Permit No. 4331, located on a 320-acre unit consisting of the South Half of said Section 26. The above described exceptions are exceptions to Rule 3(b) of the Special Field Rules for the East Watson Creek Field, that requires all wells to be located at least 660 feet from every exterior boundary of the drilling unit and at least 2,000 feet from any other well drilling or completed in the same gas pool.

34. DOCKET NO. 8-3-8826.

Petition by Hughes Eastern Corporation a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving a 40-acre drilling unit as an

exception to Rule 3(a) of the Special Field Rules for the West Foshee Oil Field, Escambia County, Alabama. Petitioner seeks approval of a 40-acre unit consisting of the following described parcels:

S/2 of NE/4 of SW/4; and  
the N/2 of SE/4 of SW/4,  
all in Section 34, Township 2 North, Range 8 East,  
Escambia County, Alabama.

Rule 3(a) requires all wells drilled in the West Foshee Oil Field to be located on a 40-acre drilling unit consisting of a governmental quarter-quarter section, and the above described 40-acre drilling unit does not consist of a governmental quarter-quarter section.

This petition is filed as a companion to the petition for an exceptional location. Both petitions relate to the same matter, the West Foshee Oil Field.

35. DOCKET NO. 8-3-8827

Petition by Hughes Eastern Corporation, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving an exceptional location for a well to be drilled 1,485 feet from the West line and 1,310 feet from the South line of Section 34, Township 2 North, Range 8 East, Escambia County, Alabama, in the West Foshee Oil Field on a 40-acre exceptional drilling unit consisting of the S/2 of NE/4 of SW/4 and the N/2 of SE/4

of SW/4, all in Section 34. Said exceptional location will be 165 feet from the West line and 650 feet from the South line of said 40-acre drilling unit, said location being an exception to Rule 3 of the Special Field Rules for the West Foshee Oil Field, that requires all wells to be located at least 330 feet from every exterior boundary of the drilling unit.

This petition is filed as a companion to the petition for the establishment of exceptional unit. Both petitions relate to the same matter, the West Foshee Oil Field.

36. DOCKET NO. 8-3-8828.

Petition by Black Warrior Methane Corporation, an Alabama corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving a 40-acre drilling unit in the Brookwood Coal Degasification Field, consisting of the North Half of the Southeast Quarter of the Southeast Quarter and the South Half of the Northeast Quarter of the Southeast Quarter, all in Section 34, Township 19 South, Range 8 West, Tuscaloosa, Alabama. This request is for an exception to Rule 4 of the Special Field Rules for the Brookwood Coal Degasification Field that requires governmental quarter-quarter units in the areas of diverse mineral ownership of coalbed gas. The above-described 40-acre drilling unit has diverse mineral ownership of coalbed gas.

37. DOCKET NO. 8-3-8829

Petition by Strago Petroleum Corporation, a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order establishing a new oil field to be designated the Palmers Crossroads Field, or such other name as the Board may deem appropriate, and to adopt Special Field Rules therefor. The proposed field limits for the Smackover Oil Pool in the new oil field should consist of the East Half of the Southwest Quarter and the West Half of the Southeast Quarter, Section 14, Township 4 North, Range 5 East, Monroe County, Alabama. The Smackover Oil Pool is defined as that interval productive of hydrocarbons between the depths of 14,371 feet to 14,441 feet as indicated on the Dual Induction Log of the Blacksher 14-11 No. 1 Well, Permit No. 5584, said well being located 1,801 feet from the South line and 2,019 feet from the West line of Section 14, Township 4 North, Range 5 East, Monroe County, Alabama, including all zones in communication therewith and all productive extensions thereof. Petitioner is requesting 160 contiguous acre spacing with distances to the unit boundary of 660 feet. Finally, Petitioner is requesting the Board to establish allowables for wells completed in the field.

This petition is filed as a companion to the petitions for an exceptional location and the reformation of the blacksher 14-11 No. 1 Well. All petitions relate to the same matter, the Blacksher 14-11 No. 1 Well and the proposed Palmers Crossroads Field.

38. DOCKET NO. 8-3-8830

Petition by Strago Petroleum Corporation, a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order reforming a 40-acre wildcat drilling unit for Blacksher 14-11 No. 1 Well, Permit No. 5584, consisting of the Northeast Quarter of the Southwest Quarter of Section 14 to a 160-acre unit consisting of the East Half of the Southwest Quarter and the West Half of the Southeast Quarter, Section 14, Township 4 North, Range 5 East, Monroe County, Alabama, in the proposed Palmers Crossroads Field.

This petition is filed as a companion to the petitions for an exceptional location and the establishment of a new oil field. All petitions relate to the same matter, the Blacksher 14-11 No. 1 Well and the proposed Palmers Crossroads Field.

39. DOCKET NO. 8-3-8831.

Petition by Strago Petroleum Corporation, a foreign corporation, authorized to be and doing business in the

State of Alabama, requesting the State Oil and Gas Board to enter an order approving an exceptional location for the Blacksher 14-11 No. 1 Well, Permit No. 5584, that was drilled at a surface location 1,801 feet from the South line and 2,019 feet from the West line of Section 14, Township 4 North, Range 5 East, Monroe County, Alabama, on a drilling unit consisting of the Northeast Quarter of the Southwest Quarter of said Section 14. The bottom hole location for said well is 535 feet from the North line and 611 feet from the West line of a 160-acre unit, as reformed, consisting of the East Half of the Southwest Quarter and the West Half of the Southeast Quarter of said Section 14, and as such is an exception to Rule 3 of the Special Field Rules for the proposed Palmers Crossroads Field, that requires all wells to be located at least 660 feet from every exterior boundary of the drilling and production unit.

This petition is filed as a companion to the petition for a reformation and the establishment of a new oil field. All petitions relate to the same matter, the Blacksher 14-11 No. 1 Well and the proposed Palmers Crossroads Field.

40. DOCKET NO. 8-3-8833

Petition by Anadarko Petroleum Corporation, a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board

to enter an order approving an exceptional location for the Kelly Unit 2-2 No. 1 Well, Permit No. 5498. In a companion petition, Petitioner is requesting that the drilling unit for said well be reformed from an 40-acre wildcat drilling unit to a 640-acre drilling and production unit consisting of all of Section 2 and as reformed said well will be 1,000 feet from the North line and 1,652 feet from the East line of Section 2, Township 2 North, Range 7 East, Escambia County, Alabama, in the proposed Smiths Church Gas Field. Said location is an exception to Rule 3(b) of the Special Field Rules for the proposed Smiths Church Gas Field that require all wells in said field to be located at least 1,320 feet from every exterior boundary of the drilling unit.

This petition is filed as a companion to the petitions for force intergration, reformation of the above-described unit and establishment of a gas field. All petitions relate to the same matter, the Smiths Church Gas Field and the Kelly Unit 2-2 No. 1 Well.

41. DOCKET NO. 6-23-8832

Continued Motion by the Board to amend Rule 400-1-3-.10 relating to Well Record, to add language requiring that a complete set of cores, if cores are taken, correctly labeled and identified as to depth, shall be filed with the Board within six (6) months from the time of completion of any well.

42. DOCKET NO. 1-28-8827C

Continued amended Motion by the Board to amend Rule 400-1-5-.02, relating to Operations Involving Hydrogen Sulfide to update and clarify existing requirements and to add specific requirements for sour gas gathering lines and well testing procedures.

43. DOCKET NO. 1-28-8828B

Continued amended Motion by the Board to amend Rule 400-1-8, relating to Transportation to add Rule 400-1-8-.04 Gathering Lines to define certain requirements for the design, construction, and operation of gathering lines and gathering line systems.

44. DOCKET NO. 1-28-8829

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

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

<u>Well Name</u>	<u>Permit No.</u>	<u>Operator</u>	<u>Location</u>	<u>Field</u>
Sammons 24-2-1	4161-C	Miller Petroleum, Inc.	S24,T21S,R9W Tuscaloosa Co.	Peterson Coal Degas
Thomas 18-11	4415-C	Miller Petroleum, Inc.	S18,T21S,R8W, Tuscaloosa Co.	Peterson Coal Degas.
Thomas 18-12	4417-C	Miller Petroleum, Inc.	S18,T21S,R8W, Tuscaloosa, Co.	Peterson Coal Degas.
Thomas 18-13	4420-C	Miller Petroleum, Inc.	S18,T21S,R8W Tuscaloosa Co.	Peterson Coal Degas.
Thomas 13-16	4376-C	Miller Petroleum, Inc.	S13,T21S,R9W, Tuscaloosa Co.	Peterson Coal Degas.
Fitts 24-1	4441-C	Miller Petroleum, Inc.	S24,T21S,R9W, Tuscaloosa Co.	Peterson Coal Degas.



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

47. DOCKET NO. 5-17-886PD

Continued application by Black Warrior Methane Corp. for a new natural gas determination under Section 107(c)(3) (High Cost Natural Gas) of the NGPA for the U.S. Steel 34-14-09 well (Permit No. 5534CG) in Section 34, Township 19S, Range 7W, Tuscaloosa County, Alabama in the Brookwood Coal Degasification Field, Pottsville Coal Interval.

48. DOCKET NO. 6-23-881PD

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 Shook 06-07-11 well (Permit No. 5532CG) in Section 06, Township 20S, Range 07W, Tuscaloosa County, Alabama in the Brookwood Coal Degasification Field, Pottsville Coal Interval.

49. DOCKET NO. 6-23-882PD

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 Shook 06-07-12 well (Permit No. 5533CG) in Section 06, Township 20S, Range 07W, Tuscaloosa County, Alabama in the Brookwood Coal Degasification Field, Pottsville Coal Interval.

50. DOCKET NO. 8-3-881PD

Application by Black Warrior Methane Corp. for a new natural gas determination under Section 102(c)(1)(C) (New Onshore Reservoir) of the NGPA for the Horizontal Degas. Boreholes Unit 5 well (Permit No. 4708C) in Section 03, Township 20S, Range 08W, Tuscaloosa County, Alabama in the Brookwood Coal Degasification Field, Pottsville Coal Interval.

51. DOCKET NO. 8-3-882PD

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 Horizontal Degas. Boreholes Unit 5 well (Permit No. 4708C) in Section 03, Township 20S, Range 08W, Tuscaloosa County, Alabama in the Brookwood Coal Degasification Field, Pottsville Coal Interval.

52. DOCKET NO. 8-3-883PD

Application by Black Warrior Methane Corp. for a new natural gas determination under Section 102(c)(1)(C)

(New Onshore Reservoir) of the NGPA for the Horizontal Degas. Boreholes Unit 5B well (Permit No. 4912C) in Section 03, Township 20S, Range 08W, Tuscaloosa County, Alabama in the Brookwood Coal Degasification Field, Pottsville Coal Interval.

53. DOCKET NO. 8-3-884PD

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 Horizontal Degas. Boreholes Unit 5B well (Permit No. 4912C) in Section 03, Township 20S, Range 08W, Tuscaloosa County, Alabama in the Brookwood Coal Degasification Field, Pottsville Coal Interval.

54. DOCKET NO. 8-3-885PD

Application by Black Warrior Methane Corp. for a new natural gas determination under Section 102(c)(1)(C) (New Onshore Reservoir) of the NGPA for the Horizontal Degas. Boreholes Unit 5C well (Permit No. 5014C) in Section 34, Township 19S, Range 08W, Tuscaloosa County, Alabama in the Brookwood Coal Degasification Field, Pottsville Coal Interval.

55. DOCKET NO. 8-3-886PD

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 Horizontal Degas. Boreholes Unit 5C well (Permit No. 5014C) in Section 34, Township 19S, Range 08W, Tuscaloosa County, Alabama in the Brookwood Coal Degasification Field, Pottsville Coal Interval.

56. DOCKET NO. 8-3-887PD

Application by Black Warrior Methane Corp. for a new natural gas determination under Section 102(c)(1)(C) (New Onshore Reservoir) of the NGPA for the Horizontal Degas. Boreholes Unit 5D well (Permit No. 5045C) in Section 34, Township 19S, Range 08W, Tuscaloosa County, Alabama in the Brookwood Coal Degasification Field, Pottsville Coal Interval.

57. DOCKET NO. 8-3-888PD

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 Horizontal Degas. Boreholes Unit 5D well (Permit No. 5045C) in Section 34, Township 19S, Range 08W, Tuscaloosa County, Alabama in the Brookwood Coal Degasification Field, Pottsville Coal Interval.

58. DOCKET NO. 8-3-889PD

Application by Black Warrior Methane Corp. for a new natural gas determination under Section 102(c)(1)(C) (New Onshore Reservoir) of the NGPA for the Horizontal Degas. Boreholes Unit 5E well (Permit No. 5046C) in Section 34, Township 19S, Range 08W, Tuscaloosa County, Alabama in the Brookwood Coal Degasification Field, Pottsville Coal Interval.

59. DOCKET NO. 8-3-8810PD

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 Horizontal Degas. Boreholes Unit 5E well (Permit No. 5046C) in Section 34, Township 19S, Range 08W, Tuscaloosa County, Alabama in the Brookwood Coal Degasification Field, Pottsville Coal Interval.

60. DOCKET NO. 8-3-8811PD

Application by Black Warrior Methane Corp. for a new natural gas determination under Section 102(c)(1)(C) (New Onshore Reservoir) of the NGPA for the Horizontal Degas. Boreholes Unit 5F well (Permit No. 5047C) in Section 34, Township 19S, Range 08W, Tuscaloosa County, Alabama in the Brookwood Coal

Degasification Field, Pottsville Coal Interval.

61. DOCKET NO. 8-3-8812PD

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 Horizontal Degas. Boreholes Unit 5F well (Permit No. 5047C) in Section 34, Township 19S, Range 08W, Tuscaloosa County, Alabama in the Brookwood Coal Degasification Field, Pottsville Coal Interval.

62. DOCKET NO. 8-3-8813PD

Application by Mobil Oil Exp. & Prod. SE, Inc. for a new natural gas determination under Section 107 (High Cost Natural Gas) of the NGPA for the State Lease 348 #1 Tract 77 well (Permit No. 3548-OS-11) in Baldwin County, Alabama in the Lower Mobile Bay-Mary Ann Field, Norphlet 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 Code of Alabama (1975) hereinafter set forth, and the rules and regulations promulgated thereunder, the Board will enter such order or orders as in its judgment may be necessary based upon the evidence presented.

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

"The September meeting of the Board will be held on Thursday and Friday, September 15 and 16, 1988 at 10:00 a.m. in the Board Room of the State Oil and Gas Board Building,

Tuscaloosa, Alabama. The notices for the September meeting must be filed on or before August 23, 1988. Petitions, exhibits, affidavits and proposed orders must be filed on or before September 1, 1988. If a person intends to request a continuance of an item or to oppose an item listed on the docket, he should inform the Board at least two (2) days prior to the hearing.

"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 members of the Board, this is the report of the Hearing Officer on the items heard by the Hearing Officer and the staff on Wednesday, August 3, 1988. I recommend the following items be continued: Item 14, Docket No. 8-3-886, petition by First Energy Corporation; Item 21, Docket No. 8-3-8813, petition by Enron Oil and Gas Company; Item 37, Docket No. 8-3-8829A, petition by Strago Petroleum Corporation; Item 38, Docket No. 8-3-8830, petition by Strago Petroleum

Corporation; Item 39, Docket No. 8-3-8831, petition by Strago Petroleum Corporation; Item 41, Docket No. 6-23-8832, continued motion by the Board to amend Rule 400-1-3-.10 relating to Well Record and Cores; Item 42, Docket No. 1-28-8827C, continued motion by the Board to amend Rule 400-1-5-.02 relating to Operations Involving Hydrogen Sulfide. It is the recommendation of the Hearing Officer that those items be continued.

MR. MCCORQUODALE: So move.

MR. METCALFE: Support.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: It is the recommendation of the Hearing Officer that the following items be dismissed without prejudice: Item 2, Docket No. 4-14-886, petition by ARCO Oil and Gas Company; Item 34, Docket No. 8-3-8826, petition by Hughes Eastern Corporation; Item 35, Docket No. 8-3-8827A, petition by Hughes Eastern Corporation. It is the recommendation of the Hearing Officer that those items be dismissed without prejudice.

MR. MCCORQUODALE: So move.

MR. METCALFE: Support.

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

(All 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 1, Docket No. 4-14-885, petition by ARCO Oil and Gas Company; Item 3, Docket No. 4-14-887, petition by ARCO Oil and Gas Company; Item 8, Docket No. 6-23-8815A, petition by MWJ Producing Company; Item 11, Docket No. 8-3-883, petition by ARCO Oil and Gas Company; Item 19, Docket No. 8-3-8811, petition by Terra Resources, Inc.; Item 24,

Docket No. 8-3-8816, petition by ARCO--by Anadarko Petroleum Company; Item 25, Docket No. 8-3-8817, petition by Zinn Petroleum Company; Item 30, Docket No. 8-3-8822, petition by Petrus Oil Company, L.P.. It is the recommendation of the Hearing Officer that those items--those petitions--be granted.

MR. MCCORQUODALE: So move.

MR. METCALFE: Support.

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

(All Board members voted "aye")

CHMN. ADAMS: The "ayes" have it.

MR. ROGERS: Item 4, Docket No. 4-14-888, is a petition by ARCO Oil and Gas Company for an exceptional location in Mobile County, Alabama. I recommend the petition be granted with the following stipulations: (1) That the bottom hole location be no closer than 680 feet from the North line of the unit; and (2) that the well be subject to proration.

MR. MCCORQUODALE: So move.

MR. METCALFE: Support.

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

(All Board members voted "aye")

CHMN. ADAMS: The "ayes" have it.

MR. ROGERS: Item 5, Docket No. 6-23-882, is a petition by Exxon Corporation for an amendment to the Special Field Rules for the Big Escambia Creek Field in Escambia County, Alabama. I recommend the petition be continued until the regular meeting of the Board in January 1989 with the stipulation that certain temporary amendments to Rules 10 and 11 of the Special Field Rules for the Big Escambia Creek Field be extended until the January 1989 Board meeting.

MR. MCCORQUODALE: I so move.

MR. METCALFE: Support.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: Item 6, Docket No. 6-23-8813A, is a petition by MWJ Producing Company to establish a new gas field to be known as the East Boxes Creek Field in Fayette County, Alabama. I recommend the petition be granted.

MR. MCCORQUODALE: So move.

MR. METCALFE: Support.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: Item 7, Docket No. 6-23-8814, is a petition by MWJ Producing Company for reformation of a unit in Fayette County, Alabama. I recommend the petition be granted.

MR. MCCORQUODALE: So move.

MR. METCALFE: Support.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: Item 9, Docket No. 8-3-881, is a petition by Hawkeye Oil and Gas, Inc., to amend the field limits for the Watts Creek Field in Marion County, Alabama. I recommend the petition be granted.

MR. MCCORQUODALE: So move.

MR. METCALFE: Support.

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

(All Board members voted "aye")

CHMN. ADAMS: The "ayes" have it.

MR. ROGERS: Item 10, Docket No. 8-3-882, is a petition by Amoco Production Company to amend Rule 2 of the Special Field Rules for the Oak Grove Coal Degasification Field in Jefferson and Tuscaloosa Counties, Alabama. I recommend the petition be granted.

MR. MCCORQUODALE: So move.

MR. METCALFE: Support.

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

(All Board members voted "aye")

CHMN. ADAMS: The "ayes" have it.

MR. ROGERS: Item 18, Docket No. 8-3-8810, is a petition by Triad Oil & Gas, Inc., to extend the field limits for the Bluegut Creek Field. I recommend the petition be granted.

MR. MCCORQUODALE: So move.

MR. METCALFE: Support.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: Item 20, Docket No. 8-3-8812, is a petition by TXO Production Corporation to extend the field limits for the

Millport Field in Lamar County, Alabama. I recommend the petition be granted.

MR. MCCORQUODALE: So move.

MR. METCALFE: Support.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: Item 22, Docket No. 8-3-8814A, is a petition by Anadarko Petroleum Corporation to establish a new gas field in Escambia County to be known as the Smiths Church Gas Field. I recommend the petition be granted.

MR. MCCORQUODALE: So move.

MR. METCALFE: Support.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: Item 23, Docket No. 8-3-8815, is a petition by Anadarko Petroleum Corporation to reform a unit in Escambia County, Alabama. I recommend the petition be granted.

MR. MCCORQUODALE: So move.

MR. METCALFE: Support.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: Item 26, Docket No. 8-3-8818B, is a petition by Pruet Production Co.-Moon-Hines-Tigrett--and Moon-Hines-Tigrett Operating Company, Inc., for an exceptional location in the Mt. Zion Oil Field in Lamar County. I recommend the petition be granted with the stipulation that the well be subject to proration.

MR. MCCORQUODALE: So move.

MR. METCALFE: Support.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: Item 27, Docket No. 8-3-8819, is a petition by Taurus Exploration, Inc., to amend the field rules for the West Brush Creek Oil Field in Lamar County, Alabama. I recommend the petition be granted.

MR. MCCORQUODALE: So move.

MR. METCALFE: Support.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: Item 28, Docket No. 8-3-8820A, is a petition by Taurus Exploration, Inc., to amend the field rules for the South Brush Creek Oil Field in Lamar County, Alabama. I recommend the petition be granted.

MR. MCCORQUODALE: So move.

MR. METCALFE: Support.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: Item 29, Docket No. 8-3-8821, is a petition by McKenzie Methane Corporation to amend the field rules for the Oak Grove Coal Degasification Field in Jefferson and Tuscaloosa Counties, Alabama. I recommend the petition be granted.

MR. MCCORQUODALE: So move.

MR. METCALFE: Support.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: Item 31, Docket No. 8-3-8823A, is a petition by The River Gas Corporation to amend the field rules for the Deerlick Creek Coal Degasification Field in Tuscaloosa County, Alabama. I recommend the petition be granted.

MR. MCCORQUODALE: So move.

MR. METCALFE: Support.

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

(All Board members voted "aye")

MR. ROGERS: Item---

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: Excuse me. Item 32, Docket No. 8-3-8824, is a petition by Hughes Eastern Corporation to approve a 40-acre unit as an exception to the field rules for the West Foshee Oil Field in Escambia County, Alabama. Mr. Watson, I understand you have a comment? A statement on that item?

MR. WATSON: Mr. Chairman, yesterday during the hearing on this item it was sounded as an unopposed item, and literally during the course of the hearing we were delivered--Dr. Mancini

received a letter from Broox Garrett, an attorney in Brewton, Joe Thompson, and Jack Hines, who've indicated that they were opposed to the exception that Hughes Eastern was requesting. Their statement was that they believed that a well should be drilled on a 40-acre drilling unit consisting of a quarter-quarter section. Our application was to drill a well on a split 40. Our evidence showed that we were at the western limits of the West Foshee Oil Field, and we had just, in a previous Board meeting, approved an identical unit splitting governmental 40's for the same reason. I can tell you this morning that Mr. Garrett, Mr. Thompson, and Mr. Hines each own an undivided interest of 9/80, 5/80, and 2/80 in the unit in question, whether it be a split 40 or a regular 40. Their position is they would like to see a well on each 40. Hughes Eastern's position is that two wells would be wasteful. One well is all that's needed. That's what the evidence supported. This Board, in its wisdom, saw fit to grant a similar request earlier for the same reasons. I contacted these gentlemen yesterday, told them that we were meeting right down the road from Brewton, Alabama, this morning, invited them to attend and

to make their position to you in person. I was told late yesterday afternoon that they would not be here, and for that reason I did not bring anyone from Hughes Eastern today to answer any questions. The letter, I suppose, speaks for itself. I submit to you that we are prepared to drill this well. We need to drill it on a timely basis. We have other lease commitments that we must drill for larger leasehold positions. We think this is the last well in the field. We're on a program designed to unitize this field. To delay the drilling of this well will cause us economic harm, will delay the unitization process, which may be critical in this field, and we need a decision from the Board today. I would ask that you consider their letter, but since they're not here to, to speak to it, I would urge the Board to recommend approval of my petition.

MR. MCCORQUODALE: Mr. Chairman, let the record reflect that I recuse myself from participation in this matter.

CHMN. ADAMS: The record will so reflect.

MR. METCALFE: Mr. Chairman, I suggest that the Board take a recess on this and since we have unusual circumstances in our

facilities, I wonder if it'd be too much of an inconvenience if we asked the audience to excuse us this morning since we don't have a place to go and we can meet up here. We'll call you back in a few minutes. (Audience left the auditorium)

(The hearing was recessed 5 minutes)

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

MR. ROGERS: Mr. Chairman, and members of the Board, the recommendation of the Hearing Officer is that this item be granted. Of course, we normally have the 10-day comment period, and at this time we don't have any waiver of that 10-day comment period. So, customarily, that would still apply.

MR. WATSON: Mr. Rogers, and Mr. Chairman, could I ask that that be waived? We certainly do not need a 10-day comment period to comment on your order.

DR. MANCINI: Mr. Watson, it would require both parties to agree to that, and we assume, since we have opposition to the petition, that that other party is not waiving their rights of the 10-day comment period.

MR. WATSON: Couldn't get them to withdraw their letter, no,

sir.

DR. MANCINI: Yes, sir, what?

MR. WATSON: I say I could not get them to withdraw their letter in opposition.

DR. MANCINI: Yes. So, it's our understanding that the 10-day comment period would, would be in effect.

MR. ROGERS: Anything else on that?

MR. METCALFE: And Mr. Watson, I think I can assure you, the Board has expressed this, that we will act promptly after the 10-day comment period.

MR. WATSON: Thank you, Mr. Metcalfe.

MR. ROGERS: Item 33, Docket No. 8-3-8825, is a petition by Hughes Eastern Corporation for an exceptional location in the Watson Creek Field. I recommend the petition be granted with the stipulation that the well be subject to proration.

MR. MCCORQUODALE: Mr. Chairman, again on that Hughes Eastern item, I will recuse myself.

MR. METCALFE: I so move, Mr. Chairman.

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

(Mr. Metcalfe and Chmn. Adams voted "aye")

(Mr. McCorquodale did not vote)

MR. ROGERS: Item 36, Docket No. 8-3-8828, is a petition by Black Warrior Methane Corporation to approve a 40-acre unit as an exception to the field rules for the Brookwood Coal Degasification Field in Tuscaloosa County, Alabama. I recommend the petition be granted with the following stipulation: That this order establishing an exceptional unit shall become effective (1) upon approval by the Board of a petition to be filed by Black Warrior Methane Corporation requesting reformation of horizontal degasification bore holes Unit 5D, Permit No. 5045C, an 80-acre unit presently consisting of the N/2 of the SE/4, Section 34, Township 19 South, Range 8 West, Tuscaloosa County, Alabama, to a 40-acre unit consisting of the NW/4 of the SE/4, Section 34, Township 19 South, Range 8 West, Tuscaloosa County, Alabama, and (2) upon the abandonment of horizontal degasification boreholes Unit 5C, Permit No. 5014C, a 40-acre unit consisting of the SE/4 of SE/4, Section 34, Township 19 South, Range 8 West, Tuscaloosa County, Alabama.

MR. MCCORQUODALE: So move.

MR. METCALFE: Support.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: Item 40, Docket No. 8-3-8833, is a petition by Anadarko Petroleum Corporation for an exceptional location in Escambia County, Alabama. I recommend the petition be granted with the stipulation that the well be subject to proration.

MR. MCCORQUODALE: So move.

MR. METCALFE: Support.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. ROGERS: An emergency petition by Black Warrior Methane Corporation, Docket No. 8-3-8837A, for amendment to the Special Field Rules, is available for a recommendation. I understand Mr. Watson has a statement concerning that petition.

MR. WATSON: Mr. Chairman, during the course of the hearing on Wednesday, questions were propounded to my client, Black Warrior Methane, concerning the amendment to Rule 4(e). Following that session and questions from that session, I have proposed an amendment to the rule that I would like to read into

the record at this time and ask that you act on the rule as we've amended it following the discussions with the staff. Rule 4(e) of the Special Field Rules for the Brookwood Coal Degasification Field should read as follows: "Coal degasification wells drilled vertically, including gob wells, and/or gob production wells, and horizontal bore holes may be drilled and produced simultaneously from the same unit in the Pottsville Coal Interval, and gas production from the wells shall be allocated in accordance with these Special Field Rules, that is, production from vertical wells shall be allocated based on surface acres in the unit and production from horizontal bore holes in the unit shall be based on Rule 10(c) of these Special Field Rules."

MR. ROGERS: It's the recommendation of the Hearing Officer that the petition be granted--uh--that that petition as amended be granted.

MR. MCCORQUODALE: So move.

MR. METCALFE: Support.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

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 49, application by Black Warrior Methane Corporation. If there are no objections, we recommend that this request for continuance be granted.

MR. METCALFE: So move.

MR. MCCORQUODALE: Second.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

DR. MANCINI: Mr. Chairman, the staff has examined applications and exhibits for Natural Gas Policy Act Well Status Determinations submitted concerning Items 47, 48, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, and 61, applications by Black Warrior Methane Corporation. We recommend the exhibits submitted relating to these items be admitted into the record.

MR. METCALFE: Move.

CHMN. ADAMS: They're admitted.

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

MR. METCALFE: So move.

MR. MCCORQUODALE: Second.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

DR. MANCINI: In addition, with respect to NGPA applications, we'd recommend that the exhibits submitted related to Item 62, application by Mobil Oil Exploration & Producing Southeast, Inc., be admitted into the record.

CHMN. ADAMS: It's admitted.

DR. MANCINI: And would recommend that this application for NGPA be approved.

MR. METCALFE: Move.

MR. MCCORQUODALE: Second.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

DR. MANCINI: The next item on the agenda is approval of the minutes of the June 24, 1988, regular meeting and special meeting of the Board. We'd recommend that the minutes of these meetings be accepted.

MR. METCALFE: Move.

MR. MCCORQUODALE: Second.

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

(All Board members voted "aye")

CHMN. ADAMS: The "ayes" have it.

DR. MANCINI: Items to be heard by the Board today include the following: Item 12, Docket No. 8-3-884, petition by First Energy Corporation; Item 13, Docket No. 8-3-885, petition by First Energy Corporation; Item 15, Docket No. 8-3-887, petition by First Energy Corporation; Item 16, Docket No. 8-3-888, petition by First Energy Corporation; Item 17, Docket No. 8-3-889, petition by First Energy Corporation; Item 43, Docket No. 1-28-8828B, a motion by the Board to amend Rule 400-1-8 relating to Transportation to add Rule 400-1-8-.04 relating to Gathering Lines; Item 44, Docket No. 1-28-8829, a continued motion by the Board requesting the operator and interest owners of certain wells to show cause why those wells should not be ordered by the Board to be immediately plugged; Item 45, Docket No. 8-3-8834, a motion by the Board to amend Rule 4(a)(1) of the Special Field Rules of the Womack Hill Field, Choctaw County, Alabama; Item 46, Docket No. 8-3-8835, a motion by the Board to amend Rule 3(a) of the Special Field Rules of Barrytown Field, Choctaw County, Alabama; and we also have another item, a petition by Terra Resources, Docket No. 8-3-8836, which is set for hearing at the conclusion of the regular meeting of the Board

today. So first up would be Items 12 and 13, which have been consolidated for hearing purposes, petitions by First Energy Corporation.

MR. PIPES: Mr. Chairman.

MR. ROGERS: Please proceed, sir.

MR. PIPES: Mr. Chairman, I'm Wes Pipes, here today for Norton Brooker who has been with you on Wednesday when this matter was first brought up, and I have with me today Mr. Richard Walling. I understood that the staff and the Board had some questions about the petition and what had occurred during the drilling of the well that is the subject of Item No. 13 on the docket today. I would point out to you that the exhibits that we ask be entered as a part of this record correctly state that the distance from the South line for this location is actually 791 feet as opposed to the 785 feet that is stated in the record. Mr. Walling has an affidavit with the Board and will state the position of First Energy.

MR. ROGERS: Pardon me?

MR. PIPES: I said Mr. Walling is our witness today.

MR. ROGERS: We'll swear you in. Will you stand and state

your name and address for the record?

WITNESS: Richard Walling, Houston, Texas.

(Witness was sworn by Mr. Rogers)

RICHARD WALLING

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

DIRECT EXAMINATION

Questions by Mr. Pipes:

A I'd like to make one statement, Mr. Chairman. The Scott Paper Company 36-13 was permitted as an exceptional location 660 from the West line and 660 from the South line. The well was drilled in a prudent operated manner, generally accepted drilling practices as a straight hole. We regret that the well did deviate from the surface location, although we feel like the 71 feet that it deviated to the west is not extreme. We were in a position to acquire leases in a expeditious manner. We accelerated our drilling efforts in trying to develop the productive hydrocarbons that we risked our capital to spend and prove that there was productive hydrocarbons there. We did find

some productive hydrocarbons and, however, we know that we are in a semidepleted state in the main reservoir since our bottom hole pressure that has been submitted to the Board shows that we are less than half of the virgin pressure. We do know that the exception location is subject to proration and we have no problem with that. We would just ask that the Board would take this in consideration of the amount of drainage and the reduced reservoir pressure that we have already suffered.

Q Did you develop some figures that show what the cost would be to sidetrack the well and come back to the original approved location or to redrill the well?

A Yes, sir. Since the well has already been drilled, completed, and tested, and is just pending waiting on getting into the Big Escambia Creek plant and laying a flow line, it would involve, first of all, plugging off the existing perforations and reclaiming the tubing and wellhead that is existing in the well. It would also require milling a section of casing and sidetracking the well back to vertical at approximately 11,000 feet and

drilling back to TD and then relogging the well, recompleting the well, with a 5-inch liner, which would be detriment to the integrity of the completion at that depth, and using the existing used tubing that we have already purchased. The cost of this would be approximately 1.3 million to sidetrack and recomplete. The cost to drill a new well as a straight hole, utilizing the bigger casing program which we would want to use, would be about 1.4 million. Our current sunk cost in the well is about 1.63 million. Uh--as I added before, we are drained in the reservoir. Our reservoir pressure is substantially reduced to about half and I'm not sure the economics of this prospect would further justify this type of investment.

MR. MCCORQUODALE: So you're saying it would cost 1.3 million to correct it and achieve the correct bottom hole location, in your judgment?

A Yes, sir, that's, that's milling out a section of casing, plugging the existing well and redrilling it.

Q What steps were taken during the drilling of this well to prevent a deviation?

A As reflected in the multishot, we took them, as submitted to the Board with the completion papers, we had taken two--three--different multishot intervals which gives both direction and angle, one being 11670, one being at 14536, the other being at 15236. We noticed we were out at approximately 11670, about 51 feet away to the west. At that point in time, we made mechanical efforts, which is generally accepted drilling practices, of reducing the weight on the bit and increasing the rotary in order not to sacrifice too much drilling time to bring the well back to vertical. Our single shot instruments at that point only give angle. As you can see from the second multishot survey at approximately 14202, the well had drifted back towards the northeast, so our efforts to regain some direction away from the West line was benefiting our operation procedures, and we did bring it back approximately another five or six feet before we reached the bottom hole. So we did make reasonable efforts when we found out we were deviating to the west to bring the well back to vertical.

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MR. METCALFE: Mr. Walling, at what point did you realize that you were drifting a substantial amount?

A Not until we took the first multishot, sir.

MR. METCALFE: Which was when?

A 11960.

MR. METCALFE: Did you notify the Board or the staff at that time?

A I'm sorry, it was 11,670. No, sir, not at that time. We made our weekly reports though.

MR. METCALFE: Is it your usual habit to notify the staff of various states when you find that you're drifting in an exceptional location, when you've been granted an exceptional location?

A Sir, this is my first well that I've drilled as far as under this exception location in Alabama, but we felt like that we could---

MR. METCALFE: What about other states?

A Uh--I really haven't been involved to that degree, sir.

Q At the time you noticed the drift, did you have an impression as to whether you could correct it?

A Yes, sir, we felt like we could bring it back. Like I say,

we didn't know it was deviating from the multishot, the first multishot. However, our single shot instruments only give angle, and we felt like with our reasonable drilling practices and procedures that the well would drop back.

MR. MCCORQUODALE: Let me ask you this, Mr. Walling.

You've got, according to your testimony, I believe a little over 1.6 million dollars in the well now, is that what you said?

A Yes, sir.

MR. MCCORQUODALE: And to correct this, based on your testimony, would be approximately 1.3 million dollars, is that correct?

A That's correct.

MR. MCCORQUODALE: All right. I would assume that somewhere in your company's projections, based on what you anticipate that you were going to find, or what you have found and what your tests show, and based on your contractual relationships with these royalty owners, that you have some judgment as to what First Energy anticipates on making, profitwise, on this, is that correct?

A We have some cash flow analyses based on the reserves that

we think are there, yes, sir.

MR. MCCORQUODALE: Not holding you to anything, you know, particularly close, but just give me some ball park idea about what you figure you ought to make on this. Your company.

A I really don't--the economic runs comes under our reservoir engineering and exploration department and I have no access to those numbers at this time. I could get those for the Board if they so choose. However, I might say that that 1.3 million would severely impact the development of this project since this well was substantially lower drained than we anticipated.

MR. MCCORQUODALE: If everything goes normally, do you have some judgment as to what your percentage of return normally is on a well in this part of the country? You've got 1.6 million in it. Do you have some judgment as to, if everything goes well, about what you're gonna make on it?

A Yes, sir, we look for about a two-and-a-half to one discounted return. Twenty percent in total rate of return.

MR. MCCORQUODALE: All right. That's all the questions I have. Is there anything else that you want to tell us as

far as an explanation?

A Not on 36-13.

MR. MCCORQUODALE: O.K. Mr. Chairman, I think there are other wells also that are to be considered by First Energy here today and I would recommend that we delay action on this matter until we hear from Mr. Walling. I assume he's gonna testify about these others also, Mr. Pipes?

MR. PIPES: Yes, sir.

DR. MANCINI: Item 15, Docket No. 8-3-887, petition by First Energy Corporation.

MR. ROGERS: Dr. Mancini, Richard may have something there about this.

(Conversation between Dr. Mancini and Richard Hamilton)

DR. MANCINI: Mr. Hamilton just brought to my attention, Mr. Chairman, that there is a discrepancy in the exhibits on this particular item, 12 and 13 that we just heard. The exhibits submitted to the Hearing Officer on Wednesday on Exhibit 1 has a bottom hole location of 785 feet from the South line and exhibits submitted today has the bottom hole location of 791 feet from the South line. Could you give us some clarification of that before you move to Item 15?

A Yes, that's the one he just explained. There was just a typographical error in drafting. The multishot truly reflects that it is 791 and the exhibits submitted today are correct.

MR. ROGERS: Then we'd--I'd recommend these exhibits be admitted into the record.

CHMN. ADAMS: The exhibits are admitted.

(Whereupon, the exhibits were  
received in evidence)

DR. MANCINI: Now back to Item 15. Thank you.

MR. LYONS: Mr. Chairman, we have an exhibit that we would like to have entered into the record this morning. This petition also involves a First Energy well that was drilled on an exceptional location at which the bottom hole location drifted closer to the line than originally permitted, and our petition today is for approval of this well as drilled. Once again, Mr. Walling will be our witness and has a statement, and I assume he is still under oath for the purpose of this petition.

MR. ROGERS: That will be fine, yes, sir.

RICHARD WALLING

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

DIRECT EXAMINATION

Questions by Mr. Pipes:

A I would like to make a similar statement that we were aware that this is an exception location also, and the well was drilled as a straight hole in conformance to the Oil and Gas Rules of Alabama. The--we did take single shot instrument all the way down until we were required to take the multishot before entering the zone of interest, which was an H<sub>2</sub>S, hydrogen sulfide gas zone. We understand it is an extreme deviation from the granted 330, however, it is not the most extreme in the field. We therefore would know that we did risk our dollars to prove that there was productive hydrocarbons and for the sake of the royalty owners and ourselves to prove that there is economic production from there and that the Board would take that into consideration in any type of proration.

MR. MCCORQUODALE: I'm curious, Mr. Walling, what is the

most extreme in the field at---

A Our records show there is one around 138 feet.

MR. MCCORQUODALE: Do you know which one that is?

A I believe it's the Dinks Farm 12-1 in Section 12 of T1, R6 East.

MR. MCCORQUODALE: Do you know what the permitted distance of that was supposed to be?

A 330.

MR. METCALFE: Mr. Walling, how much deviation do you have on this well?

A We're 144 feet from the South line versus the 330 that was permitted.

MR. METCALFE: And the Board allowed you a deviation of 330?

A That's correct.

MR. METCALFE: This well was drilled after the well that you just mentioned that had a deviation of 72 feet?

A That's correct, sir.

MR. METCALFE: I'd like to ask you again at what point did you realize that you were drifting toward the pool?

A We did not--we only took one multishot survey on this one.

MR. METCALFE: What was it--what was the elevation at that point?

A Uh--14960. That was prior to entering the--the--uh--that was the depth that the multishot was taken prior to entering the Smackover Formation and the deviation was 141 feet from the well bore to the east and 186, which puts the 144 feet from the South line, and prior to that we felt like we were deviating. At approximately 13815, our angle jumped up to 3 3/4 degree. This is from a single shot instrument, only giving your angle and not direction. So we, uh, we started decreasing the weight on bit and increasing the rotary speed to try and get it back straight, as normal drilling practices would indicate. And at 14780 we took another single shot and it was eight degrees, therefore, we continued trying to bring the well back and at 14922 our efforts started showing productive as 6 1/4 degree from the single shot. At that time, the 14960, we took the multishot which showed which direction we were walking. We had no idea from the single shot instruments, of course, if the well was walking south,

north, east, or west, and it was not our intention at any time to make the well walk, and at that depth, it's virtually impossible to drill a so-called straight hole. You just try to keep it within the confines of the surface location going down. We took another single shot instrument after the multishot and our angle had dropped to 5 1/4, so the well was straightening up from the time that we started inducing our mechanical process at 14,9--14,7.

MR. METCALFE: How much time had lapsed until you had drilled the Tomlinson well that ultimately had drifted 72 feet?

A The SPC well? We moved the rig right over, sir. So we, we tried to take advantage of the rig in the field which saved us the demobilization. We drilled that well, cased it, and the well, and the 36-13 was completing while we were drilling the 35-15.

MR. METCALFE: So the knowledge of your drift was fresh in your mind and you recognized that you had another drift in the same direction favorable toward the pool. Did you at that time advise the Board of your drift?

A No, sir, that's not correct. The first well did not drift.

It drifted to the west and then turned northeast. This other well drifted to the south. We were going--as the angle--we cut a fault in that well. After we logged the well, we found there was a fault at approximately 14,1 or whatever it was. I can't remember the cut on the fault. And it started going to the south, and we had at no time anticipated when and we would cut that fault or which way the well would walk at that time.

Q Just so we'll be clear here, did these two wells that we're here today about drift in the same direction from the standpoint of the compass?

A No, sir, the well on 36-13 drifted to the northwest and was turning back to the northeast. At the bottom hole, the well 35-15 drifted south-southeast.

MR. METCALFE: I'm sure you realize, Mr. Walling, that when the Board grants an exceptional location that that's an exceptional thing---

A Yes, sir.

MR. METCALFE: ---to do, and for that reason we have to be very careful and we certainly expect our drilling, our drillers,

to be as careful and to respect those exceptional locations that are granted.

A Yes, sir.

MR. MCCORQUODALE: Just so the record is clear, because you aroused my concern, Mr. Walling, I understand from our staff now that the Dinks Farm well which you referred to was drilled prior to the time that the Board included stipulations regarding bottom hole locations in the exceptional location orders, and that our concern now is much greater where those locations are concerned.

A I understand.

MR. MCCORQUODALE: Because I wasn't happy about that one either. I didn't know whether I was on the Board then or not. You know, your first one wasn't wonderful but it wasn't so bad, but this was just terrible. You know you're 186 feet off.

A That's correct.

MR. MCCORQUODALE: And, you know, there's no question that your contention may be correct. That is that the mineral owners in Section 35 possibly have been drained for years from these other wells. That may very well be true.

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A The pressures we took in that--we took some RFT pressures in that well. The well has not been completed or tested yet. We did take some pressures and it further substantiates 3800 to 4,000 pounds, which is about half of what the original bottom hole pressure was.

MR. MCCORQUODALE: I don't dispute that that may be true and certainly I would say for the record that this Board is gonna do whatever we can to make sure that any landowners in Section 35, any mineral owners in Section 35, are not punished or penalized due to an error that might have been made by your company. We don't want them to be penalized. By the same token, I'm gonna suggest that the Supervisor set a day for a show cause hearing to determine why some punitive action should not be taken against First Energy for an error as great as, or more than half, you had permission to drill one 330 feet and you made a 186-foot error and moved that much closer to the pool. You know, just on, just on the face of it, that really doesn't look good, and I think we need to take a longer look at that because of the simple fact that, you know, we anticipate that when we issue orders that they're gonna be followed.

A I understand.

MR. MCCORQUODALE: And if you don't follow them, then the next guy may figure he doesn't have to follow them, and we're just not gonna work that way. I would make that request of the Supervisor that we set a show cause hearing, notify First Energy, give them an opportunity to be heard further. You may want to rest on the record you've provided us with today and we appreciate your doing that. On the other hand, you may want to expand on that and give us some other reasons.

MR. PIPES: If the Board wants further information about how this happened and why it happened and there is a show cause hearing, we certainly will want the record left open so we can present further evidence.

MR. MCCORQUODALE: All right. And I do understand, Mr. Pipes, that you are somewhat at a disadvantage in that Mr. Brooker normally represents them and appears before the Board, and, you know, we would want to give him an opportunity to be here if he so chooses.

MR. PIPES: Surely. There are one or two other things I would like to go into while this matter is up today.

MR. MCCORQUODALE: Sure.

MR. PIPES: With respect to the drilling contractor that First Energy had on this particular well, what were the driller's instructions about notifying First Energy with respect to deviations as far as what the rig instruments show?

A Well, the--we had a supervisor there at all times, so they were, we were controlling the drilling operations at all times. We were making reasonable efforts to correct all these, and any deviation--normally when we get any abrupt deviation, which I would say in excess of three degrees, then we start looking at our, our hole, and knowing that we've got a change in angles, and we did not have that in 36-13. We had it in 35-13 at the level I specified, 13,8, and of course at that depth it's--we were already 80% completed at the hole and it's more difficult to turn at that depth, and we will make other efforts to stay within the limits of the exception location in the one--in the new one that we're applying for and I'll explain that too.

Q Do you know what it would cost to correct the bottom hole location in this particular well?

A In the 35, since the well hasn't been completely completed, even though it does have production casing, we would have to mobilize the rig and sidetrack the well just as we did in the, if we corrected the 36-13 to the same degree. That would cost approximately 1.4 million to drill and redrill and complete, sidetrack and complete. The cost--however that would significantly reduce our recovery and, from an economic advantage, because we have two productive zones we feel like in this well bore, both Norphlet and Smackover, so it would virtually eliminate a completion.

Q What would it cost to redrill the well?

A To redrill the well using the bigger casing that we would, and to complete, would be about 1.67 million.

Q And how much is your investment in this well at the moment?

A 1,080,000.

MR. MCCORQUODALE: I understand you do have one other matter today, is that right?

MR. PIPES: That's correct.

MR. MCCORQUODALE: O.K. Again, Mr. Chairman, let me suggest that we delay action on this matter as we did the previous one until we hear from them on the last one.

CHMN. ADAMS: So ordered.

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DR. MANCINI: Items 16 and 17, which have been consolidated for hearing purposes, Docket No. is 8-3-888 and Docket No. 8-3-889, petitions by First Energy Corporation.

MR. PIPES: Mr. Chairman, these petitions involve an exceptional location application by First Energy to be allowed to drill a well at an exceptional location 330 feet from the South line and 1370 feet from the West line of Section 36, Township 2 North, Range 7 East. On this petition, Mr. Walling is also our witness. I will ask that he be allowed to testify with respect to these issues.

RICHARD WALLING

Appearing as a witness on behalf of First Energy Corporation, having been previously sworn, testified as follows:

DIRECT EXAMINATION

Questions by Mr. Pipes:

A With reference to the future exception locations that we plan to drill, I might add, you know, these were our first two wells that we actually drilled in the area, so we were new to this area and the habits of the well bore and how it would react, and of course the 36 acted differently than the

35. The 35, when we did cut the fault, we now anticipate where the fault---

MR. METCALFE: Excuse me, Mr. Walling. Do you have some exhibits so we can see what we're talking about?

A Not on this.

MR. PIPES: Did you put them in Wednesday morning? They took some testimony on this Wednesday.

MR. MCCORQUODALE: Did you put some in Wednesday before the Hearing Officer?

A Yes, there were some exhibits already submitted as far as the exception location.

MR. MCCORQUODALE: All right. O.K.

MR. HAMILTON: I've got the official exhibit here if you want it.

MR. MCCORQUODALE: O.K. That's--I think we've got some copies. That's fine. Thank you.

MR. METCALFE: I'm sorry, go ahead. I like to look at pictures.

A Sure. The, uh, you'll see the exception location that they're requesting is just east of the 35-15 that we just

drilled. Now that we have a handle on the fault, we feel like from a drilling procedure we can make every effort to try to control the direction which is supposedly where we started getting our maximum deviation according to the multishot that we took. Our normal dry hole cost to drill the straight holes in the other two wells that we just drilled is approximately \$700,000. We would anticipate control drilling this well. When I say control drilling, it would be monitoring it all the way down from basically surface casing on down to insure that the well is staying within the confines of at least the granted exception location from the South line.

MR. METCALFE: Excuse me right there. Would you agree to advise the staff immediately if you find a deviation?

A Yes, sir, we would make our--immediately on that--and we will make our normal weekly reports that we normally do.

MR. METCALFE: And I'd also like to suggest that you might follow that practice in the future.

A Yes, sir. At that point in time, we would continue our drilling efforts to control drilling with a, uh use of a

downhole motor and steering tools, which would add cost to the well but it would insure us that we could stay within the limitations and have a so-called straight hole all the way down without being detrimental to our completion efforts as a Smackover or a Norphlet completion that we anticipate. This cost would add approximately \$136,000, all things being equal, without putting too much risk dollars due to deviation and delay time in drilling. That would make the total cost of this well roughly around 7--\$836,000 to drill this other well versus 700,000 on the others.

Q With, with the plan that you've developed for using the downhole motor, does the technology for using that allow you to come back if you deviate within the original permit?

A Yes, sir, it just--it takes drilling time and you need to do it in a, in a gradual manner as not to jeopardize the hole conditions and put undue mechanical risks to drilling the well at that depth. The technology is there, yes.

MR. PIPES: Mr. Chairman, we'd ask that the Board approve this petition with the stipulation that First Energy advise the

staff if there is a deviation from the permitted location, and that that also be reported on the weekly report to the Board.

MR. ROGERS: Mr. Chairman, with respect to these items, we received letters from--well, the following people in support of these petitions: Georgia Peacock, Joseph Lambeth, Frances McMillian, Horace Lambeth, Corrie Lambeth, Gertrude Aaron, Claude Lambeth, and another letter from W. M. Burkett, Burkett, and Ruby Burkett, and I would ask that those be admitted into the record.

CHMN. ADAMS: They're admitted.

(Whereupon, the letters were  
received in evidence)

MR. MCCORQUODALE: Mr. Chairman, I move that we take all of these items under advisement.

MR. METCALFE: I support.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. MCCORQUODALE: Let me just state for the record and for your benefit, Mr. Pipes and Mr. Walling, that any action that the Board takes on the merits of these various items would

certainly be considered independently of any punitive action that might or might not be taken at a show cause hearing.

MR. PIPES: Thank you, gentlemen.

MR. MCCORQUODALE: Thank you.

DR. MANCINI: Item 43, Docket No. 1-28-8828B, a motion by the Board.

MR. ROGERS: Mr. Chairman, this is a motion by the Board concerning gathering lines, transportation and gathering lines in the state, and Mr. Hamilton with the production department has a statement to make.

MR. HAMILTON: Mr. Chairman, Rule 400-1-8-.04 has been proposed to address and define certain requirements for the design, construction, and operation of gathering lines and gathering line systems in the state. The Supervisor held conferences in Tuscaloosa, Alabama, on May 17 and June 23, 1988, to receive comments concerning this proposed rule. The Board has carefully studied, reviewed, and evaluated the comments received at these meetings and also numerous letters that were submitted in regard to this matter. These comments have been taken into account in the drafting of this new rule. It is the

staff's opinion that the adoption of 400-1-8-.04 will provide for the safe, proper, and orderly development of the state's resources, prevent waste, and protect coequal and correlative rights.

MR. ROGERS: Mr. Chairman, I recommend we place into the record a copy of the proposed rule and copies of correspondence, comments, relating to these rules that we've accumulated while this rule has been under consideration by the Board.

CHMN. ADAMS: Your request is granted.

(Whereupon, the described documents were received in evidence)

MR. MCCORQUODALE: Mr. Supervisor, do you have a recommendation?

DR. MANCINI: I recommend that the motion be approved.

MR. MCCORQUODALE: So move.

MR. METCALFE: Second.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

DR. MANCINI: Item 44, Docket No. 1-28-8829, continued motion by the Board.

MR. ROGERS: Mr. Chairman, and members of the Board, this is a motion for Miller Petroleum, Inc., to show why certain wells that operate should not be plugged. Uh--this motion came before the Board on June (January) 28, 1988, and was continued for a six-month period. With respect to the wells involved in this motion, these are coalbed methane wells. None of them have produced since January 1986. The Sammons 24-2-1 well has not produced. I understand that a representative of Miller Petroleum is here to speak to this motion. Sir, if you would identify yourself and state your position?

WITNESS: I'm Herbert White. I'm a petroleum engineer employed by Miller Petroleum, and I appeared last January in this matter. And since early, or late '86, Miller Petroleum has been in Chapter 11, and we weren't aware that it would take us this long to get out of Chapter 11. We're now scheduled to have our hearing, our final hearing, prior to September 15, and one of the proponents, or components, of our recapitalization plan is to reactivate these wells. We--to that end, we've secured

the consent of the outside interest holders that were involved in these wells with Miller and we've secured conditional financing, being conditioned on the fact that the wells are still in effect and that we are out of Chapter 11. We've checked the properties periodically. We just plugged some wells in the Peterson Field as a subcontractor and checked on these wells. Our bonds are still in effect and we have no violation, other violations, on the properties. We would appreciate another six months to get out of Chapter 11 and back into production.

MR. METCALFE: Mr. Chairman, I move approval.

MR. MCCORQUODALE: Second.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. WHITE: Thank you.

MR. MCCORQUODALE: Would you tell your people, Mr. White, if you don't mind, to periodically during this six-month period of time report to the staff as to the progress that you're making so that we don't just come up here at the end of six months and say, "O.K., we haven't heard anything, we're gonna

plug them," and you show up and say, "Well, we need another six months."

MR. WHITE: Yes, sir, we certainly will.

MR. MCCORQUODALE: So you can keep them posted on what's going on.

MR. WHITE: Thank you.

MR. MCCORQUODALE: Good luck to you.

DR. MANCINI: Mr. Chairman, my understanding is that we've continued Item 44 for six months then, is that--yes, sir.

MR. METCALFE: That was my motion.

CHMN. ADAMS: Correct.

DR. MANCINI: Item 45, Docket No. 8-3-8834, a motion by the Board.

MR. MASINGILL: Mr. Chairman, first of all, I'd like to incorporate the record that resulted in the issuance of Board Order 71-12 into the record in this matter. This is a motion by the Board to amend Rule 4(a)(1) of the Special Field Rules of the Womack Hill Field relating to spacing of oil wells so that every well drilled as an oil well in the nonunitized portion of the Womack Hill Field shall be drilled on a drilling unit

designated by the operator in the permit application and subject to the approval of the Oil and Gas Supervisor, and which said unit shall consist of 80 to 160 acres upon which no other permitted drilling or producible well is located in the Smackover Oil Pool. Mr. Chairman, in Order No. 71-12 issued on May 11, 1971, the Board promulgated Special Field Rules for the Womack Hill Field which provided for 80-to-120-acre spacing. Since the promulgation of these Special Field Rules, the Board has established units in excess of 120 acres. Therefore, in order to make the spacing provisions of the Special Field Rules for the Womack Hill Field consistent with the spacing of wells in the field, the staff recommends that Rule 4(a)(1) of the Special Field Rules for the Womack Hill Field be amended so that, so that this will be so, and so, Mr. Chairman, we would recommend approval of this item.

MR. METCALFE: So move.

MR. MCCORQUODALE: Second.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

Item 45

Item 46

MR. MASINGILL: Mr. Chairman, do I--move that we incorporate the record that resulted in Order No. 71-12?

CHMN. ADAMS: So ordered.

(Whereupon, the described record  
was incorporated by reference)

MR. MASINGILL: Thank you.

DR. MANCINI: Item 46, Docket No. 8-3-8835, a motion by the Board.

MR. MASINGILL: Mr. Chairman, in this item, I would also like to ask that we incorporate the record that resulted in the issuance of Board Orders E-72-17 and 72-17(E). Could we incorporate---

CHMN. ADAMS: So ordered.

(Whereupon, the described record  
was incorporated by reference)

MR. MASINGILL: Thank you. This is a motion by the Board to amend Rule 3(a) of the Special Field Rules for the Barrytown Field relating to Spacing of Oil Wells so that every well drilled as an oil well shall be drilled on a drilling unit designated by the operator in the permit application and subject

to the approval of the Oil and Gas Supervisor, which shall consist of 120 to 160 contiguous acres upon which no other permitted drilling or producible well is located in the Smackover Oil Pool. This is similar to the previous item in that in Order No. E-72-17 issued on April 19, 1972, and in Order No. 72-17(E) issued on May 24, 1972, the Board promulgated Special Field Rules for the Barrytown Field which provided for 120-acre spacing. Since the promulgation of these field rules, the Board has established units in excess of 120 acres. Therefore, in order to make the spacing provisions of the Special Field Rules for the Barrytown Field consistent with the spacing provisions of wells in the field, the staff recommends that we approve this item.

MR. METCALFE: So move.

MR. MCCORQUODALE: Second.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

DR. MANCINI: Next would be Docket No. 8-3-8836, petition by Terra Resources, Inc.

MR. WATSON: Mr. Chairman, let me open the record, and I know you're gonna here an argument for a continuance, but let's get, probably posture before the Board if I could. This item is on your docket today because we were able to notice this in time to be heard with your regular hearing, on Wednesday of this week. So I'd ask that we receive into evidence of this hearing to this docket number the proofs of publication that have been prefiled as well as the affidavit of notice in this item.

MR. ROGERS: Mr. Chairman, those proofs of publication and affidavit are in order and I recommend they be admitted.

CHMN. ADAMS: Admitted.

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

MR. WATSON: Mr. Chairman, we're asking for---

MR. PEARSON: Mr. Chairman, if I could interrupt just a second. We have a motion for continuance of this matter and I think that procedurally we should take up the motion for continuance first.

MR. WATSON: If you'd let me state what I'm here to request.

MR. MCCORQUODALE: I assume that's what Mr. Watson is fixing to get at.

MR. WATSON: Yes.

MR. PEARSON: Well, the only point I was gonna make is that it's my motion for continuance. It's not Mr. Watson's.

MR. WATSON: Well, if we're gonna continue something, I've got to get something up before the Board and then I'd allow you to, time to ask for a continuance of the item. Right now we don't have anything to be continued until I get it before them. So if I could, with the notices in the record, I filed a petition on behalf of Terra Resources seeking permission from this Board to drill an exceptional location 330 feet from the West line and 660 feet from the South line of Section 30, Township 14 South, Range 14 West, Lamar County, Alabama, on a 320-acre unit consisting of the S/2 of Section 30 as a productive extension of the East Watson Creek Field. This item is brought before you today and we noticed this as a special item, which we were lucky enough to interface with your regular hearing process because my client, Terra Resources, has a farm-out agreement from Anderman Operating Company that will

expire on about August 15. We also have subject to that agreement a lease that Anderman has that will expire on September 7. Your next regular meeting of this Board is scheduled for September 15. So we are here with a timely noticed item that's properly before you. We are--we have to drill this well prior to the expiration of the Operating Agreement and prior to the expiration of the lease, and that--both of those events will occur before your next regular meeting. I have one witness that will be presenting evidence in this matter today and we are aware of the fact, because we've received a letter requesting a continuance of this item from Mr. Pearson representing Moon-Hines-Tigrett and Taurus Exploration, Inc., and I'll let him now address that motion and then would like an opportunity to respond to it.

MR. PEARSON: Mr. Chairman, as Mr. Watson has stated, I represent Moon & Hines and Taurus Exploration. Our title records indicate that in the unit on which this exceptional location is being proposed that Anderman and Terra--it's my understanding that Anderman supports the position of Terra today--that Anderman and Terra combined own less than 35% of

that unit. The position of Taurus and Moon & Hines is that we own or control the majority of the remaining 65% interest in the unit on which they're proposing their exceptional location. Additionally, we own a majority of interest in the section as a whole, which is Section 30. We also hold a majority of interest in the E/2 of Section 25, which is the well unit toward which their location is an exception. We are mindful of the minority position here. We understand that they have a lease expiration date which is September 7. Just a few months ago, we joined with Anderman as the majority owners in the unit. We joined with Anderman in an attempt to save that lease, and in fact drilled a well right on top of the lease that's expiring. Unfortunately, that well resulted in a dry hole. As soon as those operations were concluded, we notified Anderman at that point of our desires to evaluate further drilling proposals, possibly involving either a W/2 unit or a N/2 unit in this section. We suggested---

MR. MCCORQUODALE: Excuse me, when did you say that was?

MR. PEARSON: That was in May. I believe the well was plugged in May. We suggested to Anderman at that time and

acknowledging that their lease was expiring, that they might want to attempt to renew it. Our request for a continuance today is based on the fact that we have simply not had sufficient time--I have not had sufficient time to prepare my case. I was contacted in a telephone conference call by land personnel for both Taurus and Moon & Hines on Thursday of last week. You'll recognize that this is on a special sitting. It was not on the regular docket and didn't appear on the regular docket. I had further conference telephone calls on Friday with some of the technical witnesses for Taurus, the geological staff. It became immediately obvious to me that I could not coordinate or adequately prepare a fairly complex case in opposition that I think is conclusive in the short period of time that was allowed to me. On Monday I filed a written request for a continuance. Now, after filing the written request for a continuance, I was informed by Mr. Watson that they would not agree to that continuance. We have arranged our schedules to be here today. We have--my main problem today, Mr. McCorquodale, is that I have no engineering witnesses that are available. I was--I have not been able to meet with an engineering witness for Moon & Hines at all, Terry Tigrett,

have had a brief meeting with Lee Peters, petroleum engineer with Taurus, on Wednesday at the conclusion of that docket. There are engineering exhibits that I need to adequately present my case. I have specifically requested a material balance analysis to test the validity and accuracy of Terra's isopach. We have discussed the possibility of getting a water sample from the existing well, the 25-10 well. It is producing water out of the Gilmer Sand we believe. We've not had adequate time to get the results of these investigations. Also, just to point out, in addition to this being a special sitting, we don't feel like we've had adequate notice. Specifically, the only notice received by Moon & Hines from Terra, this proposal, is a letter that I'll submit to you today. It's a letter dated July 12, 1988, from Terra addressed to all the working, supposedly to all the working interest owners in the unit that they're proposing.

(Letter handed up)

Now as to Moon & Hines, Mr. McCorquodale, this is the only notice we received and it's a one page letter. You will see immediately that it does not say anything about an exceptional location. In addition, it talks about a Carter test, and I find, when I finally picked up the exhibits, that they have

presented justification for the exception on the Gilmer Sand. I feel that this notice is insufficient legally, but I also think that it's misleading, and as a result of that we did not have adequate notice on Moon & Hines' part to prepare our case.

MR. METCALFE: Excuse me. And Mr. Pearson, you've said that twice. How long do you think it would take you to prepare your case?

MR. PEARSON: We have suggested, Mr. Metcalfe, that we would be prepared to come back before this Board on August 19, which is a continuance of only two weeks. I have one final point if I could make it about the notice issue. Now sometimes a company gets in a mad rush to do something because they feel that their rights need to be protected. The example in this case is Terra. They've asked for a special setting and they've refused to give us a voluntary continuance. Now in that mad rush sometimes they overlook, inadvertently, intentionally, just out of complete ignorance, the legal rights of other owners. Now we don't notice any companion petition today to the exceptional location request. Now this Board has never granted or approved or recognized a unit as valid, to my knowledge, without requiring the proposer of that unit to have ownership or

control of 100%. Now there--you can obtain that control through force integration or through voluntary agreement. Now they don't have a force integration petition here today. Our title records show that there is a major working interest owner in the unit on which they're proposing this well, which is the Walter Sistrunk estate. They own 20% of the S/2 unit. The Walter Sistrunk estate is not subject to any operating agreement. They're not subject to any farm-out agreement in favor of any party here today. Now, the Sistrunk estate had previously, at least verbally, indicated their support of our future plans for either a W/2 or a N/2 unit, the further development of this section. We contacted them this morning and they told us that they had no notice of the Terra proposal today and that they had not reached any agreement with Terra on their interest.

MR. MCCORQUODALE: Just on that limited point, let me interrupt---

MR. PEARSON: O.K.

MR. MCCORQUODALE: ---so I don't lose sight of all that. And just on that point alone, let me ask Mr. Watson if you claim to own 100% or have control of 100%, or are you asking for a force integration---

MR. WATSON: We were not asking for force integration under the operating agreement. The parties that we understood had an interest in this were subject to the operating agreement, and we could propose a well under that operating agreement without the necessity of any force integration of any interest. There are penalty provisions in that operating agreement that these folks--if they go nonconsent. On July 12 they were offered an opportunity to farm their interests out. There's no forced pooling of outstanding unleased mineral interest owners required in this case. Now, on the question of the Sistrunk estate, give me just a minute.

MR. PEARSON: I can testify as to--we--the operating agreement that Mr. Watson is making reference to is the joint operating agreement designating Moon & Hines as operator when the dry hole was drilled back in May. That operating agreement was prepared by Moon & Hines and we have witness if we need it. The Sistrunk estate is not a signatory party on that operating agreement. They have no agreement covering their interest at this point.

MR. MCCORQUODALE: Specifically, with regard to Sistrunk, let me give Mr. Watson a second if we can to respond to that.

MR. PEARSON: O.K.

(Mr. Watson conferred with client)

MR. WATSON: I understand, Mr. McCorquodale, that we do not have the Sistrunk estate as a signatory party to the operating agreement. We would have to have them as a signatory party to the operating agreement to proceed. So, under that---

MR. PEARSON: We are still prepared---

MR. MCCORQUODALE: Are you still prepared to be heard on August 19?

MR. PEARSON: ---to meet on August 19. We're prepared to meet on the 19th because we do acknowledge a lease expiration problem on their part.

MR. MCCORQUODALE: We don't want to, you know, we don't want to place anybody in a difficult spot if we can avoid that, but at the same time we do have to make sure everything is properly handled.

MR. METCALFE: Also, Mr. Watson is aware of--maybe we should take a slight recess while Mr. Watson and his clients---

MR. WATSON: Please.

MR. MCCORQUODALE: And I appreciate your honesty.

CHMN. ADAMS: A short recess.

(The hearing was recessed 8 minutes)

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

MR. WATSON: Thank you for your indulgence, Mr. Chairman, and the time. My client clearly admits here this morning upon this notification that the Sistrunk estate has not been contacted. As you may or may not know, the Sistrunk estate, represented by the Republic Bank in Texas is in a reorganization right now with a North Carolina bank having taken it. What I'd like to try to propose though in order to protect our interest would be that this matter be set over to a special hearing next week and have Mr. Rogers hear this item. That would give us time to contact and negotiate with the Sistrunk estate, would protect our interest under the operating agreement. If matters continue beyond the 13th, we simply will not be in a position to drill this well. In fact, we wouldn't drill, we can't drill this well if we don't drill it at this exceptional location. So this is simply a well that won't get drilled, in our opinion, unless the Board hears the matter, and further, unless the Board

grants it at its exceptional location. So, any delay beyond the 13th puts us out of business on this well, and to give us at least an opportunity to be heard before that date, an opportunity to talk to the Sistrunk estate, would protect our interest. Anything other than that won't.

MR. METCALFE: Mr. Pearson, how would the 12th be for you?

MR. PEARSON: Mr. Metcalfe, I had previously submitted a letter to the attorney for the Board when we were proposing the 19th date. My problem is, is that I'm leaving tomorrow on a business trip out of the state. I've already made that known to Mr. Watson. I will not be back until the--until a week from Sunday. I had asked--I have court dates on Tuesday and Wednesday, or Wednesday and Thursday, and I had asked for the 19th just to give me two or three days to coordinate my case with my engineering witnesses. Now let me point out something here. The date that the lease expires is September 7. They are urging the Board to consider the expiration of an unrecorded internal agreement called a joint operating agreement. Now, first of all, we think there are serious legal issues or arguments as to why that agreement shouldn't apply to this

particular proposal, but I don't want to go into those because those are nothing but legal issues. However, I don't think that the Board should consider the expiration of an operating agreement. Its only impact on this well is to give them ownership or control over--or give them a claim to ownership or control over our interest, Mr. Metcalfe. Now they can achieve that by a force integration proceeding and we will submit to and waive notice of whatever requirements on the forced pooling as to our interest and be prepared to argue our case. The operating agreement is not necessary to them for the drilling of this well no matter what they say.

MR. WATSON: Mr. Chairman, I think it's clear that what they want to do is to get out from under the operating agreement, which they're signatory parties to, and they have no intentions of drilling this well, and whatever they do, however they style it, whatever they call it, their intent is to block the drilling of this well.

MR. PEARSON: That is not true. We--I don't want to belabor the point, but the lease expires September 7 and we are willing and prepared to meet. We acknowledge that expiration

date and the problems of a minority owner. We've already joined with them in trying to save that lease once, but to use the operating agreement expiration date gets into the question of why they want to use the operating agreement. It has a 300% nonconsent penalty in it to cover our interest. That is an admission by them that the well is not economic if they drill it under straight terms. Now all we're saying is, is we have scheduling difficulties. We're given no advance accurate notice of this proposal. We can't help it that we already have dates scheduled for court hearings, our witnesses are elsewhere. We've done the best we can to get prepared even to argue the continuance. We're asking for a two-week continuance until the 19th, and we would be prepared to go forward at that time.

MR. WATSON: If we could get some idea that Mr. Pearson and his clients would work with us in any reasonable way to get this well drilled before the lease expiration, then we'd be in a different ball game here, but we just don't have any unless he has---

MR. METCALFE: What assurances, Mr. Pearson, might you give him?

MR. PEARSON: I think that I can--I can assure you that my clients will sit down and work with the people in any reasonable fashion. One of the problems that has prompted this mad rush is apparently Terra didn't even acquire an interest in the expiring Anderman lease until a few weeks ago. Terra's proposal to all of the other working interest owners was a complete surprise because no one realized Terra even had an interest in the unit. I don't think they have any representation in the N/2 of this section or in the adjacent section toward which they are an exception. I can assure you that my people will sit down and deal with them in good faith in trying to work something out.

MR. WATSON: Well, there's nothing sinister about trying to drill a well and that's all we're trying to do and we're trying---

MR. MCCORQUODALE: No, I don't--we certainly want the well drilled if possible but, you know, we all, we all realize exactly where we are from a time standpoint. You've got problems, Mr. Pearson has got problems, and this Board is trying to work, achieve some middle ground so that everybody can get what they need. I, you know, gotta say just off the top of my

head that, you know, I understand deadlines. You know, I'm a trial lawyer and I know what you're up against in terms of being places, and, you know, two weeks on the face of it doesn't sound unreasonable. I mean I know you've got problems with that, Mr. Watson. Maybe you don't have problems with it. Maybe, you know, you can work something out with his clients, but---

MR. METCALFE: Mr. Watson, if we just set it two weeks hence, do you think you would work your problems out?

MR. WATSON: Set it when?

MR. METCALFE: I said if we just set the hearing two days--two weeks hence, do you think you would work out your problem?

MR. WATSON: Well, I think I could answer that in the affirmative except for the fact we've been told by the folks here that they're not gonna work with us on the well. Now I've heard what Mr. Pearson said.

MR. METCALFE: I'm sorry. You've been told by folks?

MR. WATSON: Well, by the people who are represented--Mr. Pearson is representing has told my client.

MR. METCALFE: Well, I just heard something different.

MR. WATSON: I did too.

MR. METCALFE: I don't like sitting here and being a Ping-Pong ball back and forth.

MR. WATSON: I understand.

MR. METCALFE: I don't think it's proper to bring that before this Board and I'd like to get that resolved right now.

MR. PEARSON: I will assure you that my clients will sit down with these people and deal in good faith.

MR. WATSON: We will take that at face value.

MR. METCALFE: All right. In that case then---

MR. MCCORQUODALE: If something otherwise takes place, we'd like to know that.

MR. METCALFE: I think we will know it, don't you?

MR. PEARSON: Do we have a sitting on the 19th?

MR. METCALFE: I so move, Mr. Chairman, that a special meeting be set for the 19th to hear this matter. And that is to be heard by Mr. Marvin Rogers, the Hearing Officer, 10 o'clock.

MR. MCCORQUODALE: Second.

MR. METCALFE: That's my motion.

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

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. WATSON: Thank you.

CHMN. ADAMS: Let the record reflect we have adjourned.

(Whereupon, at 10:55 a.m. the hearing was adjourned)

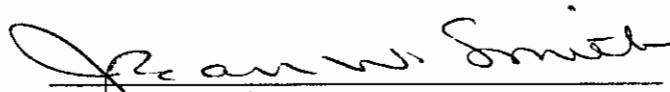
REPORTER'S CERTIFICATE

STATE OF ALABAMA        ()

COUNTY OF TUSCALOOSA   ()

I, Jean W. Smith, Hearings Reporter in and for the State of Alabama, do hereby certify that on Friday, August 5, 1988, at the Gulf State Park Convention Center, Gulf Shores, Alabama, I reported the proceedings before the State Oil and Gas Board of Alabama in Regular Session; that the foregoing 116 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.

  
\_\_\_\_\_  
Jean W. Smith  
Hearings Reporter  
State of Alabama