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1.	Scott McCauley	44-45			

8-18-75
MC

EXHIBITS

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Exhibit C (Item 27)	Updated on Fondren 11-9 No. 1 Well	45	45
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<u>TITLE</u>	<u>DESCRIPTION</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Exhibit Aff. 6-8 (Item 8)	Affidavit of testimony of Steve Salmon	53	53
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Exhibit 10 (Item 8)	6/14/95 letter to Board from Kenneth D. Floyd	53	53
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STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

June 23, 1995

Testimony and proceedings before the State Oil and Gas Board
in the Board Room of the State Oil and Gas Board Building,
University of Alabama Campus, Tuscaloosa, Alabama, pursuant to
adjournment, on this the 23rd day of June, 1995.

BEFORE:

Mr. Gaines C. McCorquodale	Chairman
Mr. Matthew S. Metcalfe	Member
Mr. Robert H. Maxwell	Member

BOARD STAFF

Mr. Marvin Rogers	Attorney
Mr. Gary Wilson.	Assistant Supervisor
Mr. Jay Masingill.	Assistant Supervisor
Dr. David Bolin	Assistant Supervisor
Mr. Richard Hamilton	Engineer
Ms. Jan Tolson	Geologist
Mr. Douglas Hall	Geologist

(Reported by Rickey Estes)

APPEARANCES

NAME	REPRESENTING
1. Judy Lerwick 104 S. Pecos Midland, TX	BTA
2. Steve Salmon Midland, TX	BTA
3. Tom Watson Tuscaloosa, AL	BTA/Exxon
4. Doug Floyd Chattanooga, TX	Self
5. Mike Epsman Tuscaloosa, AL	Cobra Oil & Gas
6. Glen Bush Jackson, MS	Spooner Petroleum
7. Michal Spooner Jackson, MS	Spooner Petroleum
8. Gordon Powell Mobile, AL	Independent
9. Bob Jorden Lafayette, LA	Torch
10. Ken Hanby Tuscaloosa, AL	Torch

PROCEEDINGS

(The hearing was convened at 10:16 a.m. on Friday,
June 23, 1995, at Tuscaloosa, Alabama)

CHMN. MCCORQUODALE: Let the record reflect that the State Oil and Gas Board is now in session. For the record, let me state that Dr. Mancini is absent today due to an extremely important meeting that he is attending with the Department of Energy. In his absence Gary Wilson will serve as Assistant Supervisor. Mr. Wilson, have the items to be heard today been properly noticed?

MR. WILSON: Mr. Chairman, the items to be heard today have been properly noticed. The agenda of today's meeting has been transmitted to the recording secretary.

"AGENDA

STATE OIL AND GAS BOARD MEETING

JUNE 21 & 23, 1995

"The meeting will begin at 10:00 a.m. on Wednesday, June 21, 1995, and Friday, June 23, 1995, in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, to consider the following petitions:

1. DOCKET NO. 3-22-9514

Continued petition by BLACK WARRIOR METHANE CORP., an Alabama corporation, requesting the State Oil and Gas Board to enter an order pursuant to Sections 9-17-1 through 9-17-33 and 9-17-80 through 9-17-88, Code of Alabama (1975) approving and establishing a partial field-wide unit, to be known as Unit VII, consisting of the hereinafter described "Unit Area" in the Brookwood Coal Degasification Field, Tuscaloosa and Jefferson Counties, Alabama, and requiring the operating of said Unit Area as a single unit in order to avoid the drilling of unnecessary wells, increase the efficiency of operations and improve the ultimate recovery of occluded natural gas from the Unitized Formation, as hereinafter defined, and avoid waste. The "Unitized Formation" is to be designated as the Pottsville Coal Interval and is defined as the productive coal seams found between the depths of 210 feet and 2,342 feet as encountered in the U.S. Pipe and Foundry 18-15 No. 3 Well, Permit No. 4189-C, located in Section 18, Township 20 South, Range 7 West, Tuscaloosa County, Alabama, as indicated on the density log of said well, and between the depths of 2200 feet and 2743 feet as encountered in the Chevron-Taurus-89-21-08-01-03-1301 Well, Permit No. 7202-C, located in Section

1, Township 21 South, Range 8 West, Tuscaloosa County, Alabama, as indicated on the GAMMA-RES-DENSITY log of said well, and all zones in communication therewith and all productive extensions thereof, including any coal seam stringer that might occur within a depth of either 80 feet above or 80 feet below the Pottsville Coal Interval, and including those coal seams which can be correlated therewith. Petitioner further seeks approval of the Unit Agreement and Unit Operating Agreement, as ratified, in accordance with Section 9-17-84, Code of Alabama (1975), and approval of the amendments to the Special Field Rules for the Brookwood Coal Degasification Field in order to conform to the provisions of the aforementioned Unit Agreement and Unit Operating Agreement.

Petitioner further seeks entry of an order unitizing, pooling and integrating the Unit Area, as underlain by the above defined unitized formation so as to require all owners or claimants of royalty, overriding royalty, mineral, and leasehold interests within the Unit Area to unitize, pool and integrate their interests and develop their lands or interests as a unit, and designating Black Warrior Methane Corp. as operator of the Unit Area in accordance with the

laws of Alabama. The proposed Unit Area, to be designated Unit VII, consists of Section 26 and the North Half of Section 35, Township 19 South, Range 8 West, Tuscaloosa County, Alabama.

2. DOCKET NO. 3-22-9523A

Continued amended petition by SPOONER PETROLEUM COMPANY, a foreign corporation organized under the laws of the State of Mississippi with its principal place of business in Jackson, Mississippi, authorized to do and doing business in the State of Alabama requesting the State Oil and Gas Board to enter an order to amend Rule 1 of the Special Field Rules for the North Frisco City Field by adding the below-described lands to the field limits of said field:

The S/2, the S/2 of the NE/4 and the NE/4 of the NE/4 of Section 31, and the W/2 of Section 32, Township 6 North, Range 7 East, Monroe County, Alabama.

3. DOCKET NO. 3-22-9524

Continued petition by SPOONER PETROLEUM COMPANY, a foreign corporation organized under the laws of the State of Mississippi with its principal place of business in Jackson, Mississippi, authorized to do and doing business in the State of Alabama requesting the State Oil and Gas Board to enter an order that amends allowables for oil production from the Frisco City Sand Oil Pool in the North Frisco City Field, Monroe County, Alabama, and for other relief as set forth in the Petition. These amendments will affect all wells in the North Frisco City Field-Wide Oil Unit and wells located in the area to be added to the field as described in Docket No. 3-22-9523.

4. DOCKET NO. 4-19-9513

Continued petition by COBRA OIL & GAS 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 the design, installation and use of a cleansing facility, including a disposal well for the disposal of hydrogen sulfide and carbon dioxide, and a sour gas flowline approximately 3,700 feet in length for the purpose of transporting sour gas for processing and

cleansing from the A.T.I.C. 34-4 No. 1 Well, Permit No. 10166, located in Section 34, Township 3 North, Range 7 East, Escambia County, Alabama, in the Northwest Smiths Church Field, said cleansing facility and disposal well to be located in the Southeast Quarter of Section 28, Township 3 North, Range 7 East, Escambia County, Alabama. The disposal well will be used to dispose of hydrogen sulfide and carbon dioxide into the Tuscaloosa Group between the depths of 5,100 feet to 5,130 feet. This request is made pursuant to Rules 400-1-5-.02(12)(a-c), 400-1-5-.04 and 400-1-8-.04 of the State Oil and Gas Board of Alabama Administrative Code.

5. DOCKET NO. 4-19-9514

Continued petition by TORCH OPERATING COMPANY, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama to enter an Order approving the enhanced recovery project for the North Frisco City Field-Wide Oil Unit, Monroe County, Alabama, so as to qualify the project for the four percent (4%) privilege tax for the incremental oil or gas production from said Unit, in accordance with Section 40-20-1, et seq., Code of Alabama (1975), as amended.

The Unit Area of the North Frisco City Field-Wide Oil Unit is located in Monroe County, Alabama, and is described as follows:

South Half of the Southeast Quarter of Section 24, less a 16-acre strip of even width off the West end thereof, all of Section 25, the Southeast Quarter of the Northeast Quarter of Section 26, and the Northeast Quarter of Section 36, Township 6 North, Range 6 East and the Southwest Quarter of Section 29, the West Half, Southeast Quarter and the West Half of the Northeast Quarter of Section 30 and the Northwest Quarter and the Northwest Quarter of the Northeast Quarter of Section 31, Township 6 North, Range 7 East, Monroe County, Alabama, containing approximately 1,824 acres.

6. DOCKET NO. 5-17-952

Continued petition by BISHOP PETROLEUM, INC. ("Petitioner"), a foreign corporation authorized to do and doing business in the State of Alabama, as operator of the Scott Paper 27-1,

No. 1 Well, (Permit No. 10248-B) requesting that the State Oil and Gas Board of Alabama ("the Board") enter an order reducing the well allowables for wells within the Fanny Church Field or shutting in certain other field wells to allow for a balancing of production and amending and modifying Rule 6A of the Special Field Rules for the Fanny Church Field, Escambia County, Alabama (as last amended), so as to extend the expiration of the next annual balancing period for production from wells within the field beyond December 31, 1995.

The Board has full power, authority and jurisdiction to reduce well allowables or shut-in wells under Alabama Code 9-17-6(b)(c) (1975) and the requested amendment of the Special Field Rules for the Fanny Church Field to extend the balancing period is in accordance with Rule 6A thereof providing that the Board may, after notice and hearing, for good cause shown, extend the period of time allowed to an underproduced well to achieve a balance of production.

7. DOCKET NO. 5-17-9510A

Continued amended petition by LEGACY RESOURCES CO., LIMITED PARTNERSHIP, an Indiana limited partnership, 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, to be known as the Barron Point Field, or such other name as designated by the Board, and to establish Special Field Rules and to also approve a fieldwide unit to be known as the "Barron Point Unit," Mobile County, Alabama, and to establish Special Field Rules for the Amos Sand Gas Pool in said Unit and to make Special Field Rules conform to the requirements for a fieldwide Unit.

Petitioner and Frontier Exploration and Production Corporation drilled and completed two (2) wildcat Amos Sand gas wells in the Amos Sand Gas Pool as hereinafter defined in the proposed Barron Point Field and Unit, namely the State Lease 746 No. 1 Well, Permit No. 10695-OS-60, on a 160-acre wildcat unit described as follows: Commencing at a point 6,830.00 feet South and 12,360.00 feet East from the northwest corner of State Tract 59, Mississippi Sound Area, said point having coordinates of X=282,360.00 and Y=113,170.00 (being the true point of beginning and the northwest corner of the proposed 160.00 acre unit); thence East for a distance of 2,640.00 feet, to the east line of State Tract 59; thence South for a distance of 2,640.00

feet; thence West for a distance of 2,640.00; thence North for a distance of 2,640.00 feet, back to the true point of beginning comprising 160.000 acres, being more particularly shown on a plat of survey prepared October 27, 1994, revised November 22, 1994. (The bearings and coordinates shown herein are based on Transverse Mercator projection-Alabama West Zone.), and the Henderson No. 1-28 Well, Permit No. 10737-OS-61-B, on a 160-acre wildcat drilling unit consisting of a portion of State Offshore Lease Tracts 59 and 60, and a portion of protracted Sections 21 and Section 28, Township 8 South, Range 2 West, all in Mobile County, Alabama.

The proposed Barron Point Field and Unit consists of the East Half of Tract 59, containing 2,210 acres, more or less, and the Northwest Quarter of Tract 60, containing 1,065.6 acres, more or less, as shown on the plats entitled "State of Alabama Chart of Submerged State Lands, Oil and Gas Lease Tracts", Lower Mobile Bay Area, dated May 1984, Project No. 2, 5-L-27, revised October 30, 1990, and the South Half of Section 21 and protracted Sections 28 and 29, all in Township 8 South, Range 2 West, Mobile County, Alabama, containing approximately 3,955 acres, more or less.

That the "Unitized Formation" should be defined as that portion of the subsurface identified as the Amos Sand Gas Pool underlying the Unit Area which is defined as those strata of the Amos Sand productive of hydrocarbons in the interval between 2,347 feet and 2,409 feet measured depth, being the Amos Sand, as indicated on the Dual Induction-SFL Log run in the State Lease 746 No. 1 Well, Permit No. 10695-OS-60, including those strata which can be correlated therewith underlying the Unit Area.

Petitioner is requesting that the Oil and Gas Board require the operation of said Unit as a fieldwide Unit for the development and production of hydrocarbons within or produced from the Unitized Formation underlying the Unit Area in order to prevent waste, to maximize the recovery of unitized substances, to avoid the drilling of unnecessary wells, and to protect coequal and correlative rights.

Petitioner is also requesting that the order approve the Unit Agreement and the Unit Operating Agreement for the proposed fieldwide unit and the proposed Special Field Rules providing for unitized operations in conformity with the provisions of said Agreements, and include a finding

that the Unit Agreement has been signed or in writing ratified or approved by the owners of more than seventy-five percent (75%) in interest as costs are shared under the terms of the requested order, and by more than seventy-five percent (75%) in interest of the royalty and overriding royalty owners in the Unit Area, and that the Unit Operating Agreement has been signed or in writing ratified or approved by the owners of more than seventy-five percent (75%) in interest as costs are to be shared under the terms of the requested order.

Petitioner is also requesting that the order unitize, pool and integrate the Unitized Formation underlying the Unit Area into a fieldwide unit and require all owners or claimants of royalty, overriding royalty, mineral, leasehold and all other leasehold or other interests within said fieldwide unit to unitize, pool and integrate their interests and develop their lands or interests within said Unit Area as a fieldwide Unit. Petitioner is requesting that Legacy Resources Co., Limited Partnership, be designated as Unit Operator in accordance with the laws of the State of Alabama. Petitioner is requesting that wells drilled in the proposed fieldwide unit be located no closer

than 660 feet from every exterior boundary of the Unit Area, and that the gas allowable be established as the actual amount of production from the Unit Area processed through unit production facilities, as the same may be changed from time to time, during a calendar month.

8. DOCKET NO. 5-17-9513

Continued petition by BTA OIL PRODUCERS, 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 7 of the Special Field Rules for the North Excel Field, Monroe County, Alabama, in order to establish permanent allowables for wells completed in said field.

9. DOCKET NO. 5-17-9518

Continued petition by TAURUS EXPLORATION, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order extending the temporarily abandoned status for six (6) months for the Teco Injection Well 26-8-224A-4400, Permit No. 9515-SWD-90-14, located in Section 26, Township 23 North, Range 5 East, Hale County, Alabama. Petitioner is requesting an exception to Rule 400-1-5-.04(4)(d) of the

State Oil and Gas Board of Alabama Administrative Code which specifies that permits for Class II injection wells expire six (6) months from the date of issuance if no fluids have been injected. Although Petitioner has not yet used said well, it may need to use said salt water disposal well in the future as additional coalbed methane wells begin production.

The previous temporarily abandoned status for this well expires on May 19, 1995, and Taurus Exploration, Inc. is requesting this Board to grant a six (6) month extension because said well has future utility and should not be plugged.

10. DOCKET NO. 5-17-9520

Continued petition by TORCH OPERATING COMPANY, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving exceptions to Rule 400-1-2-.02(2) for horizontal wells to be drilled on two adjacent drilling units, containing approximately 200 acres each. The surface location and point of entry into the Smackover Formation for one of the drilling units will be in Section 35, Township 4

North, Range 7 East, Conecuh County, Alabama, consisting of the Northwest Quarter and the North Half of the North Half of the Southwest Quarter containing approximately 200 acres, all in said Section 35. A horizontal well will be continued onto a drilling unit containing approximately 200 acres consisting of the South Half of the Southeast Quarter of Section 27 and the North Half of the Northeast Quarter and the North Half of the South Half of the Northeast Quarter in Section 34, all in Township 4 North, Range 7 East, Conecuh County, Alabama. Said horizontal wellbores will be closer than 660 feet from the common boundary between the above-described adjacent drilling units and no closer than 660 feet from the South line of the above-described drilling unit in said Section 35. In fact, the horizontal wellbores will cross the common boundary between said adjacent drilling units.

Petitioner will seek further orders from the Board if the horizontal wells are successfully completed in order to produce said wells.

11. DOCKET NO. 6-21-951

Petition by TORCH OPERATING COMPANY, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order increasing the temporary test allowable for an exceptional 120-acre productive extension of the North Frisco City Field, Monroe County, Alabama, consisting of the South Half of the Northeast Quarter and the Northeast Quarter of the Northeast Quarter of Section 31, Township 6 North, Range 7 East, Monroe County, Alabama. The temporary test allowable of 250 barrels of oil per day for the Lancaster 31-8 No. 1 Well, Permit No. 10636, was, by Board Order No. 95-46 issued on March 3, 1995, extended until June 15, 1995. This temporary test allowable for the Lancaster 31-8 No. 1 Well was then increased from 250 barrels of oil per day to 750 barrels of oil per day until June 23, 1995, by approval of the emergency petition of Torch Operating Company in Docket No. 5-12-951 on May 19, 1995. Due to higher allowables and production rates for Spooner Petroleum Company Carlson 31-9 No. 1 Well, Permit No. 10559-B, and the Eddins 32-5 No. 1 Well, Permit No. 10643, Petitioner is now requesting that

the Board continue the increased temporary test allowable for said Lancaster 31-8 No. 1 Well at a rate of 750 barrels of oil per day until further order of this Board.

The legal authority and jurisdiction for the Board is granted by Rules 400-1-12-.01 et seq. of the State Oil and Gas Board of Alabama Administrative Code and Sections 9-17-1 et seq. of the Code of Alabama (1975).

12. DOCKET NO. 6-21-952

Petition by TORCH OPERATING COMPANY, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order naming a new oil field in Monroe County, Alabama, the East Frisco City Field, or such other name as the Board deems proper, and to adopt Special Field Rules therefor. The field limits for the proposed field consist of the Northeast Quarter of the Northeast Quarter, and the South Half of the Northeast Quarter and all of the Southeast Quarter, all in Section 31; the West Half of Section 32, all in Township 6 North, Range 7 East, Monroe County, Alabama, as underlain by the Frisco City Oil Pool, which is defined as that interval of the Frisco City Sand productive of hydrocarbons between

measured depths of 12,088 feet and 12,230 feet as indicated on the Phasor Induction/SFL Log for the Lancaster 31-8 No. 1 Well, Permit No. 10636, at a surface location 2,390 feet FNL and 800 feet FEL of Section 31, Township 6 North, Range 7 East, Monroe County, Alabama, with a bottom hole location 330 feet FSL and 796 feet FEL of the Northeast Quarter of said Section 31, and all zones in communication therewith and all productive extensions thereof. Petitioner is requesting well spacing of approximately 160 contiguous acres and is also requesting the establishment of allowables for wells in said field.

This petition is filed as a companion to a petition bearing Docket No. 6-21-953 requesting approval of an exceptional 120-acre unit.

13. DOCKET NO. 6-21-953

Petition by TORCH OPERATING COMPANY, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving: (1) An exception to Rule 3(a) of the proposed Special Field Rules for the East Frisco City Field, Monroe County, Alabama, for a 120-acre unit consisting of the

Northeast Quarter of the Northeast Quarter and the South Half of the Northeast Quarter of Section 31, Township 6 North, Range 7 East, Monroe County, Alabama; said Rule 3(a) requires all wells drilled in the East Frisco City Field to be drilled on a drilling unit designated by the operator in its permit application and subject to approval of the Oil and Gas Supervisor, which shall consist of approximately 160 contiguous acres; and (2) An exception to the proposed Rule 3(b) for the Lancaster 31-8 No. 1 Well, Permit No. 10636, at a surface location 250 feet FSL and 800 feet FEL of the Northeast Quarter of said Section 31 and a bottom hole location 330 feet FSL and 796 feet FEL of the Northeast Quarter of said Section 31; said Rule 3(b) of said proposed Special Field Rules requires all wells to be located at least 660 feet from any exterior boundary of a drilling unit. The bottom hole location of the aforementioned Lancaster 31-8 No. 1 Well is only 330 feet FSL of the referenced 120-acre unit and the surface location is only 250 feet FSL of said unit and, as such, the well location is an exception to the proposed Rule 3(b).

This petition is filed as a companion to a petition bearing Docket No. 6-21-952 requesting the Board to approve and establish a new oil field to be known as the East Frisco City Field in Monroe County, Alabama.

14. DOCKET NO. 6-21-954

Petition by PRUET PRODUCTION CO., 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 in Escambia County, Alabama, to be named the Gravel Hill Church Field, or such other name as the Board deems proper, and to adopt Special Field Rules therefor. The proposed field, as underlain by the Smackover Oil Pool, consists of the following described parcels:

All of the SE/4 of Section 17 and the NE/4 of
Section 20, Township 3 North, Range 8 East

all in Escambia County, Alabama. The Smackover Oil Pool should be defined as that interval of the Smackover Formation productive of hydrocarbons between 13,940 feet and 14,322 feet as indicated on the Dual Induction Log for the A.T.I.C. 17-16 No. 1 Well, Permit No. 10733, located on a 160-acre drilling unit consisting of the Southeast Quarter

of Section 17, Township 3 North, Range 8 East, Escambia County, Alabama, and all zones in communication therewith and all productive extensions thereof. Petitioner is requesting well spacing of 160 contiguous acres consisting of a governmental quarter section and the establishment of production allowables.

This petition is filed as a companion to petition bearing Docket No. 6-21-955 requesting permission to flare uneconomical volumes of gas.

15. DOCKET NO. 6-21-955

Petition by PRUET PRODUCTION CO., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order granting permission to flare uneconomical volumes of gas from the A.T.I.C. 17-16 No. 1 Well, Permit No. 10733, located on a 160-acre drilling unit consisting of the Southeast Quarter of Section 17, Township 3 North, Range 8 East, Escambia County, Alabama, in the proposed Gravel Hill Church Field.

This petition is filed as a companion to petition bearing Docket NO. 6-21-954 requesting an order establishing the Gravel Hill Church Field.

16. DOCKET NO. 6-21-956

Petition by COBRA OIL & GAS CORPORATION, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling, with imposition of a risk compensation fee, all tracts and interests in oil, gas and other hydrocarbons produced from strata of the Norphlet, Smackover, and Haynesville Formations, and the Cotton Valley Group, in a 160-acre wildcat drilling unit for Petitioner's Andress Trust 34-4 No. 1 Well consisting of the Northwest Quarter of Section 34, Township 6 North, Range 6 East, Monroe County, Alabama, pursuant to Section 9-17-13, Code of Alabama (1975), and Rule 400-1-13-.01 of the State Oil and Gas Board of Alabama Administrative Code.

17. DOCKET NO. 6-21-957

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

extending the temporary abandonment status of the following wells: T.R. Miller Mill - State Line Oil Trust 31-3 No. 1 Well, Permit No. 1776, located in Section 31, Township 1 North, Range 9 East, and the Miller Mill Co.- State Line Trust 32-5 Well, Permit No. 3260-B, located in Section 32, Township 1 North, Range 9 East, both in the Jay-Little Escambia Creek Unit, Escambia County, Alabama, and the Scott Paper Co. G.U. 2-7 No. 1 Well, Permit No. 3226, located in Section 2, Township 1 North, Range 7 East, Escambia County, Alabama, in the Flomaton Field. Petitioner is requesting that the temporary abandonment status for said wells be extended for six (6) months from June 23, 1995, or until the next regular hearing of the State Oil and Gas Board following the expiration of six (6) months, in accordance with Rule 400-1-3-.06(2) of the State Oil and Gas Board of Alabama Administrative Code.

18. DOCKET NO. 6-21-958

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 approving the method of allocating production of gas from Exxon's State Lease 536 #2 Well, Permit No. 9934-OS-47 and

State Lease 536 #1 Well, Permit No. 10211-OS-54B, both located on Offshore Tract 111 in the Northwest Gulf Unit, Mobile Area, Mobile County, Alabama.

19. DOCKET NO. 6-21-959

Petition by TAURUS EXPLORATION, INC., an Alabama corporation, requesting the State Oil and Gas Board, pursuant to Section 9-17-1, et seq. Code of Alabama, (1975), and Rule 400-1-3-.06 of the State Oil and Gas Board of Alabama Administrative Code, to enter an order extending the temporarily abandoned status for certain coal degasification wells in the Cedar Cove, Moundville, and Big Sandy Creek Coal Degasification Fields located in Hale, Tuscaloosa and Jefferson Counties, Alabama, in the following locations:

Sections 6 and 16, Township 19 South, Range 6 West

Section 6, Township 22 South, Range 7 West

Section 30, Township 22 South, Range 8 West

Section 25, Township 22 South, Range 9 West

Sections 10, 11, 12, 13, 14, 15, 16, 17, 21, 22, 23, and 24, Township 23 North, Range 4 East

Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 14, 15, 16, 17, 18, 19, and 20, Township 23 North, Range 5 East

Sections 31 and 35, Township 24 North, Range 5 East

Sections 2, 3, 4, 9, 10, 14, 15, 16, 22, 23 and 24,
Township 24 North, Range 6 East

Sections 4, 5, 7, 8, 9 and 17, Township 24 North, Range
7 East

The previously granted temporarily abandoned status for these wells expires on or about June 23, 1995, and Taurus Exploration, Inc. is requesting this Board to grant a one (1) year extension of the temporarily abandoned status beginning June 23, 1995, because all of the wells in the aforementioned Sections have future utility and should not be plugged.

20. DOCKET NO. 6-21-9510

Petition by PALMER PETROLEUM, 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 approving an exceptional location for the proposed Eddins 13-11 No. 1 Well to be drilled on a 160-acre wildcat drilling unit consisting of the Southwest Quarter of Section 13, Township 6 North, Range 7 East, Monroe County, Alabama. The surface location for the proposed Eddins 13-11 No. 1 Well is 512 feet FNL and 629 feet FEL of said Southwest Quarter of Section 13, with a proposed bottom hole location

no closer than 330 feet FNL and 330 feet FEL of said Southwest Quarter of Section 13. As proposed, said well is an exception to Rule 400-1-2-.02(2) of the State Oil and Gas Board of Alabama Administrative Code which states that such a well shall be located at least 660 feet from every exterior boundary of the drilling unit.

By Order No. 95-98, the Board previously approved an exceptional location for a well to be drilled in the Southwest Quarter of said Section 13.

21. DOCKET NO. 6-21-9511

Petition by PALMER PETROLEUM, 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 amending Rule 1 of the Special Field Rules for the Monroeville Field, by adding the Northwest Quarter of Section 13, Township 6 North, Range 7 East, Monroe County, Alabama, to the field limits of said field.

22. DOCKET NO. 6-21-9512

Petition by SONAT EXPLORATION COMPANY, a Delaware corporation, requesting the State Oil and Gas Board,

pursuant to Section 9-17-1, et seq. Code of Alabama, (1975), and Rule 400-1-3-.06 of the State Oil and Gas Board of Alabama Administrative Code, to enter an order extending the temporarily abandoned status for certain coal degasification wells in the White Oak Creek and Blue Creek Coal Degasification Fields located in Tuscaloosa and Walker Counties, Alabama, in the following locations:

Sections 14, 23, 26 and 28, Township 17 South, Range 8 West
Section 6, Township 18 South, Range 7 West
Section 20, Township 17 South, Range 7 West
Section 2, Township 18 South, Range 8 West

The previously granted temporarily abandoned status for these wells expires on or about June 23, 1995, and Sonat Exploration Company is requesting this Board to grant a six (6) month extension of the temporarily abandoned status beginning June 23, 1995, because all of the wells in the aforementioned Sections have future utility and should not be plugged.

23. DOCKET NO. 6-21-9513

Petition by LONGLEAF ENERGY GROUP, INC., 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 an exceptional location for the SMAK-Dixon 31-7 No. 1 Well to be drilled on a 160-acre drilling unit consisting of the Northeast Quarter of Section 31, Township 3 North, Range 15 East, Covington County, Alabama, in the Pleasant Home Field. The surface location for the proposed SMAK-Dixon 31-7 No. 1 Well is 330 feet FWL and 330 feet FSL of said Northeast Quarter of said Section 31 and, as such, is an exception to Rule 3(b) of the Special Field Rules for the Pleasant Home Field, which states that such a well shall be located at least 660 feet from any exterior boundary of the unit.

24. DOCKET NO. 6-21-9514

Petition by WILL-DRILL PRODUCTION CO., INC. a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama to enter an order force pooling, with a risk compensation penalty, all tracts and interests in oil produced from the Frisco City, Haynesville, Smackover and Norphlet Formations from a well to be drilled on a unit consisting of the Southeast Quarter of Section 15, Township 6 North, Range 7 East, Monroe County, Alabama as a wildcat

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

25. DOCKET NO. 6-21-9515

Petition by ARAXAS EXPLORATION, INC. a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama to enter an order approving the exceptional location of the Scruggs 34-2 No. 1 Well, Permit No. 10667-B, drilled to a bottom hole location 623 feet from the West line and 709 feet from the North line of a 160-acre unit consisting of the Northeast Quarter of Section 34, Township 6 North, Range 7 East, Monroe County, Alabama. Said bottom hole location is an exception to the Special Field Rules for the North Excel Field which require that such a well be located 660 feet from any exterior boundary of the unit.

This request was previously approved by Emergency Order E-95-118 issued on May 19, 1995.

26. DOCKET NO. 6-21-9516

Petition by ARAXAS EXPLORATION, 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 amending Rule 1 of the Special Field Rules for the North Excel Field, Monroe County, Alabama. Petitioner proposes to amend Rule 1 by adding the Southeast Quarter of Section 33, Township 6 North, Range 7 East, Monroe County, Alabama to the existing field limits for said field. As amended, the field limits for the North Excel Field will consist of the South Half of Section 27, the Southeast Quarter of Section 28, the East Half of Section 33 and the North Half of Section 34, all in Township 6 North, Range 7 East, Monroe County, Alabama, as underlain by the Frisco City Sand Oil Pool and the Norphlet Oil Pool.

27. DOCKET NO. 4-13-9415

Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA requesting operator Smart McCauley Operating Co., Inc., to show cause why the wells identified hereinbelow, located in the Wolf Creek Coal Degasification Field, Tuscaloosa County, Alabama should not be ordered immediately plugged.

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>
6772-C	Long 25-16 #3	Sec. 25, T18S, R11W
6773-C	Long 25-14 #4	Sec. 25, T18S, R11W
6774-C	West 25-6 #5	Sec. 25, T18S, R11W

In the event the Board orders the wells to be plugged and the operator fails to plug the wells properly, then the Board will collect the proceeds of the well bonds in order to commence plugging operations. Section 9-17-6(5) of the Code of Alabama (1975) authorizes the Board to require a bond, conditioned upon the performance of duties, one of which is the duty to plug each dry or abandoned well.

28. DOCKET NO. 5-17-9524

Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA to amend Rule 4 of the Special Field Rules for the Citronelle Field so as to add provisions relating to Plugging Operations.

DOCKET NO. 6-21-9517

Petition by LONGLEAF ENERGY GROUP, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order approving an extension of the temporary test

allowable for the SMAK-Dixon 22-10 No. 1 Well, Permit No. 10764, located on a 40-acre wildcat drilling unit consisting of the Northwest Quarter of Southeast Quarter of Section 22, Township 3 North, Range 14 East, Covington County, Alabama.

Petitioner is requesting the Board to extend the temporary test allowable for said well for a period of six (6) months, with production royalties being escrowed pending the establishment of the ultimate production unit.

"Members of the public are invited to attend this meeting and to present to the Board their position concerning these matters. If special accommodations are needed to facilitate attendance or participation in the meeting, please call 205/349-2852, ext. 211.

"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 9-17-1 et seq. of the Code of Alabama (1975) 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 next meeting of the Board will be held at 10:00 a.m. on Monday, July 17, 1995, and Tuesday, July 18, 1995, in the Board Room of the State Oil and Gas Board Building, Tuscaloosa, Alabama. The notices for the July meeting should be filed on or before Friday, June 23, 1995. Petitions, exhibits, affidavits, and proposed orders must be filed on or before Monday, July 3,

1995. 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.

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

MR. WILSON: At this time the Hearing Officer will make his report to the Board.

MR. ROGERS: Mr. Chairman and members of the Board, I have a written report to the Board of the petitions and items heard by the Hearing Officer and the staff on June 21, 1995. Copies of the report are available for members of the public to review and study. I recommend that the report be adopted by the Board.

MR. MAXWELL: Mr. Chairman, I move that we approve that recommendation of Mr. Rogers.

MR. METCALFE: Support.

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

(All Board members voted "aye")

CHMN. MCCORQUODALE: "Ayes" have it.

(Whereupon, the report was
received in evidence)

MR. ROGERS: Mr. Chairman, I recommend that the report be made a part of the record at this time.

CHMN. MCCORQUODALE: That request is granted. Mr. Wilson, will you call the items to be heard by the Board, please.

MR. WILSON: Items scheduled to be heard today are Item No. 6, Docket No. 5-17-952, petition by Bishop Petroleum, Inc. requesting a reduction in allowables for wells within the Fanny Church Field; Item 8, Docket No. 5-17-9513, petition by BTA Oil Producers requesting an amendment of Rule 7 of the Special Field Rules for the North Excel Field in Monroe County to establish permanent allowables for wells completed in the field; Item 11, Docket No. 6-21-951, petition by Torch Operating Company requesting an increase in the temporary test allowable for an exceptional 120-acre productive extension of the North Frisco City Field in Monroe County; Item 15, Docket No. 6-21-955, petition by Pruet Production Company requesting the Board to approve the flaring of uneconomical volumes of gas from the A.T.I.C. 17-16 No. 1 Well; Item 18, Docket No. 6-21-958, petition by Exxon Corporation requesting approval of the method of allocating production of gas from wells located on Offshore Tract

111 in the Northwest Gulf Unit; Item 27, Docket No. 4-13-9415, motion by the Board requesting operator Smart-McCauley Operating Company to show cause why three wells located in the Wolf Creek Coal Degasification Field in Tuscaloosa County should not be ordered immediately plugged. Also, application by Smart-McCauley Operating Company for re-hearing of Docket No. 5-18-945 which was a petition to rescind Board orders requiring certain wells in Tuscaloosa County to be plugged. We also have two emergency petitions on the docket, Docket No. 6-12-951, emergency petition by Spooner Petroleum Company requesting extension of the 30-day temporary test allowable for the Byrd 32-13 No. 2 Well at a rate of 750 barrels of oil per day, and another emergency petition bearing Docket No. 6-23-951, petition by Cobra Oil and Gas Corporation regarding approving an exceptional location for a well on a 160-acre productive extension of the Southeast Frisco City Field and allowables for that well.

CHMN. MCCORQUODALE: Mr. Rogers, I understand that on at least one and perhaps more of these docket items that there have been requests for continuances.

MR. ROGERS: Yes, sir. With respect to Item 6, Bishop Petroleum, Inc. has requested a continuance. We would recommend that be granted.

CHMN. MCCORQUODALE: Is there any objection? (No response)
Hearing none, Item 6 is continued. Is that the only one?

MR. ROGERS: One other item, a petition by Pruet Production Company, we have an affidavit submitted by Pruet and would recommend that be admitted into the record.

CHMN. MCCORQUODALE: The affidavit is admitted.

(Whereupon, the affidavit was
received in evidence)

MR. ROGERS: The staff would recommend that that petition be continued with the stipulation that the A.T.I.C. 17-16 No. 1 Well, Permit No. 10733, be allowed to flare gas until the next regularly scheduled meeting of the Board.

CHMN. MCCORQUODALE: Is there any opposition to that?

MR. MAXWELL: I move the approval of Mr. Rogers' recommendation.

MR. METCALFE: Second.

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

(All Board members voted "aye")

CHMN. MCCORQUODALE: "Ayes" have it. Mr. Rogers, I understand that there are at least a couple of items that will be contested. Is that right?

MR. ROGERS: Yes, sir. That would be a petition by BTA Oil Producers, Item 8, Docket No. 5-17-9513, and the emergency petition by Spooner, Docket No. 6-12-951.

CHMN. MCCORQUODALE: What about Item 11?

MR. ROGERS: Yes, sir. Item 11, Docket No. 6-21-951, petition by Torch Operating Company, is also contested. That item and the Spooner item are somewhat related and the parties may want to consolidate those items for hearing purposes.

CHMN. MCCORQUODALE: We'll ask that in just a few minutes when we get to those. If you would then, Mr. Wilson, call the items in order. From a procedural standpoint today, we will hear those uncontested items first. If you will call in order the items, other than 8, 11, and the Spooner emergency, we will move forward on those.

MR. WILSON: The first item will be Item 18, Docket No. 6-21-958, petition by Exxon Corporation.

MR. WATSON: Mr. Chairman, I've prefiled an affidavit of notice in this matter and would like to ask that it be made a part of the record of this hearing.

CHMN. MCCORQUODALE: That request is granted.

(Whereupon, the affidavit was
received in evidence)

MR. WATSON: This is a request by Exxon asking the Board to approve a method of allocating production of gas from Tract 111 in the Northwest Gulf Unit, Mobile Area, Mobile County, Alabama. Exxon proposes to change the production flow of gas from the State Lease 536 No. 1 -- I'm sorry, the 536 No. 2 Well such that a portion of the full wellstream production from that well will be commingled with the well production from the State Lease 536 No. 1 Well. I have handed up to you an affidavit of testimony of Mike Rozek with exhibits attached. I've also handed up to you a letter from James D. Martin, Commissioner of Conservation. Mr. Rozek explains in detail the method of allocating production and metering. Commissioner Martin's letter acknowledges our request and supports it for this reason. The 111 No. 2 Well has the capacity to produce more than its physical facilities will accommodate, which is a blessing. The Tract 111 No. 1 Well has some additional capacity. What we're proposing to do is to lay a jumper line from one well and facility to the adjacent facility so as to be able to produce the full wellstream possibility of the 111 No. 2 through the existing facility so that the only thing that we have to construct is a jumper line. That will then in turn produce more income for the State, more production will come out of the 111 wells together. The important factor and the reason Commissioner Martin, I suppose, in his letter supports

this is that we're offsetting federal wells to the south of this that are very high producing wells. We wanted to at least compete with those wells. I would ask then with that explanation that you receive into the record of this hearing the prefiled affidavit of Mike Rozek who is a qualified witness before this Board with the exhibits attached and also receive as an exhibit the letter dated June 13, 1995, to Dr. Mancini from Commissioner Martin.

CHMN. MCCORQUODALE: Those two items are admitted into evidence.

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

MR. WATSON: Based on those documents and based on the fact that this will protect the coequal and correlative rights of the State of Alabama as a landowner, I urge the Board to approve this matter.

CHMN. MCCORQUODALE: Are there any questions by the Board or staff?

MR. WILSON: The staff has no questions.

CHMN. MCCORQUODALE: Do I hear a motion?

MR. METCALFE: Move.

MR. MAXWELL: Second.

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

(All Board members voted "aye")

CHMN. MCCORQUODALE: "Ayes" have it. Petition is granted.

MR. WILSON: Item 27, Docket No. 4-13-9415, motion by the Board regarding operator Smart-McCauley Operating Company.

CHMN. MCCORQUODALE: Can we consolidate both of these items?

MR. ROGERS: Yes, sir. I'd recommend that the motion by the Board be consolidated with the application for re-hearing by Smart-McCauley Operating Company.

CHMN. MCCORQUODALE: That request is granted.

MR. MCCAULEY: Good morning, Mr. McCorquodale, members of the Board, staff, Mr. Rogers, I'm here representing Smart-McCauley Operating Company for the continuance of the Kelley 14-7, the Nuckols 11-15, the West 25-6, and the Long 25-16 and 25-14. As we spoke at the last meeting, I needed to show ya'll [sic] that we meant what we said on getting some things done. I believe I can show you that with these exhibits that I've presented -- I also have Mr. Kelley and Mr. and Mrs. Nuckols here and they would like to say something when I'm finished with this. The plugging of the wells that was delayed before the last meeting has been completed. All we have left is the restoration of the site.

CHMN. MCCORQUODALE: Excuse me. Since you're going through these exhibits in a summary sort of fashion, which is appropriate, let us swear you in to make sure that this is all under oath.

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

MR. MCCAULEY: Scott McCauley, Dallas, Texas.

(Witness was sworn by Mr. Rogers)

CHMN. MCCORQUODALE: You can just pick up where you were.

SCOTT MCCAULEY

Appearing as witness on behalf of Petitioner, Smart-McCauley Operating Company, testified as followed:

MR. MCCAULEY: Okay. We have completed the plugging of the four wells that the Board ordered plugged except for the restoration -- the reclamation and restoration of the site which will be done next week. We have -- last night with Mr. Long, we didn't get the lease signed but I do have a letter in here that shows that he is going to sign the lease. We should do it the first of the week. We made an agreement on getting his first well leased and the second well will be leased henceforth. We have received the permit for the saltwater disposal well which is now permitted by the State of Alabama and are able to dispose of saltwater. We are -- by the end of August my financing will

allow me to at least have not two wells producing but hopefully all five wells producing. I've been here for three weeks straight and working my hands to death. After that -- I'd like Mr. Kelley, if you would like to say something to the Board, and then Mrs. Nuckols.

(Whereupon, the exhibits were
received in evidence)

CHMN. MCCORQUODALE: If you will, come up to the microphone here in the front. If you would just identify yourself for the purpose of the record, we'd be glad to hear what you have to say to us.

MR. KELLEY: My name is Charles Kelley. I'd like to say that I support Smart-McCauley in this endeavor. I would like to see my wells stay open, please.

CHMN. MCCORQUODALE: Thank you. Yes, Ma'am.

MRS. NUCKOLS: I'm Merle Nuckols. My husband is hard of hearing so he asked me to speak for both of us. We highly support Mr. McCauley and what he's doing. We're well pleased with the work he has done.

CHMN. MCCORQUODALE: Thank you.

MR. ROGERS: Will you state your full name again, ma'am?

MRS. NUCKOLS: Merle Nuckols.

MR. ROGERS: Thank you.

MR. MCCAULEY: With that, Smart-McCauley requests the continuance of all five wells until the next meeting of the Board.

CHMN. MCCORQUODALE: Are there any questions by the staff or the Board?

MR. WILSON: No questions.

MR. METCALFE: I move, Mr. Chairman.

CHMN. MCCORQUODALE: Okay. We have a motion.

MR. MAXWELL: What was the motion?

CHMN. MCCORQUODALE: To continue.

MR. MAXWELL: With regard to both of them?

CHMN. MCCORQUODALE: Right.

MR. MAXWELL: I second.

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

(All Board members voted "aye")

CHMN. MCCORQUODALE: "Ayes" have it. Thank you.

MR. MCCAULEY: See you next month.

MR. METCALFE: Keep up the good work.

CHMN. MCCORQUODALE: Your schedule is sort of corresponding to ours, isn't it?

MR. MCCAULEY: Yes, sir.

MR. WILSON: That brings us to the contested items, Item 8, Docket No. 5-17-9513, petition by BTA Oil Producers.

MR. WATSON: Mr. Chairman, in the interest of time and in order to accommodate Mr. Floyd, who has a position in this matter, if you would allow me to make a brief statement.

CHMN. MCCORQUODALE: Sure.

MR. WATSON: The operators in the North Excel Field, that's BTA and Araxas, have agreed to recommend to this Board that the allowables for wells completed in the Frisco City Sand Oil Pool be set at 300 barrels of oil per day. That's a reduction from the current allowables. This agreement was reached between the operators following a recent four-day shutting in of all wells in the North Excel Field completed in the Frisco City sand in order to run pressure surveys on the producing wells. The results of that pressure survey confirm the fact that production rates needed to be reduced and a detailed study of the reservoir conducted. To allow the wells to produce at high rates may result in diminished recoveries. In response to the recently acquired pressure data, BTA commissioned Dr. Bill McCain and his firm to study the Frisco City sand reservoir to determine if a pressure maintenance program is needed. That study should be completed in the very near future. If the study indicates that the field needs to be unitized in order to implement a pressure maintenance program, BTA is committed to attempt to put together a unit as soon as possible. Our information currently tells us

that at 300 barrels of oil per day we will not reach the bubble point until about December 1. If unitization is needed and if it cannot be accomplished by December 1, BTA, prior to that time, will be back before this Board requesting further reductions in allowables so that the reservoir will not go through the bubble point before a pressure maintenance program is put in place under a unitization order of this Board. Now, we've prepared affidavits of testimony from our geologist and engineer accompanied by exhibits in support of a reduction in the allowable for the Frisco City Sand Oil Pool. We have a letter in support of this action from Araxas. We also have a letter from Mr. Floyd wherein he states, among other things, that he thinks that these wells should not produce more than 300 barrels of oil per day. Now, Mr. Floyd opposes our petition to be heard today but he has not filed any technical exhibits. With the operators in the field having agreed to recommend allowables and with the additional information that a reservoir study is underway to determine if unitization is warranted, I think the Board should hear from Mr. Floyd first so we can all understand his position in this matter. Following that, unless there is an objection from the Chair, I would propose to put my case on by the prefiled affidavits of testimony and the exhibits which I have filed and furnished to Mr. Floyd because we have nothing further to add other than to

recommend the reduction in the allowables based on the reasons that I've just stated. With that and with your permission and with Mr. Floyd's concurrence, I would like for you to hear his position.

CHMN. MCCORQUODALE: That sounds appropriate. Mr. Floyd, you do have or have seen and have been provided copies of the exhibits that Mr. Watson just made reference to, right?

MR. FLOYD: That is true.

CHMN. MCCORQUODALE: You understand what it is that they are asking?

MR. FLOYD: Yes.

CHMN. MCCORQUODALE: Okay. Tell us how you feel about that.

MR. FLOYD: Thank you. Mr. Chairman, members of the Board and staff, my name is Kenneth D. Floyd. I am representing my sister, Mary Floyd Laird, and myself in this matter. We do object to the petition on the grounds that it will not meet Section 9-17-12 Alabama Code (1975) requirement. The Lilly well is producing approximately, I found out today, 80 barrels per day as per Mr. Watson. On May 19, 1995, BTA's geologist, Mr. Steve Salmon, testified that wells producing from the Frisco City sands in the North Excel Field are producing from a common reservoir. In February of 1995, the BTA 9216 Lilly 27-13 No. 1 Well was made a producer in the Frisco City sand. Although the Lilly well was

not as productive as the BTA 9216 Jordan 33-8 No. 1 and Araxas Exploration's Scruggs 34-2 No. 1 Well, BTA made a business decision to leave the Lilly well as a low producer. During the months of February, March, April, May, and June, the BTA Jordan and the Araxas Scruggs wells have produced somewhere in excess of 90,000 barrels of oil more than the Lilly. In my reading of this Section, this is a violation of Section 9-17-12 Alabama Code (1975). Reading of the Section 9-17-12, the word "shall" is used eleven times. When the word "shall" is used in any order, rule, regulation or procedure, it conveys complete compliance. It is my contention that BTA and Araxas at the time knew that these wells were producing from the same reservoir. I request the Board to set permanent allowables at a rate no more than the lowest producing well and not to exceed 300 barrels per day until such time bottom hole pressures justify the increase. Also, I request BTA and Araxas be ordered that rates of the Jordan and Scruggs wells be adjusted until such time as the Lilly interest reaches parity. If there are other ways of reaching parity, I would be in agreement. In my opinion, Section 9-17-12 Alabama Code (1975) pertaining to oil and gas gives authority and responsibility to the Board for the requested action. I ask the Board to make our letters of May 11 and June 14, 1995, a part of the record.

CHMN. MCCORQUODALE: Thank you, Mr. Floyd. That request is granted and those letters will be made a part of the record and admitted into evidence.

(Whereupon, the letters were
received in evidence)

CHMN. MCCORQUODALE: Mr. Floyd, I see your letter of June 14. I do not see your May letter. You had requested that that be made a part of the record and I granted that request. We perhaps have it in a file somewhere but if you have an extra copy of that and would get it to us before we adjourn today, then we will make it a part of the record.

MR. FLOYD: I have one.

CHMN. MCCORQUODALE: Mr. Watson.

MR. WATSON: I've handed up the affidavits which have been prefiled of Judy Lerwick and Steve Salmon, who, by the way, is our petroleum engineer. Mr. Floyd referred to him as a geologist. That's just for the record. Also, I've handed up to you a letter from John Tyra representing Araxas wherein he states, as I've stated before, that Araxas supports the reduction in allowable to 300 barrels of oil per day. I would say as far as Mr. Floyd's comments, while respecting his position and his comments, the very program that we propose to undertake will, in my opinion, address most of the problems that he has addressed to

you today. As far as setting the allowable at 80 barrels or at a rate based on the lowest producing rate of any well in the field, that would be totally unprecedented. This Board has never seen fit to set an allowable based on the capability of the poorest producing well in the field for whatever reason that may be, that is whatever reason it may be producing less than other wells. As the Board knows, we cannot move oil from one tract to another tract under competitive operations. The only way you can move oil and treat separate drilling units as one single tract is under this Board's unitization order. Before we can come forward to propose unitization, we have to define the reservoir. There are two wells drilling on the eastern end of the field which would give us closure and define the reservoir. We've commissioned the study necessary to tell us whether or not the reservoir is susceptible to pressure maintenance. That's all we can do at this time. I think that the action and the only thing that we're asking the Board to do today is to reduce the allowable. It's a prudent thing to do, it's a timely thing to do, it's even presented to you in the context that we may be back to reduce it even further if it appears that we cannot progress our unitization and our studies on a timely basis. What we're looking at is a December 1995 date given production rates of 300 barrels as a critical date. If we have to cut it further to give

us more time to complete our work, we'll do that. With that, Mr. Chairman, I submit the prefiled information and ask that it be made a part of the record of this hearing.

CHMN. MCCORQUODALE: The exhibits are admitted into evidence and made a part of the record.

(Whereupon, the exhibits were
received in evidence)

CHMN. MCCORQUODALE: Are there any questions from the Board or the staff?

MR. WILSON: The staff has no questions.

CHMN. MCCORQUODALE: Mr. Floyd, did you have something that you wanted to add? Did you find that letter?

MR. FLOYD: I found the letter. I have nothing further to add.

CHMN. MCCORQUODALE: All right. If you would let us have that letter we will also make that a part of our record. Thank you.

(Whereupon, the letter was
received in evidence)

MR. MAXWELL: Mr. Chairman, I move we take this matter under advisement.

MR. METCALFE: Second.

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

Item 8

Item 11

Spooner Emergency

(All Board members voted "aye")

CHMN. MCCORQUODALE: So that you know exactly what we have done -- Mr. Watson's here a lot and you're not here that much, Mr. Floyd -- we will take it under advisement. That means that this Board will enter an order on this within the next 30 days. I will tell you that it will be much, much quicker than that. Thank you.

MR. WATSON: He's gaining on me in that experience factor.

(Laughter)

CHMN. MCCORQUODALE: We're glad to have him.

MR. WATSON: Yes, sir.

MR. FLOYD: I appreciate the time.

CHMN. MCCORQUODALE: Thank you, Mr. Floyd.

MR. WILSON: Next will be Item 11, Docket No. 6-21-951, petition by Torch Operating Company.

CHMN. MCCORQUODALE: Mr. Rogers suggested earlier when we had called the docket that perhaps Item 11 and the Spooner emergency might be consolidated. I'll just hear from the lawyers on that as to whether you think that's appropriate or not, just for purposes of the testimony.

MR. JORDEN: Actually in connection, it seems to me that they should be consolidated. They do relate to similar matters.

In connection with both of them, I'd like to make a brief statement before we make any testimony presentation, if I may.

CHMN. MCCORQUODALE: But not before we rule on whether or not to consolidate.

MR. JORDEN: No, sir. Go ahead and rule on that certainly.

MR. BUSH: We have no objection to consolidation.

CHMN. MCCORQUODALE: Okay. Those matters will be consolidated for purposes of this hearing. I'll give both of you an opportunity to make an opening statement so that we fully understand what the respective positions are. Since yours is the first petition and is on the regular docket, Mr. Jorden, you will get to go first.

MR. JORDEN: Thank you. For the record, my name is Bob Jorden and I'm from Lafayette, Louisiana. I'm representing Torch Operating Company in connection with both of these matters. We have two dockets here. They both relate to allowables for wells in the area east of the North Frisco City Field-Wide Unit. The first docket, the Torch docket, Docket No. 6-21-951, is requesting confirmation of an emergency order establishing a temporary test allowable of 750 barrels of oil per day for the Torch Lancaster 31-8 No. 1 Well. Spooner has notified us that they plan to contest that request. I would point out and if we get into the hearing, I'm going to ask that these matters be

continued, but if we get into the hearing we will present evidence to the effect that while Torch is requesting this approval for possible protection in the future, that up to now while they've had that approval, they've not produced at that rate. The other docket in this consolidated matter is a petition by Spooner under Docket 6-12-951. This is an emergency petition and under this petition they are requesting an amendment of the temporary test allowable or rather an extension of the temporary test allowable for the Spooner Byrd 32-13 No. 2 Well to 750 barrels of oil per day. On behalf of Torch we've notified them that we plan to contest that matter. These two consolidated matters must be considered in light of the pending matters in the North Frisco City Field and the area to the east. You will recall that we've been here before in connection with this matter. Pending before you is Docket 3-22-9523A which is a Spooner request to add this east area to the North Frisco City Field as a part of the same reservoir. Docket 3-22-9524 is a Spooner Petroleum request to amend and reduce the allowable production for wells in the North Frisco City Field-Wide Unit and the area to the east to 250 barrels of oil per day. When these matters were first heard it was requested that they be continued until the water injection program in the fieldwide unit had commenced and had been given an opportunity to work and the results had

been evaluated. This was the ruling of the Board at the time that these matters were submitted to the Board. As a matter of fact, the Chairman then stated, "When our staff and when the two parties are convinced that we have gathered enough information to address these issues, the Board will grant to the parties a special hearing." I'm pleased to announce today that Torch now believes that there is sufficient information to hear those matters at this special hearing. I've advised Mr. Rogers to that effect, that we are ready and hope that a special hearing could be scheduled by this Board, hopefully far enough in advance to give everybody an opportunity to properly prepare for such a hearing. The reason why Torch considers they are now ready, the water injection commenced in the first part of May. Since that time they have had two pressure surveys made. They furnished to the staff the data from those pressure surveys and they believe that they now know what they need to know about the fieldwide unit and also what they need to know about the area to the east. While we have those earlier matters continued, Torch has also now filed Docket 6-21-952 and Docket 6-21-953, a request that the area to the east not be added to the North Frisco City Field but instead be placed in its own field. We've recommended the name East Frisco City Field but, of course, the Board could name it whatever seems to be appropriate. Under the second docket in

that matter, we've also requested an exception to recognize that the Lancaster well is on a 120-acre unit and we are requesting 160-acre units for that field. Those two matters have also been continued through agreement between Torch and Spooner until such time as we have, what I will call the "big hearing", to consider all these matter relating to the Frisco City Field. As Torch, and I assume Spooner, are both now ready for the special hearing to be scheduled, it makes complete sense for these two petitions presently up before you today to be continued and to be heard at the time that the so called "big hearing" is held relating to all of these matters in the Frisco City Field -- North Frisco City Field and the area to the east. Some of the testimony and the exhibits that could be presented today will necessarily be presented at that time. In fact, I received a letter from Spooner's lawyer -- well, my office received it, I had already left the office -- on June 21, the day before yesterday, stating that they plan to use some -- some of the prefiled exhibits in their original docket, the matter that's been continued. They may use some of those exhibits today. They filed five or six exhibits. I don't know which of those exhibits they would plan to present today. I'm not even sure that's proper filing of exhibits, but in any event we are suggesting that these matters be continued. For example, if you were to conclude at the "big

hearing" that the new field that we're requesting, the East Frisco City Field, be recognized for the area to the east, at that time, we would also ask for Special Field Rules. We're not sure what those Special Field Rules will provide but they should provide for the allowables. That would be the time for the allowables to be fixed. We therefore are recommending that both of the matters scheduled today, both our petition and the Spooner petition, be continued until the special hearing date. Under our recommendation, we would suggest that the emergency order authorizing a temporary test allowable for the Torch Lancaster well be continued until the date of that special hearing so that we would still have the opportunity to produce the 750 barrels of oil per day should the pressure information indicate that that rate would be appropriate. We would also suggest that the emergency order that is to be requested on behalf of Spooner today be granted for a period extending up until the date of that special hearing where we will consider all of the matters. We have -- we, Torch, have previously advised you, as mentioned in both of the letters including the pressure survey data, that we think that the area to the east is producing at too high a rate. We are fearful that waste could be imminent. Nevertheless, we feel it incumbent upon us to request that the Lancaster allowable be at that increased rate should that pressure information

indicate that that production rate would be appropriate at some future data. Up until now, we've not produced -- our production has ranged from 250 to 300 barrels a day. That then is our recommendation.

CHMN. MCCORQUODALE: Basically you're saying that you would suggest that the temporary allowables be continued as they are now for both wells.

MR. JORDEN: Both wells, exactly.

CHMN. MCCORQUODALE: And that this matter be continued and heard all, as you call it, at the "big hearing", which I think we all agree we expect within the next couple or three months.

MR. JORDEN: That's my recommendation. The purpose of it really is to save some time because -- to the extent that they -- I've got a whole thick list of cross examination questions that relate to some of the matters in the "big hearing". If they were to present some of that today, I would be obliged to go forward with that.

CHMN. MCCORQUODALE: Well obviously, there would be some fairly substantial overlap in testimony as compared to what we do a couple of months down the road. How do you feel about that?

MR. BUSH: Mr. Chairman, it's our position that these dockets today, as far as presenting the case, can be presented, at least ours can be presented on the affidavit that has been

prefiled with this Board. Our contest is only relating to the fact that the Lancaster well is an exception well with 120-acre spacing and this area is 160-acres. Therefore, simply as a matter of law under the existing rules and rules that govern this area, this Lancaster well should be given three-fourth's of the full allowable that's been granted to the other wells. It's 160-acre spacing based on the way all of the wells in both the North Frisco City Field and this southeast extension have been drilled. All of the petitions for the Lancaster well have recognized it as an extension of the field. The Special Field Rules for the North Frisco City Field -- the Lancaster petitions also recognize that this well was drilled as an exception to those field rules -- provide for an adjustment of the allowables for a well that has less acreage in it. The bigger point or the main point is that that 40 acres that is not in the Lancaster unit is in the fieldwide unit. To grant this well a full allowable allows it to double-dip. It's got an allowable from the unit, it's participating from the unit and then you grant it a full allowable here and it also participates as to that 40 for the Lancaster unit. That's our only point. As a matter of law for this temporary test allowable, it should be set at three-fourth's. We don't oppose their petition to increase the allowable. We don't have any geological testimony or anything

else. It's simply a matter of law that it should be reduced to three-fourth's of it. We think these dockets can be heard on affidavits based on that and we have no objection to continuing it.

MR. JORDEN: If I could just briefly respond to what Mr. Bush has said.

CHMN. MCCORQUODALE: Sure.

MR. JORDEN: One, of course, no Special Field Rules have been established yet for the area to the east. It is my understanding that it's only after Special Field Rules have been adopted for a particular area that there would be any acreage adjustment of allowables. It seems to me it would be premature. More important than that, in the order that we now have -- in the emergency order that we now have and in the order that I've submitted in connection with this matter, I specifically reserved to Spooner the opportunity to object at a later date to the fact that we only have 120 acres in this unit -- not only to object to it, but to provide for subsequent reduction of allowables should that adjustment need be made. Of course, with us not producing more than 250-300 barrels a day, I really don't think that this is a practical problem. I just feel that we shouldn't get into the type of testimony and exhibits today that a contested hearing would require.

CHMN. MCCORQUODALE: The Board's gonna take a short recess.

MR. BUSH: Mr. Chairman, could I address the full hearing question. We are agreeable to -- we would like to have the full hearing also. We would request -- or like to see another 60 days before we hear it, at least into September before we hear that. We have some scheduling problems in August with lawyers and witnesses and we would like to see the data from another month or two on that.

CHMN. MCCORQUODALE: Well, what we very likely will do, gentlemen, with regard to that issue is to give you an opportunity to look at your calendars and confer with the staff and, in turn, allow them to confer with us. If everybody can reach an agreement on a date, then that's when we will do it. If we cannot reach an agreement by the middle of July -- the 15th of July, if we can't reach an agreement by then we'll just set one and I assume that ya'll [sic] would want to come.

(Laughter)

CHMN. MCCORQUODALE: We'll be in short recess.

(Whereupon, the hearing was recessed for 14 minutes)

CHMN. MCCORQUODALE: Let the record reflect that the State Oil and Gas Board is back in session. Mr. Jorden, let me, for purposes of the record, make sure that I understand. I think you alluded to it and the staff has perhaps confirmed that Torch is

not actually producing 750 a day, in fact, not nearly 750 a day. Is that right?

MR. JORDEN: Between 250 and 300 barrels of oil per day.

CHMN. MCCORQUODALE: That's what I understand. The Board understands the logic of what you have said, Mr. Bush. The Board also understands the merits of what Mr. Jorden has had to say about it. Mr. Jorden, in your motion for a continuance where you have requested that the Board defer hearing these matters until such time as we really do "hash it all out", we're inclined to agree with that while being mindful of Mr. Bush's concerns that do have some logic to them. You have suggested that the allowables remain where they are, that is simply to extend these emergencies until such time as we have the final hearing which may require a couple of 45-day periods. Would you also agree that where the 750 per day applies to Torch, at least at this point-in-time, that's sort of a moot question because you're not anywhere near 750. However, the Board is inclined to continue the matters as you have requested and leave the allowables where they are while reserving the right at the final hearing, if at some point in the interim Torch does reach that 750, have the Board review whether or not Mr. Bush was, in fact, correct and that we should have not allowed you to produce at the 750 because of the size of the unit, basically deferring that issue till the final

hearing also. If you never do reach the 750, in fact, if it never gets above 562, that continues to be a moot question. Why sit here and hash it out? If, in fact, sometime between now and then he does reach that level, then when we have the final hearing the Board can say that Mr. Bush was right, you shouldn't have done it and we're gonna make some adjustment for it. May not say that, but I'm just saying given where the respective positions are today, that seems to be the most logical way to arrive at a conclusion that will work for both parties.

MR. JORDEN: The order that I've submitted in connection with this matter actually provides for that.

CHMN. MCCORQUODALE: Okay.

MR. JORDEN: It provides for reserving to Spooner the right to object at a later date to this allowable and to adjust the production should that be the case.

MR. BUSH: I think the order is based on some language that we submitted with the emergency for the Lancaster last time. I would like for that to be included in the order again but with your additional ruling that the Board can review it and make the adjustments as it deems necessary.

MR. METCALFE: Mr. Chairman, if I can add to that, I think we're saying that if it's proven that you've been damaged then the Board will adjust that.

CHMN. MCCORQUODALE: Mr. Rogers, from a procedural standpoint, confirm for me how we get there.

MR. ROGERS: All right.

CHMN. MCCORQUODALE: I like where we're going, I'm just not sure how we get there.

MR. ROGERS: I suppose we would continue the petitions with the stipulations that the temporary test allowables that are in existence for the Lancaster and the Byrd wells would be extended until further orders of the Board and with another stipulation that at the final hearing the Board would determine whether and how much allowables should be adjusted.

CHMN. MCCORQUODALE: Based on the conversations that we've had here today and the matters that are of record.

MR. JORDEN: We might say that I would hope for all wells in this eastern area, not just our wells.

CHMN. MCCORQUODALE: Well, I think the Board probably does have the authority to look at all of the wells at that point. Again, if your situation, your situation being Torch, remains pretty much as is then Mr. Bush's concerns are moot.

MR. MAXWELL: There seems to have been a precedent long followed by this Board that the Board member who makes a motion can do so by saying quote, "so move", unquote. Therefore, "so move."

(Laughter)

MR. METCALFE: May I, Mr. Maxwell, add to that with the stipulation.

MR. MAXWELL: Which has been expressed here.

MR. METCALFE: I second the motion with the stipulation.

CHMN. MCCORQUODALE: I have a motion and a second. Is there further conversation about it?

MR. BUSH: Yes, I have a question. Since mine was done this time on an emergency basis, do I need to publish and come back at the next hearing and enter a final order?

CHMN. MCCORQUODALE: Can we just continue to hear an emergency?

MR. BUSH: Procedurally, I think that's been what's done.

CHMN. MCCORQUODALE: I think that's all that would need to be done, just to continue it, but I'm gonna defer to our attorney for that.

MR. BUSH: I would prefer to just continue it and save a trip.

MR. ROGERS: If we extend the temporary test allowables then that would become moot whether you file another petition or not. The temporary test allowables would be extended by action of the Board at this hearing, so no further petition would be necessary.

CHMN. MCCORQUODALE: I will tell both of you, just for the record so that there's not a question and Mr. Rogers can research in our rules the precise way that we need to do this, it is the intention of the Board, if the Board take affirmative action on the motion that is before it now, to continue these two matters with the present allowables until such time as we have a final hearing. How we get there, I'm going to leave that up to the attorney and he will notify both parties but that's the intention of the Board if we adopt the motion. Is that fair enough, Mr. Bush?

MR. BUSH: Yes.

CHMN. MCCORQUODALE: Mr. Jorden?

MR. JORDEN: Yes.

CHMN. MCCORQUODALE: We've got a motion and a second. Is there any further debate or discussion? All in favor of the motion say "aye".

(All Board members voted "aye")

CHMN. MCCORQUODALE: "Ayes" have it.

MR. JORDEN: Thank you gentlemen.

MR. BUSH: Do I need to submit my affidavit into evidence?

CHMN. MCCORQUODALE: Yeah. All of the affidavits that -- yours is on the emergency basis that was prefiled?

MR. BUSH: Yes.

CHMN. MCCORQUODALE: Yes, we'll admit that into evidence.

(Whereupon, the affidavit was
received in evidence)

MR. JORDEN: I have an affidavit of notice and an affidavit of Ken Hanby.

CHMN. MCCORQUODALE: Yours will also be admitted into evidence.

(Whereupon, the affidavits
were received in evidence)

MR. SPOONER: What is the procedure now on establishing a special hearing? I don't know if I quite follow you. You want to have a date set by July 15 but you're not saying that the hearing is going to be then?

CHMN. MCCORQUODALE: No. I'm telling you the hearing is not going to be then. Let me state that again because we did that as we were recessing a moment ago. The Board would encourage Mr. Bush and Mr. Jorden and the parties to try to put their calendars together and arrive at a couple of dates that look good for you at which point you would contact Mr. Rogers who would then look

at the Board's scheduling and contact the Board members and see if we can make one of those work, be it August or September, sometime in that time frame. Hopefully, that's how this will work. If not, if that cannot be accomplished by July 15 then we as a Board will look at our calendars for some time in that same time frame and pick a date that works for us and give you a significant advance notice about it. Okay? Thank you.

MR. WILSON: Mr. Chairman, that concludes the items scheduled on today's regular agenda.

(Whereupon, the hearing was adjourned at 11:22 a.m.)

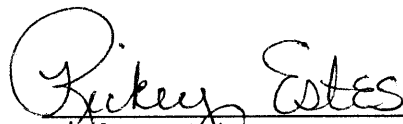
REPORTER'S CERTIFICATE

STATE OF ALABAMA ()

COUNTY OF TUSCALOOSA ()

I, Rickey Estes, Hearings Reporter in and for the State of Alabama, do hereby certify that on Friday, June 23, 1995, in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, I reported the proceedings before the State Oil and Gas Board in Regular Session; that the foregoing 70 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.

A handwritten signature in cursive script that reads "Rickey Estes". The signature is written in dark ink and is positioned above a horizontal line.

Rickey Estes
Hearings Reporter
State of Alabama