

12-17-97

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2. Eden Martin	34-37	--	---

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Board Exhibit	Hearing Officer report	16	16
Exhibit 1 (Docket No. 11-12-9717)	Affidavit of testimony (Clarence G. Curtis)	23	23
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Exhibit 3 (Docket No. 11-12-9717)	Proof of publication (The Monroe Journal)	22	22
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Exhibit 1-6 (Item 20)	Affidavit of testimony (Stewart W. Welch)	33	33
Exhibit 1 (Item 20)	Index map, West Berry Field (Eden Martin)	37	37

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 2 (Item 20)	Structure map, top bangor limestone, West Berry Field (Eden Martin)	37	37
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EXHIBITS

<u>(DESCRIPTION)</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Exhibits related to Docket No. 4-23-973	17	18

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

November 14, 1997

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 14th of November, 1997.

BEFORE:

Mr. Gaines C. McCorquodale.....Chairman

Mr. Matthew S. Metcalfe.....Chairman

BOARD STAFF

Dr. Donald F. Oltz Secretary and Supervisor

Mr. Marvin Rogers..... Attorney

Mr. Jay Masingill.....Assistant Supervisor

Mr. Gary Wilson.....Assistant Supervisor

Ms. Janyth Tolson.....Assistant Supervisor

Dr. David Bolin.....Assistant Supervisor

Mr. Richard Hamilton Engineer

Mr. Frank Hinkle Geologist

APPEARANCES

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	<u>NAME</u>	<u>REPRESENTING</u>
1.	Jim Sledge Tuscaloosa, AL	Land & Natural Resource Development, Inc.
2.	Tom Watson Tuscaloosa, AL	
3.	Winston Legge P.O. Box 470 Athens, AL	R.L. Lazenby, et al
4.	Steve Wolf Tuscaloosa, AL	Land & Natural Resource Development, Inc.
5.	Bill Tucker 611 McFarland Blvd. Northport, AL	Land, Inc.
6.	Bill McCorvey P.O. Box 211029 Montgomery, AL 36121	Docket No. 11-12-9717
7.	Mark Scogin Tuscaloosa, AL	Southern Land and Exploration
8.	Eden Martin Prairie, MS	Southern Land and Exploration

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PROCEEDINGS

(The hearing was convened at 10:10 a.m. on Friday,
November 14, 1997, at Tuscaloosa, Alabama.)

CHMN. MCCORQUODALE: Let the record reflect that the State Oil and Gas Board is now in session. Dr. Oltz, have the items to be heard today been properly noticed?

DR. OLTZ: 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
NOVEMBER 12 & 14, 1997

The meeting will begin at 10:00 a.m. on Wednesday, November 12, 1997, and Friday, November 14, 1997, 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. 3-12-9715

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 Bruno Bros. 5-7 No. 2 Well located on a 160-acre wildcat drilling unit consisting of the Northeast Quarter of Section 5, Township 6 North, Range 8 East, Monroe County, Alabama. The proposed location for the said well on said 160-acre wildcat drilling unit is 2,310 feet FEL and 1,458 feet FNL of said Section 5 and, as such, is an exception to Rule 400-1-2-.02(2) of the *State Oil and Gas Board of Alabama Administrative Code*. Said Rule states that such a well shall be located at least 660 feet from every exterior boundary of the drilling unit and the location of the above described well is only 330 feet FWL of said wildcat drilling unit.

1 2. DOCKET NO. 5-28-9712

2 Continued petition by COBRA OIL & GAS CORPORATION, a foreign
3 corporation authorized to do and doing business in the State of Alabama,
4 requesting the State Oil and Gas Board to enter an order approving an exceptional
5 location for the proposed Belcher 18-11 No. 1 Well located on a proposed 160-
6 acre wildcat drilling unit consisting of the Southwest Quarter of Section 18,
7 Township 5 North, Range 6 East, Monroe County, Alabama. The proposed
8 surface location for said well on said 160-acre wildcat drilling unit will be 2150
9 feet from the South line and 2410 feet from the West line of said Section 18 and,
10 as such, will be 490 feet from the North line and 230 feet from the East line of the
11 above-described 160-acre unit and is an exception to Rule 400-1-2-.02(2) of the
12 *State Oil and Gas Board of Alabama Administrative Code*. Said Rule states that
13 such a well shall be located at least 660 feet from every exterior boundary of the
14 drilling unit and the location of the above described well will be no closer than
15 330 feet from the North line and 150 feet from the East line of said 160-acre
16 wildcat drilling unit.

17
18 This petition is filed as a companion to petition bearing Docket No. 5-28-9713
19 requesting forced pooling, without imposition of a risk compensation fee, of the
20 above described wildcat drilling unit.

21
22 3. DOCKET NO. 5-28-9713

23 Continued petition by COBRA OIL & GAS CORPORATION, a foreign
24 corporation authorized to do and doing business in the State of Alabama,
25 requesting the State Oil and Gas Board to enter an order force pooling, without
26 the imposition of a risk compensation fee, all tracts and interests in a 160-acre
27 wildcat drilling unit for the proposed Belcher 18-11 No. 1 Well located on a
28 proposed 160-acre wildcat drilling unit consisting of the Southwest Quarter of
29 Section 18, Township 5 North, Range 6 East, Monroe County, Alabama, pursuant
30 to Section 9-17-13, *Code of Alabama* (1975), and Rule 400-1-13-.01 of the *State*
31 *Oil and Gas Board of Alabama Administrative Code*.

32
33 This petition is filed as a companion to petition bearing Docket No. 5-28-9712
34 requesting an exceptional location for the above referenced well.

35
36 4. DOCKET NO. 8-20-977

37 Continued petition by HUGHES EASTERN CORPORATION, a foreign
38 corporation, authorized to do and doing business in the State of Alabama,
39 requesting the State Oil and Gas Board to enter an order establishing a new gas
40 field in Lamar County, Alabama, to be named the North Blowhorn Creek Gas
41 Field, or such other name as the Board deems proper, and to adopt Special Field

1 Rules therefor. The proposed field, as underlain by the Gilmer Sand Gas Pool,
2 consists of the Northwest Quarter of Section 2, the Northeast Quarter of Section
3 3, all in Township 14 South, Range 14 West, and the Southeast Quarter of Section
4 34 and the Southwest Quarter of Section 35, all in Township 13 South, Range 14
5 West, Lamar County, Alabama. The Gilmer Sand Gas Pool should be defined as
6 that interval of the Gilmer Sand productive of hydrocarbons between 2,024 feet
7 and 2,043 feet as indicated on the Dual Induction Log for the Wallace 35-14 No.
8 1 Well (formerly the NBCU 35-14 No. 1 Well), Permit No. 3217, located on a
9 640-acre drilling unit consisting of the Northwest Quarter of Section 2, the
10 Northeast Quarter of Section 3, all in Township 14 South, Range 14 West, and the
11 Southeast Quarter of Section 34 and the Southwest Quarter of Section 35, all in
12 Township 13 South, Range 14 West, Lamar County, Alabama.. Petitioner is
13 requesting that the discovery well or any subsequent replacement well be located
14 on a production unit containing approximately 640 contiguous acres and
15 Petitioner is also requesting the establishment of production allowables.

16
17 This petition is filed as a companion to petition bearing Docket No. 8-20-978
18 requesting approval of an exceptional location for the above-mentioned well.

19
20 5. DOCKET NO. 8-20-978

21 Continued petition by HUGHES EASTERN CORPORATION, a foreign
22 corporation, authorized to do and doing business in the State of Alabama,
23 requesting the State Oil and Gas Board to enter an order approving an exceptional
24 location for the Wallace 35-14 No. 1 Well (formerly the NBCU 35-14 No. 1
25 Well), Permit No. 3217, located on a 640-acre drilling unit in the proposed North
26 Blowhorn Creek Gas Field consisting of the Northwest Quarter of Section 2, the
27 Northeast Quarter of Section 3, all in Township 14 South, Range 14 West, and the
28 Southeast Quarter of Section 34 and the Southwest Quarter of Section 35, all in
29 Township 13 South, Range 14 West, Lamar County, Alabama. The location for
30 the said well on said proposed 640-acre unit is 1,650 feet FWL and 330 feet FSL
31 of said Section 35 and, as such, is an exception to Rule 3(b) of the Special Field
32 Rules for the proposed North Blowhorn Creek Gas Field. Said Rule states that
33 such a well shall be located at least 1,320 feet from every exterior boundary of the
34 unit and the location of the above described well is only 990 feet FEL of said 640-
35 acre unit.

36
37 This petition is filed as a companion to petition bearing Docket No. 8-20-977
38 requesting establishment of the North Blowhorn Creek Gas Field.

1 6. DOCKET NO. 11-12-971

2 Petition by LAND AND NATURAL RESOURCE DEVELOPMENT, INC., an
3 Alabama corporation, requesting the Board to extend the temporarily abandoned
4 status for 75 wells , all of which are located in the Moundville Field, Tuscaloosa
5 and Hale Counties, Alabama. Petitioner is the operator of record for these wells
6 and desires to extend the temporarily abandoned status in order that said wells can
7 be re-entered and completed. Petitioner alleges that said wells have future utility.
8 The wells are located in the following Sections:

9
10 Township 23 North, Range 4 East

11
12 Sections: 11, 12, 13 & 14

13
14 Township 23 North, Range 5 East

15
16 Sections: 3, 4, 5, 6, 7, 8, 9, 10
17 16, 17, 18, 19 & 20

18
19 Township 24 North, Range 4 East

20
21 Sections: 24 & 25

22
23 Township 24 North, Range 5 East

24
25 Sections: 19, 30 & 31

26
27 7. DOCKET NO. 11-12-972

28 Petition by JN EXPLORATION & PRODUCTION LIMITED PARTNERSHIP, a
29 foreign limited partnership authorized to do and doing business in the State of
30 Alabama ("Petitioner"), requesting the State Oil and Gas Board (hereinafter
31 "Board") to make a determination pursuant to Section 40-20-1(22) and Section
32 40-20-2(2), *Code of Alabama* (1975), that the East Frisco City Unit located in
33 Sections 5 and 6 of T5N, R7E, Monroe County, Alabama, qualifies as a
34 "Qualified Enhanced Recovery Project" as defined in said statutes and to make a
35 determination of the projected annual oil or gas production that could have
36 otherwise been produced without the benefit of the initiation of said Qualified
37 Enhanced Recovery Project.

1 8. DOCKET NO. 11-12-973

2 Petition by KUKUI, INC., a foreign corporation authorized to do and doing
3 business in the State of Alabama requesting the Board, pursuant to Sections 9-17-
4 1, *et seq. Code of Alabama* (1975) and Rule 400-1-3-.06 of the *State Oil and Gas*
5 *Board of Alabama Administrative Code*, to enter an order extending the
6 temporarily abandoned status for the following coal degasification well located in
7 Jefferson County, Alabama:

8
9 Oak Grove Coal Degasification Field

10	11	12	13
	<u>PERMIT NO.</u>	<u>WELL NAME</u>	<u>LOCATION</u>
14	15	16	17
	9966-C	USX 36-12-146	Sec. 36, T17S, R7W

18 The previously established temporarily abandoned status for this well expires on
19 or about November 14, 1997, and KUKUI, Inc. is requesting this Board to grant a
20 six (6) month extension beginning November 14, 1997, because said well has
21 future utility and should not be plugged.

22 9. DOCKET NO. 11-12-974

23 Petition by MUNOCO COMPANY, a foreign corporation, authorized to do and
24 doing business in the State of Alabama, requesting the State Oil and Gas Board of
25 Alabama to enter an order establishing a new oil field in Lamar County, Alabama,
26 to name the Hightog Oil Field, or such other name as the Board deems proper,
27 and to adopt Special Field Rules therefor. The proposed field, as underlain by the
28 Carter Sand Oil Pool, consists of the Southeast Quarter of the Northeast Quarter
29 of Section 10, Township 16 South, Range 15 West, Lamar County, Alabama. The
30 Carter Sand Oil Pool should be defined as that interval of the Carter sand
31 productive of hydrocarbons between 4,506 and 4,532 feet as indicated on the dual
32 induction log for the G.C.Curry Estate 10-8 No. 1 Well, Permit No. 11220,
33 located on a 40-acre unit consisting of the Southeast Quarter of the Northeast
34 Quarter of Section 10, Township 16 South, Range 15 West, Lamar County,
35 Alabama, and all zones in communication therewith and all productive extensions
thereof. Petitioner is requesting well spacing of approximately 40 contiguous
acres and the establishment of production allowables.

1 10. DOCKET NO. 11-12-975

2 Petition by MOON-HINES-TIGRETT OPERATING CO., INC., a foreign
3 corporation authorized to do and doing business in the State of Alabama,
4 requesting the State Oil and Gas Board to enter an order amending Rule 1 of the
5 Special Field Rules for the South Kennedy Field, Lamar County, Alabama, to add
6 the South Half of Section 14, Township 17 South, Range 14 West, Lamar County,
7 Alabama, to the field limits of said field.

8
9 11. DOCKET NO. 11-12-976

10 Petition by MOON-HINES-TIGRETT OPERATING CO., INC., a foreign
11 corporation authorized to do and doing business in the State of Alabama,
12 requesting the State Oil and Gas Board to enter an order naming a new gas field in
13 Lamar County, Alabama, the West Millport Field, or such other name as the
14 Board deems proper, and to adopt Special Field Rules therefor. The proposed
15 field, as underlain by the Carter Sand Gas Pool, consists of Section 15, Township
16 17 South, Range 15 West, Lamar County, Alabama. The Carter Sand Gas Pool is
17 defined as that interval productive of hydrocarbons between 4,201 feet and 4,222
18 feet as indicated on the Dual Induction Log for the Odom 15-10 No. 1 Well,
19 Permit No. 11158, and all zones in communication therewith and all productive
20 extensions thereof. Petitioner is requesting well spacing of 320 contiguous
21 surface acres, and is also requesting the establishment of allowables for said field.

22
23 12. DOCKET NO. 11-12-977

24 Petition by SANFORD RESOURCES CORP., a Delaware corporation authorized
25 to do and doing business in the State of Alabama, requesting the State Oil and Gas
26 Board to enter an order force pooling, without the imposition of a risk
27 compensation fee, all tracts and interests in a 320-acre drilling unit for the
28 proposed Hawthorne 21-2 Well located in the North Half of Section 21, Township
29 14 South, Range 14 West, Lamar County, Alabama, in the Brush Creek Field,
30 pursuant to Section 9-17-13, *Code of Alabama* (1975) and Rule 400-1-13-.01 of
31 the *State Oil and Gas Board of Alabama Administrative Code*.

32
33 13. DOCKET NO. 11-12-978

34 Petition by EXXON CORPORATION, a New Jersey corporation, authorized to
35 do and doing business in the State of Alabama, requesting the State Oil and Gas
36 Board to enter an order extending the temporary abandonment status of the T.R.
37 Miller Mill-State Line Oil Trust 31-3 No. 1 Well, Permit No. 1776, located in
38 Section 31, Township 1 North, Range 9 East, and the Miller Mill Co.-State Line
39 Trust 32-5, Permit No. 3260-B, located in Section 32, Township 1 North, Range 9
40 East, both in the Jay-Little Escambia Creek Unit, Escambia County, Alabama.

1 Petitioner is requesting that the temporary abandonment status for said wells be
2 extended for six (6) months from November 14, 1997, or until the next regular
3 hearing of the State Oil and Gas Board following the expiration of six (6) months,
4 in accordance with Rule 400-1-3-.06(2) of the *State Oil and Gas Board of*
5 *Alabama Administrative Code*.

6
7 14. DOCKET NO. 11-12-979

8 Petition by FOUR STAR OIL AND GAS COMPANY, a subsidiary of Texaco
9 Exploration and Production Inc., a foreign corporation authorized to do and doing
10 business in the State of Alabama, requesting the State Oil and Gas Board of
11 Alabama to enter an order extending the temporarily abandoned status for six (6)
12 months for the following described gas-condensate well in the Hatter's Pond Field
13 Unit, Mobile County, Alabama:

<u>Permit No.</u>	<u>Well Name</u>	<u>Status</u>	<u>Location</u>
2629-B	H.P.U. 4-10 #2 SDTK #1	Temporarily Abandoned	Sec. 4, T2S, R1W

14
15
16
17
18
19
20 The previous temporarily abandoned status for this well will expire on November
21 14, 1997, and Petitioner is requesting this Board to grant a six (6) month
22 extension because the well is currently being evaluated for future utility and
23 should not be plugged.

24
25 15. DOCKET NO. 11-12-9710

26 Petition by SONAT EXPLORATION COMPANY, a Delaware corporation,
27 authorized to do and doing business in the State of Alabama, requesting the State
28 Oil and Gas Board, pursuant to Section 9-17-1, *et seq. Code of Alabama* (1975),
29 and Rule 400-1-3-.06 of the *State Oil and Gas Board of Alabama Administrative*
30 *Code*, to enter an order extending the temporarily abandoned status for the USX
31 20-06-07, Permit No. 6152-C, located in Section 20, Township 17 South, Range 7
32 West, Walker County, Alabama, in the White Oak Creek Degasification Field.

33
34 The previously granted temporarily abandoned status expires on or about
35 November 14, 1997, and Sonat Exploration Company is requesting this Board to
36 grant a six (6) month extension of the temporarily abandoned status beginning
37 November 14, 1997, because said well has future utility and should not be
38 plugged.

1 16. DOCKET NO. 11-12-9711

2 Petition by COBRA OIL AND GAS CORPORATION, a foreign corporation
3 authorized to do and doing business in the State of Alabama, requesting the State
4 Oil and Gas Board to enter an order approving an exception to Rule 15 of the
5 Special Field Rules for the Northwest Smiths Church Field, Escambia County,
6 Alabama, to allow continued flaring of the low pressure gas produced from the
7 A.T.I.C. 34-4 No. 1 Well, Permit No. 10166, located in Section 34, Township 3
8 North, Range 7 East, Escambia County, Alabama, for twelve (12) months, subject
9 to applicable standards for air and water pollution control.

10
11 By Order 96-158, dated October 11, 1996, the Board approved Petitioner's
12 request to continue flaring the treated gas from the A.T.I.C. 34-4 No. 1 Well for a
13 period of twelve months or until the next regularly scheduled meeting of the
14 Board following the expiration of said twelve-month period.

15
16 17. DOCKET NO. 11-12-9712

17 Petition by LEGACY RESOURCES CO., LIMITED PARTNERSHIP, an Indiana
18 limited partnership, authorized to do and doing business in the State of Alabama,
19 requesting the State Oil and Gas Board to enter an order approving an exception
20 to Rule 400-3-3-.02(3)(b) of the *State Oil and Gas Board of Alabama*
21 *Administrative Code* pertaining to Miocene gas wells proposed to be drilled in the
22 submerged offshore lands located in Tracts 62, 64 and 78 Mobile and Baldwin
23 Counties, Alabama. Said exception is to waive the requirement for the setting of
24 a conductor string of casing for wells with proposed depths from 0-4,000 feet, the
25 minimum conductor casing for such wells being 200 feet of casing.

26
27 18. DOCKET NO. 11-12-9713

28 Petition by PALMER PETROLEUM, INC., a foreign corporation authorized to
29 do and doing business in the State of Alabama, requesting the State Oil and Gas
30 Board of Alabama to enter an order pursuant to Sections 9-17-1 through 9-17-32
31 and 9-17-80 through 9-17-88, *Code of Alabama* (1975), approving a field-wide oil
32 unit for the North Monroeville Field to be known as the "North Monroeville
33 Field-Wide Oil Unit" consisting of the hereinafter described "Unit Area" in
34 Monroe County, Alabama, and requiring the operation of said Unit Area as a
35 single field-wide unit for pressure maintenance, enhanced recovery, development
36 and production of oil, gas, gaseous substances, condensate, distillate and all
37 associated and constituent liquid or liquefiable substances within or produced
38 from the unitized interval in order to prevent waste, to maximize recovery of the
39 unitized substances, to avoid the drilling of unnecessary wells, and to protect the
40 coequal and correlative rights of interested parties.

1 The "Unitized Formation" is to be designated as the Frisco City Sand Oil Pool,
2 defined as that interval of the Frisco City Sand productive of hydrocarbons
3 between measured depths of 10,872 feet and 10,919 feet as indicated on the Dual
4 Induction Log for the Vanity Fair 1-9 No. 2 Well, Permit No. 11214, and all
5 zones in communication therewith and all productive extensions thereof, and
6 including those strata which can be correlated therewith, or such other enlarged
7 interval as may be ordered by the State Oil and Gas Board of Alabama.
8

9 The proposed "Unit Area" is designated as the South Half, the Northwest Quarter,
10 and the South Half of the Northeast Quarter, all in Section 1, and the East Half of
11 the Northeast Quarter of Section 2, all in Township 6 North, Range 7 East,
12 Monroe County, Alabama.
13

14 Said petition further seeks entry of an order by this Board unitizing, pooling and
15 integrating the Unit Area, as underlain by the above described Unitized
16 Formation, into a field-wide unit so as to require all owners or claimants of
17 royalty, overriding royalty, mineral, leasehold and all other leasehold interests
18 within said field-wide Unit to unitize, pool and integrate their interests and
19 develop their lands or interests within the Unit Area as a field-wide Unit. Said
20 petition further seeks to have Palmer Petroleum, Inc. designed as operator of the
21 Unit Area in accordance with the laws in the State of Alabama and seeks an order
22 from this Board approving the Unit Agreement containing a requirement for
23 redetermination, following a public hearing, to consider additional evidence and
24 the extent to which the participation of each Tract should be redetermined in
25 accordance with Section 9-17-86 *Code of Alabama* (1975), and the Unit
26 Operating Agreement. Petitioner also seeks approval of the Ratification of said
27 Agreements. Said petition further seeks approval of the amendments to the
28 Special Field Rules for the North Monroeville Field in order to conform to the
29 provisions of the aforementioned Unit Agreement and Unit Operating Agreement.
30

31 This petition is filed as a companion to petition bearing Docket No. 11-12-9714
32 requesting an amendment to Rule 1 of the Special Field Rules to add to the field
33 limits.
34

35 19. DOCKET NO. 11-12-9714

36 Petition by PALMER PETROLEUM, INC., a foreign corporation authorized to
37 do and doing business in the State of Alabama, requesting the State Oil and Gas
38 Board of Alabama to enter an order amending Rule 1 of the Special Field Rules
39 for the North Monroeville Field, Monroe County, Alabama, to add the West Half,
40 and the South Half of the Northeast Quarter, all in Section 1 and the East Half of

1 the Northeast Quarter of Section 2, all in Township 6 North, Range 7 East,
2 Monroe County, Alabama, to the field limits of said field.

3
4 This petition is filed as a companion to petition bearing Docket No. 11-12-9713
5 requesting approval of a field-wide oil unit to be known as the "North
6 Monroeville Field-Wide Oil Unit."

7
8 20. DOCKET NO. 11-12-9715

9 Petition by SOUTHERN LAND & EXPLORATION COMPANY, INC., a
10 foreign corporation whose principal place of business is Prairie, Mississippi,
11 requesting the State Oil and Gas Board of Alabama to enter an order creating a
12 new gas field in Fayette County to be name the West Berry Field or such other
13 name as the Board deems proper and to adopt Special Field Rules therefor. The
14 area to be included in the new field comprises the West Half of Section 18,
15 Township 16 South, Range 10 West, Fayette County, Alabama, as underlain by
16 the Lewis Sand and all productive extensions thereof. The Lewis Sand is to be
17 defined as those strata between 3,306 feet to 3,318 feet as indicated on the Dual
18 Induction Compensated Neutron log in the Griffin Estate 18-4 #1 Well, Permit
19 No. 2835-A, with a bottom-hole location of 1,050 feet from the West line and
20 1,100 feet from the North line of Section 18, Township 16 South, Range 10 West,
21 Fayette County, Alabama. Petitioner is requesting well spacing of 320 acres and
22 is also requesting the establishment of production allowables. All parties are
23 advised that the State Oil and Gas Board, upon hearing, may grant an order
24 different from that requested by petitioner. This petition is made pursuant to
25 *Alabama Code* Section 9-17-12 (1975) and Rule 400-1-1-.05 of the *State Oil and*
26 *Gas Board of Alabama Administrative Code*.

27
28 21. DOCKET NO. 3-6-9637

29 Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA
30 to repeal and rescind all rules and regulations of statewide application and to
31 promulgate new rules and regulations of statewide application, provided,
32 however, that Special Field Rules shall not be repealed and rescinded. The rules
33 and regulations of the State Oil and Gas Board are set forth in Rule 400-1-1-.01 et
34 seq. of the *State Oil and Gas Board of Alabama Administrative Code*. Under this
35 Motion, the State Oil and Gas Board proposes to make substantial changes to
36 regulations governing coalbed methane gas operations, offshore operations, and
37 various other regulations.

1 22. DOCKET NO. 3-12-9719

2 Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA
3 requesting operator Rockbridge Oil & Gas, Inc., to show cause why the well
4 identified hereinbelow located in the Flomaton Field, Escambia County, Alabama,
5 should not be ordered immediately plugged.
6

7 <u>PERMIT NO.</u>	<u>WELL NAME</u>	<u>LOCATION</u>
8 2261	ATIC Fee #2	Sec. 4, T1N, R8E

9
10
11 In the event the Board orders the well to be plugged and the operator fails to plug
12 the well properly, then the Board will collect the proceeds of the well bond in
13 order to commence plugging operations. Section 9-17-6(5) of the *Code of*
14 *Alabama* (1975) authorizes the Board to require a bond, conditioned upon the
15 performance of duties, one of which is the duty to plug each dry or abandoned
16 well.
17

18 23. DOCKET NO. 3-12-9720

19 Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA
20 requesting operator Washington Oil Company to show cause why the well
21 identified hereinbelow located in the Red Creek Field, Washington County,
22 Alabama, should not be ordered immediately plugged.
23

24 <u>PERMIT NO.</u>	<u>WELL NAME</u>	<u>LOCATION</u>
25 2721	L.E. Heinmiller #1	Sec. 12, T7N, R5W

26
27
28 In the event the Board orders the well to be plugged and the operator fails to plug
29 the well properly, then the Board will collect the proceeds of the well bond in
30 order to commence plugging operations. Section 9-17-6(5) of the *Code of*
31 *Alabama* (1975) authorizes the Board to require a bond, conditioned upon the
32 performance of duties, one of which is the duty to plug each dry or abandoned
33 well.
34

35 24. DOCKET NO. 4-23-9729

36 Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA
37 to extend the shut-in status for the following well operated by Tony L. Williams.

1 PERMIT NO. WELL NAME LOCATION COUNTY

2
3 6309 Williams 25-9 Sec. 25, T9S, R14W Marion

4 In the event the Board orders the well to be plugged and the operator fails to plug
5 the well properly, then the Board will collect the proceeds of the well bond in
6 order to commence plugging operations pursuant to Section 9-17-6(5) of the *Code*
7 *of Alabama* (1975).

8
9 25. DOCKET NO. 8-20-9713

10 Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA
11 to extend the temporary test period for one year for the following well operated by
12 Braxton Craig.

13
14 PERMIT

15 NO. WELL NAME LOCATION COUNTY

16
17 2661 Roy Craig #1 Sec. 14, T6S, R9W Lawrence

18
19 26. DOCKET NO. 11-12-9716

20 MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA requesting
21 operator Marion Corporation or its successors-in-interest or Insurance Company
22 of North America, as surety of a well bond, to show cause why the well location
23 for the Loper Estate No. 1 Well, Permit No. 2115, in Section 19, Township 2
24 North, Range 2 West, in the Citronelle Field, Mobile County, Alabama, should
25 not be ordered to be restored in accordance with Rule 400-1-5-.07 of the *State Oil*
26 *and Gas Board of Alabama Administrative Code*. Section 9-17-6(c)(5) of the
27 *Code of Alabama* (1975) authorizes the Board to require a bond to ensure
28 compliance by the operator of a well with the oil and gas statutes and the rules
29 and regulations of the Board.

30
31 DOCKET NO. 11-12-9717

32 Petition by PALMER PETROLEUM, INC., a foreign corporation authorized to
33 do and doing business in the State of Alabama, requesting the State Oil and Gas
34 Board to enter an order approving an exceptional location for the MacMillan
35 Bloedel 16-10 #2 Well, Permit No. 11315, located on a 160-acre unit consisting
36 of the Southeast Quarter of Section 16, Township 6 North, Range 8 East, Monroe
37 County, Alabama. The surface location of said well is 1949 feet FSL and 1985
38 feet FEL of said Section 16, and the bottom hole location for the said well is
39 642.03 feet FWL and 677.6 feet FNL of said 160-acre unit and, as such, is an
40 exception to Rule 400-1-2-.02(2) of the *State Oil and Gas Board of Alabama*
41 *Administrative Code*. Said Rule states that such a well shall be located at least

1 660 feet from every exterior boundary of the unit and the bottom hole location of
2 the above described well is only 642.03 feet FWL of said 160-acre unit.
3
4
5
6
7
8

9 Members of the public are invited to attend this meeting and to present to
10 the Board their position concerning these matters. If special accommodations are
11 needed to facilitate attendance or participation in the meeting, please call
12 205/349-2852, ext. 211.
13

14 The public is advised that the Board may promulgate orders concerning a
15 petition which may differ from that requested by the petitioner concerning the
16 lands described in the notice. Pursuant to this hearing, Section 9-17-1 *et seq.* of
17 the *Code of Alabama* (1975) and the rules and regulations promulgated
18 thereunder, the Board will enter such order or orders as in its judgment may be
19 necessary based upon the evidence presented.
20

21 The State Oil and Gas Board was originally established by Act No. 1 of
22 the Legislature of Alabama in the Regular Session of 1945. The applicable law
23 pertaining to the establishment of the Board now appears in Section 9-17-1 *et seq.*
24 of the *Code of Alabama* (1975), as last amended. The applicable rules pertaining
25 to the conduct of hearings by the Board are found in Rule 400-1-12-.01 *et seq.* of
26 the *State Oil and Gas Board of Alabama Administrative Code*.
27

28 The next meeting of the Board will be held at 10:00 a.m. on Wednesday,
29 December 17, 1997, and Friday, December 19, 1997 in the Board Room of the
30 State Oil and Gas Board Building, Tuscaloosa, Alabama. The notices for the
31 December meeting should be filed on or before Monday, November 24, 1997.
32 Petitions, exhibits, affidavits, and proposed orders must be filed on or before
33 Wednesday, December 3, 1997. Requests to continue an item or to oppose an item
34 listed on the docket should be received by the Board at least two (2) days prior to
35 the hearing.
36
37

38 Donald F. Oltz
39 Secretary to the Board
40

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

2 MR. ROGERS: Mr. McCorquodale and Mr. Metcalfe, I have a written report to the
3 Board of the items heard by the Hearing Officer and the staff on November 12, 1997. Copies of
4 the report are available for members of the public to review and study. I recommend that the
5 report be adopted by the Board.

6 MR. METCALFE: So move.

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

8 (Board members McCorquodale and Metcalfe voted "aye")

9 CHMN. MCCORQUODALE: "Ayes" have it.

10 (Whereupon, the Hearing Officer
11 report was received in evidence)

12 MR. ROGERS: I would recommend the report be made a part of the record.

13 CHMN. MCCORQUODALE: That request is granted.

14 MR. ROGERS: Thank you.

15 DR. OLTZ: Mr. Chairman, the staff would recommend approval of the minutes of the
16 Board meeting of October 3, 1997.

17 MR. METCALFE: Move.

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

19 (Board members McCorquodale and Metcalfe voted "aye")

20 MR. ROGERS: Mr. Chairman, there are three items to be heard by the Board today.
21 Item 6, Docket No. 11-12-971, petition by Land and Natural Resource Development, Inc.; Item

1 20, Docket No. 11-12-9715, petition by Southern Land and Exploration Company, Inc.; and
 2 Docket No. 11-12-9717, petition by Palmer Petroleum, Inc. First item would be Item 6, Docket
 3 No. 11-12-971, petition by Land and Natural Resource Development, Inc.

4 MR. SLEDGE: Mr. Chairman, I'm Jim Sledge from Tuscaloosa representing the
 5 petitioner. I have one witness, Mr. Steven Wolf.

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

7 MR. WOLF: Steve Wolf, Tuscaloosa, Alabama.

8 (Witness was sworn by Mr. Rogers.)

9 MR. SLEDGE: Mr. Chairman, Land and Natural Resource Development is here today
 10 seeking to extend the temporarily abandoned status of 75 wells located in the Moundville Field.
 11 I have two witnesses that are available if the Board should desire to question them. Mr. Tucker,
 12 William E. Tucker, who testified in the April 1997 meeting, Docket No. 4-23-973, is available.
 13 We can have him sworn if needed. In April he presented a package of exhibits that presented
 14 technical data regarding the utility of these wells, their potential for completion and
 15 recompletion. The sum and substance of his testimony was that these wells are a valuable
 16 resource to have future utility for development. In the interest of time I don't plan to have him
 17 recant or restate that testimony but he is available for questions. I would like to ask, Mr.
 18 Chairman, that the exhibits in Mr. Tucker's testimony from the April 1997 hearing be
 19 incorporated into the record of this hearing

20 CHMN. MCCORQUODALE: That request is granted.

(Whereupon, exhibits relating to
Docket No. 4-23-973 were
incorporated by reference)

STEVEN WOLF

Appearing as a witness on behalf of Petitioner, Land and Natural Resource Development,
Inc., testified as follows:

DIRECT EXAMINATION

Questions by Mr. Sledge:

Q. Mr. Wolf, you are the President of Land and Natural Resource Development, Inc., the
operator of these wells?

A. That's correct.

Q. Could you review for the Board very briefly your involvement in coalbed methane
development in Alabama since the mid-1980's?

A. Since beginning the mid-80's with Mr. Tucker we have explored and reviewed many
different projects in Alabama. We were involved in the origination of the play in the
lease position that turned into Robinson's Bend Field. Since then we have been involved
in several different transactions that didn't amount to project development but were
involved with project development here in Alabama. Since the late 80's and early 90's
we have been involved in other coalbed methane projects in the basin and have been
active in reviewing and developing projects in conventional oil and gas.

1 Q. Land Inc. took over operation of these wells from TECO approximately 12 months ago, if
2 my recollection is correct.

3 A. A little more than 12 months ago.

4 Q. Mr. Tucker presented evidence in April of the technical study that you have done
5 concerning these wells. I know that the Board is interested in knowing when you plan to
6 do something with the wells and if you think these 75 wells have utility and, if so, what
7 you are going to do and what kind of commitments you can make.

8 A. Right. When I spoke in April I told you that we had engaged representatives to go out to
9 the investment community. We have been on the road and have been successful in
10 identifying at this point three parties who have made offers to join with us in the
11 development or in the experimentation of this field for future development. As just a
12 practical matter, the outlook for natural gas--the long-term outlook for the price of natural
13 gas makes a coalbed methane field resource like Moundville--the value of it has risen and
14 is dependably ascertainable now so that I believe that the actual value for the field will be
15 realized. We now have potential partners, one of which we will select in the next ten
16 days to two weeks and can proceed with the development that we had spoken to you of.

17 Q. What do you actually plan to do once this choice has been made? What do you see
18 developing in the field as far as you said experimentation? When and what?

19 A. The what is a ten-well pilot program to experiment with the procedure that we have
20 devised to remediate the wells and to try the standard procedure that everybody else has

1 done. That will commence with the five spot which is the normal way that you get out
2 and retest a field.

3 Q. When do you expect that work to start?

4 A. Well, I expect that work to start in all practically in January. Because of the nature of the
5 holidays, getting our paperwork done and the logistics required to commence something
6 like that, I would expect that by the middle of January we will be in operation.

7 Q. Obviously the process is not instantaneous. There will be a period of evaluation for the
8 initial five spot and the other five wells too.

9 A. That is right. It will take four months, six months to see results and to evaluate them and
10 to then proceed further with more confirmation.

11 Q. So what you are telling the Board and the staff is that it's November now and if we were
12 granted an additional six months of TA status that by the next time this thing comes up
13 again you will be able to say, here's what we found thus far and here's where we see it
14 going.

15 A. That's exactly right. By the next Board meeting we will have results to evaluate.

16 Q. It is your opinion that these wells do have utility for further development?

17 A. They do.

18 MR. SLEDGE: I don't really have any further direct presentation. We are available to
19 the staff and Board for any comments, questions, etc.

20 CHMN. MCCORQUODALE: You said that by the next Board meeting you would know
21 where you stood as far as exactly who the investor will be?

1 MR. SLEDGE: No, sir. What we mean is that by the next time this comes up we should
2 have the project underway.

3 CHMN. MCCORQUODALE: The next time it comes up, if we extend it?

4 MR. SLEDGE: If you extend it, yes, sir.

5 MR. WOLF: If you extend it, that's correct.

6 CHMN. MCCORQUODALE: Does the staff have some questions?

7 MR. METCALFE: Mr. Chairman, I move that we take the matter under advisement.

8 CHMN. MCCORQUODALE: Second. I would point out too before we vote on that that
9 if we adopted the testimony at the previous hearing of Mr. Tucker and the previous record--he
10 did say at that time that when the gas price increased to the range--I'm reading this--of \$3.00,
11 that it would be economical for something to happen here. Of course, we're above that now.

12 MR. SLEDGE: I believe, Mr. Wolf, while the record is open you might want to clarify
13 that. I think that is what Mr. Wolf was trying to say to you in his testimony.

14 MR. WOLF: Actually, I hadn't remembered that being entered into testimony last time
15 but these are the facts, the price of gas and the long-term outlook for the price of gas. We're at
16 \$3.50 now but the good news is that the long-term outlook is \$2.50 and above. That creates the
17 confidence in a long-term project like a coalbed methane field for people to proceed. So, it is
18 proceeding.

19 CHMN. MCCORQUODALE: All in favor of the motion to take it under advisement say
20 "aye".

21 (Board members McCorquodale and Metcalfe voted "aye")

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

2 MR. ROGERS: The next item is Item 20, Docket No. 11-12-9715, petition by Southern
3 Land and Exploration Company, Inc.

4 CHMN. MCCORQUODALE: Is anyone here representing Southern Land and
5 Exploration Company, Inc. Mr. Rogers, I suggest because we have a very short docket that we
6 move on to the next item and then come back to that one.

7 MR. ROGERS: Yes, sir. The next item is Docket No. 11-12-9717, petition by Palmer
8 Petroleum, Inc.

9 MR. WATSON: Mr. Chairman, I'm Tom Watson here on behalf of Palmer Petroleum. I
10 am requesting today that this Board make permanent an emergency action taken approving an
11 exceptional location for Palmer's MacMillan Bloedel 16-10 No. 2 Well, a 160-acre unit in the
12 Southeast Quarter of Section 16, Township 6 North, Range 8 East, Monroe County, Alabama. I
13 filed an emergency order--emergency request for an order approving an exceptional location
14 when Palmer ran a directional survey and found that this well had drifted approximately 18 feet
15 closer to the unit--closer to the set-back line of 660 feet and that the well was 642.03 feet from
16 the West line and 677.6 feet from the North line of the 160-acre unit that I have just described. I
17 would ask that the Board receive into the record of this hearing the legal notices that I filed to
18 bring this matter before the Board today.

19 CHMN. MCCORQUODALE: That request is granted.

20 (Whereupon, the legal advertisements
21 were received into evidence)

1 MR. WATSON: I will explain for those who may be interested that the emergency
2 petition was filed on November 5 when we learned that this well was some 18 feet closer to the
3 line. We wanted to get permission from the Board to test this well because it was closer than 660
4 feet. On November 6, 1997, the Board issued emergency Order E-97-130. That order, as you
5 know, Mr. Chairman, is good for a period of 45 days. I was able to get that item advertised to
6 come before this Board at this hearing with the necessary legal notices in the newspapers, Mobile
7 Press, Birmingham News, Monroe Journal, and the Montgomery Advertiser, in order to make
8 this emergency order permanent at this hearing today. I have handed up to you an affidavit in
9 support of Docket No. 11-12-9717, an affidavit by Clarence G. Curtis, a petroleum engineer who
10 is qualified as an expert before this Board. He works for Palmer Petroleum. He sets out in that
11 affidavit of testimony the exceptional location that I have just described. Attached to that is a
12 surveyor's plat showing the surface location and a bottom-hole location as I have described for
13 the record. I would ask that you admit the affidavit of testimony into the record.

14 CHMN. MCCORQUODALE: The affidavit is admitted.

15 (Whereupon, the affidavit was
16 received in evidence)

17 MR. WATSON: Mr. Chairman, I just checked since the Board went into session this
18 morning on this well to report to you that we have--first of all when I asked for the exceptional
19 location we didn't know what we had. We just knew we were 18 feet closer to the line--closer to
20 the set-back of 660 feet. I want to point out that, of course, all wildcat wells on 160-acre units
21 require wells to be at least 660 feet from every exterior boundary. Since the Board approved that

1 emergency request, the well has been tested for 72 hours. A pressure bomb was inserted into the
2 well to see what the pressure was after the 72-hour test. That pressure bomb was removed this
3 morning and the well has been flowing for 17 hours at a daily rate of 290 barrels of oil a day and
4 nine Mcf of gas. So, we do have a new discovery in this well. I might say to the Board that
5 Palmer will be requesting a 30-day routine temporary test allowable for this well to be assured
6 that the well will stay on production. As soon as we have the information from that well
7 integrated into our prospective geology, adding the engineering data, Palmer will come back to
8 the Oil and Gas Board to seek approval of the ultimate unit or the production unit for this well. I
9 understand that we have parties here today who may have interest in this matter. I will try to
10 answer any questions they have but that's all I have on direct, Mr. Chairman.

11 CHMN. MCCORQUODALE: I think there is someone who wants to speak to this.

12 MR. LEGGE: Yes, please.

13 CHMN. MCCORQUODALE: If you would just identify yourself for the record, we'll be
14 glad to hear from you now.

15 MR. LEGGE: Thank you, sir. Mr. Chairman and members, I'm Winston Legge. I'm an
16 attorney in Athens, Alabama. I appear today as a representative of Earl Lazenby, Jean Lazenby,
17 and Bill McCorvey, all of which are here with me. They own mineral rights in the East Half of
18 the Northwest Quarter of Section 16, Township 6 North, Range 8 East, Monroe County, the
19 quarter section that is immediately to the northwest of this well and now apparently within some
20 677 feet of the actual bottom location of the well.

21 CHMN. MCCORQUODALE: They are in the East Half of that quarter?

1 MR. LEGGE: That is correct, the 80 acres that is the East Half of that quarter. I want to
2 first inform you gentlemen that I am not and make no pretense to be an oil and gas attorney and
3 that following this hearing today we have made arrangements to be represented by someone who
4 understands the many facets of this that is well beyond my knowledge and comprehension at this
5 point. Today we wanted to appear to make these points. We do not come here to object to the
6 exceptional location. I cannot imagine that the Board would not approve the exceptional
7 location. That is not our purpose. We do want to emphasize to the Board this point. We do not
8 believe that this is a situation where the Southeast Quarter should be approved as the--what Tom
9 Watson who has also been so kind as to give me information has described as the ultimate unit--
10 what I might call the production unit. We--we do not have the geological data at this point, of
11 course, but we feel very strongly that this is going to be a rather significant pool and we feel
12 rather strongly that the pool is going to drain significantly from our client's land. We did not
13 want anything that happened to create an inference or "set the ball rolling" so to speak toward
14 establishing this southeast quarter as the ultimate or production unit for this well. Being a novice
15 at these proceedings I think sometimes novices look at things that perhaps everybody else has
16 just accepted for years. The way the procedure works there are certain things that have led me to
17 the conclusion that somebody did need to speak up and say, you know, the southeast quarter
18 shouldn't be presumed to be the production unit. For example, I understand in talking to Tom
19 Watson that when the well is permitted that essentially there is a unit for some purposes
20 established at that point. Well, I also understand from the administrative people at the Oil and
21 Gas Board that the permitting procedure is done without a hearing. I further understand from

1 talking to Tom that during the test period royalties will be paid and they will be paid as has been
2 routine to the holders of the mineral rights in the southeast quarter. Well, in my mind those
3 royalties are--by the way things operate--being paid without a hearing before this Board to
4 determine a production or royalty unit. You know, that bothered me that we get into a situation
5 where there might be some presumption that this government quarter section should be used. I
6 noticed that in the petition that is before you today and in the affidavit of testimony there is the
7 statement and the opinion that the exceptional location will protect the coequal and correlative
8 rights of all owners in the unit. Well, there has never been a hearing to establish a unit. Are we
9 saying that these rights are being protected? All of this is not really in the form of an objection.
10 It's just trying to explain to you why my clients are concerned that there may be some unwritten
11 presumption that the southeast quarter--the governmental southeast quarter will be the
12 production unit. We don't think that's appropriate and just simply don't want to waive any
13 rights to that effect. I want to make one more comment. I've dealt both as a lawyer representing
14 state agencies and in legal matters pertaining to state agencies for many years and I have never
15 been treated so nicely and with so much cooperation as I have gotten from your Board attorney,
16 Marvin Rogers, and from Doug Hall who was kind enough to speak to me at some length. I just
17 wanted the Board to know that. You have some very, very cooperative people.

18 CHMN. MCCORQUODALE: Would you mind writing a letter to Montgomery and
19 telling them that?

20 MR. LEGGE: I would be delighted to write a letter to that effect. [Laughter] Finally, I
21 wanted to, if it's appropriate, just ask insofar as Tom might be able to give us some information,

1 what plans at this point does it look like might be an ultimate unit and what is the availability to
2 people like my clients, the geological data?

3 CHMN. MCCORQUODALE: Do you want to respond to that, Mr. Watson?

4 MR. WATSON: Let me respond to that and let me back up, Mr. Legge, if you would
5 allow me just a minute, to respond to two or three other things that you said. First of all, the
6 history of oil and gas development in this state has evolved to the point that we do make certain
7 basic assumptions. The Legislature has seen fit to allow this Board by granting permits to
8 establish units on the evidence available at that time. That's the way we go from 40's to 160's to
9 640 acre units. That brings us out of the chaos that existed in this industry in the early part of
10 this century where anyone who owned a tract of land could drill a well on his one acre, his five
11 acres, or his ten acres because it was recognized early on by a lawyer who was trained by an
12 Alabama judge in Texas that we had to have some conservation laws to prevent people from
13 drilling a well on their tract of land regardless of its size. To allow that would allow waste to
14 occur in that we have a reservoir down there under the ground that can be efficiently produced if
15 we don't put too many holes in it. At the time of the wasteful situation in Texas where oil was
16 pouring out on the ground and no one could sell it, the situation here is that we try to produce the
17 oil efficiently and we try to produce the reservoirs efficiently. Your client's property is more
18 than 900 feet from the bottom hole of this well as a diagonal. I just looked at that roughly scaled
19 off. Yes, it's true that we establish a unit with a permit application but we're not doing anything
20 that has not been prescribed, not only by our Legislature, but by those oil producing states west
21 of us who have learned. I guess we're on the edge of the learning curve. The good thing about

1 this Board and its practice and its interpretation of the laws has been and I can attest to this that
2 individuals such as yourself get equal if not more protection under the law than the companies
3 that are developing. This Board has to strike a balance between your interests and those interests
4 of the companies that are trying to develop. Yes, sometimes we do make presumptions and
5 move across things and it's good that people like you take the time to come in and set down and
6 make your points known. I see your clients here today and I've seen them earlier this week in
7 Monroe County where I was talking about another well that Palmer has developed. We were a
8 bit further along in that process and I'm sure they have told you that we have proposed a high
9 degree of protection for everyone in a discovery there, the Vanity Fair well. To answer your
10 question about what we will do from here, Palmer, just as you are, anticipates and hopes that this
11 will be a significant discovery. The best that we can hope for is that this well will be offset by
12 additional drilling. That's the highest degree of protection we can afford you or any other offset
13 owner. We will test this well and integrate the information that we obtained both geologically
14 and engineering wise into our database. We will come to this Board--usually we come back to
15 the Board within six months. There is no magic time but as soon as we can so solemnly swear
16 that we understand more about this picture than we understand today, we'll ask the Board to
17 establish Special Field Rules. At that time we will have two options--well, we'll have three
18 options. We can ask that the southeast quarter be made the production unit. We can ask that the
19 southeast quarter be increased in size. The Legislature will allow us to increase that up to 30
20 percent or to add 48 additional acres to the 160 acres to make a production unit of up to 208
21 acres if we feel like one well will drain 208 acres and if we feel like no additional drilling is

1 warranted. The third option we have is the option I discussed with your clients in Monroeville
2 and that is to unitize as soon as we know the area that we hope to be developed by this and other
3 wells. So, that's our general plan. As far as the available information and its availability to you
4 and your clients, Mr. Legge, this Board will insist that I make available to you, and I will
5 voluntarily make that available to you without their insistence, information that comes from this
6 well. You must recognize, however, that this Board has certain rules that allow a company that
7 discovers a new field certain prerogatives, that is to say we can ask that our logs and some of the
8 other geological information be held confidential. That's to protect our interest in the
9 surrounding area. After all, we did make the discovery but even under those circumstances the
10 law only allows us to keep our information confidential for six months. That's the reason most
11 discoveries come back before this Board within that six-month period to establish a field. If we
12 come back prior to the six months to establish the field the Board will insist and we will concur
13 in releasing information prior to that six-month deadline where we could keep information
14 confidential. I hope and I know that you hope and this Board hopes that this well will continue
15 to produce 290 barrels between now and the next time that we meet so that we have something to
16 work with. We can keep you posted on any information that you want as this able and
17 competent staff will do if you choose to talk to them as to the well's progress. Certainly the next
18 time we meet we will not only have you notified of this matter but all other interested parties that
19 we know of in this area now that we will be asking for a field. So, Mr. Chairman, I can pledge to
20 this Board as I have many times full cooperation of this operator with these parties and with this
21 Board's staff as we take the next logical steps forward in this new discovery.

1 CHMN. MCCORQUODALE: Thank you, Mr. Watson. Mr. Legge, do you have other
2 questions and/or comments?

3 MR. LEGGE: One further comment, Mr. Chairman. I had a question of what happens
4 after the 30-day test period. I gather from what's been said that production continues after the
5 30-day test period and continues up during what may be six months before a petition is actually
6 filed. I would just make a suggestion that the Board might consider whether it's appropriate to
7 order royalties to be escrowed during that period since theoretically at least the money can be
8 paid to people that aren't really entitled to it based on what's ultimately found. I had wondered
9 why it wasn't escrowed during the test period to begin with but now seeing that it may be the test
10 period plus six months or so it would just seem that perhaps that's something that the Board
11 should consider at some point, simply requiring escrow of royalty money rather than it perhaps
12 being paid to the wrong people. That's the only other comment I had.

13 CHMN. MCCORQUODALE: Dr. Bolin, do you want to respond to that briefly?

14 DR. BOLIN: I'm David Bolin, Assistant Supervisor of Production and Engineering. The
15 testing and allowables that are established during testing come under the review of the engineers
16 in my group. What we have to try to do from the Board's standpoint is to strike a balance
17 between getting sufficient engineering and production data to determine the limits of the
18 reservoir and to determine what the appropriate allowable production should be for a well so that
19 it would not cause harm to the reservoir, striking a balance between that technical data that's
20 needed and the need to protect the royalty owners that should be receiving the royalties from
21 whatever area that well may be draining. Typically we do not allow this to go on open-ended.

1 We have typically tried to give up to 30 days test allowable. As a starting point for the company,
2 if a company wishes to go beyond that time then we would as a staff probably extend it to the
3 next Board meeting and ask that company to petition the Board for an extension of the temporary
4 test allowable. It's not something that would just go on open ended for six months. From an
5 administrative standpoint the staff generally does not go beyond the 30 days except to get to the
6 next Board meeting.

7 MR. LEGGE: I appreciate that. I'm from cotton country not oil country but looking at
8 the price of oil per barrel times \$2.90 a day it just seems to me--in cotton country that's a lot of
9 money.

10 MR. ROGERS: On the issue of the escrowing, the Board has the authority to escrow the
11 monies but I guess, as Dr. Bolin said, the well can actually produce during that time period based
12 on the temporary test. My understanding of the law is that if it produces during that time period
13 the people in that unit at that time period are entitled to share. I guess historically since that
14 temporary test has been such a limited time, rarely does that issue come up about escrowing
15 royalties because it's such a limited time that the test is granted.

16 CHMN. MCCORQUODALE: We have not traditionally, Mr. Legge, allowed that to go
17 on for very long without addressing exactly the issue that you have raised, that is if some
18 company wishes to just, for whatever reason, drag this process out longer than what we think is
19 appropriate or is necessary, on that issue we address that. If at some point over the next 30, 60,
20 or 90 days or whatever a request seems appropriate to you and your clients, you could make the
21 request at that time, as you learn more information I guess is how I would put that. I was going

1 to say to you too before you said what you did about the staff and having worked with them.
2 You have previously stated that your plan is to hire an oil and gas attorney to assist you with this
3 and that certainly is a good idea. While you were here today--I did not know that you talked
4 with them previously but if you had questions or wanted to talk with the staff in addition to what
5 you have learned already, they will be more than happy to try to answer any other questions that
6 you might have.

7 MR. LEGGE: I appreciate that, Mr. Chairman. As I say, we have been most pleased
8 with our experience with the Oil and Gas Board so far.

9 CHMN. MCCORQUODALE: We, as a Board, are pretty proud of them. I think they do
10 a real good job. Are there any other comments at this time?

11 MR. METCALFE: I move that we grant the petition.

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

13 (Board members McCorquodale and Metcalfe voted "aye")

14 CHMN. MCCORQUODALE: "Ayes" have it. Thank you, Mr. Legge.

15 MR. LEGGE: Yes, sir. Thank you.

16 MR. ROGERS: That brings us back to the petition by Southern Land and Exploration
17 Company, Inc., Item 20, Docket No. 11-12-9715.

18 CHMN. MCCORQUODALE: That was called previously. Is there now anybody here
19 for Southern Land and Exploration Company?

20 MR. SCOGIN: Yes, Mr. Chairman, I apologize for not being here when it was first
21 called.

1 MR. WATSON: Mr. Chairman, I have one point to make on this item. Could we go off
2 the record for a minute?

3 CHMN. MCCORQUODALE: Sure.

4 (The hearing was recessed for two minutes)

5 CHMN. MCCORQUODALE: Mr. Scogin, go ahead.

6 MR. SCOGIN: Mr. Chairman, my name is Mark Scogin representing Southern Land and
7 Exploration Company, Inc. which is a Mississippi corporation authorized to do business in the
8 State of Alabama. They have filed a petition to establish a new gas field to be named the West
9 Berry Field or such other name as the Board might prove. I have prefiled an affidavit of notice
10 and ask that the affidavit be admitted into the record.

11 CHMN. MCCORQUODALE: It is admitted.

12 (Whereupon, the affidavit was
13 received in evidence)

14 MR. SCOGIN: I have one witness to be sworn in.

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

16 MR. MARTIN: Eden Martin, 20671 Old Magnolia Highway, Prairie, Mississippi.

17 (Witness was sworn by Mr. Rogers)

18 MR. SCOGIN: Mr. Martin, what is your occupation?

19 MR. MARTIN: I am currently President of Southern Land and Exploration Company.

20 MR. SCOGIN: How long have you been so employed?

21 MR. MARTIN: Since 1992.

1 MR. SCOGIN: What was your previous employment?

2 MR. MARTIN: Prior to that I was President of Moneta Production Company.

3 MR. SCOGIN: For what period of time?

4 MR. MARTIN: Since it's beginning--since 1982 to 1992.

5 MR. METCALFE: Could you speak up? I can't hear you.

6 MR. MARTIN: Yes, sir. Would you like me to repeat that?

7 MR. METCALFE: Yes, I didn't hear you.

8 MR. MARTIN: I was employed as President of Moneta Production Company from 1982
9 until 1992. From 1992 to present I have been President of Southern Land and Exploration
10 Company.

11 EDEN MARTIN

12 Appearing as a witness on behalf of Petitioner, Southern Land and Exploration Company,
13 Inc., testified as follows:

14 DIRECT EXAMINATION

15 Questions by Mr. Scogin:

16 Q. Are you familiar with the petition that has been filed by Southern Land and Exploration
17 Company?

18 A. Yes, sir.

19 Q. Southern Land and Exploration Company has recently re-entered the Griffin Estate 18-4
20 No. 1 Well which is located in Fayette County?

21 A. Yes, sir.

1 Q. They have reworked the well so that it can be a producing well?

2 A. That is correct.

3 Q. That well is located in the West Half of Section 18, Township 16 South, Range 10 West,
4 Fayette County?

5 A. Yes, sir.

6 Q. What is the history of that well?

7 A. That well was originally drilled by Warrior Production--Warrior Drilling in 1979, I
8 believe. Warrior never installed or built a pipeline. They never produced it. It was
9 acquired by Howell Petroleum in 1982. Howell Petroleum also never produced the well
10 and did not construct and install a pipeline and ultimately plugged and abandoned the
11 well in I believe it was 1990.

12 Q. Subsequently Roundtree made an application to re-enter the well and then you became
13 the operator of that well?

14 A. That is correct.

15 Q. Has Southern Land and Exploration Company tested that well?

16 A. Yes.

17 Q. And the test results have been reported on an OGB-9?

18 A. Yes, sir.

19 Q. Has Southern Land made arrangements to have the well hooked up to a pipeline?

1 A. Yes, sir. We have installed the pipeline. I was informed by Southern Natural that they
2 should be installing their end of the equipment to be ready to take gas today, as a matter
3 of fact.

4 Q. So they are waiting for word from you?

5 A. That's right. My pipeline men are waiting for my say to turn the gas in for sale.

6 Q. This well is actually a wildcat so you have made this petition or application to establish a
7 new field?

8 A. That is correct.

9 Q. And new field rules. Are you are petroleum geologist?

10 A. No, sir.

11 Q. Or a petroleum engineer?

12 A. No, sir.

13 Q. Have you consulted with Stuart Welch about the petition that you have made here?

14 A. Yes, sir. He helped me with my maps and did some of them and reviewed the others that
15 I had and he concurred with our interpretation.

16 Q. You had him execute an affidavit in support of the petition and testify concerning the
17 technical exhibits that you have turned in?

18 A. Yes, sir.

19 Q. I would just note for the Board that the original affidavit still has not been received for
20 whatever reason. It was mailed Wednesday but as soon as it is received I will certainly

1 submit it to the Board and as such we will probably need to leave the record open until
2 such time as I can get the original affidavit.

3 CHMN. MCCORQUODALE: Would it be reasonable, Mr. Scogin, for the Board, if it
4 chooses to, to take this matter under advisement and leave the record open for the submission of
5 any additional testimony?

6 MR. SCOGIN: Yes, sir.

7 Q. Mr. Martin, as far as you know there is really no new geological information to submit to
8 the Board other than some maps which had previously been prepared in which Mr. Welch
9 has testified to in his affidavit?

10 A. No, we didn't add any additional data to the geological interpretation.

11 Q. The logs that have been submitted were logs that were made back when the well was
12 originally drilled?

13 A. That's right. In 1979, I believe.

14 Q. Okay.

15 MR. SCOGIN: Mr. Chairman, I would submit Mr. Martin for any questions that the
16 Board or staff might have.

17 CHMN. MCCORQUODALE: Are there questions for Mr. Martin? The exhibits will be
18 admitted into evidence.

19 (Whereupon, the exhibits were
20 received in evidence)

21 MR. METCALFE: Mr. Chairman, I move that we take the matter under advisement.

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

2 (Board members McCorquodale and Metcalfe voted "aye")

3 CHMN. MCCORQUODALE: "Ayes" have it. That is, of course, with the caveat that
4 the record will remain open for the submission of this affidavit.

5 MR. SCOGIN: Thank you very much.

6 CHMN. MCCORQUODALE: By the way, Mr. Martin, can I ask you, where is Prairie,
7 Mississippi?

8 MR. MARTIN: Well, it's a bedroom community off Aberdeen, if you know where
9 Aberdeen is.

10 CHMN. MCCORQUODALE: Yeah, I know where Aberdeen is.

11 MR. MARTIN: It's in Monroe County, Mississippi, but Aberdeen is--actually I've got a
12 little farm outside of town which is Prairie. It actually has its own post office so we have to tell
13 where it is, you know.

14 CHMN. MCCORQUODALE: I played ball all over Mississippi and I've never heard of
15 Prairie, so I was just curious.

16 MR. MARTIN: Well, it has true prarie ground too, it's black mud.

17 MR. SCOGIN: Mr. Chairman, if I could ask a question? Can he go ahead and have the
18 well produced until we get that order as part of the test period?

19 CHMN. MCCORQUODALE: Dr. Oltz, what is your thought on that?

20 DR. OLTZ: Mr. Hamilton can address that.

1 MR. HAMILTON: We probably need an OGB-12, the authorization to transport form
2 and a letter requesting a test period, if you could get that to us.

3 MR. WILSON: Hopefully, your affidavit would be in probably earlier than that.

4 MR. SCOGIN: Yes.

5 CHMN. MCCORQUODALE: As soon as the affidavit gets in, this is a matter that could
6 be handled by a telephone conference with the Board.

7 MR. SCOGIN: Thank you.

8 MR. METCALFE: I move that we adjourn, Mr. Chairman.

9 CHMN. MCCORQUODALE: Second. We stand adjourned.

10 (Whereupon, the hearing was adjourned at 10:50 a.m.)

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