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3-6-98

EXHIBITS

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Board Exhibit	Hearing Officer Report	11	11
Exhibit A (Item 5)	Plat of Sec. 17, T18S, R14W, Pickens County, Coal Fire Creek Field (Paul Craft)	20	21
Exhibit B (Item 5)	Oil and gas mineral lease, Freeman J. Shelton & Myrtle Shelton (Paul Craft)	20	21
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EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 5 (Item 5)	Letter to Board (Marilyn Stripling)	39	39
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Exhibits 8-12 (Item 5)	Photographs of well site, Sec. 17, T18S, R14W, Pickens County (Richard Smith)	43	44
Exhibit 13 (Item 5)	Exhibit submitted following hearing: Saltwater and compressor plans for Shelton 17-6 Well, Pickens County, AL (David Higginbotham)	---	---
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Exhibit 1 (Item 9)	Affidavit of testimony with attached map (Robert Mark Stephens)	49	49
Exhibit 1 (Item 13)	2/27/98 letter to Board (Allen H. Nelson, Weyerhaeuser)	53	53
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STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

January 30, 1998

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 30th of January, 1998.

BEFORE:

Mr. M. Stephen Dampier Member

Mr. Matthew S. Metcalfe Member

BOARD STAFF

Dr. Donald F. Oltz Secretary and Supervisor

Mr. Marvin Rogers..... Attorney

Mr. Jay Masingill.....Assistant Supervisor

Mr. Gary WilsonAssistant Supervisor

Ms. Janyth Tolson.....Assistant Supervisor

Dr. David Bolin.....Assistant Supervisor

Mr. Richard Hamilton Engineer

APPEARANCES

<u>NAME</u>	<u>REPRESENTING</u>
1. Marie Marshall 4200 E. Skelly Dr. Tulsa, OK	Germany Oil Co.
2. Richard Smith 393 Free Shelton Rd. Millport, AL	Landowner
3. William E. Tucker 611 McFarland Blvd. Northport, AL	Land, Inc.
4. Ann Smith Millport, AL	Landowner
5. Kathryn S. Ward Millport, AL	Landowner
6. Mark Scogin Tuscaloosa, AL	Germany
7. John Tyra Hamilton, AL	Land, Inc.
8. Paul Craft Brandon, MS	Land, Inc.
9. Tom Watson Tuscaloosa, AL	Vintage
10. David Higginbotham Jackson, MS Tuscaloosa, AL	Step Oil

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PROCEEDINGS

(The hearing was convened at 10:10 a.m. on Friday,
January 30, 1998, at Tuscaloosa, Alabama.)

MR. DAMPIER: 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
JANUARY 28 & 30, 1998

The meeting will begin at 10:00 a.m. on Wednesday, January 28, 1998, and Friday, January 30, 1998, 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

Continued 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 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

1 located at least 660 feet from every exterior boundary of the drilling unit and the
2 location of the above described well is only 330 feet FWL of said wildcat drilling
3 unit.
4

5 2. DOCKET NO. 11-12-974

6 Continued petition by MUNOCO COMPANY, a foreign corporation, authorized
7 to do and doing business in the State of Alabama, requesting the State Oil and Gas
8 Board of Alabama to enter an order establishing a new oil field in Lamar County,
9 Alabama, to name the Hightogy Oil Field, or such other name as the Board deems
10 proper, and to adopt Special Field Rules therefor. The proposed field, as
11 underlain by the Carter Sand Oil Pool, consists of the Southeast Quarter of the
12 Northeast Quarter of Section 10, Township 16 South, Range 15 West, Lamar
13 County, Alabama. The Carter Sand Oil Pool should be defined as that interval of
14 the Carter sand productive of hydrocarbons between 4,506 and 4,532 feet as
15 indicated on the dual induction log for the G.C.Curry Estate 10-8 No. 1 Well,
16 Permit No. 11220, located on a 40-acre unit consisting of the Southeast Quarter of
17 the Northeast Quarter of Section 10, Township 16 South, Range 15 West, Lamar
18 County, Alabama, and all zones in communication therewith and all productive
19 extensions thereof. Petitioner is requesting well spacing of approximately 40
20 contiguous acres and the establishment of production allowables.
21

22 3. DOCKET NO. 11-12-9713

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

37 The "Unitized Formation" is to be designated as the Frisco City Sand Oil Pool,
38 defined as that interval of the Frisco City Sand productive of hydrocarbons
39 between measured depths of 10,872 feet and 10,919 feet as indicated on the Dual
40 Induction Log for the Vanity Fair 1-9 No. 2 Well, Permit No. 11214, and all
41 zones in communication therewith and all productive extensions thereof, and

1 including those strata which can be correlated therewith, or such other enlarged
2 interval as may be ordered by the State Oil and Gas Board of Alabama.
3 The proposed "Unit Area" is designated as the South Half, the Northwest Quarter,
4 and the South Half of the Northeast Quarter, all in Section 1, and the East Half of
5 the Northeast Quarter of Section 2, all in Township 6 North, Range 7 East,
6 Monroe County, Alabama.

7
8 Said petition further seeks entry of an order by this Board unitizing, pooling and
9 integrating the Unit Area, as underlain by the above described Unitized
10 Formation, into a field-wide unit so as to require all owners or claimants of
11 royalty, overriding royalty, mineral, leasehold and all other leasehold interests
12 within said field-wide Unit to unitize, pool and integrate their interests and
13 develop their lands or interests within the Unit Area as a field-wide Unit. Said
14 petition further seeks to have Palmer Petroleum, Inc. designed as operator of the
15 Unit Area in accordance with the laws in the State of Alabama and seeks an order
16 from this Board approving the Unit Agreement containing a requirement for
17 redetermination, following a public hearing, to consider additional evidence and
18 the extent to which the participation of each Tract should be redetermined in
19 accordance with Section 9-17-86 *Code of Alabama* (1975), and the Unit
20 Operating Agreement. Petitioner also seeks approval of the Ratification of said
21 Agreements. Said petition further seeks approval of the amendments to the
22 Special Field Rules for the North Monroeville Field in order to conform to the
23 provisions of the aforementioned Unit Agreement and Unit Operating Agreement.

24
25 This petition is filed as a companion to petition bearing Docket No. 11-12-9714
26 requesting an amendment to Rule 1 of the Special Field Rules to add to the field
27 limits.

28
29 4. DOCKET NO. 11-12-9714

30 Continued petition by PALMER PETROLEUM, INC., a foreign corporation
31 authorized to do and doing business in the State of Alabama, requesting the State
32 Oil and Gas Board of Alabama to enter an order amending Rule 1 of the Special
33 Field Rules for the North Monroeville Field, Monroe County, Alabama, to add the
34 West Half, and the South Half of the Northeast Quarter, all in Section 1 and the
35 East Half of the Northeast Quarter of Section 2, all in Township 6 North, Range 7
36 East, Monroe County, Alabama, to the field limits of said field.

37
38 This petition is filed as a companion to petition bearing Docket No. 11-12-9713
39 requesting approval of a field-wide oil unit to be known as the "North
40 Monroeville Field-Wide Oil Unit."

1 5. DOCKET NO. 12-17-979A

2 Continued amended petition by LAND AND NATURAL RESOURCE
3 DEVELOPMENT, INC., an Alabama corporation, requesting the State Oil and Gas
4 Board of Alabama to enter an order force pooling, with the imposition of a risk
5 compensation penalty, all tracts and interests in gas produced from Pennsylvanian
6 and Mississippian Age strata in the Coal Fire Creek Field from a well to be drilled
7 on a unit consisting of the West Half of Section 17, Township 18 South, Range 14
8 West, Pickens County, Alabama, in said Coal Fire Creek Field. This Petition is in
9 accordance with Section 9-17-13, *Code of Alabama* (1975), as amended and Rule
10 400-1-13-.01 of the *State Oil and Gas Board of Alabama Administrative Code*.
11

12 6. DOCKET NO. 1-28-981

13 Petition by MOBIL OIL EXPLORATION & PRODUCING SOUTHEAST INC.,
14 a foreign corporation authorized to do and doing business in the State of Alabama,
15 requesting the State Oil and Gas Board of Alabama to enter an order continuing
16 until February 1, 1999, the shut-in status for the three following wells: (1) State
17 Lease 350 Well #1 (Permit No. 3127-OS-5); (2) State Lease 350 Well #2 (Permit
18 No. 3346-OS-8B); the said wells in State Lease 350 being located in Offshore
19 Tract 95, Baldwin and Mobile Counties; and (3) State Lease 347 Well #2 (Permit
20 No. 3614-OS-14) located in Offshore Tract 76, Baldwin and Mobile Counties.
21 The said offshore tracts are shown on plat entitled "State of Alabama Chart of
22 Submerged State Land, Oil Lease Tracts, Within 3 Marine Miles of Shoreline,"
23 dated March, 1956, revised September, 1977, Project No. 2, 5-L-2, as amended.
24

25 Three wells listed above (State Lease 350 Well #1, State Lease 350 Well #2 and
26 State Lease 347 Well #2) were all previously classified as shut-in and by Board
27 Order 96-181 of December 20, 1996, the shut-in status for these three wells was
28 continued until February 1, 1998. The said shut-in status for all three wells were
29 issued pursuant to Rule 400-3-3-.05(4) of the *State Oil and Gas Board of*
30 *Alabama Administrative Code*.
31

32 7. DOCKET NO. 1-28-982

33 Petition by MOBIL OIL EXPLORATION & PRODUCING SOUTHEAST INC.,
34 a foreign corporation authorized to do and doing business in the State of Alabama,
35 requesting the State Oil and Gas Board of Alabama to enter an order continuing
36 until February 1, 1999, the temporarily abandoned status of State Lease 350 Well
37 #4 (Permit No. 9597-OS-43B) located in Offshore Tract 95, Baldwin and Mobile
38 Counties; the said offshore tract is shown on plat entitled "State of Alabama Chart
39 of Submerged State Land, Oil Lease Tracts, Within 3 Marine Miles of Shoreline,"
40 dated March, 1956, revised September, 1977, Project No. 2, 5-L-2, as amended.

1 State Lease 350 Well #4 was previously classified as temporarily abandoned and
2 by Board Order 96-180 of December 20, 1996, the temporarily abandoned status
3 of this well was continued to February 1, 1998. The said temporarily abandoned
4 status for this well and its continuance was issued pursuant to Rule 400-3-3-.05(3)
5 of the *State Oil and Gas Board of Alabama Administrative Code*.
6

7 8. DOCKET NO. 1-28-983

8 Petition by LOWRY EXPLORATION, INC., a foreign corporation authorized to
9 do and doing business in the State of Alabama, requesting the State Oil and Gas
10 Board of Alabama to establish a new gas field in Marion County, Alabama, to be
11 called the Northwest Aston Branch Field, or such other name as the Board deems
12 appropriate, and to adopt Special Field Rules therefor. The proposed field limits
13 consist of the Northwest Quarter of Section 30, Township 11 South, Range 15
14 West and the Northeast Quarter of Section 25, Township 11 South, Range 16
15 West, Marion County, Alabama. The said field limits are underlain by the Carter
16 Sand Gas Pool, said Carter Sand Gas Pool being defined as that interval between
17 1,264 feet and 1,280 feet as indicated on the Spectral Density/Dual Spaced
18 Neutron Log for the Leonhardt 30-4 No. 1 Well, Permit No. 11276, located in
19 Marion County, Alabama, and all zones in communication therewith and all
20 productive extensions thereof. Petitioner is requesting well spacing of 320
21 contiguous acres and the establishment of production allowables.
22

23 9. DOCKET NO. 1-28-984

24 Petition by VINTAGE PETROLEUM, INC., a foreign corporation authorized to
25 do and doing business in the State of Alabama, requesting the State Oil and Gas
26 Board of Alabama to enter an order approving the design, installation and use of a
27 six-inch sour flowline to tie in the Bernice S. Wessner Gas Unit 14 #2 Well,
28 Permit No. 1974, to the Flomaton Gas Processing Plant. The proposed six-inch
29 flowline will run approximately one mile along with the existing 3 1/2 inch
30 flowline that presently connects said well to the Flomaton Gas Processing Plant,
31 and both lines will run through Sections 11 and 14, Township 1 North, Range 8
32 East, Escambia County, Alabama, in the Flomaton Field. The purpose of the
33 additional flowline is to reduce friction pressure losses that currently exist in the 3
34 1/2 inch line, and by operating both lines, Petitioner expects to increase
35 production from said well.
36

37 This request is made pursuant to Rules 400-1-5-.02(12) (a-c) and 400-1-8-.04 of
38 the *State Oil and Gas Board of Alabama Administrative Code*.

10. DOCKET NO. 1-28-985

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 Oak Grove Coal Degasification Field and the Brookwood Coal Degasification Field, Tuscaloosa and Jefferson Counties, Alabama, in the following areas.

Sections 17, 21, 27, 30, 33 and 34, Township 18 South,
Range 7 West;

Sections 26, 35 and 36, Township 18 South, Range 8 West;

Sections 3, 4, 5, 8, 9, 10, 13, 14, 15, 16 and 17, Township
19 South, Range 7 West; and

Sections 1, 2, 3, 9, 10, 15, 16, 20 and 22, Township 19 South,
Range 8 West.

The previously granted temporarily abandoned status expires on or about February 22, 1998, and Taurus Exploration, Inc. is requesting this Board to grant a six-month extension of the temporarily abandoned status beginning January 30, 1998, because all of the wells in the aforementioned Sections have future utility and should not be plugged.

11. DOCKET NO. 1-28-986

Petition by PENNSYLVANIA CASTLE ENERGY CORPORATION, a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order extending the temporary abandonment status for six (6) month for the following described wells in the Deerlick Creek Coal Degasification Field, Tuscaloosa County, Alabama, in accordance with Rule 400-1-3-.06(2) of the *State Oil and Gas Board of Alabama Administrative Code*.

<u>PERMIT NO.</u>	<u>WELL NAME</u>	<u>LOCATION</u>
4311-C	J.D. Jobson 14-3-30	Section 14, Township 20 South, Range 9 West

The previous temporary abandonment status for these wells expires on January 30, 1998, and Pennsylvania Castle Energy Corporation is requesting this Board to grant a six (6) month extension beginning January 30, 1998, because these wells have future utility in Pennsylvania Castle Energy Corporation's coalbed methane operations in Alabama and should not be plugged.

12. DOCKET NO. 3-6-9637

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

13. DOCKET NO. 3-12-9722

Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA for operator Germany Operating Company (hereinafter referred to as "Germany"), a foreign corporation whose address is 4200 East Skelly Drive, Suite 1000, Tulsa, Oklahoma, to show to the State Oil and Gas Board of Alabama that Germany has acted prudently in the payment of royalty owners in the wells which Germany operates. Under the oil and gas conservation laws, Section 9-17-1 et seq. of the *Code of Alabama* (1975) and the *State Oil and Gas Board of Alabama Administrative Code*, Germany is designated as the operator of certain wells in Fayette, Lamar, and Pickens Counties, Alabama.

14. DOCKET NO. 11-12-9716

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

1 to ensure compliance by the operator of a well with the oil and gas statutes and
2 the rules and regulations of the Board.
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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 March 4, 1998, and Friday, March 6, 1998 in the Board Room of the State Oil and
30 Gas Board Building, Tuscaloosa, Alabama. The notices for the March meeting
31 should be filed on or before Monday, February 9, 1998. Petitions, exhibits,
32 affidavits, and proposed orders must be filed on or before Wednesday, February
33 18, 1998. Requests to continue an item or to oppose an item listed on the docket
34 should be received by the Board at least two (2) days prior to the hearing.
35

36 Donald F. Oltz
37 Secretary to the Board
38 Oil and Gas Supervisor

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

2 MR. ROGERS: Mr. Chairman, Mr. Dampier, and Mr. Metcalfe, I have a written
3 report to the Board of the items heard by the Hearing Officer and the staff on January 28,
4 1998. Copies of the report are available for members of the public to review and study. I
5 recommend that the report be adopted by the Board.

6 MR. DAMPIER: I make a motion that the report be adopted.

7 MR. METCALFE: Second.

8 MR. DAMPIER: All in favor say "aye".

9 (Board members Dampier and Metcalfe voted "aye")

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

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

14 MR. DAMPIER: It is so made a part of the record.

15 DR. OLTZ: Mr. Chairman, the staff would recommend approval of the minutes
16 of the following meetings: The Hearing Officer meeting on December 17, 1997, Board
17 meeting on December 19, 1997, and the Special Hearing Officer meeting on January 7,
18 1998.

19 MR. METCALFE: So move.

20 MR. DAMPIER: Second. All in favor say "aye".

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

1 MR. ROGERS: Mr. Dampier and Mr. Metcalfe, the items to be heard today are
2 Item 5, Docket No. 12-17-979B, petition by Land & Natural Resource Development,
3 Inc.; Item 9, Docket No. 1-28-984, petition by Vintage Petroleum, Inc.; and Item 13,
4 Docket No. 3-12-9722, a Motion by the State Oil and Gas Board relating to Germany
5 Operating Company. The first item to be heard today is Item 5, Docket No. 12-17-979B,
6 petition by Land and Natural Resource Development, Inc.

7 MR. TYRA: Good morning, I'm John Tyra here on behalf of Land and Natural
8 Resource Development, Inc. I have placed before each of you exhibits that are going to
9 be presented today.

10 MR. DAMPIER: Mr. Tyra, before you get started, does anybody oppose this
11 petition today? If anybody does, they may like to come forward and sit at the table so
12 that we will know who you are. You all may not be familiar with the procedure here.
13 The petitioner will get to present their case and then you all, after they are finished, will
14 have an opportunity to present your case. At that time we will ask you to state your name
15 and address for the record.

16 MR. TYRA: Mr. Dampier, I have two witnesses.

17 MR. DAMPIER: Please go forward. Have they been sworn in?

18 MR. TYRA: No, sir, they have not.

19 MR. ROGERS: Will you gentlemen stand and state your names and addresses?

20 MR. CRAFT: My name is Paul H. Craft. I live at 110 East Haven Circle,
21 Brandon, Mississippi.

1 MR. HIGGINBOTHAM: David Higginbotham, Jackson, Mississippi, and
2 Tuscaloosa, Alabama.

3 (The witnesses were sworn by Mr. Rogers)

4 MR. TYRA: Thank you. This is a petition by Land and Natural Resource
5 Development, Inc. to enter a force pooling order. When we first filed it we requested the
6 imposition of risk compensation but in an amendment to our petition we have dropped
7 that request. It will be without risk compensation. We want to force pool tracts and
8 interests in a unit consisting of the West Half of Section 17, Township 18 South, Range
9 14 West, Pickens County, Alabama. This is in the Coal Fire Creek Field. I have
10 previously submitted an affidavit of notice in this matter and would request that it be
11 made a part of the record at this time.

12 MR. METCALFE: Mr. Tyra, would you bring the mic a little closer?

13 MR. TYRA: Yes, I'm sorry.

14 MR. DAMPIER: It is so made a part of the record.

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

17 MR. TYRA: Thank you very much. Mr. Higginbotham, let me first turn to you.
18 Have you previously testified before this Board?

19 MR. HIGGINBOTHAM: Yes, I have.

20 MR. TYRA: Has your testimony been accepted as that of an expert petroleum
21 geologist?

1 MR. HIGGINBOTHAM: Yes, it has.

2 MR. TYRA: Have you been working on this project concerning the West Half of
3 Section 17 that I discussed a minute ago?

4 MR. HIGGINBOTHAM: Yes, I have.

5 MR. TYRA: All right, sir. I would request that he be admitted as an expert
6 petroleum geologist.

7 MR. DAMPIER: He is so admitted. Mr. Tyra, may I ask you if the people
8 opposing the petition have a copy of your exhibits?

9 MR. TYRA: Yes, sir, they do.

10 DAVID HIGGINBOTHAM

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

13 DIRECT EXAMINATION

14 Questions by Mr. Tyra:

15 Q. You indicated that you have been working on this project. What specifically have
16 been your duties in reference to the same?

17 A. What I've done is looked at this wellbore, the Shelton 17-6, and determined that
18 there is recoverable gas in that unit. I've been familiar with the geology,
19 geophysics of the area, and the petroleum engineering of the area. In my opinion
20 there is recoverable natural gas still left in that unit. What we intend to do is re-

1 enter this well and produce the gas that was left behind when the well was
2 plugged.

3 Q. Okay, sir.

4 MR. TYRA: I'm going to come back to you in a minute, Mr. Higginbotham. Let
5 me now go to Mr. Paul Craft. Mr. Craft, have you previously testified before this Board?

6 MR. CRAFT: No, I have not.

7 MR. TYRA: Would you give a brief description of your work experience,
8 please?

9 MR. CRAFT: I have been a petroleum landman since about 1972. I have worked
10 extensively in Mississippi, Alabama, and Louisiana. Basically my work has entailed
11 record checking to determine mineral ownership, contacting mineral owners regarding
12 leases, and contacting oil companies regarding farmouts, contracts, etc.

13 MR. TYRA: Were you hired in order to conduct leasing and land work
14 operations in connection with the lands in question?

15 MR. CRAFT: Yes, I was.

16 MR. TYRA: Are you also familiar with the petition and the matters alleged
17 therein?

18 MR. CRAFT: Yes, I am.

19 MR. TYRA: Did you make some contact with the parties that were opposing us
20 or that are opposing us today?

21 MR. CRAFT: Yes, I attempted to, yes, sir.

1 MR. TYRA: I would request that Mr. Craft be recognized as an expert petroleum
2 landman.

3 MR. DAMPIER: Mr. Craft is so recognized.

4 PAUL CRAFT

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

7 DIRECT EXAMINATION

8 Questions by Mr. Tyra:

9 Q. What is the percentage of drilling rights that your group owns at this time to the
10 subject lands?

11 A. We have 85.5/8 percent leasehold.

12 Q. How much acreage does that represent?

13 A. Approximately 277 net acres.

14 Q. We are requesting the Board today to force pool 43 acres or 13.4 percent of the
15 unit. Is that correct?

16 A. That is correct.

17 Q. Of the 43 acres, is it true that Samson Exploration Company controls the drilling
18 rights for 40 acres?

19 A. That is correct, yes, sir.

20 Q. All right, sir.

21 MR. METCALFE: Excuse me, say that again.

1 Q. Samson Exploration Company owns 40 of the drilling rights into 40 of the acres.
2 I'm going to ask Mr. Higginbotham to address that in a minute. Who owns the
3 remaining three acres?

4 A. The remaining three acres are one-acre parcels owned by Ms. Ann Smith, Ms.
5 Kathryn Ward, Lynwood Shelton and his wife, Mildred Shelton.

6 Q. All right, sir. Is it true that we have submitted certain exhibits that deal with these
7 three acre tracts in question?

8 A. Yes, we have.

9 Q. Would you turn to those exhibits and briefly describe what they show, please?

10 A. Exhibit A is a plat of Section 17 and is colored both blue and red. The colored
11 tracts were the acreage originally described on the lease executed by Freeman
12 Shelton and his wife in 1980. The blue tracts are what we would call the Shelton
13 tracts. The remaining three tracts are the unleased one-acre tracts owned by Ms.
14 Smith, Ms. Ward, and Lynwood Shelton.

15 Q. The blue acre, is that acreage being held by production at this time?

16 A. Yes, it is.

17 Q. From what well?

18 A. The Shelton 17-8 well located in the East Half of Section 17.

19 Q. All right, sir. Your Exhibit B?

20 A. Exhibit B is a copy of the oil and gas mineral lease executed by Freeman Shelton
21 and his wife, Myrtle, dated August 14, 1980, covering 210 acres more or less in

1 Section 17. The lease has a rider attached to it which indicates that this was a top
2 lease. The effective date of this lease would be June 20, 1981.

3 Q. What does Exhibit C show?

4 A. Exhibit C is a correction of a description of an oil, gas and mineral lease executed
5 by Mr. Shelton and his wife, Myrtle. This document was executed on January 23,
6 1985. It describes the original acreage on the lease less and except two one-acre
7 tracts.

8 Q. These two one-acre tracts, they are not involved in this matter today, are they?

9 A. No, sir, they are not.

10 Q. What does your Exhibit D show?

11 A. Exhibit D is a ratification and rental division order executed by Freeman Shelton
12 and his wife, Myrtle. This document is dated January 25, 1985. It describes the
13 acreage as contained on the lease less and except five one-acre tracts. The first
14 two tracts that are accepted were the two tracts accepted on the correction of lease
15 description. The remaining exceptions--this is the first time these show up on a
16 document executed by Mr. Shelton.

17 Q. Those remaining three acres are the three acres that we are discussing today?

18 A. Yes, sir. That is correct.

19 Q. Your Exhibit E?

1 A. Exhibit E is a ratification and rental division order executed by Ms. Ann Smith
2 dated January 29, 1985. It ratifies the Freeman Shelton lease insofar as it covers
3 Ms. Smith's one acre tract.

4 Q. So looking back at Exhibit A then, the original lease executed by Mr. and Mrs.
5 Shelton in 1980 covered all of the shaded area, both red and blue.

6 A. That is correct. Yes, sir.

7 Q. The correction instrument executed in 1985, lands not in question today were
8 removed from the coverage of the lease.

9 A. That is correct, yes.

10 Q. Then on that same date, the ratification executed by Mr. and Mrs. Shelton
11 included all of the lands and then accepted the three acres in question today.

12 A. That's correct, yes.

13 Q. So this failure to include the three acres on the ratification created a question as to
14 whether this was sufficient to take the lands out from under coverage of the
15 original lease, the question being whether a ratification instrument can modify and
16 change a lease description or correction of lease description. Out of an abundance
17 of caution, did you then attempt to lease these three acre tracts?

18 A. Yes, I did.

19 Q. Were those efforts successful?

20 A. No, they were not.

1 Q. A question has been raised as to whether the Shelton lease is still in force and
2 effect. Again, what was the primary term of that lease?

3 A. It was five years from June 21, 1980, I believe.

4 Q. June 20, 1981.

5 A. 1981. I beg your pardon.

6 Q. All right, sir. So then on June 20, 1986, which would be the termination date of
7 the lease, was there production at that time?

8 A. Yes, there was.

9 Q. The well again was the?

10 A. Freeman Shelton 17-8 Well.

11 Q. That well is located in the Northeast Quarter of Section 17, is that correct?

12 A. That is correct. It is actually located on this lease.

13 Q. All right, sir. Is that well in production at this time?

14 A. It is currently in production and has been in continuous production from the date
15 of first production.

16 Q. In your opinion then would the granting of this petition allowing us to re-enter the
17 17-6 well and force pool the interests without risk compensation prevent waste
18 and protect coequal and correlative rights in the unit?

19 A. Yes, sir, I believe so.

20 MR. TYRA: At this time I'm going to the testimony of Mr. David Higginbotham
21 but I would like to have the exhibits admitted at this time, please.

1 MR. DAMPIER: The exhibits are so admitted.

2 (Whereupon, the exhibits were
3 received in evidence)

4 DAVID HIGGINBOTHAM

5 DIRECT EXAMINATION

6 Questions by Mr. Tyra:

7 Q. Mr. Higginbotham, you testified a minute ago. Let me ask you if you too are
8 familiar with the petition alleged in this matter?

9 A. Yes, I'm familiar with the petition.

10 Q. You heard the testimony of Mr. Craft concerning the 40 acres under the proposed
11 well that is controlled by Samson Exploration Company, did you not?

12 A. Yes, I did.

13 Q. Which 40 acre tract are we talking about?

14 A. On the exhibit, tract---

15 Q. What about the quarter-quarter? Is it the northeast of the southwest?

16 A. Uh--northeast--it's the southwest?

17 Q. I'm sorry, I'm asking a geologist a land question.

18 A. I'm not a landman, I'm sorry.

19 Q. Would you agree with me it's the northeast of the southwest though?

20 A. That's correct.

1 Q. Have you had personal contact with the personnel of Samson concerning the re-
2 entry of the subject well?

3 A. Yes. I have spoken with folks at Samson several times.

4 Q. Are they currently the operator of the well in the northeast quarter?

5 A. Yes. They are the operator of the well that was originally drilled by Southland
6 Royalty approximately 2,000 feet west--east of the Shelton 17-6 well.

7 Q. Have your negotiations with Samson in an attempt to have them join the project
8 or convey their interests to you been successful?

9 A. I've talked to geologists and engineers at Samson several times. One of the last
10 conversations I had with them indicated that they felt that there was recoverable
11 gas in that unit and that they would recommend to their management that they
12 participate in the well. Since then, individuals at Samson have indicated to me
13 that because they own the adjacent well that their management doesn't want to do
14 anything, rather they want to drain the gas out of the existing wellbore.

15 Q. In your opinion, would the granting of this petition prevent waste as well as
16 protect the coequal and correlative rights of the parties in the East Half--I'm sorry,
17 the West Half of Section 17?

18 A. Yes, it would.

19 MR. TYRA: That's all the testimony we have to present. I would tender the
20 witness to the Board and staff for questions.

1 MR. DAMPIER: I think what the Board and staff would like to do is ask
2 questions after the Smith's--I believe it is the Smith's--have had an opportunity to cross
3 examine. Since you all may not be familiar, let me just state this and I should have stated
4 it earlier, Gaines McCorquodale is the Chairman of the Board. He is not here and I'm
5 kind of pinch-hitting for him. If I do something out of order, please remind me and I'll
6 correct it. The way this normally proceeds is you all who are against the petition will
7 have the right to cross-examine the witnessess. When you are through cross-examining
8 the witnesses Mr. Tyra will have the right to what we call rebuttal or to put his witnesses
9 back up. Then at that time you can cross-examine them again. At the end we will let
10 each of you make a statement as far as what the evidence has shown today. At this point
11 I would like for you all, please, to state your name and address for the record and then ask
12 the witnesses any questions you would like to ask them. I have one other thing to say.
13 I'm advised by the staff attorney here, Mr. Marvin Rogers, that generally the Board does
14 not get into whether there is a valid lease or not. It's outside our jurisdiction. We have to
15 assume for purposes here that the lease is valid. Whether the lease is valid or not we
16 make no ruling or will not make a ruling upon that. That's something to take up in court
17 if anybody has a discrepancy, circuit court from whatever county you will find venue.
18 With that said, I would like for the people opposing the petitioner to state their name.
19 Mr. Rogers will swear you all in first.

20 MR. ROGERS: Will you stand and state your names and addresses?

1 MR. SMITH: My name is Richard Smith. I live at 393 Free Shelton Road,
2 Millport, Alabama.

3 MS. SMITH: Ann Smith, 393 Free Shelton Road, Millport, Alabama.

4 MR. WARD: Kathryn Ward, 601 Free Shelton Road, Millport.

5 (Witnesses were sworn by Mr. Rogers)

6 MR. DAMPIER: You may proceed.

7 MR. SMITH: I guess I'll start with the notice of the meeting. It came rather late.
8 It was mailed out on the 13th. We didn't receive it until the 15th and she only had about
9 nine working days to respond or for any of us to respond. I didn't receive any notice. I
10 own three acres of land that join her. I didn't get nothing, no notice at all like this from
11 the law office or from anybody.

12 MR. DAMPIER: Let me ask you, how did you find out about the meeting today?

13 MR. SMITH: From my mother cause we live at the same address, her notice.
14 This is all we have ever gotten, this one sheet, this one notice. If we hadn't received this
15 we would have never known anything. So I would like to start with that, that I didn't get
16 any notice but she did. My aunt, she received a notice. We have never received any
17 verbal or written or any contact from any oil company or as I have here--I did my
18 homework as best as I could on the presentation--no representative such as a petroleum
19 landman, never. In my neck of the woods over there a man goes around and knocks on a
20 door, you know, shakes hands and says look, I would like to drill a well here or re-enter
21 an old well, something. We have never had any contact with anyone. No one has come

1 to our home. All of this is like backdoor. It's like we're going to come in at them
2 irregardless. We'll just go through, you know, their law office. We'll just send this out
3 and then that's it. That's all we've ever received, this one notice. Like I say, I do have a
4 book that I purchased here a few years back. This is from the Oil and Gas Board. It's a
5 guideline. I know that. It's not a law book but it gives somebody an idea of what's what,
6 you know, to start with. The first thing in here, there was no good faith. I've read all that
7 in here. I've read over and over and over and over. Like I say, no one has come to us at
8 any time and said we would like to reopen that well behind your home and your property,
9 never once, never once. We do have good deeds. I checked with the Judge of Probate in
10 my county, Mr. Roy Kelly. I had him look at all our deeds. We do have our mineral
11 rights. If we didn't have our mineral rights he said there would be an exclusion. It would
12 say on there you do not have mineral and surface rights. We do have. They are in all our
13 deeds. We do have our mineral rights. So, I had him check all that out and they are
14 properly--he read through the deed, you know, free from all incumbencies, burden, or
15 claim. That's my main concern to start with right now. Why were we not properly
16 notified, whether the land is leased or not? Just think about that, whether it's leased or
17 not leased. You're supposed to notify the landowner in some kind of way. You know,
18 that's the way they do around us. They knock on doors and say I'm Mr. So and So with
19 this company. I represent this company and I would like to talk to you. No contact.
20 None. No contact at all. Never.

21 MR. DAMPIER: Mr. Smith.

1 MR. SMITH: No certified mail, you know, nothing like that. No contact. I just
2 don't understand.

3 MR. DAMPIER: Would you like for one of the witnesses to address that?

4 MR. SMITH: If they wish to. I would like an explanation why no one came to us
5 and talked to us.

6 MR. TYRA: Let me first make the Board aware that Mr. Smith's interest is not
7 being force pooled. So, under our rules of notice he would not be entitled to a notice of
8 the meeting. The notices were sent out to the three parties and Samson whose interest is
9 actually being force pooled, Ms. Smith, which he has the notice there in his hand, Ms.
10 Ward, Mr. and Mrs. Shelton, and Samson. So yes, we did not send him notice simply
11 because we're not force pooling his interest.

12 MR. SMITH: I don't understand that because my land is--I mean, it's in the exact
13 same--it's right up against hers--same unit, same section. I don't understand that.

14 MR. TYRA: Yes, if you will look at Exhibit A his land is 2.12. You will see that
15 tract right next to Tract No. 8 which is included in the lands covered by the lease from his
16 grandfather, Mr. Shelton.

17 MR. SMITH: I have the same map here. It's 2.12.

18 MR. TYRA: We're just force pooling the tracts that are in red. The tracts in blue
19 are already under a lease.

20 MR. DAMPIER: Yes, sir. Mr. Smith, do you understand that?

1 MR. SMITH: No, sir, I do not. I guess I need it explained in layman's terms.
2 I've talked to a Mr. William King. He has some experience with the Oil and Gas Board.
3 I paid him for some legal advice and showed him all this paperwork. He's located at the
4 county seat in Carrollton. He said from what I can read here--he took his time and looked
5 at all this paperwork I put out on this desk--he said as far as I'm concerned that land is all
6 leased, the red and the blue. I don't understand. I'm getting two--this man's lawyer is
7 saying it's not leased and he's saying flat out it's leased.

8 MR. TYRA: Actually I think it's probably leased too but out of an abundance of
9 caution---

10 MR. SMITH: I don't know where I stand, you know, on the three acres.

11 MR. ROGERS: Maybe I can just explain this part. The regulations of the Board
12 require that the parties that are unleased be notified. I'm not saying we're making a
13 finding. I'm just explaining what the regulations say. They just say that the unleased
14 parties--potentially unleased parties are the ones that are due to be notified. Since they
15 say that your land--I think they acknowledge you on the mineral rights--they just say that
16 your land is under another lease. Yours was leased by a lease from your grandfather.
17 That's the reason they didn't notify you but they clearly were required to notify Ms.
18 Smith and Ms. Ward because they are unleased. I think that's the point they were
19 making.

20 MR. SMITH: Well, I was just reading in this Oil and Gas regulation book the
21 nonconsenting owners have been properly notified of the petition, the proposed

1 operations, the work to be performed, the well location, the proposed depth of the well
2 and the objective formation and so on and on.

3 MR. DAMPIER: Mr. Tyra, maybe you could answer his question about why he
4 wasn't--why no one talked with him. I know you tried to but maybe one more time and
5 why you talked to Ms. Ward and Ms. Smith.

6 MR. TYRA: As we indicated before, the original lease covered everything
7 shaded. A legal question arose in my mind whether the ratification that your grandfather
8 signed had the effect of taking out the three red tracts. I don't know that it did. The
9 correction of lease description instrument left it in there--left them in there. The original
10 lease left it in there. I was concerned that the ratification may have had the effect of
11 removing those three tracts because those three tracts were specifically excluded from the
12 ratification. That issue has not been tried in Alabama or any other state that I'm aware
13 of. I suggested to my company as the one who wrote the title opinion on this that out of
14 an abundance of caution we should go ahead and purchase lease from these parties.
15 Since from 1985 all three of the tracts were leased by a ratification instrument. Ms.
16 Ward, Mr. and Mrs. Shelton and Ms. Smith all three executed ratifications in '85 which
17 gave an indication to me that they considered their lands not to be covered by that
18 original lease. Rather than go forward and hold out to the world that we had these three
19 acres for sure under lease I suggested that we go ahead and make the effort to lease again.

20 MR. DAMPIER: Mr. Smith, do you have any further questions or statements?

1 MR. TYRA: Let me say also, Mr. King may be exactly right. Everything may, in
2 fact, be covered by a lease but I wanted to take the safe route on this since it had not been
3 litigated.

4 MR. METCALFE: Mr. Tyra, in response to Mr. Smith's statement that he nor his
5 mother had been contacted to attempt to lease the questionable acres, could you respond
6 to that?

7 MR. TYRA: Sure. Let me speak first to Mr. Smith. We did not contact him to
8 lease the acreage because his land is already covered by a lease.

9 PAUL CRAFT

10 DIRECT EXAMINATION

11 Questions by Mr. Tyra:

12 Q. Mr. Craft, what were your attempts to locate or discuss this with Ms. Smith?

13 A. It came to my attention--I believe it was the week before Christmas--that we
14 probably needed to attempt to acquire leases on these three one-acre tracts. That
15 would be the tracts colored red on the map. Mr. Tyra gave me the names and
16 addresses of the owners. I initially called by telephone and talked with Ms.
17 Smith, informed her who I was and what I was attempting to do. The phone
18 conversation maybe lasted two minutes. It was terminated when she hung the
19 phone up. The following week---

20 MR. METCALFE: What was the outcome of your conversation?

21 MR. CRAFT: She hung up.

1 MR. METCALFE: I see.

2 A. In the course of the conversation she did inform me that she didn't want us to go
3 back in there, that someone else had attempted to and they had stopped it. She
4 hung up then. The following week--this would be Monday and Tuesday of the
5 week of Christmas--I went to the area. I had another lease to purchase. At that
6 time I was going to contact Ms. Ward, attempt to contact Ms. Smith, and talk with
7 Lynwood Shelton. He lives in Minnesota. That Monday afternoon Ms. Smith's
8 car was not in her garage. I did not attempt to contact her at that time. I did go to
9 Ms. Ward's house. I was told that if there were two vehicles there, they were
10 probably at home. I knocked on the door and heard something inside the house,
11 movement. No one ever came to the door so I left. That Monday night I was
12 staying in Columbus and I called Lynwood Shelton in Minnesota and talked with
13 him probably ten to fifteen minutes. The jest of that conversation was that he
14 would do whatever Ms. Smith and Ms. Ward did. The following day, Tuesday
15 morning, I went back out there. Ms. Smith's car was in her garage--in her carport
16 rather. I stopped by the mailbox and was going to go up to her house. She has a
17 gate across her driveway. It had a chain and padlock on it and I did not attempt to
18 go further. I did go to Ms. Ward's house again that morning. The two vehicles
19 were still there. I knocked on the door. I heard no movement or anything inside
20 the house. I left and that was the extent of it.

21 Q. Did you have any conversations with Mr. Smith concerning this matter?

1 A. No, I did not know who he was. I had never heard of him.

2 Q. Because he was under lease.

3 MR. TYRA: Mr. Smith, I think you will acknowledge to the Board that you and I
4 have discussed this over the phone as well.

5 MR. SMITH: Yes, sir, we have.

6 MR. METCALFE: Mr. Smith, am I correct that your statement was that--your
7 complaint is that you have not been contacted about leasing your property or your
8 mother's property. Is that your complaint here today?

9 MR. SMITH: That's one of the main ones. My mother would like to respond to
10 his remark about the phone being slammed down and all that. I'm going to let her tell
11 you what he told her.

12 MS. SMITH: Do I have to be sworn in?

13 MR. ROGERS: Yes, ma'am. Will you stand again and state your name for the
14 record?

15 MS. SMITH: Ann Smith, 393 Free Shelton Road, Millport, Alabama.

16 (Witness was sworn by Mr. Rogers)

17 MS. SMITH: I received a phone call and it was before Christmas and somebody
18 tells me they are from Brandon, Mississippi, and they are talking about leasing my land.
19 I don't want to lease my land. It's already leased anyhow, so I find out, before I even got
20 the land. If I had known that I wouldn't have taken it. I don't appreciate somebody, a
21 stranger, calling me and starting to talk about my personal business, how I received my

1 land and this and that. That made me mad. That's why I hung up. I don't appreciate
2 that. I don't know that man telling me I understand your father gave you this and that.
3 That's no way to do. If you want to talk, come to somebody's house. I've got a phone
4 that's listed. Call me, have a meeting. I've done that before with people. I've been
5 decent to them but be decent to me. I have a question, please. What is force pooling?
6 What does that mean?

7 MR. DAMPIER: Mr. Rogers, I'll let you address that, please.

8 MR. ROGERS: That means it's a procedure. This hearing is held to address
9 force pooling that allows a company like this to drill a well even though they don't have
10 everybody leased. Alabama law allows an operator, an oil company, to drill a well in the
11 State by going through this process even though they don't have everybody leased.
12 Under that process if they get a good well then the unleased owners like you get 3/16th
13 royalty up until the well pays out. That is, until--this is if it's a good well--up until the
14 revenues from the well equal the cost. Then you get your full interest, whatever your
15 interest is in what's called a unit. If the well is a dry hole then you get nothing. So, force
16 pooling allows them to drill a well even though they don't have everybody leased.

17 MS. SMITH: I can't imagine anybody wanting to lease an acre that their house is
18 sitting on.

19 MR. TYRA: Let me state for the record and our offer is still open. We're
20 offering \$100 an acre and a 3/16 royalty. I think this is right, Mr. Rogers, if the parties

1 accepted at any time even after the force pooling order is in place we would recognize
2 that lease.

3 MS. SMITH: Well, I've had so much torment from the noise day and night, gas
4 spewing out in the air burning your eyes. I made a complaint to the Gas and Oil Board
5 several years ago because of it. That well is so close to my house. Those trucks, when
6 they come in there in the summertime it is so foggy you can't get in the yard. It's--the
7 dust is so thick it's like smog. I'm not exaggerating. It's terrible. We received no oil
8 payments from the oil Hunt Oil took out of that well before. They picked up oil there
9 several times a year. Never once did we see one penny from that. The money is so
10 nominal. If they can pull that gas out from that well, the well that is now operating, I
11 would be so happy if they would continue to do so. That's what I wish they would do.

12 MR. METCALFE: I'm sorry. What is your desire?

13 MS. SMITH: They said they can pull that gas out from up behind my house from
14 a well that is operating below the house--below the hill, the one that is operating now. Be
15 my guest.

16 MR. TYRA: The problem with that is that all the revenue will go to the east half
17 owners.

18 MS. SMITH: I still say be my guest.

19 MR. DAMPIER: Let him finish now.

1 MR. TYRA: And none of the revenue will go to the west half owners under
2 which the gas is being pulled. The only way to give money or pay the royalty to the west
3 half owners is to re-enter the well---

4 MS. SMITH: I don't want the royalties. I don't want any of it. I've had too
5 much torment.

6 MR. TYRA: ---unless we do a 640-acre unit---

7 MS. SMITH: I didn't move out here to be tormented.

8 MR. DAMPIER: Ms. Smith, let Mr. Tyra finish and I'll let you have the mic after
9 that.

10 MR. TYRA: The only way to pay royalties to the west half owners would be to
11 have a 640 acre unit which is not allowed. We propose to re-enter the well and to
12 produce from the west half and to pay the royalties to the west half owners, including Ms.
13 Smith.

14 MR. METCALFE: Ms. Smith and Mr. Smith, then am I correct in my reaction
15 that you simply don't want them to reopen that well under any circumstances.

16 MR. SMITH: I would like my time to explain.

17 MS. SMITH: Well, let me go ahead and finish and say no, I do not want it
18 opened. It probably may be anyway. I'm registering my complaint. I do not want it
19 open at any amount of money unless they want to offer me enough that I can sell my
20 house and get out of there. If they can take that gas from the well that's operating, for
21 goodness sake, do so.

1 MR. DAMPIER: Let me tell you what I'm going to do here. Mr. Smith, I'm
2 going to let you state all your objections to the petition. I also want to say that I feel like
3 some of your objections and Ms. Smith's objections are outside the jurisdiction of the
4 Board and something we have no authority over. If you have a situation where it's
5 outside the authority of the Board, this is not the proper venue for that. After you are
6 finished making your objections, I'm going to quickly allow Mr. Tyra to make any
7 rebuttal with his witnesses and then I'm going to ask the staff and anybody on the Board
8 to ask any questions they have at that time. Please, Mr. Smith, if you would state the rest
9 of your objections.

10 MR. SMITH: As my mother said, she wrote a letter. It was mailed and addressed
11 to Mr. Ernest Mancini about gas in our home caused by leakage from the well site. We
12 had to actually walk down the road and leave. We had to get out of the house and leave,
13 take our pets and go down the road. She did write a letter about that. At one time, RDB
14 Trucking Company discharged saltwater. I was there the day that he did it, condensate
15 on open and exposed ground surface. I have the name of the man who was operating the
16 well at the time here. I just waited till he came the next day to check his charts. I have
17 his name here. The driver of the truck was Mr. Campbell. The well operator was very
18 concerned about that. He went and looked and he was upset by it. He said this is
19 saltwater all over the ground. So, I think within a few days he had someone, an
20 environmental company or whatever, come out and had to dig the dirt up and haul the dirt
21 off. They had to bring hay and spread hay and try to clean it up. I have pictures of it. I

1 did take some photographs that day of the truck tracks and where the hose dragged
2 around and where the saltwater was all over the ground. Also we have a spring, a fresh-
3 water spring, that we receive water from directly below where they would put their
4 reserve pit for their fluids to operate the rig. That's right there. We can't have our water
5 destroyed. That's all we've got, you know, that little bit of land there. There was no
6 reclamation or restoration on the wellsite after the last--I'm not blaming them, it's not
7 their fault, but the last oil company that was in there did nothing. They took out the big
8 tanks, the separator, dehydrator. They just took everything out and left. You know, like
9 get the money and run. That's the attitude they had toward it. I've had to go in there for
10 years and years and years and just clean up and pick up pieces of old rusted pipe, haul it
11 off and do this with it, do that. I've spent the last three and a half years planting trees and
12 correcting soil erosion problems on the wellsite. I welcome anyone here or anyone from
13 their company to come to our home and any of us can show them the work that I have
14 done. It was in very bad shape. The ground is so steep there, it's not flat, round, it's so
15 steep and anytime you have hard rains everything just goes. It just washes away. Like I
16 say, I've been working on that for a long time. There's no need to discuss this. I tried--I
17 talked to Mr. Rogers--well, I talked to Mr. Frank Hinkle. That must have been 1995. He
18 went to the files and got the paperwork on that old well. He even told me--at that time he
19 said I don't understand why anyone would want to come in on that well because usually
20 when Meridian Oil operates a well they're not going to cement in a good well. They're
21 not going to pull all their equipment out and leave a good well. They did have problems

1 with saltwater. It had a lot of saltwater condensate. I was there when the workover rig
2 came out and I was watching because I used to work for an oil company and they pulled
3 the tubing up and they tried to perforate in a different zone of formation. That workover
4 rig was over there, I don't know, two or three times I guess. Well, you people would
5 know that more than I would. I do remember specifically one time I was there and saw it.
6 I talked to the driller and he said that's what we do. We're going to move this to see if
7 we can get away from the water because they had such a problem with saltwater. The
8 truck was coming almost once a day just to get, you know, so many barrels of saltwater
9 condensate. Like I say, we're in such close proximity to the wellsite, it's almost a stone's
10 throw. Every little thing that goes on comes right to our home. I mean, every little thing,
11 every little noise. That well had two different compressors on it at one time. Twenty
12 four hours a day, seven days a week, we had to hear this constant noise. No relief from
13 it, just constant noise. Just constant all day and all night. That really--my main concerns
14 are environmental concerns that affect us. I don't want my water--I do not want that
15 water, that spring, disturbed. I'm firm about that. I will defend that water. I will not
16 have my water ruined because it's not up above the well site, it's below it. Anything that
17 goes on up above it is going to run down.

18 MR. DAMPIER: Mr. Smith, do you have any further objections?

19 MR. SMITH: The only thing I can is I hope--I have hope and faith and trust in
20 my home state, the State of Alabama, and the State Oil and Gas Board that we may be
21 helped in this matter some way. That's all I can say. I trust you. We're putting our lives

1 more or less in your hands. I'm pleading with you, please, we just don't want to go
2 through all this again. We're been through it. It hurts. We've lived in a big city and
3 moved up here to have a place out in the country and it's just unbelievable. I never
4 would have dreamed in a million years what we're going through. I can't explain to no
5 one unless they've been through it. They wouldn't have no idea what all of us are going
6 through. It just hurts me to think of all that work I've put in that land trying to make it
7 decent. We're not living in a tent. We're living in a permanent structure. We can't just--
8 it's not like a trailer where we can just haul it off and get out. We can't do that.
9 Everything there is permanent, a permanent home. That's all I can say. I appreciate your
10 time in giving us this time to come here and talk and explain this. I'm no fancy
11 Pittsburgh, Pennsylvania lawyer. I'm not a Speaker of the House. I'm just doing the best
12 I can.

13 MR. DAMPIER: You did a pretty good job.

14 MR. SMITH: That's all I can do. I'm just telling it from here. That's all I know
15 how to do.

16 MR. DAMPIER: We appreciate you coming forward and Ms. Smith and Ms.
17 Ward. Does Ms. Smith or Ms. Ward have any final comments? Mr. Tyra, do you have
18 any final comments?

19 MR. TYRA: Simply this. I understand the problems that Mr. Smith has indicated
20 happened with prior operators. None of those operators will be involved in this project.
21 We plan to do it on the best efforts, the best basis of good workmanship that we can. I'm

1 sure that in the event that we do re-enter the well that your field agents will be out there
2 watching us very closely. We hope so and we invite you out there. We are attempting
3 here to prevent waste as we see it. We're attempting here to avoid the drilling of
4 unnecessary wells and at the same time we're trying to protect coequal and correlative
5 rights. I think that's the charge of this Board. We would submit it to you on that basis
6 and request a favorable ruling. Also, I believe there have been some letters in support of
7 our petition. If there are, I would like for those to be made a part of the record as well.

8 MR. DAMPIER: Those letters are so made a part of the record.

9 (Whereupon, the letters were
10 received in evidence)

11 MR. METCALFE: Mr. Tyra, how far is the well from Ms. Smith's home?

12 MR. TYRA: Approximately four or five hundred feet.

13 MR. METCALFE: Do they have access to the well other than coming close to
14 their house? Is there a working road configuration?

15 MR. TYRA: I have an area photograph that shows---

16 MR. METCALFE: I'd like to see that, Mr. Chairman, with your permission.

17 MR. DAMPIER: Absolutely, yes, sir. Mr. Tyra, you may want to introduce this
18 map into evidence.

19 MR. TYRA: Yes, Mr. Dampier. We were just looking at an area photograph of
20 the land in question. Superimposed on the area photograph is the tax assessors plat
21 showing the different tracts. It was not a part of our original exhibit package but I would

1 like to have it admitted at this time since both parties have looked at it and agreed that it
2 is a fair representation of the lands out there. Finally, Mr. Higginbotham would like to
3 make a statement concerning his proposed operation.

4 MR. DAMPIER: Mr. Smith, do you have any objection to this map coming into
5 evidence?

6 MR. SMITH: No.

7 MR. DAMPIER: It is so admitted.

8 (Whereupon, the map was received
9 in evidence)

10 MR. TYRA: Mr. Higginbotham.

11 MR. HIGGINBOTHAM: First I just want to address something that was said.
12 Number one, we're not Meridian Oil. Meridian is a huge oil company. We're basically a
13 bunch of small--small individuals like the Smith's. We're just looking to try--trying to
14 make a living and follow the Alabama Oil and Gas Board laws by protecting coequal and
15 correlative rights. Somebody brought up the question that if this was a good well why
16 would Meridian Oil plug the well. Well, I can speak directly to that from personal
17 experience. Back in the 1980's this area of the Black Warrior Basin was controlled by
18 companies called Southland Royalty, Terra Resources and TXO. Southland Royalty
19 eventually became Meridian. Meridian was the one who plugged the well. During the
20 time all this drilling and exploration was going on I was--I was a geologist for Terra
21 Resources out of Jackson, Mississippi. Terra Resources and TXO and Southland Royalty

1 were the companies that essentially formed a cartel and controlled much of this area and
2 much of what went on. Terra Resources got sold and merged with Samedan and became
3 Pacific Enterprises then later got sold to Hunt Oil. The only person left from Terra who
4 is familiar with this area is myself. I had a friend at TXO who got killed in a mugging in
5 Shreveport, Louisiana. He was the other person who was involved with the wells in this
6 particular area. Southland Royalty went through a whole cornucopia of geologists in this
7 particular area. So, as to why this particular well was plugged, it was not plugged in my
8 opinion because there was no gas--natural gas to be recovered, it was plugged due to a
9 merit of factors and complex reasons, none of which involve geology, petroleum
10 engineering or the amount of oil and gas that was there. What we're doing is for a small
11 company like ourselves if we can go in--we can go into this well and we believe we can
12 make a small--we can produce a small amount of gas and be profitable. In doing this, all
13 the landowners--mineral owners in the west half unit will begin to start sharing revenues
14 in this Carter sand pool. I believe that's basically what we're here today for.

15 MR. TYRA: What about the saltwater question?

16 MR. HIGGINBOTHAM: We--Meridian handled all their--Southland and
17 Meridian handled all their operations out of Houston, Texas. We're going to be handling
18 our operations, you know, here in Tuscaloosa--Northport by local people who are going
19 to have access to the well on a day-to-day basis. We're certainly--I certainly sympathize
20 with Mr. Smith and those folks. We certainly don't want to cause them any

1 inconvenience. Consequently, we're more than happy to--first of all, we're not drilling a
2 new well. This well has already got 5,000 feet--is already over 5,000 feet deep.

3 MR. METCALFE: Excuse me, Mr. Higginbotham. What about the saltwater?
4 How do you plan to handle it?

5 MR. HIGGINBOTHAM: We can put the saltwater--dispose of the saltwater in a
6 different area, not right behind their house. We can move the--move the location from
7 where to pick that up.

8 MR. METCALFE: You're saying you can. I understood from your attorney that
9 you had plans to do something else. Do you have specific plans to handle the saltwater?

10 MR. TYRA: First off, yes. David--Mr. Higginbotham, if you will, the plan on
11 the re-entry itself may eliminate the saltwater problem. You might discuss that. Then
12 we've also discussed running a line and actually putting the pick-up tanks off the main
13 road here. Would you explain that?

14 MR. HIGGINBOTHAM: Right. First of all when this well was perforated--the
15 Carter sand out here has got two--two lobes separated by a few feet of shale. The sand
16 was perforated--both lobes of the sand was perforated. The top lobe had over 100 ohms
17 resistivity and water free. The lower zone in my opinion probably produced some water.
18 I want to say it had considerably less resistivity. In my opinion--in our opinion the water
19 was coming from the lower Carter zone. What we want to do, by all means, is try and
20 make a water free completion by simply producing gas from the top part of that zone.
21 The very last thing we want is to have to haul a bunch of saltwater. If I thought we were

1 going to have to haul a lot of saltwater this venture would not be economic for us. This is
2 something that we've looked into very carefully. We've got several things that we intend
3 to do to eliminate and reduce the amount of saltwater and hopefully make a water free
4 completion. We essentially plan--what we plan to do different from what Meridian did
5 was potentially I envision us simply completing this well out of the upper lobe of the
6 Carter sand which the logs show is not wet. Again, I want to re-emphasize this is not a
7 new well. This is simply a re-entry of an old well. So, there's not going to be extensive
8 drilling like is involved in a new well. Secondly, the Carter sand in this well is
9 structurally flat to the Shelton 17-8 well which is currently still producing. What we
10 intend to do is simply produce out of that top lobe out of the Carter sand. For a small
11 company like ourself we can do this economically. When I was at Terra Resources, we
12 couldn't do that economically.

13 MR. DAMPIER: Thank you very much. Mr. Tyra, is that all?

14 MR. TYRA: That's all, thank you.

15 MR. DAMPIER: Mr. Smith, if you have any pictures or correspondence you
16 would like to put in the record, now would be the time to do so.

17 MR. SMITH: I just have those pictures on that saltwater that was dumped from
18 RDB Trucking.

19 MR. DAMPIER: Would you like to put that into evidence? If you would you can
20 bring it up here and I'll admit it if there is no objection?

21 MR. TYRA: No, sir. There is no objection.

1 MR. DAMPIER: Mr. Smith has given me five photographs. They are admitted
2 into evidence today.

3 (Whereupon, the photographs were
4 received in evidence)

5 MR. DAMPIER: At this time I'm going to allow the staff if they have any
6 questions to ask then and then we will close this matter.

7 DAVID HIGGINBOTHAM

8 EXAMINATION BY BOARD/STAFF

9 Questions by Dr. Oltz:

10 Q. Mr. Higginbotham, if you would, I want to make sure Mr. Smith understands
11 totally what's going to happen if this was ruled in a positive manner. You are
12 going to move in a workover rig and you are going to drill out cement that is in
13 the hole at this point?

14 A. Yes, sir. There is about cement from three feet to twenty-eight feet. We're
15 simply going to drill the cement out and then go down and take out a plug. If gas
16 comes out we'll produce the well as it is. If the well makes water we'll attempt to
17 shut the well--to isolate the lower zone.

18 Q. How much time do you think that this rig will be on site?

19 A. Less than ten days.

1 Q. Is there a way that we can put in the record or by affidavit on your part to have
2 some certainty about the remote location of the brine disposal should there be a
3 brine problem?

4 A. Yes. Hold on one second. Let me ask John a question.

5 MR. TYRA: We have the actual operator here, the gentleman who will be
6 operating the well. Perhaps we should swear him in and let him tell you specifically.

7 MR. HIGGINBOTHAM: Don, he's a whole lot more prepared to answer directly
8 exactly what we're going to be doing.

9 DR. OLTZ: We could do that.

10 Q. Let me ask one more question so we can get it out on the table here. I'm
11 assuming there may be some compressors associated with this production?

12 A. Potentially, yes.

13 Q. We've heard testimony from Ms. Smith that the noise can be a problem. Is there
14 some way we can locate those at some other distance from the well?

15 A. Yes. What our intent would be is to not put the compressors where Meridian did.
16 The last thing we want to do is bother this family. We'll make every effort to put
17 the compressors in a location that's amenable to everybody

18 DR. OLTZ: I think what the Board would like would be some plan submitted to
19 us so that as we evaluate this thing we would know what it is that you actually intend to
20 do.

1 MR. TYRA: Could we leave the record open for us to submit a saltwater plan
2 and a compressor plan and it would be made a part of the record?

3 MR. DAMPIER: Yes, Mr. Tyra. We could leave the record open. How many
4 days would the parties like to leave it open?

5 MR. TYRA: Yes, sir. We can have those to you probably before Wednesday.
6 Mr. Tucker would like to make a few remarks though concerning how he plans to do this
7 if that's all right with everyone.

8 MR. DAMPIER: Let's swear him in, Marvin.

9 MR. ROGERS: Would you state your name and address?

10 MR. TUCKER: My name is William E. Tucker. My address is 611 McFarland
11 Blvd., Northport, Alabama.

12 (Witness was sworn by Mr. Rogers)

13 MR. TUCKER: Land, Inc. is a contract operator for the well in question. I'm
14 chief engineer for Land, Inc. We were hired to develop a completion plan.

15 MR. DAMPIER: Mr. Tucker, excuse me. Would you mind moving that
16 microphone just a little closer?

17 MR. TUCKER: We were retained to design a completion plan for the Shelton 17-
18 6. That plan consists of drilling out the cement plugs, cleaning the well through the
19 Carter interval, setting a bridge plug below the Carter interval, and perforating and testing
20 the two lobes of sand, the lower one of which we think has a high water saturation. We
21 will test the well for several days and should it be making too much water we will

1 squeeze cement the lower zone and then recomplete in the upper lobe which may or may
2 not answer the water production. Since the production from this well will be so marginal
3 any amount of water to amount to anything will preclude completing the well as a
4 commercial producer. So, if we make very much water the well will be plugged and
5 abandoned permanently. In the event the well makes a small amount of water we can
6 store this in surface facilities on the location and haul it to a safe water disposal well at an
7 area in Fayette. We would normally use a contract truck hauling company such as RDB.
8 Unfortunately, an operator does not have control to have someone there when you load a
9 truck. Sometimes a truck driver doesn't like to drive all the way to the disposal well so
10 he pulls over the side of the road and opens a valve and dumps his load. This happens.
11 We certainly don't want it to happen but it does happen. We'll do everything in the
12 world to have our pumper-gauger there when the truckload is loaded and make sure he
13 takes it all the way to the well and unloads it at the well. One of the things that makes
14 marginal wells economical today is the advent of the screw type compressor. When this
15 well was in full production, I imagine it had something like a 200-horsepower
16 compressor with three stages. The screw type compressor allows a very much smaller
17 engine on the order of 50 or 60 horsepower. It makes very little noise. You can add
18 additional mufflers and sound bafflers to keep the noise down to a very minimum. It's
19 really only with this fact that these small compressors can take the well pressure from
20 practically zero to the line pressure of 200 or 300 pounds. Back in some of the old wells
21 this was economical. I would be happy to answer anything. I can have you a written

1 plan about the compressors and the disposal method and the way we would monitor that
2 by Wednesday.

3 MR. DAMPIER: Let's do that with Mr. Metcalfe's concurrence. I move that we
4 leave the record open for ten days to allow you all, both sides, to submit written
5 statements. At that time the Board would take these matters under advisement. That
6 means we would make a ruling within 30 days after that time.

7 MR. METCALFE: I second that.

8 MR. DAMPIER: All in favor.

9 (Board members Metcalfe and Dampier voted "aye")

10 MR. TYRA: Thank you.

11 MR. DAMPIER: Thank you for coming today.

12 MR. ROGERS: Mr. Dampier and Mr. Metcalfe, the next item is a petition by
13 Vintage Petroleum, Inc., Docket No. 1-28-984.

14 MR. WATSON: Mr. Dampier, I have handed up an affidavit of testimony of
15 Robert Mark Stephens with Vintage Petroleum. This petition is requesting the Board to
16 approve the design and installation of a sour gas flowline from the Bernice Wessner Gas
17 Unit 14 No. 2 Well in the Flomaton Field. That well is currently served by a 3-1/2 inch
18 sour flowline that flows to the Flomaton Plant. Vintage proposes to lay a 6-inch line
19 parallel to that 3-1/2 inch line to reduce the friction loss occasioned by the 3-1/2 inch
20 line. Mr. Stephens' affidavit addresses the technical aspects of that. Attached to that
21 affidavit you will find a map where I've highlighted the Bernice Wessner well and the

1 Flomaton Plant. The most recent production records from the Board indicate that the
2 Bernice Wessner produces 69,477 Mcf of gas a day, 5,164 barrels of condensate a day, a
3 very good well. With this new line the engineers at Vintage predict an increase in the gas
4 flow of 900 Mcf a day and approximately 60 barrels of condensate a day in addition to
5 what's being produced now. I ask that you admit the affidavit of Mr. Stephens into the
6 record of this hearing.

7 MR. DAMPIER: So admitted.

8 (Whereupon, the affidavit and

9 attached map was received in evidence)

10 MR. WATSON: I tender that to you for action on the basis of that affidavit of
11 testimony.

12 MR. DAMPIER: So tendered. Let me ask at this point. I should have asked
13 earlier. Is anybody here opposing this petition? If you are I would ask you to step
14 forward and take a seat at the table. It appears there is no opposition to the petition.

15 MR. METCALFE: Mr. Chairman, I move that we grant the petition.

16 MR. DAMPIER: Second. All in favor say "aye".

17 (Board members Metcalfe and Dampier voted "aye")

18 MR. ROGERS: The last item, Mr. Dampier and Mr. Metcalfe, is a motion by the
19 State Oil and Gas Board for Germany Operating Company to address the payment of
20 royalty on wells that it operates.

1 MR. SCOGIN: Mr. Chairman, my name is Mark Scogin representing Germany
2 Operating Company. We are here in response to a motion by the Board as Mr. Rogers
3 has stated. In the past Mr. John Cox from Germany has been here at previous Board
4 hearings. Today I have Marie Marshall from Germany Operating Company to respond to
5 the Board's motion. As such, I would ask that she be sworn in.

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

7 MS. MARSHALL: Marie Marshall, 4200 East Skelly Drive, Tulsa, Oklahoma.

8 (Witness was sworn by Mr. Rogers)

9 MR. DAMPIER: Let me ask at this time if there is any party here who would like
10 to speak regarding this motion by the Board, if you would come forward and take a seat
11 at the table. There appears to be no party. You all may proceed.

12 MARIE MARSHALL

13 Appearing as a witness on behalf of Germany Operating Company testified as
14 follows:

15 DIRECT EXAMINATION

16 Questions by Mr. Scogin:

17 Q. Ms. Marshall, you are employed by Germany?

18 A. Yes, I am.

19 Q. How long have you been employed by Germany?

20 A. Going on six years.

21 MR. METCALFE: Would you pull the mic a little closer, please?

1 Q. What is your position with Germany?

2 A. Revenue accounting clerk.

3 Q. You are familiar with the motion of the Board in this motion with respect to
4 whether Germany has acted as a prudent operator with respect to the payment of
5 royalty?

6 A. Yes, I am.

7 Q. Are you familiar with the status of the royalty payments that have been made by
8 Germany with respect to both current production and the arrearages of royalty that
9 have been due to Alabama royalty owners?

10 A. Yes, I am. Just recently we have paid I guess over half of the royalty owners in
11 these wells that have royalties that total over \$100. Anything under \$100 we're
12 not required by law to pay until it reaches the \$100 amount. We did make
13 payments to them on the 26th of this month.

14 Q. Okay. Are those arrearage payments or are we talking about payments for current
15 production?

16 A. They are in arrears. All current production will be paid the 25th of February.

17 Q. Okay. So, essentially is Germany now pretty much paying current production and
18 still working on paying the arrearage?

19 A. Yes. We are paying currently and as we can we go back and pay anything that's
20 in arrears. Like I say, anything that's over \$100 we pay but we have so many
21 that's under \$100 and these are normally the people that call in every month and

1 we try to explain to them. As a matter of fact we mailed out letters in some of
2 the checks that we mailed out telling them that if they send a letter in requesting
3 anything under \$25--over \$25 we will write them a check. We're not getting as
4 many letters nor are we getting very many calls.

5 Q. Is it your testimony that Germany has paid all the arrearages over \$100 to
6 Alabama royalty owners?

7 A. Yes. In fact, all individuals--some of the companies that have large amounts
8 which we haven't heard from, we haven't paid but all individuals we are paying.

9 Q. When do you anticipate that Germany will be finished with paying the companies
10 the arrearages that they owe?

11 A. Hopefully we're trying between the 25th of February and the 25th of March. This
12 is what I've been told by my supervisor anyway.

13 Q. Who is your supervisor?

14 A. Bob Shulte.

15 Q. Is he the chief financial officer for Germany?

16 A. He's vice president and controller.

17 Q. Does he have the position that John Cox had?

18 A. Yes.

19 MR. SCOGIN: Mr. Chairman, I would submit Ms. Marshall for any questions
20 that the Board and staff might have.

21 MR. DAMPIER: Does anybody have any questions on the Board or staff?

1 MR. DAMPIER: There are two letters here that we have received that I am going
2 to admit into evidence. One is from Jack Haynie and the other is from Weyerhaeuser.

3 (Whereupon, the letters were
4 received in evidence)

5 MARIE MARSHALL

6 EXAMINATION BY BOARD/STAFF

7 Questions by Mr. Damper:

8 Q. I do have one question. The letter from Weyerhaeuser is dated January 27, 1998.
9 It was received here on January 29th. In that letter they state that we are presently
10 not receiving any billing for our share of cost in the wells or any revenues for our
11 share of production. I would like for the witness to respond to that please.

12 A. I did talk to a gentleman from Weyerhaeuser and I mailed him a check just before
13 I left. So, he's caught up on revenue now. For his joint interest billing, I'm not
14 aware of when they will go out because I'm not in that department.

15 Q. Also there is a letter here from Mr. Jack Haynie. He states in his letter that
16 royalty payments are due to us for August, September, October, November and
17 December 1997. I ask that you respond to his statement.

18 A. I mailed out a check to Mr. Haynie on the 26th which totaled \$224.25 which
19 covered all months except for November and December. So, he should be up to
20 date.

1 MR. DAMPIER: I believe we have someone who has stepped forward who
2 would like to ask a question or make a statement. I'll ask that you be sworn in by Mr.
3 Rogers first.

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

5 MS. SMITH: Mary Smith, 16 Southmont Drive, Tuscaloosa, Alabama.

6 (Witness was sworn by Mr. Rogers)

7 MS. SMITH: I am Ms. Smith and the 5-8 well is on my property. I'm not
8 received any royalties at all.

9 MS. MARSHALL: You are Mary Smith?

10 MS. SMITH: They owe me back from not last year but the year before when
11 Germany first took over. They never caught me up. I am here today to ask the Board to
12 help me put Germany off my property and close that well. I'm tired of it.

13 MS. MARSHALL: Are you Mary Ellen Smith?

14 MS. SMITH: Yes, I am.

15 MS. MARSHALL: You had a check just recently mailed to you also.

16 MS. SMITH: No, ma'am.

17 MS. MARSHALL: I have it here on my list where you were mailed a check on
18 the 26th of this month.

19 MS. SMITH: They always tell me that they have just mailed me one but I never
20 receive it.

21 MR. DAMPIER: Excuse me, what address was the check mailed to?

1 MS. MARSHALL: I don't have the address with me. I just have my check
2 register where I mail the checks out but I'm positive that a check did go out to her.

3 MR. DAMPIER: Please state your address again and I'll ask that you take this
4 down.

5 MS. SMITH: No. 16 Southmont Drive, Tuscaloosa, AL. The area code is 35405--
6 zip code.

7 MS. MARSHALL: All I can say is that I will check on this when I get back and
8 I'll make sure that you are caught up.

9 MR. DAMPIER: Would you respond to her in writing and copy the Board with
10 that letter, please?

11 MS. MARSHALL: Yes, I will.

12 MR. DAMPIER: Ms. Smith, do you have any further statement or questions?

13 MS. SMITH: Well, I'm just here asking the Board to help me close this down
14 over there. You see there is no one from around that well here except me. They don't
15 seem to care. I'm sure no one over there is getting any money. They are still going in
16 and out over there. There are tracks everywhere. They are still operating the well. I'm
17 very unhappy about it. I've made up my mind I just want it closed.

18 MS. MARSHALL: Ms. Smith, do you know your owner number?

19 MS. SMITH: Ma'am?

20 MS. MARSHALL: Do you know your owner number?

21 MS. SMITH: 58.

1 MS. MARSHALL: No, ma'am, your owner number is a six digit owner number.

2 Do you have it with you to make sure that this is the right Mary Smith?

3 MR. METCALFE: Mr. Scogin, I would like to ask your client.

4 MARIE MARSHALL

5 EXAMINATION BY BOARD/STAFF

6 Questions by Mr. Metcalfe:

7 Q. Do I get the impression that when somebody writes in and complains that then
8 they get a check?

9 A. No, but those that do call in if we haven't paid them---

10 Q. Have you just recited to us that that has indeed been the case?

11 A. No. These checks went out on the 26th?

12 Q. How about Weyerhaeuser?

13 A. Well, he called because he is a company and I hadn't mailed his check out
14 because we had a change on that particular deck. That's why his check hadn't
15 went out. We have to make all the deck changes before we can issue a check.
16 Something was sold or it was changed over to someone else and so we have to
17 check that out before we can actually mail a check out. That was the problem
18 with him.

19 Q. Well, they state here, we have had continuing problems. Of course, we all know
20 about the past problems.

21 A. Yes, we have had past problems but I can only mail out the checks when I'm told.

1 Q. This Board has heard strong assurances that this is all behind us, that it has been
2 caught current and that it is being kept current. You're saying that again, yet here
3 we have a letter and complaining again and once they complain they get a check
4 but do they have to complain to get the check?

5 A. Not normally.

6 MS. SCOGIN: Mr. Chairman, if I could summarize what I understand the
7 situation to be. Anybody--any individual in Alabama who has royalty that is due over
8 \$100 has been paid as of the checks that went out on January 26th. There are some
9 companies though that are still owed some royalty. Those who have royalty amounts due
10 to them under \$100, if they call Germany will send them a check unless it's less than \$25.
11 I suppose that's just an internal--

12 MS. MARSHALL: No, by law--by Oklahoma law we don't have to mail out a
13 check if it's not \$100 or more.

14 MR. ROGERS: That's not Alabama law.

15 MR. SCOGIN: But we're talking about your position to pay if it's over \$25 and
16 they call you.

17 MS. MARSHALL: Yes. If it's over \$25, if they write us a letter or call we will
18 issue a check every month.

19 MS. SMITH: Excuse me. This says the owner code is 800150.

20 MS. MARSHALL: Yes, ma'am. You had a check to go out unless we got the
21 wrong address. It went out on the 26th. I'm looking at it right here for \$1,165.22.

1 MS. SMITH: I haven't received it.

2 MR. METCALFE: Ms. Smith, when is the last time you got a check, any check?

3 MS. SMITH: I was here last year. I believe it was July. I got a check right after I
4 went home for \$200. Since that time I have had one check following that for \$100 and
5 that's all. It all came in July. I believe that was when the Board meeting was in July.

6 MR. DAMPIER: Does anybody have any further thing to say or any questions to
7 ask?

8 MR. METCALFE: Well, Mr. Chairman, I'm going to make an off-the-cuff
9 statement which is probably a mistake. I'm tired of hearing this same thing come up and
10 have Germany come here and say we've got it caught up now but then hear witnesses say
11 it's not caught up, I haven't received pay. Frankly, I've heard this for a long time now.

12 MR. DAMPIER: Well taken, Mr. Metcalfe. I would move that the Board
13 continue this matter until the next hearing.

14 MR. METCALFE: Second.

15 MR. DAMPIER: All in favor say "aye".

16 (Board members Metcalfe and Dampier voted "aye")

17 MR. DAMPIER: Thank you. Meeting adjourned. Let me make one other
18 statement. The meeting is back in session. Those two letters--if I didn't admit those
19 letters into evidence, one is from Weyerhaeuser dated January 27, 1998, and the other is
20 from Jack Haynie dated January 27, 1998--are admitted into evidence.

1 MR. DAMPIER: The meeting is adjourned.

2 (Whereupon, the hearing was adjourned at 11:42 a.m.)

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