

INDEX

		DIRECT/ RE-DIRECT	CROSS/ RE-CROSS	EXAM. BY BOARD/STAFF
1.	William Metner	23-30	---	---
2.	Claiborne Vansant	31-34	---	---
3.	Richard Grigsby	40-46	---	47

WCM
10-2-98

EXHIBITS

<u>EXHIBIT NO. (ITEM NO.)</u>	<u>TITLE (TESTIMONY OF)</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Board Exhibit	Hearing Officer Report	19	19
Exhibit 1 (Items 8 & 9)	Plat of 1,070 acre production Unit, South Pelican Island Field (William Metner)	34	34
Exhibit 2 (Items 8 & 9)	Type log, State Lease 536 No. 4, South Pelican Island Field (William Metner)	34	34
Exhibit 3 (Items 8 & 9)	Northwest-southeast seismic line, South Pelican Island Field (William Metner)	34	34
Exhibit 4 (Items 8 & 9)	West-to-east seismic line, South Pelican Island Field (William Metner)	34	34
Exhibit 5 (Items 8 & 9)	Southwest-northeast seismic line, South Pelican Island Field (William Metner)	34	34
Exhibit 6 (Items 8 & 9)	Hydrocarbon analysis, State Lease 536 No. 4 Well, South Pelican Island Field (Claiborne Vansant)	34	34
Exhibit 7 (Items 8 & 9)	Well test results, State Lease 536 No. 4 Well, South Pelican Island Field (Claiborne Vansant)	34	34

EXHIBITS

<u>EXHIBIT NO. (ITEM NO.)</u>	<u>TITLE (TESTIMONY OF)</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Exhibit 8 (Items 8 & 9)	Plot of flow test analysis, State Lease 536 No. 4 Well, South Pelican Island Field (Claiborne Vansant)	34	34
Exhibit 9 (Items 8 & 9)	Form OGB-9, State Lease 536 No. 4 Well, South Pelican Island Field (Claiborne Vansant)	34	34
Exhibit 10 (Items 8 & 9)	Affidavit of notice (William T. Watson)	21	21
Exhibit 11 (Items 8 & 9)	Corrected affidavit of notice (William T. Watson)	21	21
Exhibit 12 (Items 8 & 9)	Affidavit of notice (William T. Watson)	21	21
Exhibit 13 (Items 8 & 9)	8/7/98 letter to Board (James H. Griggs)	26	26
Exhibit 14 (Items 8 & 9)	9/12/98 letter to Board (James D. Martin)	26	26
Exhibit 15 (Items 8 & 9)	8/11/98 letter DCNR (Gary V. Wilson)	21	21
Exhibit 16 (Items 8 & 9)	8/14/98 letter to Board (James H. Griggs)	21	21
Exhibit 17 (Items 8 & 9)	8/13/98 letter to USMMS (Donald F. Oltz)	35	35
Exhibit 1 (Item 12)	Affidavit of notice (William T. Watson)	35	36

EXHIBITS

<u>EXHIBIT NO. (ITEM NO.)</u>	<u>TITLE (TESTIMONY OF)</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Exhibit 2 (Item 12)	Affidavit of testimony (Robert Land)	36	36
Exhibit 1 (Item 17)	Affidavit of testimony (Joseph F. Smith, Jr.)	38	38
Exhibit A (Item 19)	Aerial map of the A.E. Davis et al 36-13 No. 1, Conecuh County, AL (Richard Grigsby)	44	44
Exhibit 1 (Item 19)	Well location plat, A. E. Davis 36-13 No. 1 Sec. 36, T4N, R7E, Conecuh County, AL (Richard Grigsby)	44	44
Exhibit 2 (Item 19)	Structure map, top Buckner formation A. E. David et al 36-13 No. 1, Conecuh County,AL (Richard Grigsby)	44	44
Exhibit 3 (Item 19)	Northwest-southeast seismic line, Conecuh County (Richard Grigsby)	44	44
Exhibit 4 (Item 19)	Northeast-southwest seismic line, Conecuh County (Richard Grigsby)	44	44
Exhibit 5 (Item 19)	East-west seismic line Conecuh County (Richard Grigsby)	44	44

EXHIBITS

<u>EXHIBIT NO.</u> <u>(ITEM NO.)</u>	<u>TITLE</u> <u>(TESTIMONY OF)</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Exhibit 6 (Item 19)	Affidavit of notice (George W. Pritchett)	39	39
Exhibit A (Docket No. 8-18-981)	Affidavit of testimony (E. R. Hines, Jr.)	48	49
Exhibit 1 (Docket No. 8-18-981)	Structure map, top Tuscombia limestone (E. R. Hines, Jr.)	48	49
Exhibit 2 (Docket No. 8-18-981)	Type log, No. 1 Hodges Estate 35-14, McCracken Mountain Field (E. R. Hines, Jr.)	48	49
Exhibit 3 (Docket No. 8-18-981)	Type log, #1 Kimbrell 35-9, McCracken Mountain Field (E. R. Hines, Jr.)	48	49
Exhibit B (Docket No. 8-18-981)	Affidavit of testimony (Terry A. Tigrett, Jr.)	48	49
Exhibit 1 (Docket No. 8-18-981)	Pressure test report, Hodges Estate 35-14 No. 1, McCracken Mountain Field (Terry A. Tigrett, Jr.)	48	49
Exhibit C (Docket No. 8-18-981)	8-18-98 letter to Board (W. E. Morrow)	49	49

EXHIBITS

<u>DESCRIPTION</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Evidence presented in in Docket No. 7-21-981 on July 23, 1998	37	37

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

August 21, 1998

Testimony and proceedings before the State Oil and Gas Board at the Brookley Learning Center, 4172 Commanders Drive, Mobile, Alabama, pursuant to adjournment, on this the 21st of August, 1998.

BEFORE:

Mr. Gaines C. McCorquodale..... Member
Mr. Matthew S. Metcalfe..... Member
Mr. M. Stephen Dampier..... Member

BOARD STAFF

Mr. Marvin Rogers..... Attorney
Dr. Donald F. Oltz Secretary and Supervisor
Mr. Jay Masingill.....Assistant Supervisor
Mr. Gary Wilson.....Assistant Supervisor
Dr. David Bolin.....Assistant Supervisor
Mrs. Janyth Pashin.....Assistant Supervisor

APPEARANCES

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40

NAME	REPRESENTING
1. Judy McDowell Rt. 1, Box 158-A Silas, AL	Louis McIlwain
2. Don Adams 1555 Poydras New Orleans, LA	Exxon
3. Claiborne Vansant 1915 Dawn Hollow Lane Katy, TX	Exxon
4. William Metner 18 Flat Stone Woodlands, TX	Exxon
5. Mark S. Floyd 800 Bell Houston, TX	Exxon
6. Bestor Ward P.O. Box 81366 Mobile, AL 36608	Uriah Land Company
7. Richard Grigsby Dallas, TX	Whitmar
8. Mark Holan Mobile, AL	Mobile Register
9. Norton Brooker 2 North Royal Street Mobile, AL	JN Oil & Gas
10. Tom Watson Tuscaloosa, AL	-----

1
2
3
4
5
6
7
8
9

PROCEEDINGS

(The hearing was convened at 10:18 a.m. on Friday,
August 21, 1998, at Mobile, Alabama.)

10 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?

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

13
14

AGENDA
STATE OIL AND GAS BOARD MEETING
AUGUST 19 & 21, 1998

15
16
17
18
19
20
21
22
23
24

The meeting will begin at 10:00 a.m. on Wednesday, August 19, 1998, in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, and Friday, August 21, 1998, at Brookley Learning Center, 4172 Commanders Drive, Mobile, Alabama, to consider the following petitions:

25
26

1. DOCKET NO. 11-12-974A

27
28
29
30
31
32
33
34
35

Continued amended petition by MUNOCO COMPANY, a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama to enter an order establishing a new oil field in Lamar County, Alabama, to name the Hightogy Oil Field, or such other name as the Board deems proper, and to adopt Special Field Rules therefor. The proposed field, as underlain by the Carter Sand Oil Pool, consists of the Southeast Quarter of the Northeast Quarter of Section 10, Township 16 South, Range 15 West, Lamar County, Alabama. The Carter Sand Oil Pool should be defined as that interval of the Carter sand productive of hydrocarbons between 4,506 and 4,532 feet as indicated on the dual induction log for the G.C.Curry Estate 10-8 No. 1

1 Well, Permit No. 11220, located on a 40-acre unit consisting of the Southeast
2 Quarter of the Northeast Quarter of Section 10, Township 16 South, Range 15
3 West, Lamar County, Alabama, and all zones in communication therewith and all
4 productive extensions thereof. Petitioner is requesting well spacing of
5 approximately 40 contiguous acres and the establishment of production
6 allowables.
7

8 2. DOCKET NO. 1-28-983

9 Continued petition by LOWRY EXPLORATION, INC., a foreign corporation
10 authorized to do and doing business in the State of Alabama, requesting the State
11 Oil and Gas Board of Alabama to establish a new gas field in Marion County,
12 Alabama, to be called the Northwest Aston Branch Field, or such other name as
13 the Board deems appropriate, and to adopt Special Field Rules therefor. The
14 proposed field limits consist of the Northwest Quarter of Section 30, Township 11
15 South, Range 15 West and the Northeast Quarter of Section 25, Township 11
16 South, Range 16 West, Marion County, Alabama. The said field limits are
17 underlain by the Carter Sand Gas Pool, said Carter Sand Gas Pool being defined
18 as that interval between 1,264 feet and 1,280 feet as indicated on the Spectral
19 Density/Dual Spaced Neutron Log for the Leonhardt 30-4 No. 1 Well, Permit No.
20 11276, located in Marion County, Alabama, and all zones in communication
21 therewith and all productive extensions thereof. Petitioner is requesting well
22 spacing of 320 contiguous acres and the establishment of production allowables.
23

24 3. DOCKET NO. 4-8-9812

25 Continued petition by MITCHELL ENERGY CORPORATION, a Delaware
26 corporation authorized to do and doing business in the State of Alabama,
27 requesting the State Oil and Gas Board to enter an order force pooling, with
28 imposition of a risk compensation fee, all tracts and interests in oil, gas and other
29 hydrocarbons produced from strata of the Cotton Valley, Haynesville, Smackover
30 and Norphlet Formations in a 160-acre drilling unit for the Petitioner's proposed
31 Brandon Petroleum 19-11, Well #1, consisting of the Southwest Quarter of
32 Section 19, Township 11 North, Range 2 West, Choctaw County, Alabama,
33 pursuant to Section 9-17-13, *Code of Alabama* (1975), and Rule 400-1-13-.01 of
34 the *State Oil and Gas Board of Alabama Administrative Code*.
35

36 4. DOCKET NO. 4-8-9814

37 Continued petition by UNIT MANAGER, CITRONELLE UNIT, Citronelle
38 Field, Mobile County, Alabama, requesting the State Oil and Gas Board to enter
39 an order authorizing the Unit Manager to convert the D-8-7 Well, Permit No. 994,
40 to a fresh water injection well pursuant to Article 3.1.3(d) of the Unit Agreement
41 for the Citronelle Unit and Rule 14 (1)(A) of the Special Field Rules. The D-8-7

1 Well is located 673.5 feet from the West line and 673.3 feet from the South line of
2 the Southwest Quarter of the Northeast Quarter of Section 8, Township 1 North,
3 Range 2 West, in the Citronelle Unit, Citronelle Field, Mobile County, Alabama.
4

5 5. DOCKET NO. 5-13-9817

6 Continued petition by JN EXPLORATION & PRODUCTION LIMITED
7 PARTNERSHIP, a foreign limited partnership authorized to do and doing business
8 in the State of Alabama, requesting the State Oil and Gas Board to make a
9 determination pursuant to Section 40-20-1(22) and Section 40-20-2(2), *Code of*
10 *Alabama* (1975), that the Southeast Frisco City Unit, Monroe County, Alabama,
11 qualifies as a "Qualified Enhanced Recovery Project" as defined in said statutes and
12 to make a determination of the projected annual oil or gas production that could have
13 otherwise been produced without the benefit of the initiation of said Qualified
14 Enhanced Recovery Project.
15

16 6. DOCKET NO. 7-13-981

17 Continued petition by POLLARD OPERATING, L.L.C., a Mississippi limited
18 liability company, authorized to do and doing business in the State of Alabama,
19 requesting the State Oil and Gas Board of Alabama to enter an order allowing and
20 approving an amendment to Rule 2 of the Special Field Rules for the Pollard Oil
21 Field to add the Loper Sand Oil Pool. The Loper Sand Oil Pool for said field is
22 defined as that interval productive of hydrocarbons as defined on the Dual Induction,
23 SFL log between the depth of 5,240 feet and 5,266 feet, as encountered in the Loper
24 et al 12-11 No. 1 Well, Permit No. 2885, located 1,632 feet from the South line and
25 1,820 feet from the West line of Section 12, Township 1 North, Range 8 East,
26 Escambia County, Alabama.
27

28 7. DOCKET NO. 7-13-982A

29 Continued amended petition by GURNEE GAS COMPANY, L.L.C., an Alabama
30 limited liability company requesting the Board, pursuant to Sections 9-17-1, *et. seq.*
31 *Code of Alabama*, (1975) and Rule 400-1-3-.06 of the *State Oil and Gas Board of*
32 *Alabama Administrative Code*, to enter an order extending the temporarily
33 abandoned status for the following coal degasification wells located in Shelby and
34 Bibb Counties, Alabama.
35

36 **Gurnee Coal Degasification Field-- Bibb County**

<u>Township/Range</u>	<u>Section</u>
T22S, R4W	5, 17, 18, 19, 20
T22S, R5W	13, 23

Gurnee Coal Degasification Field - Shelby County

<u>Township/Range</u>	<u>Section</u>
T20S, R3W	31
T21S, R3W	5, 18, 19, 20, 30, 31, 32
T21S, R4W	1, 12, 13, 14, 15, 21, 24, 25, 33, 35, 36
T22S, R3W	6, 7
T22S, R4W	1, 2, 3, 4, 5, 9, 10, 11, 12, 13, 14, 15, 16 17, 21, 22, 23, 24

The previously established temporarily abandoned status for these wells expires on or about August 21 1998, and Gurnee Gas Company, L.L.C. is requesting this Board to grant a six (6) month extension beginning August 21, 1998, because said wells have future utility and should not be plugged.

8. DOCKET NO. 7-13-987

Continued petition by EXXON CORPORATION, a New Jersey corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order reforming a 160-acre wildcat Miocene drilling unit for Petitioner's State Lease 536 # 4 Well, Permit No. 11293-OS-68B, consisting of portions of State Offshore Lease Tracts 111 and 112 and described as follows:

From the Northeast Corner of Alabama State Tract 111 South 6,201 feet along the East line of State Tract 111 to the Point of Beginning; Thence East 465 feet; Thence South 2,640 feet; Thence West 2,640 feet; Thence North 2,640 feet; Thence East 2,175 feet to the Point of Beginning.

Bearings and coordinates shown are based on the Alabama Transverse Mercator State Plane Coordinate System of 1827, West Zone,

to a 1,070-acre production unit, consisting of portions of State Offshore Lease Tracts 111 and 112, described as follows:

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41

From the Northeast corner of Alabama State Lease 111 South 3,540.70 feet along the East line of State Lease 111 to the Point of Beginning: Thence East 2,250.00 feet; Thence South 9,961.90 feet to the intersection of the 3 marine miles from shoreline boundary between the State of Alabama and the United States, said intersection having coordinates of X = 302,250.00 and Y = 61,497.40; thence Northwesterly along the 3 marine miles from shoreline boundary to a point having coordinates of X = 296,026.22 and Y = 67,020.51; Thence North 4,438.79 feet; Thence East 3,973.78 feet to the Point of Beginning,

all in Mobile County, Alabama, in the proposed South Pelican Island Field. This petition is filed pursuant to Section 9-17-12(b) of the *Code of Alabama* (1975).

This petition is filed as a companion to petition bearing Docket No. 7-13-988 requesting establishment of the South Pelican Island Field.

9. DOCKET NO. 7-13-988

Continued petition by EXXON CORPORATION, a New Jersey corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order establishing a new offshore gas field, to be known as the South Pelican Island Field, Mobile County, Alabama, or such other name as designated by the Board, and to establish Special Field Rules therefor. The proposed field, as underlain by the Amos Sand Gas Pool of Miocene Age, consisting of portions of State Lease Offshore Tracts 111 and 112 described as follows:

From the Northeast corner of Alabama State Tract 111 South 3,540.70 feet along the East line of State Tract 111 to the Point of Beginning: Thence East 2,250.00 feet; Thence South 9,961.90 feet to the intersection of the 3 marine miles from shoreline boundary between the State of Alabama and the United States, said intersection having coordinates of X = 302,250.00 and Y = 61,497.40; thence Northwesterly along the 3 marine miles from shoreline boundary to a point having coordinates of X = 296,026.22 and Y = 67,020.51; Thence North 4,438.79 feet; Thence East 3,973.78 feet to the Point of Beginning,

The Amos Sand Gas Pool should be defined as that interval of the Amos Sand productive of hydrocarbons in the interval between 5,592 feet and 5,848 feet, as

1 indicated on the 5" M.W.D. CDR/ADN Log run in the State Lease 536 #4 Well,
2 Permit No. 11293-OS-68B, including those strata which can be correlated
3 therewith underlying the field, and all zones in communication therewith and all
4 productive extensions thereof.
5

6 Petitioner is requesting well spacing of 1,070 contiguous acres and the
7 establishment of allowables. This petition is filed pursuant to Section 9-17-12(b)
8 of the *Code of Alabama* (1975) and Rule 400-3-2-.02 of the *State Oil and Gas*
9 *Board of Alabama Administrative Code*.
10

11 This petition is filed as a companion to petition bearing Docket No. 7-13-987
12 requesting the Board to reform the 160-acre wildcat drilling unit to a 1,070-acre
13 production unit in the proposed South Pelican Island Field.
14

15 10. DOCKET NO. 7-13-9810

16 Continued petition by ESENJAY PETROLEUM CORPORATION, a foreign
17 corporation authorized to do and doing business in the State of Alabama, requesting
18 the State Oil and Gas Board to enter an order force pooling, with imposition of a risk
19 compensation fee, all tracts and interests in oil, gas and other hydrocarbons produced
20 from the Cotton Valley Group, and Smackover and Norphlet Formations in an
21 approximately 80-acre drilling unit for Petitioner's proposed M Bar 35-14 No. 1
22 Well, consisting of the South Half of the Southwest Quarter of Section 35, Township
23 12 North, Range 5 West, Choctaw County, Alabama, as a productive extension of
24 the Melvin Field, pursuant to Section 9-17-13, *Code of Alabama* (1975), and Rule
25 400-1-13-.01 of the *State Oil and Gas Board of Alabama Administrative Code*.
26

27 11. DOCKET NO. 7-13-9811

28 Continued petition by KWB OIL PROPERTY MANAGEMENT, INC., a foreign
29 corporation authorized to do and doing business in the State of Alabama, requesting
30 the State Oil and Gas Board of Alabama to enter an order force pooling, without the
31 imposition of a risk compensation penalty, all tracts and interests in gas produced
32 from a well to be drilled as a wildcat well on a unit consisting of the West Half of
33 Section 11, Township 17 South, Range 14 West, Lamar County, Alabama. This
34 Petition is in accordance with Section 9-17-13, *Code of Alabama*, (1975), as
35 amended and Rule 400-1-13-.01 of the *State Oil and Gas Board of Alabama*
36 *Administrative Code*.
37

38 12. DOCKET NO. 8-19-981

39 Petition by CEDARHILL OPERATING CO., L.L.C., an Alabama limited liability
40 company, requesting the State Oil and Gas Board of Alabama to enter an order
41 force pooling, without the imposition of a risk compensation penalty, all tracts

1 and interests in oil produced from a well to be drilled in the Gilbertown Field on a
2 40-acre unit consisting of the Southeast Quarter of the Northeast Quarter of
3 Section 33, Township 11 North, Range 4 West, Choctaw County, Alabama. This
4 Petition is in accordance with Section 9-17-13, *Code of Alabama*, (1975), as
5 amended and Rule 400-1-13-.01 of the *State Oil and Gas Board of Alabama*
6 *Administrative Code*.

7
8 13. DOCKET NO. 8-19-982

9 Petition by BRISTOL RESOURCES CORPORATION, a foreign corporation
10 authorized to do and doing business in the State of Alabama, requesting the State
11 Oil and Gas Board to name a new gas field in Lamar County, Alabama, the
12 Northeast Watson Creek Field, or such other name as the Board deems proper,
13 and to adopt Special Field Rules therefor. The proposed field, as underlain by the
14 Gilmer Sand Gas Pool, consists of the North Half of Section 22, Township 14
15 South, Range 15 West, Lamar County, Alabama. The Gilmer Sand Gas Pool is
16 defined as that interval productive of hydrocarbons between 2,133 feet and 2,139
17 feet as indicated on the Compensated Neutron-Litho Density Log for the Ray 22-7
18 Well No. 1, Permit No. 6271, and all zones in communication therewith and all
19 productive extensions thereof. Petitioner is requesting well spacing of 320
20 contiguous surface acres and is also requesting the establishment of allowables for
21 said field.

22
23 14. DOCKET NO. 8-19-983

24 Petition by PENNSYLVANIA CASTLE ENERGY CORPORATION, a foreign
25 corporation, authorized to do and doing business in the State of Alabama,
26 requesting the State Oil and Gas Board to enter an order under Rule 5D of the
27 Special Field Rules for the Deerlick Creek Coal Degasification Field, Tuscaloosa
28 County, Alabama. Rule 5 of the Special Field Rules for the Deerlick Creek Coal
29 Degasification Field addresses drilling and completion operations and subsection
30 D of said Rule 5 specifies that other methods of completion are subject to
31 approval of the Supervisor. Petitioner is requesting to be allowed to produce
32 coalbed gas from the annular space between the surface casing and the production
33 casing in the J.E. Moore 24-5 #21 Well, Permit No. 4089-C.

34
35 This request was previously approved by the Board in Emergency Order E-98-87 on
36 July 24, 1998.

37
38 15. DOCKET NO. 8-19-984

39 Petition by PENNSYLVANIA CASTLE ENERGY CORPORATION, a foreign
40 corporation, authorized to do and doing business in the State of Alabama, requesting
41 the State Oil and Gas Board to enter an order extending the temporary abandonment

1 status for six (6) months for the following described wells in the Deerlick Creek
2 Coal Degasification Field, Tuscaloosa County, Alabama, in accordance with Rule
3 400-1-3-.06(2) of the *State Oil and Gas Board of Alabama Administrative Code*:
4

<u>PERMIT NO.</u>	<u>WELL NAME</u>	<u>LOCATION</u>	
5 6 7 8 9 10 11 12 13	4311-C	J.D. Jobson 14-3-30	Section 14, Township 20 South, Range 9 West
14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	4166-C	Gulf States Paper Corp. 25-14-18	Section 25, Township 20 South, Range 9 West

14 The previous temporary abandonment status for these wells expires on August 21,
15 1998, and Pennsylvania Castle Energy Corporation is requesting this Board to
16 grant a six (6) month extension beginning August 21, 1998, because these wells
17 have future utility in Pennsylvania Castle Energy Corporation's coalbed methane
18 operations in Alabama and should not be plugged.
19

20 16. DOCKET NO. 8-19-985

21 Petition by FOUR STAR OIL & GAS COMPANY, a subsidiary of Texaco Inc., a
22 foreign corporation authorized to do and doing business in the State of Alabama,
23 requesting the State Oil and Gas Board to enter an order amending the procedures
24 for underbalanced drilling operations through the Unitized Formation in the Hatter's
25 Pond Unit 10-11 #3 SDTK, Permit No. 3213-B, located in Section 10, Township 2
26 South, Range 1 West, Hatter's Pond Unit, Mobile County, Alabama. Previously in
27 Order No. 98-39 issued on April 17, 1998, the Board approved underbalanced
28 drilling operations as an exception to Rule 5 of the Special Field Rules for the
29 Hatter's Pond Field and Rule 400 1-3-.12 of the *State Oil and Gas Board of*
30 *Alabama Administrative Code*.
31

32 This request was previously approved by the Board in Emergency Order E-98-86 on
33 July 24, 1998.
34

35 17. DOCKET NO. 8-19-986

36 Petition by FOUR STAR OIL & GAS COMPANY, a subsidiary of Texaco Inc., a
37 foreign corporation authorized to do and doing business in the State of Alabama,
38 requesting the State Oil and Gas Board to enter an order extending the temporarily
39 abandoned status for six (6) months for the following described well in Mobile
40 County, Alabama, in the Hatter's Pond Unit, in accordance with Rule 400-1-3-.06

1 and Rule 400-1-5-.04(d) of the *State Oil and Gas Board of Alabama Administrative*
2 *Code*:

3 <u>PERMIT NO.</u>	4 <u>WELL NAME</u>	5 <u>LOCATION</u>
6 2735-B-GI-93-1	7 Hatter's Pond Unit 8 34-10 #1 Sidetrack	9 S34, T1S, R1W

10 The previous temporarily abandoned status for this well has expired and
11 Petitioner requests the Board to grant a six (6) month extension beginning August
12 21, 1998, because said well has future utility and should not be plugged.

13 18. DOCKET NO. 8-19-987

14 Petition by TAURUS EXPLORATION, INC., an Alabama corporation,
15 requesting the State Oil and Gas Board, pursuant to Section 9-17-1, *et seq. Code*
16 *of Alabama*, (1975), and Rule 400-1-3-.06 of the *State Oil and Gas Board of*
17 *Alabama Administrative Code*, to enter an order extending the temporarily
18 abandoned status for certain coal degasification wells in the Oak Grove Coal
19 Degasification Field and the Brookwood Coal Degasification Field, Tuscaloosa
20 and Jefferson Counties, Alabama, in the following areas:

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

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

23 Sections 9, 10, 13, 14, 15 and 16, Township 19 South, Range 7 West; and

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

26 The previously granted temporarily abandoned status expires on August 21, 1998,
27 and Taurus Exploration, Inc. is requesting this Board to grant a six-month
28 extension of the temporarily abandoned status beginning August 21, 1998,
29 because all of the wells in the aforementioned Sections have future utility and
30 should not be plugged.

31 19. DOCKET NO. 8-19-988

32 Petition by WHITMAR EXPLORATION CO., INC., a foreign corporation
33 authorized to do and doing business in the State of Alabama, requesting the State Oil
34 and Gas Board to enter an order approving a 160-acre wildcat drilling unit consisting
35 of the Northwest Quarter of the Northwest Quarter of Section 1 and the Northeast
36
37
38
39
40
41

1 Quarter of the Northeast Quarter of Section 2, Township 3 North, Range 7 East,
2 Escambia County, Alabama, the Southeast Quarter of the Southeast Quarter of
3 Section 35 and the Southwest Quarter of the Southwest Quarter of Section 36,
4 Township 4 North, Range 7 East, Conecuh County, Alabama, as an exception to
5 Rule 400-1-2-.02 (2) of the *State Oil and Gas Board of Alabama Administrative*
6 *Code*, which requires all wells to be drilled on a governmental quarter section. The
7 proposed unit lies within the geographic boundaries of the Barnett Field.
8

9 This petition is filed as a companion to petition bearing Docket No. 8-19-989
10 requesting forced pooling, without the imposition of a risk compensation fee, of
11 the above-referenced 160-acre wildcat drilling unit.
12

13 20. DOCKET NO. 8-19-989

14 Petition by WHITMAR EXPLORATION CO., INC., a foreign corporation
15 authorized to do and doing business in the State of Alabama, requesting the State Oil
16 and Gas Board to enter an order force pooling, without the imposition of a risk
17 compensation fee, all tracts and interests in a 160-acre wildcat drilling unit
18 consisting of the Northwest Quarter of the Northwest Quarter of Section 1 and the
19 Northeast Quarter of the Northeast Quarter of Section 2, Township 3 North, Range 7
20 East, Escambia County, Alabama, the Southeast Quarter of the Southeast Quarter of
21 Section 35 and the Southwest Quarter of the Southwest Quarter of Section 36,
22 Township 4 North, Range 7 East, Conecuh County, Alabama, pursuant to Section 9-
23 17-13, *Code of Alabama* (1975), and Rule 400-1-13-.01 of the *State Oil and Gas*
24 *Board of Alabama Administrative Code*.
25

26 This petition is filed as a companion to petition bearing Docket No. 8-19-988
27 requesting approval of the above-referenced 160-acre wildcat drilling unit as an
28 exception to Rule 400-1-2-.02 (2) of the *State Oil and Gas Board of Alabama*
29 *Administrative Code* .
30

31 21. DOCKET NO. 8-19-9810

32 Petition by LAND AND NATURAL RESOURCE DEVELOPMENT, INC., an
33 Alabama corporation, requesting the Board to extend the temporarily abandoned
34 status for 228 wells, all of which are located in the Moundville Field, Tuscaloosa
35 and Hale Counties, Alabama. Petitioner owns an interest in said wells and desires to
36 renew their temporarily abandoned status in order that said wells can be re-entered
37 and completed. Petitioner alleges that said wells have future utility. The wells are
38 located in the following sections:

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38

Township 23 North, Range 3 East

Sections: 13, 24

Township 23 North, Range 4 East

Sections: 7, 8, 10, 11, 12, 13, 14, 15, 16
17, 18, 19, 20, 21, 22, 23, 24,
28, 29, 30

Township 23 North, Range 5 East

Sections: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 14,
15, 16, 17, 18, 19, 20 & 31

Township 24 North, Range 4 East

Sections: 24 & 25

Township 24 North, Range 5 East

Sections: 19, 30 & 31

22. DOCKET NO. 8-19-9811
Petition by JN EXPLORATION & PRODUCTION LIMITED PARTNERSHIP, a foreign limited partnership authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board (hereinafter "Board") to enter an order amending Rule 1 of the Special Field Rules for the Frisco City Field, adopted by the Board in Order 87-30, issued on February 28, 1987, and last amended by Order No. 98-44 issued on May 15, 1998, so as to add thereto lands described as: The north half of the north half of the northwest quarter of the southeast quarter and the north half of the northwest quarter of the northeast quarter of the southeast quarter of Section 12, Township 5 North, Range 6 East, all in Monroe County, Alabama. Said acreage to be added to the defined limits of the Frisco City Field constitutes a productive extension of the said Frisco City Field and coincides with the proposed unit area of the proposed Frisco City Oil Unit.

1 This petition is a companion petition to those petitions bearing Docket No. 8-19-
2 9812 requesting the designation of a new pool for said field and Docket No. 8-19-
3 9813 requesting the establishment of a partial fieldwide unit for said field and
4 seeks relief related to such petitions.
5

6 23. DOCKET NO. 8-19-9812

7 Petition by JN EXPLORATION & PRODUCTION LIMITED PARTNERSHIP, a
8 foreign limited partnership authorized to do and doing business in the State of
9 Alabama, requesting the State Oil and Gas Board (hereinafter "Board") to amend
10 Rule 2 of the Special Field Rules for the Frisco City Field, adopted by Order 87-
11 30 issued on February 28, 1987, as last amended by the Board in Order No. 98-44
12 issued on May 15, 1998, to amend the name of the Frisco City Sand Oil Pool as
13 presently defined therein to the North Frisco City Sand Oil Pool of the Frisco City
14 Field and to add and name a new pool to be defined as the South Frisco City Sand
15 Oil Pool of the Frisco City Field, which shall be defined as that interval of the
16 Haynesville Formation productive of hydrocarbons in the interval between 12,337
17 feet MD to 12, 373 feet MD on the Compensated Z-Densilog, Compensated
18 Neutron, Gamma-ray log for the Brents Lee 12-7 No. 1 Well, Permit No. 10226-
19 B, located 1,185 feet from the North line and 1,941 feet from the East line of
20 Section 12, Township 5 North, Range 6 East, Monroe County, Alabama. The
21 proposed South Frisco City Sand Oil Pool is a separate and distinct pool from the
22 North Frisco City Sand Oil Pool.
23

24 This petition is a companion petition to those petitions bearing Docket No. 8-19-
25 9811 requesting to add lands to the Frisco City Field and Docket No. 8-19-9813
26 requesting the establishment of a partial fieldwide unit for said field and seeks
27 relief related to such petitions.
28

29 24. DOCKET NO. 8-19-9813

30 Petition by JN EXPLORATION & PRODUCTION LIMITED PARTNERSHIP, a
31 foreign limited partnership authorized to do and doing business in the State of
32 Alabama, requesting the State Oil and Gas Board (hereinafter "Board") to enter
33 an order pursuant to Section 9-17-80, et seq. of the *Code of Alabama* (1975), as
34 amended, approving and establishing a partial fieldwide unit for the South Frisco
35 City Sand Oil Pool of the Frisco City Field, hereinafter more particularly defined
36 and referred to herein as the Unitized Area, consisting of the following described
37 tracts in Monroe County, Alabama, to-wit: The north half of Section 12; the north
38 half of the north half of the northwest quarter of the southeast quarter of Section
39 12; the north half of the northwest quarter of the northeast quarter of the southeast
40 quarter of Section 12, Township 5 North, Range 6 East, Monroe County,
41 Alabama, and requiring the operation of said Unit Area as a partial fieldwide unit

1 for pressure maintenance, enhanced recovery, development and production of oil,
2 gas, gaseous substances, condensate, distillate and all associated and constituent
3 liquid or liquefiable substances within or produced from the unitized interval in
4 order to prevent waste, to maximize the recovery of the unitized substances, to
5 avoid the drilling of unnecessary wells, and to protect the coequal and correlative
6 rights of interested parties.
7

8 The Unitized Formation is to be designated as the South Frisco City Sand Oil
9 Pool in the Frisco City Field and shall be construed to mean those strata of the
10 Haynesville Formation productive of hydrocarbons in the interval between 12,337
11 feet MD to 12, 373 feet MD on the Compensated Z-Densilog, Compensated
12 Neutron, Gamma-ray log for the Brents Lee 12-7 No. 1 Well, Permit No. 10226-
13 B, located 1,185 feet from the North line and 1,941 feet from the East line of
14 Section 12, Township 5 North, Range 6 East, Monroe County, Alabama,
15 including those strata which can be correlated therewith. Said pool and proposed
16 unitized area constitutes a separate and distinct oil producing pool in said field,
17 separate and distinct from all other pools in said field.
18

19 Petitioner further seeks entry of an order unitizing, pooling, and integrating the
20 Unit Area as underlain by the above-described Unitized Formation, into a partial
21 fieldwide unit so as to require all owners or claimants of royalty, overriding
22 royalty, mineral, leasehold and all other leasehold interest within said partial
23 fieldwide unit to unitize, pool, and integrate their interests and develop their lands
24 or interests within said Unit Area as a partial fieldwide unit. Said petition further
25 seeks to have JN Exploration & Production Limited Partnership designated as
26 Unit Operator of the Unit Area in accordance with the laws of the State of
27 Alabama and seeks an order from the Board approving the Unit Agreement and
28 Unit Operating Agreement.
29

30 This petition is a companion petition to those petitions bearing Docket No. 8-19-
31 9811 requesting to add lands to the Frisco City Field and Docket No. 8-19-9812
32 requesting the designation of a new pool for said field and seeks relief related to
33 such petitions.
34

35 **25. DOCKET NO. 8-19-9814**

36 Petition by SENECA RESOURCES CORPORATION, a foreign corporation
37 authorized to do and doing business in the State of Alabama, requesting the State
38 Oil and Gas Board to enter an order reforming a 160-acre wildcat drilling unit
39 consisting of the East Half of the Southwest Quarter and the West Half of the
40 Southeast Quarter of Section 32, Township 4 North, Range 6 East, Monroe
41 County, Alabama, to a 200-acre production unit for the Blacksher 32-10 No. 1

1 Well, Permit No.11368-B, in the proposed Little River Lake Field, invoking the
2 30% tolerance allowed by Section 9-17-12(b) of the Code of Alabama 1975 and
3 as an exception to Rule 3 (a) of the proposed Special Field Rules for the Little
4 River Lake Field, described as follows:
5

6 The South Half of the Southwest Quarter of the Northeast Quarter; the
7 South Half of the Southeast Quarter of the Northwest Quarter; the West
8 Half of the Southeast Quarter; and the East Half of the Southwest Quarter,
9 all in Section 32, Township 4 North, Range 6 East, Monroe County,
10 Alabama.
11

12 Section 9-17-12(b) authorizes the Board to grant units in excess of 160 acres
13 when it is demonstrated that one well can efficiently and economically drain the
14 proposed area and that such a larger unit is justified because of technical,
15 economic, environmental or safety considerations, or other reasons deemed valid
16 by the Board.
17

18 This petition is filed as a companion to petition bearing Docket No. 8-19-9815
19 requesting establishment of the Little River Lake Field and petition bearing Docket
20 No. 8-19-9816 requesting forced pooling, without imposition of a risk compensation
21 fee, of the above-described 200-acre production unit in the proposed Little River
22 Lake Field.
23

24 **26. DOCKET NO. 8-19-9815**

25 Petition by SENECA RESOURCES CORPORATION, a foreign corporation
26 authorized to do and doing business in the State of Alabama, requesting the State
27 Oil and Gas Board to enter an order establishing a new oil field in Monroe
28 County, Alabama, to be named the Little River Lake Field, or such other name as
29 the Board deems proper, and to adopt Special Field Rules therefor. The proposed
30 field, as underlain by the Smackover Oil Pool in the Smackover Formation,
31 consists of the following described tracts:
32

33 The South Half of the Southwest Quarter of the Northeast Quarter;
34 the South Half of the Southeast Quarter of the Northwest Quarter;
35 the West Half of the Southeast Quarter; and the East Half of the
36 Southwest Quarter, all in Section 32, Township 4 North, Range 6
37 East, Monroe County, Alabama.

1 The Smackover Oil Pool should be defined as that interval of the Smackover
2 Formation productive of hydrocarbons between the depths of 14,160 feet
3 measured depth and 14,370 feet measured depth as indicated on the Array
4 Induction Log for the Blacksher 32-10 No. 1 Well, Permit No. 11368-B, located
5 in Section 32, Township 4 North, Range 6 East, Monroe County, Alabama.
6 Petitioner is requesting that said discovery well or any subsequent replacement
7 well be located on the above-described 200-acre production unit and Petitioner is
8 also requesting the establishment of production allowables.

9
10 This petition is filed as a companion to petition bearing Docket No. 8-19-9814
11 requesting reformation of a 160-acre wildcat drilling unit to a 200-acre production
12 unit in the proposed Little River Lake Field, and petition bearing Docket No. 8-19-
13 9816 requesting forced pooling, without imposition of a risk compensation fee, of
14 the proposed 200-acre production unit.

15
16 27. DOCKET NO. 8-19-9816

17 Petition by SENECA RESOURCES CORPORATION, a foreign corporation
18 authorized to do and doing business in the State of Alabama, requesting the State
19 Oil and Gas Board to enter an order force pooling, without the imposition of a risk
20 compensation fee, all tracts and interests in a proposed reformed 200-acre
21 production unit consisting of the South Half of the Southwest Quarter of the
22 Northeast Quarter; the South Half of the Southeast Quarter of the Northwest
23 Quarter; the West Half of the Southeast Quarter; and the East Half of the
24 Southwest Quarter, all in Section 32, Township 4 North, Range 6 East, Monroe
25 County, Alabama, in the proposed Little River Lake Field, pursuant to Section 9-
26 17-13, *Code of Alabama* (1975), and Rule 400-1-13-.01 of the *State Oil and Gas*
27 *Board of Alabama Administrative Code*.

28
29 This petition is filed as a companion to petition bearing Docket No. 8-19-9814
30 requesting approval of the reformation of a 160-acre wildcat drilling unit to the
31 above-described 200-acre production unit in the proposed Little River Lake Field,
32 and petition bearing Docket No. 8-19-9815 requesting establishment of the Little
33 River Lake Field.

34
35 28. DOCKET NO. 3-6-9637

36 Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA
37 to repeal and rescind all rules and regulations of statewide application and to
38 promulgate new rules and regulations of statewide application, provided,
39 however, that Special Field Rules shall not be repealed and rescinded. The rules
40 and regulations of the State Oil and Gas Board are set forth in Rule 400-1-1-.01 et
41 seq. of the *State Oil and Gas Board of Alabama Administrative Code*. Under this

1 Motion, the State Oil and Gas Board proposes to make substantial changes to
2 regulations governing coalbed methane gas operations, offshore operations, and
3 various other regulations.
4

5 29. DOCKET NO. 11-12-9716

6 Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA
7 requesting operator Marion Corporation or its successors-in-interest or Insurance
8 Company of North America, as surety of a well bond, to show cause why the well
9 location for the Loper Estate No. 1 Well, Permit No. 2115, in Section 19,
10 Township 2 North, Range 2 West, in the Citronelle Field, Mobile County,
11 Alabama, should not be ordered to be restored in accordance with Rule 400-1-5-
12 .07 of the *State Oil and Gas Board of Alabama Administrative Code*. Section 9-
13 17-6(c)(5) of the *Code of Alabama* (1975) authorizes the Board to require a bond
14 to ensure compliance by the operator of a well with the oil and gas statutes and
15 the rules and regulations of the Board.
16
17
18
19
20
21
22

23 Members of the public are invited to attend this meeting and to present to
24 the Board their position concerning these matters. If special accommodations are
25 needed to facilitate attendance or participation in the meeting, please call
26 205/349-2852, ext. 211.
27

28 The public is advised that the Board may promulgate orders concerning a
29 petition which may differ from that requested by the petitioner concerning the
30 lands described in the notice. Pursuant to this hearing, Section 9-17-1 et seq. of
31 the *Code of Alabama* (1975) and the rules and regulations promulgated
32 thereunder, the Board will enter such order or orders as in its judgment may be
33 necessary based upon the evidence presented.
34

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

1 DR. OLTZ: Mr. Chairman, the staff would recommend approval of the minutes of the
2 following meetings: The Hearing Officer meeting of May 13, 1998; Board meeting of May 15,
3 1998; Special Board meeting May 22; Special Hearing Officer meeting June 19; Hearing Officer
4 meeting July 13 and 15; Special Hearing Officer meeting on July 23, and another Special
5 Hearing Officer meeting on August 5.

6 MR. METCALFE: Move.

7 MR. DAMPIER: Second.

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

9 (All Board members voted "aye")

10 CHMN. MCCORQUODALE: "Ayes" have it.

11 MR. ROGERS: Mr. Chairman, the items to be heard today are as follows: Item 8, Docket
12 No. 7-13-987, petition by Exxon Corporation; Item 9, Docket No. 7-13-988, petition by Exxon;
13 Item 12, Docket No. 8-19-981, petition by Cedarhill Operating Company, LLC; Item 16, Docket
14 No. 8-19-985, petition by Four Star Oil and Gas Company; Item 17, Docket No. 8-19-986,
15 petition by Four Star Oil and Gas Company; and Item 19, Docket No. 8-19-988, petition by
16 Whitmar Exploration Co. After that we also have an emergency petition by Moon-Hines-Tigrett.
17 The first item is Item 8, Docket No. 7-13-987, petition by Exxon.

18 MR. WATSON: Mr. Chairman, I would like to consolidate Dockets 7-13-987 and 988
19 for hearing purposes.

20 CHMN. MCCORQUODALE: That request is granted.

1 MR. WATSON: I have prefiled affidavits of notice and request that the affidavits of
2 notice be admitted and that letters from the staff concerning notice to DCNR and Mr. Griggs'
3 response relative to notice also be admitted to the record.

4 CHMN. MCCORQUODALE: They are admitted.

5 (Whereupon, the affidavits and letters
6 were received in evidence)

7 MR. WATSON: These consolidated docket items filed by Exxon request the Board to
8 establish a new offshore Miocene gas field to be named the South Pelican Island Field and that
9 the 160-acre wildcat drilling unit for the State Lease 536 No. 4 Well be reformed to a 1,070-acre
10 production unit. This well was directionally drilled from Tract 112 to Tract 111 where it is
11 completed in the Amos Sand. The initial test indicates that Exxon has a significant new Miocene
12 discovery underlying portions of Tracts 111 and 112. Today the witnesses will describe this new
13 discovery in sufficient detail to allow the Board to establish a new gas field and reform a 160-
14 acre wildcat drilling unit to a 1,070-acre production unit. Section 9-17-12 of the *Code of*
15 *Alabama* limits the size of oil and gas drilling for production units, 160-acre maximum units for
16 oil and 640 maximum units for gas. However, there is an exception in that the law provides that
17 the Board may, at its discretion after notice and hearing, establish drilling or production units for
18 oil or gas in excess of these limitations when it is affirmatively demonstrated that one well can
19 efficiently and economically drain the proposed area and that the larger unit is justified because
20 of technical, economic, environmental or safety considerations or other reasons deemed valid by
21 the Board. Exxon recommends the approval of the 1,070-acre production unit in order to include

1 the entire productive portion of the Amos Sand. The evidence will show that this request is
2 justified. Finally, the evidence will show that the State's royalty rates were the same for Tracts
3 111 and 112 and the Department of Conservation and Natural Resources controls 100 percent of
4 the royalties that will come from this well. Having been fully informed of Exxon's plans for the
5 well, beginning with the approval of the 160-acre wildcat drilling unit, the Department has
6 indicated that it does not object to the Board's approving Exxon's request for the 1,070-acre
7 production unit if the Board finds the request is justified. I have two witnesses and would ask
8 that they be sworn in, please.

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

10 MR. METNER: William A. Metner, 18 Flat Stone, The Woodlands, Texas.

11 MR. VANSANT: Claiborne Vansant, 1915 Dawn Hollow Lane, Katy, Texas.

12 (Witnesses were sworn by Mr. Rogers)

13 MR. WATSON: My first witness is William A. Metner, an exploration geologist with
14 Exxon. He has not appeared before the Board but I have filed an affidavit of his qualifications.
15 Mr. Metner, summarize your educational background and work experience and tell the Board
16 what your role has been relative to the State 536 No. 4 well.

17 MR. METNER: I received a Bachelor of Science Degree in Geology from the University
18 of Manitoba in Winnipeg, Manitoba, Canada in 1973. Since that time I have been employed
19 with Exxon and its affiliates in hydrocarbon exploration in Canada, the U.K. sector of the
20 Southern North Sea, the Gulf Coast, shallow waters of the Gulf of Mexico, and the United States.
21 Over the course of approximately six months in 1996, I mapped several Miocene prospects in the

1 Mobile Bay area including the prospect that is the subject of this hearing. During the course of
2 this work I examined many of the logs and seismic responses that were available of productive
3 Miocene sands in Alabama's state waters and adjacent Federal waters. My present duties with
4 Exxon are prospect generation on and adjacent to Exxon acreage in the shallow waters of the
5 Gulf of Mexico, the Texas Gulf Coast and the Permian basin of West Texas.

6 MR. WATSON: Mr. Metner, were Exhibits 1 through 5 prepared by you or under your
7 supervision and control?

8 MR. METNER: Yes, they were.

9 MR. WATSON: Mr. Chairman, I tender Mr. Metner as an expert witness in geology for
10 purposes of testifying in this matter.

11 CHMN. MCCORQUODALE: He is so recognized.

12 WILLIAM A. METNER

13 Appearing as a witness on behalf of Petitioner, Exxon Corporation, testified as follows:

14 DIRECT EXAMINATION

15 Questions by Mr. Watson:

16 Q. Mr. Metner, if you would, turn in the booklet of exhibits to Exhibit No. 1. Describe what
17 is shown on that exhibit, please, sir.

18 A. Exhibit 1 is a plat illustrating the position of the 160-acre wildcat drilling unit, the plat of
19 the State Lease 536 No. 4 Well that discovered the proposed South Pelican Island Field,
20 and the proposed 1,070-acre production unit. The proposed field limits are outlined in
21 yellow. The State Lease 536 No. 4 Well was spudded at a surface location 6,003 feet

1 from the North line and 3,577 feet from the West line of State Lease 537. The well was
2 directionally drilled to the southwest intersecting the objective Amos Sand at a point 418
3 feet west of the East line of State Lease 536 and 7,448 feet south of the North line of
4 State Lease 536. This intersection point is 883 feet west of the East line of the drilling
5 unit and 1,247 feet south of the North line of the drilling unit. The well bottomed at a
6 point 7,759 feet south of the North line of State Lease 536 and 1,445 feet west of the East
7 line of State Lease 536. The bottom-hole location is 730 feet east of the West boundary
8 of the drilling unit and 1,082 feet north of the South boundary of the drilling unit. The
9 intersection point of the Amos Sand is 3,022 feet northeast of the three marine miles from
10 shoreline boundary between the State of Alabama and the United States. The bottom-
11 hole location is 2,063 feet northeast of the State/Federal boundary.

12 Q. There were two directional surveys for this well, Mr. Metner. Tell the Board what they
13 were and which one of the two Exxon relies upon as being the most accurate.

14 A. A survey was obtained with the MWD tool during the drilling of the well. Subsequent to
15 the drilling of the well, a gyro survey was one required by this Board. The gyro tool used
16 in this well was a precision rate gyro that can be erratic and inaccurate in highly deviated
17 wellbores such as this one. Exxon believes in this case that the survey from the MWD
18 tool is more accurate.

19 Q. The MWD tool is a measured while drilling tool, correct?

20 A. Correct.

1 Q. Now, tell the Board what Exxon recommends as the Miocene production unit for the
2 State Lease 536 No. 4 well and how Exxon arrived at a production unit of this size and
3 configuration.

4 A. The proposed production unit encompasses an area of 1,070 acres. A production unit of
5 this size is required to include the area underlain by the Amos Sand Gas Pool. The
6 irregular outline enclosed within the proposed 1,070 acre production unit is the
7 interpreted limit of the productive Amos Sand within the proposed South Pelican Island
8 Field. This limit was defined by mapping the seismic amplitude of the Amos Sand
9 reflection using an amplitude cutoff value larger than wells with wet or no Amos Sand
10 and smaller than wells with the thinnest gas section observed within the bounds of the 3-
11 D survey used. This limit encompasses portions of State Lease 536 and 537 on Tracts
12 111 and 112 respectively.

13 Q. Mr. Metner, am I correct in stating that you have furnished copies of Exxon's leases to
14 the Department of Conservation and Natural Resources?

15 A. That's correct.

16 Q. Did the leases call for the same production royalties?

17 A. Yes. Exxon has 100 percent of the working interest in both leases. The two state leases
18 have identical production royalties of 28 percent.

19 MR. WATSON: Mr. Chairman, Dr. Oltz has received a letter from the Department of
20 Conservation and Natural Resources confirming Mr. Metner's testimony. The letter goes on to

1 state that the Department has no objection to these petitions. I'll ask that it be made a part of the
2 record of this hearing.

3 CHMN. MCCORQUODALE: That request is granted. I assume that Mr. Rogers has
4 that letter.

5 MR. ROGERS: We do.

6 CHMN. MCCORQUODALE: It will be made a part of the record.

7 (Whereupon, the letters were received in evidence)

8 Q. Please tell the Board what is shown on the lower left side of Exhibit 1, Mr. Metner.

9 A. The legal description of the proposed production unit and allocation between the two
10 tracts is annotated on the left side of this Exhibit 1. The legal description of the proposed
11 1,070 acre production unit is there for the record and you will note in the tract summary
12 that the 1,070 acre production unit consist of 596.06 acres in Tract 111 and 473.94 acres
13 in Tract 112 or approximately 55.7 percent and 44.3 percent respectively.

14 Q. All right, sir. Turn to Exhibit 2 and tell the Board what Exhibit 2 is and describe the
15 information shown there, please, sir.

16 A. Exhibit 2 is a copy of a portion of the CDR/ADN well log for the State Lease 536 No. 4
17 well through the productive portion of the Amos Sand. Three curve tracks are shown.
18 The leftmost track displays the gamma ray log as a solid black line. The middle curve
19 track displays deep and shallow resistivity curves as dashed and solid lines respectively.
20 The right curve track displays neutron and density porosity curves as dashed and solid
21 lines respectively. Log analysis indicates average porosity of 35 percent. The State

1 Lease 536 No. 4 well was directionally drilled at angles exceeding 70 degrees. For that
2 reason no sidewall cores were taken. Permeabilities estimated at greater than 1.5
3 millidarcies is based on sidewall core data in the Miocene section in the Exxon State
4 Lease 6-16 No. 1 Well which is the nearest well with Miocene sidewall core data. The
5 top of the Amos Sand in this well is at 5,592 feet measured depth, 2,627 feet TVD
6 subsea. The base of the Amos Sand is at 5,848 feet measured depth, 2,714 feet TVD
7 subsea. The gas-water contact is at 5,740 feet measured depth, 2,674 feet TVD subsea as
8 defined by the mid-point of the decrease in resistivity and the lack of crossover of the
9 neutron density curves. The gross vertical gas column is 47 feet. The perforated interval
10 is from 5,592 to 5,696 feet measured depth as shown by the open circles along the left
11 side of the depth track. The base of the perforations is equivalent to 2,659 feet TVD
12 subsea. The perforations extend below the shaly interval from 5,664 to 5,682 feet
13 measured depth in order to ensure access to those gas reserves present below the shaly
14 zone. No faults were observed in the well.

15 Q. The next series of exhibits are seismic exhibits. Am I correct in stating that you used 3-D
16 seismic data as well as well control to define the limits of production of the Amos Sand
17 Gas Pool?

18 A. That is correct.

19 Q. Let's turn to Exhibit 3. Describe the information shown on that exhibit, please, sir.

20 A. Exhibit 3 is an arbitrary seismic line across the proposed 1,070-acre production unit. The
21 line runs from northwest to southeast with the path shown on the index map on the lower

1 part of the page. The boundaries of the proposed production unit are shown as heavy
2 black vertical lines on the seismic section. The level of the Amos Sand or its
3 stratigraphic equivalent is marked by a thin black line which is labeled on the right side
4 of the section. The time interval displayed extends from 0.304 to 1.0 seconds which is
5 approximately equivalent to 3,300 feet subsea. On the far right of this exhibit the
6 amplitude scale shows the magnitude of the seismic response. Increased minimum or
7 negative values reflecting negative seismic impedances are shown as brighter shades of
8 red. Gas field sands have a slower seismic velocity than both wet sands and shales
9 resulting in negative seismic impedances. They display as colors representative of the
10 minimum end of the amplitude spectrum on the seismic section shown, i.e. orange to red.
11 Increasing thickness of gas field sand generally results in increasing brightness of the
12 negative amplitude. The red-orange color at the Amos level between the unit boundary
13 lines represents the interpreted extent of the gas field Amos sand. This extent is shown as
14 the irregular black outline within the proposed production unit on the index map on the
15 lower part of the page. This is the same productive limit black line that appears on
16 Exhibit 1. No faults or barriers to flow are seen on this seismic line. The V-shaped dark
17 green no data areas on this line are caused by the lack of intertraced data due to the shock
18 receiver line spacing which was designed to image deeper objectives. The lack of data in
19 these areas does not significantly diminish the quality of the data and the Miocene
20 objective underlying Tracts 111 and 112.

1 Q. All right, sir. Please turn to Exhibit 4 and describe the information shown on this
2 seismic.

3 A. Exhibit 4 is a west-to-east seismic line across the proposed 1,070 acre production unit.
4 The path of the line is shown on the index map on the lower part of the page. The limits
5 of the proposed production unit are shown as heavy vertical lines on the seismic section.
6 The level of the Amos Sand or its stratigraphic equivalent is marked by a thin black line
7 which is labeled on the right side of the section. The time interval displayed is the same
8 as the previous exhibit. The red-orange color at the Amos level between the unit
9 boundary lines represents the interpreted extent of the gas field Amos sand. This extent
10 is shown as the irregular black outline within the proposed production unit on the index
11 map on the lower part of the page. No faults or barriers to flow are seen on this seismic
12 line.

13 Q. Mr. Metner, before we go any further, looking at Exhibit 4, the line--the black line in the
14 middle between the two heavy dark lines is the trace of this wellbore. Is that correct?

15 A. That is correct.

16 Q. And also appeared on the previous exhibit to show how this wellbore intercepted that
17 productive portion of the Amos Sand.

18 A. That's correct.

19 Q. Turn to your last Exhibit No. 5. Tell us what's shown on that exhibit, please, sir.

20 A. Exhibit 5 is the southwest to northeast seismic line across the proposed 1,070 acre
21 production unit. The path of the line is shown on the index map on the lower part of the

1 page. The limits of the proposed production unit are shown as heavy vertical lines on the
2 seismic section. The level of the Amos Sand or its stratigraphic equivalent is marked by
3 a thin black line which is labeled on the right side of the section. The time interval
4 displayed extends from 0.304 to 1.0 seconds. The red-orange color at the Amos level
5 between the unit boundary lines represents the interpreted extent of the gas field Amos
6 Sand. This extent is shown as the irregular black outline within the proposed production
7 unit on the index map on the lower part of the page. No faults or barriers to flow are seen
8 on this seismic line.

9 Q. Given your study of the well data from the 536 No. 4 Well and the 3-D seismic data, is it
10 your opinion, Mr. Metner, that the 1,070 acre production unit encompasses the productive
11 portion of the Amos Sand Gas Pool as discovered by this well?

12 A. Yes, that is my opinion.

13 Q. Is it your opinion that the characteristics of the Amos Sand in this well is such that one
14 well will efficiently and economically produce the recoverable resources from this
15 reservoir?

16 A. Yes. Given the good porosity and permeability in this reservoir, one well will efficiently
17 drain the recoverable hydrocarbons.

18 Q. Is it also your opinion that there are no barriers to flow that would prevent this well from
19 communicating with the Amos Sand Gas Pool as you have mapped it?

20 A. Yes. That is my opinion.

1 MR. WATSON: Mr. Chairman, my next witness is Claiborne Vansant, a petroleum
2 engineer with Exxon. Mr. Vansant has appeared before this Board on several occasions and has
3 on file an affidavit of this qualifications. Mr. Vansant, were Exhibits 6 through 9 prepared by
4 you or under your supervision and control and were they prepared in support of Exxon's request
5 concerning the South Pelican Island Field?

6 MR. VANSANT: Yes.

7 MR. WATSON: I tender Mr. Vansant as an expert witness in petroleum engineering, Mr.
8 Chairman.

9 CHMN. MCCORQUODALE: He is so recognized.

10 CLAIBORNE VANSANT

11 Appearing as a witness on behalf of Petitioner, Exxon Corporation, testified as follows:

12 DIRECT EXAMINATION

13 Questions by Mr. Watson:

14 Q. Mr. Vansant, if you would, turn to Exhibit 6 in the booklet of exhibits and tell the Board
15 what is shown on that exhibit.

16 A. Exhibit 6 shows that the State Lease 536 No. 4 Well tested in February, 1998. The gas
17 that was produced during the test was sampled and its composition was analyzed. This
18 analysis shows that the gas produced is almost pure methane, approximately 99.2 mole
19 percent. Other components are ethane, nitrogen, and carbon dioxide. There is no H₂S.

20 Q. Turn to Exhibit 7, Mr. Vansant. Tell us what's shown on that exhibit.

1 A. Exhibit 7 is a summary table showing the results of the flow test on the State Lease 536
2 No. 4 well. The well was flowed at four different rates ranging from 4.1 million cubic
3 feet per day to 7 million cubic feet per day of dry gas. Tubing pressure was recorded at
4 each rate and also when the well was shut in. The only data appearing in this table that
5 was not directly measured are the bottom-hole pressures. Based on the hydrocarbon
6 analysis shown in the previous exhibit, the bottom-hole pressures and perforations shown
7 in the last column on the right were calculated from the tubing pressures. For example, at
8 7 million cubic feet per day the bottom-hole pressure was calculated to be 870 psia.

9 Q. Turn to Exhibit 8 and tell us what is shown on that exhibit, please, sir.

10 A. Exhibit 8 is an analysis of the flow test shown in the previous table on Exhibit 7. The
11 best fit line was drawn through the data and the equation shown in the upper left corner
12 of the plot was used to determine certain reservoir parameters. This equation known as
13 the Laminar Inertia Turblent, or LIT equation, was primarily chosen to estimate the
14 radius of the reservoir. The results of this analysis are shown in the lower right corner in
15 the plot. The well demonstrates an absolute open flow capability of 10 million cubic feet
16 per day and a reservoir radius of approximately 3,500 feet assuming radial drainage.
17 Given that the geologic data shows good porosity and permeability and no faulting or
18 other barriers to flow, according to Mr. Metner's testimony, it can be concluded from this
19 analysis that one well should efficiently and economically drain and produce this gas
20 accumulation in the Amos Sand.

21 Q. Mr. Vasant, turn to Exhibit 9 and tell the Board what Exxon reported on this first test.

1 A. Exhibit 9 is the new well test report that was filed with the Board in March 1998 after
2 concluding the testing of the State Lease 536 No. 4 well. The well was perforated from
3 5,592 feet to 5,696 feet measured depth and tested on February 25, 1998, flowing at a rate
4 of seven million cubic feet per day of gas with no liquids on a 33/64-inch choke.

5 Q. Mr. Vansant, you heard Mr. Metner's testimony relative to this reservoir's lack of
6 faulting and barriers to flow. Given the porosity and permeability of the Amos Sand, is it
7 your opinion that one well will efficiently and economically drain and produce the
8 hydrocarbons in this reservoir?

9 A. Yes. In my opinion, one well is all that is needed to efficiently and economically drain
10 this reservoir. That is one of the reasons Exxon is proposing to reform the 160-acre
11 wildcat unit to a 1,070-acre production unit.

12 Q. If one well will drain this reservoir, would it be wasteful to create small production units,
13 that is a production unit smaller than 1,070 acres upon which other wells could be drilled
14 in the Amos Sand Gas Pool?

15 A. Yes. In my opinion, smaller spacing that could lead to additional wells in this reservoir
16 would be wasteful. The State Lease 536 No. 4 Well costs approximately \$4 1/2 million
17 to drill and complete. The facilities are expected to cost an additional \$3 million for a
18 total well cost of approximately \$7 1/2 million. Additional drilling for this same gas
19 accumulation would not be economic and would, in my opinion, cause waste.

20 Q. Mr. Vansant, this well is completed in Alabama offshore waters south of Dauphin Island
21 and west of the Mobile ship channel. Is that correct?

1 A. That's correct.

2 Q. I think that we will all agree that this well is in a sensitive marine area traversed by both
3 pleasure and commercial boats. Is it true that this was one of the factors that led Exxon
4 to decide to drill this well directionally from an existing template from Tract 112?

5 A. Yes.

6 Q. Is it advantageous to limit the number of wells both for the purpose of keeping offshore
7 structures to a minimum and at the same time reduce the statistical possibility of safety
8 hazards?

9 A. Yes

10 MR. WATSON: Mr. Chairman, I request that Exhibits 1 through 9 be admitted into
11 evidence.

12 CHMN. MCCORQUODALE: They are admitted.

13 (Whereupon, the exhibits were
14 received in evidence)

15 MR. WATSON: I'll ask both of my witnesses if they are familiar with "waste" as that
16 term is defined by the oil and gas laws of Alabama. Mr. Metner?

17 MR. METNER: Yes.

18 MR. WATSON: Mr. Vansant?

19 MR. VANSANT: Yes.

20 MR. WATSON: Will the approval of these petitions prevent waste and protect coequal
21 and correlative rights? Mr. Metner?

1 MR. METNER: Yes.

2 MR. WATSON: Mr. Vasant?

3 MR. VANSANT: Yes.

4 MR. WATSON: Mr. Chairman, I tender the witnesses.

5 MR. ROGERS: Mr. Chairman, just for the record I would like to introduce into the
6 record a letter from Dr. Oltz to the US Mineral Management Service notifying about these
7 petitions.

8 CHMN. MCCORQUODALE: That letter will be admitted.

9 (Whereupon, the letter was
10 received in evidence)

11 MR. METCALFE: Mr. Chairman, I move that we approve the petition.

12 MR. DAMPIER: Second.

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

14 (All Board members voted "aye")

15 CHMN. MCCORQUODALE: "Ayes" have it.

16 MR. ROGERS: The next item is Item 12, Docket No. 8-19-981, petition by Cedarhill
17 Operating Company, L.L.C.

18 MR. WATSON: Mr. Chairman, I have prefiled an affidavit of notice in this matter and
19 would ask that it be admitted to the record.

20 CHMN. MCCORQUODALE: The affidavit is admitted.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

(Whereupon, the affidavit was
received in evidence)

MR. WATSON: This is a request to force pool tracts and interests in a 40-acre unit consisting of the Southeast Quarter of the Northeast Quarter of Section 33, Township 11 North, Range 4 West, Choctaw County, Alabama, in the Gilbertown Field. I have prefiled an affidavit of testimony in support of this item signed by Robert Land as the manager of Cedarhill. There is 2.8 net mineral acres outstanding or about 7 percent of the unit. I would ask that the affidavit be admitted to the record.

CHMN. MCCORQUODALE: We have admitted it.

(Whereupon, the affidavit was
received in evidence)

MR. WATSON: That's all I have on this item. I ask that you approve the petition.

MR. DAMPIER: Mr. Chairman, I move that we approve this petition.

MR. METCALFE: Second.

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

(All Board members voted "aye")

CHMN. MCCORQUODALE: "Ayes" have it.

MR. ROGERS: The next item is Item 16, Docket No. 8-19-985, petition by Four Star Oil and Gas Company.

MR. WATSON: We're asking the Board to make permanent an emergency order of the Board that approved the procedure for supervising underbalanced drilling in the Hatter's Pond

1 Unit in Mobile County, Alabama. This was a procedure that had previously been approved by
2 the Board. We restricted ourselves somewhat by naming a particular individual that would
3 supervise this. By emergency request we changed from a specific individual to the qualifications
4 of an individual to supervise the underbalanced drilling in a sidetrack well. I would ask that you
5 incorporate into the record of this hearing the evidence that was presented on July 23 in Docket
6 No. 7-21-981. I have passed out the exhibits that were used at that Special Hearing.

7 CHMN. MCCORQUODALE: That request is granted.

8 (Whereupon, Docket 7-21-981 was
9 incorporated by reference)

10 MR. WATSON: I would state to the Board this morning the status report on this
11 underbalanced drilling operation at the 10-11 No. 3 SDTK well in the Hatter's Pond Unit. Those
12 underbalanced drilling operations have been successfully completed; however, we are somewhat
13 concerned about the well as to whether it will produce. They are running production casing in
14 the well and the well will be tested. For the purposes of this hearing, we are asking for the
15 underbalanced drilling where we will drill with nitrogen through the formation as opposed to
16 mud to try and make the formation cleaner and give up more gas. That process has been
17 completed. I submit to you that we will see other attempts to do that in the future because it
18 seems to be a way of increasing the productivity of the reservoir. That's all I have on this item,
19 Mr. Chairman. I would ask that you grant the item.

20 MR. METCALFE: Move we approve.

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

1 (Board members McCorquodale and Metcalfe votes “aye”)

2 CHMN. MCCORQUODALE: Let the record reflect that Mr. Dampier recused himself
3 on this issue.

4 MR. ROGERS: The next matter is Item 17, Docket No. 8-19-986, petition by Four Star
5 Oil and Gas Company.

6 MR. WATSON: This is a request by Four Star to extend the temporary abandonment
7 status in a Class II UIC permit for the Hatter’s Pond 34-10 No. 1 Sidetrack. I have prefiled an
8 affidavit of testimony by Joseph F. Smith in support of this. I would ask that it be admitted to the
9 record and that you take your action based on the evidence contained in that affidavit.

10 CHMN. MCCORQUODALE: The affidavit is admitted.

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

13 CHMN. MCCORQUODALE: Again, let the record reflect that Mr. Dampier has recused
14 himself on this item.

15 MR. METCALFE: So move.

16 CHMN. MCCORQUODALE: Second. All in favor say “aye”.

17 (Board members McCorquodale and Metcalfe voted “aye”)

18 CHMN. MCCORQUODALE: “Ayes” have it.

19 MR. ROGERS: The next item is Item 19, Docket No. 8-19-988, petition by Whitmar
20 Exploration Company.

1 MR. WATSON: Mr. Chairman, I have one witness and would like to have him sworn,
2 please, sir.

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

4 MR. GRIGSBY: Richard Grigsby, 18326 Lansbury, Houston, Texas.

5 (Witness was sworn by Mr. Rogers)

6 MR. WATSON: Mr. Grigsby, you have appeared before this Board and have on file an
7 affidavit of your qualifications as a petroleum geologist. Is that correct?

8 MR. GRIGSBY: That's correct.

9 MR. WATSON: You are familiar with the petition to be heard today for the approval of a
10 160-acre wildcat unit for your proposed A. E. Davis 36-13 No. 1 Well?

11 MR. GRIGSBY: Yes, I am.

12 MR. WATSON: Have you prepared exhibits in support of that request?

13 MR. GRIGSBY: Yes, I did.

14 MR. WATSON: I tender Mr. Grigsby as an expert petroleum geologist.

15 CHMN. MCCORQUODALE: He is so recognized.

16 MR. WATSON: I have prefiled an affidavit of notice in this matter, Mr. Chairman, and
17 would ask that it be admitted to the record.

18 CHMN. MCCORQUODALE: The affidavit is admitted.

19 (Whereupon, the affidavit was
20 received in evidence)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

RICHARD GRIGSBY

Appearing as a witness on behalf of Petitioner, Whitmar Exploration Company, testified

as follows:

DIRECT EXAMINATION

Questions by Mr. Watson:

- Q. Mr. Grigsby, let's turn in your booklet of exhibits to what we will refer to as Exhibit A. This, Mr. Chairman, is an aerial map showing the fields surrounding the proposed 160-acre wildcat unit. Let me say this before Mr. Grigsby starts. We are proposing to form a 160-acre wildcat drilling unit out of four quarter-quarter sections from portions of four sections. The basis of this request is seismic information that Mr. Grigsby will testify to. This 160-acre unit is in the proximity of the Barnett and East Barnett Fields. That's the subject of Exhibit A. Tell the Board, Mr. Grigsby, what is shown on Exhibit A.
- A. Exhibit A shows the location of the proposed drilling unit for the Whitmar Exploration A. E. Davis 36-13 No. 1 Well shown in the yellow outline. That is a 160-acre proposed drilling unit. This map also shows the location of existing or previous production units from the Amerada Hess Scott Paper 35-8 well which is located to the north. The Amerada Hess Scott Paper well I believe is shut-in. I'm not sure that it has been plugged and abandoned yet but it has not produced in the last couple of years. It also shows the 160-acre production unit for the Tenneco-Wheless Sullivan 35-10 Well No. 1-C. That well has been plugged and abandoned for several years and the unit is no longer intact. It also shows two additional 160-acre production units to the east, the Amerada Hess Scott

1 Paper 1-1 well. That well has ceased production and is now, I believe, a saltwater
2 disposal well. To the north of that is the Coastal Grissett 36-16 No. 1 well. That well is
3 currently still in production and is an active production unit.

4 MR. WATSON: Mr. Chairman, what we are facing here with the Sullivan 35-10, the
5 well hasn't been plugged and with that 160-acre unit consisting of the Southeast Quarter of 35
6 dissolved we still have field limits for the Barnett Field that are intact and have not been
7 changed. We also have field limits for the East Barnett Field on the right of the exhibit
8 consisting those two 160-acres. We are showing this to the Board because were it not for the
9 fact that we are in close proximity to these two fields, the Supervisor would have the authority to
10 issue a drilling permit for this 160-acre wildcat drilling unit if we had 100 percent of the working
11 interest signed up and all the royalties. We are going to force pool this unit. We think that we
12 have only one party that is outstanding and may get 100 percent control so we are not going to
13 go forward with our force pooling today but we are bringing this matter to you so that you can
14 see the proximity of this wildcat unit to the existing field limits that are intact.

15 Q. Let's go to your Exhibit 1. Mr. Grigsby, tell us what is shown on Exhibit 1.

16 A. Exhibit 1 is the survey plat for the location of the Whitmar A. E. Davis 36-13 No. 1 well.
17 This was prepared by Engineering Service out of Mobile, Alabama, and is signed by
18 Russell McDill who is a registered land surveyor. It shows the location of the well 41
19 feet from the South line and 165 feet from the West line of Section 36, Township 4
20 North, Range 7 East. This location is also 1,279 feet from the North line and 1,155 feet

1 from the East line of the proposed production unit. Actually the well is pretty much
2 located in the center of the proposed drilling unit.

3 Q. Let's go to your next Exhibit No. 2.

4 A. The next exhibit is a structure map drawn on top of the Buckner Formation which is a
5 unit that lies right on top of the Smackover. Actually, the Smackover is about 10 feet
6 below the top of the Buckner. It shows that the drilling unit encompasses a structural
7 closure that the Whitmar Davis 36-13 well is designed to test. This map also shows that
8 there is structural separation from both the Tenneco-Wheless well and the Amerada Hess
9 Scott Paper well which makes up the two wells in Barnett Field. This structure should be
10 separated from the production of Barnett Field. Also the map shows a structural
11 separation from the East Barnett Field which is made up from production from the
12 Coastal Grissett well which is to the west. This map was drawn from 3-D seismic that
13 has been acquired in the area. Three arbitrary seismic lines pulled from the 3-D survey
14 are shown as Lines A, B, and C and will be shown on Exhibits 3, 4, and 5.

15 Q. Let's go to those exhibits and we will come back to Exhibit 2. Look at Exhibit 3. Tell us
16 what that seismic line is showing.

17 A. Exhibit 3 is a northwest-southeast seismic line taken from the 3-D survey. It was drawn
18 to intersect the Tenneco Sullivan well which was a productive well from the Barnett Field
19 to the northwest through the prospect and the location of the A. E. Davis well and then
20 southeast across and off the area of the proposed drilling unit. The Sullivan well and the
21 A. E. Davis well are shown as vertical blue lines on the seismic survey. The green line is

1 the top of the Haynesville shale interval. The yellow line is the top of the Buckner. The
2 Smackover lies just immediately below the top of the Buckner. The pink or light red line
3 indicates the position of the Paleozoic basement rock.

4 Q. We see some of the structure in this line. Let's go to Exhibit 4.

5 A. Exhibit 4 is a northeast-southwest oriented seismic line again showing the Haynesville,
6 Buckner, and Paleozoic horizons, and the location of the proposed well. The vertical red
7 lines on all three sections indicate the boundaries of the proposed unit line. Here it
8 clearly shows that the proposed unit covers the structure that we are proposing to test
9 with the A. E. Davis well.

10 Q. Exhibit 5.

11 A. Exhibit 5 is an east-west trending line that goes from the structure that we are planning to
12 test with the Davis well over to East Barnett Field and is actually drawn through the
13 location of the Grissett 36-16 line. Again, the vertical red lines are the unit boundaries.
14 This seismic line clearly shows the structural separation from East Barnett Field and the
15 structure that we are planning to test with the A. E. Davis well.

16 Q. Let's turn back to Exhibit 2, Mr. Grigsby. Is it a fair statement to say that were it not for
17 3-D seismic this particular structure would probably--unless some geologist had a very
18 good area map and kept up with everything--might not be looked at. Is that a fair
19 statement?

20 A. That's correct.

1 Q. You have a well, the 35-10, to the north. Do you know how much oil that well
2 produced?

3 A. That well produced about 250,000 barrels of oil.

4 Q. What about the Scott Paper 35-8?

5 A. The Scott Paper 35-8 produced about 160,000 barrels of oil.

6 Q. The best well in the region is the Grissett 36-16, isn't it? Is that a correct statement?

7 A. That is correct. It has produced over 900,000 barrels of oil.

8 Q. So, there is still production in the area but, according to your seismic line, separated from
9 this structure structurally, correct?

10 A. That's correct.

11 Q. Now, we're asking the Board to give you permission to drill this structure on this 160-
12 acre wildcat drilling unit. You understand and I want to make it clear to the Board that
13 once the information is derived from the drilling of the well we have to come back to the
14 Board to establish field rules and to set a production unit for this well. Do you
15 understand that?

16 A. Yes, I do.

17 MR. WATSON: Mr. Chairman, let's admit into the record Exhibits A and 1 through 5 to
18 the testimony of Mr. Grigsby.

19 CHMN. MCCORQUODALE: The exhibits are admitted.

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

1 Q. Mr. Grigsby, is it your testimony that this is the optimum unit and that you have picked
2 the best geological location to drill this wildcat well on this 160-acre unit?

3 A. I have.

4 Q. If you were required to drill this well at its optimum geological location in the southwest
5 quarter, the extreme southwest quarter from Section 36, would that necessitate, assuming
6 a 160-acre unit there, drilling an unnecessary well? In other words, if you had a quarter
7 section, southwest quarter section of 36, and drilled the well at an exceptional location 41
8 feet from the South line and 165 feet from the West line, given your interpretation, would
9 that necessitate the drilling of an unnecessary well?

10 A. Yes, it would.

11 Q. If you were to ask this Board to create a 160-acre unit consisting of the South Half of the
12 Southwest Quarter of Section 36 and the North Half of the Northwest Quarter of Section
13 1, would that also require the drilling of an unnecessary well, assuming your structural
14 interpretation is correct?

15 A. Yes, it would.

16 Q. Then the only way to encompass your structure into a drilling unit and test that is the unit
17 that you have proposed. Is that correct?

18 A. Yes, it is.

19 Q. Let's look back at your Exhibit A. Exhibit A indicates to me that from the existing field
20 boundaries of Barnett and East Barnett we will have an 80-acre tract due north of the

1 proposed 160-acre unit. That would consist of the North Half of the Southwest Quarter
2 of Section 36 that is not in any unit nor has it been in a unit. Is that correct?

3 A. That is correct.

4 Q. I also see that we have 80 acres consisting of the East Half of the Southeast Quarter of
5 Section 36 that would not be in any unit and is not in any field. Is that correct?

6 A. That is correct.

7 Q. Is Whitmar justified in leaving those two 80 acres out because, based on your seismic
8 interpretation, the well control data as you have demonstrated here is that those two 80's
9 that I have just described are not indicated to be productive of hydrocarbons?

10 A. Yes. The 80 acres to the east of the unit is within a low area. It will not be underlain by
11 hydrocarbons based on the oil-water contact as seen from the Grissett well and indicated
12 on the map and also the area of the closing contour on the structure that we are planning
13 on testing with the Davis well. Also, the 80 acres to the north is structurally separated
14 from the structure that we are planning to test and also Barnett Field and has probably
15 adequately drained the production from the Amerada Hess and the Tenneco Wheless
16 wells.

17 Q. In your opinion, Mr. Grigsby, would the granting of this petition prevent waste and
18 protect coequal and correlative rights?

19 A. Yes, it would.

20 MR. WATSON: I tender my witness to the Board and staff for any questions you have
21 on this item.

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

2 MR. DAMPIER: I've got one question.

3 RICHARD GRIGSBY

4 EXAMINATION BY BOARD/STAFF

5 Questions by Mr. Dampier:

6 Q. If the land to the east there--if it turns out that the well is good that you propose to drill
7 and the data shows that the land to the east is productive, what would you plan to do with
8 that acreage then?

9 A. We would plan to come back to the Board and expand the drilling unit into a larger
10 production unit under the rules that the Board provides us.

11 Q. I guess you could expand it at most, what is it, 48 acres? That would still leave about 32
12 acres that would not be leased.

13 MR. WATSON: That would not be included in a production unit, yes, sir. Rather than
14 being arbitrarily cut out, our position is that it would be nonproductive acreage that would be left
15 out as opposed to leaving out productive acreage.

16 MR. DAMPIER: Okay, fair enough.

17 MR. WATSON: That's all we have, Mr. Chairman.

18 MR. DAMPIER: Mr. Chairman, I move that we grant this petition.

19 MR. METCALFE: Second.

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

21 (All Board members voted "aye")

1 CHMN. MCCORQUODALE: "Ayes" have it.

2 MR. ROGERS: The last petition is an emergency petition by Moon-Hines-Tigrett
3 Operating Company, Mr. Chairman, Docket No. 8-18-981.

4 MR. WATSON: Mr. Chairman, I have prefiled an affidavit of testimony of Ralph Hines
5 and Terry Tigrett in support of this emergency petition concerning the two wells. What we have
6 here are two wells, the Kimbrell 35-9 operated by Morrow Operating Company and the #1
7 Hodges 35-14 operated by Moon-Hines-Tigrett. These wells are drilled on 320-acre units and
8 they share, according to the plat, a 160-acre parcel being the Southeast Quarter of Section 35.
9 The problem with that and the reason we are asking for an exception to the field rules for the
10 McCracken Mountain Field is that the rules prohibit there being more than one well in a
11 production unit. The testimony contained in the affidavits of these two expert witnesses that are
12 both qualified as experts before the Board indicate that the Kimbrell 35-9 well and the Hodges
13 34-14 well are fault separated, not in communication with one another. Therefore, we are asking
14 the Board to recognize that from the technical data available and allow these wells to stay on the
15 units that they are presently permitted on. Each well will be producing out of the same sands
16 that are fault separated and not interfering with one another. Beyond that I had better not testify
17 because I'm not an expert in this. I will ask that you admit the affidavits of testimony and the
18 attached exhibits to the record. If there are any questions I will be glad to try to answer them.

19 CHMN. MCCORQUODALE: Those items which you have identified are admitted into
20 the record.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18

(Whereupon, the affidavits with attached exhibits were received in evidence)

MR. ROGERS: Mr. Chairman, one other thing, we have a letter from W.E. Morrow who operates the other well in question. We would recommend that letter be admitted into the record.

CHMN. MCCORQUODALE: It is admitted.

(Whereupon, the letter was received in evidence)

MR. WATSON: That's a part of our package too. Thank you, Mr. Rogers. That's all I have on that item, Mr. Chairman.

CHMN. MCCORQUODALE: Dr. Oltz, are there any comments or questions from the staff?

DR. OLTZ: We recommend approval.

MR. DAMPIER: Mr. Chairman, I move that this petition be approved.

MR. METCALFE: Second.

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

(All Board members voted "aye")

CHMN. MCCORQUODALE: "Ayes" have it. The hearing is adjourned.

(Whereupon, the hearing was adjourned at 11:10 a.m.)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19

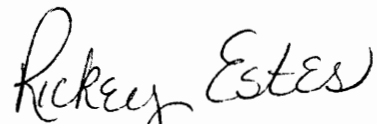
REPORTER'S CERTIFICATE

STATE OF ALABAMA

COUNTY OF TUSCALOOSA

I, Rickey Estes, Hearing Reporter in and for the State of Alabama, do hereby certify that on Friday, August 21, 1998, at the Brookley Learning Center, 4172 Commanders Drive, Mobile, Alabama, I reported the proceedings before the State Oil and Gas Board in Regular Session; that the foregoing 49 typewritten pages contain a true and accurate verbatim transcription of said proceedings to the best of my ability, skill, knowledge, and belief.

I further certify that I am neither kin or counsel to the parties to said cause, nor in any manner interested in the results thereof.


Rickey Estes
Hearing Reporter
State of Alabama