

BEFORE THE STATE OIL AND GAS BOARD OF ALABAMA

**PURSUANT TO A DECISION RENDERED FOLLOWING A
REGULAR SESSION OF THE STATE OIL AND GAS
BOARD OF ALABAMA ON JANUARY 27, 2000
THE FOLLOWING ORDER IS HEREBY PROMULGATED:**

IN RE: ORDER NO. 2000-4

DOCKET NO. 12-17-9918

THIS CAUSE came on for hearing before Marvin Rogers, General Counsel for the Board, acting as Hearing Officer duly appointed by the State Oil and Gas Board of Alabama pursuant to Rule 400-1-14 of the *State Oil and Gas Board of Alabama Administrative Code*, on the petition of ENERGEN RESOURCES CORPORATION (hereinafter referred to as "Energen"), an Alabama corporation, requesting the State Oil and Gas Board to enter an order confirming that natural gas produced from a well in the Oak Grove Coal Degasification Field, Jefferson and Tuscaloosa Counties, Alabama is occluded natural gas produced from coal seams.

The State Oil and Gas Board, after receiving and reviewing the report of the Hearing Officer and considering the evidence, finds that due, proper and legal notice of the hearing of said cause has been given in the manner and form and for the time required by law and the rules and regulations of the Board, and that the Board has full jurisdiction of this cause, and the Board having heard the evidence of witnesses and argument of counsel, and being fully advised in the premises finds:

FINDINGS OF FACT

I.

That the Natural Gas Policy Act of 1978 (hereinafter referred to as "NGPA") was enacted, in part, to establish a price ceiling for wellhead sales of natural gas (15 U.S.C. Section 3301-3432). The NGPA authorized the Federal Energy Regulatory Commission (hereinafter referred to as "Commission") to prescribe incentive price ceilings for sales of certain types of "high-cost natural gas" to include occluded natural gas produced from coal seams. Section 503(a) of the NGPA authorized jurisdictional agencies to make determinations of whether a particular type of natural gas is occluded natural gas produced from coal seams and to forward such determinations to the Commission. Section 503(b) provided for Commission review of the determinations and granted authority to reverse or remand such determinations upon a finding that the determinations were not supported by substantial evidence in the record upon which such finding was made.

II.

That the Wellhead Decontrol Act of 1989 (15 U.S.C. Chapter 60) deregulated all first sales of natural gas on January 1, 1993. It also terminated NGPA Section 503, which sets forth the jurisdictional agencies' authority to make well category determinations and the Commission's authority to review such determinations. Thereafter, by letter dated July 13, 1993, the Commission announced that it would "not accept determinations where the well was spudded or recompleted on or after January 1, 1993." Further, the Commission stated that it would not review initial determinations made by a jurisdictional agency unless the producer filed its application with the jurisdictional agency on or before December 31, 1992, and the jurisdictional agency forwarded its initial determinations to the Commission on or before April 30, 1994. Subsequently, the deadline was extended to September 15, 1994.

III.

That although Energen is not yet the operator of record, it has filed a request to be named operator and that request is due to be approved. Energen owns an interest in the well described below, and said well was drilled between January 1, 1980 and December 31, 1992.

IV.

That the USX-Taurus-89-18-05-14-04-730 Well, Permit No. 7018-C, was spudded on October 27, 1989, on a unit in Section 14, Township 18 South, Range 5 West, Jefferson County, Alabama, in the Oak Grove Coal Degasification Field, and completed in coal seams in the Pottsville Formation as defined in the Special Field Rules for said Oak Grove Coal Degasification Field.

V.

That the evidence indicates that the above-described well produces and has produced occluded natural gas from coal seams in the Oak Grove Coal Degasification Field.

CONCLUSIONS OF LAW

VI.

That the evidence submitted proves that all production from the above-described well would have qualified under Rule 400-2-X-.01 et seq. of the *State Oil and Gas Board of Alabama Administrative Code* and Section 107(c)(3)(High Cost Natural Gas) of the former Natural Gas Policy Act (NGPA) 15 USC 3413 as occluded natural gas produced from coal seams.

VII.

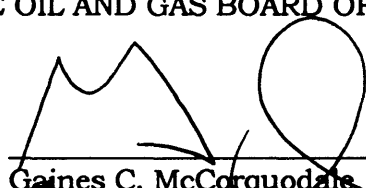
That approval of this petition confirming that the above-described well produces occluded natural gas from coal seams will promote the conservation of the oil and gas resources of the State of Alabama.

Based on the Findings of Fact set forth hereinabove, **IT IS THEREFORE, HEREBY ORDERED, ADJUDGED AND DECREED** by the State Oil and Gas Board of Alabama that the Petition be **GRANTED**, and the Board hereby confirms that the USX-Taurus-89-18-05-14-04-730 Well, Permit No. 7018-C, produces and has produced occluded natural gas from coal seams in the Pottsville Formation in the Oak Grove Coal Degasification Field, Jefferson and Tuscaloosa Counties, Alabama.

ORDERED this 27th day of January, 2000.

STATE OIL AND GAS BOARD OF ALABAMA

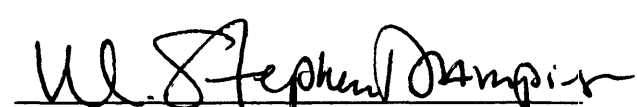
BY:


Gaines C. McCorquodale, Chairman

BY:


Matthew S. Metcalfe, Member

BY:


M. Stephen Dampier, Member

ATTEST:


Donald F. Oltz, Secretary