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MCW  
8.25-00

MR

## EXHIBITS

<u>EXHIBIT NO. (ITEM NO.)</u>	<u>TITLE (TESTIMONY OF)</u>	<u>OFFERED</u>	<u>RECEIVED</u>
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EXHIBITS

<u>EXHIBIT NO. (ITEM NO.)</u>	<u>TITLE (TESTIMONY OF)</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Exhibit 5 (Items 13, 14 & 15)	Affidavit of testimony (John A. Wallace)	34	34

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

July 25, 2000

Testimony and proceedings before a Hearing Officer in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, pursuant to adjournment, on this the 25<sup>th</sup> day of July, 2000.

BEFORE:

Mr. Marvin Rogers..... Attorney

BOARD STAFF

Dr. Donald F. Oltz ..... Secretary and Supervisor

Mr. Gary Wilson ..... Deputy Supervisor

Mr. Jay H. Masingill ..... Assistant Supervisor

Ms. Janyth Pashin ..... Assistant Supervisor

Dr. David E. Bolin ..... Assistant Supervisor

Mr. Richard Hamilton..... Engineer

1 APPEARANCES  
2  
3

	NAME	REPRESENTING
5	1. Gary Kornegay 6 1000 Louisiana St. 7 Suite 900 8 Houston, TX 77002	Medallion
10	2. Foster Kennedy 11 306 Club Park Drive 12 Aberdeen MS 39330	Medallion
14	3. John Tyra 15 Tuscaloosa, AL	Medallion
17	4. Ken Hanby 18 Tuscaloosa, AL	Union Oil Co. of California
20	5. Rick Payton 21 10899 Taurus Road 22 Cottondale, AL	Energen Resources
24	6. John T. Lunsford 25 5201 Best Drive 26 Phoenix City, AL 36878	Robert Olan Hart
28	7. Tom Watson 29 Tuscaloosa, AL	Energen

## PROCEEDINGS

(The hearing was convened at 10:03 a.m. on Tuesday, July 25, 2000, at Tuscaloosa, Alabama.)

MR. ROGERS: This hearing is in session. Dr. Oltz, have the items to be heard today been properly noticed?

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

**AGENDA**  
**STATE OIL AND GAS BOARD MEETING**  
**JULY 25 & 26, 2000**

The State Oil and Gas Board of Alabama will hold its regular monthly meeting at 10:00 a.m. on Tuesday, July 25, and Wednesday, July 26, 2000, in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, to consider among other items of business the following petitions:

1. DOCKET NO. 5-13-9817

Continued 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 to make a determination pursuant to Section 40-20-1(22) and Section 40-20-2(2), Code of Alabama (1975), that the Southeast Frisco City Unit, Monroe County, Alabama, qualifies as a "Qualified Enhanced Recovery Project" as defined in said statutes and to make a determination of the projected annual

oil or gas production that could have otherwise been produced without the benefit of the initiation of said Qualified Enhanced Recovery Project.

2. DOCKET NO. 3-1-200010

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

The Unit Area of the East Haynesville Sand Oil Unit, containing 406.25 acres, more or less, is located in Covington County, Alabama, and is described as follows: The East Half of the Northwest Quarter and the West Half of the Northeast Quarter; the North Half of the Northwest Quarter of the Southeast Quarter; the North Half of the South Half of the Northwest Quarter of the Southeast Quarter; the South Half of the Southeast Quarter of the Northwest Quarter of the Southeast Quarter; the North Half of the Northeast Quarter of the Northeast Quarter of the Southwest Quarter; the Southeast Quarter of the Northeast Quarter of the Northeast Quarter of the Southwest Quarter; the East Half of the Southwest Quarter of the Northeast Quarter of the Northeast Quarter of the Southwest Quarter; the Northeast Quarter of the Southeast Quarter of the Northeast Quarter of the Southwest Quarter; the North Half of the Southeast Quarter of the Southwest Quarter of the Northwest Quarter of the Southeast Quarter, all in Section 4, Township 2 North, Range 14 East, Covington County, Alabama and the West Half of the Northwest Quarter of Section 3; the East Half of the Northeast Quarter and the Northeast Quarter of the Southeast Quarter, less and except the South Half of the Southeast Quarter of the Southeast Quarter of the Northeast Quarter of the Southeast Quarter of Section 4, all in Township 2 North, Range 14 East, Covington County, Alabama.

3. DOCKET NO. 4-5-20003

Continued petition by ROUNDREE & ASSOCIATES, INC., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling, with a risk compensation penalty, all tracts and interests in hydrocarbons produced from formations of Mississippian and Pennsylvania Age, from

1 Petitioner's proposed Hollis 25-14 #1 Well to be drilled on a 320-acre  
2 unit consisting of the West Half of Section 25, Township 15 South,  
3 Range 16 West, Lamar County, Alabama. This Petition is in accordance  
4 with Section 9-17-13, Code of Alabama (1975), as amended, and Rule  
5 400-1-13-01 of the State Oil and Gas Board of Alabama Administrative  
6 Code.

7

8 4. DOCKET NO. 4-5-20007

9 Continued petition by MEDALLION EXPLORATION, a foreign  
10 corporation authorized to do and doing business in the State of Alabama,  
11 requesting the State Oil and Gas Board to enter an order force pooling,  
12 with a risk compensation penalty, all tracts and interests in hydrocarbons  
13 produced from the Pennsylvanian and Mississippian Age strata from a well  
14 to be drilled on a 320-acre unit consisting of the North Half of Section 34,  
15 Township 15 South, Range 16 West, Lamar County, Alabama, in the Star  
16 Field. This Petition is in accordance with Section 9-17-13, Code of  
17 Alabama (1975), as amended, and Rule 400-1-13-01 of the State Oil and  
18 Gas Board of Alabama Administrative Code.

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This petition is filed as a companion to petition bearing Docket No. 4-5-20008 requesting approval of an exceptional location for a well to be drilled on the above-referenced 320-acre unit.

5. DOCKET NO. 4-5-200015

Continued petition by ALABAMA MERIT ENERGY COMPANY, INC., a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama to enter an order extending the temporarily abandoned status of certain wells located in the following areas:

**Citronelle Unit**

Township 2 North, Range 3 West  
Sections 23, 24, 25, 26, 27, 28, 34, 35

Township 2 North, Range 2 West  
Sections 19, 20, 29, 30, 31

Township 1 North, Range 3 West  
Sections 1, 2, 3, 11, 12, 13, 14

Township 1 North, Range 2 West  
Sections 5, 6, 7, 8, 9, 16, 17, 18

**Southeast Citronelle Unit**  
**Township 1 North, Range 2 West**  
**Sections 4, 5, 9, 10**

**East Citronelle Unit**  
Township 1 North, Range 2 West  
Sections 6, 31, 32

all in Mobile County, Alabama. Petitioner is requesting the Board to extend the temporarily abandoned status of said wells for a period of one year as an exception to Rule 400-1-3-.06 of the State Oil and Gas Board Administrative Code because said wells have potential for future utility. Said rule allows temporarily abandoned status to be granted for six month time periods.

6. DOCKET NO. 5-10-20007

Continued petition by VINTAGE PETROLEUM, INC., a foreign corporation authorized to do and doing business in the State of Alabama requesting the State Oil and Gas Board to enter an order granting exceptions to Rule 6A of the Special Field Rules for the Fanny Church Field, Escambia County, Alabama, for the Katie Mae Dixon, et al 26-7 #1 Well, Permit No. 10377-B, located on a 160-acre unit consisting of the Northeast Quarter of Section 26, Township 1 North, Range 8 East, Escambia County, Alabama, in the Fanny Church Field. Among other things, said Rule 6A requires that no well shall be cumulatively overproduced by more than three months' allowable in any balancing period. Said Rule 6A further requires that any well in a cumulatively overproduced status as of the balancing date that does not achieve a balance as to such overproduction during the make-up period shall be closed in until its future allowables effectuate a zero balance. Petitioner seeks exceptions to these provisions of said Rule 6A.

7. DOCKET NO. 5-10-20008A

Continued amended petition by VINTAGE PETROLEUM, INC., a foreign corporation authorized to do and doing business in the State of Alabama requesting the State Oil and Gas Board, pursuant to Section 9-17-1, et seq. Code of Alabama, (1975), and Rule 400-1-3-.06 of the State Oil and Gas Board of Alabama Administrative Code, to enter an order granting

1 temporarily abandoned status for the Dora J. Steely #36-2 Well, Permit No.  
2 1869-GI-97-1, in the Fanny Church Field, Escambia County, Alabama, for  
3 a period of six (6) months.

4  
5 Petitioner is requesting this Board to grant temporarily abandoned status  
6 for said well for a period of six (6) months because said well has future  
7 utility and should not be plugged.

8  
9 8. DOCKET NO. 5-10-200016

10 Continued petition by MEDALLION EXPLORATION, a foreign  
11 corporation authorized to do and doing business in the State of Alabama,  
12 requesting the State Oil and Gas Board to enter an order approving an  
13 exceptional location for the proposed Moore 34-3 No. 1 Well to be drilled  
14 on a 320-acre drilling unit consisting of the North Half of Section 34,  
15 Township 15 South, Range 16 West, Lamar County, Alabama, in the Star  
16 Field. The proposed location for the said well on said 320-acre drilling unit  
17 is 2,390 feet FWL and 400 feet FNL of said Section 34, and, as such, is an  
18 exception to Rule 3(b) of the Special Field Rules for said field. Said Rule  
19 states, in part, that such a well shall be located at least 660 feet from every  
20 exterior boundary of the drilling unit and the location of the above  
21 described well is only 400 feet FNL of said drilling unit.

22  
23 9. DOCKET NO. 6-15-20005A

24 Amended petition by HUGHES EASTERN 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 force pooling,  
27 with a risk compensation penalty, all tracts and interests on a 320-acre unit  
28 consisting of the Southeast Quarter of Section 34 and the Southwest Quarter  
29 of Section 35, all in Township 15 South, Range 16 West, Lamar County,  
30 Alabama, in the Star Field for hydrocarbons produced from below a depth  
31 of 3,021 feet in strata of Pennsylvanian Age, and from strata of  
32 Mississippian and Devonian Age. Petitioner proposes to re-enter the  
33 Williamson 34-16 #1 Well, Permit No. 3225,-located on said 320-acre unit.  
34 This Petition is in accordance with Section 9-17-13, Code of Alabama  
35 (1975), as amended, and Rule 400-7-2 of the State Oil and Gas Board of  
36 Alabama Administrative Code. This same unit was forced pooled, without  
37 imposition of the risk compensation fee, by Board Order 97-87 on July 11,  
38 1997 and the Hayes 35-12 #1 Well, Permit No. 5882-A, is producing from  
39 the Fayette Sand Gas Pool in this unit.

1 This petition is filed as a companion to a petition bearing Docket No. 6-15-  
2 20006A requesting approval of an exceptional 320-acre unit.  
3

4 10. DOCKET NO. 6-15-20006A  
5

6 Amended petition by HUGHES EASTERN CORPORATION, a foreign  
7 corporation authorized to do and doing business in the State of Alabama,  
8 requesting the State Oil and Gas Board to enter an order approving  
9 exceptions to Rules 3A and 4B of the Special Field Rules for the Star Field,  
10 Lamar County, Alabama, for a 320-acre unit consisting of the Southeast  
11 Quarter of Section 34 and the Southwest Quarter of Section 35, all in  
12 Township 15 South, Range 16 West, Lamar County, Alabama, in the Star  
13 Field. Said Rule 3A requires all wells drilled in the field to be drilled on a  
14 drilling unit consisting of one-half of a governmental section containing  
15 approximately 320 contiguous acres upon which no other drilling or  
16 producible well is located in the same reservoir and Rule 4B requires that  
17 production casing is to be set through the producing reservoir and cemented  
18 to fill the annular space between the production casing and the bore hole to  
19 a height of at least 500 feet above the top of the producing pool. Petitioner  
20 proposes to re-enter the Williamson 34-16 #1 Well, Permit No. 3225, which  
21 was previously drilled on a 320-acre unit consisting of the South Half of  
22 Section 34, Township 15 South, Range 16 West, Lamar County, Alabama  
23 in the Star Field, and test the Devonian and, if the Devonian is productive,  
24 complete in said pool open hole as an exception to said Rule 4B.

25 This petition is filed as a companion to a petition bearing Docket No. 6-  
26 15-20005A requesting forced pooling, with imposition of the risk  
27 compensation fee, of the above-described 320-acre unit.  
28

29 11. DOCKET NO. 7-25-20001  
30

31 Petition by LAND AND NATURAL RESOURCE DEVELOPMENT,  
32 INC., an Alabama corporation, requesting the State Oil and Gas Board  
33 pursuant to Rule 400-3-4-17(1) of the State Oil and Gas Board of Alabama  
34 Administrative Code to enter an order extending the temporarily abandoned  
35 status for 213 wells, all of which are located in the Moundville Coal  
36 Degasification Field, Tuscaloosa and Hale Counties, Alabama. Petitioner  
37 owns an interest in said wells and desires to renew their temporarily  
38 abandoned status in order that said wells can be re-entered and completed.  
39 Petitioner alleges that said wells have future utility. The wells are located in  
the following sections:

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, 27, 28, 29, 30

Township 23 North, Range 5 East

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

Township 24 North, Range 4 East

Sections: 24, 25, 30

Township 24 North, Range 5 East

## Sections 19, 30, 31

The previously granted temporarily abandoned status expires July 26, 2000.

12. DOCKET NO. 7-25-20002

Petition by UNION OIL COMPANY OF CALIFORNIA, a foreign corporation authorized to do and doing business in the State of Alabama, and operator of the Chunchula Field Unit in Mobile County, Alabama, requesting the State Oil and Gas Board of Alabama to enter an order extending for one year the temporary abandoned status of the following eleven wells listed below in the Chunchula Field Unit, Mobile County, Alabama:

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>
357	International Paper Co. Unit 2-6 #1	Sec. 2, T2S, R2W
355-B	Roy J. Smith et al 6-10 #1A	Sec. 6, T1S, R1W
550	M. V. Kelly 10-3 #1	Sec. 10, T1S, R2W
255-B	M. V. Kelly 11-1 #1	Sec. 11, T1S, R2W
014	R. L. Smith et al 12-11 #1	Sec. 12, T1S, R2W
044	J. A. Smith 15-6 #1	Sec. 15, T1S, R2W
584-B	R. E. Davis 1-11 #1	Sec. 1, T1S, R2W
350	Creola Investment Corp. 34-7 #1	Sec. 34, T1S, R2W

2005-B	Mobile County Board of School Commissioners 16-10 #1	Sec. 16, T1S, R2W
2252	Richard W. Rascoe et al Unit 3-10 #1	Sec. 3, T2S, R2W
2062-B-1	International Paper Co. 17-7 #1A-B (Formerly International Paper Co. 17-11)	Sec. 17, T1S, R2W

and, granting for one year temporary abandoned status to the two wells listed below in the Chunchula Field Unit, Mobile County, Alabama.

2525 International Paper Co. 13-10 #2 Sec. 13, T1S, R2W  
4692 Arthur R. Outlaw 34-15 #1 Sec. 34, T1S, R2W

This petition is filed pursuant to Ala. Code Section 9-17-1 et seq. (and, in particular, Section 9-17-6) and Rules 400-1-1-.01 et seq. (and, in particular, Rule 400-1-4-.17) and Rule 400-7-1-.01 of the State Oil and Gas Board of Alabama Administrative Code.

13. DOCKET NO. 7-25-20003

Petition by ENERGEN RESOURCES CORPORATION, an Alabama corporation, requesting the State Oil and Gas Board, pursuant to Section 9-17-1, et seq., Code of Alabama, (1975), and Rule 400-3-4-.17(1) of the State Oil and Gas Board of Alabama Administrative Code, to enter an order extending the temporarily abandoned status for certain coal degasification wells in the Big Sandy Creek Coal Degasification Field located in Tuscaloosa County, Alabama, in the following areas:

## Township 24 North, Range 6 East

## Sections 4, 9, 10, 11 and 14

The previously granted temporarily abandoned status expires on July 26, 2000, and Energen Resources Corporation is requesting this Board to grant a one year extension of the temporarily abandoned status beginning July 26, 2000 because all of the wells in the aforementioned Sections have future utility and should not be plugged.

14. DOCKET NO. 7-25-20004

Petition by ENERGEN RESOURCES CORPORATION, an Alabama corporation, requesting the State Oil and Gas Board, pursuant to Section 9-17-1, et seq., Code of Alabama, (1975), and Rule 400-3-4.17(1) of the State Oil and Gas Board of Alabama Administrative Code, to enter an order extending the temporarily abandoned status for certain coal degasification

1 wells in the Oak Grove Coal Degasification Field located in Tuscaloosa and  
2 Jefferson Counties, Alabama, in the following areas:

3  
4 Township 18 South, Range 7 West  
5 Sections 27, 30, 33 and 34

6  
7 Township 18 South, Range 8 West  
8 Sections 24, 26 and 35

9  
10 Township 19 South, Range 7 West  
11 Section 10, 13, 14 and 16

12  
13 Township 19 South, Range 8 West  
14 Sections 2, 3, 9, 10, 15, 16, 20 and 22

15  
16 The previously granted temporarily abandoned status expires on July 26,  
17 2000, and Energen Resources Corporation is requesting this Board to  
18 grant a one year extension of the temporarily abandoned status beginning  
19 July 26, 2000, because all of the wells in the aforementioned Sections  
20 have future utility and should not be plugged.

21  
22 15. DOCKET NO. 7-25-20005

23 Petition by ENERGEN RESOURCES CORPORATION, an Alabama  
24 corporation, requesting the State Oil and Gas Board, pursuant to Section 9-  
25 17-1, et seq., Code of Alabama, (1975), and Rule 400-3-4-.17(1) of the  
26 State Oil and Gas Board of Alabama Administrative Code, to enter an order  
27 extending the temporarily abandoned status for a coal degasification well in  
28 the Brookwood Coal Degasification Field located in Tuscaloosa and  
29 Jefferson Counties, Alabama, in the following area:

30  
31 Township 19 South, Range 7 West  
32 Section 15

33  
34 The previously granted temporarily abandoned status expires on July 26,  
35 2000, and Energen Resources Corporation is requesting this Board to  
36 grant a one year extension of the temporarily abandoned status beginning  
37 July 26, 2000, because the well in the aforementioned Section has future  
38 utility and should not be plugged.

1                   16. DOCKET NO. 7-25-20006

2 Petition by VENTEX OPERATING CORPORATION, a foreign  
3 corporation authorized to do and doing business in the State of Alabama,  
4 requesting the State Oil and Gas Board to amend Rule 2 of the Special Field  
5 Rules for the North Rome Field, Covington County, Alabama, to add the  
6 Lower Cotton Valley/Upper Haynesville Sand Oil Pool, to be construed to  
7 mean those strata of the Lower Cotton Valley/Upper Haynesville sand  
8 productive of hydrocarbons in the interval between 11,128 feet measured  
9 depth and 11,832 feet measured depth in the Hart 4-7 #2 Well, Permit No.  
10 11824, located 2,219 feet from the North line and 1,521 feet from the East  
11 line of Section 4, Township 2 North, Range 14 East, Covington County,  
12 Alabama, as indicated on the High Res Induction-Spectral Density-Dual  
13 Spaced Neutron Log of said well, and including those strata productive of  
14 hydrocarbons which can be correlated therewith.

15  
16 This petition is filed as a companion to petition bearing Docket No. 7-25-  
17 20007 requesting an order reforming a 40-acre wildcat drilling unit for the  
18 above-referenced Hart 4-7 No. 2 Well to a 160-acre unit in the Lower  
19 Cotton Valley/Upper Haynesville Sand Oil Pool located in the North  
20 Rome Field and also petition bearing Docket No. 7-25-20008 requesting an  
21 order reforming the 160-acre unit for said Hart 4-7 No. 2 Well to a 190-acre  
22 unit in the Lower Cotton Valley/Upper Haynesville Sand Oil Pool located  
23 in the North Rome Field in accordance with the 50% tolerance allowed by  
24 Section 9-17-12(b) of the Code of Alabama (1975), as amended.

25  
26                   17. DOCKET NO. 7-25-20007

27 Petition by VENTEX OPERATING CORPORATION, a foreign  
28 corporation authorized to do and doing business in the State of Alabama,  
29 requesting the State Oil and Gas Board to enter an order reforming a 40-  
30 acre wildcat drilling unit for the Hart 4-7 No. 2 Well, Permit No. 11824,  
31 consisting of the East Half of the Southwest Quarter of the Northeast  
32 Quarter and the West Half of the Southeast Quarter of the Northeast  
33 Quarter of Section 4, Township 2 North, Range 14 East, Covington  
34 County, Alabama, to a 160-acre unit consisting of the South Half of the  
35 Southeast Quarter of the Northeast Quarter of the Northeast Quarter;  
36 Southwest Quarter of the Northeast Quarter of the Northeast Quarter;  
37 South Half of the Northwest Quarter of the Northeast Quarter; South Half  
38 of the Northeast Quarter; East Half of the East Half of the Southeast  
39 Quarter of the Northwest Quarter; North Half of the Northwest Quarter of  
40 the Northwest Quarter of the Southeast Quarter; Northeast Quarter of the  
41 Northwest Quarter of the Southeast Quarter; and the North Half of the

1 Northeast Quarter of the Southeast Quarter, all in Section 4, Township 2  
2 North, Range 14 East, in the Lower Cotton Valley/Upper Haynesville  
3 Sand Oil Pool located in the North Rome Field. Said well is located  
4 2,219 feet from the North line and 1,521 feet from the East line of said  
5 Section 4.

6  
7 This petition is filed as a companion to petition bearing Docket No. 7-25-  
8 20006 requesting an order amending Rule 2 of the Special Field Rules for  
9 the North Rome Field, Covington County, Alabama to add the Lower  
10 Cotton Valley/Upper Haynesville Sand Oil Pool and also petition bearing  
11 Docket No. 7-25-20008 requesting an order reforming the 160-acre unit for  
12 said Hart 4-7 No. 2 Well to a 190-acre unit in the Lower Cotton  
13 Valley/Upper Haynesville Sand Oil Pool located in the North Rome Field in  
14 accordance with the 50% tolerance allowed by Section 9-17-12(b) of the  
15 Code of Alabama (1975), as amended.

16  
17 18. DOCKET NO. 7-25-20008

18 Petition by VENTEX OPERATING CORPORATION, a foreign  
19 corporation authorized to do and doing business in the State of Alabama,  
20 requesting the State Oil and Gas Board to enter an order reforming a 160-  
21 acre unit for the Hart 4-7 No. 2 Well, Permit No. 11824, consisting of the  
22 South Half of the Southeast Quarter of the Northeast Quarter of the  
23 Northeast Quarter; Southwest Quarter of the Northeast Quarter of the  
24 Northeast Quarter; South Half of the Northwest Quarter of the Northeast  
25 Quarter; South Half of the Northeast Quarter; East Half of the East Half  
26 of the Southeast Quarter of the Northwest Quarter; North Half of the  
27 Northwest Quarter of the Northwest Quarter of the Southeast Quarter;  
28 Northeast Quarter of the Northwest Quarter of the Southeast Quarter; and  
29 the North Half of the Northeast Quarter of the Southeast Quarter, all in  
30 Section 4, Township 2 North, Range 14 East, to a 190-acre unit in the  
31 Lower Cotton Valley/Upper Haynesville Sand Oil Pool located in the  
32 North Rome Field in accordance with the 50% tolerance allowed by  
33 Section 9-17-12(b) of the Code of Alabama (1975), as amended. The 190-  
34 acre production unit for said Hart 4-7 #2 Well would consist of the South  
35 Half of the Northwest Quarter of the Northeast Quarter; the South Half of  
36 the Northeast Quarter of the Northeast Quarter; the South Half of the  
37 Northeast Quarter; the East Half of the Southeast Quarter of the Northwest  
38 Quarter; the North Half of the Northwest Quarter of the Southeast Quarter;  
39 the North Half of the Northeast Quarter of the Southeast Quarter of Section  
40 4 and the West Half of the West Half of the Southwest Quarter of the  
41 Northwest Quarter of Section 3, all in Township 2 North, Range 14 East,

1 Covington County, Alabama, in the North Rome Field. Said well is located  
2 2,219 feet from the North line and 1,521 feet from the East line of said  
3 Section 4.

4  
5 Section 9-17-12(b) of the Code of Alabama (1975), as amended, authorizes  
6 the Board to grant units in excess of 160 acres when it is demonstrated that  
7 one well can efficiently and economically drain the proposed area and that  
8 such a larger unit is justified because of technical, economic, environmental  
9 or safety considerations, or other reasons deemed valid by the Board. Said  
10 190-acre unit would be an exception to Rule 3(a) of the Special Field Rules  
11 for the North Rome Field.

12  
13 This petition is filed as a companion to petition bearing Docket No. 7-25-  
14 20006 requesting an order amending Rule 2 of the Special Field Rules for  
15 the North Rome Field, Covington County, Alabama, to add the Lower  
16 Cotton Valley/Upper Haynesville Sand Oil Pool and also petition bearing  
17 Docket No. 7-25-20007 requesting an order reforming a 40-acre wildcat  
18 drilling unit for the above-referenced Hart 4-7 No. 2 Well to a 160-acre unit  
19 in the Lower Cotton Valley/Upper Haynesville Sand Oil Pool located in the  
20 North Rome Field.

21  
22 19. DOCKET NO. 7-25-20009

23 Petition by BLACK WARRIOR METHANE CORPORATION, an  
24 Alabama corporation with its headquarters in Brookwood, Alabama,  
25 requesting the State Oil and Gas Board to enter an order re-establishing  
26 jurisdiction and authority over wells located in the following portions of  
27 the Brookwood Coal Degasification Field, Tuscaloosa and Jefferson  
28 Counties, Alabama, in accordance with procedures in proposed  
29 amendments to Rules 1 and 9 of the Special Field Rules for said Field, to-  
30 wit:

31  
32 Tuscaloosa County

33  
34 Township 19 South, Range 7 West  
35 Sections 31, 33 and 34

36  
37 Township 19 South, Range 8 West  
38 Sections 34 and 35

39  
40 Township 20 South, Range 7 West  
41 Sections 6, 11, 12, 13, 18 and 19

## Township 20 South, Range 8 West

Sections 1, 2, 3, 10, 11, 12, 13, 14, 15, 24 and 25

At the request of Black Warrior Methane Corporation, this Board entered Order No. 94-95 on June 24, 1994, relinquishing and terminating jurisdiction and authority over certain wells located in the above-described sections, townships and ranges based upon evidence that none of the wells were producing gas at the time nor were they expected to produce in the future. Said Order required Black Warrior Methane Corporation to plug and abandon these wells when they were no longer useful for mine safety or utility reasons.

Petitioner seeks other specific and general relief as deemed appropriate in these premises.

This petition is filed as a companion to petition bearing Docket No. 7-25-200010 requesting an order amending Rules 1 and 9 of the Special Field Rules for the Brookwood Coal Degasification Field, Tuscaloosa and Jefferson Counties, Alabama, to provide procedures for re-establishing jurisdiction and authority over wells referred to in Order No. 94-95, dated June 24, 1994.

20. DOCKET NO. 7-25-200010

Petition by BLACK WARRIOR METHANE CORPORATION, an Alabama corporation with its headquarters in Brookwood, Alabama, requesting the State Oil and Gas Board to enter an order amending Rules 1 and 9 of the Special Field Rules for the Brookwood Coal Degasification Field, Tuscaloosa and Jefferson Counties, Alabama, to provide procedures for re-establishing jurisdiction and authority over wells referred to in Order No. 94-95, dated June 24, 1994, for the recovery of low quality gas from said wells in the field and to provide for the procedures whereby the Oil and Gas Supervisor approves the re-establishment of jurisdiction and operations associated with the recovery, transportation, processing and sale of such low quality gas.

This petition is filed as a companion to petition bearing Docket No. 7-25-20009 requesting the Board to enter an order re-establishing jurisdiction and authority over wells located in portions of the Brookwood Coal Degasification Field.

1                   21. DOCKET NO. 7-25-200011

2                   Petition by HUGHES EASTERN CORPORATION, a foreign  
3                   corporation authorized to do and doing business in the State of Alabama,  
4                   requesting the State Oil and Gas Board to enter an order balancing  
5                   production in accordance with Rule 8 of the Special Field Rules for wells  
6                   producing from the Chandler Sand Gas Pool in the Yellow Creek Field,  
7                   Lamar County, Alabama.

9                   22. DOCKET NO. 7-25-200012

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

14                  PERMIT NO.    WELL NAME            LOCATION            COUNTY  
15                  6309           Williams 25-9           Sec. 25, T9S, R14W    Marion

18                  DOCKET NO. 7-25-200013

19                  Petition by SAMSON RESOURCES COMPANY asking the Board to  
20                  address the status of production from the Box 3-13 No. 2 Well, Permit  
21                  No. 11563, in the Chandler Sand Gas Pool, the Yellow Creek Field,  
22                  Lamar County, Alabama. Petitioner seeks a declaration from the Board  
23                  as to the allowable status of the well.

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

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

39                  The State Oil and Gas Board was originally established by Act  
40                  No. 1 of the Legislature of Alabama in the Regular Session of 1945. The  
41                  applicable law pertaining to the establishment of the Board now appears

in Section 9-17-1 et seq. of the Code of Alabama (1975), as last amended. The applicable rules pertaining to the conduct of hearings by the Board are found in Rule 400-7-1 of the State Oil and Gas Board of Alabama Administrative Code.

The next meeting of the Board will be held at 10:00 a.m. on Wednesday, August 23, and Friday, August 25, 2000, in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama. The notices for the August meeting should be filed on or before Monday, July 31, 2000. Petitions, exhibits, affidavits, and proposed orders must be filed on or before Wednesday, August 9, 2000. Requests to continue an item or to oppose an item listed on the docket should be received by the Board at least two (2) days prior to the hearing.

Donald F. Oltz  
Secretary to the Board

MR. ROGERS: I have an Order appointing me as Hearing Officer to conduct this hearing on behalf of the Board. The Order will be made a part of the record at this time.

(Whereupon, the Order was received in evidence)

24 MR. ROGERS: The procedure for the meeting is as follows: The Hearing Officer and  
25 the staff will hear the uncontested items on the docket today and certain other items. The State  
26 Oil and Gas Board will hear the recommendations of the Hearing Officer, contested items, and  
27 certain other items beginning at 10:00 a.m. on Wednesday, June 26, 2000, at the Board's offices  
28 in Tuscaloosa. I will recommend that the following petitions be continued: Item 2, Docket No.  
29 3-10-200010, petition by Ventex Operating Corporation; Item 3, Docket No. 4-5-20003, petition  
30 by Roundtree & Associates, Inc.; Item 5, Docket No. 4-5-200015, petition by Alabama Merit  
31 Energy Company, Inc.; Item 6, Docket No. 5-10-20007, petition by Vintage Petroleum, Inc.;

1 Item 16, Docket No. 7-25-20006, petition by Ventex Operating Corporation; Item 17, Docket  
2 No. 7-25-20007, petition by Ventex; and Item 18, Docket No. 7-25-20008, petition by Ventex.  
3 We will recommend those petitions be continued. Item 7, Docket No. 5-10-20008A, is a petition  
4 by Vintage Petroleum, Inc. I will recommend that that petition be continued with the stipulation  
5 that the temporarily abandoned status for the subject well be extended until the next regularly  
6 scheduled meeting of the Board. Item 11, Docket No. 7-25-20001, is a petition by Land &  
7 Natural Resource Development, Inc. I will recommend that that petition be continued with the  
8 stipulation that the temporarily abandoned status for the wells be extended until the next  
9 regularly scheduled meeting of the Board. The following items we will recommend to be  
10 dismissed without prejudice: Item 1, Docket No. 5-13-9817, petition by JN Exploration and  
11 Production Limited Partnership; Item 20, Docket No. 7-25-200010, petition by Black Warrior  
12 Methane Corporation; and Item 22, Docket No. 7-25-200012, a motion by the Board. The  
13 following items are set for hearing tomorrow by the Board: Item 9, Docket No. 6-15-20005B,  
14 petition by Hughes Eastern Corporation; Item 10, Docket No. 6-15-20006A, petition by Hughes  
15 Eastern Corporation; Item 19, Docket No. 7-25-20009, petition by Black Warrior Methane  
16 Corporation; Item 21, Docket No. 7-25-200011, petition by Hughes Eastern Corporation; and  
17 Docket No. 7-25-200013, petition by Samson Resources Corporation. The first item to be heard  
18 today will be Item 4, Docket No. 4-5-20007, petition by Medallion Exploration.

19 MR. TYRA: Mr. Rogers, I'm John Tyra here on behalf of Medallion Exploration on this  
20 matter. I have two witnesses I would like to have sworn in, please sir.

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

1 MR. KENNEDY: Foster Kennedy, 306 Club Park Avenue, Aberdeen, Mississippi.

2 MR. KORNEDAY: Gary Kornegay, 1000 Louisiana St. Suite 900, Houston, Texas.

3 (The witnesses were sworn by Mr. Rogers)

4 MR. TYRA: Mr. Rogers, for purposes of this hearing I would like to consolidate Item 4  
5 and Item 8.

6 MR. ROGERS: Your request is granted.

7 MR. TYRA: Thank you. Item 4 which is Docket No. 4-5-20007 is a request to force  
8 pool interest in a proposed unit consisting of the North Half of Section 34, 15 South, 16 West,  
9 Lamar County, Alabama. This is in the Star Field. We're asking that the force pooling be done  
10 without a risk compensation penalty. Item 8 which is Docket No. 5-10-200016 is a request for  
11 an exceptional location for that same unit. It's the proposed Moore 34-3 No. 1 Well. We're  
12 asking for a location 400 feet from the North line and 2,390 feet from the West line of Section  
13 34. This 400 foot location would be an exception to the standard Special Field Rules which  
14 require locations to be at least 660 feet from every exterior boundary. Mr. Kennedy, let me turn  
15 to you first. Have you previously testified before this Board?

16 MR. KENNEDY: I have.

17 MR. TYRA: Has your testimony been accepted as that of an expert petroleum landman?

18 MR. KENNEDY: It has.

19 MR. TYRA: I would ask that Mr. Kennedy once again be recognized as an expert.

20 MR. ROGERS: He is so recognized.

## FOSTER KENNEDY

### Questions by Mr. Tyra:

Q. Are you familiar with the petition and the allegations contained therein?

A I am.

Q. Let's discuss first the petition for the force pooling which is Docket No. 4-5-20007. Did you assist Medallion in putting this unit together?

A. I did.

Q. You were responsible for the land work. Is that correct?

A. That's correct.

Q. As of this morning does Medallion own or control all of the working interest in the subject unit?

A. It does not.

Q. When we filed this unit or filed this petition we alleged that Medallion owned all but about 35 percent of the working interest. I understand that you have updated that through today's date. Is that correct?

A. That is correct.

Q. Could you tell me how much interest is outstanding at this point as of this morning?

A. Approximately three percent.

Q. Of that three percent how much is leasehold interest, that is interest owned by a party that is not leased, and how much of it is owned by oil and gas companies that have a lease?

1 A. There is approximately one percent owned by companies and approximately two percent  
2 by royalty owners.

3 Q. All right. The company that we are force pooling today is?

4 A. Union Pacific Resources.

5 Q. All right and the individual is?

6 A. Sherrill Davis.

7 Q. Have you offered to lease Ms. Davis' interest on the same terms as the other people in the  
8 unit?

9 A. We have.

10 Q. She has refused that lease?

11 A. At this time she has.

12 Q. Have you offered to farm in or take assignments from the working interest owner on the  
13 same basis as the others in the unit?

14 A. We have.

15 Q. As of this morning has that---

16 A. We have not obtained anything from it.

17 Q. Okay.

18 MR. TYRA: Mr. Rogers, we have prefiled an affidavit from Robert Howry under Docket  
19 No. 5-10-200016. I would ask that that be made a part of the record at this time.

20 MR. ROGERS: The affidavit is admitted.

21 (Whereupon, the affidavit was received in evidence)

1           MR. TYRA: Basically the affidavit which is before you at this point is an affidavit of  
2 Mr. Howry who is familiar with the lands in question. He indicates that he has worked for 20  
3 years with Weyerhaeuser and that he oversaw some 600,000 acres. He indicates that our  
4 proposed location is on a relatively flat slope or a flat area that slopes southward and that a legal  
5 location 260 feet south of the proposed location would be in a hardwood bottom. Although it is  
6 a little hard to believe right now at this point in our lives, it is actually susceptible to flooding and  
7 wetlands, particularly when it rains but we haven't seen that in a while. That is basically his  
8 testimony that he has submitted in that affidavit.

9 Q.       Mr. Foster, are you familiar with that affidavit?

10 A.       I am.

11 Q.       Are you also familiar with the petition whereby we are requesting the exceptional  
12 location?

13 A.       I am.

14 Q.       Do you know upon whose lands the proposed well would be located?

15 A.       Yes, I do. That would be Fred Moore.

16 Q.       Have you had negotiations with Mr. Moore concerning the leasing of this land?

17 A.       I have.

18 Q.       Tell us about that. How long and what did you encounter?

19 A.       Mr. Moore was originally contacted in the Fall of 1998. At that time he would not enter  
20 into a lease agreement with us. He had some surface concerns that at that particular time  
21 we were not interested in addressing. Over the next year I got involved in the

1 negotiations and addressed his surface concerns. We finally obtained a lease from him in  
2 April of this year but it was approximately 18 months after he had been contacted the first  
3 time.

4 Q. Basically he just doesn't want an oil well or a gas well on his property. Is that correct?

5 A. He does not. He is very particular as far as his fields are concerned. To enter into the  
6 agreement with him we agreed at a location acceptable to Mr. Moore which is at the  
7 location that we have petitioned the Board for.

8 Q. All right. We will also present testimony later on that you will not be a part of  
9 concerning the geological significance of that location. Concerning Mr. Howry, Robert  
10 Howry who submitted the affidavit, have you also personally met with him concerning  
11 this?

12 A. I have. Mr. Howry and I met and went down and looked at the location and addressed his  
13 as well as Fred's concern.

14 Q. Do you agree with Mr. Howry that the proposed location 400 feet from the North line is a  
15 relatively flat area?

16 A. It is and I do agree.

17 Q. You have personally inspected this?

18 A. Yes.

19 Q. Do you also agree that the land slopes southward into a hardwood bottom?

20 A. Yes.

1 Q. Did Mr. Howry indicate to you that his attempt to operate in the bottom land had been  
2 hampered or was hampered by wetness and flooding?

3 A. He did indicate that.

4 Q. Mr. Kennedy, are you familiar with the term "waste" as it is defined by the State Oil and  
5 Gas Board?

6 A. I am.

7 Q. Would the granting of these two petitions in your opinion prevent waste and protect  
8 coequal and correlative rights?

9 A. Yes, it would.

10 Q. All right.

11 MR. TYRA: Mr. Kornegay, I'll now turn to you and ask you to take the microphone,  
12 please, sir. It is true that you have also testified before this Board, have you not?

13 MR. KORNEGAY: Yes, I have.

14 MR. TYRA: Your testimony has been accepted as that of an expert?

15 MR. KORNEGAY: Yes.

16 MR. TYRA: Mr. Rogers, I would ask that Mr. Kornegay be accepted as an expert  
17 petroleum geologist.

18 MR. ROGERS: He is so recognized.

19 GARY KORNEGAY

20 Appearng as a witness on behalf of Medallion Exploration, testified as follows:

## 1 DIRECT EXAMINATION

2 Questions by Mr. Tyra:

3 Q. Sir, are you familiar with the petition that we have filed concerning the exceptional  
4 location of the subject unit?

5 A. Yes, I am.

6 Q. Have you prepared exhibits in support of that petition?

7 A. Yes, I have.

8 Q. If you would, sir, turn to those exhibits. Tell the staff what Exhibit 1 shows.

9 A. This is an index map showing the location of our proposed unit and the proposed location  
10 relative to well control in the area. We have a significant well control south of there and  
11 some wells to the north.

12 Q. Basically those are to the northeast, is that correct?

13 A. Northeast.

14 Q. What does your Exhibit 2 show?

15 A. Exhibit 2 is a structure map as constructed on top of the Tuscumbia lime which is below  
16 our prime objective which is the Carter sand. It is approximately 250 feet to 300 feet  
17 below the Carter. This structure map indicates a graben at the proposed location and a  
18 structural feature within that graben. That is controlled purely by seismic. We have  
19 approximately four lines of control--seismic lines in this area. The faults are also  
20 substantiated on the seismic and there is some indication of the faults and well control.

1           The Roberts 26-11 has a fault cut in that well. The Hayes 34-10 is another well which  
2           shows a fault cut.

3   Q.    Okay, sir. The circle is at 400 feet from the North line and 2,390 feet from the West line.  
4           Is that correct?

5   A.    Yes, it is.

6   Q.    Would you consider that as being at a structural high?

7   A.    Yes, I do.

8   Q.    Have you heard the testimony from Mr. Kennedy concerning Mr. Moore's concerns  
9           about our operations out at this area?

10   A.    Yes, I have.

11   Q.    You have also heard Mr. Kennedy's testimony concerning the topographical conditions  
12           of the lands and the features of the lands?

13   A.    Yes, I have.

14   Q.    You are familiar, are you not, with Mr. Howry's affidavit concerning those topographical  
15           features?

16   A.    Yes, I am.

17   Q.    All right, sir. In light of all that and in light of the topographical features that we have  
18           discussed and in light of Mr. Moore's objection to your being out there in the first place  
19           and in the light of the fact that this location is on a structural high, do you have an  
20           opinion as to whether this is the optimum geologic location, given all of those factors?

21   A.    Yes, it would be the optimum location concerning all the factors.

1 Q. Are you familiar with the term "waste" as it is defined?

2 A. Yes, I am.

3 Q. Would the granting of this petition prevent waste and protect coequal and correlative  
4 rights?

5 A. It would prevent waste, yes.

6 Q. Also, if you would, go into discussion just for a moment concerning the risks of this  
7 location, the high risk of this location.

8 A. This is a relatively high risk location. We have no well control that documents the  
9 structure or gives an indication of that in the graben. It is based on seismic purely. We  
10 are not sure what the character of the rocks are going to be in the graben. We anticipate  
11 that we will encounter thicker shale sections as well as possibly thicker sands but it is a  
12 fairly high risk location in that we do not know what to expect in the graben.

13 Q. Okay, sir.

14 A. Further, the structural elements are on seismic and we do not have good control on the  
15 velocities so we could have some problems with the structural interpretation here as well.  
16 It is a fairly high risk location.

17 MR. TYRA: I have previously filed an affidavit of notice, Mr. Rogers, that I would ask  
18 be made a part of the record at this time.

19 MR. ROGERS: The affidavit of notice is admitted.

20 (Whereupon, the affidavit was received in evidence)

21 MR. TYRA: I also ask that you admit the exhibits to Mr. Kornegay's testimony.

1 MR. ROGERS: The exhibits are admitted.

2 (Whereupon, the exhibits were received in evidence)

3 MR. TYRA: That is all of the testimony that we have to present but I will tender the  
4 witnesses for any questions that you have.

5 FOSTER KENNEDY

6 EXAMINATION BY BOARD/STAFF

7 Questions by Mr. Rogers:

8 Q. You said that Mr. Moore originally opposed the drilling but he has now entered into some  
9 kind of surface agreement. Would you state that again?

10 A. He has executed an oil and gas lease contingent upon this location.

11 MR. ROGERS: Thank you. Does the staff have any questions?

12 MRS. PASHIN: I don't have any question but I would like to state for the record that the  
13 permit application for this did not come in until yesterday afternoon and there has been no  
14 opportunity to check it for accuracy or to do a site check.

15 MR. TYRA: Could we leave the record open until that can be accomplished?

16 MR. ROGERS: It's not actually a part of the record.

17 MR. TYRA: That's true.

18 MR. ROGERS: We will review the evidence and consider in light of that and make a  
19 recommendation to the Board.

20 MR. TYRA: Thank you very much.

21 MR. ROGERS: Anything else, Mr. Tyra?

1 MR. TYRA: No, sir.

2 MR. ROGERS: Thank you. The next item will be Item 12, Docket No. 7-25-20002,  
3 petition by Union Oil Company of California.

4 MR. HANBY: Mr. Hearing Officer, my name is Ken Hanby and I represent Union Oil  
5 Company of California in this matter. This is a petition for thirteen wells to be classified as  
6 temporarily abandoned for a year. Unocal has submitted an affidavit of Michael Gable, a  
7 petroleum engineer with Union, pertaining to these thirteen wells. We request that the affidavit  
8 be admitted into the record and that the Board grant this petition based upon the testimony  
9 provided in the affidavit.

10 MR. ROGERS: The affidavit is admitted.

11 (Whereupon, the affidavit was received in evidence)

12 MR. ROGERS: Any questions? We will review the evidence and make a  
13 recommendation to the Board. The next item is Item 13, Docket No. 7-25-20003, petition by  
14 Energen Resources Corporation.

15 MR. WATSON: Mr. Rogers, could we consolidate for purposes of testimony Items 13,  
16 14 and 15?

17 MR. ROGERS: Your request is granted. Those items are consolidated.

18 MR. WATSON: Would you swear in my witness, please?

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

20 MR. PAYTON: Richard A. Payton, 152 South Key Drive, Hoover, Alabama.

21 (Witness was sworn by Mr. Rogers)

1 MR. WATSON: Mr. Payton, you have never testified before this Board, have you?

2 MR. PAYTON: No, I have not.

3 MR. WATSON: Would you give Mr. Rogers and the staff your educational background  
4 and your current position with Energen, please.

5 MR. PAYTON: I have a B.S. in Mineral Engineering from The University of Alabama.  
6 I am presently General Manager of Methane Operations for Energen Resources Corporation.

7 MR. WATSON: You are familiar with the three petitions that we have just consolidated  
8 for hearing purposes here today where we are asking the Board to continue the temporary  
9 abandonment status of several wells in three fields, are you not?

10 MR. PAYTON: Yes, I am familiar.

11 MR. WATSON: Mr. Rogers, I tender Mr. Payton as an expert witness for giving  
12 testimony in these items.

13 MR. ROGERS: He is recognized as an expert.

14 RICK PAYTON

15 Appearing as a witness on behalf of Petitioner, Energen Resources Corporation, testified  
16 as follows:

17 DIRECT EXAMINATION

18 Questions by Mr. Watson:

19 Q. Let's first look, if you would, please, Mr. Payton, at Docket No. 7-25-20003 which  
20 pertains to the Big Sandy and Cedar Cove--portions of the Cedar Cove and Big Sandy

1 Fields. How many wells do we have there in the Big Sandy Field that we are asking for  
2 the continuation of temporary abandonment status?

3 A. There are two wells currently that we are requesting temporarily abandoned status for.

4 Q. All right. Those wells are shown on what I will ask Mr. Rogers to have marked as  
5 Exhibit 1 to this docket number shown up as red dots on the map?

6 A. That's correct.

7 Q. Let's look at our next exhibit which is Exhibit No. 2 which bears two docket numbers, 7-  
8 25-20004 and 7-25-20005. Let's first look at, if you would, please, the wells that we  
9 have in the Oak Grove Coal Degasification Field that we are asking for to leave in a  
10 temporary abandonment status. How many wells do we have there, Mr. Payton?

11 A. We have 19 wells in the Oak Grove Field that we are requesting temporarily abandoned  
12 status for.

13 Q. Those wells are denoted on the map as the red dots, correct?

14 A. That's correct.

15 Q. Also using this same map, let's look at Docket No. 7-25-20005. In the Brookwood Coal  
16 Degasification Field, how many wells do we have?

17 A. We have one well in the Brookwood Degasification Field and it is also noted as a red dot.

18 Q. All right. Now Mr. Payton, since we last appeared before the Board and asked the Board  
19 to grant temporary abandonment status to wells in these fields, can you tell us, if you  
20 would, please, how many wells have been plugged in each of these fields, plugged and  
21 abandoned and/or, if you know, put on production.

1 A. If we start with the Big Sandy Creek Field, at the last hearing there were four wells that  
2 we requested temporarily abandoned status for. Since that time two of the wells have  
3 been plugged and abandoned, leaving the two that we are requesting this year. I would  
4 say also in addition to those two wells we have plugged and abandoned eleven additional  
5 wells in the Big Sandy Creek Field due to economics.

6 Q. It kind of looks like from looking at this Exhibit 1 map on Big Sandy and Cedar Cove  
7 that you are plugging wells that appear to be around a peripheral of this field. Is that a  
8 fair statement?

9 A. That's correct. We are consolidating that portion of the field. The peripheral has the  
10 non-economic wells, wells that either are not economic to complete or the production  
11 level was not economic. Some of them are on the basin margin and some also to the  
12 south and west.

13 Q. All right, sir. Let's go through that same scenario with the wells shown on what we will  
14 call Exhibit 2 which covers the Oak Grove and Brookwood Degasification Fields.

15 A. In the Oak Grove Field at last year's hearing there were 29 wells on the docket for TA  
16 extension. Since that time we have plugged and abandoned ten of those 29, leaving the  
17 current 19. In addition, our approach in this area of the field, there are areas of high  
18 water production, some low gas content. We do step-out type evaluation. We're not  
19 doing blanket completion work. We try to be somewhat conservative so that we will get  
20 a return on our investment. That has resulted in the plugging and abandonment of ten of

1                   those wells with 19 remaining. We have--in the Brookwood Field there was one well on  
2                   the docket last year and that well remains.

3           Q.       All right. So is it your testimony that Energen continues to evaluate these wells that we  
4                   are requesting be put on temporary abandonment status and as those wells either indicate  
5                   that they can become commercially productive or cannot be turned into commercial  
6                   producers that you either are completing them as producers or plugging them. That's  
7                   your plan?

8           A.       That's correct.

9           Q.       Isn't it also true, Mr. Payton, that you submit an annual budget for the plugging and  
10                  abandonment of whatever number of wells you feel like the budget can support for the  
11                  coming fiscal year?

12          A.       That's correct. It's also based on our best expectations of what the activity level will be  
13                  over the next year.

14          Q.       Is it a fair statement to say then, Mr. Payton, that Energen has an aggressive program to  
15                  manage its wells and it is Energen's intent not to leave wells in a limbo status that are just  
16                  out there with no oversight and no evaluation?

17          A.       That's correct.

18          Q.       You truly are evaluating the future utility of these wells, are you not?

19          A.       Yes, sir, we are.

20          Q.       And following through with that evaluation whether it be to plug the well or try to make  
21                  it a producer?

1 A. That's correct.

2 MR. WATSON: Mr. Rogers, I would ask that you receive into the record Exhibits 1 and  
3 2 to the testimony of Mr. Payton and also to receive into evidence the prefiled affidavits of  
4 testimony of John Wallace in support of these three items.

5 MR. ROGERS: We have the affidavits of Mr. Wallace and those are admitted. Exhibits  
6 1 and 2 testified to today are admitted.

7 (Whereupon, the affidavits and exhibits were received in evidence)

8 Q. Mr. Payton, I'll ask you in conclusion, will the granting of these three petitions prevent  
9 waste and protect coequal and correlative rights?

10 A. Yes, they will.

11 MR. WATSON: I tender Mr. Payton to the staff for any questions you have on any of  
12 these three items.

13 MR. ROGERS: Just for the record, Mr. Watson and Mr. Payton, would you state that the  
14 wells have future utility in all three of these fields.

15 MR. PAYTON: Yes, that is part of our evaluation program. We believe these wells do  
16 have future utility.

17 MR. ROGERS: Thank you. Anything else, Tom?

18 MR. WATSON: That's all.

19 MR. ROGERS: We will review the evidence and make a recommendation to the Board.  
20 The hearing is adjourned.

21 (Whereupon, the hearing was adjourned at 10:32 a.m.)

## REPORTER'S CERTIFICATE

STATE OF ALABAMA

COUNTY OF TUSCALOOSA

8 I, Rickey Estes, Hearing Reporter in and for the State of Alabama, do hereby certify that  
9 on Tuesday, July 25, 2000, in the Board Room of the State Oil and Gas Board Building,  
10 University of Alabama Campus, Tuscaloosa, Alabama, I reported the proceedings before a  
11 Hearing Officer; that the foregoing 34 typewritten pages contain a true and accurate verbatim  
12 transcription of said proceedings to the best of my ability, skill, knowledge, and belief.

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

*Rickey Estes*  
Rickey Estes  
Hearing Reporter  
State of Alabama