

February 15, 2002

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MC u
3-15-02

EXHIBITS

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Board Exhibit	Hearing Officer Report	12	12
Exhibit 1 (Item 6)	Structure map, Pottsville A sand, Sneads Creek Field (Todd Hines)	19	19
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Exhibit 1 (Items 10, 11,12)	Well location plat, Stark 16-6, Academy Church field (Todd Hines)	25	25
Exhibit 1A (Items 10,11,12)	Structure map, top Millerella limestone, Academy Church Field (Todd Hines)	25	25
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Exhibit 5 (Items 10,11,12)	Form OGB-9, Ogden 17-16 No. 1, Box Sand, Academy Church Field (Todd Hines)	25	25
Exhibit 6 (Item 11)	Affidavit of notice (William T. Watson)	22	22
Exhibit 7 (Items 10,11,12)	Copies of proofs of publication (The West Alabama Gazette)	22	22

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Exhibit 1 (Item 14)	1/17/02 letter to Edna B. Jones with attached green card (Steven M. Hutchings)	28	28
Exhibit 2 (Item 14)	Proof of publication (The Tuscaloosa News)	26	26
Exhibit 3 (Item 14)	Affidavit of notice (William T. Watson)	26	26
Exhibit (1-3) (Item 16)	Affidavit of testimony (Gretchen A. Dilday)	31	31
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Exhibit 2 (Item 16)	Wellbore schematic, State Lease 350 Well No. 2, Southeast Mobile Bay Field (Gretchen A. Dilday)	31	31
Exhibit 3 (Item 16)	Wellbore schematic, State Lease 347 Well No. 2, Lower Mobile May-May Ann Field (Gretchen A. Dilday)	31	31
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Exhibit 5 (Item 16)	Proof of publication (The Onlooker)	31	31

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Exhibit 6 (Item 16)	2/4/02 letter to Riley Smith (Gary V. Wilson)	31	31
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EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit C (Item 18)	Proof of publication (The Montgomery Advertiser)	36	37
Exhibit D (Item 18)	Proof of publication (The Birmingham News)	36	37

February 15, 2002

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

February 15, 2002

Testimony and proceedings before the State Oil and Gas Board in Regular Session in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, pursuant to adjournment, on this the 15th day of February, 2002.

BEFORE:

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

Mr. Matthew S. MetcalfeMember

Mr. M. Stephen DampierMember

BOARD STAFF

Mr. Marvin Rogers..... Attorney

Dr. Donald F. Oltz Secretary and Supervisor

Mr. Gary Wilson Deputy Director

Mr. Jay H. MasingillAssistant Supervisor

Dr. David Bolin.....Assistant Supervisor

Mr. Richard Hamilton..... Engineer

Mr. Douglas Hall Geologist

Mr. Thomas Sexton..... Geologist

February 15, 2002

APPEARANCES

NAME	REPRESENTING
1. Robert E. Clute, Jr. 104 St.. Francis St. Mobile, AL 36633	Shell Offshore, Inc.
2. Tony Harris 65 Woodland Blvd. Kennev, LA 70065	Shell Exploration & Production Company
3. James Jones 8410 Wire Road Cottondale, AL 35453	Warrior Service Company
4. Steve Harris 13645 Cottondale 11 North, Cottondale, AL	Superior Wells Service
5. Todd Hines 125 South Congress #1804 Jackson, MS 39201	Moon-Hines-Tigrett
6. Steve Hutchings Mobile, AL	Phillips Petroleum co.
7. William E. Tucker 2135 University Blvd, Suite B Tuscaloosa, AL 35401	Land, Inc.
8. Ron Rovenko 525 Energy Center Blvd, Northport, AL 35473	CDX Gas
9. R. G. Sanders Tuscaloosa, AL	BWMC
10. James Rickman Tuscalooosa, AL	CDX Gas

February 15, 2002

APPEARANCES

NAME	REPRESENTING
11. David Petty 601 Vestavia Pkwy #240 Birmingham, AL	KuKui
12. Rick Payton 10899 Taurus Road, Cottondale, Al	Energen Resources
13. David Minor 1900 5 th Avenue N. Birmingham, AL 35203	El Paso Production
14. Bob Singleton 12031 Lake Nicol Road Tuscaloosa, AL 35406	Phillips Petroleum Co.
15. John Hollingshead 12031 Lake Nicol Road Tuscaloosa, AL 35406	Phillips Petroleum Co.
16. Celeste Hagler 12162 Yellow Creek Road Tuscaloosa, AL 35406	GeoMet
17. Thomas Holley 517 Energy Center Blvd. Suite 1301 Northporit, AL 35403	-----
18. John Tyra Tuscaloosa, AL	-----

(The hearing was convened at 10:10 a.m.
on February 15, 2002, in Tusclaoosa, Alabama.)

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

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

AGENDA
STATE OIL AND GAS BOARD OF ALABAMA
FEBRUARY 13 & 15, 2002

The State Oil and Gas Board of Alabama will hold its regular Board Meeting at
10:00 a.m. on Wednesday, February 13, and Friday, February 15, 2002, in the
Board Room of the State Oil and Gas Board, Walter B. Jones Hall, University of
Alabama Campus, 420 Hackberry Lane, Tuscaloosa, Alabama, to consider among
other items, the following petition(s):

1. DOCKET NO. 10-31-01-4

Continued petition by S. LAVON EVANS, JR. OPERATING COMPANY, 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,
without the imposition of a risk compensation penalty, all tracts and interests in
hydrocarbons produced in the Graham 12-5 No. 1 Well to be drilled on a 320-acre
unit consisting of the West Half of Section 12, Township 15 South, Range 15 West,
Lamar County, Alabama, in the Southeast Watson Creek Field.

This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as
amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama
Administrative Code.

1 2. DOCKET NO. 10-31-01-12

2 Continued petition by EXXON MOBIL CORPORATION, a foreign corporation
3 authorized to do and doing business in the State of Alabama, requesting the State Oil
4 and Gas Board to enter an order in accordance with the terms and conditions of
5 Rules 400-1-7-01 and 400-2-6-.10(4)(b) of the State Oil and Gas Board of Alabama
6 Administrative Code approving the installation of bi-directional piping and metering
7 connections for the installation of approved meters to the inlet pipelines of its Mary
8 Ann Treating Facility, Mobile 823 Treating Facility and the Onshore Treating
9 Facility in order to allow production from Petitioner's offshore leases to be treated in
10 any of these three (3) ExxonMobil operated onshore facilities located in Coden,
11 Mobile County, Alabama. Petitioner's initial pipeline installation will include one
12 12-inch gas pipeline, one 8-inch gas pipeline, one 6-inch liquid pipeline, one 4-inch
13 liquid pipeline and one 4-inch utility line, each approximately 1000 feet in length.
14 The installation of such pipelines will afford Petitioner greater flexibility in directing
15 flow in order to best utilize plant capacity, meet operational needs, and maximize the
16 production of Alabama's offshore hydrocarbon resources.
17

18 3. DOCKET NO. 12-6-01-6

19 Continued petition by LAND and NATURAL RESOURCE DEVELOPMENT,
20 INC., an Alabama corporation, authorized to do and doing business in the State of
21 Alabama, requesting the Board to extend the temporarily abandoned status for
22 207 wells, 70 wells which are operated by Land and Natural Resource
23 Development, Inc. and 137 wells which are operated by TECO Coalbed Methane,
24 Inc., all of which are located in the Moundville Field, Tuscaloosa and Hale
25 Counties, Alabama. The Board extended the temporarily abandoned status of
26 these wells until December 7, 2001, in Order No. 2001-162, issued on September
27 28, 2001. In said Order, the Board ordered operators Land and Natural Resource
28 Development, Inc. and TECO Coalbed Methane, Inc. to commence operations to
29 plug and abandon wells, and that all wells shall be plugged and abandoned by
30 August 31, 2002. Petitioner owns an interest in said wells and is complying with
31 said order. Petitioner also alleges that said wells have future utility. The wells
32 are located in the following Sections:
33

34 Township 23 North, Range 3 East
35 Sections: 13, 24
36

37 Township 23 North, Range 4 East
38 Sections: 7, 8, 10, 11, 12, 13, 14, 15, 16,
39 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, 11,
15, 16, 17, 18, 19 & 20

Township 24 North, Range 4 East
Sections: 24 & 25

Township 24 North, Range 5 East
Sections: 19, 30 & 31

4. DOCKET NO. 2-13-02-1

Petition by BLACK WARRIOR METHANE CORP., an Alabama corporation, requesting the State Oil and Gas Board to enter an order reforming the unit for the Champion/Alawest 08-06-299 Well, Permit No. 12223-C, from an 80-acre unit consisting of the South Half of the Northwest Quarter of Section 8, Township 20 South, Range 8 West, Tuscaloosa County, Alabama, in the Brookwood Coal Degasification Field, to a 40-acre unit consisting of the Southeast Quarter of the Northwest Quarter of Section 8, Township 20 South, Range 8 West, Tuscaloosa County, Alabama.

5. DOCKET NO. 2-13-02-2

Petition by BLACK WARRIOR METHANE CORP., an Alabama corporation, requesting the State Oil and Gas Board to enter an order reforming the unit for the Champion/Alawest 08-03-308 Well, Permit No. 12224-C, from an 80-acre unit consisting of the North Half of the Northwest Quarter of Section 8, Township 20 South, Range 8 West, Tuscaloosa County, Alabama, in the Brookwood Coal Degasification Field, to a 40-acre unit consisting of the Northeast Quarter of the Northwest Quarter of Section 8, Township 20 South, Range 8 West, Tuscaloosa County, Alabama.

6. DOCKET NO. 2-13-02-3

Petition by MOON-HINES-TIGRETT OPERATING CO., 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 establishing a 320-acre production unit for the Latham-Wood 9-7 #1 Well, Permit No. 12295, said production unit to consist of the South Half of the Southeast Quarter of Section 4 and the Northeast Quarter and the North Half of the Southeast Quarter of Section 9, all in Township 21 South, Range 13 West, Pickens County, Alabama, in the Sneads Creek Field in accordance with Rule 3(a) of the Special Field Rules for said field, which states in part that a well drilled on a unit other than a governmental one-half section shall be approved

1 only as a drilling unit with the final production unit to be determined by the Board
2 after notice and hearing.

3
4 Petitioner drilled said well on the above-described unit and has completed the well
5 as a productive gas well.
6

7 7. DOCKET NO. 2-13-02-4

8 Petition by VENTEX OPERATING CORP., a foreign corporation authorized to do
9 and doing business in the State of Alabama, requesting the State Oil and Gas Board
10 to enter an order amending Rule 7(b) of the Special Field Rules for the North Rome
11 Field, Covington County, Alabama, in order to establish permanent allowables for
12 wells completed in the Lower Cotton Valley Sand Oil Pool in said field. Petitioner
13 is requesting an allowable of 600 BOPD per well.
14

15 8. DOCKET NO. 2-13-02-5

16 Petition by S. LAVON EVANS, JR. OPERATING CO., INC., a foreign corporation
17 authorized to do and doing business in the State of Alabama, requesting the State Oil
18 and Gas Board to name a new gas field in Lamar County, Alabama, the Reedy
19 Creek Field, or such other name as the Board deems proper, and to adopt Special
20 Field Rules therefor. The proposed field, as underlain by the Carter Sand Gas Pool,
21 consists of all of Section 31, Township 14 South, Range 14 West and the East Half
22 of Section 36, Township 14 South, Range 15 West, Lamar County, Alabama. The
23 Carter Sand Gas Pool is defined as that interval productive of hydrocarbons between
24 2,641 feet and 2,690 feet as indicated on the Array Induction Imager Gamma Ray
25 Caliper Log for the Hardy 31-12 No. 1 Well, Permit No. 12118, and all zones in
26 communication therewith and all productive extensions thereof. Petitioner is
27 requesting well spacing of 320 contiguous surface acres, and is also requesting the
28 establishment of allowables for said field.
29

30 This petition is filed as a companion to petition bearing Docket No. 2-13-02-6
31 requesting that the above-mentioned East Half of Section 36 be deleted from the
32 field limits of the East Watson Creek Field.
33

34 9. DOCKET NO. 2-13-02-6

35 Petition by S. LAVON EVANS, JR. OPERATING CO., INC., a foreign corporation
36 authorized to do and doing business in the State of Alabama, requesting the State Oil
37 and Gas Board to enter an order amending Rule 1 of the Special Field Rules for the
38 East Watson Creek Field, Lamar County, Alabama, to delete the East Half of
39 Section 36, Township 14 South, Range 15 West, Lamar County, Alabama, from the
40 field limits of said field.

1 This petition is filed as a companion to petition bearing Docket No. 2-13-02-5
2 requesting the establishment of the Reedy Creek Field which includes the above-
3 referenced East Half of Section 36.
4

5 10. DOCKET NO. 2-13-02-7

6 Petition by MOON-HINES-TIGRETT OPERATING CO., INC., a foreign
7 corporation authorized to do and doing business in the State of Alabama,
8 requesting the State Oil and Gas Board to name a new gas field in Lamar County,
9 Alabama, the Academy Church Field, or such other name as the Board deems
10 proper, and to adopt Special Field Rules therefor. The proposed field, as
11 underlain by three distinct, separate gas pool sands, namely the Gilmer "A," the
12 Chandler and the Box Sand Gas Pools, consists of all of Section 16, all of Section
13 17, excluding that portion that lies in Mississippi, the North Half of Section 20
14 and the North Half of Section 21, all in Township 15 South, Range 16 West,
15 Lamar County, Alabama. The Gilmer "A" Sand Gas Pool is defined as that
16 interval productive of hydrocarbons between 2,851 feet and 2,876 feet as
17 indicated on the Array Induction Gamma Ray Log for the Ogden 16-14 No. 1
18 Well, Permit No. 12029, and all zones in communication therewith and all
19 productive extensions thereof. The Chandler Sand Gas Pool is defined as that
20 interval productive of hydrocarbons between 2,660 feet and 2,733 feet as
21 indicated on the Dual Induction Log for the Stark 16-6 No. 1 Well, Permit No.
22 10299-A, and all zones in communication therewith and all productive extensions
23 thereof. The Box Sand Gas Pool is defined as that interval productive of
24 hydrocarbons between 2,560 feet and 2,590 feet as indicated on the Dual
25 Induction Log for the Ogden 17-16 No. 1 Well, Permit No. 10367-A, and all
26 zones in communication therewith and all productive extensions thereof.
27 Petitioner is requesting well spacing of approximately 320 contiguous surface
28 acres, and is also requesting the establishment of allowables for each separate gas
29 pool in said field.
30

31 This petition is filed as a companion to petition bearing Docket No. 2-13-02-8
32 requesting reformation of the 40-acre unit for the Stark 16-6 No. 1 Well to a 320-
33 acre unit and a petition bearing Docket No. 2-13-02-9 requesting approval of an
34 exceptional location for the Stark 16-6 No. 1 Well.
35

36 11. DOCKET NO. 2-13-02-8

37 Petition by MOON-HINES-TIGRETT OPERATING CO., INC., a foreign
38 corporation authorized to do and doing business in the State of Alabama, requesting
39 the State Oil and Gas Board to enter an order reforming the unit for the Stark 16-6
40 No. 1 Well, Permit No. 10299-A, from a 40-acre wildcat unit consisting of the
41 Southeast Quarter of the Northwest Quarter of Section 16, Township 15 South,

1 Range 16 West, Lamar County, Alabama to a 320-acre unit consisting of the
2 North Half of Section 16, Township 15 South, Range 16 West, in the proposed
3 Academy Church Field, Lamar County, Alabama.

4
5 This petition is filed as a companion to petition bearing Docket No. 2-13-02-7
6 requesting establishment of the Academy Church Field and a petition bearing
7 Docket No. 2-13-02-9 requesting approval of an exceptional location for the Stark
8 16-6 No. 1 Well.
9

10 12. DOCKET NO. 2-13-02-9

11 Petition by MOON-HINES-TIGRETT OPERATING CO., INC., a foreign
12 corporation authorized to do and doing business in the State of Alabama, requesting
13 the State Oil and Gas Board to enter an order approving an exceptional location for
14 the Stark 16-6 No. 1 Well, Permit No. 10299-A, located on a proposed reformed
15 320-acre unit consisting of the North Half of Section 16, Township 15 South,
16 Range 16 West, Lamar County, Alabama, in the proposed Academy Church
17 Field. The location of said well is 510 feet FSL and 1,650 feet FWL of the proposed
18 reformed 320-acre unit for the referenced well. Such location is an exception to
19 Rule 3 of the proposed Special Field Rules for the Academy Church Field which
20 states, in part, that all wells shall be located at least 660 feet from every exterior
21 boundary of the unit.
22

23 This petition is filed as a companion to petition bearing Docket No. 2-13-02-7
24 requesting establishment of the Academy Church Field and a petition bearing
25 Docket No. 2-13-02-8 requesting reformation of the 40-acre unit for the Stark 16-6
26 No. 1 Well to a 320-acre unit for said well.
27

28 13. DOCKET NO. 2-13-02-10

29 Petition by NORTHWEST ALABAMA GAS DISTRICT, an Alabama municipal
30 corporation, requesting the State Oil and Gas Board of Alabama to enter an order
31 approving verification of storage volume for the East Detroit Gas Storage Facility,
32 Lamar County, Alabama, pursuant to the provisions of Section 9-17-150, et seq.
33 Code of Alabama (1975), and Rule 400-5-5.01 of the State Oil and Gas Board of
34 Alabama Administrative Code. The East Detroit Gas Storage Facility was
35 established by the Board in Order No. 2000-1 on January 5, 2000. Based on data
36 collected from drilling the NWAGD Well No. 5, (Permit No. 12235-GS-01-03)
37 Petitioner submits new findings verifying the storage volume and amending
38 structure and isopach maps to include a fault discovered while drilling said well.

1 14. DOCKET NO. 2-13-02-11

2 Petition by PHILLIPS PETROLEUM COMPANY, a Delaware corporation,
3 authorized to do and doing business in the State of Alabama, requesting the State
4 Oil and Gas Board to enter an order force pooling, with a risk compensation
5 penalty, all tracts and interests in hydrocarbons produced from coalbeds in the
6 Pottsville Formation in the Jernigan 22-10-146 Well, to be drilled on an 80-acre unit
7 consisting of the Northeast Quarter of the Southwest Quarter and the Northwest
8 Quarter of the Southeast Quarter of Section 22, Township 17 South, Range 9 West,
9 Tuscaloosa County, Alabama, in the Blue Creek Coal Degasification Field.

10
11 This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as
12 amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama
13 Administrative Code.

14
15 15. DOCKET NO. 2-13-02-12

16 Petition by PHILLIPS PETROLEUM COMPANY, a Delaware corporation,
17 authorized to do and doing business in the State of Alabama, requesting the State
18 Oil and Gas Board to enter an order reforming the unit for the Jernigan 22-14-147
19 Well, Permit No. 11931-C, from a 40-acre unit consisting of the Southeast
20 Quarter of the Southwest Quarter of Section 22, Township 17 South, Range 9
21 West, Tuscaloosa County, Alabama in the Blue Creek Coal Degasification Field,
22 to an 80-acre unit consisting of the Southeast Quarter of the Southwest Quarter
23 and the Southwest Quarter of the Southeast Quarter of said Section 22.

24
25 16. DOCKET NO. 2-13-02-13

26 Petition by EXXONMOBIL PRODUCTION COMPANY, A Division of Exxon
27 Mobil Corporation, acting for operator MOBIL OIL EXPLORATION &
28 PRODUCING SOUTHEAST, INC., a foreign corporation, authorized to do and
29 doing business in the State of Alabama, requesting the State Oil and Gas Board to
30 enter an order extending the shut-in status for the following three wells: (1) State
31 Lease 350 Well No. 1, Permit No. 3127-OS-5, located in offshore Tract 95,
32 Lower Mobile Bay-Mary Ann Field (Norphlet) Unit, Baldwin and Mobile
33 Counties; (2) State Lease 350 Well No. 2, Permit No. 3346-OS-8B, located in
34 offshore Tract 95, Southeast Mobile Bay Field, Lower Mobile Bay Area, Baldwin
35 and Mobile Counties; and (3) State Lease 347 Well No. 2, Permit No. 3614-OS-
36 14, located in offshore Tract 76, Lower Mobile Bay-Mary Ann Field (Norphlet)
37 Unit, Baldwin and Mobile Counties, Alabama. The said offshore tracts are shown
38 on plat entitled "State of Alabama Chart of Submerged State Lands, Oil Lease
39 Tracts, Within 3 Marine Miles of Shoreline," prepared by the State of Alabama,
40 Department of Conservation, Engineering Section and dated March, 1956, revised
41 September, 1977, Project No. 2, 5-L-2, as amended.

1 The previously granted shut-in status of these wells expires on February 15, 2002,
2 and Petitioner is requesting this Board to grant a one (1) year extension of the
3 shut-in status because these wells have future utility and should not be plugged.
4

5 17. DOCKET NO. 2-13-02-14

6 Petition by SHELL OFFSHORE, INC., a foreign corporation, authorized to do and
7 doing business in the State of Alabama, requesting the State Oil and Gas Board to
8 enter an order approving an exception to Rule 400-2-4-.09(4) of the State Oil and
9 Gas Board of Alabama Administrative Code pertaining to blow-out prevention
10 equipment and the frequency of testing said equipment for the proposed State Lease
11 531 (Tract 113) Well #5, Permit No. 12340-OS-87-B, with a surface location 6,995
12 feet from the north line and 4,777 feet from the west line of Tract 113 in Mobile
13 County, Alabama, in the Fairway Field, as shown on plats entitled "State of
14 Alabama Chart of Submerged State Lands, Oil and Gas Lease Tracts," dated May
15 1984, Project No. 2, 5-L-27, revised October 31, 1990.
16

17 18. DOCKET NO. 2-13-02-15

18 MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA to amend
19 Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama Administrative Code
20 related to Forced Integration or Forced Pooling to clarify language related to
21 expiration of Forced Integration or Forced Pooling Orders.
22

23
24 The meetings of the State Oil and Gas Board are public meetings, and
25 members of the public are invited to attend and present their position concerning
26 this petition(s). Requests to continue or oppose a petition should be received by
27 the Board at least two (2) days prior to the hearing. For additional information,
28 you may contact the State Oil and Gas Board, P. O Box 869999, Tuscaloosa,
29 Alabama 35486-6999, Telephone Number 205/349-2852, Fax Number 205/349-
30 2861, or by email at petitions@ogb.state.al.us.
31

32
33 DR. OLTZ: At this time the Hearing Officer will make his report to the Board.

34 MR. ROGERS: Mr. Chairman, Mr. Metcalfe and Mr. Dampier, I have a written report of
35 the items heard by the Hearing Officer and the staff on Wednesday, February 13, 2002. Copies

February 15, 2002

1 of the report are available for the public to review and study. I recommend that the report be
2 adopted by the Board.

3 MR. METCALFE: Move.

4 MR. DAMPIER: Second.

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

6 (All Board members voted "aye")

7 CHMN. MCCORQUODALE: "Ayes" have it.

8 (Whereupon, the report was received in evidence)

9 MR. ROGERS: Mr. Chairman, I recommend the report be made a part of the record.

10 CHMN. MCCORQUODALE: That request is granted.

11 DR. OLTZ: Mr. Chairman, the staff would recommend approval of the minutes of the
12 following meetings: December 6, 2001, Board Meeting; December 7, 2001, Hearing Officer
13 Meeting; January 11, 2002, Special Hearing Officer Meeting; and a January 16, 2002, Special
14 Hearing Officer Meeting.

15 MR. METCALFE: Move.

16 MR. DAMPIER: Second.

17 MR. MCCORQUODALE: All in favor say "aye."

18 (All Board members voted "aye")

19 MR. ROGERS: Mr. Chairman, the first item to be heard today by the Board is Item 3,
20 Docket No. 12-6-01-6, petition by Land & Natural Resource Development, Inc. requesting an

1 extension of the temporary abandoned status for certain wells in the Moundville Field,
2 Tuscaloosa and Hale Counties.

3 CHMN. MCCORQUODALE: Do I hear any objection to the granting of that extension?
4 I hear no objection.

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

6 MR. METCALFE: Second.

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

8 (All Board members voted "aye")

9 CHMN. MCCORQUODALE: "Ayes" have it.

10 MR. ROGERS: The next item is Item 6, Docket No. 2-13-02-3, petition by Moon-Hines-
11 Tigrett Operating Company, Inc.

12 MR. WATSON: Mr. Chairman, I have one witness and would like to have him sworn in,
13 please, sir.

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

15 MR. HINES: Todd Hines, Jackson, Mississippi.

16 (Witness was sworn by Mr. Rogers)

17 MR. WATSON: Mr. Chairman, I would ask that you receive into the record of this
18 hearing the prefiled affidavit of notice and the publication notice.

19 CHMN. MCCORQUODALE: They are admitted.

20 (Whereupon, the affidavit and proof of publication
21 were received in evidence)

February 15, 2002

1 MR. WATSON: Mr. Chairman, Mr. Hines has appeared before the Board and has on file
2 an affidavit of his qualifications as a petroleum geologist. I will ask you, Mr. Hines, have you
3 prepared exhibits in support of Moon-Hines' request today relative to the Latham-Wood 9-7 unit
4 in the Sneads Creek Field in Pickens County, Alabama?

5 MR. HINES: Yes, I have.

6 MR. WATSON: I tender him as an expert for giving testimony in this matter today, Mr.
7 Chairman.

8 CHMN. MCCORQUODALE: He is so recognized.

9 TODD HINES

10 Appearing as a witness on behalf of Petitioner, Moon-Hines-Tigrett Operating Company,
11 Inc., testified as follows:

12 DIRECT EXAMINATION

13 Questions by Mr. Watson:

14 Q. Under the Board's rules and regulations Moon-Hines-Tigrett applied for a permit for the
15 Latham-Wood 9-7 unit which is a 320-acre unit consisting of portions of Sections 9 and 4
16 in Pickens County, Alabama. This permit application was approved by the Supervisor
17 subsequent to the approval of that permit application. The Latham-Wood well was
18 drilled and we are here today under a provision in the Special Field Rules to present to
19 you the after-drilled data to support the unit that was permitted by administrative action
20 of the Board so that this unit can then become a production unit in the Sneads Creek

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1 Field. I would ask, if you would, please, to look at Exhibit No. 1. Mr. Hines, would you
2 tell the Board what's shown on that exhibit, please, sir.

3 A. This is a structure map on top of the Pottsville A sand which is the producing reservoir
4 for the Hitt 9-12 as well as the Latham-Wood 9-7. The exhibit shows the unit for the two
5 wells. It shows the boundaries for the Pottsville A sand being on the north end of the
6 shale out of the Pottsville A sand and on the west end of the down-to-the-west fault
7 which was cut in the Latham-Wood 9-7 well. The east boundary or the down-dip
8 boundary has not been established but based on the history of the well it most likely is
9 not too far downdip from the top of the sand.

10 Q. Looking at the top of the exhibit is the Justiss No.1 Pate well which has a symbol of NR
11 that you have changed and initialed. We have that notation on several other dry holes in
12 the area. Would you explain to the Board and for the record what those notations mean?

13 A. The NR on the two wells north of that Pottsville A sand boundary, the Justiss Pate and
14 the ARCO Elmore, were drafting errors. That should be NP. The sand is not present in
15 those two wells. The NR on the other wells, the coalbed methane wells, the Pottsville A
16 was not reached in those wellbores.

17 Q. All right. You have made that correction on the Board's signed copy of this exhibit, have
18 you not?

19 A. Yes I have.

20 Q. Now, the Latham-Wood 9-7 well encountered a Pottsville A sand. It also encountered a
21 productive Pottsville B sand, did it not?

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1 A. Yes it did.

2 Q. Your structure map is only on the Pottsville A. Why do you not have a structure map on
3 the Pottsville B sand?

4 A. The Pottsville B sand was only encountered in the 9-7. There is not another well on this
5 exhibit that encountered that sand. The structure map would look identical. It would just
6 be impossible to do an isopach map of any sort.

7 Q. Let's go then to your Exhibit 2 which is the isopach map on the Pottsville A sand.
8 Describe the information shown there, Mr. Hines.

9 A. The parameters for this map are the density log porosity greater than or equal to seven
10 percent. There are five wells on the exhibit that had the Pottsville A sand. Each well has
11 those sand values beside it. There are four wells north of that zero boundary that are
12 noted as having zero sand.

13 Q. The Latham-Wood, the subject of this hearing, has 88 feet of Pottsville A sand?

14 A. That's correct.

15 Q. Let's look at your third exhibit which is the log on the Latham-Wood 9-7. Let's describe
16 what was encountered and what's shown on this log.

17 A. This is the array induction log for the 9-7. It shows the Pottsville A interval in that well
18 from 4,424 to 4,560 in the perforations as noted. It also shows the Pottsville B sand from
19 4,327 to 4,394 and the production perforations from that zone.

20 Q. Now, let's look at Exhibit 4 which is a two page exhibit. Tell the Board what these two
21 zones tested, starting with the Pottsville A.

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1 A. The Pottsville A which is flowing up the tubing tested 590 Mcf/d.

2 Q. The Pottsville B?

3 A. The Pottsville B which is flowing up the annulus tested 160 Mcf/d.

4 Q. All right, sir. The final exhibit, Exhibit 5, is a plat showing this 320-acre unit consisting
5 of the South Half of the Southeast Quarter of Section 4 and the North Half of the
6 Southeast Quarter as well as the Northeast Quarter of Section 9, all in Township 21
7 South, Range 13 West, Pickens County. Is that correct?

8 A. That is correct.

9 Q. It shows the location of the Latham-Wood well on that plat. Now, let's talk for just a
10 minute, Mr. Hines, about what the Latham-Wood well is doing production wise as of
11 your most current data.

12 A. Currently it is flowing about 150 to 175 Mcf/d with about eight to ten barrels of water.

13 Q. Is that from the combined Pottsville A and Pottsville B sands?

14 A. That is correct.

15 Q. What is the Hitt 9-12 well doing?

16 A. It's flowing approximately 600 Mcf/d with very little water, two barrels a day at the
17 most.

18 Q. Look back at Exhibit No. 1. When we asked the Supervisor to approve this 320-acre
19 unit--we have skidded the unit to the north, if we can describe it like that, and we have
20 taken in that South Half of the Southeast Quarter of Section 4 and excluded from the unit

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1 the South Half of the Southeast Quarter of Section 9. Do you know, Mr. Hines, who
2 owns that South Half of the Southeast Quarter of Section 9?

3 A. Yes, sir. Donald Wood, his family, and the Hitt family both own interest in that 80 acres.
4 The Wood family has 75 acres that is in the Latham-Wood 9-7 and the Hitt family has
5 over 250 acres in the Hitt 9-12 unit.

6 Q. All right. So, even though that 80 acres is presently out of the unit, those people are
7 common to the ownership in the production unit.

8 A. That's true.

9 Q. That's not true is it of the South Half of the Southeast Quarter of Section 4. Is that
10 ownership up there or is that ownership common to all of the above?

11 A. No, sir.

12 Q. Had you not slid this unit up to take that in, based on your map, that area would have
13 been possibly drained by this well without any participation of those owners. Is that
14 correct?

15 A. That is correct.

16 Q. Based on the current production that you have just described to the Board, does your
17 company have any plans for any offset drilling to this Latham-Wood 9-7 well?

18 A. We plan to sand fracture the well here in the not too distant future. Based on the results
19 of that treatment--if we get a favorable result we most likely would plan to drill another
20 well south of the Latham-Wood well.

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1 Q. All right, sir. You recall, because we have discussed the fact, that in 2001 we had a map
2 that we presented to the Board on the Sneads Creek Field. On your mapping at that time--
3 that was a structure map. That was Docket No. 8-22-01-03. I showed you that map
4 yesterday. Why has your map changed in this same area since that time, Mr. Hines?

5 A. The production characteristics of the two wells, the Latham-Wood being over 200 feet
6 high to the Hitt well and the production being so much less with more water production,
7 indicate first of all that they have to be in a separate reservoir. We have also done some
8 shallow mapping using the coalbed methane wells. It appears from that mapping that the
9 fault has to be down to the west as opposed to the first map that we presented with it
10 down to the east.

11 Q. Basically, additional well control data allows you and really requires you to change your
12 fault throw and your mapping in this area. Is that correct?

13 A. That is correct.

14 MR. WATSON: Mr. Chairman, I would ask that you receive into evidence Exhibits 1
15 through 5 to the testimony of Mr. Hines.

16 CHMN. MCCORQUODALE: The exhibits are admitted.

17 (Whereupon, the exhibits were received in evidence)

18 Q. Mr. Hines, will the approval of this unit, the Latham-Wood 9-7 unit, protect correlative
19 rights, prevent waste, and orderly develop the hydrocarbons discovered in this wellbore?

20 A. Yes it will.

21 MR. WATSON: I tender the witness.

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

2 MR. DAMPIER: I do have a couple of questions.

3 TODD HINES

4 EXAMINATION BY BOARD/STAFF

5 Questions by Mr. Dampier:

6 Q. That acreage in Section 9, that one half of that southeast quarter, is that productive, that
7 portion that you are excluding from the production unit?

8 A. Well, without knowing where the water level is it's hard to say. Based on the production,
9 with the well making some saltwater, the water level couldn't be too far down dip from
10 the top of the sand. It appears to us there is more productive area in the South Half of the
11 Southeast Quarter of Section 4 than there would be in the South Half of the Southeast
12 Quarter of Section 9.

13 Q. The more productive area does not necessarily exclude the productive area in Section 9
14 that is excluded. What I'm trying to avoid is that Phillips/Striker suit that you remember
15 from a few years back. You guys could be getting in that situation if you are draining
16 that land and don't drill a well down there timely. When you say you plan to drill a well,
17 can you elaborate on that a little bit more?

18 A. Well, as I stated earlier, we are going to sand frac the well here in the next couple of
19 weeks. Based on the results of that treatment we'll make a decision at that point whether
20 to drill an offset well.

1 Q. Where would that well be that you do the sand fracing? Have you decided on a location
2 for it?

3 MR. WATSON: He's talking about sand fracing the current well, the 9-7 well.

4 Q. Okay. I guess I was asking if you would have any information where the offset well
5 would be?

6 A. It would most likely be down there in the South Half of the Southeast Quarter of Section
7 9.

8 MR. DAMPIER: Thank you.

9 MR. ROGERS: One other question. You testified that the parties that own the interest in
10 that south half of the southeast quarter were notified of this petition.

11 MR. WATSON: They were notified. He also testified that they are in the Latham-Wood
12 well. They are participating in the royalty. They are not excluded. So if there is any drainage
13 from that tract, if the gas is down there, they are being paid for it, little unlike the Striker case.

14 MR. METCALFE: Move to grant the petition.

15 MR. DAMPIER: Second.

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

17 (All Board members voted "aye")

18 CHMN. MCCORQUODALE: "Ayes" have it.

19 MR. ROGERS: The next item is Item 10, Docket No. 2-13-02-7, petition by Moon-
20 Hines-Tigrett Operating Company, Inc. That item is related to Items 11 and 12, Item 11, Docket
21 No. 2-13-02-8, petition by Moon-Hines-Tigrett and Item 12, Docket No. 2-13-02-9.

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1 MR. WATSON: Can we consolidate those for hearing purposes?

2 CHMN. MCCORQUODALE: Those will be consolidated.

3 MR. WATSON: I remind my witness that he is still under oath.

4 CHMN. MCCORQUODALE: Correct.

5 MR. WATSON: Accept into the record, Mr. Chairman, if you would, please, the
6 affidavit of notice as well as the publication notice for these three consolidated items.

7 CHMN. MCCORQUODALE: Those are admitted.

8 (Whereupon, the affidavit and proof of
9 publication were received in evidence)

10 TODD HINES

11 Appearing as a witness on behalf of Petitioner, Moon-Hines-Tigrett Operating Company,
12 Inc., testified as follows:

13 DIRECT EXAMINATION

14 Questions by Mr. Watson:

15 Q. We are requesting in these three items, Mr. Chairman, that the Board establish a new gas
16 field. We are recommending the name Academy Church Field for this new field and that
17 you promulgate Special Field Rules for this new field that will be in Lamar County,
18 Alabama. We have three separate and distinct gas pools in this proposed field area that
19 would be covered by these Special Field Rules. Mr. Hines, you are familiar with the
20 request for the establishment of the Academy Church Field for the reformation of one of
21 the units in that field from 40 acres to 320 acres and the promulgation of field rules?

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1 A. Yes.

2 Q. I have handed up to the Board and staff the exhibits that you have prepared. I might also
3 say that one of the petitions we are requesting today is for an exceptional location on the
4 unit reformation. In that vein, let's look at Exhibit No. 1. Tell the Board what's shown
5 on this Exhibit 1, Mr. Hines.

6 A. This is a unit plat for the Stark 16-6 where we are reforming the unit from a 40-acre unit
7 consisting of the southeast-northwest of 16 to a 320-acre unit consisting of the North Half
8 of Section 16. You will note that the location is 510 feet from the South line of the unit
9 which would be an exception to the Special Field Rules. It should be 660 feet.

10 Q. As permitted on a 40-acre wildcat, that was a legal location. It becomes an exception if
11 the Board reforms it. Is that correct?

12 A. That's correct.

13 Q. Now let's look at your Exhibit 1A which is a structure map, Mr. Hines. Let's describe
14 the information that is shown there to the Board, please.

15 A. This is a structure map on top of the Millerella limestone. Shown are the proposed field
16 limits for Academy Church Field. Also shown is the 320-acre unit for the three
17 producing wells in the field. Each well is color coded according to the producing
18 reservoir. The Odgen 17-16 is completed in the Box sand, the Ogden 16-14 is completed
19 in the Gilmer A sand, and the Stark 16-6 is completed in the Chandler sand.

20 Q. All right, sir. Let's go to your next exhibit, Exhibit 2, which is a cross section that you
21 are showing on Exhibit 1A. Describe that cross section to the Board.

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- 1 A. This is stratigraphic cross section A-A' which is noted on the structure map. These are
2 all dual induction logs from the three producing wells. The first one on the left-hand side
3 is the type log for the Box sand, the Ogden 17-16. The Box sand is described in an
4 interval from 2,560 to 2,590 on that dual induction log. The perforations are noted 2,576
5 to 80. The middle log on the section is the Ogden 16-14 which is the type log for the
6 Gilmer A sand which is described as the interval from 2,851 to 2,876. The perforations
7 are noted from 2,851-1/2 to 56-1/2. The next well on the far right hand side is the Stark
8 16-6 which is the type log for the Chandler sand. It is the interval from 2,660 to 2,733 on
9 that log. The perforations are noted from 2,662 to 66. What is also evident on this cross
10 section is the shale out of these three sands. They are not continuous between the three
11 wells. That is part of the trapping mechanism for the field.
- 12 Q. Having identified three distinct gas pools in this proposed Academy Church Field, let's
13 tell the Board how these wells tested starting with Exhibit No. 3 which is a test on the
14 Gilmer sand.
- 15 A. Okay. The Gilmer A sand in the Ogden 16-14 tested 1,000 Mcf/d.
- 16 Q. Exhibit 4 is the test on the Chandler sand.
- 17 A. The Chandler sand in the Stark 16-6 well tested 181 Mcf/d.
- 18 Q. The Box sand gas pool.
- 19 A. The Box sand in the Ogden 17-16 tested 1,371 Mcf/d.
- 20 Q. All right, sir. Is it your testimony that the formation of this new field for the three
21 separate and distinct gas pools that you have defined and described in your exhibits will

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1 promote orderly development of the hydrocarbon resources in this portion of Lamar
2 County?

3 A. Yes, it is.

4 Q. Will the reformation of the 40-acre unit for the Stark 16-6 well to a 320-acre unit in the
5 field under the field rules and the granting of the exceptional location for that well protect
6 correlative rights and promote orderly development?

7 A. Yes it will.

8 MR. WATSON: I tender the witness to you, Mr. Chairman, and ask that you receive into
9 the record of this hearing Exhibits 1 through 5 to the testimony of Mr. Hines.

10 CHMN. MCCORQUODALE: The exhibits are admitted.

11 (Whereupon, the exhibits were received in evidence)

12 CHMN. MCCORQUODALE: Are there any questions from the staff on any of these?
13 Does that conclude the evidence on all three of the items, Mr. Watson?

14 MR. WATSON: That's all three.

15 MR. DAMPIER: Mr. Chairman, I move that the petitions be granted.

16 MR. METCALFE: Second.

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

18 (All Board members voted "aye")

19 CHMN. MCCORQUODALE: "Ayes" have it.

20 MR. ROGERS: The next petition is Item 14, Docket No 2-13-02-11, petition by Phillips
21 Petroleum Company.

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1 MR. WATSON: While my witness is coming up, Mr. Chairman, I ask that you receive
2 into the record of this hearing the affidavit of notice and the publication notice.

3 CHMN. MCCORQUODALE: They are admitted.

4 (Whereupon, the affidavit and proof of
5 publication were received in evidence)

6 MR. WATSON: I have one witness and would like to have him sworn in, please, sir.

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

8 MR. HUTCHINGS: Steve Hutchings, Tuscaloosa, Alabama.

9 (Witness was sworn by Mr. Rogers)

10 MR. WATSON: Mr. Hutchings, you have appeared before the Board and have on file an
11 affidavit of your qualifications as a petroleum landman. Is that correct?

12 MR. HUTCHINGS: Yes, sir.

13 STEVE HUTCHINGS

14 Appearing as a witness on behalf of Petitioner, Phillips Petroleum Company, testified as
15 follows:

16 DIRECT EXAMINATION

17 Questions by Mr. Watson:

18 Q. Are you familiar with the petition here today for the force pooling, with the imposition of
19 a risk compensation fee, of tracts and interests in an 80-acre unit in the Blue Creek Field
20 for the Jernigan 22-10-146 well?

21 A. Yes sir.

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1 Q. Since we're asking the Board to force pool this with risk comp., does your company,
2 together with other consenting owners, own a majority of the interest of the drilling and
3 operating rights in this unit--this 80-acre unit which consist of the Northeast Quarter of
4 the Southwest Quarter and the Northwest Quarter of the Southeast Quarter of Section 22,
5 Township 17 South, Range 9 West, Tuscaloosa County, Alabama, in the Blue Creek Coal
6 Degasification Field?

7 A. Yes sir.

8 Q. Have you made a good faith effort to negotiate with each nonconsenting owner to have
9 that owner's interest voluntarily pooled into the unit?

10 A. Yes sir.

11 Q. Who has not agreed with your proposal to date?

12 A. The only interest that is open to date is a Ms. Edna Jones that lives here in Tuscaloosa.

13 Q. What interest does Ms. Jones own in this 80-acre unit?

14 A. She owns approximately 8.3 percent.

15 Q. Have you notified Ms. Jones, giving her notice of the fact that you wanted her to join in
16 the drilling of this well?

17 A. Yes sir.

18 Q. We have sent that notice by certified mail and have a return receipt from Ms. Jones. Is
19 that correct?

20 A. That's correct, yes sir.

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1 MR. WATSON: Mr. Chairman, I have prefiled that green card and would ask that that
2 be made a part of the record of this hearing.

3 CHMN. MCCORQUODALE: That request is granted.

4 (Whereupon, the letter with attached green
5 card was received in evidence)

6 Q. Did you give Ms. Jones written notice of the proposed operation, specifying the work to
7 be performed, the location, the depth, the objective formation, and the estimated cost?

8 A. Yes sir, that was all included in our letter.

9 Q. Have you offered each nonconsenting owner an opportunity to lease or farm out on
10 reasonable terms or to participate in the cost and the risk of developing and operating the
11 unit well on reasonable terms?

12 A. Yes sir, again, that was included in the letter.

13 Q. Did you notify Ms. Jones that if she did not pay her proportionate share of the drilling
14 and completion cost within 30 days after commencement of actual drilling operations or
15 prior to reaching total depth, whichever is earlier, then there shall be a charge to the tract
16 or interest a risk compensation fee equal to 150 percent of such tract or interest share in
17 the actual and reasonable cost of drilling, reworking, testing, plugging back, deepening,
18 or completing the well?

19 A. Yes sir.

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1 Q. Did you advise Ms. Jones that if on or before the commencement of actual drilling
2 operations she provided you with a notarized statement agreeing to pay such costs, then
3 she would not be penalized?

4 A. Yes sir.

5 Q. You have had personal contact with Ms. Jones in several units, have you not?

6 A. That's correct, yes sir.

7 Q. State for the Board, if you would, please, what communications you have had with her
8 other than those written ones that we are asking the Board to include in this record today.

9 A. I've met with her, Ms. Jones, several times. I met with her son-in-law and daughter for
10 about three hours one evening last year. We just never could--never could make any
11 deal. She has never leased this interest for coal mining purposes or oil and gas purposes
12 at any time over the last 40 years.

13 Q. Do you recall how many units we have Ms. Jones in and how many times we have force
14 pooled her with imposition of risk comp?

15 A. She is under one other producing unit. This will be the second unit we've had to force
16 pool. I think this is our third time because of some surface use questions.

17 Q. All right. Is it your testimony to this Board then that she is fully aware of the request and
18 fully understands what is going on here?

19 A. Yes sir.

20 Q. In addition to advising her relatives of this?

1 A. Yes sir. In fact, we have added a phrase at the end of our letter that we advise her to seek
2 legal counsel if she has any questions relative to the force pooling issue.

3 Q. Would the granting of this force pooling with the risk compensation fee that you have
4 requested promote orderly development in the Blue Creek Field and protect correlative
5 rights?

6 A. Yes sir.

7 MR. WATSON: Mr. Chairman, I'm assuming that when you made the green card a part
8 of the record you also made a part of the record the January 17th certified letter to Ms. Jones.

9 CHMN. MCCORQUODALE: That's correct.

10 MR. WATSON: That's all we have on this item. I submit my witness for any questions
11 you have.

12 CHMN. MCCORQUODALE: Are there questions?

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

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

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

16 CHMN. MCCORQUODALE: "Ayes" have it. Let the record reflect that Mr. Dampier
17 recused himself from voting on that item.

18 MR. ROGERS: Item 16, Docket No. 2-13-02-13, petition by ExxonMobil Production
19 Company.

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1 MR. WATSON: Mr. Chairman, I have prefiled an affidavit of notice in this matter along
2 with the publication notices and would ask that all those be made a part of the record of this
3 hearing.

4 CHMN. MCCORQUODALE: That request is granted.

5 (Whereupon, the affidavit and proofs of
6 publication were received in evidence)

7 MR. WATSON: I have prefiled an affidavit of testimony of Gretchen Dilday who is a
8 qualified engineer, having on file with this Board an affidavit of her qualifications. This petition
9 is requesting the extension of the shut-in status of three wells located in Baldwin and Mobile
10 Counties, Alabama. I would ask that you approve the request based on the testimony contained
11 in the affidavit.

12 CHMN. MCCORQUODALE: Are there questions?

13 MR. ROGERS: Mr. Chairman, I would like to admit into the record a letter from Mr.
14 Wilson to Mr. Riley Smith, Commissioner of the Department of Conservation and Natural
15 Resources, notifying the department of this petition.

16 CHMN. MCCORQUODALE: That is made a part of the record and the affidavit of
17 Gretchen Dilday is also admitted into the record.

18 (Whereupon, the affidavit and letter were received in evidence)

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

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

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

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1 CHMN. MCCORQUODALE: Again, let the record reflect that Mr. Dampier recused
2 himself on this item.

3 MR. ROGERS: Item 17, Docket No. 2-13-01-14, petition by Shell Offshore, Inc.

4 MR. CLUTE: Good morning Mr. Chairman and members of the Board, I'm here
5 representing Shell Offshore, Inc. This petition has been filed with the Board seeking an
6 exception to Rule 400-2-4-.09(4). Shell Offshore, Inc. is requesting approval from the Board to
7 test BOP equipment every fourteen days instead of every seven days at the location specified in
8 the petition which is State Lease 531 No. 5 Well, Fairway Gas Field. Mr. Chairman, we have
9 already prefiled with the Board an affidavit of publication and would ask that it be admitted into
10 the record.

11 CHMN. MCCORQUODALE: It is admitted.

12 (Whereupon, the proof of publication was received in evidence)

13 MR. CLUTE: I have with me, Mr. Chairman, Mr. Tony R. Harris as a witness. I would
14 like to refer the Board to the affidavit of qualification of Mr. Harris. Mr. Harris is a graduate of
15 The University of Illinois, having a Bachelor of Science Degree in Chemical Engineering. He
16 has been employed by Shell for the past 29 years in the following positions: Production
17 Engineer, Production Superintendent, Drilling Engineer, and other experience that is outlined in
18 his affidavit. I would like to have him recognized as an expert witness by the Board.

19 CHMN. MCCORQUODALE: He is so recognized.

20 MR. CLUTE: Mr. Chairman, could I have Mr. Harris sworn in?

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

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1 MR. HARRIS: Tony R. Harris. I live in Kennev, Louisiana.

2 (Witness was sworn by Mr. Rogers)

3 TONY R. HARRIS

4 Appearing as a witness on behalf of Petitioner, Shell Offshore, Inc., testified as follows:

5 DIRECT EXAMINATION

6 Questions by Mr. Clute:

7 Q. Mr. Harris, are you familiar with the petition which has been filed by Shell with the Oil
8 and Gas Board seeking an exception to Rule 400-2-4-.09(4) of the State Oil and Gas
9 Board of Alabama Administrative Code?

10 A. Yes.

11 Q. Did you execute an affidavit in support of Shell's petition?

12 A. Yes.

13 MR. CLUTE: Mr. Chairman, that affidavit is Exhibit No. 1 in the exhibits before you. I
14 would ask that that affidavit also be admitted into evidence.

15 CHMN. MCCORQUODALE: It is admitted.

16 (Whereupon, the affidavit was received in evidence)

17 Q. Mr. Harris, what is your understanding of what Shell is requesting from the Board?

18 A. Shell is requesting the Board to extend the interval for testing BOP's, blowout preventers
19 and related auxiliary well control equipment. Specifically, Shell is requesting the Board
20 that Shell be authorized in the drilling of the Alabama State Lease 531 No. 5 Well prior
21 to entering the Smackover and Norphlet formation above a depth of 21,850 measured

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1 depth and approximately 20,315 true vertical depth to perform pressure tests on annular-
2 type and ram-type preventers and related well control equipment and on auxiliary well
3 control equipment such as the choke manifold valves, Top Drive safety valves, kelly
4 cocks, the drill string safety valves, and inside blowout preventers at least once every two
5 weeks, but not to exceed fourteen days between tests, said tests to be performed
6 alternating between control stations, provided Shell functionally test these types of blow
7 out preventers and related auxiliary well control equipment every seven days. Shell is
8 further requesting that the authorized period of fourteen days between pressure tests on
9 this equipment and the seven day period between functional tests on this equipment be
10 further extended when well operations prevent testing, provided the tests will be
11 conducted as soon as possible before normal operations resume and the reason for
12 postponing testing is entered in the driller's log.

13 Q. Mr. Harris, in other words, Shell is requesting approval from the Board to test BOP
14 equipment every fourteen days instead of the required seven day intervals by the rule. Is
15 that correct?

16 A. Yes.

17 Q. Is it true that this practice of fourteen day intervals to test the BOP equipment would be
18 normal if the well was located in Federal waters?

19 A. Yes it is.

20 Q. Attached to your affidavit are several exhibits. Is it true that Exhibits 2, 3, and 4 are
21 drawings of the proposed blowout preventer system?

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1 A. Yes.

2 Q. Have you examined these Exhibits 2, 3 and 4?

3 A. Yes I have.

4 Q. Would you describe to the Board what Exhibit 5 is?

5 A. Exhibit 5 is the proposed blowout preventer test pressure data which was previously
6 produced to the Board when Shell petitioned for the drilling permit. The only change
7 which was made to the data was the bottom-hole location which Shell recently requested
8 that the Board allow us to change.

9 Q. Is it your belief that in drilling the Well No. 5 that Shell will not encounter any
10 hydrocarbon bearing formation prior to the Smackover formation?

11 A. To the best of my knowledge I do not believe that we will encounter any hydrocarbon
12 bearing formations prior to the Smackover.

13 Q. Is Shell prepared to handle any unexpected kicks and abnormal pressures during the
14 drilling of Well No. 5?

15 A. Yes.

16 Q. Is it your opinion that the granting of this petition will prevent "waste" and protect the
17 correlative rights of all interested parties?

18 A. Yes.

19 MR. CLUTE: Mr. Chairman, we would ask that Exhibits 2, 3, 4 and 5 be admitted into
20 the record and made a part of the record.

21 CHMN. MCCORQUODALE: They are admitted.

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1 (Whereupon, the exhibits were received in evidence)

2 MR. CLUTE: Mr. Chairman, I tender the witness.

3 CHMN. MCCORQUODALE: Are there questions by the staff or by the Board?

4 MR. DAMPIER: Mr. Chairman, I move that we grant the petition.

5 MR. METCALFE: Second.

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

7 (All Board members voted "aye")

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

9 MR. CLUTE: Thank you Mr. Chairman, members of the Board and staff.

10 MR. ROGERS: The next item then would be the Motion by the Board, Item 18, Docket
11 No. 2-13-01-15. That's a motion by the Board to clarify certain language related to forced
12 integration or forced pooling orders. The approval of the amendment would clarify the duration
13 of the orders. This rule was approved by the Board on December 7, 2001, in Order No. 2001-
14 189 and has been published in accordance with the Alabama Administrative Procedure Act. Mr.
15 Chairman, we would recommend that a copy of the proposed rule be admitted into the record.

16 CHMN. MCCORQUODALE: It is admitted.

17 (Whereupon, a copy of the rule was received in evidence)

18 MR. ROGERS: We would also recommend that copies of the publication notices in the
19 three statewide papers be admitted into the record.

20 CHMN. MCCORQUODALE: Those are admitted.

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1 (Whereupon, the proofs of publication were
2 received in evidence)

3 CHMN. MCCORQUODALE: Are there any comments about Item 18 and the proposed
4 rule?

5 MR. DAMPIER: Mr. Chairman, I move that the proposed rule is adopted.

6 MR. METCALFE: Second.

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

8 (All Board members voted "aye")

9 CHMN. MCCORQUODALE: "Ayes" have it. That concludes the regular agenda of the
10 Board.

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

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, February 15, 2002, in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, I reported the proceedings before the State Oil and Gas Board in Regular Session; that the foregoing 37 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