

April 17, 2002

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	DIRECT RE-DIRECT	CROSS/ RE-CROSS	EXAM. BY BOARD/STAFF
1. Ernest Kavanaugh	14-18	---	---

MCW
5-31-02

MR
5-31-02

April 17, 2002

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Board Exhibit	Proofs of Publication Item 4, Docket No. 3-13-02-8A Item 6, Docket No. 3-13-02-15 Item 7, Docket No. 3-13-02-16 Item 8, Docket No. 3-13-02-17 Item 9, Docket No. 4-17-02-01 Item 10, Docket No. 4-17-02-2 Item 11, Docket No. 4-17-02-3 Item 12, Docket No. 4-17-02-4 Item 13, Docket No. 4-17-02-5 Item 14, Docket No. 4-17-02-6 Item 15, Docket No. 4-17-02-7 Item 16, Docket No. 4-17-02-8 Item 17, Docket No. 4-17-02-9 Item 18, Docket No. 4-17-02-10	10	10 & 19
Board Exhibit	Hearing Officer Order	10	10
Exhibit (A-D) (Item 10)	Affidavit of testimony (John A. Wallace)	11	11
Exhibit A (Item 10)	Form OGB-1, USX-Amoco 89-19-08-22-11 #127, Oak Grove Coal Degas. Field (John Wallace)	11	12
Exhibit B (Item 10)	Form OGB-7, USX-Amoco 89-19-08-22-11 #127, Oak Grove Coal Degas. Field (John Wallace)	11	12
Exhibit C (Item 10)	Form OGB-9, USX-Amoco 89-19-08-22-11 #127, Oak Grove Coal Degas. Field (John Wallace)	11	12

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EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit D (Item 10)	Spectral density gamma coal log, USX-Amoco 89-19-08-22-11 #127, Oak Grove Coal Degas. Field (John Wallace)	11	12
Exhibit 1 (Item 16)	Affidavit of notice (William T. Watson)	12	12
Exhibit 2 (Item 16)	Affidavit of testimony (R. G. Sanders)	13	13
Exhibit 3 (Item 16)	3/28/02 letter to Jim Walter Resources, Inc. (R. G. Sanders)	13	13
Exhibit 1 (Item 17)	Unit plat, Richards 23-5 No. 1 Well, East Mt. Zion Field (Ernest Kavanaugh)	18	18
Exhibit 2 (Item 17)	Structure map, top Lewis limestone, Richards 23-5 No. 1 Well, East Mt. Zion Field (Ernest Kavanaugh)	18	18
Exhibit 3 (Item 17)	Isolith map, net lewis sand, Richards 23-5 No. 1 Well, East Mt. Zion Field (Ernest Kavanaugh)	18	18
Exhibit 4 (Item 17)	Type log, Richards 23-5 No. 1 Well, East Mt. Zion Field (Ernest Kavanaugh)	18	18

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EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 5 (Item 17)	Form OGB-9, Richards 23-5 No. 1 Well, East Mt. Zion Field (Ernest Kavanaugh)	18	18
Exhibit 6 (Item 17)	Bottom hole pressure, Richards 23-5 No. 1 Well, East Mt. Zion Field (Ernest Kavanaugh)	18	18
Exhibit 7 (Item 17)	Daily production chart, Richards 23-5 No. 1 Well, East Mt. Zion Field (Ernest Kavanaugh)	18	18

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STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

April 17, 2002

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 17th day of April, 2002.

BEFORE:

Mr. Marvin Rogers..... Attorney

BOARD STAFF

Dr. Donald F. Oltz Secretary and Supervisor

Mr. Gary Wilson Deputy Director

Mr. Jay H. Masingill Assistant Supervisor

Mr. Richard Hamilton Engineer

April 17, 2002

APPEARANCES

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14

NAME	REPRESENTING
1. Ernest G. Kavanaugh 200 North Jefferson Suite 308 El Dorado, AR 71730	Munoco Company, L.C.
2. John Tyra Tuscaloosa, AL	Munoco Company, L.C.
3. Tom Watson Tuscaloosa, AL	-----

April 17, 2002

1 (The hearing was convened at 10:05 a.m. on Wednesday,
2 April 17, 2002, at Tuscaloosa, Alabama.)
3
4
5

6 MR. ROGERS: This hearing is in session.

7 DR. OLTZ: The Hearing Officer and the staff will hear the uncontested items on the
8 docket today and certain other items. The State Oil and Gas Board will hear the
9 recommendations of the Hearing Officer, contested items, and certain other items beginning at
10 10:00 a.m. on Friday, April 19, 2002, right here in the Board's hearing room in Tuscaloosa,
11 Alabama.
12

13 AGENDA
14 STATE OIL AND GAS BOARD OF ALABAMA
15 APRIL 17 & 19, 2002
16

17 The State Oil and Gas Board of Alabama will hold its regular Board Meeting at
18 10:00 a.m. on Wednesday, April 17, and Friday, April 19, 2002, in the Board
19 Room of the State Oil and Gas Board, Walter B. Jones Hall, University of
20 Alabama Campus, 420 Hackberry Lane, Tuscaloosa, Alabama, to consider among
21 other items, the following petition(s):
22

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

24 Continued petition by EXXON MOBIL CORPORATION, a foreign corporation
25 authorized to do and doing business in the State of Alabama, requesting the State Oil
26 and Gas Board to enter an order in accordance with the terms and conditions of
27 Rules 400-1-7-01 and 400-2-6-.10(4)(b) of the State Oil and Gas Board of Alabama
28 Administrative Code approving the installation of bi-directional piping and metering
29 connections for the installation of approved meters to the inlet pipelines of its Mary
30 Ann Treating Facility, Mobile 823 Treating Facility and the Onshore Treating
31 Facility in order to allow production from Petitioner's offshore leases to be treated in
32 any of these three (3) ExxonMobil operated onshore facilities located in Coden,
33 Mobile County, Alabama. Petitioner's initial pipeline installation will include one
34 12-inch gas pipeline, one 8-inch gas pipeline, one 6-inch liquid pipeline, one 4-inch

1 liquid pipeline and one 4-inch utility line, each approximately 1000 feet in length.
2 The installation of such pipelines will afford Petitioner greater flexibility in directing
3 flow in order to best utilize plant capacity, meet operational needs, and maximize the
4 production of Alabama's offshore hydrocarbon resources.
5

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

7 Continued petition by BLACK WARRIOR METHANE CORP., an Alabama
8 corporation, requesting the State Oil and Gas Board to enter an order reforming
9 the unit for the Champion/Alawest 08-06-299 Well, Permit No. 12223-C, from an
10 80-acre unit consisting of the South Half of the Northwest Quarter of Section 8,
11 Township 20 South, Range 8 West, Tuscaloosa County, Alabama, in the
12 Brookwood Coal Degasification Field, to a 40-acre unit consisting of the
13 Southeast Quarter of the Northwest Quarter of Section 8, Township 20 South,
14 Range 8 West, Tuscaloosa County, Alabama.
15

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

17 Continued petition by BLACK WARRIOR METHANE CORP., an Alabama
18 corporation, requesting the State Oil and Gas Board to enter an order reforming
19 the unit for the Champion/Alawest 08-03-308 Well, Permit No. 12224-C, from an
20 80-acre unit consisting of the North Half of the Northwest Quarter of Section 8,
21 Township 20 South, Range 8 West, Tuscaloosa County, Alabama, in the
22 Brookwood Coal Degasification Field, to a 40-acre unit consisting of the
23 Northeast Quarter of the Northwest Quarter of Section 8, Township 20 South,
24 Range 8 West, Tuscaloosa County, Alabama.
25

26 4. DOCKET NO. 3-13-02-8A

27 Continued amended petition by LAND and NATURAL RESOURCE
28 DEVELOPMENT, INC., an Alabama corporation, requesting the Board to further
29 address the Temporarily Abandoned Status for 169 wells, 51 wells which are
30 operated by Land and Natural Resource Development, Inc. and 118 wells which
31 are operated by TECO Coalbed Methane, Inc., all of which are located in the
32 Moundville Field, Tuscaloosa and Hale Counties, Alabama. The Board addressed
33 the status of these wells through various orders, by which operators Land and
34 Natural Resource Development, Inc. and TECO Coalbed Methane, Inc. were
35 ordered to commence operations to plug and abandon wells, and that all wells
36 shall be plugged and abandoned by August 31, 2002. Petitioner also asks the
37 Board to issue an order to reduce the total number of wells to be plugged,
38 beginning April 1, 2002, through August 31, 2002, from a cumulative total of ten
39 (10) wells per month to a cumulative total of five (5) wells per month, either wells
40 operated by TECO or wells operated by Petitioner, and to extend the time by
41 which all wells would be plugged and abandoned to August 31, 2003. Petitioner

owns an interest in said wells and 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, 28, 29, 30

Township 23 North, Range 5 East

Sections: 1, 3, 4, 5, 7, 8, 9, 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

5. DOCKET NO. 3-13-02-9

Continued petition by MEDALLION EXPLORATION, 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 Pennsylvanian Age, from the proposed re-entry of the Keasler 4-2 #1 Well, Permit No. 5567, located on a proposed 320-acre wildcat unit consisting of the North Half of Section 4, Township 19 South, Range 15 West, Pickens County, Alabama.

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.

6. DOCKET NO. 3-13-02-15

Continued petition by PALMER PETROLEUM, INC., a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order finding that the contribution of the separately owned Tracts in the North Monroeville Field-Wide Oil Unit have been shown to be erroneous by subsequently discovered data from the drilling and completion of the McCall 1-7 #1 Well, Permit No. 12264-B, and the McCall 1-11 #1 Well, Permit No. 12265-B both in Section 1, Township 6 North, Range 7 East, Monroe County,

1 Alabama, in the North Monroeville Field. The Unit Operator has calculated the new
2 Tract Participations to reflect the altered Tract contribution and requests the Board to
3 approve the corrected Tract Participation of each Tract in the North Monroeville
4 Field-Wide Oil Unit in Monroe County, Alabama.

5
6 The redetermination of Unit Tract participation factors for the North Monroeville
7 Field-Wide Oil Unit, Monroe County, Alabama, is in accordance with the provisions
8 of the Unit Agreement and Section 9-17-86 of the Code of Alabama (1975).

9
10 This petition is filed as a companion to petition bearing Docket No. 3-13-02-16
11 requesting an order enlarging the Unit Area of the North Monroeville Field-Wide
12 Oil Unit and a petition bearing Docket No. 3-13-02-17 requesting an amendment to
13 Rule 1 of the Special Field Rules for the North Monroeville Field to add to the field
14 limits of said Field.

15
16 7. DOCKET NO. 3-13-02-16

17 Continued petition by PALMER PETROLEUM, INC., a foreign corporation,
18 authorized to do and doing business in the State of Alabama, requesting the State
19 Oil and Gas Board to enter an order amending Rule 15 of the Special Field Rules
20 for the North Monroeville Field by enlarging the "Unit Area" of the North
21 Monroeville Field-Wide Oil Unit as described in the Unit Agreement and Board
22 Order No. 98-71 so that, as enlarged, the Unit Area will consist of the following:
23 South Half of the Southeast Quarter of Section 35; South Half of the Southwest
24 Quarter and the Southwest Quarter of the Southeast Quarter of Section 36, Township
25 7 North, Range 7 East; all of Section 1, less and except the Northeast Quarter of the
26 Northeast Quarter; all of the Northeast Quarter, less and except the Southwest
27 Quarter of the Northeast Quarter; all of the Southeast Quarter; and the East Half of
28 the Northeast Quarter of the Southwest Quarter, all in Section 2; the Northeast
29 Quarter of the Northeast Quarter of Section 11; and the North Half of the Northwest
30 Quarter and the Northwest Quarter of the Northeast Quarter, all in Section 12, all in
31 Township 6 North, Range 7 East, Monroe County, Alabama.

32
33 This request is in accordance with Article 11 of the Unit Agreement and said
34 proposed enlargement is subject to approval by the owners of at least sixty-six
35 and two-thirds percent (66 2/3%) in interests as costs are shared, and by at least
36 sixty-six and two-thirds percent (66 2/3%) in interests of royalty and overriding
37 royalty owners in the area to be added to the North Monroeville Field-Wide Oil
38 Unit.

1 This petition is filed as a companion to petition bearing Docket No. 3-13-02-15
2 requesting redetermination of Unit Tract participation factors for the North
3 Monroeville Field-Wide Oil Unit and a petition bearing Docket No. 3-13-02-17
4 requesting an amendment to Rule 1 of the Special Field Rules for the North
5 Monroeville Field to add to the field limits.

6
7 8. DOCKET NO. 3-13-02-17

8 Continued petition by PALMER PETROLEUM, INC., a foreign corporation,
9 authorized to do and doing business in the State of Alabama, requesting the State
10 Oil and Gas Board to enter an order amending Rule 1 of the Special Field Rules
11 for the North Monroeville Field to add the following described parcels to the field
12 limits of said field:

13
14 South Half of the Southeast Quarter of Section 35 and the South Half of the
15 Southwest Quarter and the Southwest Quarter of the Southeast Quarter of Section
16 36, all in Township 7 North, Range 7 East; and the Northwest Quarter of the
17 Northeast Quarter of Section 1, the Northwest Quarter of the Northeast Quarter and
18 the Southeast Quarter and the East Half of the Northeast Quarter of the Southwest
19 Quarter, all in Section 2; the Northeast Quarter of the Northeast Quarter of Section
20 11; and the North Half of the Northwest Quarter and the Northwest Quarter of the
21 Northeast Quarter, all in Section 12, Township 6 North, Range 7 East, Monroe
22 County, Alabama.

23
24 This petition is filed as a companion to petition bearing Docket No. 3-13-02-15
25 requesting redetermination of Unit Tract participation factors for the North
26 Monroeville Field-Wide Oil Unit and a petition bearing Docket No. 3-13-02-16
27 requesting an order enlarging the Unit Area of the North Monroeville Field-Wide
28 Oil Unit.

29
30 9. DOCKET NO. 4-17-02-1

31 Petition by EL PASO PRODUCTION COMPANY, a foreign corporation
32 authorized to do and doing business in the State of Alabama, requesting the State
33 Oil and Gas Board of Alabama to enter an order force pooling, without imposition
34 of the risk compensation fee, all tracts and interests in hydrocarbons produced
35 from the East Half of the Northeast Quarter of Section 33, Township 17 South,
36 Range 5 West, Jefferson County, Alabama, in the Short Creek Coal
37 Degasification Field. This Petition is in accordance with Section 9-17-13, Code
38 of Alabama (1975), as amended, and Rule 400-7-2-.01 of the State Oil and Gas
39 Board of Alabama Administrative Code.

10. DOCKET NO. 4-17-02-2

Petition by ENERGEN RESOURCES CORPORATION, an Alabama corporation, requesting the State Oil and Gas Board to enter an order confirming that natural gas produced from the USX-TAURUS-89-19-8-22-11-889, Permit No. 7011-C, is occluded natural gas produced from coal seams in the Oak Grove Coal Degasification Field, Tuscaloosa County, Alabama. Petitioner avers that the above-described well produces from coal seams and qualified under Section 107(c)(3)(High Cost Natural Gas) of the former Natural Gas Policy Act (NGPA), 15 U.S.C. 3413.

11. DOCKET NO. 4-17-02-3

Petition by ENERGEN RESOURCES CORPORATION, an Alabama corporation, requesting the State Oil and Gas Board to enter an order confirming that natural gas produced from the USX-TAURUS-88-18-7-34-11 #781, Permit No. 6072-C, is occluded natural gas produced from coal seams in the Oak Grove Coal Degasification Field, Jefferson County, Alabama. Petitioner avers that the above-described well produces from coal seams and qualified under Section 107(c)(3)(High Cost Natural Gas) of the former Natural Gas Policy Act (NGPA), 15 U.S.C. 3413.

12. DOCKET NO. 4-17-02-4

Petition by ENERGEN RESOURCES CORPORATION, an Alabama corporation, requesting the State Oil and Gas Board to enter an order confirming that natural gas produced from the USX-TAURUS-89-18-7-33-15-777, Permit No. 6174-C, is occluded natural gas produced from coal seams in the Oak Grove Coal Degasification Field, Jefferson County, Alabama. Petitioner avers that the above-described well produces from coal seams and qualified under Section 107(c)(3)(High Cost Natural Gas) of the former Natural Gas Policy Act (NGPA), 15 U.S.C. 3413.

13. DOCKET NO. 4-17-02-5

Petition by ENERGEN RESOURCES CORPORATION, an Alabama corporation, requesting the State Oil and Gas Board to enter an order confirming that natural gas produced from the USX-TAURUS-89-18-7-33-7-775, Permit No. 6099-C, is occluded natural gas produced from coal seams in the Oak Grove Coal Degasification Field, Jefferson County, Alabama. Petitioner avers that the above-described well produces from coal seams and qualified under Section 107(c)(3)(High Cost Natural Gas) of the former Natural Gas Policy Act (NGPA), 15 U.S.C. 3413.

1 14. DOCKET NO. 4-17-02-6

2 Petition by ENERGEN RESOURCES CORPORATION, an Alabama corporation,
3 requesting the State Oil and Gas Board to enter an order confirming that natural gas
4 produced from the USX-TAURUS-88-18-7-28-10-749, Permit No. 6098-C, is
5 occluded natural gas produced from coal seams in the Oak Grove Coal
6 Degasification Field, Jefferson County, Alabama. Petitioner avers that the above-
7 described well produces from coal seams and qualified under Section
8 107(c)(3)(High Cost Natural Gas) of the former Natural Gas Policy Act (NGPA),
9 15 U.S.C. 3413.

10
11 15. DOCKET NO. 4-17-02-7

12 Petition by ENERGEN RESOURCES CORPORATION, an Alabama corporation,
13 requesting the State Oil and Gas Board to enter an order confirming that natural gas
14 produced from the USX-TAURUS-88-18-7-27-12 #745, Permit No. 6067-C, is
15 occluded natural gas produced from coal seams in the Oak Grove Coal
16 Degasification Field, Jefferson County, Alabama. Petitioner avers that the above-
17 described well produces from coal seams and qualified under Section
18 107(c)(3)(High Cost Natural Gas) of the former Natural Gas Policy Act (NGPA),
19 15 U.S.C. 3413.

20
21 16. DOCKET NO. 4-17-02-8

22 Petition by BLACK WARRIOR METHANE CORPORATION, an Alabama
23 corporation, requesting the State Oil and Gas Board to enter an order reforming
24 the unit for the JWR 29-9-264 Well, Permit No. 11871-C, from an 80-acre unit
25 consisting of the East Half of the Southeast Quarter of Section 29, Township 19
26 South, Range 7 West, Tuscaloosa County, Alabama in the Brookwood Coal
27 Degasification Field, to a 40-acre unit consisting of the Northeast Quarter of the
28 Southeast Quarter of Section 29, Township 19 South, Range 7 West, Tuscaloosa
29 County, Alabama.

30
31 17. DOCKET NO. 4-17-02-9

32 Petition by MUNOCO COMPANY, L.C., a foreign corporation authorized to do
33 and doing business in the State of Alabama, requesting the State Oil and Gas Board
34 to name a new gas field in Lamar County, Alabama, the East Mt. Zion Field, or such
35 other name as the Board deems proper, and to adopt Special Field Rules therefor.
36 The proposed field, as underlain by the Lewis Sand Gas Pool, consists of the North
37 Half of Section 23, Township 16 South, Range 15 West, Lamar County, Alabama.
38 The Lewis Sand Gas Pool is defined as that interval productive of hydrocarbons
39 between 4,923 feet and 4,927 feet as indicated on the High Resolution Induction Log
40 for the Richards 23-5 No. 1 Well, Permit No. 12294, and all zones in
41 communication therewith and all productive extensions thereof. Petitioner is

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1 requesting well spacing of 320 contiguous surface acres, and is also requesting the
2 establishment of allowables for said field.

3
4 18. DOCKET NO. 4-17-02-10

5 MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA to amend
6 the Special Field Rules of the Turkey Creek Field, Choctaw and Clarke Counties
7 Alabama, in order to update and clarify the language in certain rules.

8
9
10 The meetings of the State Oil and Gas Board are public meetings, and members of
11 the public are invited to attend and present their position concerning this
12 petition(s). Requests to continue or oppose a petition should be received by the
13 Board at least two (2) days prior to the hearing. For additional information, you
14 may contact the State Oil and Gas Board, P. O Box 869999, Tuscaloosa, Alabama
15 35486-6999, Telephone Number 205/349-2852, Fax Number 205/349-2861, or by
16 email at petitions@ogb.state.al.us.

17
18
19 MR. ROGERS: The Hearings Reporter has received and compiled the proofs of
20 publication for the items appearing on the docket for the first time. These proofs of publication
21 for the items heard on April 17 and 19, 2002, are admitted into the record.

22 (Whereupon, the proofs of publication
23 were received in evidence)

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

27 (Whereupon, the Order was received in evidence)

28 MR. ROGERS: I will recommend the following petitions be continued: Item 1, Docket
29 No. 10-31-01-12, petition by Exxon Mobil Corporation; Item 2, Docket No. 2-13-02-1, petition

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1 by Black Warrior Methane Corporation; Item 3, Docket No. 2-13-02-2, petition by Black
2 Warrior; Item 5, Docket No. 3-13-02-9, petition by Medallion Exploration; Item 9, Docket No.
3 4-17-02-1, petition by El Paso Production Company; Item 11, Docket No. 4-17-02-3, petition by
4 Energen Resources Corporation; Item 12, Docket No. 4-17-02-4, petition by Energen; Item 13,
5 Docket No. 4-17-02-5, petition by Energen; Item 14, Docket No. 4-17-02-6, petition by Energen;
6 and Item 15, Docket No. 4-17-02-7, petition by Energen. The following items are set for hearing
7 by the Board: Item 4, Docket No. 3-13-02-8A, petition by Land and Natural Resource
8 Development, Inc.; Item 6, Docket No. 3-13-02-15, petition by Palmer Petroleum, Inc.; Item 7,
9 Docket No. 3-13-02-16, petition by Palmer; Item 8, Docket No. 3-13-02-17, petition by Palmer;
10 and Item 18, Docket No. 4-17-02-10, a motion by the Oil and Gas Board relating to Turkey
11 Creek Field. The first item to be heard today is Item 10, Docket No. 4-17-02-2, petition by
12 Energen Resources Corporation.

13 MR. WATSON: Mr. Rogers, I have prefiled an affidavit of testimony of John Wallace in
14 this matter and would like to have that made a part of the record, along with a complete log of
15 the USX-Amoco 89-19-08-22-11 No. 127 Well. Mr. Wallace's affidavit is in support of the
16 request of Energen to declare that the coalbed methane production from this well was, in fact,
17 from coal seams and would qualify under the former rules of this Board as a well that has
18 produced coalbed methane gas. I would ask that you receive the affidavit and the log into the
19 record of this hearing.

20 MR. ROGERS: Those are admitted into the record, Mr. Watson.

1 (Whereupon, the affidavit with attached exhibits and
2 the log were received in evidence)

3 MR. WATSON: I would also ask that you leave the record open for the receipt of a brief
4 statement relative to the background of why we continued to request the approval from this
5 Board of these wells and qualify them as wells that are producing coal seam gas. I will submit
6 that, hopefully, before your meeting on Friday.

7 MR. ROGERS: Just to reiterate what I stated to you yesterday, Mr. Watson, and I
8 discussed this briefly with the Board members, we requested that Energen submit to the Board a
9 brief and in the brief Energen will address how the NGPA well determination relates to the tax
10 credit under the Internal Revenue Code. In the brief Energen will state the information and
11 evidence that is due to be presented to the Board and the findings and conclusions that the Board
12 should make in its order. We will leave the record open for that statement. Anything else, Mr.
13 Watson?

14 MR. WATSON: That's all on that item.

15 MR. ROGERS: The next item is Item 16, Docket No. 4-17-02-8, petition by Black
16 Warrior Methane Corporation.

17 MR. WATSON: I have prefiled an affidavit of notice in this matter, Mr. Rogers, and
18 would like to have it admitted into the record.

19 MR. ROGERS: The affidavit is admitted.

20 (Whereupon, the affidavit was received in evidence)

1 MR. WATSON: I have also prefiled an affidavit of testimony in support of the
2 reformation of the Jim Walter Resources 29-9-264 well by Mr. R. G. Sanders where we are
3 reforming a unit from an 80-acre unit to a 40-acre unit. We would like to have that admitted into
4 the record along with a letter of consent from Jim Walter Resources dated March 28, 2002, and
5 signed on April 2nd by Mr. Rice the Vice President of Jim Walter Resources consenting to this
6 reformation.

7 MR. ROGERS: The copies I see are unsigned.

8 MR. WATSON: Copies of what are unsigned?

9 MR. ROGERS: That letter---here it is. All right, this is the consent by Jim Walter
10 Resources who is the mineral owner and lessor in the 80-acre unit that is the subject of the
11 petition. The affidavit of notice, the affidavit of testimony, and this letter from Mr. Sanders that
12 has the attached consent by Jim Walter Resources, all those items are admitted.

13 (Whereupon, the affidavits and letter were
14 received in evidence)

15 MR. WATSON: That's all I have on that item.

16 MR. ROGERS: The staff will review the exhibits and make a recommendation to the
17 Board. The last item is Item 17, Docket No. 4-17-02-9, petition by Munoco Company, L.C.

18 MR. TYRA: Mr. Rogers, I have one witness to be sworn in, please.

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

20 MR. KAVANAUGH: My name is Ernest G. Kavanaugh. My address is 200 North
21 Jefferson Boulevard, El Dorado, Arkansas.

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1 (Witness was sworn by Mr. Rogers)

2 MR. TYRA: Mr. Rogers, I'm John Tyra here on behalf of Munoco Company, L.C. We
3 filed a petition requesting the State Oil and Gas Board to establish a new gas field in Lamar
4 County, Alabama. We have requested that the name of the field be the East Mt. Zion Field. The
5 proposed field will be the North Half of Section 23, Township 16 South, Range 15 West, Lamar
6 County, Alabama. Mr. Kavanaugh, I'll first ask you, have you previously testified before this
7 Board?

8 MR. KAVANAUGH: Yes, I have.

9 MR. TYRA: Your statement of qualifications are still on file with this Board, are they
10 not?

11 MR. KAVANAUGH: Yes, they are.

12 MR. TYRA: Mr. Rogers, I would ask that you recognize Mr. Kavanaugh as an expert
13 witness.

14 MR. ROGERS: He is so recognized.

15 ERNEST KAVANAUGH

16 Appearing as a witness on behalf of Petitioner, Munoco Company L.C., testified as
17 follows:

18 DIRECT EXAMINATION

19 Questions by Mr. Tyra:

20 Q. Are you familiar with the petition that we have filed requesting that this new gas field be
21 established in Lamar County?

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1 A. Yes I am.

2 Q. Have you compiled and put together certain exhibits in support of that petition?

3 A. Yes I have.

4 Q. I have handed out an exhibit book to the staff members and would ask that you turn to
5 Exhibit 1 and explain what this shows?

6 A. Exhibit 1 is a location plat showing the location of the proposed East Mt. Zion Field in
7 Lamar County, Alabama, situated in the North Half of Section 23, Township 16 South,
8 Range 15 West. This field is outlined in yellow. Also on this exhibit outlined in blue are
9 the field limits for a portion of the Mt. Zion Oil Field. Outlined in red is a portion of the
10 Mt. Zion Gas Field, in orange is the Christian Chapel Gas Field and green is the Hightogy
11 Oil Field. The scale used on this exhibit is two inches equal one mile.

12 Q. Okay sir, turn to your Exhibit 2, please.

13 A. Exhibit 2 is a structure map utilizing the Lewis lime as the mapping datum. It shows in
14 yellow the proposed field limits for the East Mt. Zion Field. It shows structurally that the
15 Richards 23-5 No. 1 Well is situated on the western flank of an anticlinal nose which dips
16 to the southwest. The anticlinal nose is bisected to the east of the Richards 23-5 well by a
17 down-to-the-east fault which trends in a northwest-to-southeast direction. It is separated
18 from the Mt. Zion Oil Field and the Mt. Zion Gas Field by a down-to-the-east fault
19 situated to the west of the Richards 23-5 well which is oriented in a generally north to
20 south direction. The scale for this exhibit is two inches equals one mile and the contour
21 interval is 50 feet.

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1 Q. All right, sir. Turn to your isolith, Exhibit 3, and explain what this shows.

2 A. Exhibit 3 is an isolith of the net Lewis sand in the East Mt. Zion Field. This is an
3 indication of the feet of positive microlog separation on the log run on this well. It shows
4 in yellow the production unit for the Richards 23-5 well. It also shows the trapping
5 mechanism for the Lewis sand as a stratigraphic component with the trap being bounded
6 updip to the north and downdip to the west and south by a pinch-out of porous and
7 permeable sand. Exhibit 2 illustrates the structural component with the trap being
8 bounded downdip to the east by a down-to-the-east fault. Together Exhibits 2 and 3
9 illustrate that the trap for the Lewis sand gas pool is a combination type. The scale on
10 this exhibit is two inches equal a mile and the contour interval is five feet.

11 Q. What does your type log, Exhibit 4, show?

12 A. Exhibit 4 is a type log of the Richards 23-5 No. 1 Well. It shows a portion of the dual
13 induction log run on the Richards 23-5 well showing the zone in which the well was
14 completed. The top of the Lewis sand interval on this log section is at 4,922 and the base
15 of the Lewis sand interval is at 4,966. The perforated interval for the subject well is
16 4,923 to 4,927 in the Lewis sand.

17 Q. Exhibit 5?

18 A. Exhibit 5 is a copy of the OGB-9, First Production or Retest Report, filed in the normal
19 course of doing business on the Richards 23-5 No. 1 Well. The original OGB-9 indicated
20 that the Richards 23-5 well encountered oil and gas from the Lewis sand between
21 perforations of 4,923 to 4,927. The well was initially tested for an eight hour period on

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1 12/13/01. The test rate for oil was 80 barrels per day and gas was produced at a rate of
2 300 Mcf/d using a choke of 14/64. The flowing tubing pressure for the well was 380 psig
3 and the casing pressure during the test was zero psig. Exhibit 5 was a retest which ran for
4 a 24-hour period on April 12, 2002. The test rate for oil was 17 barrels per day and gas
5 was produced at a rate of 180 Mcf/d utilizing the choke of 16/64. The final flowing
6 tubing pressure for the well was 200 psig and the casing pressure during the test was zero
7 psig.

8 Q. All right. Let's look at your bottom-hole pressure exhibit which is Exhibit 6.

9 A. Exhibit 6 is a copy of the bottom-hole pressure run on the Richards 23-5 No. 1 Well on
10 March 5, 2002. The exhibit shows that the Richards 23-5 well had a 24-hour bottom-hole
11 pressure buildup of 1766.53 pounds. The well had produced 907 barrels of oil and 260
12 Mcf of gas prior to the bottom-hole test being run.

13 Q. Now, at one time there was some question as to whether this was an oil well or a gas
14 well, was there not?

15 A. Yes there was.

16 Q. You have now concluded that it is, in fact, a gas well and your Exhibit 7 supports that. Is
17 that correct?

18 A. Yes it does.

19 Q. Tell us what that shows.

20 A. Exhibit 7 is a copy of the daily production report for the Richards 23-5 No. 1 Well. This
21 report shows the daily production from the Richard 23-5 well from the date of first

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1 production which was February 20, 2002, to April 15, 2002. On this daily report,
2 February 20th, the well initially produced 60 barrels of oil and 20,000 cubic feet of gas.
3 This well initially increased in oil production while the gas production stayed stable and
4 appeared to be an oil well. During the productive history of the well it is noted that the
5 oil production dropped off as gas production rose. On April 15th we were producing at a
6 rate of twelve barrels of oil and 154,000 cubic feet of gas.

7 Q. Okay, so based upon all the evidence that you have seen and looked at you are convinced
8 that this is, in fact, a gas well and not the oil well that we first suspected. Is that correct?

9 A. That's correct.

10 Q. Are you familiar with the term "waste" as it is defined by the laws of this State?

11 A. Yes I am.

12 Q. In your opinion will the granting of this petition prevent "waste" and also protect coequal
13 and correlative rights?

14 A. Yes it would.

15 MR. TYRA: I would ask that you admit the exhibits into the record of this hearing.

16 MR. ROGERS: The exhibits are admitted.

17 (Whereupon, the exhibits were received in evidence)

18 MR. TYRA: I would tender the witness to you for any questions that you may have.

19 MR. ROGERS: The staff has no questions. We will review the evidence and make a
20 recommendation to the Board. Thank you. Anything else? We will leave the record open to
21 admit those proofs of publication. We'll take a brief recess.

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1 (Whereupon, the hearing was recessed for two minutes)

2 MR. ROGERS: The hearing is again in session. The proofs of publication are admitted.

3 (Whereupon, the proofs of publication were
4 received in evidence)

5 MR. ROGERS: The hearing is adjourned.

6 (Whereupon, the hearing was adjourned at 10:25 a.m.)

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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 Wednesday, April 17, 2002, in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, I reported the proceedings before a Hearing Officer; that the foregoing 19 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