

November 15, 2002

INDEX

	DIRECT RE-DIRECT	CROSS/ RE-CROSS	EXAM. BY BOARD/STAFF
1. Eric Hutchens	19-20 38-40 42-43	---	---
2. Robert Schneeflock	45-49	---	---

MC ✓
2-14-03

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Board Exhibit	Hearing Officer Report	14	14
Exhibit 1 (rev.) (Items 10 & 11)	Deerlick Creek Field map reflecting added acreage highlighted in yellow (Eric Hutchens)	29	29
Exhibit 1 (Items 10 & 11)	Unit Plat for Unit I, Deerlick Creek Field (Eric Hutchens)	29	29
Exhibit 1 (Page 2) (Items 10 & 11)	Description of Unit I, Deerlick Creek Field (Eric Hutchens)	29	29
Exhibit 2 (Items 10 & 11)	Base map of Deerlick Creek showing east-west cross section (Eric Hutchens)	29	29
Exhibit 3 (Item 10 & 11)	Stratigraphic cross section A-A', Deerlick Creek Coal Degasification Field (Eric Hutchens)	29	29
Exhibit 4 (Items 10 & 11)	Structure map, top Black Creek Coal, Deerlick Creek Creek Degas. Field (Eric Hutchens)	29	29

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 5 (Items 10 & 11)	Composite isopach map, Pottsville coal seams from Lower Utley through Black Creek, Deerlick Creek Coal Degas. Field (Eric Hutchens)	29	29
Exhibit 6 (Items 10 & 11)	Project area map, Deerlick Creek Coal Degas. Field (Eric Hutchens)	29	29
Exhibit 7 (Items 10 & 11)	Gamma ray log, Ramsay McCormick 35-3, Deerlick Creek Field (Eric Hutchens)	29	29
Exhibit 8 (Item 10)	Supplemental affidavit of notice (William T. Watson)	21	21
Exhibit 9 (Item 10)	Affidavit of notice (William T. Watson)	21	21
Exhibit 10 (Item 11)	Supplemental affidavit of notice (William T. Watson)	21	21
Exhibit 11 (Item 11)	Affidavit of notice (William T. Watson)	21	21
Exhibit 12 (Item 10 & 11)	Unit Agreement, Unit No. I, Deerlick Creek Field (Eric Hutchens)	28	28
Exhibit 13 (Items 10 & 11)	Unit Operating Agreement, Unit No. I, Deerlick Creek Field (Eric Hutchens)	28	28

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 1 (Item 19)	Well location plat, GSPC 35-7, Deerlick Creek Field (Eric Hutchens)	40	40
Exhibit 2 (Item 19)	Map of Deerlick Creek Field with proposed well in Unit II, (Eric Hutchens)	40	40
Exhibit 3 (Item 19)	Affidavit of notice (William T. Watson)	37 & 41	37 & 41
Exhibit 4 (Item 19)	Amended affidavit of notice (William T. Watson)	41	41
Exhibit 1 (Item 27)	Well location plat, Jobson 26-7, Sec. 26, T20S, R9W, Deerlick Creek Field (Eric Hutchens)	43	43
Exhibit 2 (Item 27)	Well location plat, Gay 26-8 Well, Sec. 26, T20S, R9W, Deerlick Creek Field (Eric Hutchens)	43	43
Exhibit 3 (Item 27)	11/6/02 letter to Bob Ramsay (William T. Watson)	41	42
Exhibit 4 (Item 27)	Affidavit of notice (William T. Watson)	41	41

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 5 (Item 27)	Amended affidavit of notice (William T. Watson)	41	41
Exhibit 1 (Items 21, 22, 23)	Regional structure map (Robert Schneeflock)	50	50
Exhibit 2 (Items 21, 22, 23)	Area structure map (Robert Schneeflock)	50	50
Exhibit 3 (Items 21, 22, 23)	Structure map, Millerella limestone marker (Robert Schneeflock)	50	50
Exhibit 4 (Items 21, 22, 23)	Isopach, Carter sand (Robert Schneeflock)	50	50
Exhibit 5 (Items 21, 22, 23)	Both 3 & 4 (Robert Schneeflock)	50	50
Exhibit 6 (Items 21, 22, 23)	Prospect isopach/ structure map with seismic line (Robert Schneeflock)	50	50
Exhibit 7 (Items 21, 22, 23)	Prospect isopach/ structure map with seismic line and the proposed unit (Robert Schneeflock)	50	50

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 8 (Items 21, 22, 23)	Prospect isopach/ structure map with the proposed unit, the Moscow Field limit and the existing Well unit in the Moscow Field (Robert Schneeflock)	50	50
Exhibit 9 (Items 21, 22, 23)	Well location plat (Robert Schneeflock)	50	50
Exhibit 10 (Items 21, 22, 23)	Aerial photo of well location (Robert Schneeflock)	50	50
Exhibit 11 (Items 21, 22, 23)	Topographic map of well location (Robert Schneeflock)	50	50
Exhibit 12 (Items 21, 22, 23)	Affidavit of testimony (John Foster Tyra)	49	49
Exhibit 13 (Items 21, 22, 23)	Affidavit of notice (William T. Watson)	44	44
Exhibit 14 (Items 21, 22, 23)	Amended affidavit of notice (William T. Watson)	44	44
Exhibit 15 (Items 21, 22, 23)	Affidavit of notice (William T. Watson)	44	44
Exhibit 16 (Items 21, 22, 23)	Amended affidavit of notice (William T. Watson)	44	44
Exhibit 17 (Items 21, 22, 23)	Affidavit of notice (William T. Watson)	44	44

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EXHIBITS

<u>EXHIBIT NO.</u> <u>(ITEM NO.)</u>	<u>TITLE</u> <u>(TESTIMONY OF)</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Exhibit 18 (Items 21, 22, 23)	Amended affidavit of notice (William T. Watson)	44	44
Exhibit 1 (Item 26)	Special Field Choctaw Ridge Field	51	51

November 15, 2002

EXHIBITS
(Incorporated by Reference)

<u>DESCRIPTION</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Completion and production data for Ramsay McCormick 35-5, Permit No. 11228-C	22	22

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

November 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, Mobile, Alabama, pursuant to adjournment, on this the 15th day of November, 2002.

BEFORE:

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

BOARD STAFF

Mr. Marvin Rogers..... Attorney
Dr. Berry H. (Nick) Tew, Jr..... Supervisor and Secretary
Mr. Gary Wilson..... Deputy Director
Mr. Jay H. Masingill.....Assistant Supervisor
Dr. David E. Bolin.....Assistant Supervisor
Mr. Richard Hamilton..... Engineer

November 15, 2002

APPEARANCES

1
2
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12

	<u>NAME</u>	<u>REPRESENTING</u>
1.	Steve Harrison Tuscaloosa, AL	El Paso Production Co.
2.	Eric Hutchens Tuscaloosa, AL	Delta Petroleum Corp.
3.	Robert Schneeflock Jackson, MS	Paramount Petroleum

1 (The hearing was convened at 10:15 a.m.
2 on Friday, November 15, 2002, at Tuscaloosa, Alabama.)
3
4

5 CHMN. MCCORQUODALE: Let the record reflect that the State Oil and Gas Board is
6 now in session.

7 DR. TEW: Mr. Chairman, the staff has prepared a docket for today's hearing.
8
9

10 AGENDA
11 STATE OIL AND GAS BOARD OF ALABAMA
12 NOVEMBER 13 & 15, 2002
13

14 The State Oil and Gas Board of Alabama will hold its regular Board Meeting at
15 10:00 a.m. on Wednesday, November 13, 2002, and Friday, November 15, 2002,
16 in the Board Room of the State Oil and Gas Board, Walter B. Jones Hall,
17 University of Alabama Campus, 420 Hackberry Lane, Tuscaloosa, Alabama, to
18 consider among other items, the following petition(s):
19

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

21 Continued petition by BLACK WARRIOR METHANE CORP., an Alabama
22 corporation, requesting the State Oil and Gas Board to enter an order reforming
23 the unit for the Champion/Alawest 08-06-299 Well, Permit No. 12223-C, from an
24 80-acre unit consisting of the South Half of the Northwest Quarter of Section 8,
25 Township 20 South, Range 8 West, Tuscaloosa County, Alabama, in the
26 Brookwood Coal Degasification Field, to a 40-acre unit consisting of the
27 Southeast Quarter of the Northwest Quarter of Section 8, Township 20 South,
28 Range 8 West, Tuscaloosa County, Alabama.
29

30 2. DOCKET NO. 2-13-02-2

31 Continued petition by BLACK WARRIOR METHANE CORP., an Alabama
32 corporation, requesting the State Oil and Gas Board to enter an order reforming
33 the unit for the Champion/Alawest 08-03-308 Well, Permit No. 12224-C, from an
34 80-acre unit consisting of the North Half of the Northwest Quarter of Section 8,
35 Township 20 South, Range 8 West, Tuscaloosa County, Alabama, in the
36 Brookwood Coal Degasification Field, to a 40-acre unit consisting of the

1 Northeast Quarter of the Northwest Quarter of Section 8, Township 20 South,
2 Range 8 West, Tuscaloosa County, Alabama.

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

5 Continued petition by MEDALLION EXPLORATION, a foreign corporation
6 authorized to do and doing business in the State of Alabama, requesting the State
7 Oil and Gas Board to enter an order force pooling, with a risk compensation
8 penalty, all tracts and interests in hydrocarbons produced from formations of
9 Mississippian and Pennsylvanian Age, from the proposed re-entry of the Keasler 4-2
10 #1 Well, Permit No. 5567, located on a proposed 320-acre wildcat unit consisting of
11 the North Half of Section 4, Township 19 South, Range 15 West, Pickens County,
12 Alabama.

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

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

19 Continued petition by ENERGEN RESOURCES CORPORATION, an Alabama
20 corporation, requesting the State Oil and Gas Board to enter an order confirming that
21 natural gas produced from the USX-TAURUS-88-18-7-34-11 #781, Permit No.
22 6072-C, is occluded natural gas produced from coal seams in the Oak Grove Coal
23 Degasification Field, Jefferson County, Alabama. Petitioner avers that the above-
24 described well produces from coal seams and qualified under Section
25 107(c)(3)(High Cost Natural Gas) of the former Natural Gas Policy Act (NGPA),
26 15 U.S.C. 3413.

27
28 5. DOCKET NO. 4-17-02-4

29 Continued petition by ENERGEN RESOURCES CORPORATION, an Alabama
30 corporation, requesting the State Oil and Gas Board to enter an order confirming that
31 natural gas produced from the USX-TAURUS-89-18-7-33-15-777, Permit No.
32 6174-C, is occluded natural gas produced from coal seams in the Oak Grove Coal
33 Degasification Field, Jefferson County, Alabama. Petitioner avers that the above-
34 described well produces from coal seams and qualified under Section
35 107(c)(3)(High Cost Natural Gas) of the former Natural Gas Policy Act (NGPA),
36 15 U.S.C. 3413.

1 6. DOCKET NO. 4-17-02-5

2 Continued petition by ENERGEN RESOURCES CORPORATION, an Alabama
3 corporation, requesting the State Oil and Gas Board to enter an order confirming that
4 natural gas produced from the USX-TAURUS-89-18-7-33-7-775, Permit No. 6099-
5 C, is 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 7. DOCKET NO. 4-17-02-6

12 Continued petition by ENERGEN RESOURCES CORPORATION, an Alabama
13 corporation, requesting the State Oil and Gas Board to enter an order confirming that
14 natural gas produced from the USX-TAURUS-88-18-7-28-10-749, Permit No.
15 6098-C, is 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 8. DOCKET NO. 4-17-02-7

22 Continued petition by ENERGEN RESOURCES CORPORATION, an Alabama
23 corporation, requesting the State Oil and Gas Board to enter an order confirming that
24 natural gas produced from the USX-TAURUS-88-18-7-27-12 #745, Permit No.
25 6067-C, is occluded natural gas produced from coal seams in the Oak Grove Coal
26 Degasification Field, Jefferson County, Alabama. Petitioner avers that the above-
27 described well produces from coal seams and qualified under Section
28 107(c)(3)(High Cost Natural Gas) of the former Natural Gas Policy Act (NGPA),
29 15 U.S.C. 3413.

30
31 9. DOCKET NO. 7-10-02-1

32 Continued petition by MEDALLION EXPLORATION, a foreign corporation
33 authorized to do and doing business in the State of Alabama, requesting the State
34 Oil and Gas Board to enter an order establishing a new oil field in Pickens
35 County, Alabama, to be named the Southwest Chicken Swamp Branch Oil Field,
36 or such other name as the Board deems proper, and to adopt Special Field Rules
37 therefor. The proposed field, as underlain by the Dunn Sand Oil Pool, consists of
38 all of Section 10, Township 19 South, Range 15 West, Pickens County, Alabama.

1 The Dunn Sand Oil Pool should be defined as that interval of Mississippian age
2 strata productive of hydrocarbons between the depths of 5,403 feet and 5,433 feet
3 as indicated on the Haliburton Spectral Density Dual Spaced Neutron Log for the
4 Gladys Dunn #10-10 Well, Permit No. 6416-A, and all zones in communication
5 therewith and all productive extensions thereof. Petitioner is requesting well
6 spacing of forty (40) acres, and is also requesting the establishment of allowables for
7 said field.
8

9 10. DOCKET NO. 8-28-02-10

10 Continued petition by CASTLE EXPLORATION CO., INC., a foreign corporation
11 authorized to do and doing business in the State of Alabama, requesting the State Oil
12 and Gas Board to enter an order amending Rule 2 of the Special Field Rules for the
13 Deerlick Creek Coal Degasification Field, Tuscaloosa County, Alabama to add the
14 Northeast Quarter of the Southeast Quarter; the Northwest Quarter of the Southeast
15 Quarter; the Northeast Quarter of the Southwest Quarter; the Northwest Quarter of
16 the Southwest Quarter; and the Southwest Quarter of the Southwest Quarter, all in
17 Section 35, and the Northwest Quarter of the Southwest Quarter of Section 36, all in
18 Township 20 South, Range 9 West, Tuscaloosa County, Alabama, to the field limits
19 of said field.
20

21 This petition is a companion to petition bearing Docket No. 8-28-02-11 requesting
22 establishment of a partial field-wide unit to be known as Unit I of the Deerlick
23 Creek Coal Degasification Field and Docket No. 8-28-02-12 requesting
24 establishment of a partial field-wide unit to be known as Unit II of the Deerlick
25 Creek Coal Degasification Field.
26

27 11. DOCKET NO. 8-28-02-11A

28 Continued amended petition by CASTLE EXPLORATION CO., INC., a foreign
29 corporation authorized to do and doing business in the State of Alabama, requesting
30 the State Oil and Gas Board to enter an order pursuant to Sections 9-17-1 through 9-
31 17-33 and 9-17-80 through 9-17-88, Code of Alabama (1975) approving and
32 establishing a partial field-wide Unit, to be known as Unit I of the Deerlick Creek
33 Coal Degasification Field, Tuscaloosa County, Alabama, consisting of the
34 hereinafter described "Unit Area" in said field, and requiring the operation of said
35 Unit Area as a single Unit in order to avoid the drilling of unnecessary wells,
36 increase the efficiency of operations and improve the ultimate recovery of occluded
37 natural gas from the Unitized Formation, as hereinafter defined, and avoid waste.
38 The "Unitized Formation" is to be designated as the Pottsville Coal Interval and is
39 defined as the productive coal seams found between the depths of 595 feet and 2,767
40 feet as encountered in the Ramsay McCormack 35-5 Well, Permit No. 11228-C,
41 located in Section 35, Township 20 South, Range 9 West, Tuscaloosa County,

1 Alabama, as indicated on the density log of said well, and all zones in
2 communication therewith and all productive extensions thereof, including any coal
3 seam stringer that might occur within a depth of either 80 feet above or 80 feet
4 below the Pottsville Coal Interval, and including those coal seams which can be
5 correlated therewith. Petitioner further seeks approval of the Unit Agreement and
6 Unit Operating Agreement, as ratified, in accordance with Section 9-17-84, Code of
7 Alabama (1975), and approval of the amendments to the Special Field Rules for the
8 Deerlick Creek Coal Degasification Field in order to conform to the provisions of
9 the aforementioned Unit Agreement and Unit Operating Agreement.

10
11 Petitioner further seeks entry of an order unitizing, pooling and integrating the
12 Unit Area, as underlain by the above defined unitized formation so as to require
13 all owners or claimants of royalty, overriding royalty, mineral, and leasehold
14 interests within the Unit Area to unitize, pool and integrate their interests and
15 develop their lands or interests as a Unit, and designating Castle Exploration Co.,
16 Inc. as operator of the Unit Area in accordance with the laws of Alabama. The
17 proposed Unit Area, to be designated Unit I, consisting of 157 acres, more or less,
18 and described as follows: East Half of the Southeast Quarter of Section 34; and
19 the West Half of the Southwest Quarter and the Northeast Quarter of the
20 Southwest Quarter of Section 35, all in Township 20 South, Range 9 West,
21 Tuscaloosa County, Alabama, in the Deerlick Creek Coal Degasification Field,
22 less and except from the above described property all of those certain lands
23 condemned by the United States of America for the Holt Lock & Dam Project as
24 described in Deed Book 510 at Page 343 of the records of the Probate Judge of
25 Tuscaloosa County, Alabama.

26
27 This petition is a companion to petition bearing Docket No. 8-28-02-10 to add
28 acreage to the Deerlick Creek Coal Degasification Field.

29
30 12. DOCKET NO. 8-28-02-12A

31 Continued amended petition by CASTLE EXPLORATION CO., INC., a foreign
32 corporation authorized to do and doing business in the State of Alabama, requesting
33 the State Oil and Gas Board to enter an order pursuant to Sections 9-17-1 through 9-
34 17-33 and 9-17-80 through 9-17-88, Code of Alabama (1975) approving and
35 establishing a partial field-wide Unit, to be known as Unit II of the Deerlick Creek
36 Coal Degasification Field, Tuscaloosa County, Alabama, consisting of the
37 hereinafter described "Unit Area" in said field, and requiring the operation of said
38 Unit Area as a single Unit in order to avoid the drilling of unnecessary wells,
39 increase the efficiency of operations and improve the ultimate recovery of occluded
40 natural gas from the Unitized Formation, as hereinafter defined, and avoid waste.
41 The "Unitized Formation" is to be designated as the Pottsville Coal Interval and is

1 defined as the productive coal seams found between the depths of 595 feet and 2,767
2 feet as encountered in the Ramsay McCormack 35-5 Well, Permit No. 11228-C,
3 located in Section 35, Township 20 South, Range 9 West, Tuscaloosa County,
4 Alabama, as indicated on the density log of said well, and all zones in
5 communication therewith and all productive extensions thereof, including any coal
6 seam stringer that might occur within a depth of either 80 feet above or 80 feet
7 below the Pottsville Coal Interval, and including those coal seams which can be
8 correlated therewith. Petitioner further seeks approval of the Unit Agreement and
9 Unit Operating Agreement, as ratified, in accordance with Section 9-17-84, Code of
10 Alabama (1975), and approval of the amendments to the Special Field Rules for the
11 Deerlick Creek Coal Degasification Field in order to conform to the provisions of
12 the aforementioned Unit Agreement and Unit Operating Agreement.
13

14 Petitioner further seeks entry of an order unitizing, pooling and integrating the Unit
15 Area, as underlain by the above defined unitized formation so as to require all
16 owners or claimants of royalty, overriding royalty, mineral, and leasehold interests
17 within the Unit Area to unitize, pool and integrate their interests and develop their
18 lands or interests as a Unit, and designating Castle Exploration Co., Inc. as operator
19 of the Unit Area in accordance with the laws of Alabama. The proposed Unit Area,
20 to be designated Unit II, consisting of 263 acres, more or less, and described as
21 follows: The East Half of the Northeast Quarter; Southwest Quarter of the Northeast
22 Quarter; North Half of the Southeast Quarter of Section 35; and the Northwest
23 Quarter; Northwest Quarter of the Southwest Quarter of Section 36, all in Township
24 20 South, Range 9 West, Tuscaloosa County, Alabama, in the Deerlick Creek Coal
25 Degasification Field, less and except from the above described property all of those
26 certain lands condemned by the United States of America for the Holt Lock & Dam
27 Project as described in Deed Book 510 at Page 343 of the records of the Probate
28 Judge of Tuscaloosa County, Alabama.
29

30 This petition is a companion to petition bearing Docket No. 8-28-02-10 to add
31 acreage to the Deerlick Creek Coal Degasification Field.
32

33 13. DOCKET NO. 10-16-02-9

34 Continued petition by EL PASO PRODUCTION COMPANY, a foreign
35 corporation authorized to do and doing business in the State of Alabama,
36 requesting the State Oil and Gas Board of Alabama to enter an order force
37 pooling, without imposition of the risk compensation fee, all tracts and interests in
38 hydrocarbons produced from a proposed 80-acre unit consisting of the Northwest
39 Quarter of the Northeast Quarter of Section 5, Township 18 South, Range 8 West,
40 and the Southwest Quarter of the Southeast Quarter of Section 32, Township 17
41 South, Range 8 West, Tuscaloosa County, Alabama, in the White Oak Creek Coal

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

4
5 14. DOCKET NO. 11-13-02-1

6 Petition by POLLARD OPERATING, LLC, a Mississippi limited liability
7 company, authorized to do business in the State of Alabama, requesting the State
8 Oil and Gas Board to enter an order classifying the Cedar Creek Land and Timber
9 Co. 12-9 #1, Permit # 8685, located in Section 12, Township 1 North, Range 8
10 East in Osaka Field, Escambia County, Alabama, as temporarily abandoned for a
11 period of one (1) year:

12
13 Said well is temporarily abandoned. Petitioner is requesting the Board to classify
14 said well as temporarily abandoned for a period of one (1) year in accordance
15 with Rule 400-1-4-.17 of the State Oil and Gas Board of Alabama Administrative
16 Code because said well has future utility in Pollard Operating, LLC's operations
17 in Osaka Field, Escambia County, Alabama and should not be plugged.

18
19 15. DOCKET NO. 11-13-02-2

20 Petition by FOSHEE OPERATING, LLC, a Mississippi limited liability
21 company, authorized to do business in the State of Alabama, requesting the State
22 Oil and Gas Board to enter an order classifying certain wells in the following
23 areas in the Foshee Field, Escambia County, Alabama, as temporarily abandoned
24 for a period of one (1) year:

25
26 Township 2 North, Range 8 East

27
28 Sections 34 and 35

29
30 Said wells are temporarily abandoned. Petitioner is requesting the Board to
31 classify said wells as temporarily abandoned for a period of one (1) year in
32 accordance with Rule 400-1-4-.17 of the State Oil and Gas Board of Alabama
33 Administrative Code because all of the wells have future utility in Foshee
34 Operating, LLC's operations in Foshee Field, Escambia County, Alabama and
35 should not be plugged.

36
37 16. DOCKET NO. 11-13-02-3

38 Petition by FOSHEE OPERATING, LLC, a Mississippi limited liability
39 company, authorized to do business in the State of Alabama, requesting the State
40 Oil and Gas Board to enter an order classifying certain wells in the following

1 areas in the West Foshee Field, Escambia County, Alabama, as temporarily
2 abandoned for a period of one (1) year:
3

4 Township 2 North, Range 8 East

5 Sections 32 and 33
6

7 Said wells are temporarily abandoned. Petitioner is requesting the Board to
8 classify said wells as temporarily abandoned for a period of one (1) year in
9 accordance with Rule 400-1-4-.17 of the State Oil and Gas Board of Alabama
10 Administrative Code because all of the wells have future utility in Foshee
11 Operating, LLC's operations in West Foshee Field, Escambia County, Alabama
12 and should not be plugged.
13

14 17. DOCKET NO. 11-13-02-4

15 Petition by FOUR STAR OIL & GAS COMPANY, a subsidiary of Texaco Inc., a
16 foreign corporation authorized to do and doing business in the State of Alabama,
17 requesting the State Oil and Gas Board to enter an order extending the temporarily
18 abandoned status for the following described well in Mobile County, Alabama, in
19 the Hatter's Pond Unit, in accordance with Rule 400-1-4-.17(1) of the State Oil and
20 Gas Board of Alabama Administrative Code:
21

<u>PERMIT NO.</u>	<u>WELL NAME</u>	<u>LOCATION</u>
2735-B-GI-93-1	Hatter's Pond Unit 34-10 #1 ST	S34, T1S, R1W

22
23
24
25
26 The previous temporarily abandoned status for this well expires on November 15,
27 2002, and Petitioner requests the Board to grant a one year extension beginning
28 November 15, 2002, because said well has future utility and should not be plugged.
29

30 18. DOCKET NO. 11-13-02-5

31 Petition by PALMER PETROLEUM, INC., a foreign corporation, authorized to
32 do and doing business in the State of Alabama, requesting the State Oil and Gas
33 Board to enter an order requesting the State Oil and Gas Board of Alabama to enter
34 an order finding that the contribution of the separately owned Tracts in the North
35 Monroeville Field-Wide Oil Unit have been shown to be erroneous by subsequently
36 discovered data from the drilling and completion of the Williams 1-5 #1 Well,
37 Permit No. 12528-B-1, and the Williams 1-4 #1 Well, Permit No. 12529-B, both
38 with surface locations in Section 2 and bottom hole locations in Section 1, all in
39 Township 6 North , Range 7 East, Monroe County, Alabama, in the North
40 Monroeville Field. The Unit Operator has calculated the new Tract Participations to

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

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

9 19. DOCKET NO. 11-13-02-6

10 Petition by DELTA PETROLEUM CORP., a foreign corporation authorized to do
11 and doing business in the State of Alabama, requesting the State Oil and Gas
12 Board to enter an order approving an exception to Rule 4A of the Special Field
13 Rules for the Deerlick Creek Coal Degasification Field for a 40-acre unit
14 consisting of the East Half of the Southwest Quarter of the Northeast Quarter and
15 the West Half of the Southeast Quarter of the Northeast Quarter of Section 35,
16 Township 20 South, Range 9 West, Tuscaloosa County, Alabama. Petitioner
17 proposes to drill a well at a regular location on the aforementioned 40-acre unit
18 and Rule 4A requires units to consist of approximately 40 contiguous acres
19 consisting of a governmental quarter-quarter section.
20

21 20. Docket No. 11-13-02-7

22 Petition by EL PASO PRODUCTION COMPANY, a foreign corporation
23 authorized to do and doing business in the State of Alabama, requesting the State
24 Oil and Gas Board of Alabama to enter an order force pooling, without imposition
25 of the risk compensation fee, all tracts and interests in hydrocarbons produced
26 from a proposed 80-acre unit consisting of the South Half of the Southwest
27 Quarter of Section 8, Township 18 South, Range 9 West, Tuscaloosa County,
28 Alabama, in the Blue Creek Coal Degasification Field. This Petition is filed in
29 accordance with Section 9-17-13, Code of Alabama (1975), as amended, and Rule
30 400-7-2-.01 of the State Oil and Gas Board of Alabama Administrative Code.
31

32 21. DOCKET NO. 11-13-02-8

33 Petition by PRIMAL ENERGY CORPORATION, a foreign corporation,
34 authorized to do and doing business in the State of Alabama, requesting the State
35 Oil and Gas Board to enter an order amending Rule 3 of the Special Field Rules
36 for the Moscow Field, Lamar County, Alabama, to: (1) delete from Rule 3(a) the
37 requirement that drilling units consist of governmental half sections and to add
38 that drilling units shall consist of 320 contiguous acres subject to the approval of
39 the Oil and Gas Supervisor, and (2) delete from Rule 3(b) the requirement that
40 wells in said field be located "at least 2,000 feet from any other drilling or
41 completed gas well producing from the same gas pool."

1 22. DOCKET NO. 11-13-02-9

2 Petition by PRIMAL ENERGY CORPORATION, a foreign 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 approving a 320-acre wildcat drilling unit for
5 Petitioner's Paramount-Humphreys 1-5 No. 1 Well consisting of the Northwest
6 Quarter and the West Half of the Northeast Quarter of Section 1 and the East Half
7 of the Northeast Quarter of Section 2, all in Township 14 South, Range 15 West,
8 Lamar County, Alabama, as an exception to Rule 400-1-2-.02(2)(c) of the State
9 Oil and Gas Board of Alabama Administrative Code. Said Rule requires that such
10 wells be drilled on a drilling unit consisting of a governmental half section.
11

12 This petition is a companion to petition bearing Docket No. 11-13-02-10,
13 requesting the Board to force pool, without the imposition of a risk compensation
14 penalty, the above-mentioned unit.
15

16 23. DOCKET NO. 11-13-02-10

17 Petition by PRIMAL ENERGY CORPORATION, a foreign corporation,
18 authorized to do and doing business in the State of Alabama, requesting the State
19 Oil and Gas Board to enter an order force pooling, without the imposition of a risk
20 compensation penalty, all tracts and interests in hydrocarbons produced from a well
21 to be drilled on a 320-acre wildcat unit consisting of the Northwest Quarter and the
22 West Half of the Northeast Quarter of Section 1 and the East Half of the
23 Northeast Quarter of Section 2, all in Township 14 South, Range 15 West, Lamar
24 County, Alabama.
25

26 This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as
27 amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama
28 Administrative Code.
29

30 This petition is a companion to petition, bearing Docket No. 11-13-02-9,
31 requesting the Board to approve the above-mentioned unit as an exception to Rule
32 400-1-2-.02(2) of the State Oil and Gas Board of Alabama Administrative Code.
33

34 24. DOCKET NO. 11-13-02-11

35 Petition by EXXON MOBIL CORPORATION, a foreign corporation authorized to
36 do and doing business in the State of Alabama, requesting the State Oil and Gas
37 Board to enter an order extending the temporary abandonment status of the T.R.
38 Miller Mill - State Line Oil Trust 31-3 No. 1 Well, Permit No. 1776, located in
39 Section 31, Township 1 North, Range 9 East, in the Jay-Little Escambia Creek Unit,
40 Escambia County, Alabama. Petitioner is requesting that the temporary
41 abandonment status for said well be extended for one (1) year from November 15,

1 2002, or until the next regular hearing of the State Oil and Gas Board following the
2 expiration of one (1) year, in accordance with Rule
3

4 25. DOCKET NO. 11-13-02-12

5 Petition by NATURAL GAS & OIL, INC., an Alabama corporation authorized to
6 do and doing business in the State of Alabama, requesting State Oil and Gas
7 Board to enter an order force pooling, with a risk compensation penalty, all tracts
8 and interests in hydrocarbons produced from formations of Mississippian age,
9 from the proposed Lindsey 12-7 No. 1 Well, which is to be permitted, drilled and
10 completed as a producing well on the following described unit consisting of the
11 North Half of Section 12, Township 17 South Range 13 West, containing 320
12 acres, more or less, as a wildcat Well in Fayette County, Alabama. This Petition
13 is in accordance with Section 9-17-13, Code of Alabama (1975), as amended, and
14 Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama Administrative
15 Code.
16

17 26. DOCKET NO. 11-13-02-13

18 MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA to amend
19 the Special Field Rules of the Choctaw Ridge Field, Choctaw County, Alabama,
20 in order to update and clarify the language in certain rules.
21

22 27. DOCKET NO. 11-13-02-14

23 Petition by DELTA PETROLEUM CORP., a foreign corporation authorized to do
24 and doing business in the State of Alabama, requesting the State Oil and Gas
25 Board to enter an order reforming the unit for the J.D. Jobson 26-7 No. 6 Well,
26 Permit No. 3823-C, from an 80-acre unit consisting of the South Half of the
27 Northeast Quarter of Section 26, Township 20 South, Range 9 West, Tuscaloosa
28 County, Alabama in the Deerlick Creek Coal Degasification Field, to a 40-acre
29 unit consisting of the Southwest Quarter of the Northeast Quarter of said Section
30 26.
31

32 The meetings of the State Oil and Gas Board are public meetings, and members of
33 the public are invited to attend and present their position concerning this
34 petition(s). Requests to continue or oppose a petition should be received by the
35 Board at least two (2) days prior to the hearing. For additional information, you
36 may contact the State Oil and Gas Board, P. O Box 869999, Tuscaloosa, Alabama
37 35486-6999, Telephone Number 205/349-2852, Fax Number 205/349-2861, or by
38 email at petitions@ogb.state.al.us.

1 DR. TEW: The Hearings Reporter has received and compiled proofs of publication of
2 the items to be heard today. The Hearing Officer and the staff heard various items at the Hearing
3 Officer meeting. At this time the Hearing Officer will make his report to the Board.

4 MR. ROGERS: Mr. Chairman, Mr. Dampier and Mr. Metcalfe, I have a written report of
5 the items heard by the Hearing Officer and the staff on Wednesday, November 13, 2002. Copies
6 of the report are available for members of the public to review and study. I recommend the
7 report be adopted by the Board.

8 MR. METCALFE: Move.

9 MR. DAMPIER: Second.

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

11 (All Board members voted "aye")

12 MR. ROGERS: I recommend the report be made a part of the record.

13 CHMN. MCCORQUODALE: That request is granted.

14 (Whereupon, the report was received in evidence)

15 DR. TEW: Mr. Chairman, the staff would recommend approval of the minutes of the
16 following meetings: October 16, 2002, Hearing Officer meeting and October 18, 2002, Board
17 meeting.

18 MR. METCALFE: Move.

19 MR. DAMPIER: Second.

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

21 (All Board members voted "aye")

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1 CHMN. MCCORQUODALE: "Ayes" have it.

2 MR. ROGERS: The first item is Item 10, Docket No. 8-28-02-10A, amended petition by
3 Delta Petroleum Corporation. That could be consolidated with the next one. The next item is
4 Item 11, Docket No. 8-28-02-11C, another amended petition by Delta Petroleum Corporation.

5 MR. WATSON: Mr. Chairman, for purposes of swearing in and everything else, if you
6 would also consolidate for hearing purposes Items 19 and 27 from Delta.

7 CHMN. MCCORQUODALE: That request is granted.

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

9 MR. ROGERS: Would you state your name and address?

10 MR. HUTCHENS: Eric Hutchens, Tuscaloosa, Alabama.

11 (Witness was sworn by Mr. Rogers)

12 MR. WATSON: The first two petitions that we are starting with are Items 10 and 11 on
13 the docket for Delta Petroleum Corporation, formerly Castle Exploration. These two petitions,
14 Mr. Chairman, relate to the Deerlick Creek Coal Degasification Field. Docket No. 8-28-02-10 is
15 a petition to amend Rule 2 of the Special Field Rules to add parcels to the field. Docket No. 8-
16 28-02-11 seeks approval of a partial fieldwide unit to be named Unit I. Delta Petroleum owns
17 100 percent of the working interest and Gulf States Paper Corporation in Tuscaloosa owns 100
18 percent of the royalty interest. My witness is Eric Hutchens who has appeared before the Board
19 and has on file an affidavit of his qualifications.

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1 MR. WATSON: Mr. Hutchens, you have been in charge of Castle's operations and you
2 are now in charge of Delta's coalbed operations in the Deerlick Creek Coal Degasification Field.
3 Is that right?

4 MR. HUTCHENS: That's right.

5 MR. WATSON: This is a unique area of the Deerlick Creek Field in that there has been
6 one major lease that Castle and now Delta operates on and that is the Ramsay McCormick
7 mineral interest. Is that correct?

8 MR. HUTCHENS: Yes, sir.

9 MR. WATSON: For the first time you have stepped out and have leased additional
10 acreage to develop in the Deerlick Creek Coal Degasification Field from Gulf States Paper?

11 MR. HUTCHENS: That's correct.

12 MR. WATSON: One of our petitions proposes to add some parcels to the field and, of
13 course, you have heard me say we are proposing a partial field-wide unit. Have you prepared or
14 have exhibits been prepared under your supervision and control in support of these two items?

15 MR. HUTCHENS: Yes.

16 MR. WATSON: I tender Mr. Hutchens as an expert witness for giving testimony in this
17 matter, Mr. Chairman.

18 CHMN. MCCORQUODALE: He is so recognized.

19 MR. WATSON: If you will, allow me to make an opening statement about this unit
20 because it is a little unusual. In unitizations before the Board normally the first obligation in
21 creating a unit under our unitization statute that has been amended recently is to define a pool or

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1 a portion of a pool or pools that you propose to unitize. You have got to define something and
2 then find out who owns that something and then come to you folks and ask for permission to
3 operate it as though it were a single lease. We've had a lot of testimony before the Board in
4 defining pools because there have been some wells drilled where one geologist will say a pool
5 consists of Area A and one geologist will say the pool consists of Area B. There is a lot of
6 testimony on defining pools. Well control becomes important. Development scenarios become
7 important. Seismic becomes important. You are asking people to operate an area as though
8 there is just one lease out there and you are asking people to share in the production from that
9 lease or that unit. In the case of coal bed, Alabama again continues to be at the forefront because
10 we have used our unitization statute to unitize coal beds even before the law was changed to
11 require enhanced recovery as opposed to secondary recovery where we had to have injection or
12 water injection for unitization purposes. We argued before this Board successfully that the
13 dewatering process in coal beds was akin to injection, that you had to dewater to make the gas
14 come out. So, we have applied the unitization law to a situation for which it was not originally
15 intended but it has increased recovery and it has reduced the drilling of unnecessary wells and
16 has protected correlative rights. Otherwise, we wouldn't have the coal bed industry like it is
17 today, as successful as it is today. We are coming to you this morning with a company, Delta
18 Petroleum out of Denver, who has acquired this portion of the Deerlick Creek Field that was
19 originally operated by TRW, the automotive supply john[sic], that came in here and took this
20 lease from the Birmingham-based Ramsay McCormick Company and set out--I hope I'm not
21 defaming them by saying this--to operate with gold-plated doorknobs up there. It's a big

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1 operation. They subsequently sold that to Castle and Castle has operated this operation with Mr.
2 Hutchens and one other fellow very successfully for many years. Delta has now come and
3 purchased the interest and wants to come in and drill additional wells. As the production starts to
4 decline they are going to add additional wells on the Ramsay McCormick lease and on additional
5 acreage that they have been able to secure from Gulf States Paper Corporation. We are going to
6 present evidence here today that indicates that the Pottsville Formation contains coal seams and
7 to define a pool with finite certainty with a number of wells, I contend, and the evidence will
8 show it's not necessary here. We want to operate this as a unit for reasons that we will state in
9 our testimony, but we know that the coal beds are present under the proposed unit area. With
10 that, I'll start with my testimony on my exhibits. I have handed up two sets of exhibits, one is a
11 series of exhibits clipped together in large examples, one through six. Those pertain to the unit.
12 The single page with the yellow colored quarter-quarter sections pertain to the addition to the
13 Deerlick Creek Coal Degasification Field. We have circulated the standard Unit Agreement and
14 the standard Unit Operating Agreement that this Board has approved many times to the royalty
15 and working interest owners. The testimony today will be that we have received 100 percent
16 approval from the working interest and 100 percent approval from the royalty interest. The other
17 unique thing about this unit, as you will see as we go through the exhibits, is the fact that this
18 Gulf States acreage abuts property owned by the federal government that's associated with the
19 Holt Lock and Dam. We have a recreational area and we have the river, so we're kind of boxed
20 in here. That's another reason we will talk to you about the uniqueness of this unit. Finally,
21 we're in an area as we approach the Black Warrior River of very rough terrain. We are limited

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1 in what we can do in here. Those factors coupled with the fact that the proposed unit area is
2 underlain by the Pottsville Formation, as the evidence will show, the company desires to drill
3 additional wells at locations in here that can be made and will not interfere with the federal
4 government's use of areas adjacent to this for public recreation and with the fact that we have
5 100 percent sign-up, I submit to you gentlemen what will be sufficient grounds for you to
6 approve this unit.

7 ERIC HUTCHENS

8 Appearing as a witness on behalf of Petitioner, Delta Petroleum Corporation, testified as
9 follows:

10 DIRECT EXAMINATION

11 Questions by Mr. Watson:

12 Q. Mr. Hutchens, I think I stated that someone, either you or someone under your
13 supervision and control, had prepared the exhibits in support of these petitions today. Is
14 that correct?

15 A. That's correct.

16 Q. I have handed the two sets of exhibits up to the Board and staff and I have explained the
17 general nature of our unit operations here. The unit will encompass the form of coalbed
18 methane that we have been extracting. I want you now to tell the Board what kind of unit
19 operations you anticipate to conduct in Unit I.

20 A. Unit operations in Unit I will encompass the forms of coalbed methane extraction that we
21 currently employ at our Deerlick Creek Field. As will be seen on the unit plat, the unit

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1 area encompasses partials carved out by the government's acquisitions prior to the
2 construction of the Holt Lock and Dam that necessitated the flooding of land along the
3 river. In addition, the Corps of Engineers created a recreation area on lands adjacent to
4 the field. This limits the surface operations in the area. Within the configuration of the
5 remaining parcels, unit operations will allow us to locate wells at the optimum geological
6 and topographic locations and at the same time avoid any conflicts with land and the
7 supervision of the federal government. We can locate these wells and as a result expect
8 maximum recoveries of coalbed gas.

9 Q. Will your unit operations, in your opinion, enhance recovery of coalbed methane gas,
10 increase the recovery of that gas, prevent waste, and avoid the drilling of unnecessary
11 wells?

12 A. Yes.

13 Q. Would the granting of the petition approving the unit protect the correlative rights of the
14 owners in the unit area?

15 A. Yes.

16 Q. Would the estimated additional cost incident to conducting unit operations exceed the
17 value of the estimated additional recovery of coalbed gas?

18 A. No.

19 Q. Now, let's take the exhibit that I have handed up for Docket No. 8-28-02-10. Tell us
20 what is shown on this exhibit, Mr. Hutchens. That's the exhibit with the yellow coloring.

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1 A. Exhibit 1 shows the southern portion of the Deerlick Creek Field. The outlined area
2 represents the field operated currently by Delta Petroleum. You can see the Black
3 Warrior River in the white portions of Sections 35 and 36, the areas controlled by the
4 federal government, and also the recreational area associated with the Holt Lock and
5 Dam. Also shown on this exhibit are wells rather than surface facilities. The drilling unit
6 for Unit No. I is 110 acres, more or less, and is outlined and labeled GSPC Unit No. I.
7 Also shown in yellow are the government quarter-quarter sections and the portions that
8 we propose to add to the field limits. A legal description of the parcels is contained in the
9 proposed Board order.

10 MR. WATSON: Mr. Chairman, because the federal government is involved in this I
11 have sent them notice of these matters. I would ask that you receive into the record of this
12 hearing the prefiled affidavits of notice in these two consolidated items.

13 CHMN. MCCORQUODALE: They are admitted.

14 (Whereupon, the affidavits were received in evidence)

15 CHMN. MCCORQUODALE: Have you heard anything from them?

16 MR. WATSON: No, sir, other than the one contact we had and they were not interested
17 in any operations on their surface. I think that's correct, isn't it?

18 MR. HUTCHENS: That's correct.

19 Q. Are there any existing wells on your proposed Unit I?

20 A. No. We have a proposed well, the 35-12, that we have spotted into the unit to show you
21 approximately where it would fall in the unit. We are using the Ramsay McCormick 35-

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1 A. Exhibit 2 is a base map with the addition of the line of cross section running from east-to-
2 west starting at well 25-14 to well 26-16, 35-2 and 35-5, and then across the river to the
3 Coal Tech 3-6 well. This line of cross section is included to demonstrate the presence of
4 underlying Pottsville coal seams in the proposed unit area.

5 Q. Let's turn to your Exhibit 3. Tell the Board how Delta proposes to define the unitized
6 formation for Unit I.

7 A. Exhibit 3 for Unit I are the wells depicted as a cross section as a heavy black vertical line.
8 The distance between the wells is shown on the top. Ground level is depicted as the
9 dashed line above the datum of plus 300 feet. The top of the proposed unitized formation
10 using a density gamma ray log from the 35-5 well is 595 feet to the base, the unitized
11 formation being 2,767 feet. The unitized formation includes the Utley, Gwin, Cobb, Pratt
12 and Mary Lee/Black Creek Coal Groups.

13 Q. All right, sir. Let's turn to your Exhibit 4 and tell us what's shown on that exhibit,
14 please, sir.

15 A. Exhibit 4 is a structure map that shows the top of the Black Creek coal seam. The map is
16 based on 100 foot contours. You can see that there is a gentle nosing to the south going
17 from the structural high near the area shown by the wastewater treatment facility and
18 plunging approximately 500 feet to 2,500 feet of the unit area of No. 1.

19 Q. Let's turn to Exhibit 5. Tell the Board what's shown on this exhibit, please, sir.

20 A. Exhibit 5 is a composite isopach map of the Pottsville coal seams from the Lower Utley
21 through the Black Creek. As you can see from the five foot contours, the coal seams

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1 range from 25 feet in thickness to 30 feet in thickness and back down to 25 feet in
2 thickness. The area proposed for Unit I, the coal seam thickness is 25 to 30 foot.

3 Q. Based on the information available, is it your testimony that the 110 acres comprising the
4 proposed Unit I is underlain by the Pottsville Coal Formation as that formation is
5 described in the Deerlick Creek Coal Degasification Field?

6 A. Yes.

7 Q. Does the type log for the Ramsay McCormick 35-5 well that I am requesting to be
8 marked as Exhibit No. 7 to your testimony represent the unitized formation for Unit I?

9 A. It does.

10 Q. Let's turn to Exhibit 6. Tell the Board what specific unit operations are planned for Unit
11 I, Mr. Hutchens.

12 A. We plan to drill several wells in Unit I, locating those wells at optimum locations for our
13 field operations and surface facilities. We plan to operate the wells in a manner that
14 would be compatible to the public's use of the federal government's recreational area.
15 We also include all the royalty owners and the mineral acres in the unit to avoid the
16 creation of island acreage. I have spotted the first well in the unit, the 35-12. Notice that
17 it is on the east side of the creek that runs into the Black Warrior River. The topography
18 in the area is steep and with the additional well drilled in the unit we will be able to
19 construct a concrete port across that creek to possibly develop the wells in the Ramsay
20 McCormick lease on the other side of the creek. Market conditions and the availability of
21 drilling funds could affect whether those wells will be economic or not.

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1 Q. The first well, the 35-12, is going to be on the east side of that creek where it is easy to
2 get to. Is that correct?

3 A. That's correct.

4 Q. While we are on this exhibit, Mr. Hutchens, before I move on, if you had to develop in
5 this area on governmental quarter-quarter units or on 80-acre units given the topography
6 and given the outline of this ownership that you have, we would have to come to the
7 Board to ask for exceptional units, would we not?

8 A. Yes we would.

9 Q. In other words, the governmental quarter-quarter patterns either for 40's or 80's in this
10 area and given how you would have to lay out these wells to comply with your
11 infrastructure would require us to come several times before the Board for exceptions to
12 the rule, would it not?

13 A. That's correct.

14 Q. All right. For economy of effort and to maximize the drilling in this area, the unitization
15 statute lends itself to optimizing the recovery of coal seam gas while at the same time
16 minimizing costs and maximizing the income for both the working and royalty interest.
17 Is that right?

18 A. That's correct.

19 Q. Let's look at the ownership of Unit I. Tell the Board and staff about the ownership, both
20 royalty and working interest.

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1 A. The royalty owner is 100 percent Gulf States Paper Corporation acreage here in
2 Tuscaloosa. The working interest is 100 percent from Delta Petroleum Corporation.

3 Q. All right. Mr. Hutchens, we have described the unit area. The next thing we need to
4 describe for the Board and for the record is what we are proposing for the unitized
5 formation in our petition. You have just testified that that unitized formation should
6 mean the subsurface portion of the unit area containing productive coal seams found
7 between the depths of 595 feet and 2,767 feet as encountered in the Ramsay McCormick
8 35-5 well located in Section 35, Township 20 South, Range 9 West. We have the density
9 log for that well. We also propose to include all zones in communication therewith and
10 all productive extensions thereof including coal seam stringers that might occur within
11 the depths of 80 feet above or 80 feet below the Pottsville Coal Interval, including those
12 coal seams that can be correlated therewith. Is that what you are proposing to be the
13 unitized formation for Unit I?

14 A. Yes, that's correct.

15 Q. So, is it your testimony that the unit area that you are proposing is underlain by the
16 unitized formation you have just described?

17 A. Yes.

18 Q. Now, Mr. Hutchens, I am going to hand up to Mr. Rogers the original signed Unit
19 Agreement and Unit Operating Agreement and I'm going to ask you some questions
20 about these. Does the Unit Agreement that has been signed by the working interest

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1 owners and the royalty interest owners provide for a tract participation formula for the
2 allocation of unitized substances?

3 A. Yes it does.

4 Q. In Article IV of the Unit Agreement for the proposed Unit I, the tract participation factor
5 is as follows: Surface acres in each tract divided by the total surface acreage in the unit
6 area and expressed as a percentage. That's the tract participation formula that you are
7 proposing to be adopted. Is that correct?

8 A. That's correct.

9 Q. Does this tract participation factor reflect the relative contribution that each tract in the
10 proposed unit is expected to make to total unit production?

11 A. Yes.

12 Q. Given the fact that we have one common mineral owner in Unit I, is that allocation factor
13 fair and reasonable and will it protect the correlative rights of that mineral owner and its
14 interest?

15 A. Yes it will.

16 Q. Will that formula also protect the rights of the working interest owners?

17 A. Yes.

18 Q. Now as you know, the Unit Agreement contains other provisions relative to the operation
19 of the Unit including revisions of the unit area that have to be approved by 66-2/3 percent
20 of the working interest and 66-2/3 percent of the royalty interest owners. Do you
21 understand that should you want to enlarge this unit that you must first petition the Board

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1 seeking approval from the working and royalty interest owners in the area to be added
2 and secure at least 66-2/3 percent of those owners in order to enlarge the unit area?

3 A. Yes I do.

4 Q. The Unit Agreement and the Unit Operating Agreement and the proposed order state an
5 effective date for the unit to become effective. What is that date, Mr. Hutchens?

6 A. If the order is approved today it would be December 1, 2002, at 7:00 a.m.

7 Q. The Unit Operating Agreement contains terms and conditions by which the proposed unit
8 operator, in this case Delta Petroleum Corporation, is to conduct unit operations. Is that
9 correct?

10 A. That's correct.

11 Q. Is it your understanding that this Unit Agreement and the Unit Operating Agreement are
12 the standard form agreements previously approved by this Board for coal bed units?

13 A. Yes.

14 MR. WATSON: Mr. Chairman, I have handed up to Mr. Rogers the original Unit
15 Agreement and Unit Operating Agreement for the proposed Unit I. Mr. Hutchens has testified
16 that both these agreements represent in excess of 66-2/3 percent of the owners as required by
17 law. I ask that you receive those agreements into the record of this hearing.

18 CHMN. MCCORQUODALE: They are admitted.

19 (Whereupon, the Unit Agreement and Unit
20 Operating Agreement were received in evidence)

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1 MR. WATSON: I will hand up the type log that I referred to in Mr. Hutchens testimony
2 as Exhibit No. 7 for inclusion. I would ask that you receive into the record of this hearing
3 Exhibit 1 for Docket No. 8-28-02-10 and Exhibits 1 through 7 for the Unit in Docket No. 8-28-
4 02-11.

5 CHMN. MCCORQUODALE: All of the exhibits are admitted.

6 (Whereupon, the exhibits were received in evidence)

7 Q. Mr. Hutchens, if the Board approves the Unit you have said the effective date of unit
8 operations would be December 1st. What are Delta's plans for commencing operations in
9 this unit area?

10 A. We currently are drilling. We have just finished drilling a well and we have two more
11 proposed before Christmas. This well will probably be the next one right after Christmas.

12 Q. So as a part of your overall plans in the Deerlick Creek Field, you are drilling more than
13 just the one well here in this proposed unit. You have several other wells that you are
14 drilling, trying to do all those roughly at the same time?

15 A. That's correct.

16 MR. WATSON: I tender my witness for any questions the Board and staff has.

17 MR. ROGERS: I probably should mention this, Mr. Watson. When this came in I raised
18 the issue under the statute. You have explained well how the statute was written. As a matter of
19 fact, we had a committee and I, as much as anybody, drafted it and wanted the statute that we
20 have for unit operations to be as liberal as we could make it, and we did. We probably have the
21 most liberal statute on enhanced recovery operations for unit operations in the country. I think

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1 that's a good thing because we want to be sure that we allow any drilling operations that produce
2 more oil and gas. I probably ought to ask these questions and have you address this. The statute
3 in a number of places, this is 9-17-80 and the following sections, talks about increased recovery,
4 that the statute is adopted to allow for increased recovery. Increasing the ultimate recovery is
5 another way it is stated. Increase the ultimate recovery several times is in those very statutes. In
6 one place, 9-17-82, it talks about additional recovery of oil and gas. That's the reason I raised
7 the point with those provisions about increased recovery and additional recovery. That implies
8 that there was already some recovery underway. It looked to me like you had to have a well
9 there. In light of those provisions, could you address the Board about the statutory provisions
10 and also that it is your client's contention that this situation is unique and extraordinary because
11 of these factors that you discussed that there couldn't be a well drilled. If you will, address that
12 so that we will have that in the record.

13 MR. WATSON: I will be glad to, Mr. Rogers. First of all, if this were a conventional
14 situation onshore I wouldn't be before you asking for a unit without a well. Let's understand
15 that. I couldn't do it. Secondly, the statute was amended to include, as Marvin has stated,
16 enhanced recovery as opposed to secondary recovery. It's almost akin to our old divorce statute
17 where you used to have to perjury yourself to get a divorce in Alabama before we had
18 incompatibility. We've set up units under the unitization statute before it was amended for
19 offshore operations and for other onshore operations where there was, in fact, no secondary
20 recovery but the law still covered it. When the amendment was drafted and we talked about
21 recovery and additional recovery, we included enhanced recovery, but we didn't go in with

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1 minute detail amending, to take out those provisions where you would have had production, and
2 then you come in with secondary recovery to increase the recovery. That language was in the
3 statute from 1957 forward when our unitization statute was amended. Here we are going to
4 increase the recovery of coalbed methane by drilling additional wells, as we stated earlier, to
5 prevent the decline. We are going to recover coalbed methane in a unit area that would not
6 otherwise be reasonably developable unless we had the flexibility of the unit statute that allows
7 you to drill wells within the unit without reference to 40 or 80 acre units. So, we are going to
8 increase the recovery of coalbed methane for sure. We are going to produce coalbed methane in
9 this unit area that has not been produced, probably would not be produced to its maximum
10 extent, wouldn't you agree, Mr. Hutchens, unless we could put these wells down in a pattern that
11 would best promote the recovery of coalbed methane gas?

12 MR. HUTCHENS: Yes, I agree.

13 MR. WATSON: So, our statute has the enhanced recovery, additional recovery, from the
14 old law but I think, Marvin, we clearly meet--we are increasing or enhancing overall recovery in
15 this portion of the Deerlick Creek Field that Delta Petroleum operates by drilling these additional
16 wells. If Dave Bolin were to graph this production chart for you, and we had production on a
17 declining curve given these wells in this portion, with these additional wells we would hope to
18 flatten out that decline curve and make it go down a little further. That's the best way I can
19 answer that, Mr. Rogers.

20 MR. DAMPIER: Mr. Watson, I had a couple of questions that I want to ask you. I am
21 concerned about what could happen or the precedential effect of this. What does this mean if we

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1 open the door here and allow a unitized field without a well being drilled? Could you discuss
2 maybe the pros and cons of that?

3 MR. WATSON: I think we have some extenuating factors here that you could apply to
4 me or anyone else who tries, not tries, who requests a unit. We have the limitations of the Black
5 Warrior River that we are abutting. We have an area that has been taken by the federal
6 government for purposes of the Holt Lock and Dam facility that has a pattern that is very unusual
7 because of their needs. We have production all around this unit area, surrounding it, and they
8 even have established across the river the continuation of the Pottsville Formation. I think if you
9 just went out in the middle of "God's green acre" and said, I want to create a unit without a well
10 and you didn't have at least those factors, the constraints of an irregular area owned by an
11 ownership, the constraints of the federal government lands abutting and they do not want any
12 activity on their lands, the topography is such that they would be adjacent to the river, all of
13 those lend credibility to this request. Those probably would not exist outside an area like this.

14 MR. DAMPIER: So the precedential effect is limited by the unique facts of this case?

15 MR. WATSON: I think absolutely, yes, sir.

16 MR. DAMPIER: One other question I had for you, if the Board conditionally approved
17 this unitization subject to a well being drilled, how would that affect your client or the
18 development of this area?

19 MR WATSON: That would certainly set a precedent, conditionally approving a unit that
20 has been approved 100 percent by everyone. Let me say this, my client, in deference to I think
21 the legitimate concerns of the staff, pulled down and continued the second unit proposal for

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1 which we have approval until we could drill a well. It's off the river but it has some unusual
2 ownerships. We're going to talk about that in a minute. We're going to ask you for an exception
3 to drill a 40-acre exceptional unit and get a well and then come back to you and ask that that unit
4 be approved even though we have 100 percent signup today for it. I just don't know, in fact,
5 how that would work, how you could condition the unit until the well is drilled.

6 MR. DAMPIER: I guess what I'm wondering, does your client ever intend to drill a
7 well?

8 MR. WATSON: He stated that in his direct testimony. Yes, sir, it's spotted. He also
9 stated when he expected to drill the well. Your concern is well-founded. We're not trying to put
10 together a unit to hold leases. We're not trying to put together a unit for any subversive motives.
11 We're trying to put together a unit so we can get in and drill this well. If it's successful, as we
12 think it will be, then we are going to drill additional wells in this area. We have spotted the well
13 on the unit. There is a five well drilling program going. This will be the second or third well in
14 that program.

15 MR. HUTCHENS: The fourth.

16 MR. WATSON: The fourth well in that drilling program. They have budgeted the funds.
17 I can assure you the well will be drilled. I would say this, Mr. Dampier, I think the Board on its
18 on motion if the well were not drilled could call us back in here and have a show cause why we
19 procured a unit order and did not follow through with unit operations. I will say this to you, the
20 Board has approved units in the past and once they have been approved we have kind of cut them
21 loose except for the normal supervision. Now you are requiring an annual report from the unit

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1 operator to see what they have done in furtherance of the unit operation plan. We will be
2 prepared to do that too.

3 CHMN. MCCORQUODALE: Do you agree, because you are saying without
4 reservation, that in order to do this the situation must be very unique and this is a unique
5 situation for all of the reasons that you have given to us. We understand that. Are you saying
6 that the uniqueness of any future situation should be such that the drilling of a well on the unit is
7 impossible? As I hear you saying this today, it is impossible at the moment, given all of the
8 different constraints that you have described, it is impossible to actually drill a well on the unit?

9 MR. WATSON: Mr. Chairman, we could come in here and ask the Board to change the
10 spacing pattern for the Deerlick Creek Field and give us a five acre spacing pattern or a ten acre
11 spacing pattern and go out there and drill us a well. I think that would be so far off course of the
12 general patterns that we have established in the Deerlick Creek Field that we could create a
13 domino effect of all kind of problems and lawsuits, etc. It's not impossible to drill a well in
14 there. It's impossible to drill a well in accordance with the rules in there without getting
15 exceptions from the Board. We're trying to put the unit together so that we can drill an optimum
16 number of wells in there to recover the maximum amount of coalbed methane gas.

17 CHMN. MCCORQUODALE: My question goes to the same thing that Mr. Dampier's
18 were. You know our concern over the years about what precedent are we setting so that if other
19 folks come in here whose motives might not be completely pure and want to tie up property and
20 say but we've got such a unique situation here. Obviously, I know in this situation you and your
21 client's motives are totally as you represent them to be. Our questions don't particularly go to

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1 your situation as much as they go to a situation that might take place 24 months down the road
2 with somebody we've never met before that shows up from Tulsa, Oklahoma, and says, look you
3 did this for Mr. Watson back in 2002 and so you ought to be able to do it for me now. You see
4 where we're coming from. You know that. So, help us with that.

5 MR. WATSON: Mr. Dampier, let me come back and answer your question. Without
6 conferring with our client, Delta Petroleum, let me just think out loud with you a minute. I don't
7 see a problem in approving this unit if you put a proviso in the unit order that the unit well or
8 unit operations should commence within a time frame as opposed to making the unit conditional
9 upon something. I mean, I don't think we would have a problem with that. You know, to take
10 that fellow who's trying to hold leases to the detriment of landowners, if you put that restraint on
11 us then it would be applicable to anybody else. If you would allow us to--let me just ask Eric.
12 When do you think this well will be drilled?

13 MR. HUTCHENS: I would say definitely by spring, maybe March, the worse case
14 scenario. I know we're going to do two wells before Christmas and then we're going to start
15 back after Christmas. This would be the fourth one in line after those other two.

16 MR. WATSON: We live by the sword and we die by it. If we suggest March as an
17 outside date--

18 MR. DAMPIER: You could always come back in and request more time. What I hear
19 you saying is if the order read that certain wells had to be drilled by a certain time, you would
20 propose by--I'll let you guys suggest a time--the end of March, the end of April? What would
21 you prefer?

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1 MR. HUTCHENS: March 30th would be fine with me. I think we can definitely get it in
2 there one day.

3 MR. WATSON: I would say, Mr. Dampier, to keep this in line with the unitization
4 statute, your order should read, Unit operations, meaning the drilling of wells, shall commence
5 no later than March 30th.

6 CHMN. MCCORQUODALE: Let me ask you this. I don't know what we're going to do
7 as we go through this balancing time, but assume that we take it under advisement and rule in ten
8 days or twenty days. Would that change your March time?

9 MR. HUTCHENS: I wouldn't think so. I think we can still make that. We can make
10 those a priority the first part of next year.

11 MR. WATSON: The way we have the petition set up, we would say the unit would be
12 effective December 1st. That assumes some action in November. If you go over into December
13 then that would make unit operations--I would just say this, Mr. Chairman, I would like to
14 amend my petition to ask that the effective date of the unit be on the same date you order the unit
15 effective as opposed to that arbitrary first day of the month following---

16 CHMN. MCCORQUODALE: That's the reason I asked that question.

17 MR. WATSON: Yes, sir. We would not have a problem with that. Marvin could just
18 put that--we can just put that in the order.

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

20 MR. ROGERS: One other comment just for the record, another reason it doesn't
21 particularly apply here is because they have proof that coalbeds underlie these areas. Another

1 reason that it's best to have a well drilled is that it simply gives you evidence that there are
2 hydrocarbons there. That's another reason that a well is drilled prior to establishing a unit.

3 MR. WATSON: To answer that argument, as you are well aware, we used the very close
4 proximity, within a few feet. Somewhere I had pinned the word that it would take a freak of
5 nature for this hearing to be devoid of any coalbed methane.

6 MR. DAMPIER: Mr. Chairman, I move that we take both these consolidated items under
7 advisement.

8 MR. METCALFE: Second.

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

10 (All Board members voted "aye")

11 CHMN. MCCORQUODALE: "Ayes" have it.

12 MR. ROGERS: The next item then is Item 19, Docket No. 11-13-02-6A, amended
13 petition by Delta Petroleum, Inc.

14 MR. WATSON: Same witness, Mr. Chairman. I have an affidavit of notice that I would
15 like to have admitted into the record.

16 CHMN. MCCORQUODALE: The affidavit will be admitted.

17 (Whereupon, the affidavit was received in evidence)

18 MR. WATSON: My same witness, Mr. Hutchens, I will remind him that he's under oath
19 for giving testimony in this item that is requesting the Board to enter an order approving an
20 exception to Rule 4A of the Special Field Rules for the Deerlick Creek Coal Degasification
21 Field. Rule 4A requires units in the Deerlick Creek Coal Degasification Field to be either on

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1 governmental quarter-quarter 40 acre units or 80-acre units. We are asking in this petition for a
2 40-acre unit consisting of the East Half of the Southwest Quarter of the Northeast Quarter and
3 the West Half of the Southeast Quarter of the Northeast Quarter of Section 35, Township 20
4 South, Range 9 West, Tuscaloosa County, Alabama. Mr. Hutchens, you are familiar with this
5 petition and have prepared two exhibits in support of this petition. Is that correct?

6 MR. HUTCHENS: That's correct.

7 ERIC HUTCHENS

8 Appearing as a witness on behalf of Petitioner, Delta Petroleum Corporation, testified as
9 follows:

10 DIRECT EXAMINATION

11 Questions by Mr. Watson:

12 Q. I have handed up to the Board and staff your two exhibits. Let's look if you would please
13 at the plat marked as Exhibit 1. Tell us what's shown on that exhibit.

14 A. Exhibit 1 shows the proposed 40-acre unit consisting of 20 acres in the East Half of the
15 Southwest Quarter of Section 35 and also the West Half of the Southeast Quarter. It's an
16 irregular 40-acre unit.

17 Q. It also shows the location of a proposed well on that 40-acre unit, does it not?

18 A. Yes, it does.

19 Q. In addition, it shows a little arrow under the proposed well two feet. Does that mean that
20 that well is two feet from that governmental quarter-quarter line?

21 A. Yes it does.

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1 Q. We're asking for an exception to the rule because if we drilled this well in accordance
2 with Rule 4A we would have an extreme exception being only two feet off the unit
3 boundary. Is that correct?

4 A. That's correct.

5 Q. Look at Exhibit No. 2. We've seen this exhibit in a previous matter. Outlined here you
6 see a Gulf States Paper Unit No. 2, 210 acres. Do you see that area, Mr. Hutchens?

7 A. Yes, I do.

8 Q. Spotted also on that plat is the 35-7 well that is represented on Exhibit 1. Is that correct?

9 A. That's correct.

10 Q. You heard my statement to the Board that we had continued our request to unitize Unit 2
11 and we are proposing to drill a well on Unit 2 and then come back to the Board. This is
12 the well that you propose to drill on Unit 2. Is that correct?

13 A. That's correct.

14 Q. Even though this area is close to and adjacent to the government recreational area, it's not
15 so close to the river as to have the extreme topography problems that we have in Unit I, is
16 it?

17 A. No, it's not.

18 Q. You are also showing a 35-1 well in this proposed unit area. What is that?

19 A. It's a second proposed well that we possibly would drill if the 35-7 well proves
20 economic.

21 Q. When do you plan to drill the 35-7 well?

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1 A. It would probably be in the spring after we drill the 35-12 well. It would probably be the
2 one concurrently after that.

3 Q. Right after you drill the Unit I well you would move over and drill this well and then we
4 would have a type log that we would come back to the Board with and propose our Unit
5 II. Is that correct?

6 A. That's correct.

7 Q. Would the granting of this exception to Rule 4A for the approval of the drilling of this
8 40-acre unit prevent waste and protect correlative rights and promote orderly
9 development, Mr. Hutchens?

10 A. Yes.

11 MR. WATSON: Mr. Chairman, I would ask that you admit into the record Exhibits 1
12 and 2 to the testimony of Mr. Hutchens in this matter.

13 CHMN. MCCORQUODALE: The exhibits are admitted.

14 (Whereupon, the exhibits were received in evidence)

15 MR. WATSON: I tender my witness for any questions you have on this item.

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

17 MR. ROGERS: For clarification, you submitted an affidavit of notice and an amended
18 affidavit of notice. You want both of those admitted, Mr. Watson?

19 MR. WATSON: Yes, sir. The amended notice simply picks up a rule change, Mr.
20 Rogers.

21 CHMN. MCCORQUODALE: They are both admitted.

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1 (Whereupon, the affidavits were received in evidence)

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

3 MR. METCALFE: Second.

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

5 (All Board members voted "aye")

6 CHMN. MCCORQUODALE: "Ayes" have it. We don't normally do this but we are
7 going to take a very short break before we start with the next series of items because we need to
8 do some checking on air travel.

9 MR. WATSON: Yes, sir. We just have one short item and then we will go to my last,
10 Mr. Schneeflock.

11 CHMN. MCCORQUODALE: Go ahead and do that then.

12 MR. ROGERS: Item 27, Docket No. 11-13-02-14, petition by Delta Petroleum
13 Corporation.

14 MR. WATSON: I have an affidavit and an amended affidavit of notice and would ask
15 that they be admitted into the record.

16 CHMN. MCCORQUODALE: They are admitted.

17 (Whereupon, the affidavits were received in evidence)

18 MR. WATSON: Also, Mr. Chairman, this is a unit reformation going from an 80 to a 40
19 acre unit. I have prefiled a letter from Bob Ramsay of Ramsay McCormick Land Company
20 where he acknowledges our request and has no objection to the reformation. I would ask that
21 that be admitted into the record.

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1 CHMN. MCCORQUODALE: The letter is admitted.

2 (Whereupon, the letter was received in evidence)

3 ERIC HUTCHENS

4 Appearing as a witness on behalf of Petitioner, Delta Petroleum Corporation, testified as

5 follows:

6 DIRECT EXAMINATION

7 Questions by Mr. Watson:

8 Q. Mr. Hutchens, I'll remind you that you are still under oath. You are familiar with the
9 petition here to reform the J. D. Jobson 26-7 No. 6 well from an 80-acre unit to a 40-acre
10 unit?

11 A. Yes, I am.

12 Q. You have prepared two exhibits in support of that petition?

13 A. Yes, I have.

14 Q. Tell us what's shown on Exhibit 1, Mr. Hutchens.

15 A. Exhibit 1 shows an 80-acre unit for the J.D. Jobson 26-7. It was permitted and drilled by
16 TRW as a 40. Sometime after they drilled it they reformed it to an 80-acre unit. We
17 would like to break it back to a 40 to allow us to drill a second well in the unit.

18 Q. Your Exhibit 2.

19 A. Exhibit 2 is the proposed second well, the Gay 26-8, that we would most likely drill as
20 the third one in the series of wells that we are drilling.

21 Q. Is that well at a legal location on that governmental quarter-quarter section?

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1 A. Yes, it is.

2 Q. As you have stated, this will allow you to drill a second well in what was originally an
3 80-acre unit. Mr. McCormick owns all the minerals. He has agreed to this. Is that
4 correct?

5 A. That's correct.

6 Q. Would the drilling of this well prevent waste and protect correlative rights?

7 A. Yes it would.

8 MR. WATSON: I ask that you receive into the record of the hearing, Mr. Chairman,
9 Exhibits 1 and 2 to the testimony of Mr. Hutchens.

10 CHMN. MCCORQUODALE: The exhibits are admitted.

11 (Whereupon, the exhibits were received in evidence)

12 MR. WATSON: I tender him to you for any questions.

13 CHMN. MCCORQUODALE: Are there questions?

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

15 MR. METCALFE: Second.

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

17 (All Board members voted "aye")

18 CHMN. MCCORQUODALE: "Ayes" have it. The Board will be in brief recess.

19 (The hearing was recessed for eleven minutes)

20 CHMN. MCCORQUODALE: Let the record reflect that the State Oil and Gas Board is
21 back in session. Next item, Mr. Rogers.

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1 MR. ROGERS: Item 21, Docket No. 11-13-02-8, petition by Primal Energy Corporation.

2 MR. WATSON: Mr. Chairman, could we consolidate the Primal matters, Docket Nos.

3 11-13-02-8, 9 and 10 for testimony?

4 CHMN. MCCORQUODALE: That request is granted.

5 MR. WATSON: I have one witness and would like to have him sworn in.

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

7 MR. SCHNEEFLOCK: Robert Schneeflock, Jackson, Mississippi.

8 (Witness was sworn by Mr. Rogers)

9 MR. WATSON: I have prefiled affidavits of notice and amended affidavits of notice in
10 these items and ask that they be admitted into the record, please.

11 CHMN. MCCORQUODALE: Those are admitted.

12 (Whereupon, the affidavits were received in evidence)

13 MR. WATSON: I am going today to propose amendments to Rule 3A and 3B of the
14 Special Field Rules for the Moscow Field. We will be asking you to approve a 320-acre wildcat
15 unit for a well that Primal proposes to drill. Finally, we are going to ask that you force pool,
16 without the imposition of the risk compensation fee, tracts and interests in the proposed 320-acre
17 wildcat. Mr. Schneeflock, you are familiar with the three petitions that I have just described that
18 we are going to hear today?

19 MR. SCHNEEFLOCK: Yes, sir.

20 MR. WATSON: You have appeared before the Board and have on file an affidavit of
21 your qualifications as a petroleum geologist. Is that correct?

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1 MR. SCHNEEFLOCK: Yes, sir.

2 MR. WATSON: The exhibits that you have prepared in support of the 320-acre wildcat
3 unit you have in booklet form and we are going to present those in a power point presentation.
4 We have the booklet of exhibits that you, Mr. Chairman, and members can follow through. It's
5 an exact reprint of what you are going to see on the screen for the record. Mr. Schneeflock can
6 best explain this with ease with his power point presentation.

7 ROBERT SCHNEEFLOCK

8 Appearing as a witness on behalf of Petitioner, Primal Energy Corporation, testified as
9 follows:

10 DIRECT EXAMINATION

11 Questions by Mr. Watson:

12 Q. With your permission, having introduced the items and having qualified my witness and
13 without interfering in his smooth presentation here, I am going to ask that he take his
14 power point program and describe to you what we are requesting in the form of this 320-
15 acre wildcat unit, why we are asking for exceptions to the rule, and then I will take care
16 of the request for the force pooling. You can follow along if you want to with the paper
17 copy. Mr. Schneeflock, I'll ask that you start your presentation with the power point.

18 A. Okay. Exhibit No. 1 is just to show you where things are. This is Lamar County. It's
19 one of the best counties to produce in the Warrior Basin. The prospect is right where the
20 black arrow is. We'll zoom in on that. You can see that we are in an area of pretty good
21 production. The Beaverton Field is up here. We're on the average of about 10 Bcf a

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1 piece. This is North Blowhorn Creek. Our prospect that has about 10 Bcf potential is
2 right in this area, right next to Fairview Field. The structure is just monoclinial dip to the
3 southwest but it is interrupted in a few places by faulting. This is the titian prospect that
4 we're asking for the unit, the seismic line that runs through it. You can see from these
5 fields that there has got to be more than structure involved in the trapping of these
6 hydrocarbons. If we just look at the Beaverton area you can see that the sand channels
7 that go through there are also part of what's trapping the gas and what we hope will work.
8 If we go on down to the south, we're hoping for the same thing, that one of these
9 channels, the shale, will shut this off and that we will have a nice gas field with this being
10 our first wildcat location. This seismic line--I got permission to use it without shot
11 points--you're going to see without shot points exactly where everything is. I have that
12 with me if the staff wants to look at it. We hope to gain 200 feet of structural advantage
13 over these highest wells in this fault block. The 3-2 projects into the line right there. The
14 35-13, which is this well, projects into the line following the contours around right here
15 and then we climb from that point to where we will drill. Hopefully, we will come in 150
16 feet high to this well which does not have gas in it, does not appear to. The fault that
17 limits it projects into the line right there. There is a little bit--on that fault it could be in
18 two places. The previous slide is the way I presented it to people that are going to drill
19 the well with me. It can also be this far out but in no case does this 80 acres fall into that.
20 That's as close as I can get it to it. If we make a well somebody will sure try it but that's
21 a deep hole that that 80 acres is in. I don't believe this has any chance of being

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1 productive. The Moscow Field limit is those four sections. The one well that is still
2 active in there is a South Half of Section 34 unit. The field limit for Moscow, we kind of
3 backed in. This is the unit that I'm asking for and we kind of back in that 80 acres into
4 the Moscow unit. We would be at a very legal location. This is from Engineering
5 Services. It's the location plat. I'll zoom in on that too so that we can see it a little
6 easier. We would be at the closest with this unit which comprises the West Half of the
7 Northeast Quarter of Section 1, all of the Northwest Quarter of Section 1, and 80 acres in
8 the East Half of the Northeast Quarter of Section 2, the closest to the unit boundary
9 would be over 1,000 feet in this direction and almost 2,000 feet in this direction. We'll
10 have to knock down a few trees to get to it but that should be fine at that location. This
11 is the topographic map. We're a little bit on the side of a hill but then, again, we should
12 be able to come right up there to it.

13 Q. Now, by asking for the amendment to the rule, could you possibly go back or I can refer
14 them back to Exhibit 7 or 8 that shows that we have 80 acres in the Moscow Field. The
15 well itself is going to be drilled outside the Moscow Field. That's the reason we are
16 asking for the wildcat status. Is that correct?

17 A. That's correct.

18 Q. We're asking to amend the Moscow field rules to take out the requirement for
19 governmental half sections and also to take out the requirement for 2,000 feet between
20 wells producing from the same pool. That's in order to give you, I assume, Mr.
21 Schneeflock, flexibility to honor the geology to drill these wells, in honoring the geology

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1 to locate them, form units, maximizing the geological control and the production data. Is
2 that correct?

3 A. That is correct.

4 Q. If, in fact, this well is completed as a producer--I mean, when it is completed as a
5 producer, then we would come back to the Board and address its status, either as a part of
6 the Moscow Field or as a new discovery. Is that right?

7 A. That is correct.

8 Q. What do you expect this well to be? Do you expect it to be a part of the production that
9 is established in that one well in Moscow?

10 A. That's the way we have it interpreted. I'll take a producer any way I can get it but that's
11 the way we have it interpreted. This well has been on production for a long, long time. It
12 looks like from the production on it that it may be part of something bigger and we're
13 hoping that's what we find. We think we are in an area that is pretty oily. We think this
14 may be an oil leg down there. The resistivity looks very high there but you have no C &
15 LFDC spread in that which looks just like the oil fields in there.

16 Q. The petitioner in these three consolidated items is Primal Energy Corporation. What is
17 your relationship with Primal Energy Corporation?

18 A. We generated the prospect. They are a quarter interests, working interest participant in
19 the operation.

20 Q. Mr. Schneeflock, would the granting of the petition approving the 320-acre wildcat unit
21 as you have described and approving the amendments to the Special Field Rules to allow

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1 for 320 contiguous acre spacing and to remove the 2,000 foot rule as has been removed in
2 most of the fields in the Black Warrior Basin, would the granting of those requests
3 prevent waste and protect correlative rights and promote orderly development in this
4 area?

5 A. Yes, sir, it will.

6 MR. WATSON: Mr. Chairman, in addition to this we have outstanding unleased interest
7 that are known to us. John Tyra, my law partner, is doing the title on this matter. I have
8 submitted an affidavit of testimony in support of force pooling, without risk compensation, 4.9
9 mineral acres, or approximately 1.53 percent of the unit. I would ask that you admit Mr. Tyra's
10 affidavit in support of the force pooling into the record of this hearing.

11 CHMN. MCCORQUODALE: The affidavit is admitted.

12 (Whereupon, the affidavit was received in evidence)

13 MR. WATSON: Just for the record I would state to you that the Flynn Cemetery, one of
14 the unleased owners, the representative or the Secretary/Treasurer of the Flynn Cemetery which
15 you saw on one of Mr. Schneeflock's power points there has before her for action a lease. Mr.
16 Egger and his wife, Cynthia Egger, have also been contacted. They are presently involved in
17 divorce proceedings and are under direction, I suppose, from their lawyers, so they just have not
18 signed. That's all we have on those items. I tender my witness to the Board and staff for any
19 questions you have on any of these items.

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

1 MR. WATSON: I would ask that you receive into the record of the hearing the paper
2 document signed by Mr. Schneeflock.

3 CHMN. MCCORQUODALE: All of the exhibits are admitted.

4 (Whereupon, the exhibits were received in evidence)

5 CHMN. MCCORQUODALE: Are there questions?

6 MR. DAMPIER: Mr. Chairman, I move that this petition is granted.

7 MR. METCALFE: Second.

8 CHMN. MCCORQUODALE: We consolidated all of these petitions, so does your
9 motion apply to all of the consolidated petitions?

10 MR. DAMPER: The consolidated petitions, yes.

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

12 (All Board members voted "aye")

13 CHMN. MCCORQUODALE: "Ayes" have it.

14 MR. ROGERS: The next item then is Item 25, Docket No. 11-13-02-12 petition by
15 Natural Gas and Oil, Inc. We received a letter from the attorney for that petitioner, Greg
16 Pearson, requesting a continuance, Mr. Chairman.

17 CHMN. MCCORQUODALE: Is there any objection? Hearing none, that matter is
18 continued.

19 MR. ROGERS: The last item then is Item 26, Docket No. 11-13-02-13, a motion by the
20 State Oil and Gas Board of Alabama to amend the Special Field Rules of the Choctaw Ridge
21 Field, Choctaw County, Alabama, in order to update and clarify the language in certain rules.

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1 MR. MASINGILL: I might add that this is just to update the field rules to incorporate
2 unit operation rules within the field. The operator of the field supports the petition and the staff
3 would recommend approval.

4 MR. METCALFE: Move.

5 MR. DAMPIER: Second.

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

7 (All Board members voted "aye")

8 CHMN. MCCORQUODALE: "Ayes" have it.

9 MR. ROGERS: That item too, Mr. Chairman, we will request that a copy of the
10 proposed field rules be admitted into the record.

11 CHMN. MCCORQUODALE: That is admitted.

12 (Whereupon, the exhibit was received in evidence)

13 CHMN. MCCORQUODALE: Are there other matters to come before the Board, Mr.
14 Rogers?

15 MR. ROGERS: Yes, sir. One other matter on our original report, I need to address Item
16 20, Docket No. 11-13-02-7, petition by El Paso Production Company, and state that Mr.
17 Metcalfe has recused himself on that matter. We will prepare a revised report to address that.

18 CHMN. MCCORQUODALE: Are there others? We stand adjourned.

19 (Whereupon, the hearing was adjourned at 11:31 p.m.)

REPORTER'S CERTIFICATE

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STATE OF ALABAMA
COUNTY OF TUSCALOOSA

I, Rickey Estes, Hearing Reporter in and for the State of Alabama, do hereby certify that on Friday, November 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 51 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 nor counsel to the parties to said cause, nor in any manner interested in the results thereof.


Rickey Estes
Hearing Reporter