

BEFORE THE STATE OIL AND GAS BOARD OF ALABAMA

**PURSUANT TO A DECISION RENDERED DURING
A REGULAR SESSION OF THE STATE OIL AND GAS
BOARD OF ALABAMA ON JULY 12, 2002, THE
FOLLOWING ORDER IS HEREBY PROMULGATED:**

IN RE: ORDER NO. 2002-147

DOCKET NO. 5-29-02-93

THIS CAUSE came on for hearing before the State Oil and Gas Board of Alabama on the petition of DOMINION BLACK WARRIOR BASIN, INC. (hereinafter referred to as "Dominion"), an Alabama corporation, requesting the State Oil and Gas Board to enter an order confirming that natural gas produced from a well in the BLUE CREEK Coal Degasification Field, Tuscaloosa County, Alabama is occluded natural gas produced from coal seams.

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

I.

That the Natural Gas Policy Act of 1978 (hereinafter referred to as "NGPA") was enacted, in part, to establish a price ceiling for wellhead sales of natural gas (15 U.S.C. Section 3301-3432). The NGPA authorized the Federal Energy Regulatory Commission (hereinafter referred to as "FERC") to prescribe price ceilings for sales of certain types of "high-cost natural gas" to include occluded natural gas produced from coal seams. Section 503(a) of the NGPA authorized state jurisdictional agencies to make determinations of whether a particular type of natural gas is occluded natural gas produced from coal seams and to forward such determinations to FERC. Section 503(b) provided for FERC to review the determinations. The Wellhead Decontrol Act of 1989 (15 U.S.C. Chapter 60) deregulated sales of natural gas on January 1, 1993.

II.

That the Internal Revenue Code provides for a tax credit for certain qualified fuels, including gas produced from coal seams. 26 U.S.C. 29. The tax credit applies to qualified fuels produced from wells drilled between January 1, 1980, and December 31, 1992, provided that the production is sold before January 1, 2003. Section 29(c)(2)(A) of the Internal Revenue Code states that the determination of whether gas falls into a category qualifying for the tax credit "shall be made in accordance with Section 503 of the NGPA." Section 503 of the NGPA sets forth the

procedures for determining whether gas qualified for the various categories of gas entitled to the higher ceiling prices established by the NGPA as incentives for increased production. Consistent with the Wellhead Decontrol Act of 1989, FERC terminated the process for approving an NGPA price determination and approving eligibility for the tax credit in 1994. In 2000, however, FERC re-opened the review process allowing states to accept applications under Section 107 of the NGPA to allow the tax credit under 26 U.S.C. 29.

III.

That in this petition, Dominion requests the Board to confirm that the CASSIDY 32-09-37 Well, Permit No. 5681-C produces and has produced occluded natural gas from coal seams allowing for the tax credit under 26 U.S.C. 29.

FINDINGS OF FACT

IV.

That Dominion owns an interest in the CASSIDY 32-09-37 Well, Permit No. 5681-C, which was drilled between January 1, 1980, and December 31, 1992.

V.

That the CASSIDY 32-09-37 Well, Permit No. 5681-C, was drilled on an 80-acre unit in Section 32, Township 18 South, Range 8 West, Tuscaloosa County, Alabama, in the BLUE CREEK Coal Degasification Field, and completed in coal seams in the Pottsville Formation as defined in the Special Field Rules for said Field.

VI.

That the evidence indicates that the above-described well was also recompleted within the above-described coal seam.

VII.

That the above-described well produces occluded natural gas from coal seams in the BLUE CREEK Coal Degasification Field as evidenced by the information and data contained on Form OGB-7 (Well Record Report), Form OGB-9 (First Production Report) and on the Electric Log for said well, all of which are on file with this Board.

VIII.

That the evidence in the above-described forms and log, indicates that the natural gas produced from the CASSIDY 32-09-37 Well, Permit No. 5681-C, is occluded natural gas produced from coal seams in the BLUE CREEK Coal Degasification Field.

CONCLUSIONS OF LAW

IX.

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

X.

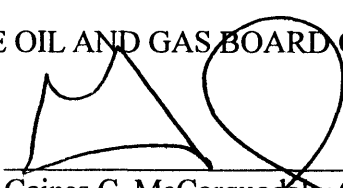
That approval of this petition confirming that the above-described well produces occluded natural gas from coal seams will promote the conservation of the oil and gas resources of the State of Alabama.

Based on the Findings of Fact set forth hereinabove, **IT IS THEREFORE, HEREBY ORDERED, ADJUDGED AND DECREED** by the State Oil and Gas Board of Alabama that the Petition be **GRANTED**, and the Board hereby confirms that the CASSIDY 32-09-37 Well, Permit No. 5681-C, produces and has produced occluded natural gas from coal seams in the Pottsville Formation in the BLUE CREEK Coal Degasification Field, Tuscaloosa County, Alabama.

ORDERED this 12th day of July, 2002.

STATE OIL AND GAS BOARD OF ALABAMA

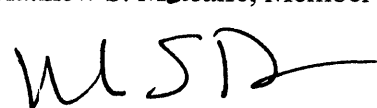
BY:


Gaines C. McCorquodale, Chairman

BY:


Matthew S. Metcalfe, Member

BY:


M. Stephen Dampier, Member

ATTEST:


Donald F. Oltz, Secretary