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8-1-03

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Board Exhibit	Hearing Officer Report	20	20
Exhibit 1 (Item 19)	Affidavit of notice (William T. Watson)	21	21
Exhibit 2 (Item 19)	5/15/03 letter to Debra Bacon with green card attached. (Steven Hutchings)	21	21
Exhibit 1 (Item 21)	Affidavit of notice (William T. Watson)	26 & 28	26 & 28
Exhibit 2 (Item 21)	5/15/03 letter to Debra Bacon with green card attached (Steven Hutchings)	26 & 28	26 & 28
Exhibit 3 (Item 21)	5/5/03 letter to Jean Bagwell with green card attached (Steven Hutchings)	26 & 28	26 & 28
Exhibit 4 (Item 21)	5/5/03 letter to Richard T. Earnest with green card attached (Steven Hutchings)	26 & 28	26 & 28
Exhibit 5 (Item 21)	5/5/03 letter to Paul W. Earnest with green card attached (Steven Hutchings)	26 & 28	26 & 28

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 6 (Item 21)	5/5/03 letter to Eva Nell Davis with green card attached (Steven Hutchings)	26 & 28	26 & 28
Exhibit 7 (Item 21)	5/22/03 letter to James T. Bonner with green card and Express Mail receipt attached (Steven Hutchings)	31	31
Exhibit 8 (Item 21)	5/5/03 letter to James T. Bonner (Steven Hutchings)	26 & 28	26 & 28
Exhibit 1 (Item 22)	Affidavit of notice (William T. Watson)	37	37
Exhibit 2 (Item 22)	5/5/03 letter to Debra Bacon with green card attached (Steven Hutchings)	37	37
Exhibit 3 (Item 22)	6/10/03 letter to Debra Bacon with signed acknowledgment from El Paso (Steven Hutchings)	38	38
Exhibit 1 (Item 23)	Affidavit of notice (William T. Watson)	41	41
Exhibit 2 (Item 23)	5/21/03 letter to Debra Bacon with attached green card (Steven Hutchings)	41	41

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 1 (Item 31)	Summary of Mobile Bay volume allocation (William P. Hand)	52	52
Exhibit 2 (Item 31)	OGB-15's for various fields in Mobile Bay (William P. Hand)	52	52
Exhibit 3 (Item 31)	Revised OGB-15's for fields in Mobile Bay (William P. Hand)	52	52
Exhibit 4 (Item 31)	6/9/03 letter to Board (James H. Griggs)	52	52
Exhibit 5 (Item 31)	Affidavit of notice (William T. Watson)	52	52
Exhibit 1 (Item 34)	Proposed rule (David Bolin)	58	58
Exhibit 2 (Item 34)	3/25/03 letter with attachment to Tom Watson (S. Marvin Rogers)	58	58
Exhibit 3 (Item 34)	3/25/03 letter to Dean Peeler (S. Marvin Rogers)	58	58
Exhibit 4 (Item 34)	3/25/03 letter to Tom Joiner (S. Marvin Rogers)	58	58
Exhibit 5 (Item 34)	3/25/03 letter to T. S. Brooks (S. Marvin Rogers)	58	58

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 6 (Item 34)	3/25/03 letter to Mike Mire (S. Marvin Rogers)	58	58
Exhibit 7 (Item 34)	3/25/03 letter to Mark Smith (S. Marvin Rogers)	58	58
Exhibit 8 (Item 34)	3/25/03 letter to David Cagle (S. Marvin Rogers)	58	58

STATE OIL AND GAS BOARD OF ALABAMA

Mobile, Alabama

June 13, 2003

Testimony and proceedings before the State Oil and Gas Board in Regular Session at 4182 Commanders Drive, Mobile, Alabama, pursuant to adjournment, on this the 13th day of June, 2003.

BEFORE:

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

BOARD STAFF

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

APPEARANCES

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NAME		REPRESENTING
1.	Tom Watson Tuscaloosa, AL	----
2.	Bill Hand Bay St. Louis, MS	----
3.	Steve Hutchings Mobile, AL	----
4.	W. B. Simmons Mobile, AL	----
5.	Tom Joiner Tuscaloosa, AL	Exxon Mobil
6.	Conrad A. Gazzier Gulf Shores, AL	Nauvoo, LLC

1 (The hearing was convened at 10:20 a.m. on
2 Friday, June 13, 2003, at Mobile, 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, with your permission I would like to address one item of
8 business before we start the regular Board docket for today. Earlier in Executive Session the
9 State Oil and Gas Board adopted and signed a Special Joint Geological Survey of Alabama and
10 State Oil and Gas Board Resolution honoring the dedicated long-time service to these agencies
11 and the State of Alabama of an important member of our staff who is retiring. As State
12 Geologist I endorsed and signed this Resolution for the Geological Survey. The Board members
13 signed for the State Oil and Gas Board. At this time I would like to read this Resolution into the
14 minutes of today's hearing and then present this signed copy of the Resolution to the Honoree,
15 my good friend and colleague, Gary V. Wilson.

16 *RESOLUTION*

17
18 **KNOW ALL MEN BY THESE PRESENTS:**

19
20 **WHEREAS**, Gary V. Wilson has faithfully served the State of Alabama and
21 the Geological Survey of Alabama and the State Oil and Gas Board of Alabama
22 since May of 1968 in various capacities including Geophysicist, Geologist,
23 Assistant Oil and Gas Supervisor, and Deputy Director of the Oil and Gas Board;
24 and

1 WHEREAS, Gary V. Wilson has served under the direction of five State
2 Geologists, namely Philip E. LaMoreaux, Thomas J. Joiner, Ernest A. Mancini,
3 Donald F. Oltz, and Berry H. (Nick) Tew, Jr., and under two acting State
4 Geologists, namely Richard N. Raymond and James D. (Danny) Moore; and

5 WHEREAS, Gary V. Wilson has made significant and meaningful
6 contributions to the knowledge and understanding of the water, mineral, energy,
7 and other natural resources of the State of Alabama; and

8 WHEREAS, during his tenure as Assistant Oil and Gas Supervisor and
9 Deputy Director, the oil and gas industry has prospered as evidenced by two
10 hundred seventy new fields being established and more than nine thousand five
11 hundred wells being permitted, representing nearly seventy-five percent of the oil
12 and gas development during the entire history of the Board; and

13 WHEREAS, Gary V. Wilson has provided tremendous leadership,
14 initiative, and direction in the development of a nationally recognized website for
15 the Board; and

16 WHEREAS, Gary V. Wilson has been a reliable and trusted friend and
17 associate to his many colleagues, both within the agencies and without; and

18 WHEREAS, Gary V. Wilson has conducted himself with the highest
19 standards of professionalism and ethics, lending credit to himself, his profession,
20 these agencies, and the State of Alabama;

21 **NOW, THEREFORE, BE IT RESOLVED BY THE GEOLOGICAL SURVEY OF**
22 **ALABAMA AND STATE OIL AND GAS BOARD OF ALABAMA**, that Berry H. (Nick)
23 Tew, Jr., State Geologist and Oil and Board Supervisor, Gaines C.
24 McCorquodale, Chairman of the Board, Matthew S. Metcalfe, Member of the
25 Board, and M. Stephen Dampier, Member of the Board, express the deepest
26 gratitude and greatest appreciation of the Geological Survey of Alabama, the State
27 Oil and Gas Board of Alabama, and the people of Alabama to Gary V. Wilson for
28 his thirty-five years of dedicated service to the State of Alabama by incorporating

1 this Resolution into the official minutes of the hearings of the State Oil and Gas
2 Board.

3
4 Dated this 28th day of March, 2003.

5
6 GEOLOGICAL SURVEY OF ALABAMA
7 STATE OIL AND GAS BOARD OF ALABAMA

8
9 By: _____
10 Berry H. (Nick) Tew, Jr., State Geologist
11 And Oil and Gas Supervisor

12
13
14 By: _____
15 Gaines C. McCorquodale, Chairman

16
17
18 By: _____
19 Matthew S. Metcalfe, Member

20 Attest:

21
22 _____
23 S. Marvin Rogers, Counsel

24 By: _____
25 M. Stephen Dampier, Member

26 DR. TEW: Gary, I want to give you this but at the same time I want you to give it back
27 to me so that we can take it and have it framed.

28 MR. WILSON: Thank you very much. I appreciate it.

29 CHMN. MCCORQUODALE: Over the years we have had people come and go, retire
30 and leave, but rarely have we had someone who has been as vital to our operation leave, as Gary
31 is now retiring. We certainly wish him the best but assure him that he truly will be missed.

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

2
3 AGENDA
4 STATE OIL AND GAS BOARD OF ALABAMA
5 JUNE 11 & JUNE 13, 2003
6

7 The State Oil and Gas Board of Alabama will hold its regular monthly meeting at
8 10:00 a.m. on Wednesday, June 11, 2003, in the Board Room of the State Oil and
9 Gas Board, Walter B. Jones Hall, University of Alabama Campus, 420 Hackberry
10 Lane, Tuscaloosa, Alabama, and Friday, June 13, 2003, at 4182 Commanders
11 Drive, Mobile, Alabama, to consider among other items, the following petition(s):
12

13 1. DOCKET NO. 8-28-02-12B

14 Continued amended petition by DELTA PETROLEUM CORP., a foreign
15 corporation authorized to do and doing business in the State of Alabama, requesting
16 the State Oil and Gas Board to enter an order pursuant to Sections 9-17-1 through 9-
17 17-33 and 9-17-80 through 9-17-88, Code of Alabama (1975) approving and
18 establishing a partial field-wide Unit, to be known as Unit II of the Deerlick Creek
19 Coal Degasification Field, Tuscaloosa County, Alabama, consisting of the
20 hereinafter described "Unit Area" in said field, and requiring the operation of said
21 Unit Area as a single Unit in order to avoid the drilling of unnecessary wells,
22 increase the efficiency of operations and improve the ultimate recovery of occluded
23 natural gas from the Unitized Formation, as hereinafter defined, and avoid waste.
24 The "Unitized Formation" is to be designated as the Pottsville Coal Interval and is
25 defined as the productive coal seams found between the depths of 595 feet and 2,767
26 feet as encountered in the Ramsay McCormack 35-5 Well, Permit No. 11228-C,
27 located in Section 35, Township 20 South, Range 9 West, Tuscaloosa County,
28 Alabama, as indicated on the density log of said well, and all zones in
29 communication therewith and all productive extensions thereof, including any coal
30 seam stringer that might occur within a depth of either 80 feet above or 80 feet
31 below the Pottsville Coal Interval, and including those coal seams which can be
32 correlated therewith. Petitioner further seeks approval of the Unit Agreement and
33 Unit Operating Agreement, as ratified, in accordance with Section 9-17-84, Code of
34 Alabama (1975), and approval of the amendments to the Special Field Rules for the
35 Deerlick Creek Coal Degasification Field in order to conform to the provisions of
36 the aforementioned Unit Agreement and Unit Operating Agreement.

1 Petitioner further seeks entry of an order unitizing, pooling and integrating the Unit
2 Area, as underlain by the above defined unitized formation so as to require all
3 owners or claimants of royalty, overriding royalty, mineral, and leasehold interests
4 within the Unit Area to unitize, pool and integrate their interests and develop their
5 lands or interests as a Unit, and designating Castle Exploration Co., Inc. as operator
6 of the Unit Area in accordance with the laws of Alabama. The proposed Unit Area,
7 to be designated Unit II, consisting of 263 acres, more or less, and described as
8 follows: The East Half of the Northeast Quarter; Southwest Quarter of the Northeast
9 Quarter; North Half of the Southeast Quarter of Section 35; and the Northwest
10 Quarter; Northwest Quarter of the Southwest Quarter of Section 36, all in Township
11 20 South, Range 9 West, Tuscaloosa County, Alabama, in the Deerlick Creek Coal
12 Degasification Field, less and except from the above described property all of those
13 certain lands condemned by the United States of America for the Holt Lock & Dam
14 Project as described in Deed Book 510 at Page 343 of the records of the Probate
15 Judge of Tuscaloosa County, Alabama.

16
17 This petition is a companion to petition bearing Docket No. 8-28-02-10 to add
18 acreage to the Deerlick Creek Coal Degasification Field.

19
20 2. DOCKET NO. 10-16-02-9

21 Continued petition by EL PASO PRODUCTION COMPANY, a foreign
22 corporation authorized to do and doing business in the State of Alabama,
23 requesting the State Oil and Gas Board of Alabama to enter an order force
24 pooling, without imposition of the risk compensation fee, all tracts and interests in
25 hydrocarbons produced from a proposed 80-acre unit consisting of the Northwest
26 Quarter of the Northeast Quarter of Section 5, Township 18 South, Range 8 West,
27 and the Southwest Quarter of the Southeast Quarter of Section 32, Township 17
28 South, Range 8 West, Tuscaloosa County, Alabama, in the White Oak Creek Coal
29 Degasification Field. This Petition is filed in accordance with Section 9-17-13,
30 Code of Alabama (1975), as amended, and Rule 400-7-2-.01 of the State Oil and
31 Gas Board of Alabama Administrative Code.

32
33 3. DOCKET NO. 12-19-02-3

34 Continued petition by VENTEX OPERATING CORP., a foreign corporation
35 authorized to do and doing business in the State of Alabama, requesting the State Oil
36 and Gas Board of Alabama to enter an order pursuant to Sections 9-17-1 through 9-
37 17-32 and 9-17-80 through 9-17-88, Code of Alabama (1975), approving plans for a
38 partial field-wide oil unit in the North Rome Field to be known as the "North Rome
39 Field Lower Cotton Valley Sand Oil Unit" consisting of the hereinafter described
40 "Unit Area" in Covington County, Alabama, and requiring the operation of said Unit
41 Area as a partial field-wide unit for pressure maintenance, enhanced recovery,

1 development and production of oil, gas, gaseous substances, condensate, distillate
2 and all associated and constituent liquid or liquefiable substances within or produced
3 from the unitized interval in order to prevent waste, to maximize recovery of the
4 unitized substances, to avoid the drilling of unnecessary wells and to protect the
5 coequal and correlative rights of interested parties.
6

7 The "Unitized Formation" is to be designated as the Lower Cotton Valley Sand Oil
8 Pool, defined as that interval of the Lower Cotton Valley Sand productive of
9 hydrocarbons between depths of 11,128 feet and 11,832 feet as indicated on the
10 Dual Induction Log for the Hart 4-7 No. 2 Well, Permit No. 11824, and all zones in
11 communication therewith and all productive extensions thereof, and including those
12 strata which can be correlated therewith, or such other enlarged interval as may be
13 ordered by the State Oil and Gas Board of Alabama.
14

15 The proposed "Unit Area" is designated as the South Half of the Northwest Quarter
16 of the Northeast Quarter; the South Half of the Northeast Quarter of the Northeast
17 Quarter; the South Half of the Northeast Quarter; the East Half of the Southeast
18 Quarter of the Northwest Quarter; the North Half of the Northwest Quarter of the
19 Southeast Quarter; the North Half of the Northeast Quarter of the Southeast Quarter
20 of Section 4, and the West Half of the West Half of the Southwest Quarter of the
21 Northwest Quarter of Section 3, all in Township 2 North, Range 14 East, Covington
22 County, Alabama, containing approximately 190 acres, more or less.
23

24 Said petition further seeks entry of an order by this Board unitizing, pooling and
25 integrating the Unit Area, as underlain by the above described Unitized Formation,
26 into a partial field-wide unit so as to require all owners or claimants of royalty,
27 overriding royalty, mineral, leasehold and all other leasehold interests within said
28 partial field-wide Unit to unitize, pool and integrate their interests and develop their
29 lands or interests within the Unit Area as a partial field-wide Unit. Said petition
30 further seeks to have Ventex Operating Corp. designated as operator of the Unit
31 Area in accordance with the laws in the State of Alabama and seeks an order from
32 the Board approving the form of the Unit Agreement and the form of the Unit
33 Operating Agreement. Petitioner also seeks approval of the form of the Ratification
34 Agreement. Said petition further seeks approval of the amendments to the Special
35 Field Rules for the North Rome Field in order to conform to the provisions of the
36 aforementioned Unit Agreement and Unit Operating Agreement.
37

38 4. DOCKET NO. 4-30-03-1

39 Continued petition by DOMINION BLACK WARRIOR BASIN, INC., an
40 Alabama corporation, authorized to do and doing business in the State of
41 Alabama, requesting the State Oil and Gas Board to enter an order reforming the

1 unit for the Bolton 19-08-337 Well, Permit No. 12682-C, from a 40-acre unit
2 consisting of the Southeast Quarter of the Northeast Quarter of Section 19,
3 Township 17 South, Range 9 West, Tuscaloosa County, Alabama in the Blue
4 Creek Coal Degasification Field, to an 80-acre unit consisting of the South Half of
5 the Northeast Quarter of Section 19, Township 17 South, Range 9 West,
6 Tuscaloosa County, Alabama.

7
8 5. DOCKET NO. 4-30-03-2

9 Continued petition by DOMINION BLACK WARRIOR BASIN, INC., an
10 Alabama corporation, authorized to do and doing business in the State of
11 Alabama, requesting the State Oil and Gas Board to enter an order reforming the
12 unit for the Chevron 26-11-62 Well, Permit No. 11735-C, from a 40-acre unit
13 consisting of the Northeast Quarter of the Southwest Quarter of Section 26,
14 Township 17 South, Range 9 West, Tuscaloosa County, Alabama in the Blue
15 Creek Coal Degasification Field, to an 80-acre unit consisting of the East Half of
16 the Southwest Quarter of Section 26, Township 17 South, Range 9 West,
17 Tuscaloosa County, Alabama.

18
19 6. DOCKET NO. 4-30-03-3

20 Continued petition by DOMINION BLACK WARRIOR BASIN, INC., an
21 Alabama corporation, authorized to do and doing business in the State of
22 Alabama, requesting the State Oil and Gas Board to enter an order reforming the
23 unit for the Chevron 13-16-109 Well, Permit No. 11943-C, from a 40-acre unit
24 consisting of the Southeast Quarter of the Southeast Quarter of Section 13,
25 Township 17 South, Range 9 West, Tuscaloosa County, Alabama in the Blue
26 Creek Coal Degasification Field, to an 80-acre unit consisting of the South Half of
27 the Southeast Quarter of Section 13, Township 17 South, Range 9 West,
28 Tuscaloosa County, Alabama.

29
30 7. DOCKET NO. 4-30-03-4

31 Continued petition by DOMINION BLACK WARRIOR BASIN, INC., an
32 Alabama corporation, authorized to do and doing business in the State of
33 Alabama, requesting the State Oil and Gas Board to enter an order reforming the
34 unit for the Chevron 30-06-362 Well, Permit No. 12685-C, from a 40-acre unit
35 consisting of the Southeast Quarter of the Northwest Quarter of Section 30,
36 Township 17 South, Range 9 West, Tuscaloosa County, Alabama in the Blue
37 Creek Coal Degasification Field, to an 80-acre unit consisting of the South Half of
38 the Northwest Quarter of Section 30, Township 17 South, Range 9 West,
39 Tuscaloosa County, Alabama.

1 8. DOCKET NO. 4-30-03-5

2 Continued petition by HUGHES EASTERN CORPORATION, a foreign
3 corporation authorized to do and doing business in the State of Alabama,
4 requesting the State Oil and Gas Board to enter an order force pooling, without
5 the imposition of a risk compensation penalty, all tracts and interests in
6 hydrocarbons produced from the re-entry and completion of the J. W. Jenkins 34-
7 12 No. 1 Well, Permit No. 2663, located on a proposed 160-acre wildcat unit
8 consisting of the South Half of the South Half of the Northwest Quarter, the North
9 Half of the Southwest Quarter and the North Half of the South Half of the
10 Southwest Quarter, all in Section 34, Township 11 North, Range 3 West, Choctaw
11 County, Alabama.

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

16
17 9. DOCKET NO. 4-30-03-7

18 Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA
19 to consider issuing an order for Vintage Petroleum, Inc., Hunt Refining Company,
20 and Pruet Production Company to clean up and remove the oil on the lands of
21 Lois Ezell and the adjoining pipeline right-of-way located in Section 29,
22 Township 11 North, Range 3 West, Choctaw County, Alabama. Vintage
23 Petroleum, Inc., operates the Ezell 29-5 Well, Permit No. 1844, on the lands of
24 Lois Ezell, and certain oil pipelines on the pipeline right-of-way adjoining the
25 lands of Lois Ezell. Hunt Oil Company operates an oil pipeline on the pipeline
26 right-of-way adjoining the lands of Lois Ezell. Pruet Production Company
27 operates a natural gas pipeline and a salt-water pipeline on the pipeline right-of-
28 way adjoining the lands of Lois Ezell. The jurisdiction and authority of the Board
29 is set forth in Section 9-17-1 et seq. of the Code of Alabama (1975), as amended.

30
31 10. DOCKET NO. 4-30-03-10

32 Continued petition by MOON-HINES-TIGRETT OPERATING CO., INC., a
33 foreign corporation authorized to do and doing business in the State of Alabama,
34 requesting the State Oil and Gas Board to enter an order amending Rule 1 of the
35 Special Field Rules for Sneads Creek Field to add the West Half of Section 22, all
36 of Section 27, and the East Half of Section 34, all in Township 20 South, Range
37 13 West, Pickens County, Alabama, to the field limits of said field.

38
39 This petition is filed as a companion to a petition bearing Docket No. 4-30-03-11
40 requesting an order reforming the 40-acre wildcat drilling unit for the Byars Heirs
41 27-4 #1 Well, Permit No. 8418-A, to a 360-acre unit; a petition bearing Docket

1 No. 4-30-03-12 requesting approval of an exceptional location for the referenced
2 well; and a petition bearing Docket No. 4-30-03-13 requesting the forced pooling
3 of all tracts and interests in said unit, without the imposition of a risk
4 compensation fee.
5

6 11. DOCKET NO. 4-30-03-11A

7 Continued amended petition by MOON-HINES-TIGRETT OPERATING CO.,
8 INC., a foreign corporation authorized to do and doing business in the State of
9 Alabama, requesting the State Oil and Gas Board to enter an order reforming the
10 40-acre wildcat unit for the Byars Heirs 27-4 #1 Well, Permit No. 8418-A,
11 consisting of the Northwest Quarter of the Northwest Quarter of Section 27,
12 Township 20 South, Range 13 West, Pickens County, Alabama, to a 360-acre unit
13 consisting of the West Half of said Section 27; the East $\frac{3}{4}$ of the Northeast
14 Quarter of the Northeast Quarter and the East $\frac{1}{4}$ of the Southeast Quarter of the
15 Northeast Quarter, all in Section 28, Township 20 South, Range 13 West, Pickens
16 County, Alabama, as an exception to Rule 3(a) of the Special Field Rules for the
17 Sneads Creek Field, which states in part that units shall consist of 320 acres.
18

19 This petition is filed as a companion to a petition bearing Docket No. 4-30-03-10
20 requesting an amendment to Rule 1 of the Special Field Rules for Sneads Creek
21 Field to add to the field limits; a petition bearing Docket No. 4-30-03-12
22 requesting approval of an exceptional location for the referenced well; and a
23 petition bearing Docket No. 4-30-03-13 requesting the forced pooling of all tracts
24 and interests in said unit, without the imposition of a risk compensation fee.
25

26 12. DOCKET NO. 4-30-03-12A

27 Continued amended petition by MOON-HINES-TIGRETT OPERATING CO.,
28 INC., a foreign corporation authorized to do and doing business in the State of
29 Alabama, requesting the State Oil and Gas Board for an exception to Rule 3(b) of
30 the Special Field Rules for the Sneads Creek Field for the Byars Heirs 27-4 #1
31 Well, Permit No. 8418-A, located on a proposed reformed 360-acre unit
32 consisting of the West Half of Section 27 and the East $\frac{3}{4}$ of the Northeast $\frac{1}{4}$ of the
33 Northeast $\frac{1}{4}$ and the E $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$, all in Section 28,
34 all in Township 20 South, Range 13 West, Pickens County, Alabama, in the
35 Sneads Creek Field. Rule 3(b) requires all wells to be located at least six hundred
36 sixty (660) feet from every exterior boundary of the drilling unit and the Byars
37 Heirs 27-4 #1 Well is only 531 feet from the North line of said 360-acre unit and,
38 as such, constitutes an exception to said Rule 3(b).

1 This petition is filed as a companion to a petition bearing Docket No. 4-30-03-10
2 requesting an amendment to Rule 1 of the Special Field Rules for Sneads Creek
3 Field to add to the field limits; a petition bearing Docket No. 4-30-03-11
4 requesting an order reforming the 40-acre wildcat unit for the Byars Heirs 27-4 #1
5 Well to a 360-acre unit; and a petition bearing Docket No. 4-30-03-13 requesting
6 the Board to force pool all tracts and interests in said unit, without the imposition
7 of a risk compensation fee.
8

9 13. DOCKET NO. 4-30-03-13

10 Continued petition by MOON-HINES-TIGRETT OPERATING CO., INC., a
11 foreign corporation authorized to do and doing business in the State of Alabama,
12 requesting the State Oil and Gas Board to enter an order force pooling, without
13 the imposition of a risk compensation penalty, all tracts and interests in
14 hydrocarbons produced from the re-entry and completion of the Byars Heirs 27-4
15 #1 Well, Permit No. 8418-A, located on a proposed reformed 360-acre unit
16 consisting of the West Half of Section 27 and the East $\frac{3}{4}$ of the Northeast $\frac{1}{4}$ of the
17 Northeast $\frac{1}{4}$ and the East $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$, all in Section
18 28, Township 20 South, Range 13 West, Pickens County, Alabama, in the Sneads
19 Creek Field.
20

21 This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as
22 amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama
23 Administrative Code.
24

25 This Petition is filed as a companion to a petition bearing Docket No. 4-30-03-10
26 requesting an amendment to Rule 1 of the Special Field Rules for Sneads Creek
27 Field to add to the field limits; a petition bearing Docket No. 4-30-03-11
28 requesting an order reforming the 40-acre wildcat unit for the Byars Heirs 27-4 #1
29 Well to a 360-acre unit; and a petition bearing Docket No. 4-30-03-12 requesting
30 an exceptional location for the referenced well.
31

32 14. DOCKET NO. 4-30-03-14

33 Continued petition by NAUVOO, L.L.C., an Alabama limited liability company
34 authorized to do and doing business in the State of Alabama, requesting the State
35 Oil and Gas Board to enter an order approving an exceptional location for the
36 proposed Morse-Stewart 18-9 No. 1 Well, which is proposed to be drilled on the
37 following described unit consisting of the south 930 feet of the North Half of the
38 Northeast Quarter of Fractional Section 18, and the South Half of the Northeast
39 Quarter of Fractional Section 18, and the north 400 feet of the fractional Southeast
40 Quarter of said fractional Section 18 located in Township 8 South, Range 4 East,
41 containing 160 acres, more or less, in the Pleasant View Field, Baldwin County,

Alabama. Said well is to be located 2673 feet south of the north section line, and 984 feet west of the east section line of Fractional Section 18. The proposed location is 372 feet from the south unit boundary line which is an exception to Rule 3(b) of the Special Field Rules for the Pleasant View Field, which rule requires each well to be a minimum of 660 feet from unit boundary lines. Notice is further given that the requested 160 acre unit overlaps an existing 160 acre unit for the Flowers-Stewart 18-8 well, Permit #12325, in the said Pleasant View Field. Said Flowers-Stewart 18-8 unit is described as the Northeast Quarter of the Fractional Section 18, Township 8 South, Range 4 East, Baldwin County, Alabama, in the Pleasant View Field. As operator of the Flowers-Stewart 18-8 well, Petitioner will plug and abandon this well prior to the completion and any production from the proposed Morse-Stewart 18-9 No. 1 Well. This Petition is a companion Petition to the Petition bearing Docket Number 4-30-03-15 requesting the Board to Force Pool the above described 160 acre unit.

15. DOCKET NO. 4-30-03-15

Continued petition by NAUVOO, L.L.C., an Alabama limited liability company authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling, without a risk compensation penalty, all tracts and interests in hydrocarbons produced from formations of Miocene age from the proposed Morse-Stewart 18-9 No. 1 Well, which is proposed to be drilled on the following described unit consisting of the south 930 feet of the North Half of the Northeast Quarter of Fractional Section 18, and the South Half of the Northeast Quarter of Fractional Section 18, and the north 400 feet of the fractional Southeast Quarter of said fractional Section 18 located in Township 8 South, Range 4 East, containing 160 acres, more or less, in the Pleasant View Field, Baldwin County, Alabama. This Petition is a companion Petition to the Petition bearing Docket Number 4-30-03-14 requesting the Board approve an exceptional well location on said unit. This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama Administrative Code.

16. DOCKET NO. 4-30-03-16

Continued petition by DOMINION BLACK WARRIOR BASIN, INC., a Alabama corporation, requesting the State Oil and Gas Board to enter an order reforming the unit for the Chevron 02-10-17 Well, Permit No. 11962-C, from a 40-acre unit consisting of the Northwest Quarter of the Southeast Quarter of Section 2, Township 18 South, Range 9 West, Tuscaloosa County, Alabama in the Blue Creek Coal Degasification Field, to an 80-acre unit consisting of the North Half of the Southeast Quarter of said Section 2.

1 17. DOCKET NO. 4-30-03-17

2 Continued petition by S. LAVON EVANS, JR. OPERATING COMPANY, INC.,
3 a foreign corporation authorized to do and doing business in the State of Alabama,
4 requesting the State Oil and Gas Board to enter an order force pooling, with
5 imposition of a risk compensation fee, all hydrocarbons, except Coalbed methane,
6 produced from Mississippian and Pennsylvanian aged formations within a 320-
7 acre drilling unit for the proposed Shepherd 35-16 #1 Well located in the Wiley
8 Dome Field consisting of the East Half of the East Half of Section 35 and the
9 West Half of the West Half of Section 36, Township 17 South, Range 9 West,
10 Tuscaloosa County, Alabama, pursuant to Section 9-17-13, Code of Alabama
11 (1975), and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama
12 Administrative Code.
13

14 18. DOCKET NO. 4-30-03-18

15 Continued petition by S. LAVON EVANS, JR. OPERATING COMPANY, INC.,
16 a 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 force pooling, with
18 imposition of a risk compensation fee, all hydrocarbons, except Coalbed methane,
19 produced from Mississippian and Pennsylvanian aged formations within a 320-
20 acre drilling unit for the proposed Holman 35-6 #1 Well located in the Wiley
21 Dome Field consisting of the East Half of the West Half and the West Half of the
22 East Half of Section 35, Township 17 South, Range 9 West, Tuscaloosa County,
23 Alabama, pursuant to Section 9-17-13, Code of Alabama (1975), and Rule 400-7-
24 2-.01 of the State Oil and Gas Board of Alabama Administrative Code.
25

26 19. DOCKET NO. 6-11-03-1

27 Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama
28 corporation, requesting the State Oil and Gas Board to enter an order force
29 pooling, with a risk compensation penalty, all tracts and interests in hydrocarbons
30 produced from coalbeds in the Pottsville Formation in the Hassinger 27-13-460
31 Well, to be drilled on an 80-acre unit consisting of the West Half of the Southwest
32 Quarter of Section 27, Township 16 South, Range 9 West, Fayette County,
33 Alabama, in the Blue Creek Coal Degasification Field.
34

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

1 20. DOCKET NO. 6-11-03-2

2 Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama
3 corporation, requesting the State Oil and Gas Board to enter an order force
4 pooling, with a risk compensation penalty, all tracts and interests in hydrocarbons
5 produced from coalbeds in the Pottsville Formation in the Hassinger 28-06-463
6 Well, to be drilled on an 80-acre unit consisting of the South Half of the Northwest
7 Quarter of Section 28, Township 16 South, Range 9 West, Fayette County,
8 Alabama, in the Blue Creek Coal Degasification Field.

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

13
14 21. DOCKET NO. 6-11-03-3

15 Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama
16 corporation, requesting the State Oil and Gas Board to enter an order force
17 pooling, with a risk compensation penalty, all tracts and interests in hydrocarbons
18 produced from coalbeds in the Pottsville Formation in the Hassinger 28-09-465
19 Well, to be drilled on an 80-acre unit consisting of the East Half of the Southeast
20 Quarter of Section 28, Township 16 South, Range 9 West, Fayette County,
21 Alabama, in the Blue Creek Coal Degasification Field.

22
23 This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as
24 amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama
25 Administrative Code.

26
27 22. DOCKET NO. 6-11-03-4

28 Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama
29 corporation, requesting the State Oil and Gas Board to enter an order force
30 pooling, with a risk compensation penalty, all tracts and interests in hydrocarbons
31 produced from coalbeds in the Pottsville Formation in the Notre Dame 28-11-467
32 Well, to be drilled on an 80-acre unit consisting of the North Half of the Southwest
33 Quarter of Section 28, Township 16 South, Range 9 West, Fayette County,
34 Alabama, in the Blue Creek Coal Degasification Field.

35
36 This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as
37 amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama
38 Administrative Code.

1 23. DOCKET NO. 6-11-03-5

2 Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama
3 corporation, requesting the State Oil and Gas Board to enter an order force
4 pooling, with a risk compensation penalty, all tracts and interests in hydrocarbons
5 produced from coalbeds in the Pottsville Formation in the Notre Dame 28-14-468
6 Well, to be drilled on an 80-acre unit consisting of the South Half of the Southwest
7 Quarter of Section 28, Township 16 South, Range 9 West, Fayette County,
8 Alabama, in the Blue Creek Coal Degasification Field.

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

13
14 24. DOCKET NO. 6-11-03-6

15 Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama
16 corporation, requesting the State Oil and Gas Board to enter an order force
17 pooling, with a risk compensation penalty, all tracts and interests in hydrocarbons
18 produced from coalbeds in the Pottsville Formation in the Burroughs 01-10-272
19 Well, to be drilled on a 40-acre unit consisting of the Northwest Quarter of the
20 Southeast Quarter of Section 1, Township 17 South, Range 9 West, Tuscaloosa
21 County, Alabama, in the Blue Creek Coal Degasification Field.

22
23 This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as
24 amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama
25 Administrative Code.

26
27 25. DOCKET NO. 6-11-03-7

28 Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama
29 corporation, requesting the State Oil and Gas Board to enter an order force
30 pooling, with a risk compensation penalty, all tracts and interests in hydrocarbons
31 produced from coalbeds in the Pottsville Formation in the Jernigan 23-13-125 Well,
32 Permit No. 12218-C, located on a proposed reformed 80-acre unit consisting of the
33 South Half of the Southwest Quarter of Section 23, Township 17 South, Range 9
34 West, Tuscaloosa County, Alabama, in the Blue Creek Coal Degasification Field.

35
36 This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as
37 amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama
38 Administrative Code.

39
40 This petition is filed as a companion to a petition bearing Docket No. 6-11-03-8
41 requesting the reformation of a 40-acre unit to an 80-acre unit for the subject well.

1 26. DOCKET NO. 6-11-03-8

2 Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama
3 corporation, requesting the State Oil and Gas Board to enter an order reforming
4 the unit for the Jernigan 23-13-125 Well, Permit No. 12218-C, from a 40-acre unit
5 consisting of the Southwest Quarter of the Southwest Quarter of Section 23,
6 Township 17 South, Range 9 West, Tuscaloosa County, Alabama in the Blue
7 Creek Coal Degasification Field, to an 80-acre unit consisting of the South Half of
8 the Southwest Quarter of said Section 23.

9
10 This petition is filed as a companion to a petition bearing Docket No. 6-11-03-7
11 requesting the forced pooling, with imposition of a risk compensation penalty, of
12 the referenced 80-acre unit for the subject well.

13
14 27. DOCKET NO.: 6-11-03-9

15 Petition by RULEXCO, INC., a foreign corporation, authorized to do and doing
16 business in the State of Alabama, requesting the State Oil and Gas Board of
17 Alabama to enter an Order approving an exceptional unit for Petitioner's Rulexco
18 – Stampede-Hartshorn - McKenzie 9-8 No. 1 Well to be drilled at a proposed
19 location 2,322 feet from the North line and 1,236 feet from the East line of
20 Section 9, Township 7 South, Range 2 East, Baldwin County, Alabama, on a 160-
21 acre wildcat drilling unit consisting of the South Half of the Northeast Quarter
22 and the North Half of the Southeast Quarter of said Section 9 as an exception to
23 Rule 400-1-2-.02(2) of the State Oil and Gas Board of Alabama Administrative
24 Code. Said Rule requires 160-acre units to consist of a governmental quarter
25 section.

26
27 28. DOCKET NO.: 6-11-03-10

28 Petition by RULEXCO, INC., a foreign corporation, authorized to do and doing
29 business in the State of Alabama, requesting the State Oil and Gas Board of
30 Alabama to enter an Order approving an exceptional location for Petitioner's
31 Rulexco – Stampede – Lula McKenzie 10-1 No. 1 Well to be drilled at a proposed
32 location 1,021 feet from the North line and 437 feet from the East line of Section
33 10, Township 7 South, Range 2 East, Baldwin County, Alabama, on a 160-acre
34 wildcat drilling unit consisting of the Northeast Quarter of said Section 10 as an
35 exception to Rule 400-1-2-.02(2) of the State Oil and Gas Board of Alabama
36 Administrative Code. Said Rule requires wells to be located at least 660 feet from
37 every exterior boundary of the drilling unit.

1 29. DOCKET NO.: 6-11-03-11

2 Petition by RULEXCO, INC., a foreign corporation, authorized to do and doing
3 business in the State of Alabama, requesting the State Oil and Gas Board of
4 Alabama to enter an Order approving an exceptional location for Petitioner's
5 Rulexco – Stampede – Street 34-4 No. 1 Well to be drilled at a proposed location
6 615 feet from the North line and 1,025 feet from the West line of Section 34,
7 Township 6 South, Range 2 East, Baldwin County, Alabama, on a 160-acre
8 wildcat drilling unit consisting of the Northwest Quarter of said Section 34 as an
9 exception to Rule 400-1-2-.02(2) of the State Oil and Gas Board of Alabama
10 Administrative Code. Said Rule requires wells to be located at least 660 feet from
11 every exterior boundary of the drilling unit.
12

13 30. DOCKET NO. 6-11-03-12

14 Petition by SAGA PETROLEUM, LLC, a foreign limited liability company,
15 authorized to do and doing business in the State of Alabama, requesting the State
16 Oil and Gas Board to enter an order granting approval to permit, complete and
17 produce the USX 29-8-G4 Well on an 80-acre unit consisting of the Southeast
18 Quarter of the Northeast Quarter and the Northeast Quarter of the Southeast Quarter
19 of Section 29, Township 18 South, Range 7 West, Jefferson County, Alabama, in the
20 Oak Grove Coal Degasification Field.
21

22 This petition was previously granted by Emergency Order No. E-2003-53 issued
23 on May 23, 2003.
24

25 31. DOCKET NO. 6-11-03-13

26 Petition by EXXON MOBIL CORPORATION, a foreign corporation authorized to
27 do and doing business in the State of Alabama, requesting the State Oil and Gas
28 Board to enter an order approving changes in reporting meter gains/losses and
29 production volumes from the Northwest Gulf Field-Mobile Area, Mobile County,
30 Alabama, Bon Secour Bay Field-Lower Mobile Bay Area, Baldwin and Mobile
31 Counties, Alabama and the North Central Gulf Field-Mobile Area, Mobile and
32 Baldwin Counties, Alabama. The proposed reporting changes will not affect the
33 currently approved methodology for procedures concerning commingling and
34 allocation of production from said fields as approved by the Board in Order Nos.
35 93-148 and 95-150.
36

37 32. DOCKET NO. 6-11-03-14

38 Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama
39 corporation, requesting the State Oil and Gas Board to enter an order reforming
40 the unit for the Chevron 24-04-93 Well, Permit No. 11763-C, from a 40-acre unit
41 consisting of the Northwest Quarter of the Northwest Quarter of Section 24,

1 Township 17 South, Range 9 West, Tuscaloosa County, Alabama in the Blue
2 Creek Coal Degasification Field, to an 80-acre unit consisting of the North Half of
3 the Northwest Quarter of said Section 24.
4

5 33. DOCKET NO. 6-11-03-15

6 Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama
7 corporation, requesting the State Oil and Gas Board to enter an order reforming
8 the unit for the Lutz 25-08-79 Well, Permit No. 12302-C, from a 40-acre unit
9 consisting of the Southeast Quarter of the Northeast Quarter of Section 25,
10 Township 17 South, Range 9 West, Tuscaloosa County, Alabama in the Blue
11 Creek Coal Degasification Field, to an 80-acre unit consisting of the South Half of
12 the Northeast Quarter of said Section 25.
13

14 34. DOCKET NO. 3-26-03-18

15 Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA
16 to amend Rule 400-2-6-.09., related to Platforms and Fixed Structures, to add
17 Paragraph (4) to provide for recertification of structural integrity of platforms and
18 fixed structures. This Rule addresses structural integrity of offshore platforms.
19

20
21 The meetings of the State Oil and Gas Board are public meetings, and members of
22 the public are invited to attend and present their position concerning this
23 petition(s). Requests to continue or oppose a petition should be received by the
24 Board at least two (2) days prior to the hearing. For additional information, you
25 may contact the State Oil and Gas Board, P. O Box 869999, Tuscaloosa, Alabama
26 35486-6999, Telephone Number 205/349-2852, Fax Number 205/349-2861, or by
27 email at petitions@ogb.state.al.us.
28
29

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

33 MR. ROGERS: Mr. Chairman, Mr. Dampier and Mr. Metcalfe, I have a written report of
34 the items heard by the Hearing Officer and the staff on Wednesday, June 11, 2003. Copies of the
35 report are available for members of the public to review and study. I will state that in the current

1 report I have now it is changed from what was provided at the door for the public. On Items 25
2 and 26, Docket Nos. 6-11-03-7A and 6-11-03-8, we have changed our recommendation to have
3 those continued. With that, I would recommend that the report be adopted by the Board.

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

10 CHMN. MCCORQUODALE: That request is granted.

11 (Whereupon, the report was received in evidence)

12 DR. TEW: Mr. Chairman, the staff would recommend approval of the minutes of the
13 following meetings: March 21, 2003, Special Hearing Officer meeting; March 24, 2003, Special
14 Hearing Officer meeting; March 26, 2003, Hearing Officer meeting; March 28, 2003, Board
15 meeting; April 30, 2003, Hearing Officer meeting.

16 MR. METCALFE: Move.

17 MR. DAMPIER: Second.

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

19 (All Board members voted "aye")

20 MR. ROGERS: The first item to be heard today is Item 19, Docket No. 6-11-03-1,
21 petition by Dominion Black Warrior Basin, Inc.

1 MR. WATSON: I have one witness to be sworn in, Mr. Chairman.

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

3 MR. HUTCHINGS: Steve Hutchings. My home address is 1132 Southern Way, Mobile,
4 Alabama 36609.

5 (Witness was sworn by Mr. Rogers)

6 MR. WATSON: Mr. Chairman, I would ask that you receive into the record of this
7 hearing the prefiled affidavit of notice along with the prefiled green card evidencing receipt by
8 El Paso Production Company.

9 CHMN. MCCORQUODALE: They are admitted.

10 (Whereupon, the affidavit was received in evidence;
11 letter with attached green card was received in evidence)

12 MR. WATSON: This is a request to force pool, with the imposition of the risk
13 compensation fee, tracts and interests in an 80-acre unit in Fayette County, Alabama, in the Blue
14 Creek Coal Degasification Field. My witness, Mr. Steve Hutchings, has appeared before you
15 and has on file an affidavit of his qualifications as a petroleum landman. Mr. Hutchings, are you
16 familiar with this petition?

17 MR. HUTCHINGS: Yes sir.

18 MR. WATSON: I tender him as an expert, Mr. Chairman.

19 CHMN. MCCORQUODALE: He is so recognized.

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STEVE HUTCHINGS

Appearing as a witness on behalf of Petitioner, Dominion Black Warrior Basin, Inc.
testified as follows:

DIRECT EXAMINATION

Questions by Mr. Watson:

Q. This petition is to force pool, with the imposition of the risk compensation fee, the Hassinger 27-13-460 well on an 80-acre unit consisting of the West Half of the Southwest Quarter of Section 27, Township 16 South, Range 9 West, Fayette County, Alabama. Is that correct, Mr. Hutchings?

A. Yes sir.

Q. As of today what is the outstanding unleased interest in this tract?

A. The most that it could be, and I qualify that, is 15.82 acres.

Q. All right sir. That's approximately 19.78 percent interest?

A. Correct.

Q. Who has that interest?

A. El Paso Production leasehold interest.

Q. All right. It's a leasehold interest. They have leased from a landowner and we are force pooling and asking that the risk compensation be enforced against El Paso. Correct?

A. Correct, yes sir.

Q. Now under our 9-17-13 Statute we have certain requirements here. Does Dominion Exploration and Production Company own a majority of the interest in this 80-acre unit?

1 A. Yes sir.

2 Q. Have you ascertained the ownership of the acreage you have just described?

3 A. Yes sir.

4 Q. That is a leasehold by El Paso?

5 A. Correct.

6 Q. Has Dominion given El Paso a chance to farm out its interest or to participate in the
7 drilling of this well?

8 A. Yes sir, that's correct. In fact, I believe that El Paso has elected to participate in the well;
9 however, an operating agreement has not been executed as of this date. El Paso is aware
10 that we are here today to force pool with risk compensation in the unlikely event that the
11 operating agreement is never executed.

12 Q. All right sir. They have evidenced their knowledge of this by signing the required green
13 card and returning that. That's on file with the Board.

14 A. Yes sir, that's correct.

15 Q. In the offer to allow them to farm out or participate, did you give them the cost of the
16 well?

17 A. Yes sir, that was included in the letter.

18 Q. Did you tell them what their proportionate share of the drilling and completion costs of
19 that well would be?

20 A. Yes sir.

1 Q. Did you inform them that you are asking the Board to impose the risk compensation fee
2 under the provisions of Section 9-17-13 of the Code?

3 A. Yes sir, again, that was contained in our letter.

4 Q. All right sir. In making this offer for a farm out or participation, was that offer as good or
5 better than offers you have made to other working interest owners to participate in such
6 wells?

7 A. Yes.

8 Q. Would the granting of this petition, Mr. Hutchings, avoid the drilling of unnecessary
9 wells?

10 A. Yes.

11 Q. Would it protect the correlative rights of all the owners in the 80-acre unit?

12 A. Yes sir.

13 Q. Would it prevent waste as that term is defined by the oil and gas laws of Alabama?

14 A. Yes sir.

15 MR. WATSON: Mr. Chairman, I tender the witness to the Board and staff for any
16 questions you have on this item?

17 CHMN. MCCORQUODALE: Are there any questions?

18 STEVE HUTCHINGS

19 EXAMINATION BY BOARD/STAFF

1 Questions by Mr. Dampier:

2 Q. Steve, why is El Paso not down here objecting to the risk comp. version of this force
3 pooling? You haven't had any discussions with them about that?

4 A. I spoke with their coalbed methane director Wednesday and again reiterated the steps that
5 we were taking and there was no objection there. Can I conclude--the only thing that I
6 can conclude is they feel like--I mean, they have elected to participate. I'm assuming and
7 it may be a faulty assumption that they feel like it's not a big deal to the next step to get
8 the operating agreement signed. I know that process is underway as we speak. Joey
9 Stephenson with Dominion in Tuscaloosa was on a conference call Wednesday afternoon
10 going over some of the details.

11 Q. That question is more out of curiosity than anything. That's all I have.

12 CHMN. MCCORQUODALE: Any other questions?

13 MR. METCALFE: Move.

14 MR. DAMPIER: Second.

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

16 (All Board members voted "aye")

17 MR. ROGERS: The next item is Item 20, Docket No. 6-11-03-2, petition by Dominion
18 Black Warrior Basin, Inc.

19 MR. WATSON: I ask that you continue that item, please.

20 CHMN. MCCORQUODALE: Is there any objection? Hearing none, Item 20 is
21 continued.

1 MR. ROGERS: The next item is Item 21, Docket No. 6-11-03-3, petition by Dominion
2 Black Warrior Basin, Inc.

3 MR. WATSON: With your permission I will remind the witness that he remains under
4 oath, Mr. Chairman.

5 CHMN. MCCORQUODALE: Yes.

6 MR. WATSON: I would ask that you receive into the record of this hearing the prefiled
7 affidavit of notice.

8 CHMN. MCCORQUODALE: It is admitted.

9 (Whereupon, the affidavit was received in evidence)

10 MR. WATSON: Along with the green cards that have been prefiled in this matter.

11 CHMN. MCCORQUODALE: They are also admitted.

12 (Whereupon, the letters with attached green cards
13 were received in evidence)

14 STEVE HUTCHINGS

15 Appearing as a witness on behalf of Petitioner, Dominion Black Warrior Basin, Inc.,
16 testified as follows:

17 DIRECT EXAMINATION

18 Questions by Mr. Watson:

19 Q. In the report that was sent out to El Paso in this particular item, in describing the unit that
20 we are to drill, Mr. Hutchings, I understand there was an error in the letter. Is that
21 correct?

1 A. Yes sir.

2 Q. Okay. In order to be technically correct, we have advised El Paso of that error?

3 A. Yes sir.

4 Q. They have acknowledged in writing that they were aware of the error and that the error
5 did not mislead them, that they do, in fact, know where the well is to be drilled and that
6 they have made their decision based on that?

7 A. That's correct, yes sir.

8 MR. WATSON: Mr. Chairman, I would like to also introduce into the record the original
9 letter from El Paso's director of coalbed methane evidencing what Mr. Hutchings has just
10 testified to.

11 MR. ROGERS: Let me make sure we have the right item that this was on, Tom.

12 MR. MASINGILL: This was Item 22, Tom.

13 MR. WATSON: 6-11-03-3 is what docket was called.

14 MR. ROGERS: In the letter it is 6-11-03-4, the letter you just submitted to me.

15 MR. HUTCHINGS: Is this Docket No. 21?

16 MR. ROGERS: 6-11-03-4.

17 MR. MASINGILL: I think the one the letter applies to is Item 22 on the agenda, Docket
18 No. 6-11-03-4.

19 MR. HUTCHINGS: Right. Correct.

20 MR. MASINGILL: Y'all are on 6-11-03-3.

21 MR. WATSON: I'm sorry. I had stuff in the wrong folder. Hang on to it.

1 CHMN. MCCORQUODALE: It will be admitted in a minute anyway.

2 MR. WATSON: We'll come right back to it.

3 MR. ROGERS: I've got a question, Mr. Watson. You've got all these green cards. Do
4 they all need to be admitted or just the one with El Paso?

5 MR. WATSON: Let's admit them all.

6 CHMN. MCCORQUODALE: They are all admitted.

7 (Whereupon, the letters with attached green cards
8 were received in evidence)

9 Q. Now Mr. Hutchings, what we are asking the Board to do in this case, 6-11-03-3, is to
10 force pool, with the imposition of the risk compensation fee, all tracts and interests in an
11 80-acre unit consisting of the East Half of the Southeast Quarter of Section 28, Township
12 16 South, Range 9 West, Fayette County, Alabama, in the Blue Creek Coal
13 Degasification Field. Is that correct?

14 A. Yes sir.

15 Q. How many acres in that unit are not under your ownership or control as of today?

16 A. As of today 8.31 or 10.39 percent. I have secured four leases this week.

17 Q. Since the filing of the petition we had a larger number of net acres, 13 in fact, and now
18 that has been reduced to eight.

19 A. Correct. On one of those I express mailed a lease Wednesday and I expect it to come
20 back next week. Again, out of the abundance of caution that it does not I would like to
21 force pool with risk compensation his interest in case the lease never comes back.

1 Q. Is that the interest owned by James T. Bonner, Rhodhiss, North Carolina?

2 A. That's correct.

3 Q. Now, we do not yet have his green card back. Is that correct?

4 A. That is correct.

5 Q. Have you talked to Mr. Bonner?

6 A. I have talked to him twice this week. On Monday evening I spoke with Mr. Bonner and
7 asked him if he had received our packages. I mailed two certified packages out to him.
8 He indicated to me that he had sent a letter back to our office. As of yesterday when I
9 left Tuscaloosa it still had not shown up but on Wednesday Mr. Bonner did agree to
10 lease. Hopefully, we will get that lease next week.

11 Q. If you get that lease then we would not impose the risk compensation fee against his
12 interest.

13 A. That's correct.

14 Q. All right sir.

15 MR. ROGERS: I'm a little confused by that. You want to have the force pooling granted
16 but he has not signed the green card as proof of certified mail.

17 MR. HUTCHINGS: There is no proof of certified mail but the thing that strikes me, if he
18 did not receive the package why would he respond in writing to us saying that he did not--even
19 though we do not have--I'm just taking him on his word that he said I wrote to you to say I sold
20 this property. We have rechecked the title in Fayette County and he did not sell the interest in

1 his minerals. I called him back on Wednesday afternoon and he agreed to lease at that time. I
2 sent him a lease by Express Mail that hopefully he has as of today.

3 MR. WATSON: Normally, Mr. Chairman, once we get a commitment like this from
4 someone then 99 and 44, 100 percent of the time they will follow through. I mean, there is no
5 reason for them to mislead the landman. He has received all this information. He has agreed but
6 since we don't have it in hand we would go ahead and ask the Board to force pool this interest
7 and then once that comes in his interest would not be penalized.

8 MR. ROGERS: Just for clarification, the way the Statute reads it says: as shown by
9 United States mail, certified mail return receipt card or by other evidence deemed sufficient by
10 the Board. You are asking that the Board rule that he has been notified sufficiently.

11 CHMN. MCCORQUODALE: Based on the testimony of the witness.

12 MR. WATSON: Right.

13 MR. ROGERS: Do you have a copy of the letter that was sent in?

14 MR. WATSON: Yes sir.

15 MR. ROGERS: We can at least have that admitted.

16 MR. WATSON: We'll put that in the record.

17 MR. HUTCHINGS: The letter should have been there. I mean, I've got two copies here
18 plus I have a copy of the Express Mail that was sent out this week if you would like a copy of
19 that.

20 MR. WATSON: Let's put all that in the record, Mr. Chairman.

1 MR. ROGERS: We didn't have the letter in this file, Steve. We now have the letter and
2 the Express Mail receipt. So, that's your request then that the Board approve it under evidence
3 that the Board deems sufficient to show that he was notified.

4 (Whereupon, the letter and Express Mail receipt
5 was received in evidence)

6 MR. HUTCHINGS: It confused me. I think at first he thought he had sold all of his
7 interest in his daddy's land in Fayette County. His daddy owned two surface tracts. There was a
8 deed filed in December of 2002 but it did not cover any land subject to our oil and gas lease.

9 EXAMINATION BY BOARD/STAFF

10 Questions by Mr. Rogers:

11 Q. I guess I ought to get this clear. Who are all the parties that you are requesting be forced
12 pooled?

13 A. James T. Bonner and El Paso Production. There are other letters in there from a Richard
14 Earnest, Paul Earnest, Eva Nell Davis and Jean Bagwell. We do have green cards back
15 from them. I met with all four of those people this week and they executed and I have in-
16 hand a valid oil and gas lease covering their interests.

17 MR. ROGERS: I guess it will be up to the Board to decide if that notice is sufficient.

18 CHMN. MCCORQUODALE: I would assume, Mr. Watson, that in the event that Mr.
19 Bonner does not return a lease that you will supplement this record by the return of the certified
20 mail card.

21 MR. WATSON: We can do that, sure.

1 CHMN. MCCORQUODALE: We could take action on the petition but leave the record
2 open to be supplemented when that -----

3 MR. WATSON: Or to be closed if we get the lease.

4 CHMN. MCCORQUODALE: Right.

5 MR. HUTCHINGS: We'll treat him as if he was leased from day one, no penalty, like
6 we have done in the past in several instances.

7 CHMN. MCCORQUODALE: Okay.

8 MR. WATSON: We're not asking to break new ground. The Board has done this
9 before, not under this particular factual situation but we had one on Wednesday that was force
10 pooled with risk compensation without a green card, not my client but somebody else. Can we
11 proceed then and assume all that is admitted into the record?

12 CHMN. MCCORQUODALE: Sure. It is all admitted.

13 (Whereupon, all exhibits were received in evidence)

14 DIRECT EXAMINATION

15 Questions by Mr. Watson:

16 Q. Now, have you, Mr. Hutchings, on behalf of Dominion, ascertained the ownership of the
17 outstanding unleased interests that you have just testified to as being 8.31 acres?

18 A. Yes sir.

19 Q. Have you contacted all the owners of those interests?

20 A. Yes sir.

1 Q. In the case of Mr. Bonner, we don't have the certified letter back but we do have the
2 certified green card back from El Paso?

3 A. Correct.

4 Q. Have you made an offer or have you described the location of the well that you propose
5 to drill in this 80-acre unit to these parties?

6 A. Yes sir.

7 Q. Did you advise them of the cost of that well?

8 A. Yes sir.

9 Q. Did you advise them that Dominion Production Company owned a majority of the
10 interest in this 80-acre unit?

11 A. Yes sir.

12 Q. Did you advise them of what their percentage would be in the well if they chose to
13 participate?

14 A. Yes sir.

15 Q. Did you offer them comfortable terms to farm out or participate or lease, as the case may
16 be, their interests and were those terms as good as or better than the terms offered to
17 others in the unit or in other units thereby?

18 A. Yes sir.

19 Q. Would the approval of this force pooling request avoid the drilling of unnecessary wells?

20 A. Yes sir.

21 Q. Would it protect correlative rights?

1 A. Yes sir.

2 Q. Would it prevent waste as that term is defined in the oil and gas statute?

3 A. Yes sir.

4 MR. WATSON: I tender my witness on this item, Mr. Chairman.

5 CHMN. MCCORQUODALE: Are there any questions?

6 EXAMINATION BY BOARD/STAFF

7 Questions by Mr. Rogers:

8 Q. I guess one other question then would be, the Code requires that you negotiate in good
9 faith. Have you negotiated in good faith with Mr. Bonner? It's apparent that you have
10 with El Paso.

11 A. I believe I--yes, sir.

12 Questions by Mr. Dampier:

13 Q. There's two parts to that, good faith and negotiate. You may want to take them one at a
14 time.

15 MR. WATSON: All right. Go into detail.

16 A. My detail with Mr. Bonner at first when I called him--let me back up and start with Paul
17 Earnest and the balance of the family that leased this week. They were all concerned.
18 They had an attorney that advised them that if they signed our lease that we had the right
19 to do whatever we wanted to with all of their minerals, we could mine the coal. That was
20 never our intention. Our lease form specifically limited it to gas, coalbed gas.

1 Questions by Mr. Rogers:

2 Q. Was he part of this discussion?

3 A. He was on the outside. Paul Earnest was the main family member in this and we worked
4 through that. Monday I called Mr. Bonner to make sure because we knew that we had
5 not received the green card back. I wanted to see if, in fact, he had received his package.
6 He went into; I sent you a letter, I've responded. I think I sold that. I don't own it
7 anymore. That's what led me to believe--why would he send me a letter stating he didn't
8 own it if he hadn't, in fact, received the certified mail. Like I say, I've sent two certified
9 packages to him, one in Rhodhiss, North Carolina and one in Valdese, North Carolina.
10 Valdese, North Carolina is his most correct address as of this moment. Tuesday I sent
11 one of our title abstractors to Fayette County to review the records there to tell me if he
12 did sell his interest under the mineral interest. We located the deed and he did not. He
13 sold surface rights only. I called Mr. Bonner--tried to call him Tuesday and he was at
14 work Tuesday night. I called him Wednesday afternoon about 2:00 our time and talked
15 with him and explained to him that he did not sell his minerals, that he still owned one
16 percent under 120 acres, 1.2 net acres. There are two other 40's involved besides the one
17 that we are currently requesting subject to this petition.

18 DIRECT EXAMINATION

19 Q. Mr. Dampier's direct question though is--let's discuss now what you offered him and
20 how you tried to acquire that interest. You obviously have testified that you made a deal
21 with him.

1 A. Right.

2 Q. That's what Mr. Dampier's probing you for.

3 A. Okay. What I did then was--the basis of the deal was the same deal that we paid the other
4 Earnest family members. I don't know if you want me to go into detail as far as what
5 bonus or royalty but it was consistent with what we paid the balance of the family.
6 Instead of doing it--I mean, we're talking a \$90 bonus. I made the offer to him. I said
7 Mr. Bonner, instead of sending you a draft and have to wait for 30 days to get your
8 money, if you sign the lease I will send you a check upon receipt. He said the check
9 would be preferred. It would be easier for him and quicker to get his money. I said as
10 soon as we receive the lease we would put a check request in and send a check in the
11 amount of \$90 out to him.

12 Q. So, you grappled with him as to the terms of the lease, the consideration to be paid, and
13 he was agreeable to all that?

14 A. He was agreeable to that, yes sir.

15 Q. And you did that in good faith?

16 A. In good faith, yes. I made the offer of the check and the draft as a matter of convenience
17 to him. Hopefully, I answered your question.

18 MR. DAMPIER: You did. Any more presentation on this one?

19 MR. WATSON: That's it.

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

21 MR. METCALFE: Second.

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

2 (All Board members voted "aye")

3 MR. ROGERS: The next item is Item 22, Docket No. 6-11-03-4, petition by Dominion
4 Black Warrior Basin, Inc.

5 MR. WATSON: You remain under oath, Mr. Hutchings, same witness. I have prefiled
6 an affidavit of notice in this item, Mr. Chairman, and ask that it be admitted into the record along
7 with the green card that we received back from El Paso.

8 CHMN. MCCORQUODALE: Those are admitted.

9 (Whereupon, the affidavit and letter with attached
10 green card were received in evidence)

11 STEVEN HUTCHINGS

12 Appearing as a witness on behalf of Petitioner, Dominion Black Warrior Basin, Inc.,
13 testified as follows:

14 DIRECT EXAMINATION

15 Questions by Mr. Watson:

16 Q. This is the matter I led into earlier where we had an error in the way we described the
17 unit or the location of the well. We have a letter that you sent or that I sent out with your
18 instructions to Ms. Debra Bacon advising her of the error in the way the well was
19 described in the letter. Is that correct?

20 A. That's correct.

1 Q. Basically, we described the location of the well from the boundaries of the 80-acre unit as
2 opposed from the boundaries of the section. Is that correct?

3 A. That's correct.

4 Q. You advised Ms. Bacon and her superior, I suppose, Mr. Shaw, of this and they advised
5 you that they understood where the well was located. They were not misled by that
6 information?

7 A. That's correct.

8 Q. They, in fact, have sent a letter back in response to my request of June 10th where Mr.
9 Shaw signed the letter saying he acknowledges the corrected description of the location
10 of the well and that is the letter that I have handed up and would have marked as an
11 additional exhibit to this item.

12 A. That is correct.

13 CHMN. MCCORQUODALE: That letter is admitted.

14 (Whereupon, the letter was received in evidence)

15 Q. Now, we are asking the Board to force pool, with the imposition of the risk compensation
16 fee, tracts and interests in an 80-acre unit consisting of the North Half of the Southwest
17 Quarter of Section 28, Township 16 South, Range 9 West, Fayette County, Alabama, in
18 the Blue Creek Coal Degasification Field. As of today what is the outstanding mineral
19 interest in that 80-acre unit?

20 A. El Paso Production controls 3.04 or 3.8 percent leasehold interest.

21 Q. In that unit?

1 A1 In that unit.

2 Q. Okay. That's for the Notre Dame 28-11-467 well, correct?

3 A. That's correct.

4 Q. All right. Have you advised El Paso of the fact that we are asking the Board to force pool
5 their interest with imposition of the risk compensation fee?

6 A. Yes sir.

7 Q. Have you advised them of their share of the cost of the drilling of the well?

8 A. Yes sir, that was contained in our letter.

9 Q. You told them where the well would be, its depth and its costs, and their proportionate
10 part if they elected to participate, correct?

11 A. Yes sir.

12 Q. Did you also give them an opportunity to farm out their interest or in any other way
13 participate in the drilling of this well?

14 A. Yes, that was contained in our original letter.

15 Q. Did you negotiate in good faith with El Paso in making these offers to participate or farm
16 out their interest?

17 A. Yes sir.

18 Q. All right sir. Did you advise El Paso that Dominion owned a majority of the operating
19 interest in this 80-acre unit?

20 A. Yes sir.

1 Q. Would the granting of this petition, force pooling the tracts and interests in this 80-acre
2 unit, avoid the drilling of unnecessary wells?

3 A. Yes sir.

4 Q. Would it prevent waste as that term is defined?

5 A. Yes.

6 Q. Would it protect correlative rights?

7 A. Yes sir.

8 Q. All right sir. Why is this well referred to as the Notre Dame 28-11-467?

9 A. The location of the well is in the Northeast of the Southwest. The University Of Notre
10 Dame owns 50 percent of those minerals under that 40 acres.

11 Q. Okay.

12 A. The University of Notre Dame, under all the Hassinger wells, owns 312 over 439, about
13 85 percent of what you see is Hassinger.

14 CHMN. MCCORQUODALE: It's a gift?

15 MR. HUTCHINGS: Yes, an attorney out of New Orleans.

16 CHMN. MCCORQUODALE: Somebody from New Orleans gave it to the University?

17 MR. HUTCHINGS: Don't hold me to those fractions. It's been a while since I looked at
18 those.

19 MR. WATSON: I tender the witness for any questions you have on this item.

1 MR. HUTCHINGS: One further thing, we feel like an operating agreement will be
2 forthcoming but out of the abundance of caution we're requesting this force pooling with risk
3 compensation.

4 CHMN. MCCORQUODALE: Any questions?

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

6 MR. METCALFE: Second.

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

8 (All Board members voted "aye")

9 CHMN. MCCORQUODALE: "Ayes" have it.

10 MR. ROGERS: The next item is Item 23, Docket No. 6-11-03-5, petition by Dominion
11 Black Warrior Basin, Inc.

12 MR. WATSON: The same witness. I remind him he's under oath. I have prefiled an
13 affidavit of notice along with a green card to El Paso in this item. I would ask that they be
14 admitted to the record.

15 CHMN. MCCORQUODALE: They are admitted.

16 (Whereupon, the affidavit and letter with attached
17 green card was received in evidence)

18 STEVEN HUTCHINGS

19 Appearing as a witness on behalf of Petitioner, Dominion Black Warrior Basin, Inc.,
20 testified as follows:

1 DIRECT EXAMINATION

2 Questions by Mr. Watson:

3 Q. This is a force pooling request, with the imposition of the risk compensation fee, for an
4 80-acre unit in the Blue Creek Coal Degasification Field in Fayette County, that 80-acre
5 unit consisting of the South Half of the Southwest Quarter of Section 28, Township 16
6 South, Range 9 West, Fayette County, one of the outstanding unleased or noncommitted
7 interest in this unit.

8 A. Again, at this point El Paso Production has 3.04 net acres, 3.8 percent leasehold interest.

9 Q. So you have determined they own that interest in the unit. Have you advised El Paso of
10 their ownership and of your willingness to allow them to farm out or participate this
11 interest in the drilling of this well?

12 A. Yes. They may own up to--there is some title dispute in all of the units. That's why I
13 said they may own up to--you will notice in a couple of our letters I said you may own
14 this or this. There are some serious title issues. We feel like El Paso cannot own any
15 more than 3.04 percent of this unit. They are going to own less in our opinion, however,
16 out of the abundance of caution we have requested to force pool, crediting them with the
17 maximum interest that they could possibly own.

18 Q. Based on that maximum interest and having advised them of the exact location of this
19 well and of its depth and of the zones to be tested, then you have advised them of their
20 proportionate share of the costs should they elect to participate, based on this maximum
21 interest?

1 A. That's correct, yes sir.

2 Q. All right sir. Did you advise them that Dominion owned a majority of the interest in this
3 80-acre unit?

4 A. Yes sir.

5 Q. Did you advise them that you had offered them terms to participate or farm out that were
6 as good as or better than you had offered others in the same area?

7 A. Yes sir.

8 Q. Would the granting of this petition prevent waste and avoid the drilling of unnecessary
9 wells?

10 A. Yes sir.

11 Q. And protect correlative rights?

12 A. Yes sir.

13 MR. WATSON: I tender the witness on this item.

14 CHMN. MCCOQUODALE: Are there any questions?

15 EXAMINATION BY BOARD/STAFF

16 Questions by Mr. Dampier:

17 Q. I've got one question. If El Paso doesn't, due to this title dispute, own this property or
18 these minerals, who does?

19 A. In this particular unit and in several of the others, El Paso leased--one title dispute is there
20 were six Hassinger heirs that leased both to Dominion and to El Paso. What I did for our
21 purposes, we credited Dominion with all six leases and we credited El Paso with all six

1 leases in deriving the maximum acreage that they could have. It appears that we are
2 going to have superior position in a couple of those and El Paso probably will. Now,
3 there's another title issue in a couple of the wells that we have already gone over. If you
4 want me to I can go through that. There's not going to be unleased or open interest there.
5 It's either going to be Dominion owns X percent and El Paso owns the balance.

6 MR. WATSON: For that reason we always go and do the maximum number of acres so
7 that we don't leave a window or an island title in there that nobody has.

8 MR. HUTCHINGS: We didn't want to come out and just force pool what we felt like
9 and then Dominion and El Paso come in and say, well, we will just credit you with it and then all
10 of a sudden there's maybe some interest that's not subject to the force pooling order.

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

12 MR. METCALFE: Second.

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

14 (All Board members voted "aye")

15 CHMN. MCCORQUODALE: "Ayes" have it.

16 MR. ROGERS: The next item then is Item 31, Docket No. 6-11-03-13, petition by
17 Exxon Mobil Corporation.

18 MR. WATSON: I have one witness and would like to have him sworn, Mr. Chairman.

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

20 MR. HAND: Bill Hand, 410 Carroll Avenue, Bay St. Louis, MS.

21 (Witness was sworn by Mr. Rogers)

1 MR. WATSON: Mr. Chairman, my witness has not appeared before the Board. Mr.
2 Hand, does your area of responsibility include the petition that has been called for hearing today?

3 MR. HAND: Yes it does.

4 MR. WATSON: Mr. Chairman, I have an affidavit of Mr. Hand's qualifications but I
5 would like for him to give you a brief summary of his educational background and work
6 experience.

7 MR. HAND: I received a Bachelor's Degree in Banking and Finance from the
8 University of Southern Mississippi in 1982. I have worked in the oil and gas industry for the last
9 21 years, 18 years with ExxonMobil and three years with Gulf Oil, all in the accounting area,
10 mostly in gas revenue. I have spent significant numbers of years in the gas accounting arena as
11 an Accountant, as a Specialist, as a Supervisor, and as a Process Coordinator. I have also spent
12 time on the Exxon audit staff as an Internal Auditor and Joint Venture Auditor. The last four
13 years I have spent in New Orleans in our production organization as a Measurement Surveillance
14 Analyst and as a Business Analyst for the Mobile Bay area.

15 MR. WATSON: Are you familiar with the petition that ExxonMobil has filed here
16 today?

17 MR. HAND: Yes I am.

18 MR. WATSON: Have you prepared exhibits in support of the petition?

19 MR. HAND: Yes I have. I have three exhibits.

20 MR. WATSON: I tender him as an expert, Mr. Chairman, for giving testimony in this
21 item.

1 CHMN. MCCORQUODALE: He is so recognized.

2 BILL HAND

3 Appearing as a witness on behalf of Petitioner, ExxonMobil Corporation, testified as
4 follows:

5 DIRECT EXAMINATION

6 Questions by Mr. Watson:

7 Q. We are asking in this petition on behalf of ExxonMobil an order approving changes and
8 reporting meter gains and losses in production volumes for wells in the Northwest Gulf
9 Field, Bon Secour Bay Field, and the North Central Gulf Field. By your Orders 93-148
10 and 93-150 you approved a method of allocation through which metered and commingled
11 volumes of gas are fairly and equitably distributed back to a unit and to wells within a
12 particular unit, all in accordance with the applicable Special Field Rules. Since those
13 orders were promulgated we have had approximately ten years of production history.
14 Mr. Hand will be specific in telling you exactly what ExxonMobil is requesting you to
15 approve today.

16 A. ExxonMobil is requesting three changes to the methods of reporting volumes on the
17 AOGB Form 15 for the Bon Secour Bay Field, the North Central Gulf Field, and the
18 Northwest Gulf Field. The first change is reported well volumes, well production
19 volumes. The second change is to report H₂S and CO₂ shrinkages as separately identified
20 volumes on the back of the Form 15. The third is to report meter gains and losses as

1 separately identified volumes, separate from shrinkage. These requested changes do not
2 change the allocation of the gas in the field.

3 Q. Tell the Board, Mr. Hand, what ExxonMobil's current procedure is for reporting the
4 production.

5 A. The current procedure for reporting production is that we utilize full wellstream meters
6 for each individual well. Those meter volumes are adjusted with a factor called a dry/wet
7 factor. Basically, those volumes are described in the yellow book--what we call the
8 yellow book--as a theoretical production separator volume. In essence, they are very
9 good theoretical volumes similar to a well test but they are used to allocate gas for a
10 dedicated unit production separator back to unit wells. In fact, what I've got on Exhibit 1
11 in the first column, Column I, are those volumes that we report on the AOGB Form-15.
12 This example is October 2002 as a sample month to reflect the volumes that we are
13 talking about. What is happening is that several times a year various wells, typically
14 wells with low H₂S or CO₂ volumes, had reported production that would be less than
15 what we have allocated back to that well as sales. This was mainly as a result of gain and
16 metering from the point of the full wellstream measurement, dry/wet adjusted, to the
17 production separators and the platform exit meters, all within industry standards, well
18 within industry standards, but there would be a gain in the production volume. This
19 resulted in this problem that we call sales exceeding production. Again, this is evident on
20 our Exhibit 1 when you compare Column 1 to Column 4. What I would like to do is just
21 point to the Northwest Gulf Field, the 111-1, the 112-2, and the 112-3 wells. If you can

1 look at those, the 111-1 had a theoretical production separator volume of 374,681 which
2 was reported on the AOGB Form 15 whereas sales in that month were 375,164. So, the
3 sales allocated to that well exceed what we call the well's production which caused a
4 problem with the state reporting. Similar results occurred on the 112-2 and the 112-3.

5 Q. Okay. Are there additional levels of gas measurement, Mr. Hand?

6 A. Yes. On the platform--we have two additional levels on each of the platforms. You have
7 the production separators which are measuring all the gas that are coming out a particular
8 unit in the test separator. That's one level. The next level is the platform exit meters
9 which measure all the gas physically being produced off that platform prior to it going
10 into the gathering system to shore. The platform meters are reflected in Column II of
11 Exhibit 1, the platform exit meters, plus any of the platform flare. There is a small
12 amount of platform flare that occurs on a monthly basis. That is exhibited in Column III.

13 Q. Okay.

14 A. There is one other comment to make there and that is that both of those two volumes are
15 measuring gas that is dry which means that it has gone through a separator. All the water
16 and liquid hydrocarbons have separated from the gas, so you've got a dry gas stream. On
17 the platform exit meter there is a dehydration system between the production separators
18 and the platform exits. Any water vapor remaining in that gas prior to being measured
19 leaving the platform has been extracted.

1 Q. Mr. Hand, in the exhibits that I have handed up with a little green tab I have noted on the
2 original OGB-15 for the Northwest Gulf, the first green tab. The second green tab is the
3 revised form. Describe how those forms will be filed if the Board approves our request.

4 A. The change would be in the column that is titled Gas Production FWSV. Those would go
5 from the full wellstream dry/wet adjusted to the platform exit meter with the addition of
6 any of the platform flare. In the case of this one month the problem with the sales
7 exceeding production issue would go away on the three wells that we have talked about
8 earlier.

9 Q. Rule 400-2-5-.07 of the Oil and Gas Board's Administrative Code states that all gas
10 produced shall be accurately metered in accordance with standards set by the American
11 Gas Association. Are the procedures employed by ExxonMobil in accordance with these
12 standards and what is the industry standard tolerance for orifice meter accuracy?

13 A. Yes we do comply with standards of the AGA. The industry accuracy standard for
14 orifice meter comparison from one meter to the next is within plus or minus two percent.

15 Q. Okay. Would you tell the Board exactly what changes you would like to make in the
16 reporting on these OGB-15 forms.

17 A. The change we would like to make for reporting well production would be to go to the
18 platform exit meter plus any allocated platform flare since that is the closest measurement
19 point to the onshore treating facility to establish what the wells produce. This is
20 consistent with the way that we are doing it for the Mary Ann Field and the Aloe Bay
21 Field.

1 Q. Okay.

2 A. There are two other changes that we would like to propose. These are to volumes that are
3 on the back side of the AOGB-15's. The first one is the reported H₂S or the shrinkage
4 volumes. What we would like to do is to report H₂S shrinkage and CO₂ shrinkage as
5 separately reported volumes. We have had a problem occasionally with the amount of
6 shrinkage that would show up as what we call negative shrinkage. It was the result of the
7 calculation methodology to arrive at the shrinkage volume which was to take the
8 production reported on the front of the form minus sales, fuels, and flare and that would
9 back into the shrinkage number which occasionally if you had a meter gain it would end
10 up showing up as a negative number. Going to this method the H₂S and CO₂ shrinkages
11 would be reported as positive numbers separately on the back of the AOGB-15 as a
12 separate disposition of the gas. The second change is to report the meter (gain)/loss as a
13 separate volume in an others category on the back of the form. What this will do is it will
14 allow the Oil and Gas Board to monitor meter accuracy by seeing where that meter
15 (gain)/loss is occurring from the time we have gas leaving the platform through all or
16 some of the dispositions at the plant. What it would be doing is we would be reporting
17 meter gain as a negative number, meter loss as a positive number, and may be able to
18 track that meter (gain)/loss over time.

19 Q. Now you can flip to those green tabs and direct the Board's attention to those forms.

20 A. If you will, go to the Northwest Gulf on the second page, the copy of the back side of the
21 AOGB-15. What we've got there, as you will see on the original filing, the shrinkage

1 was noted as one number. On the revised filing we have H₂S and CO₂ separately
2 identified and then we have this meter (gain)/loss as a separately identified volume.

3 Q. None of your recommendations involve changing the allocation of gas from the offshore
4 fields and units, do they, Mr. Hand?

5 A. No they don't.

6 Q. Isn't it true that the benefit of reporting production based on exit volumes will be to
7 significantly reduce the occurrence of individual well allocated sales being greater than
8 well production?

9 A. Yes.

10 Q. Is it true that ExxonMobil proposes to conform its filings by the OGB-15 forms with
11 other offshore reports by reporting the CO₂ shrinkage and H₂S shrinkage separately from
12 the meter (gain)/loss interest under the category termed other that appears on the back of
13 the OGB-15?

14 A. Yes.

15 Q. Is ExxonMobil's proposed method of reporting meter (gain)/losses and production
16 volumes fair and reasonable?

17 A. Yes.

18 Q. Is it true that the proposed reporting changes will not affect the currently approved
19 methodology for procedures concerning the commingling and allocation of production
20 from the Northwest Gulf Field, the Bon Secour Bay Field, and the North Central Gulf
21 Fields, all of which are in Mobile and Baldwin Counties?

1 A. Yes that's true.

2 Q. Finally, Mr. Hand, will approval of this petition prevent waste and protect correlative
3 rights and promote the conservation of Alabama's hydrocarbon resources?

4 A. In my opinion it will.

5 MR. WATSON: Mr. Chairman, I would ask that you admit the affidavit of notice in this
6 matter along with Exhibits 1, 2 and 3 to the testimony of Mr. Hand.

7 CHMN. MCCORQUODALE: All of those are admitted.

8 (Whereupon, the affidavit and exhibits were received in evidence)

9 MR. WATSON: Also, Dr. Tew received a letter from the Department of Conservation
10 and Natural Resources relative to this matter. I would like to have that letter introduced into the
11 record.

12 CHMN. MCCORQUODALE: That letter will be admitted.

13 (Whereupon, the letter was received in evidence)

14 MR. WATSON: I tender Mr. Hand to the Board and staff for any questions you have.

15 CHMN. MCCORQUODALE: Let me ask a question to perhaps Mr. Hand or you, Mr.
16 Watson. Did any of these proposed changes come about as a result of the state lawsuit or are
17 they in any way related to the state lawsuit?

18 MR. WATSON: No sir.

19 BILL HAND

20 EXAMINATION BY BOARD/STAFF

1 Questions by Mr. Metcalfe:

2 Q. Mr. Hand, it may be covered in that letter but will this increase or decrease the money
3 that the state receives?

4 A. It will not change that number.

5 Q. I'm sorry.

6 A. It will not change that number. The sales volumes, all the dispositions will continue to be
7 allocated on the same basis as they are being allocated today.

8 Q. What will it change?

9 A. It will change the way that we report volumes to the State and what we deem to be what a
10 well produced. Instead of using a full wellstream meter with a dry/wet factor applied to
11 that, we will be pulling up to an allocated platform exit meter plus any platform flare that
12 occurred to say what a well produced.

13 MR. WATSON: Mr. Metcalfe, if I can answer that question. When we first started out
14 in 1993 we came to you and told you theoretically how we were going to meter all of this
15 production. You've got stuff going from onshore to offshore. You've got production from
16 offshore coming to an onshore treating plant. There are any number of times and places that you
17 can take a snapshot and measure this. The best we could do in 1993 before we had one cubic
18 foot of production was to give you a format or formula. That's referred to as the yellow book.
19 That's the procedure that we have followed. Now, with ten years of production we find that we
20 can tweak that and get a more accurate report on your OGB-15's to exactly what's coming out,
21 not to say that it hasn't been accurate for ten years but because of platform flares and because of

1 metering points and shrinkage--the best way I can describe shrinkage is there are points in times
2 where if you measure the full wellstream you will get non-saleable products or things are not
3 there that you actually are going to sell and get money for but it's all in the "guts and feathers."
4 What we are trying to do is to get this thing down to a science based on the current technology
5 that's available to accurately measure these volumes and to report them to the state. That's a
6 layman's definition. Dr. Bolin has a better handle on this than I do.

7 Questions by Dr. Bolin:

8 Q. Mr. Hand, is it true that what we are doing here, we are not changing the methodology
9 and we're not changing anything to do with the volume of sales or the revenues that's
10 generated either totally or that comes to the state, but what we are doing is using the same
11 methodology. In order to solve the problem through this methodology in some cases of
12 having sales greater than production, we're choosing a different set of numbers and a
13 different column using the same methodology. It only affects the numbers that show up
14 on the production side on the Board's monthly reporting form. Is that correct?

15 A. That is correct.

16 MR. WATSON: Mr. Chairman, we have set down with the Department of Conservation
17 and Natural Resources and been over all this before we came before the Board.

18 CHMN. MCCORQUODALE: Right. Mr. Griggs' letter reflects that. Are there any
19 other questions?

20 MR. METCALFE: Mr. Chairman, if the staff recommends this change?

1 DR. BOLIN: Yes, sir, we would recommend that change and it would facilitate our
2 reporting because as it is now our computerized databases will not allow us to enter sales greater
3 than production, which it shouldn't. This should solve that problem in the future.

4 MR. METCALFE: Thank you, Dr. Bolin. I so move.

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

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

7 CHMN. MCCORQUODALE: "Ayes" have it.

8 MR. WATSON: Thank you, sir.

9 MR. ROGERS: The last item then is Item 34, Docket No. 3-26-03-18, a motion by the
10 Board to amend Rule 400-2-6-.09 related to platforms and fixed structures.

11 DR. TEW: Mr. Chairman, on behalf of the staff I would like to make the following
12 statement for the record in this matter.

13 CHMN. MCCORQUODALE: Please.

14 DR. TEW: The proposed amendment would require operators of offshore structures in
15 state waters to conduct periodic inspections and proper maintenance of such structures and to
16 provide recertifications as to the verification of structural integrity to the Supervisor on a
17 periodic basis. The staff believes that this proposed amendment is timely and necessary to
18 ensure the continued integrity of such structures in the future. The amendment will be based on
19 the American Petroleum Institute's or API's RP-2A, recommended practice for planning,
20 designing and constructing fixed offshore platforms or subsequent revisions which provide the
21 current industry standards of such structures. The proposed rule will be consistent with the

1 current requirement set forth by the Minerals Management Service, or MMS, oil and gas
2 structures located in the Federal Outer Continental Shelf water area. It is our understanding that
3 operators that have such structures in federal waters as well as in Alabama state waters are
4 applying the MMS rule to their structures in state waters for consistency among all their
5 operations in the Gulf of Mexico. Therefore, the implementation of this proposed rule would
6 only require that these operators submit inspection reports and a recertification statement to the
7 Supervisor once every five years for work that is already being done. On the basis of these facts
8 the staff would recommend approval of the proposed rule amendment.

9 CHMN. MCCORQUODALE: Are there any comments about the proposed rule?

10 MR. METCALFE: Who certifies?

11 DR. TEW: The operators would provide recertifications to the Supervisor.

12 MR. METCALFE: They are the ones who certify it, there is no independent certification
13 by another body? The operator certifies these?

14 DR. BOLIN: Yes sir. Mr. Metcalfe, the way it works out is that on this proposal as well
15 as what's being done now we have a professional engineer that's qualified in the area of
16 structural engineering to provide that certification. It's someone with a specialty in that area but
17 it does come from the operator.

18 MR. WATSON: Mr. Chairman, ExxonMobil has a statement.

19 CHMN. MCCORQUODALE: We will receive that at this time.

20 MR. WATSON: ExxonMobil does not take exception to the proposed rule, however, we
21 strongly recommend that the criteria of the joint industry project title rationalization and

1 optimization of underwater inspection planning consistent with APR RP 2A, Section 14,
2 November 2000, be used as a basis for determining the frequency of inspections as is the current
3 practice in OCS waters in the Gulf of Mexico. That's a prepared statement. I would say that
4 Mike Leach who is the area supervisor for the offshore operations in Alabama state waters has
5 worked with your staff. His staff has studied this rule and strongly supports it based on that
6 statement.

7 CHMN. MCCORQUODALE: Dr. Tew, I would assume that you understood what he
8 said.

9 MR. WATSON: I said the same thing as he did, basically.

10 MR. DAMPIER: Dr. Tew, I have a question. If the structure did not pass recertification,
11 what is the procedure to deal with that?

12 DR. TEW: Dr. Bolin? I'm going to let him address that.

13 DR. BOLIN: Basically this would--by having a rule of this nature, if there is something
14 that is found that needs to be corrected, it would be corrected. If it was not the Board would
15 have a basis for calling the operator in and having a show cause why they should not correct that
16 problem if it has been noted. It gives us a basis for taking action if action is necessary. We
17 believe that would be consistent with the continuing aging of the structures from this point
18 forward for what's in our state waters.

19 MR. DAMPIER: Have we ever had a problem in the past?

20 DR. BOLIN: No sir.

21 MR. METCALFE: So that means the operator might say to you, I can't certify my rig.

1 DR. BOLIN: Yes sir and in that case then we would say, well, you need to terminate
2 usage of it.

3 MR. METCALFE: I assume, rather than do that, he would correct it so that he could
4 certify it.

5 DR. BOLIN: Yes sir.

6 MR. METCALFE: It's not likely that he would ever certify it that he couldn't, say he
7 couldn't.

8 DR. BOLIN: We would assume so.

9 MR. METCALFE: That's why I asked about the third party.

10 MR. ROGERS: Mr. Chairman, we would request that a copy of the proposed rule be
11 admitted into the record.

12 CHMN. MCCORQUODALE: It is admitted.

13 (Whereupon, the rule was received in evidence)

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 (Whereupon, various letters were received in evidence)

19 CHMN. MCCORQUODALE: "Ayes" have it. Any other business? We stand
20 adjourned.

21 (Whereupon, the hearing was adjourned at 11:17 a.m.)

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REPORTER'S CERTIFICATE

STATE OF ALABAMA
COUNTY OF TUSCALOOSA

I, Rickey Estes, Hearing Reporter in and for the State of Alabama, do hereby certify that on Friday, June 13, 2003, at 4182 Commanders Drive, Mobile, Alabama, I reported the proceedings before the State Oil and Gas Board in Regular Session; that the foregoing 58 typewritten pages contain a true and accurate verbatim transcription of said proceedings to the best of my ability, skill, knowledge, and belief.

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


Rickey Estes
Hearing Reporter