


September 3, 2003

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10-10-03

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Board Exhibit	Proofs of Publication Docket No. 9-3-03-1 Docket No. 9-3-03-2 Docket No. 9-3-03-3 Docket No. 9-3-03-4 Docket No. 9-3-03-5 Docket No. 9-3-03-6 Docket No. 9-3-03-7 Docket No. 9-3-03-8 Docket No. 9-3-03-9 Docket No. 9-3-03-10 Docket No. 9-3-03-11 Docket No. 9-3-03-12 Docket No. 9-3-03-13 Docket No. 9-3-03-14 Docket No. 9-3-03-15 Docket No. 9-3-03-16 Docket No. 9-3-03-17 Docket No. 9-3-03-18 Docket No. 9-3-03-19	19	19
Board Exhibit	Hearing Officer Order	19	19
Exhibit 1 (Item 2)	Unit plat for Unit II, Deerlick Creek Field (Ken Radigan)	28	28
Exhibit 1, Page 2 (Item 2)	Legal description of Unit II, Deerlick Creek Field (Ken Radigan)	28	28
Exhibit 2 (Item 2)	Base map of Deerlick Creek Field with east-west cross sections (Ken Radigan)	28	28

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 3 (Item 2)	Cross section A-A', Deerlick Creek Field (Ken Radigan)	28	28
Exhibit 4 (Item 2)	Structure map, top Black Creek Coal, Deerlick Creek Field (Ken Radigan)	28	28
Exhibit 5 (Item 2)	Isopach map, Pottsville coal seams, Lower Utley through Black Creek (Ken Radigan)	28	28
Exhibit 6 (Item 2)	Portion of type log, GSPC 35-07, Deerlick Creek Field (Ken Radigan)	28	28
Exhibit 7 (Item 2)	Form OGB-9, GSPC 35-7, Deerlick Creek Field (Ken Radigan)	28	28
Exhibit 8 (Item 2)	Type log, GSPC 35-7, Deerlick Creek Field (Ken Radigan)	28	28
Exhibit 9 (Item 2)	Affidavit of notice (William T. Watson)	21	21
Exhibit 10 (Item 2)	Supplemental affidavit of notice (William T. Watson)	21	21

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 11 (Item 2)	Unit Agreement, Deerlick Creek Field (Ken Radigan)	28	28
Exhibit 12 (Item 2)	Unit Operating Agreement, Deerlick Creek Field (Ken Radigan)	28	28
Exhibit 1 (Items 10, 19 and 20)	Unit plat, Little Cedar Creek Field (Robin Smith)	38	38
Exhibit 2 (Items 10, 19 and 20)	Structure map, top of Smackover, Little Cedar Creek Field (Robin Smith)	38	38
Exhibit 3 (Items 10, 10 and 20)	Cross section A-A', Little Cedar Creek Field (Robin Smith)	38	38
Exhibit 4 (Items 10, 19 and 20)	Form OGB-9, Cedar Creek Land and Timber 20-12 No. 1, Little Cedar Creek Field (Robin Smith)	38	38
Exhibit 5 (Items 10, 19 and 20)	Well location plat, Cedar Creek Land and Timber 20-12 No. 1, Little Cedar Creek Field (Robin Smith)	38	38

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 6 (Items 10, 19 and 20)	Pipeline sketch, production data and economic assessment (Robin Smith)	38	38
Exhibit 7 (Items 10, 19 and 20)	Affidavit of notice (William T. Watson)	29	29
Exhibit 8 (Items 10, 19 and 20)	9/2/03 letter to Board with affidavit of confidentiality (William T. Watson)	38	39
Exhibit 1 (Item 11)	Base map, Blue Creek Coal Degas. Field (Curtis Conrad)	44	44
Exhibit 2 (Item 11)	Structure map, top Mary Lee coal group, Blue Creek Coal Degas. Field (Curtis Conrad)	44	44
Exhibit 3 (Item 11)	Type log, Chevron 20-14-114 Blue Creek Coal Degas. Field (Curtis Conrad)	44	44
Exhibit 4 (Item 11)	Cross section A-A', Blue Creek Coal Degas. Field (Curtis Conrad)	44	44
Exhibit 5 (Item 11)	Affidavit of notice (Steven F. Harrison)	44	44

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 1 (Item 13)	8/12/03 letter to Elizabeth McCrary with attached certified receipt (Steven M. Hutchings)	47	47
Exhibit 2 (Item 13)	8/12/03 letter to Martha Gaston with attached certified receipt (Steven M. Hutchings)	47	47
Exhibit 3 (Item 13)	8/12/03 letter to Margene Ellis with attached certified receipt (Steven M. Hutchings)	47	47
Exhibit 4 (Item 13)	7/11/03 letter to Morris Savage with attached green card (Steven M. Hutchings)	47	47
Exhibit 5 (Item 13)	8/18/03 letter to Morris Savage (Steven M. Hutchings)	47	47
Exhibit 6 (Item 13)	Mary B. Savage mineral interest with attached heirship affidavit (Steven M. Hutchings)	48	48
Exhibit 7 (Item 13)	Supplemental affidavit of notice (William T. Watson)	48	48

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 8 (Item 13)	Tract and confirm notification from the U.S. Postal Service ⁸ along with unclaimed certified package to Martha Gaston (Steven Hutchings)	48	48
Exhibit 9 (Item 13)	Tract and confirm notification from the U.S. Postal Service along with unclaimed certified package to Elizabeth McCraty (Steven Hutchings)	48	48
Exhibit 10 (Item 13)	9/24/03 letter to Board (William T. Watson)	48	48
Exhibit 1 (Item 15)	Affidavit of testimony with attached exhibits (Stewart W. Welch)	51	52
Exhibit A (1 & 2) (Item 22)	Affidavit of testimony (Kenneth J. Radigan, Jr.)	53	53
Exhibit 1 (Item 22)	Typical well completion, Deerlick Creek Field (Ken Radigan)	53	53
Exhibit 2 (Item 22)	Typical well completion where methane gas migrates into the annular space (Ken Radigan)	53	53
Exhibit 3 (Item 22)	Affidavit of notice (William T. Watson)	52	52
Exhibit 1 (Item 25)	Affidavit of testimony (Steven M. Hutchings)	54	54

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 2 (Item 25)	Affidavit of notice (William T. Watson)	53	53
Exhibit 3 (Item 25)	Letter received on 9/5/03 related to Board's request (William T. Watson)	55	55
Exhibit 1 (Item 23)	Area map, south Mobile Bay (Robert Wood)	60	61
Exhibit 1A (Item 23)	Cross section A-A' location map, south Mobile Bay (Robert Wood)	60	61
Exhibit 1B (Item 23)	West to east cross section A-A' of Blocks 62 and 72, South Mobile Bay (Robert Wood)	60	61
Exhibit 2 (Item 23)	Amplitude anomaly based on 3-D seismic survey on Blocks 62 and 76 (Robert Wood)	60	61
Exhibit 3 (Item 23)	ARB Line 1 (I-I') amplitude (Robert Wood)	60	61
Exhibit 4 (Item 23)	ARB Line 2 (J-J') amplitude (Robert Wood)	60	61

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 4B (Item 23)	Survey plat, State Lease 347 No. 3 Well, State Tract 76, Mobile Bay area, Mobile County (Robert Wood)	60	61
Exhibit 5 (Item 23)	Affidavit of notice (William T. Watson)	57	57
Exhibit 6 (Item 23)	8/25/03 letter to James J. Griggs (Jay H. Masingill)	60	61
Exhibit 7 (Item 23)	9/2/03 letter to Board (James H. Griggs)	60	60
Exhibit 1 (Item 26)	Area map, south Mobile Bay (Robert Wood)	65	65
Exhibit 1A (Item 26)	Cross section A-A' location map, south Mobile Bay (Robert Wood)	65	65
Exhibit 1B (Item 26)	West to east cross section A-A', South Mobile Bay (Robert Wood)	65	65
Exhibit 2 (Item 26)	Amplitude anomaly based on 3-D seismic (Robert Wood)	65	65

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 3 (Item 26)	ARB Line 1 (L-L') amplitude (Robert Wood)	65	65
Exhibit 4 (Item 26)	ARB Line 2 (K-K') amplitude (Robert Wood)	65	65
Exhibit 4B (Item 26)	Survey plat, State Lease 534 No. 2 Well, State Tract 62, Mobile Bay area, Mobile County (Robert Wood)	65	65
Exhibit 5 (Item 26)	Affidavit of notice (William T. Watson)	61	61
Exhibit 6 (Item 26)	8/25/03 letter to James J. Griggs (Jay H. Masingill)	65	65
Exhibit 7 (Item 26)	9/2/03 letter to Board (James H. Griggs)	65	65

September 3, 2003

EXHIBITS
(Incorporated by Reference)

<u>Description</u>	<u>Offered</u>	<u>Received</u>
Completion and production Data for GSPC 35-7 No. 1 Well	24	24
Record related to Docket No. 7-28-03-1	56	56

September 3, 2003

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

September 3, 2003

Testimony and proceedings before a Hearing Officer in Regular Session in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, pursuant to adjournment, on this the 3rd day of September, 2003.

BEFORE:

Mr. Marvin Rogers..... Attorney

BOARD STAFF

Dr. Berry H. (Nick) Tew..... Secretary and Supervisor

Mr. Jay H. Masingill.....Assistant Supervisor

Dr. David E. Bolin.....Assistant Supervisor

Mr. Richard Hamilton..... Engineer

Mr. Douglas Hall..... Geologist

Mr. Frank Hinkle..... Geologist

Mr. Thomas Sexton..... Geologist

APPEARANCES

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NAME	REPRESENTING
1. Ken Radigan Tuscaloosa, AL	Delta Petroleum
2. Don Spicer Houston, TX	El Paso Production Co.
3. Curtis Conrad Houston, TX	El Paso Production Co.
4. Walton Jackson Mobile, AL	Union Oil
5. Tom Watson Tuscaloosa, AL	-----
6. Steve Hutchings Mobile, AL	Dominion
7. Robin Smith Shreveport, LA	Midroc
8. Steve Harrison Tuscaloosa, AL	El Paso Production Co.
9. John Tyra Tuscaloosa, AL	Browning & Welch
10. Joey Stephenson Tuscaloosa, AL	Dominion

(The hearing was convened at 10:00 a.m. on
Wednesday, September 3, 2003, at Tuscaloosa, Alabama)

MR. ROGERS: This hearing is in session.

DR. TEW: The Hearing Officer and the staff will hear all the items on the September 3
and 5, 2003, docket today.

AGENDA
STATE OIL AND GAS BOARD OF ALABAMA
SEPTEMBER 3 and 5, 2003

The State Oil and Gas Board of Alabama will hold its regular monthly meeting at
10:00 a.m. on Wednesday, September 3, and Friday, September 5, 2003, in the
Board Room of the State Oil and Gas Board, Walter B. Jones Hall, University of
Alabama Campus, 420 Hackberry Lane, Tuscaloosa, Alabama, to consider among
other items, the following petition(s):

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

Continued petition by LAND AND NATURAL RESOURCE DEVELOPMENT,
INC., an Alabama corporation, requesting the Board to further address the
Temporarily Abandoned Status for 134 wells, 34 wells which are operated by
Land and Natural Resource Development, Inc. and 100 wells which are operated
by TECO Coalbed Methane, Inc., all of which are located in the Moundville Coal
Degasification Field, Tuscaloosa and Hale Counties, Alabama. The Board has
addressed the status of these wells in Board Order 2002-137(1), and in said order
stayed prior Order Nos. 2001-85 and 2001-162 to the extent that such orders
required plugging and abandonment of all wells by August 31, 2002. Petitioner
desires to resume operation and asks the Board to extend the temporarily
abandoned status of these wells, because they have future utility. These wells are
located in the following sections:

Township 23 North, Range 3 East

Sections: 13, 24

Township 23 North, Range 4 East

Sections: 7, 8, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 28, 29, 30

Township 23 North, Range 5 East

Sections: 1, 3, 4, 5, 7, 8, 9, 15, 16, 17, 18, 19, 20

Township 24 North, Range 4 East

Sections: 24, 25

Township 24 North, Range 5 East

Sections: 19, 30, 31

2. DOCKET NO. 8-28-02-12C

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

Petitioner further seeks entry of an order unitizing, pooling and integrating the Unit Area, as underlain by the above defined unitized formation so as to require all owners or claimants of royalty, overriding royalty, mineral, and leasehold interests within the Unit Area to unitize, pool and integrate their interests and develop their lands or interests as a Unit, and designating Castle Exploration Co., Inc. as operator of the Unit Area in accordance with the laws of Alabama. The proposed Unit Area, to be designated Unit II, consisting of 263 acres, more or less, and described as

1 follows: The East Half of the Northeast Quarter; Southwest Quarter of the Northeast
2 Quarter; North Half of the Southeast Quarter of Section 35; and the Northwest
3 Quarter; Northwest Quarter of the Southwest Quarter of Section 36, all in Township
4 20 South, Range 9 West, Tuscaloosa County, Alabama, in the Deerlick Creek Coal
5 Degasification Field, less and except from the above described property all of those
6 certain lands condemned by the United States of America for the Holt Lock & Dam
7 Project as described in Deed Book 510 at Page 343 of the records of the Probate
8 Judge of Tuscaloosa County, Alabama.
9

10 This petition is a companion to petition bearing Docket No. 8-28-02-10 to add
11 acreage to the Deerlick Creek Coal Degasification Field.
12

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

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

26 4. DOCKET NO. 12-19-02-3

27 Continued petition by VENTEX OPERATING CORP., a foreign corporation
28 authorized to do and doing business in the State of Alabama, requesting the State Oil
29 and Gas Board of Alabama to enter an order pursuant to Sections 9-17-1 through 9-
30 17-32 and 9-17-80 through 9-17-88, Code of Alabama (1975), approving plans for a
31 partial field-wide oil unit in the North Rome Field to be known as the "North Rome
32 Field Lower Cotton Valley Sand Oil Unit" consisting of the hereinafter described
33 "Unit Area" in Covington County, Alabama, and requiring the operation of said Unit
34 Area as a partial field-wide unit for pressure maintenance, enhanced recovery,
35 development and production of oil, gas, gaseous substances, condensate, distillate
36 and all associated and constituent liquid or liquefiable substances within or produced
37 from the unitized interval in order to prevent waste, to maximize recovery of the
38 unitized substances, to avoid the drilling of unnecessary wells and to protect the
39 coequal and correlative rights of interested parties.

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

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

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

32 5. DOCKET NO. 4-30-03-7

33 Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA
34 to consider issuing an order for Vintage Petroleum, Inc., Hunt Refining Company,
35 and Pruet Production Company to clean up and remove the oil on the lands of
36 Lois Ezell and the adjoining pipeline right-of-way located in Section 29,
37 Township 11 North, Range 3 West, Choctaw County, Alabama. Vintage
38 Petroleum, Inc., operates the Ezell 29-5 Well, Permit No. 1844, on the lands of
39 Lois Ezell, and certain oil pipelines on the pipeline right-of-way adjoining the
40 lands of Lois Ezell. Hunt Oil Company operates an oil pipeline on the pipeline
41 right-of-way adjoining the lands of Lois Ezell. Pruet Production Company

1 operates a natural gas pipeline and a salt-water pipeline on the pipeline right-of-
2 way adjoining the lands of Lois Ezell. The jurisdiction and authority of the Board
3 is set forth in Section 9-17-1 et seq. of the Code of Alabama (1975), as amended.
4

5 6. DOCKET NO. 4-30-03-10

6 Continued petition by MOON-HINES-TIGRETT OPERATING CO., INC., a
7 foreign corporation authorized to do and doing business in the State of Alabama,
8 requesting the State Oil and Gas Board to enter an order amending Rule 1 of the
9 Special Field Rules for Sneads Creek Field to add the West Half of Section 22, all
10 of Section 27, and the East Half of Section 34, all in Township 20 South, Range
11 13 West, Pickens County, Alabama, to the field limits of said field.
12

13 This petition is filed as a companion to a petition bearing Docket No. 4-30-03-11
14 requesting an order reforming the 40-acre wildcat drilling unit for the Byars Heirs
15 27-4 #1 Well, Permit No. 8418-A, to a 360-acre unit; a petition bearing Docket
16 No. 4-30-03-12 requesting approval of an exceptional location for the referenced
17 well; and a petition bearing Docket No. 4-30-03-13 requesting the forced pooling
18 of all tracts and interests in said unit, without the imposition of a risk
19 compensation fee.
20

21 7. DOCKET NO. 4-30-03-11A

22 Continued amended petition by MOON-HINES-TIGRETT OPERATING CO.,
23 INC., a foreign corporation authorized to do and doing business in the State of
24 Alabama, requesting the State Oil and Gas Board to enter an order reforming the
25 40-acre wildcat unit for the Byars Heirs 27-4 #1 Well, Permit No. 8418-A,
26 consisting of the Northwest Quarter of the Northwest Quarter of Section 27,
27 Township 20 South, Range 13 West, Pickens County, Alabama, to a 360-acre unit
28 consisting of the West Half of said Section 27; the East $\frac{3}{4}$ of the Northeast
29 Quarter of the Northeast Quarter and the East $\frac{1}{4}$ of the Southeast Quarter of the
30 Northeast Quarter, all in Section 28, Township 20 South, Range 13 West, Pickens
31 County, Alabama, as an exception to Rule 3(a) of the Special Field Rules for the
32 Sneads Creek Field, which states in part that units shall consist of 320 acres.
33

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

1 8. DOCKET NO. 4-30-03-12A

2 Continued amended petition by MOON-HINES-TIGRETT OPERATING CO.,
3 INC., a foreign corporation authorized to do and doing business in the State of
4 Alabama, requesting the State Oil and Gas Board for an exception to Rule 3(b) of
5 the Special Field Rules for the Sneads Creek Field for the Byars Heirs 27-4 #1
6 Well, Permit No. 8418-A, located on a proposed reformed 360-acre unit
7 consisting of the West Half of Section 27 and the East $\frac{3}{4}$ of the Northeast $\frac{1}{4}$ of the
8 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,
9 all in Township 20 South, Range 13 West, Pickens County, Alabama, in the
10 Sneads Creek Field. Rule 3(b) requires all wells to be located at least six hundred
11 sixty (660) feet from every exterior boundary of the drilling unit and the Byars
12 Heirs 27-4 #1 Well is only 531 feet from the North line of said 360-acre unit and,
13 as such, constitutes an exception to said Rule 3(b).
14

15 This petition is filed as a companion to a petition bearing Docket No. 4-30-03-10
16 requesting an amendment to Rule 1 of the Special Field Rules for Sneads Creek
17 Field to add to the field limits; a petition bearing Docket No. 4-30-03-11
18 requesting an order reforming the 40-acre wildcat unit for the Byars Heirs 27-4 #1
19 Well to a 360-acre unit; and a petition bearing Docket No. 4-30-03-13 requesting
20 the Board to force pool all tracts and interests in said unit, without the imposition
21 of a risk compensation fee.
22

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

24 Continued petition by MOON-HINES-TIGRETT OPERATING CO., INC., a
25 foreign corporation authorized to do and doing business in the State of Alabama,
26 requesting the State Oil and Gas Board to enter an order force pooling, without
27 the imposition of a risk compensation penalty, all tracts and interests in
28 hydrocarbons produced from the re-entry and completion of the Byars Heirs 27-4
29 #1 Well, Permit No. 8418-A, located on a proposed reformed 360-acre unit
30 consisting of the West Half of Section 27 and the East $\frac{3}{4}$ of the Northeast $\frac{1}{4}$ of the
31 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
32 28, Township 20 South, Range 13 West, Pickens County, Alabama, in the Sneads
33 Creek 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.
38

39 This Petition is filed as a companion to a petition bearing Docket No. 4-30-03-10
40 requesting an amendment to Rule 1 of the Special Field Rules for Sneads Creek
41 Field to add to the field limits; a petition bearing Docket No. 4-30-03-11

1 requesting an order reforming the 40-acre wildcat unit for the Byars Heirs 27-4 #1
2 Well to a 360-acre unit; and a petition bearing Docket No. 4-30-03-12 requesting
3 an exceptional location for the referenced well.
4

5 10. DOCKET NO. 7-30-03-1

6 Continued petition by MIDROC OPERATING COMPANY, a foreign corporation
7 authorized to do and doing business in the State of Alabama, requesting the State Oil
8 and Gas Board to enter an order amending Rule 1 of the Special Field Rules for the
9 Little Cedar Creek Field to add all of Section 20, Township 4 North, Range 12 East,
10 Conecuh County, Alabama, to the field limits of said field.
11

12 11. DOCKET NO. 7-30-03-6

13 Continued petition by EL PASO PRODUCTION COMPANY, a foreign
14 corporation authorized to do and doing business in the State of Alabama,
15 requesting the State Oil and Gas Board of Alabama to enter an order amending
16 Rule 2 of the Special Field Rules for the Blue Creek Coal Degasification Field,
17 Tuscaloosa County, Alabama, so as to add all of Sections 1, 2, 11, 12, 13 and 14,
18 all in Township 19 South, Range 10 West, Tuscaloosa County, Alabama.
19

20 12. DOCKET NO. 7-30-03-7

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 amending
24 Rule 2 of the Special Field Rules for the Deerlick Creek Coal Degasification
25 Field, Tuscaloosa County, Alabama, so as to add all of Sections 23, 24, 25, 26, 35
26 and 36, all in Township 19 South, Range 10 West, Tuscaloosa County, Alabama.
27

28 13. DOCKET NO. 7-30-03-11

29 Continued petition by DOMINION BLACK WARRIOR BASIN, INC., an
30 Alabama corporation, requesting the State Oil and Gas Board to enter an order
31 force pooling, with a risk compensation penalty, all tracts and interests in
32 hydrocarbons produced from coalbeds in the Pottsville Formation in the Barrentine
33 02-04-275 Well, to be drilled on an 80-acre unit consisting of the West Half of the
34 Northwest Quarter of Section 2, Township 17 South, Range 9 West, Tuscaloosa
35 County, Alabama, in the Blue Creek Coal Degasification Field.
36

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

14. DOCKET NO. 9-3-03-1

Petition by UNION OIL COMPANY OF CALIFORNIA, a foreign corporation authorized to do and doing business in the State of Alabama, and operator of the Churchula Field Unit in Mobile County, Alabama, requesting that the State Oil and Gas Board of Alabama to enter an order extending for one year the temporary abandoned status of the following sixteen wells listed below in the Churchula Field Unit, Mobile County, Alabama:

<u>PERMIT NO.</u>	<u>WELL NAME</u>	<u>LOCATION</u>
2357	I.P.C. 2-6 #1	Sec. 2, T2S, R2W
2355-B	R.J. Smith 6-10 #1A	Sec. 6, T1S, R1W
3650	M.V. Kelly 10-3 #1	Sec. 10, T1S, R2W
4255-B	M.V. Kelly 11-1 #1	Sec. 11, T1S, R2W
2914	R.L. Smith 12-11 #1	Sec. 12, T1S, R2W
2044	J.A. Smith 15-6 #1	Sec. 15, T1S, R2W
2584-B	R.E. Davis 1-11 #1	Sec. 1, T1S, R2W
2350	Creola Investment 34-7 #1	Sec. 34, T1S, R2W
2005-B	Mobile County Board of School Commissioners 16-10 #1	Sec. 16, T1S, R2W
2252	Richard W. Rascoe 3-10 #1	Sec. 3, T2S, R2W
2062-B-1	I.P.C. 17-7 #1A-B	Sec. 17, T1S, R2W
2525	I.P.C. 13-10 #2	Sec. 13, T1S, R2W
2642	Wright Turner 3-10 #1	Sec. 3, T1S, R2W
2499	I.P.C. 2-10 #1	Sec. 2, T1S, R2W
2158	M.V. Kelly 11-10 #1	Sec. 11, T1S, R2W
5151-B	Maherg-Ferguson 24-8 #1	Sec. 24, T1S, R2W

and, granting for one year temporary abandoned status to the well listed below in the Churchula Field Unit, Mobile County, Alabama:

1973	I.P.C. 21-11 #1	Sec. 21, T1S, R2W
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15. DOCKET NO. 9-3-03-2

Petition by BROWNING & WELCH, INC., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving an exception to Rules 400-1-2-.02(2)(c) and 400-1-4-.09(2)(c) of the State Oil and Gas Board of Alabama Administrative Code for the re-entry of the Clayton Cooper 9-4 No. 1 Well, Permit No. 4265, to be located on a 320-acre wildcat unit consisting of the West Half of Section 9, Township 17 South, Range 14 West, Lamar County, Alabama.

1 The location of said well on the above-described 320-acre wildcat unit is 962 feet
2 from the North line and 660 feet from the West line of Section 9, Township 17
3 South, Range 14 West, Lamar County, Alabama. Petitioner proposes to re-enter
4 said well and hydro-jet eight (8) lateral boreholes out from the wellbore, four (4)
5 boreholes at a depth of approximately 4,225 feet, and four (4) boreholes at a depth of
6 4,334 feet, with each lateral borehole being no more than 400 feet in length. The
7 proposed lateral boreholes will be no closer than 260 feet from the West line of said
8 unit and no closer than 562 feet from the North line of said unit and, as such, is an
9 exception to Rule 400-1-2-.02(2)(c) of the State Oil and Gas Board of Alabama
10 Administrative Code. Said Rule states that such a well shall be located at least 660
11 feet from every exterior boundary of the unit.
12

13 Further, Petitioner is requesting an exception to Rule 400-1-4-.09(2)(c) of the State
14 Oil and Gas Board of Alabama Administrative Code to waive the requirement for
15 setting and cementing of production casing for the proposed lateral boreholes.
16

17 16. DOCKET NO. 9-3-03-3

18 Petition by PETROLEUM DEVELOPMENT CORPORATION., a foreign
19 corporation authorized to do and doing business in the State of Alabama,
20 requesting the State Oil & Gas Board of Alabama to enter an order force pooling,
21 with risk compensation, all tracts and interests in hydrocarbons produced from a
22 well to be drilled to the Pottsville Formation on a unit consisting of approximately
23 320 acres located in the East Half of Section 7, Township 20 South, Range 13
24 West, Pickens County, Alabama. This petition is in accordance with Section
25 9-17-13, ALABAMA CODE (1975), as amended, and Rules 400-7-1 and 400-7-2 of
26 the State Oil and Gas Board of Alabama Administrative Code.
27

28 17. DOCKET NO. 9-3-03-4

29 Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama
30 corporation, requesting the State Oil and Gas Board to enter an order reforming
31 the unit for the Hassinger 04-07-428 Well, Permit No. 12767-C, from a 40-acre
32 unit consisting of the Southwest Quarter of the Northeast Quarter of Section 4,
33 Township 17 South, Range 8 West, Tuscaloosa County, Alabama in the White
34 Oak Creek Coal Degasification Field, to an 80-acre unit consisting of the West
35 Half of the Northeast Quarter of said Section 4.
36

37 18. DOCKET NO. 9-3-03-5

38 Petition by JABSCO OIL OPERATING, LLC, an Alabama limited liability
39 company, requesting the State Oil and Gas Board to enter an order to force pool,
40 without the imposition of a risk compensation penalty, all tracts and interests in
41 hydrocarbons produced from the re-entry and completion of the Watkins et al Unit

1 #1 Well, Permit No. 2781, located on a 320-acre unit consisting of the South Half of
2 Section 5, Township 16 South, Range 13 West, Fayette County, Alabama in the
3 Southwest Fayette Gas Field.

4
5 This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as
6 amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama
7 Administrative Code.

8
9 This request was previously approved by Emergency Order No. 2003-87 issued
10 on August 1, 2003.

11
12 19. DOCKET NO. 9-3-03-6

13 Petition by MIDROC OPERATING COMPANY, a foreign corporation authorized
14 to do and doing business in the State of Alabama, requesting the State Oil and Gas
15 Board to enter an order granting permission to flare uneconomical volumes of gas
16 from the Cedar Creek Land and Timber 20-12 Well, Permit No. 12872, located on a
17 160-acre unit consisting of the Southwest Quarter of Section 20, Township 4 North,
18 Range 12 East, Conecuh County, Alabama, which Petitioner is proposing to include
19 in the Little Cedar Creek Field.

20
21 20. DOCKET NO. 9-3-03-7

22 Petition by MIDROC OPERATING COMPANY, a foreign corporation authorized
23 to do and doing business in the State of Alabama, requesting the State Oil and Gas
24 Board to enter an order approving an exception to Rule 3(b) of the Special Field
25 Rules for the Little Cedar Creek Field for the Cedar Creek Land and Timber 20-12
26 Well, Permit No. 12872, with a projected bottom hole location 598 feet FNL of a
27 160-acre unit consisting of the Southwest Quarter Section 20, Township 4 North,
28 Range 12 East, Conecuh County, Alabama, in the Little Cedar Creek Field. Rule
29 3(b) specifies that all wells are to be located at least 660 feet from any exterior
30 boundary and the proposed bottom hole location for said well is projected at 598 feet
31 FNL of the above-described 160-acre unit.

32
33 21. DOCKET NO. 9-3-03-8

34 Petition by DELTA PETROLEUM CORPORATION, a foreign corporation,
35 authorized to do and doing business in the State of Alabama, requesting the State
36 Oil and Gas Board to enter an order approving an exception to Rule 5D of the
37 Special Field Rules for the Deerlick Creek Coal Degasification Field, Tuscaloosa
38 County, Alabama, to allow the production of coalbed gas from the Bean 25-5 Well,
39 Permit No. 10138-C, from the annular space between the surface casing and the
40 production casing.

1 This request was previously approved by the Board in Emergency Order No. E-
2 2003-70, issued on July 30, 2003.

3
4 22. DOCKET NO. 9-3-03-9

5 Petition by DELTA PETROLEUM CORPORATION, a foreign corporation,
6 authorized to do and doing business in the State of Alabama, requesting the State
7 Oil and Gas Board to enter an order amending Rule 5 of the Special Field Rules for
8 the Deerlick Creek Coal Degasification Field, Tuscaloosa County, Alabama, by
9 adding a new provision to the rule that may allow the production of coal seam gas
10 from the annular space between the surface casing and production casing of wells in
11 the Deerlick Creek Coal Degasification Field.

12
13 As amended, Rule 5 would include the following new provision:

14
15 Upon approval by the Supervisor, coal seam gas may be produced
16 from the annular space between the surface casing and production
17 casing. If there are residential water supply wells within a one-mile
18 radius, the operator shall analyze the water from said wells and file a
19 copy of the analyses with the Board. Thereafter, for as long as coal
20 seam gas is produced through the annular space, the operator of such
21 wells shall sample and analyze the water supply wells within a one-
22 mile radius on an annual basis and file the results of the analyses
23 with the Board during the month of July. Operators of coal seam
24 gas wells that also produce coal seam gas through the annular space
25 must take precautions so as not to pose a danger or hazard to
26 residential water supply wells and must protect fresh water aquifers
27 and the environment and maintain safe operation of the well at all
28 times.

29
30 23. DOCKET NO. 9-3-03-10

31 Petition by LEGACY RESOURCES COMPANY, LIMITED PARTNERSHIP, an
32 Indiana limited partnership, authorized to do and doing business in the State of
33 Alabama, requesting the State Oil and Gas Board to enter an order approving an
34 exception to Rule 400-2-2-.02(2)(d) of the State Oil and Gas Board of Alabama
35 Administrative Code. Said Rule requires that drilling units for wells 6,000 feet or
36 shallower be permitted on a quarter-quarter offshore Tract and Petitioner proposes
37 to drill the State Lease 347 No. 3 Well on an irregular 322.83 acre offshore
38 drilling unit that is not a quarter-quarter offshore Tract, but rather is an irregular
39 offshore drilling unit consisting of portions of State Tracts 62 and 76, Mobile Bay
40 Area, Mobile County, Alabama, described as follows:

Beginning at the Northwest corner of the herein described tract having Coordinates of X = 318,837.00' and Y=106,340.00';

Thence East 3,750.00 feet to the Northeast corner of herein described tract;

Thence South 3,750.00 feet to the Southeast corner of herein described tract;

Thence West 3,750.00 feet to the Southwest corner of herein described tract;

Thence North 3,750.00 feet to the point of beginning containing 322.83 acres, more or less.

All bearings are based on the Transverse Mercator Projection – NAD 1927 Alabama West Zone.

24. DOCKET NO. 9-3-03-11

Petition by LEGACY RESOURCES COMPANY, LIMITED PARTNERSHIP, an Indiana limited partnership, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving an exception to Rule 400-2-4-.04 of the State Oil and Gas Board of Alabama Administrative Code, said Rule requiring that a directional survey be run in all wells drilled in the submerged lands of offshore Alabama.

Petitioner proposes to drill the State Lease 347 No. 3 Well on a 322.83-acre unit as a straight hole at a location 1626' FNL and 1,841' FWL of said unit into the Miocene age formations to a total depth of approximately 2,800 feet. Petitioner avers that given the depth of the proposed well, it is far enough from every exterior boundary of said drilling unit that a directional survey will not be necessary to ensure that the well is completed within the legal limits of at least 660 feet from every exterior boundary of the drilling unit. Said well to be located 5,678' FWL and 286' FNL of State Tract 76, Mobile Bay Area, Mobile County, Alabama.

25. DOCKET NO. 9-3-03-12

Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order force pooling, with a risk compensation penalty, all tracts and interests in hydrocarbons produced from coalbeds in the Pottsville Formation in the Hassinger 34-04-438 Well

1 to be drilled on an 80-acre unit consisting of the North Half of the Northwest Quarter
2 of Section 34, Township 16 South, Range 9 West, Fayette County, Alabama, in the
3 Blue Creek Coal Degasification Field.
4

5 This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as
6 amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama
7 Administrative Code.
8

9 26. DOCKET NO. 9-3-03-13

10 Petition by LEGACY RESOURCES COMPANY, LIMITED PARTNERSHIP, an
11 Indiana limited partnership, authorized to do and doing business in the State of
12 Alabama, requesting the State Oil and Gas Board to enter an order approving an
13 exception to Rule 400-2-2-.02(2)(d) of the State Oil and Gas Board of Alabama
14 Administrative Code. Said Rule requires that drilling units for wells 6,000 feet or
15 shallower be permitted on a quarter-quarter offshore Tract and Petitioner proposes
16 to drill the State Lease 534 No. 2 Well on an irregular 322.83-acre offshore
17 drilling unit located on State Lease Tract 62, Mobile Bay Area, Mobile County,
18 Alabama, described as follows:
19

20 Beginning at the Northwest corner of the herein described tract
21 having coordinates of X = 324,770.00' and Y = 113, 860.00';
22

23 Thence East 3,750.00 feet to the Northeast corner of herein
24 described tract;
25

26 Thence South 3,750.00 feet to the Southeast corner of herein
27 described tract;
28

29 Thence West 3,750.00 feet to the Southwest corner of herein
30 described tract;
31

32 Thence North 3,750.00 feet to the point of beginning containing
33 322.83 acre, more or less.
34

35 All bearings are based on the Transverse Mercator Projection –
36 NAD 1927 Alabama West Zone.
37

38 27. DOCKET NO. 9-3-03-14

39 Petition by LEGACY RESOURCES COMPANY, LIMITED PARTNERSHIP, an
40 Indiana limited partnership, authorized to do and doing business in the State of
41 Alabama, requesting the State Oil and Gas Board to enter an order approving an

1 exception to Rule 400-2-4-.04 of the State Oil and Gas Board of Alabama
2 Administrative Code, said Rule requiring that a directional survey be run in all
3 wells drilled in the submerged lands of offshore Alabama.
4

5 Petitioner proposes to drill the State Lease 534 No. 2 Well on a 322.83-acre unit
6 as a straight hole at a location 1,430' FWL and 1,405' FSL of said unit into the
7 Miocene age formations to a total depth of approximately 2,800 feet. Petitioner
8 avers that given the depth of the proposed well, it is far enough from every
9 exterior boundary of said drilling unit that a directional survey will not be
10 necessary to ensure that the well is completed within the legal limits of at least
11 660 feet from every exterior boundary of the drilling unit. Said well to be located
12 8,485' FNL and 3,800' FEL of State Tract 62, Mobile Bay Area, Mobile County,
13 Alabama.
14

15 28. DOCKET NO. 9-3-03-15

16 Petition by ENERGEN RESOURCES CORPORATION, an Alabama corporation,
17 requesting the State Oil and Gas Board, pursuant to Section 9-17-1, et seq., Code of
18 Alabama, (1975), and Rule 400-3-4-.17(1) of the State Oil and Gas Board of
19 Alabama Administrative Code, to enter an order extending the temporarily
20 abandoned status for certain coal degasification wells in the Oak Grove Coal
21 Degasification Field located in Tuscaloosa and Jefferson Counties, Alabama, in the
22 following areas:
23

24 Township 18 South, Range 7 West
25 Sections 27, 33 and 34
26

27 Township 19 South, Range 7 West
28 Section 14
29

30 Township 19 South, Range 8 West
31 Sections 2, 10, 15 and 16
32

33 The previously granted temporarily abandoned status expires on September 5, 2003,
34 and Energen Resources Corporation is requesting this Board to grant a one year
35 extension of the temporarily abandoned status beginning September 5, 2003 because
36 all of the wells in the aforementioned Sections have future utility and should not be
37 plugged.
38

39 29. DOCKET NO. 9-3-03-16

40 Petition by S. LAVON EVANS, JR. OPERATING COMPANY, INC., a foreign
41 corporation, authorized to do and doing business in the State of Alabama,

1 requesting the State Oil and Gas Board to enter an order establishing a new gas
2 field in Lamar County, Alabama, to be known as the Asbury Church Field, or such
3 other name as the Board deems proper, and to adopt Special Field Rules therefor.
4 The proposed field, as underlain by the Chandler, Carter and Sanders Sand Gas
5 Pools, consisting of all of Section 33, Township 16 South, Range 16 West and all of
6 Sections 3 and 4, Township 17 South, Range 16 West, Lamar County, Alabama.

7
8 The Chandler Sand Gas Pool in said field is defined as that interval productive of
9 hydrocarbons between 3,989 feet and 4,048 feet as indicated on the Dual Induction -
10 SFL Log for the Old Harmony 33-11 #1 Well, Permit No. 3977-A, and all zones in
11 communication therewith and all productive extensions thereof.

12
13 The Carter Sand Gas Pool is defined as that interval productive of hydrocarbons
14 between 4,416 feet and 4,580 feet as indicated on the Array Induction Log for the
15 Weyerhaeuser 33-15 #1 Well, Permit No. 12974, and all zones in communication
16 therewith and all productive extensions thereof.

17
18 The Sanders Sand Gas Pool is defined as that interval productive of hydrocarbons
19 between 4,684 feet and 4,736 feet as indicated on the Array Induction Log for the
20 Weyerhaeuser 33-15 #1 Well, Permit No. 12974, and all zones in communication
21 therewith and all productive extensions thereof.

22
23 Petitioner is requesting well spacing of 320 acres, and is also requesting the
24 establishment of allowables for said field.

25
26 30. DOCKET NO. 9-3-03-17

27 Petition by ROBINSON'S BEND OPERATING CO., LLC, a foreign limited
28 liability company, authorized to do and doing business in the State of Alabama,
29 requesting the State Oil and Gas Board to enter an order amending Rule 5 of the
30 Special Field Rules for the Robinson's Bend Coal Degasification Field, Tuscaloosa
31 and Pickens Counties, Alabama, by adding a new provision to the rule that may
32 allow the production of coal seam gas from the annular space between the surface
33 casing and production casing of wells in the Robinson's Bend Coal Degasification
34 Field.

35 As amended, Rule 5 would include the following new provision:

36
37 Upon approval by the Supervisor, coal seam gas may be produced
38 from the annular space between the surface casing and production
39 casing. If there are residential water supply wells within a one-mile
40 radius, the operator shall analyze the water from said wells and file a
41 copy of the analyses with the Board. Thereafter, for as long as coal

1 seam gas is produced through the annular space, the operator of such
2 wells shall sample and analyze the water supply wells within a one-
3 mile radius on an annual basis and file the results of the analyses
4 with the Board during the month of July. Operators of coal seam
5 gas wells that also produce coal seam gas through the annular space
6 must take precautions so as not to pose a danger or hazard to
7 residential water supply wells and must protect fresh water aquifers
8 and the environment and maintain safe operation of the well at all
9 times.

10
11 31. DOCKET NO. 9-3-03-18

12 Petition by RULEXCO, INC., a foreign corporation, authorized to do and doing
13 business in the State of Alabama, requesting the State Oil and Gas Board of
14 Alabama to enter an Order making permanent its Emergency Order No. E-2003-
15 77, Docket No. 7-28-03-1, issued August 1, 2003, approving an exception to Rule
16 400-1-2-.02 of the State Oil and Gas Board of Alabama Administrative Code
17 which requires that wells be drilled at least 200 feet from any permanent
18 residence. Petitioner proposes to drill the Rulexco-Stampede-Lula McKenzie 10-
19 1 No. 1 Well on a unit consisting of the Northeast Quarter of Section 10,
20 Township 7 South, Range 2 East, Baldwin County, Alabama, at a location 185
21 feet from a permanent residence.

22
23 32. DOCKET NO. 9-3-03-19

24 Petition by SPOONER PETROLEUM COMPANY, a foreign corporation
25 authorized to do and doing business in the State of Alabama, requesting the State
26 Oil and Gas Board to enter an order force pooling, with a risk compensation
27 penalty, all tracts and interests in hydrocarbons produced from the Mississippian,
28 Pennsylvanian and Devonian Formations in the Ogden 32-9 No. 1 Well, to be drilled
29 on a 320-acre wildcat unit consisting of the East Half of Section 32, Township 15
30 South, Range 15 West, Lamar County, Alabama.

31
32 This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as
33 amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama
34 Administrative Code.

35
36 33. DOCKET NO. 9-3-03-20

37 Petition by NAUVOO, L.L.C., an Alabama limited liability company authorized
38 to do and doing business in the State of Alabama, requesting the State Oil and Gas
39 Board to enter an order approving an exceptional location for the proposed
40 Morse-Stewart 18-9 No. 2 Well, which is proposed to be drilled on the following
41 described unit consisting of the south 930 feet of the North Half of the Northeast

1 Quarter of Fractional Section 18, and the South Half of the Northeast Quarter of
2 Fractional Section 18, and the north 400 feet of the fractional Southeast Quarter of
3 said fractional Section 18 located in Township 8 South, Range 4 East, containing
4 160 acres, more or less, in the Pleasant View Field, Baldwin County, Alabama.
5 Said well is to be located 2683 feet south of the north section line, and 984 feet
6 west of the east section line of Fractional Section 18. The proposed location is
7 362 feet from the south unit boundary line which is an exception to Rule 3(b) of
8 the Special Field Rules for the Pleasant View Field, which rule requires each well
9 to be a minimum of 660 feet from unit boundary lines.

10
11 This request was previously approved by the Board in Emergency Order No. E-
12 2003-88, issued on August 1, 2003.

13
14 The meetings of the State Oil and Gas Board are public meetings, and members of
15 the public are invited to attend and present their position concerning this
16 petition(s). Requests to continue or oppose a petition should be received by the
17 Board at least two (2) days prior to the hearing. For additional information, you
18 may contact the State Oil and Gas Board, P. O Box 869999, Tuscaloosa, Alabama
19 35486-6999, Telephone Number 205/349-2852, Fax Number 205/349-2861, or by
20 email at petitions@ogb.state.al.us.

21
22
23 MR. ROGERS: The Hearings Reporter, Ms. Estes, has received and compiled the proofs
24 of publication for the items appearing on the docket for the first time. These proofs of
25 publication for the items to be heard on September 3 and 5, 2003, are admitted into the record.

26 (Whereupon, the proofs of publication were
27 received in evidence)

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

31 (Whereupon, the Order was received in evidence)

32 MR. ROGERS: This will be the procedure. I will just announce the items that we have
33 as continued, certain ones that are continued with stipulations, and the dismissals and then we
34 will go through the docket. If anybody hears any item that needs a correction or comment, come

1 forward and make those comments. I recommend that the following petitions be continued:
2 Item 5, Docket No. 4-30-03-7, motion by the Board; Item 6, Docket No. 4-30-03-10, petition by
3 Moon-Hines-Tigrett Operating Company, Inc.; Item 8, Docket No. 4-30-03-12A, petition by
4 Moon-Hines-Tigrett; Item 9, Docket No. 4-30-03-13, petition by Moon-Hines-Tigrett; Item 12,
5 Docket No. 7-30-03-7, petition by El Paso Production Company; Item 16, Docket No. 9-3-03-3,
6 petition by Petroleum Development Corporation; Item 17, Docket No. 9-3-03-4, petition by
7 Dominion Black Warrior Basin, Inc.; Item 30, Docket No. 9-3-03-17, petition by Robinson's
8 Bend Operating Company, LLC; Item 32, Docket No. 9-3-03-19, petition by Spooner Petroleum
9 Company, and Item 33, Docket No. 9-3-03-20, petition by Nauvoo, L.L.C. I will recommend
10 that the following petitions be continued with these stipulations. Item 1, Docket No. 8-28-02-9 is
11 a petition by Land and Natural Resource Development, Inc. I will recommend to the Board that
12 this petition be continued with the stipulation that Board Order Nos. 2001-85 and 2001-162 be
13 stayed until the next regularly scheduled meeting of the Board. Item 7, Docket No. 4-30-03-
14 11A, is a petition by Moon-Hines-Tigrett Operating Company, Inc. I will recommend that this
15 petition be continued with the stipulation that following the 30-day temporary test allowable
16 period, royalties for test production for the Bryars-Heirs 27-4 No. 1 Well, Permit No. 8418A, be
17 held in escrow pending an order of the Board establishing the final unit for the well. Item 28,
18 Docket No. 9-3-03-15, is a petition by Energen Resources Corporation. I will recommend that
19 this petition be continued with the stipulation that the temporarily abandoned status of the wells
20 be extended to the next regularly scheduled meeting of the Board. Item 29, Docket No. 9-3-03-
21 16A, is an amended petition by S. Lavon Evans, Jr. Operating Company, Inc. I will recommend
22 that this petition be continued with the stipulation that the temporary test period and allowable
23 for the Old Harmony 33-11 No. 1 Well, Permit No. 3977-A, and the Weyerhaeuser 33-15 No. 1
24 Well, Permit No. 12974, be extended to the next regularly scheduled hearing of the Board. The
25 following items I will recommend be dismissed without prejudice: Item 3, Docket No. 10-16-
26 02-9, petition by El Paso Production Company; Item 4, Docket No. 12-19-02-3, petition by
27 Ventex Operating Corporation; Item 18, Docket No. 9-3-03-5, petition by Jabsco Oil, LLC; Item
28 21, Docket No. 9-3-03-8, petition by Delta Petroleum Corporation; Item 24, Docket No. 9-3-03-

September 3, 2003

1 11, petition by Legacy Resources Company Limited Partnership; and Item 27, Docket No. 9-3-
2 03-14, petition by Legacy. Any corrections or comments on those petitions? That brings us to
3 the items to be heard today. The first item will be Item 2, Docket No. 8-28-02-12D, petition by
4 Delta Petroleum Corporation.

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

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

7 MR. RADIGAN: Ken Radigan, Tuscaloosa, Alabama.

8 (Witness was sworn by Mr. Rogers)

9 MR. WATSON: Mr. Rogers, I have prefiled an affidavit of notice and a supplemental
10 affidavit of notice and would ask that those be admitted into the record.

11 MR. ROGERS: Those affidavits are admitted.

12 (Whereupon, the affidavits were received in evidence)

13 MR. WATSON: In this petition Delta is requesting the Board to approve a partial
14 fieldwide unit in the Deerlick Creek Coal Degasification Field to be called Unit II. Delta owns
15 100 percent of the working interest in Unit II and Gulf States Paper Corporation owns 100
16 percent of the royalty interest in this unit. The Unit Agreement and the Unit Operating
17 Agreement have been ratified and approved by 100 percent of the royalty and working interest
18 owners. My witness is Ken Radigan. Mr. Radigan, state your name and your position with
19 Delta, please.

20 MR. RADIGAN: Ken Radigan. I'm a Project Manager or Production Supervisor for
21 Delta Petroleum.

22 MR. WATSON: You reside in Tuscaloosa or Northport?

23 MR. RADIGAN: Yes.

24 MR. WATSON: In Northport?

25 MR. RADIGAN: Northport.

26 MR. WATSON: Do you have a prefiled affidavit of your qualifications on file with the
27 Board?

28 MR. RADIGAN: Yes sir.

September 3, 2003

1 MR. WATSON: Are you familiar with the petition that we are presenting here today?

2 MR. RADIGAN: Yes.

3 MR. WATSON: I tender my witness as an expert witness, Mr. Rogers.

4 MR. ROGERS: He has testified several times, hasn't he?

5 MR. WATSON: Yes.

6 MR. ROGERS: He is recognized as an expert.

7 KEN RADIGAN

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

10 DIRECT EXAMINATION

11 Questions by Mr. Watson:

12 Q. This coal seam gas that we found in the Pottsville formation occurs within Unit II and we
13 are asking the Board here today to approve this partial fieldwide unit for operations that
14 will be described by Mr. Radigan in a few minutes as we go through the exhibits that
15 have been prepared in support of this petition today. You will see that the coal seams in
16 the Pottsville group underlie Unit II and you certainly will have evidence that we have in
17 excess of 66 2/3 percent of the royalty and working interest owners that were required to
18 ratify the Unit in order for the Board to enter an order approving this unit. Mr. Radigan,
19 are you familiar with the petition that we have filed today?

20 A. Yes.

21 Q. Did you or someone under your control or supervision prepare the exhibits in support of
22 this petition today?

23 A. Yes.

24 Q. I have handed those exhibits up to the staff. Let's start going through the exhibits. First
25 of all, I would like for you to tell us about the nature of the unit operations that you
26 contemplate for Unit II.

27 A. Unit operations at Unit II will encompass the forms of coalbed methane extraction that
28 we employ in the Deerlick Creek Coal Degasification Field. As will be seen in the unit

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1 plat, the Unit Area encompasses a leasehold owned by Gulf States Paper Corporation that
2 was carved out by the government's acquisitions prior to the construction of the Holt
3 Lock and Dam that necessitated the flooding of land along the river. The Corps of
4 Engineers created a recreation area on lands adjacent to Deerlick Creek Coal
5 Degasification Field. These improvements limited our surface operations in the area.
6 Within the configuration of the remaining parcels, unit operations will allow us to locate
7 wells at the optimum geologic and topographic locations and at the same time avoid any
8 conflicts with lands under the supervision of the Federal government. We can locate
9 these wells in areas that are expected to result in maximum recoveries of coal seam gas.

10 Q. In your opinion, Mr. Radigan, will your operations enhance the recovery of coalbed
11 methane gas and prevent waste and avoid the drilling of unnecessary wells?

12 A. Yes it will.

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

15 A. Yes.

16 Q. Would the estimated additional costs incident to conducting unit operations exceed the
17 value of the estimated additional recovery of coal seam gas?

18 A. No.

19 Q. Turn to Exhibit No. 1 for Docket No. 8-28-02-12. Tell us what's shown on this exhibit.

20 A. Exhibit 1 shows the southern portion of the Deerlick Creek Coal Degasification Field.
21 The stippled area represents the portion of the field operated by Delta Petroleum. You
22 can see the Black Warrior River in the white portions of Sections 35 and 36, the areas
23 owned and controlled by the Federal government for the recreation area and the areas
24 associated with the Holt Lock and Dam. Also shown on this exhibit are existing wells,
25 roads, and surface facilities. Unit II, containing 210 acres more or less, is outlined and
26 labeled GSPC Unit No. 2 and the legal description for these parcels is contained in our
27 petition and proposed order.

28 Q. Are there existing wells on the proposed Unit II?

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1 A. Yes. We have drilled and completed and tested the GSPC 35-7 well and we have an
2 additional well that will be called the GSPC 35-1 that we are preparing to drill. Other
3 wells are planned for Unit II. The Gulf States Paper Company 35-7 well is being used for
4 the type log at our proposed unitized formation.

5 Q. Does the 35-7 well produce coal seam gas?

6 A. Yes. The initial well test as reported on our OGB-9, that's Exhibit 7, shows the
7 production for the 35-7 well to be 15 Mcf.

8 Q. All right sir.

9 MR. WATSON: Mr. Rogers, I request that all the completion data as well as the
10 production data for the Gulf States Paper Corporation 35-7 Well, Permit No. 12844-C, be
11 incorporated into the record of this hearing.

12 MR. ROGERS: That request is granted.

13 (Whereupon, completion and production data
14 for the GSPC 35-7 No. 1 Well was incorporated
15 by reference)

16 Q. In your Exhibit No. 1, go through all the information shown, Mr. Radigan.

17 A. Exhibit 1 is the unit plat for Unit II containing 210 acres. The legal description of Unit II
18 is on Page 2 of Exhibit 1 and is described as portions of Sections 35 and 36, Township 20
19 South, Range 9 West, in Tuscaloosa County.

20 Q. The second page of that exhibit is the legal description of the unit as you have testified.
21 Let's go to Exhibit 2, please, sir.

22 A. Exhibit 2 is the same base map with the addition of a line of cross section running from
23 east-to-west starting with Well No. 25-14 to Well 35-5. This line of cross section is
24 included to demonstrate the presence of underlying Pottsville coal seams in the proposed
25 unit area.

26 Q. Turn to your Exhibit No. 3, Mr. Radigan, and describe this line of cross section, please.

27 A. Shown on Exhibit 3 for Unit II are wells in the cross section shown as heavy black
28 vertical lines. The distance between the wells is shown at the top. Ground level is

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1 depicted as a dashed line above the datum of plus 300 feet. The top of the proposed
2 unitized formation using the density gamma ray log from the 35-5 well is 595 feet to the
3 base of the unitized formation being 2,767 feet. This unitized formation includes the
4 Utley, Gwen, Cobb, Pratt, Mary Lee, and Black Creek coal groups.

5 Q. Let's turn to Exhibit 4. Tell us what this exhibit is and describe the information shown
6 on the exhibit.

7 A. Exhibit 4 is a structure map on the top of the Black Creek coal group. The map is based
8 on 100 foot contours. The structure represented is a general nosing to the south going
9 from a structural high of -2,000 feet near the area shown as the wastewater treatment
10 facility and plunging approximately 500 feet to -2,500 feet south of Unit II.

11 Q. All right, sir. Turn to your Exhibit 5. Tell Mr. Rogers and the staff what is shown on that
12 exhibit.

13 A. Exhibit 5 is a composite isopach map of the Pottsville coal seams of the Lower Utley
14 through the Black Creek. As you can see from the five foot contours, the coal seams
15 range in thickness from 25 feet to a high of 30 feet. We have projected 30 feet back
16 down to 25 feet as one moves to the southeast. In the area of the proposed Unit II the
17 coal thickness ranges from 25 to 30 feet in thickness.

18 Q. Mr. Radigan, based on the information available, is it your testimony that the 210 acre
19 Unit II as it is proposed is underlain by the Pottsville coal formation as that formation is
20 described in the Deerlick Creek Coal Degasification Field?

21 A. Yes.

22 Q. Does the type log for the Gulf States Paper 35-7 well that I am requesting be marked as
23 Exhibit 7 to your testimony represent the unitized formation for Unit II?

24 A. It does. This log shows the unitized formation between depths of 523 feet to 2,472 feet.

25 Q. All right sir. In using Exhibit 5 tell the Board what specific unit operations are planned
26 for Unit II.

27 A. We plan to drill several wells in Unit II, locating those wells at optimum locations for our
28 field operations and surface facilities. Proposed unit rules will allow us to locate and

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1 operate wells in a manner that will be compatible with the public's use of the Federal
2 government's recreation area. We can include all of our royalty owners' mineral acreage
3 in the Unit and avoid the creation of island acreage. I have spotted the GSPC 35-1 well
4 in the northwest corner of the unit. Market conditions and the availability of drilling
5 funds will affect the total number of wells ultimately drilled in Unit II.

6 Q. You have said this but will your proposed unit operations enhance the recovery of
7 methane and avoid the drilling of unnecessary wells?

8 A. Yes.

9 Q. Let's look at the ownership of Unit II. Tell the Board and staff about the ownership, both
10 royalty and working.

11 A. We have a single royalty owner and that is Gulf States Paper Corporation in Tuscaloosa.
12 The company owns 100 percent of the royalties.

13 Q. Of working interest?

14 A. 100 percent of the working interest is owned by Delta Petroleum Corporation.

15 Q. Now, Mr. Radigan, we have described the Unit Area. The next thing that we need to
16 describe for the Board and for the record is what we are proposing to be the unitized
17 formation. In our petition and in the proposed order we are saying that the unitized
18 formation for Unit II should mean that subsurface portion of the Unit Area containing
19 productive coal seams found between the depths of 523 feet and 2,472 feet as
20 encountered in the Gulf States 35-7 well, Permit No. 12884-C, located in Section 35,
21 Township 20 South, Range 9 West, Tuscaloosa County, as shown on the density log for
22 that well and all zones in communication therewith and all productive extensions thereof,
23 including coal seam stringers that might occur within a depth of 80 feet above or 80 feet
24 below the Pottsville Coal Interval including those coal seams which can be correlated
25 therewith. Is that what you are proposing for the unitized formation for Unit II?

26 A. Yes that's correct.

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1 Q. So is it your testimony that the Unit Area that you are proposing is underlain by the
2 unitized formation as you have described it and as shown on your exhibits that we have
3 just discussed?

4 A. Yes.

5 Q. Does the Unit Agreement that has been signed by all the working interest owners and the
6 royalty interest owners provide for a tract participation formula for the allocation of
7 unitized substances?

8 A. Yes it does.

9 Q. In Article 6 of the Unit Agreement for Unit II the tract participation factor is as follows:
10 Surface acres in each Tract divided by the total surface acreage in the unit area and
11 expressed as a percent. That is the tract participation formula that you are proposing be
12 adopted?

13 A. Yes that's correct.

14 Q. Does the tract participation factor reflect the relative contribution each tract in the
15 proposed unit is expected to make to total unit production?

16 A. Yes.

17 Q. Given the fact that we have one common mineral owner in Unit II, is that allocation
18 factor fair and reasonable and will it protect the correlative rights of that mineral owner
19 and its interest?

20 A. Yes.

21 Q. Would it also protect the rights of the working interest owner?

22 A. Yes it will.

23 Q. As you know, the Unit Agreement contains other provisions relative to the operation of
24 the unit including revisions of the Unit Area that would have to be approved by 66 2/3
25 percent of the working and royalty interest owners. You understand, do you not, that
26 should you want to enlarge the unit you must petition the Board and secure approval of
27 the working interest owners in the area to be added and secure at least 66 2/3 approval of
28 those owners?

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1 A. Yes I do.

2 Q. The Unit Agreement and Unit Operating Agreement and the proposed order state an
3 effective date for the Unit to become effective. Mr. Radigan, what is that date?

4 A. If we receive the approval of the Board it will be 7:00 a.m. on October 1, 2003, unless
5 otherwise ordered by the Board.

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

8 A. Yes.

9 Q. Is it your understanding that this Unit Agreement and Unit Operating Agreement are the
10 standard form agreements previously approved by this Board for coalbed methane units?

11 A. Yes.

12 MR. WATSON: Mr. Rogers, I would now offer up for inclusion into the record of this
13 hearing the original Unit Agreement as signed by Gulf States and Delta and the original Unit
14 Operating Agreement as signed by Delta and also the full type log for the 35-7 well in the
15 Deerlick Creek Field.

16 DR. TEW: Mr. Watson, we are looking at the type log and we note that the top and the
17 bottom of the unitized formation are not indicated on that log.

18 MR. WATSON: It is on this original.

19 MR. ROGERS: Any questions from the staff?

20 MR. WATSON: That's all we have, Mr. Rogers.

21 MR. ROGERS: Let's see, the first production test is Exhibit 7 so this needs to be Exhibit
22 8, I suppose. We'll mark the log as Exhibit 8.

23 MR. WATSON: We have included a portion of the type log as Exhibit 6 in here. The
24 first test that Mr. Radigan testified to, the 15 Mcf, is the OGB-9 that is attached to the original
25 prefled document.

26 MR. ROGERS: All the exhibits are admitted. We will review the evidence and make a
27 recommendation to the Board.

28 (Whereupon, the exhibits were received in evidence)

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1 MR. ROGERS: We'll take a brief recess.

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

3 MR. ROGERS: We're back in session. The next item then will be Item 10, Docket No.
4 7-30-03-1, petition by Midroc Operating Company.

5 MR. WATSON: Mr. Rogers, could we please, since these items are related, consolidate
6 Items 10, 19 and 20 and I can handle all those?

7 MR. ROGERS: That will be fine. Those items will be consolidated.

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

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

10 MR. SMITH: My name is Robin Smith. I'm with Midroc Operating Company in
11 Shreveport, Louisiana.

12 (Witness was sworn by Mr. Rogers)

13 MR. WATSON: Please admit into the record the prefiled affidavit of notice in these
14 matters, Mr. Rogers.

15 MR. ROGERS: There is just one affidavit?

16 MR. WATSON: Yes sir.

17 MR. ROGERS: That is admitted.

18 (Whereupon, the affidavit was received in evidence)

19 MR. WATSON: In these consolidated petitions Midroc is asking the Board to approve
20 an amendment to the field limits for the Little Cedar Creek Field by adding all of Section 20.
21 We are also asking for approval of an exceptional location for the Cedar Creek Land and Timber
22 20-12 well and we are asking for permission to flare gas that is produced from this 20-12 well.
23 Mr. Smith, you have appeared before the Board and have on file your affidavit of qualifications
24 as a petroleum geologist. Is that correct?

25 MR. SMITH: Yes, sir, that's correct.

26 MR. WATSON: You have heard my summation of the three petitions being heard here
27 this morning. Have you prepared exhibits in support of those items?

28 MR. SMITH: Yes sir, I have prepared the exhibits in support of this.

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1 MR. WATSON: I tender Mr. Smith as an expert petroleum geologist for giving
2 testimony, Mr. Rogers.

3 MR. ROGERS: I didn't recall. Has he testified before?

4 MR. WATSON: Yes he has.

5 MR. ROGERS: He is recognized as an expert.

6 ROBIN SMITH

7 Appearing as a witness on behalf of Petitioner, Midroc Operating Company, testified as
8 follows:

9 DIRECT EXAMINATION

10 Questions by Mr. Watson:

11 Q. Mr. Smith, let's turn in the booklet that I've handed up to the staff to Exhibit No. 1.
12 Would you tell us what's shown on that exhibit, please, sir?

13 A. Yes sir. Exhibit No. 1 is the unit plat showing the existing units and the proposed unit
14 and proposed extension of the Little Cedar Creek Field in Township 4 North, Range 12
15 East, Conecuh County, Alabama. The scale of this plat is approximately two inches
16 equal one mile. You will see three producing wells in the field. Two of the wells are
17 already in the field and the third well located in the Southwest Quarter of Section 20 is
18 our newest well that we are proposing to add to the pattern of units already established.
19 You will notice the entire Section 20 is outlined as the proposed extension of the Little
20 Cedar Creek Field. We plan to drill a couple more wells in Section 20. We are currently
21 waiting on a drilling rig.

22 Q. Today the Little Cedar Creek Field consists of the Southeast Quarter of 19 and the
23 Northeast Quarter of 30. We are proposing to add to that the entire Section 20, all in 4
24 North, 12 East, correct?

25 A. Yes sir, that's correct.

26 Q. All right, sir. Let's turn to your next exhibit, Exhibit 2, Mr. Smith. Tell us what's shown
27 there, please, sir.

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- 1 A. Exhibit No. 2 is a structure map contoured on top of the Smackover formation. The
2 contour interval is 50 feet and the scale of this map is two inches equal one mile. You
3 will notice by each well a subsurface point. We were using subsurface data to make this
4 interpretation. You will notice that structural feature trending northeast-southwest
5 through Sections 19, 20, 29 and 30, all in 4 North, 12 East. We believe this structural
6 feature is overlain by a porous Smackover lime and that forms the trap. We have a
7 structural feature with porous Smackover lime draped across and that comprises the
8 hydrocarbon trap. We have drilled several wells in the area already and each time we
9 drill a well we learn something new. We have gained structure with each well that we
10 have drilled. We are proposing to drill more wells in the North Half of Section 20 later
11 on this year to develop this reservoir.
- 12 Q. Now Mr. Smith, Midroc did not drill the 30-1 well, did you?
- 13 A. No, that's correct. We did not drill the 30-1 well. That well was drilled by Hunt
14 Petroleum from Dallas, Texas, in 1994. We bought the well from Hunt Petroleum and
15 worked it over and then we began our development drilling program.
- 16 Q. So at this point-in-time Midroc is operating all three wells in what we are proposing to be
17 the amended Little Cedar Creek Field, correct?
- 18 A. Yes sir that's correct.
- 19 Q. Also shown on this Exhibit 2 is a line of cross section, A-A', which you will discuss in a
20 later exhibit. Is that correct?
- 21 A. Yes sir. Cross section A-A' runs from the Midroc Cedar Creek Land and Timber 19-15
22 well located in the Southeast Quarter of Section 19 to the northeast to our newest well,
23 the Cedar Creek Land and Timber 20-12.
- 24 Q. If you would now, turn to that cross section A-A' which is Exhibit No. 3.
- 25 A. Exhibit No. 3 is a structural cross section. It's hung on a subsea depth of -11,200 feet.
26 The geology is relatively simple. You can see the Buckner formation correlates quite
27 nicely as well as the Smackover. On the left-hand side of the cross section is the Cedar
28 Creek 19-15 No. 1 Well which was drilled and completed in December of 2000. The

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1 Smackover formation was perforated and tested 250 barrels of oil per day and 20.7 Mcf
2 gas per day. The gas-oil ratio was 828/1. The gravity of the oil was 43.5 degrees API.
3 This well has a cumulative production of about 62,000 barrels of oil and is currently
4 producing about 75 barrels of oil per day and 10 or 15 Mcf gas per day. On the right side
5 of the cross section or A' is the Cedar Creek 20-12 No. 1 Well. This is our newest well.
6 It was tested June 23-25, 2003, just a few months ago, through the Smackover
7 perforations of 11,826 to 846. During that test period the well flowed at a rate of 365
8 barrels of oil per day and 311 Mcf gas per day. The gas-oil ratio was 852/1 and the
9 flowing tubing pressure was 260 pounds on a 22/62-inch choke. The oil gravity is 43.3
10 degrees API. You will notice that these two wells have a very similar gas-oil ratio and
11 the gravity of the oil is almost identical. We see no geologic evidence of separation by
12 fault or any other structural re-entrant or anything. We believe these two wells to be in
13 the same reservoir.

14 Q. In Exhibit 3 we are showing the 20-12 as shut-in waiting on production facilities. That
15 was at the time of making this exhibit. What is the current status of the 20-12 No. 1
16 Well?

17 A. This well was shut in when this exhibit was made. We were installing our production
18 facilities. We've got those installed now and the well has currently been turned to sales.
19 We are producing the well.

20 Q. All right. We are producing it under a temporary test allowable from the Board?

21 A. Yes sir, that's correct.

22 Q. Let's look at your next exhibit which is Exhibit No. 4, your OGB-9, for your first test.
23 Tell us what's shown there, please, sir.

24 A. Exhibit No. 4 is Form OGB-9. Just to highlight some of the things that were already
25 discussed on the cross section, the test date was June 23-25, 2003. The well flowed 365
26 barrels of oil per day and 311 Mcf gas per day. You will notice on the right side of this
27 form the hydrogen sulfide content. We are showing nine ppm H₂S.

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1 Q. Okay. What about the H₂S production, if any, from the other two wells in Little Cedar
2 Creek?

3 A. They do produce sour gas. The content is not significantly high. The 19-15 well that we
4 drilled in the year 2000, we reported 2,000 ppm H₂S. We believe that this low recorded
5 day of nine ppm would probably increase when we produce the well longer.

6 MR. WATSON: Mr. Rogers, for the record I would note that Midroc has a permit from
7 ADEM for the flaring of the two wells, the 30-1 and the 19-15. We have an application pending
8 with ADEM should this Board allow us to flare gas from the 20-12.

9 Q. Mr. Smith, let's go to the next exhibit which addresses the point of an exceptional
10 location. You understand that the field rules for the Little Cedar Creek Field require all
11 wells to be located at least 660 feet from every exterior boundary of the unit, do you not?

12 A. Yes sir, I do.

13 Q. Tell us what's shown on this exhibit.

14 A. Exhibit No. 5 is the surveyor's location plat of Section 20, Township 4 North, Range 12
15 East, in Conecuh County. This plat shows the surface location of the Midroc Cedar
16 Creek 20-12 well to be located 1,980 feet from the South line and 660 feet from the West
17 line of the section. Our proposed unit is comprised of the Southwest Quarter of Section
18 20. Also on this plat is the projected bottom-hole location for the Smackover formation.
19 That location is calculated at 723 feet from the West line and 2,042 feet from the South
20 line of the section.

21 Q. Then if I'm looking at this plat correctly that would leave us 598 feet to the north unit
22 boundary which would be the exception that we are asking the Board to approve. Is that
23 correct?

24 A. Yes sir that is correct.

25 Q. This well was not intentionally deviated. It was drilled as a vertical hole but did walk to
26 the northeast. Is that right?

27 A. Yes sir, that's correct.

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1 Q. Now the third part of our request, Mr. Smith, is to flare the gas from this new well, the
2 20-12 well. Looking at your next exhibit, Exhibit 6, let's go through that exhibit and tell
3 the staff what's shown there, please, sir.

4 A. Exhibit No. 6 is a three-part exhibit. We have the pipeline sketch, production data, and
5 an economic assessment. The top part of the exhibit will describe the pipeline sketch.
6 This sketch does not have any scale but each square you see represents one section or one
7 square mile. You will see the three oil wells that are currently producing in the field.
8 You will notice that there is a dotted line between these wells which represents the
9 proposed gathering lines for a pipeline connection. To the south of the plat you will
10 notice the heavy dashed line which represents the Southeast Alabama Gas District's 6-
11 inch pipeline. This is a high pressure line and has about 600 pounds of pressure on it that
12 serves residential customers and probably other industrial customers as well. We have
13 talked to the people at Southeast Alabama Gas District and told them that we wanted to
14 sell them our gas. They were not real happy to talk to us about taking the gas because of
15 the H₂S for one thing and also the high BTU rate. We have 1,500 BTU. Their maximum
16 allowed BTU is 1,075. So, in order for us to sell gas to Southeast Alabama Gas District,
17 which is the only line nearby, we will have to clean the gas up and incur considerable
18 expense.

19 Q. That expense would include building the collecting line.

20 A. Yes sir that is right.

21 Q. Now you have testified about the addition of Section 20 to the field limits and the fact
22 that you plan to drill one and possibly two additional wells in the North Half of Section
23 20. One would assume that you could encounter gas there along with oil. Is that a safe
24 assumption?

25 A. Yes sir.

26 Q. Such that with the addition of two more wells the quantity of gas available for market, if
27 the market did exist, could be greater than is presently out there?

28 A. Yes sir, I certainly hope it is.

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1 Q. I understand. Let's now talk about the production data. As I appreciate it, this is the
2 production data from the 20-12 well?

3 A. Yes sir, that's correct. For the production data you will see a little spreadsheet with five
4 columns; the date, the gas production, the oil production, the GOR, and the flowing
5 tubing pressure. August 2nd was the day that we turned the 20-12 well to sales. That day
6 it produced 290 Mcf, 390 barrels of oil, the gas-oil ratio was 738/1, and the flowing
7 tubing pressure was 260. You can run down that spreadsheet and see that the gas
8 production is declining as well as the oil production. The gas-oil ratio is staying fairly
9 constant. It has a range from 700 to 1,000 but importantly the flowing tubing pressure is
10 dropping off. We know that the pipeline has 600 pounds of pressure and we have 150 to
11 160 pounds flowing tubing pressure, so we are talking about a compression to begin with
12 to produce this gas for sales.

13 Q. Can you tell us what the 20-12 well has done since August 15th?

14 A. Yes sir. It has continued to produce and the production as of September 1st was flowing
15 at a rate of 150 Mcf gas and 240 barrels of oil. The flowing tubing pressure was 160
16 pounds.

17 Q. Now before we go into the economic analysis, tell Mr. Rogers and the staff what the 30-
18 1 is producing, both in oil and gas, and then the 19-15.

19 A. Yes sir. The 30-1 is currently producing about 30 barrels of oil per day and 5 to 10 Mcf
20 gas per day.

21 Q. Okay. The 19-15?

22 A. The 19-15 is currently producing about 75 barrels of oil per day and 20 Mcf gas per day.

23 Q. Now, with this total production that you have just described let's look at the economic
24 analysis that you have included in this booklet. Tell the staff what you have done here
25 and why you have made certain assumptions.

26 A. The economic assessment is broken up into three parts. The expenses are on the left-
27 hand side. In order to build a pipeline two miles long, good quality pipe, we are
28 estimating that expense to be around \$200,000. A sweetening plant, we have talked to

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1 several consulting engineers about the types of equipment that we would need on this
2 well. They have estimated that we could spend as much as \$500,000 for that equipment.
3 The compressor, which we know we would have to have, to be installed is probably
4 around \$100,000. Add all these estimated expenses and we could be spending
5 approximately \$800,000. Now the next part of the economic assessment is the revenue
6 estimate. If you add up all three wells that we have currently and say that on an
7 optimistic side we would have 200 Mcf gas per day to sell and give that production 30
8 days at \$3.00 per Mcf, you are looking at a gross of \$18,000. Back out the royalties and
9 the taxes of \$6,750, less the operations--operations in this part of Alabama are real
10 expensive because of the H₂S and the remote location-- and your net monthly income
11 would be \$6,250.

12 Q. On the gas?

13 A. Yes sir, on the gas.

14 Q. Tell me why you picked the figure of \$3.00 to use for the gas value.

15 A. The \$3.00 figure was used basically because of a long-term history of the gas market. If
16 you look at the gas market over the last ten years--which we plan on being here for ten
17 years--the price fluctuates. If you average those prices--I haven't done this up to 2003
18 but it used to be \$2.00 per Mcf average. If you could get an exploration company to
19 work with \$2.00 economics, you had a prospect. So, I thought I was being liberal by
20 giving this \$3.00 per Mcf.

21 Q. I guess the reason I'm asking that question is because around here the gas prices have
22 been extremely high for numerous coal gas wells. The staff is familiar with that. We get
23 monthly reports from the Association. It gets up as high as \$5.00. That does not contain
24 any hydrogen sulfide. It's almost pure methane. Is it your testimony then that in running
25 economics the \$3.00 figure is a better number to use than say the current high spot prices,
26 \$5.00?

27 A. It's more realistic for an exploration economic program. Now just for the sake of
28 discussion I plugged in \$5.00 per Mcf and used the same set of expenses and tax rates

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1 and things like that. The net income using \$5.00 per Mcf is \$13,750 per month. If you
2 waive that monthly net income against the \$800,000 expense, your payout for that project
3 would be about five years.

4 Q. Let's talk just a minute about the sweetening plant. Now, you have got varying quantities
5 of H₂S. We've reported on the OGB-9, nine ppm for the 20-12. You have testified that
6 you had about 2,000 ppm in the 19-15 well. Sweetening plants come in different sizes,
7 shapes and configurations and can do various things to the H₂S. At this level of
8 investment what would you hope to do with the H₂S? How much could you lower the
9 H₂S and make your gas marketable?

10 A. Well, that's a difficult question to answer. We would certainly hope that we could keep it
11 below ten.

12 Q. Ten parts per million?

13 A. Yes sir. After the well produces maybe six months to a year we could see if it continues
14 to increase in hydrogen sulfide which would control how much money we have to spend
15 for the sweetening plant. There are different types of sweetening plants and all different
16 expenses that handle different concentrations of H₂S. With this well being unstable at
17 this stage it's really hard to answer.

18 Q. You could invest less in a sweetening plant. I think you have discussed with me the
19 possibility of a much less expensive sweetening plant. Tell the staff about that.

20 A. A less expensive one was called the sulfur treat vessel. The people who sell this vessel
21 gave us an estimated price of \$25,000. Well, that would be wonderful if we could get
22 that vessel to work, however, we can't count on the H₂S concentration staying constant.
23 If we were to buy this \$25,000 vessel and then six months later this vessel couldn't
24 handle the H₂S concentration, we would be back to square one and buy the \$100,000 unit.

25 Q. Really your bottleneck here is the Southeast Alabama Gas District and what they will
26 take insofar as H₂S content and pressure.

27 A. Yes sir.

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1 Q. We just don't have an easy quick fix here to put this gas into a market. You would do
2 that, would you not, if you could?

3 A. Oh, we would do it next week if we could. I mean, the reason we drill these wells is to
4 sell our products. It's not like we are drilling these things to flare the gas. We would like
5 to sell it too but the bottom line is we don't have enough volume yet to justify the
6 expense.

7 Q. So until you finish drilling up at least your current plans which call for up to two more
8 wells in Section 20, you are asking the Board for permission to flare the gas with the
9 understanding that if you get additional data you will be back to the Board with that data.
10 Is that correct?

11 A. Yes sir, that's correct.

12 MR. WATSON: Mr. Rogers, I would ask that you receive into evidence Exhibits 1
13 through 6 to the testimony of Mr. Smith.

14 MR. ROGERS: The exhibits are admitted.

15 (Whereupon, the exhibits were received in evidence)

16 Q. Mr. Smith, would the granting of these three petitions, amending the field limits,
17 approving the exceptional location, and authorizing the flaring of the current gas
18 production that you have prevent waste and protect correlative rights?

19 A. Yes sir, it will.

20 MR. WATSON: I tender the witness to the staff for questions.

21 MR. ROGERS: Mr. Watson, do we want to admit the letter and affidavit of
22 confidentiality?

23 MR. WATSON: Yes, I'm sorry. I did prefile the request that the logs on this new well,
24 the 20-12, be available to the staff for review but held in confidence. I would ask that my
25 affidavit and that letter be admitted into the record.

26 MR. ROGERS: Those are admitted and the logs will remain confidential for the
27 remainder of the six months but be available to the staff and interested parties.

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

ROBIN SMITH

EXAMINATION BY BOARD/STAFF

Questions by Dr. Bolin:

- Q. Mr. Smith, you mentioned that you had plans to drill additional wells, possibly as many as two wells. Could you give us an idea of the schedule for getting those wells drilled?
- A. The next well that we plan to drill will be located in the Northeast Quarter of Section 20. That well would be approximately from that proposed unit 660 feet from the South line and 660 feet from the West line. This time we are going to move it back about 700 feet, so if the bit walks we won't have to have another exceptional location.

DIRECT EXAMINATION

Questions by Mr. Watson:

- Q. When do you plan to drill that well?
- A. We plan to drill it in September, however, the drilling rig people took another job and they have got us in the holding pattern. They said they would try to get to us in November. As soon as we can get the rig we will start.

EXAMINATION BY BOARD STAFF

Questions by Dr. Bolin:

- Q. What is the usual time frame once the rig gets there for drilling the well?
- A. Twenty one days of drilling. We usually core and do a lot of other logging. I would say 30 days tops.
- Q. What about the second well after that?
- A. Depending on the outcome of this well we will either continue to develop the field to the northeast or we will move back over and drill that well in the Northwest Quarter of Section 20.
- Q. In regard to the sales line, what is the maximum level of H₂S that they will accept?

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- 1 A. I don't know that Southeast Alabama Gas District gave me a number on the H₂S but the
2 compressor people told me, who were familiar with that gas district, they will allow up to
3 10 ppm. That's not from Southeast Alabama Gas District, that's from the people who
4 sell the equipment.
- 5 Q. So you are not sure at what level you would have to treat?
- 6 A. No sir, I am sure of the BTU rating. We are going to have to have a refrigeration unit for
7 that. He said a refrigeration unit is what we will need for that. It's 1,500 BTU. They did
8 give me the limits on that.
- 9 MR. WATSON: Their limit was 1,075. Your BTU is 1,500, right?
- 10 MR. SMITH: Yes sir.
- 11 Q. In terms of the costs, the sweetening plant, does that include just for the H₂S or is that
12 also to reduce the BTU's?
- 13 A. The cost on Exhibit 6 includes a dehi, an amine unit, a refrigeration unit, installation, yes
14 sir, it does include that.
- 15 Q. What would be the limit? How much of the H₂S could you take out with the various
16 options? Can you get it down to that?
- 17 A. To below 10?
- 18 Q. Yes.
- 19 A. I certainly hope we could.
- 20 Q. If this well stays at this current level there would not be a need for sweetening, right?
- 21 A. Well, we would still have to have that sulfur treat vessel. That's what we would like to
22 do.
- 23 Q. You would still have to get the BTU's down?
- 24 A. Yes sir, we would still have to have the refrigeration unit which is a \$150,000 vessel.
- 25 Q. Okay.
- 26 A. If the sulfur content were to stay low we could go the low end on the equipment and
27 spend \$25,000 for the sulfur treat vessel but we still have to have that refrigeration unit to
28 get the BTU rating down.

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1 DR. BOLIN: That's all the questions I have.

2 MR. ROGERS: We appreciate you answering those questions. You understand that the
3 Board has an obligation to prevent waste and to see that a small amount of gas is flared as
4 possible. We appreciate you addressing that. The staff will review the evidence and make a
5 recommendation to the Board. The next item is Item 11, Docket No. 7-30-03-6, petition by El
6 Paso Production Company.

7 MR. HARRISON: Mr. Rogers, Steve Harrison of Tuscaloosa representing El Paso
8 Production Company. I have one witness I would like to have sworn, please.

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

10 MR. CONRAD: Curtis Conrad, Cat Spring, Texas.

11 (Witness was sworn by Mr. Rogers)

12 MR. HARRISON: Gentlemen, this is a petition by El Paso to amend Rule 2 of the
13 Special Field Rules for the Blue Creek Coal Degasification Field in Tuscaloosa County,
14 Alabama, so as to add to the field limits for the field all of Sections 1, 2, 11, 12, 13 and 14,
15 Township 19 South, Range 10 West, in Tuscaloosa County. Mr. Conrad, have you previously
16 testified before this Board?

17 MR. CONRAD: No sir.

18 MR. HARRISON: Is there an affidavit of your qualifications on file with the Board?

19 MR. CONRAD: Yes there is.

20 MR. HARRISON: Could you give us a brief summary of those qualifications?

21 MR. CONRAD: My name is Curtis Conrad. I reside in Cat Spring, Texas. I have a
22 Bachelor's Degree in Geology from Texas A&M University which I received in 1979.
23 Following that I received my Master's Degree from Texas A&M in Geology in 1981. I have
24 over 22 years experience as a petroleum geologist, 13 years of that in the domestic area and over
25 nine years of international experience. I have testified before the Utah Oil and Gas Board, the
26 New Mexico Oil and Gas Board, and the Texas Railroad Commission. I am a licensed
27 professional geologist in the State of Utah.

28 MR. HARRISON: I tender Mr. Conrad as an expert petroleum geologist.

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1 MR. ROGERS: He is recognized as an expert geologist.

2 CURTIS CONRAD

3 Appearing as a witness on behalf of Petitioner, El Paso Production Company, testified as
4 follows:

5 DIRECT EXAMINATION

6 Questions by Mr. Harrison:

7 Q. Mr. Conrad, have you read the petition in this matter?

8 A. Yes I have.

9 Q. Are you familiar with the allegations made therein?

10 A. Yes.

11 Q. Do you agree with those allegations?

12 A. I do.

13 Q. Does El Paso have plans to drill in the area that we have proposed to add to the Blue
14 Creek Coal Degasification Field?

15 A. Yes sir.

16 Q. Have you prepared exhibits in support of this petition?

17 A. I have.

18 Q. Could you explain your Exhibit 1, please?

19 A. Yes sir. Exhibit 1 is a 1-to-3,000 base map. As depicted on the map you see the outline
20 of the Blue Creek Coal Degasification Field in the solid blue line. The proposed Blue
21 Creek Coal Degasification Field extension is shown in the southwest corner of that field
22 in the hachured blue pattern. On the map is also depicted all wells and well locations in
23 black. All coreholes are depicted by the orange triangles. Also on this particular base
24 map you will see a line of cross section A-A' which will be discussed in Exhibit 4.

25 Q. All right, let's look at your structure map, Exhibit 2.

26 A. Exhibit 2 is the same base map that we previously discussed. This is a structure map on
27 the top of the Mary Lee coal group. The contour interval is 50 feet. Basically what the
28 structure map shows is the general south-to-southwest dip typical of this portion of the

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1 Basin. As you can see the proposed field extension area will be at the same structural
2 elevation as the productive coals within the Blue Creek Coal Degasification Field.

3 Q. All right, let's look at your Exhibit 3, please.

4 A. Exhibit 3 is a type log from the Blue Creek Field as drilled by El Paso Production
5 Company. It is the Chevron 20-14-114 well. The well log is a gamma ray high
6 resolution density caliper log. If you look within the body of the type log you will see
7 various coal groups are highlighted within the log, the Pratt coal group at 977 feet
8 measured depth, the Mary Lee coal group at 1,442 feet measured depth, and the Black
9 Creek coal group at 1,644 feet measured depth. The coals on this log are easily depicted
10 by the decreasing density as you see on the density curve in Tract 3.

11 Q. All right, your cross section, Exhibit 4.

12 A. Exhibit 4 is cross section A-A'. It begins in the western portion just west of the proposed
13 extension area and runs through the Blue Creek Coal Degasification Field. The cross
14 section is a stratigraphic cross section hung on top of the Pratt as exhibited by the red line
15 on the cross section. Other particular notable tops are the top of the Mary Lee Group, the
16 top of the Black Creek coal group, the top of the Black Creek seam itself, the top of the
17 Jay coal group, the top of the Lower Pottsville, and the base of the Lower Pottsville or the
18 top of the Mississippian. The acreage in question lies basically between the first two
19 wells on your left as you are looking at the cross section. As you can see, the coals are
20 very readily depicted again from the decrease in density on the density log in Tract 3. All
21 the coals are very easily correlated between the two wells and we expect to encounter
22 some intricate thickness of coal in the extension area. I can tell you that subsequent to
23 the preparation of these exhibits we have completed the Blue Creek West Corehole No. 5.
24 It is located in the Northwest Quarter of Section 11, Township 19 South, Range 9 West or
25 10 West, excuse me. That particular well log does show a very good thickness of Pratt
26 and Black Creek coals. Amazingly enough the Mary Lee in this particular area, based on
27 a gamma ray density cutoff of two, is almost nonexistent. Very surprising to us,
28 nonetheless, we still have some intricate thickness of coal to drill wells out here. At this

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1 time we expect, should the Board grant this order, to drill anywhere from six to ten wells
2 this year in this extension area.

3 MR. HARRISON: Mr. Rogers, I would ask that the affidavit of notice that we have
4 previously filed in this matter be admitted.

5 MR. ROGERS: The affidavit of notice is admitted.

6 (Whereupon, the affidavit was received in evidence)

7 MR. HARRISON: Also Exhibits 1 through 4 to the testimony of Mr. Conrad be
8 admitted.

9 MR. ROGERS: The exhibits are admitted.

10 (Whereupon, the exhibits were received in evidence)

11 Q. Mr. Conrad, are you familiar with the term waste as defined by the statutes of the State of
12 Alabama?

13 A. Yes I am.

14 Q. In your opinion will the granting of this petition prevent waste?

15 A. Yes it will.

16 Q. Will it protect the coequal and correlative rights of all owners in the area to be added to
17 the field?

18 A. Yes.

19 MR. HARRISON: We have nothing further. I tender Mr. Conrad to the staff.

20 CURTIS CONRAD

21 EXAMINATION BY BOARD/STAFF

22 Questions by Dr. Tew:

23 Q. Mr. Conrad, would you again point out where the corehole that you referred to was
24 drilled?

25 A. It is in the Northwest Quarter of Section 11, Township 19 South, Range 10 West. It is
26 not depicted on this map because that core was completed prior to the preparation of
27 these documents. We actually didn't have the corehole position in the computer at that
28 time so it did not show up on here.

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1 DR. TEW: Thank you.

2 MR. ROGERS: Any other questions? The staff will review the evidence and make a
3 recommendation to the Board. The next item is Item 13, Docket No. 7-30-03-11, petition by
4 Dominion Black Warrior Basin, Inc. This is an item that was continued from the last hearing, a
5 petition for force pooling.

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

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

8 MR. HUTCHINGS: Steve Hutchings, 1132 Southern Way, Mobile, Alabama 36609.

9 (Witness was sworn by Mr. Rogers)

10 MR. WATSON: Since this is a continuation of an item, Mr. Rogers, I'm assuming that
11 you recognize Mr. Hutchings as an expert petroleum land man for giving testimony in this item.
12 He has additional information to give you today concerning this item.

13 MR. ROGERS: He is recognized as an expert for giving additional evidence.

14 MR. WATSON: To briefly summarize, at our last hearing before the Board we had the
15 estate of Mary Savage that we were proposing to force pool. There were discussions about the
16 status of the estate. The Board directed that we take further action to give notice to the heirs of
17 Mary Savage. We have been back now to do some additional contacts which Mr. Hutchings will
18 testify to. We have also prefiled, Mr. Rogers, heirship and a summary of contacts that have been
19 made with this family.

20 STEVEN HUTCHINGS

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

23 DIRECT EXAMINATION

24 Questions by Mr. Watson:

25 Q. Mr. Hutchings, tell us what you have done following the last meeting of the Board
26 concerning the heirs of Mary Savage. Start with telling us who was Mary Savage's
27 husband, when did he die, and how many children were born of that marriage?

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1 A. Mary B. Savage was married once to a gentleman by the name of Bud Savage. Our
2 affidavit of death and heirship indicates that Bud Savage predeceased his wife. I do not
3 have an exact date of his death. There were four children born during their marriage,
4 namely Morris W. Savage, Martha Gaston, Elizabeth McCrary and Margene Ellis. They
5 are all still living as of this time.

6 Q. Have you attempted to contact those heirs of Mary Savage?

7 A. Yes. After last month's Board meeting, upon receipt of those instructions, I did contact
8 by telephone two of the three sisters, Martha Gaston and Margene Ellis. In very brief
9 telephone conversations both informed me that their brother, Morris Savage, the attorney
10 from Jasper, would represent the family and was the appropriate person to contact for all
11 negotiations and/or leases. Ms. Gaston informed me and Ms. Ellis confirmed the fact that
12 their sister, Elizabeth McCrary, had recently undergone some surgery--I believe it was for
13 a brain tumor--and requested that I did not contact her directly, so I complied with that
14 request.

15 Q. All right. We have had a return green card for Margene Ellis, Dora, Alabama, signed by,
16 I assume, her husband, Paul Ellis. Is that correct?

17 A. That is correct.

18 Q. What about the other two siblings?

19 A. Those were mailed on August 13th. I have my receipt for Martha Gaston. I sent
20 Elizabeth McCrary's package c/o Martha Gaston because both sisters indicated that Ms.
21 Gaston was overseeing the business affairs of Ms. McCrary due to her health
22 considerations. I checked on the United States Post Office website today and it indicated
23 that the two packages were unclaimed and being returned to sender. Our mail has not run
24 at the field office as of this time. They may be back at the office today.

25 Q. You do have the certified receipts stamped August 13, 2003, where you mailed them to
26 the persons you have just mentioned, correct?

27 A. That's correct, yes sir.

28 MR. WATSON: Mr. Rogers, I'm going to hand these up for inclusion into the record.

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1 Q. So is it your testimony, Mr. Hutchings, that you have now ascertained the heirs-at-law of
2 Mary Savage and you have contacted or have attempted to contact all of those parties,
3 giving them the information necessary for the force pooling of their interests with the
4 imposition of the risk compensation fee?

5 A. Yes sir. Let me make one other point there. After I sent our standard force pooling letter
6 out to the three sisters of Morris Savage, we sent certified mail return receipt requested
7 on or about August 19th, a one-page letter to Mr. Savage to bring him up-to-date on our
8 efforts and the staff's recommendation at the August hearing. I asked Mr. Savage or
9 advised him in there that we intended to pursue the forced integration or forced pooling
10 with the imposition of the risk compensation penalty and asked if he had any questions to
11 feel free to call me or our attorney. As of today we have had no correspondence, no
12 telephone calls from Mr. Savage.

13 MR. WATSON: Mr. Rogers, I have prefiled a copy of that letter dated August 18, 2003,
14 and would ask that it be made a part of the record.

15 MR. ROGERS: It is admitted.

16 (Whereupon, the letter was received in evidence)

17 MR. WATSON: Mr. Rogers, I think that covers the points that we were directed to cover
18 relative to these heirs. Mr. Hutchings will be glad to answer any additional questions you have
19 concerning this matter. I am assuming that you also will include into the record the prefiled
20 green card that we did receive back from Margene Ellis and for Mr. Savage.

21 MR. ROGERS: Let's see. We have a copy of the letter dated August 12th to Ms.
22 Elizabeth McCrary. We are admitting the receipt that we have. We are also admitting the letter
23 to Ms. Martha Gaston and an original of this receipt. We are admitting the letter to Margene
24 Ellis and we have the green card on that one. We also have the green card and the letter that you
25 sent to Morris Savage. That is admitted. We also are admitting the letter from Mr. Hutchings to
26 Morris Savage on August 18th. All that is admitted.

27 (Whereupon, the letters and green cards were
28 received in evidence)

1 MR. WATSON: Yes sir. If you would like you can admit the mineral interest and the
2 heirship affidavit that were prefiled, Mr. Rogers.

3 MR. ROGERS: All right. That will be admitted also.

4 (Whereupon, the mineral interest and heirship
5 affidavit were received in evidence)

6 MR. ROGERS: I guess we ought to admit the supplemental affidavit of notice?

7 MR. WATSON: Yes sir, let's do that.

8 MR. ROGERS: That's admitted.

9 (Whereupon, the affidavit was received in evidence)

10 MR. ROGERS: The only other thing, should we leave the record open to receive the
11 green cards? I guess those will come back. How will that work?

12 MR. WATSON: They will come back unclaimed.

13 MR. ROGERS: Should we leave the record open for you to submit that into the record?

14 MR. HUTCHINGS: Would you like the entire package that comes back unclaimed?

15 MR. WATSON: We can certainly do that.

16 MR. HUTCHINGS: That's my understanding the way it will come back.

17 MR. ROGERS: Let's do that. We might as well leave the record open for that too.

18 MR. WATSON: All right, sir.

19 MR. ROGERS: Job well done, Mr. Hutchings. Anything else?

20 MR. WATSON: That's all we have, Mr. Rogers.

21 MR. ROGERS: The staff will review the evidence and make a recommendation to the
22 Board but we will leave the record open for those other two letters.

23 (The track and confirm notifications from the US Postal Service along
24 with the unclaimed certified mail packages to Martha Gaston and
25 Elizabeth McCrary were received on September 4, 2003. Letter to Board
26 from William T. Watson received on September 24, 2003.)

27
28 MR. ROGERS: The next item is Item 14, Docket No. 9-3-03-1, petition
29 by Union Oil Company of California.

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1 MR. JACKSON: Good morning, Mr. Rogers. My name is Walton Jackson. I represent
2 Union Oil Company of California. I have one witness today, Mr. Blair.

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

4 MR. BLAIR: Ed Blair, Richmond, Texas.

5 (Witness was sworn by Mr. Rogers)

6 MR. JACKSON: Union Oil Company is before the Board today seeking an order
7 extending for one year the temporarily abandoned status of the first 16 wells listed in this petition
8 and granting a temporary abandonment status for one year of the last well listed on the petition.

9 EDWARD BLAIR

10 Appearing as a witness on behalf of Petitioner, Union Oil Company of California,
11 testified as follows:

12 DIRECT EXAMINATION

13 Questions by Mr. Jackson:

14 Q. Could you state your name for the record, please?

15 A. Edward Blair.

16 Q. Where are you employed?

17 A. In Chunchula, well, for UNOCAL.

18 Q. What is your position with UNOCAL?

19 A. Advising production engineer.

20 Q. Are you responsible for the production operations at the Chunchula Field-Wide Unit in
21 Mobile, Alabama?

22 A. That's correct.

23 Q. Have you reviewed the petition that we filed on behalf of Union?

24 A. I have.

25 Q. Do you agree with everything that is stated in that petition?

26 A. Yes.

27 Q. Do you agree that each of the 17 wells listed in the petition has future utility?

28 A. That's correct.

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- 1 Q. Are you familiar with the Alabama statutory definition of waste?
- 2 A. I am.
- 3 Q. Do you believe that it would constitute waste as so defined to require that any of these 17
- 4 wells be plugged?
- 5 A. Yes.
- 6 Q. In your opinion would it constitute significant waste for the Board to require that they be
- 7 plugged and abandoned at this time?
- 8 A. Yes I believe so.
- 9 Q. Are the surface pressure readings of each temporarily abandoned well monitored on a bi-
- 10 weekly basis?
- 11 A. That's correct.
- 12 Q. Is this procedure designed in-part to monitor the integrity of downhole conditions?
- 13 A. That's correct.
- 14 Q. Are each of these temporarily abandoned wells fenced and locked as a deterrent to public
- 15 access?
- 16 A. Yes they are.
- 17 Q. We added one well this year or are asking the Board to grant a temporarily abandoned
- 18 status for one new well this year. It's the I.P.C. 21-11 No. 1. Why did it cease
- 19 operations?
- 20 A. Due to downhole mechanical difficulties.
- 21 Q. Does it have future utility?
- 22 A. Yes it does.
- 23 Q. Is that future utility as a potential gas producer during blowdown?
- 24 A. That's correct.
- 25 MR. JACKSON: I don't have any more questions.

EDWARD BLAIR

EXAMINATION BY BOARD/STAFF

Questions by Mr. Hamilton:

Q. Mr. Blair, there are a couple of wells that the Board has some downhole concerns about. Could you address them? It's the Kelly 11-1 and the Smith 12-11.

A. Describe their downhole problems? Is that what you are asking?

Q. Right and what Union's plans are for them.

A. I believe we discussed this previously. Both wells have cast iron bridge plugs in the hole with cement dumped on top of them. It appears that they may have developed casing leaks above these plugs.

Q. So is it Union's plans to run some integrity tests and either correct the problem or---

A. Yes. We will go ahead and pressure those casings up and determine if there is a mechanical integrity problem and, if so, either propose to spot a cement plug across those casing leaks or possibly P&A it.

MR. HAMILTON: Okay. Thank you.

MR. ROGERS: Anything else? We will review the evidence and make a recommendation to the Board. Thank you. The next item then will be Item 15, Docket No. 9-3-03-2A, petition by Browning & Welch, Inc.

MR. TYRA: Gentlemen, I'm John Tyra here on behalf of Browning & Welch, Inc. This petition is a request for an exception to Rule 400-1-2-.02(2)(c) and Rule 400-1-4-.09(2)(c) of the Administrative Code concerning the re-entry of this Clayton Cooper 9-4 No. 1 Well which is Permit No. 4265. This well is located on a 320-acre wildcat unit consisting of the West Half of Section 9, Township 17 South, Range 14 West, in Lamar County. I have prefiled an affidavit of testimony of Mr. Stewart Welch who is the Vice-President of Browning & Welch with exhibits attached to that. I would ask that those exhibits and that affidavit be made a part of the record at this time.

MR. ROGERS: The affidavit is admitted. We have the affidavit and we have the signed exhibits attached to the affidavit. That's all admitted.

1 (Whereupon, the affidavit with attached exhibits
2 was received in evidence)

3 MR. TYRA: Thank you. What Browning & Welch proposes to do is hydro-jet eight
4 laterals at two different levels. The top laterals will be in a northwest-northeast-southeast-
5 southwest direction. The bottom laterals will be in a northeast, south and west direction. The
6 laterals will be 400 feet with the exception of the one going directly west as the affidavit states.
7 The one going directly west will be 330 feet or no more than 330 feet so that each lateral is no
8 more than 330 feet from the exterior boundaries of the well. We are asking for an exceptional
9 location because of that 330 foot location and also asking for an exception to the setting and
10 cementing of production casing requirements. All of this is addressed in that affidavit. We
11 submit this matter to you on the basis of that affidavit and those exhibits which we found.

12 MR. ROGERS: All right. Any questions? Mr. Masingill?

13 MR. MASINGILL: Mr. Tyra, I may have missed it. You have filed an amended petition
14 to reduce that distance to the west line. Is that correct?

15 MR. TYRA: That is correct. Our original petition asked for all of the laterals to go 400
16 feet but since that west lateral would be 260 feet from the exterior boundary we have amended
17 the petition and indicated that we are going to run the west one just 330 feet or no more than 330
18 feet.

19 MR. ROGERS: Anything else? We will review the evidence and make a
20 recommendation to the Board.

21 MR. TYRA: Thank you.

22 MR. ROGERS: The next item is Item 22, Docket No. 9-3-03-9, petition by Delta
23 Petroleum Corporation.

24 MR. WATSON: There is an affidavit of notice in this matter, Mr. Rogers, and I would
25 ask that it be admitted into the record.

26 MR. ROGERS: The affidavit of notice is admitted.

27 (Whereupon, the affidavit was received in evidence)

1 MR. WATSON: This is a request by Delta to amend Rule 5 of the Special Field Rules
2 for the Deerlick Creek Coal Degasification Field that would allow the production of gas up the
3 annular space under a rule that we have worked out with the Board's staff. I have prefiled an
4 affidavit of testimony of Kenneth J. Radigan, Jr. in support of amending Rule 5 of the Special
5 Field Rules. I would ask that that affidavit be admitted into the record of this hearing.

6 MR. ROGERS: Mr. Radigan's affidavit is admitted.

7 (Whereupon, the affidavit was received in evidence)

8 MR. WATSON: I submit it to you for a recommendation to the Board based on the
9 testimony contained in that affidavit.

10 MR. ROGERS: The exhibits are also admitted.

11 (Whereupon, the exhibits were received in evidence)

12 MR. ROGERS: Any questions? The staff has no questions. We will review the
13 evidence and make a recommendation to the Board. The next item is Item 23, Docket No. 9-3-
14 03-10, petition by Legacy Resources Company, Limited Partnership.

15 MR. WATSON: Mr. Rogers, my witness for the Legacy items cannot be here until 1:00
16 today. I ask that you, at the conclusion of this hearing, recess until 1:00 so we can hear those
17 matters.

18 MR. ROGERS: We will do that. The next item will be Item 25, Docket No. 9-3-03-12A,
19 petition by Dominion Black Warrior Basin, Inc.

20 MR. WATSON: I have prefiled an affidavit of notice in this matter and would like to
21 have it admitted into the record.

22 MR. ROGERS: The affidavit of notice is admitted.

23 (Whereupon, the affidavit was received in evidence)

24 MR. WATSON: I have also, Mr. Rogers, prefiled an affidavit of testimony by Steve
25 Hutchings in support of this force pooling, without the imposition of the risk compensation fee,
26 for the Hassinger 34-04-438 well. There is an outstanding interest there as of the date of this
27 affidavit of 4.472 net mineral acres or 5.59 percent of the interest in this unit that has not agreed

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1 to participate. Mr. Hutchings is here for any questions you have on his testimony in that
2 affidavit.

3 MR. ROGERS: The affidavit of testimony is admitted.

4 (Whereupon, the affidavit was received in evidence)

5 STEVEN HUTCHINGS

6 EXAMINATION BY BOARD/STAFF

7 Questions by Mr. Rogers:

8 Q. Maybe you ought to state, Mr. Hutchings, you have already been sworn in, this is a
9 situation that you assert that you have made a good faith effort to locate the heirs. So that
10 we will have some testimony about that to show good faith, can you state some of the
11 efforts you made or the effort you made to locate these parties?

12 A. The heirs of Cecil Turner own approximately 1.429 net acres under three small tracts.
13 We have had trouble in locating three children. The information that we have been
14 provided by other family members is that the first wife of Cecil Turner came to visit
15 some 25 to 30 years ago, picked up the three children and they have not been seen or
16 heard from since. We believe that in our efforts, and part of our efforts of course have
17 been in dealing with various family members, Internet searches, genealogy searches, etc.,
18 we think that we have identified one heir, potentially. We have not been able to
19 correspond with him since he is in the state prison in Joliet, Illinois.

20 Q. Do you know any information about Mr. Turner, when he was born, what his relationship
21 is to somebody that you are familiar with, anything like that that we can put in the record.

22 A. One of the gentlemen working with me or in conjunction with me is going to get an
23 affidavit of death and heirship signed today or he is in that process. I will be glad to
24 make that available and insert that in the record.

25 Q. Do you know what is the source of Mr. Turner's ownership? Was it a deed?

26 A. It was a deed, yes.

27 Q. There is a deed into him?

28 A. There is a deed into Mr. Turner.

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1 Q. Do you know roughly when that deed was executed?

2 A. I don't have a copy of the title. I can get that information for you. I did not bring a copy
3 of the title opinion with me this morning.

4 MR. WATSON: Do you have an idea of approximately when he was suppose to have
5 gained some title interest, fifty years ago?

6 MR. HUTCHINGS: Forty years plus.

7 MR. ROGERS: We ought to have some kind of supplemental information. Maybe it
8 doesn't need to be in the record itself but we'll have it stated in the record that if you find that
9 information about one of his children, then you will just send a letter to the Board addressing
10 that. If you find him then maybe he will know where his other two siblings are. I don't want to
11 keep the record open indefinitely because I know y'all want some finality to these kinds of things
12 but let's leave it at that. If you get that additional information about one of his children then you
13 will submit that to the Board.

14 MR. WATSON: We'll be glad to do that and I think that the record will show that a
15 diligent effort to attempt to locate these folks, which coupled with whatever additional
16 information we can submit, should protect the record.

17 MR. ROGERS: I assume then you don't know whether Mr. Turner is deceased?

18 MR. HUTCHINGS: Cecil Turner is deceased by notes. I do not have it in a formal
19 affidavit of death and heirship but by some notes we show that Cecil Turner died March 8, 1983,
20 intestate, a resident of Fayette County, Alabama.

21 MR. ROGERS: Why don't you also in this information that you submit state the deed or
22 document by which he received his interest and when it was executed.

23 MR. HUTCHINGS: Okay.

24 MR. ROGERS: Anything else? The staff will review the evidence and make a
25 recommendation to the Board.

26 (Whereupon, letter received on 9/5/03 to the Board from
27 William T. Watson responding to the request from Board
28 related to Docket No. 9-3-03-12A)

1 MR. ROGERS: The next item would be Item 31, Docket No. 9-3-03-18, petition by
2 Rulexco, Inc. Mr. Watson, just for the record on that last item, the petition by Dominion, the
3 petition is amended for that force pooling without risk compensation.

4 MR. WATSON: That's right.

5 MR. ROGERS: All right, yes sir?

6 MR. PACE: My name is Ed Pace and I'm here on behalf of Rulexco. This matter deals
7 with the request to make permanent a temporary order that was entered back in August. I think it
8 was an emergency proceeding at that time. That was Order No. E-2003-77, Docket No. 7-28-03-
9 7. I would request that the Board incorporate by reference the record from that previous hearing
10 held August 1, 2003. The request today is that the emergency order be made permanent.

11 MR. ROGERS: Did you have the Docket No. 7-28-03-7?

12 MR. PACE: Dash seven, I believe. That was the information I was furnished.

13 MR. ROGERS: It would have to be 7-28-03-1.

14 MR. PACE: Someone knows more than the information that I was furnished.

15 MR. ROGERS: We appreciate you trying to be complete and thorough but it will be 7-
16 28-03-1. The record from that matter is incorporated into this hearing.

17 (Whereupon, the record of Docket No. 7-28-03-1 was
18 incorporated by reference)

19 MR. PACE: We would ask that the temporary order entered at that time be made
20 permanent.

21 MR. ROGERS: We will review the evidence and make a recommendation to the Board.
22 Thank you, sir. The hearing is adjourned and recessed until 1:00 p.m.

23
24 (Whereupon, the hearing was recessed at 11:32 a.m. and convened at 1:00 p.m.)
25

26 MR. ROGERS: The hearing is again in session. The next item is Item 23, petition by
27 Legacy Resources Company, Limited Partnership, Docket No. 9-3-03-10.

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

3 MR. ROGERS: The affidavit is admitted.

4 (Whereupon, the affidavit was received in evidence)

5 MR. WATSON: We are asking the Board to enter an order approving an offshore unit
6 for the drilling of a Miocene well as an exception to Rule 400-2-2-.02 (2)(d) of the State Oil and
7 Gas Board of Alabama Administrative Code for the drilling of the State Lease 347 No. 3 Well on
8 a 322.83 acre offshore drilling unit consisting of portions of State Lease Tracts 62 and 76. The
9 Rule that I have just cited requires drilling units for wells 6,000 feet or shallower to be permitted
10 on a quarter-quarter offshore tract and the proposed unit is not on a quarter-quarter offshore tract.
11 As an exception to that Rule my witness, Mr. Wood, who has appeared before you and has on
12 file an affidavit of his qualifications as a petroleum geologist, is here to testify in support of this
13 request. Mr. Wood, have you prepared exhibits in support of the request that I have just cited to
14 the Board?

15 MR. WOOD: I have.

16 MR. WATSON: I tender him as an expert witness for giving testimony, Mr. Rogers.

17 MR. ROGERS: He is so recognized.

18 MR. WATSON: We better swear him in.

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

20 MR. WOOD: Robert Wood, Tuscaloosa, Alabama.

21 (Witness was sworn by Mr. Rogers)

22 ROBERT WOOD

23 Appearing as a witness on behalf of Petitioner, Legacy Resources Company, Limited
24 Partnership, testified as follows:

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DIRECT EXAMINATION

Questions by Mr. Watson:

Q. Mr. Wood, having been sworn and accepted as an expert witness and having stated that you prepared exhibits in support of the petition, would you now turn to your Exhibit No. 1. Tell Mr. Rogers and the staff what you have shown there, please, sir.

A. Exhibit No. 1 is an area map of the area of the south Mobile Bay as depicted by the insert map in the upper right-hand corner of the exhibit. It shows the location for the proposed well, the Legacy Resources State Lease 347 No. 3 Well, and the proposed unit for the well highlighted in red. This unit exists in both Blocks 62 and 76 offshore Alabama. The proximity to other fields and other development is also shown on this area map. The area of the proposed unit occurs within the field limits of the Bon Secour Bay Field and the Mary Ann Field. Both of those are deep Norphlet gas fields and do not pertain to the shallow Miocene development. Other shallow Miocene development is shown in the area and also today there is another petition for another proposed exceptional unit for the Legacy Resources State Lease 534 No. 2 Well that is shown on this exhibit.

Q. Go to your Exhibit 1A.

A. Exhibit 1A is a map showing the location of a cross section. I included this exhibit because there are other Miocene gas sands that are producing in the area. This shows the cross section line A-A' that extends from the proposed location on the west or to the left-hand area down to the southeast to the Southeast Mobile Bay Field. The Southeast Mobile Bay Field is an Amos sand pool. It continues on over to the east to the Saxon Bay Field which is a Meyer sand pool. The purpose of this exhibit is to show that the lateral extent of the proposed unit did not reach any of the other Miocene development in the area.

Q. Let's look at that cross section now.

A. Exhibit No. 1B is the west-to-east cross section, west being on the left and east being on the right, cross section A-A'. It extends from the proposed 347 No. 3 Well which is an Escambia sand target through the Mobil Oil State Lease 348 No. 1 Well which is an

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1 Amos sand development further to the east to the Legacy Resources State Lease 615 No.
2 4 Well which is a Meyer sand development.

3 Q. All right, sir. As I appreciate it, both of these wells are the result of the 3-D bright spot
4 technology. Is that correct?

5 A. That is correct.

6 Q. Go to your Exhibit 2 and tell us what you are showing there.

7 A. Exhibit No. 2 is an amplitude anomaly based on the 3-D seismic survey of this area of
8 both the previously mentioned Blocks 62 and 76. The extent of the bright spot anomaly
9 is highlighted in red. It's where the amplitude of the target zone is above the background
10 level. The relative intensity of that is also depicted by the various colors. The location of
11 the proposed State Lease 347 No. 3 well is the black dot in the center within the anomaly.
12 We are also depicting two seismic displays which are subsequent exhibits. This seismic
13 display is basically an east-to-west display which is I-I' and a north-to-south display
14 which is J-J'. Notice that I-I' extends through the axis of the sand development and the
15 north south crosses that through the proposed well location.

16 Q. Mr. Wood, I have alleged in my petition the reason that we are requesting this irregular
17 unit is that we are trying to take advantage of the optimum geological location based on
18 the 3-D bright spot technology. Is it your testimony that we have done that in proposing
19 this particular irregular 320-acre unit? Have we taken advantage of the optimal
20 geological location?

21 A. Yes we have.

22 Q. Your next exhibit is one of those lines of cross section, I-I'. Let's describe that, please,
23 sir.

24 A. Exhibit No. 3 is the seismic display going from the west to the east. West is on the left
25 hand portion of this display and east is on the right-hand portion. The proposed State
26 Lease 347 No. 3 well is shown as a vertical red line and the target zone occurs at 560 to
27 570 milliseconds which is the bright white spot located in the area of the proposed well.

28 Q. Your next exhibit?

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1 A. Exhibit No. 4 is the same type of display. This is the north-south seismic section, north
2 being on the left-hand portion and south being on the right-hand portion. The target zone
3 can be seen occurring at about 570 milliseconds.

4 Q. Your final exhibit is a plat of the 322 acre unit.

5 A. Yes. Exhibit 4B is a survey plat prepared for Legacy Resources by C&C Technologies,
6 an offshore surveying service. This is to be filed in conjunction with the permit for the
7 well. It shows the location of the proposed well and also the exact coordinates for the
8 proposed unit.

9 Q. That's our legal location on a proposed 322-acre unit. Is that correct?

10 A. Yes it is.

11 Q. Now, Mr. Wood, would the approval of this irregular unit locate the well and the unit
12 honoring the 3-D seismic information and protect correlative rights of the state
13 ownership?

14 A. Yes it will.

15 Q. Is it the best drainage point on this anomaly to drain the hydrocarbons?

16 A. Yes it is.

17 MR. WATSON: Mr. Rogers, you have received a faxed copy of a letter from the State
18 Lands Division of the Department of Conservation that I would ask that you include into the
19 record of this hearing on both this and I will do it on the other item also.

20 MR. ROGERS: The letter, the faxed copy, is admitted.

21 (Whereupon, the letter was received in evidence)

22 Q. Would the granting of this petition prevent waste and protect correlative rights, Mr.
23 Wood?

24 A. Yes will.

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

26 MR. ROGERS: The letter from Mr. Masingill to Mr. James Griggs is admitted into the
27 record and all the exhibits are also admitted.

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(Whereupon, the letter and exhibits were
received in evidence)

ROBERT WOOD

EXAMINATION BY BOARD/STAFF

Questions by Mr. Masingill:

Q. Mr. Wood, just one question. This is just something that we noticed on Exhibit 1. I think it is just kind of a drafting thing. The little inset area up in the upper right-hand corner, just looking at the location of the red square north of Ft. Morgan, on the big scale map it's north of the tip of Dauphin Island. The one in the upper right probably should be a little further to the west. Is that correct?

A. Yes it should be.

Q. I don't think we need to do anything because it doesn't really effect what you are asking for.

A. That is correct. I should have picked that up. That is probably the best location for the North Saxon Bay Field.

Questions by Dr. Bolin:

Q. Mr. Wood, in your Exhibit 2 where you are showing the amplitude anomaly that is associated with this proposed unit, based on the location for this proposed well would you expect that the well at this location would be able to economically and efficiently drain all the hydrocarbons that might be associated with that amplitude anomaly?

A. Yes I do.

MR. ROGERS: Any more questions? The staff will review the evidence and make a recommendation to the Board. The next item is Item 26, petition by Legacy Resources Company, Limited Partnership.

MR. WATSON: I have an affidavit of notice if you would admit that into the record, Mr. Rogers.

MR. ROGERS: The affidavit is admitted.

(Whereupon, the affidavit was received in evidence)

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1 MR. WATSON: I remind my witness, Mr. Wood, that he remains under oath. Mr.
2 Wood, are you familiar with the proposal concerning the State Lease 534 No. 2 Well?

3 MR. WOOD: Yes I am.

4 MR. WATSON: Have you prepared exhibits in support of the irregular unit for that
5 well?

6 MR. WOOD: I have.

7 MR. WATSON: I tender him as an expert for giving testimony in this item, Mr. Rogers.

8 ROBERT WOOD

9 Appearing as a witness on behalf of Petitioner, Legacy Resources Company, Limited
10 Partnership, testified as follows:

11 DIRECT EXAMINATION

12 Questions by Mr. Watson:

13 Q. We are proposing here 322-acre unit as an exception to Rule 400-2-2-.02(2)(d) for a well
14 that is not on a governmental or a quarter-quarter offshore tract, rather it is on an irregular
15 tract. We are asking the Board to approve that. In this case the irregular unit is totally
16 contained within Offshore Tract 62. Is that correct, Mr. Wood?

17 A. That is correct.

18 Q. All right. Tell Mr. Rogers and the staff what is shown on your first exhibit.

19 A. Exhibit No. 1 is an area map showing the proposed unit and the proposed well for the
20 Legacy Resources State Lease 534 No. 2 Well. The approximate location of this is
21 shown on the little insert map in the upper right hand corner. I suspect that the location
22 for this should be further to the west, approximately north of Dauphin Island as depicted
23 on the major map. The location of other surrounding fields is shown. This proposed well
24 occurs within the field limits of the Bon Secour Bay Field which is a deep Norphlet gas
25 sand field. This is a shallow Miocene proposed location. It does occur in two quarter
26 sections of Offshore Block 62.

27 Q. Your Exhibit 1A.

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- 1 A. Exhibit 1A is a cross section location map showing the relationship of the cross section
2 extending from the proposed well on the western portion of the display through the Saxon
3 Bay Field to the Exxon State Lease Tract 615 No. 1 Well and then to the northeast to the
4 recent discovery by Legacy Resources which is the State Lease 613 No. 1 Well which is
5 an Amos sand production well. The purpose of this cross section is to show that the
6 Miocene development in this area occurs in different strata and to show the relationship
7 of the proposed target interval in the State Lease 534 well with that other development.
- 8 Q. Your next exhibit is a depiction of that cross section, Exhibit 1B.
- 9 A. That is correct. It is the cross section which is A-A' extending from the west on the left
10 hand portion to the east on the right-hand portion of the display. It goes from the
11 proposed State Lease 534 No. 2 Well which is an Escambia sand target zone through the
12 Saxon Bay Field which occurs in the Meyer sand to the North Saxon Bay Field which
13 production occurs in the Amos sand.
- 14 Q. Let's look at your Exhibit 2. Describe the bright spot and the unit.
- 15 A. Exhibit No. 2 is an amplitude anomaly map based on the 3-D seismic survey in the area
16 of the proposed unit and the surrounding vicinity. The lateral extent of the bright spot
17 anomaly is shown and highlighted in the red line. The anomalous amplitude which is an
18 indicator of gas sand in the shallow Miocene is within that and the relative intensity of
19 that amplitude anomaly is shown by the various colors within that. The proposed
20 location for the State Lease 534 No. 2 Well is the black dot as indicated on this exhibit.
21 The exhibit also shows two seismic display lines, K-K' and L-L'. K-K' extends from the
22 southwest to the northeast and L-L' extends from the northwest to the southeast.
- 23 Q. Let's look at those lines of cross section starting with Exhibit 3.
- 24 A. Exhibit No. 3 is the seismic display for the geophysics extracted from the 3-D seismic
25 survey. West is on the left-hand portion and east is on the right-hand portion. The
26 proposed State Lease 534 No. 2 Well is the red vertical line. You can see that it extends
27 through the target zone at about 560 milliseconds.
- 28 Q. Exhibit 4.

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1 A. Exhibit No. 4 is an identical display. It's from the northwest to the southeast. Southeast
2 is on the right-hand portion. This is indicated as K-K'. The extent of the occurrence of
3 the target zone occurs at approximately 560 to 570 milliseconds.

4 Q. Exhibit 4B?

5 A. Exhibit 4B is the survey plat for the proposed well prepared for Legacy Resources by
6 C&C Technologies. It shows the location within State Tract 62. The location of the well
7 and also the irregular unit is depicted with all the coordinates described on this exhibit.

8 Q. We are proposing to drill this well at a legal location on that irregular unit, correct?

9 A. Yes we are.

10 Q. Now 322.83 acres, that's the equivalent of the quarter-quarter of Offshore Tract 62. Is
11 that correct?

12 A. That is correct.

13 Q. Mr. Wood, would the granting of this petition approving this unit prevent waste and
14 protect correlative rights?

15 A. Yes it will.

16 Q. In your opinion would the location of this well on the structure as depicted on your
17 Exhibit 2 efficiently and effectively drain the hydrocarbons depicted by that 3-D bright
18 spot?

19 A. Yes it will.

20 Q. By the granting of this petition approving this unit we would have orderly development in
21 the shallow Miocene area of offshore Alabama. Is that your testimony?

22 A. Yes we will. This sand does not extend to any other sand or producing well and this
23 would be orderly development for State Tract 62.

24 Q. Waste would be prevented and correlative rights protected?

25 A. Yes it will.

26 MR. WATSON: Mr. Rogers, for the record, I would like to point out that Legacy
27 Resources opened its offices and its data to the State's consulting geologists and engineers,
28 namely Atwater Consultants out of New Orleans. They came over and went over all of our raw

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1 data and advised the Department of Conservation and Natural Resources on their findings. I
2 would ask that you include into the record of this docket the letter from Mr. Griggs at the
3 Department of Conservation who addresses both this and the previous docket item.

4 MR. ROGERS: The letter from Mr. Griggs is admitted and also the exhibits are
5 admitted.

6 (Whereupon, the letter and exhibits were
7 received in evidence)

8 MR. WATSON: I tender my witness for any questions.

9 MR. ROGERS: Also the letter from Mr. Masingill to Mr. Griggs is admitted.

10 (Whereupon, the letter was received in evidence)

11 MR. ROGERS: The staff has no questions. We will review the evidence and make a
12 recommendation to the Board.

13 MR. WATSON: I think before we go off the record the plan is to commence drilling
14 these wells next month. Thank you for coming back.

15 MR. WOOD: Thank you so much.

16 MR. ROGERS: The hearing is adjourned.

17 (Whereupon, the hearing was adjourned at 1:20 p.m.)

REPORTER'S CERTIFICATE

STATE OF ALABAMA

COUNTY OF TUSCALOOSA

I, Rickey Estes, Hearing Reporter in and for the State of Alabama, do hereby certify that on Wednesday, September 3, 2003, in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, I reported the proceedings before a Hearing Officer; that the foregoing 65 typewritten pages contain a true and accurate verbatim transcription of said proceedings to the best of my ability, skill, knowledge, and belief.

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


Rickey Estes
Hearing Reporter