

March 19, 2004

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2. David Sistrunk	28 30-31	---	---
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Mc
5-1-04

EXHIBITS

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Exhibit 1 (Item 10)	Affidavit of testimony (Richard A. Payton)	17	17
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Exhibit 8 (Item 10)	2/12/04 consent letter of Jones 2001 Trust John Hunter Jones, Trustee (G. Owens Brown)	17	17
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Exhibit 10 (Item 10)	2/12/04 consent letter of Eugenia Davant Wilson (G. Owens Brown)	17	17
Exhibit 11 (Item 10)	2/12/04 consent letter of Estate of Elizabeth Lea Howe (G. Owens Brown)	17	17
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Exhibit 16 (Item 10)	2/12/04 consent letter of Kathryn Dodson Goss (G. Owens Brown)	17	17
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Exhibit 19 (Item 10)	2/12/04 consent letter of Derek H. Davis (G. Owens Brown)	17	17
Exhibit 20 (Item 10)	2/12/04 consent letter of Jack R. Dodson, Jr. (G. Owens Brown)	17	17
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Exhibit 22 (Item 10)	2/12/04 consent letter of Richard A. Groenendyke, Jr. (G. Owens Brown)	17	17
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Exhibit 24 (Item 10)	2/12/04 consent letter of Laura A. Gunn (G. Owens Brown)	17	17
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Exhibit 26 (Item 10)	2/12/04 consent letter of Estate of Leighton Dawson (G. Owens Brown)	17	17
Exhibit 1 (Item 11)	Affidavit of notice (William T. Watson)	17	18

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Exhibit 3 (Item 11)	2/12/04 consent letter of Carolyn Davant Fricke (G. Owens Brown)	18	18
Exhibit 4 (Item 11)	2/12/04 consent letter of Glenn A. Sodd (G. Owens Brown)	18	18
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Exhibit 8 (Item 11)	2/12/04 consent letter of Jones 2001 Trust John Hunter Jones, Trustee (G. Owens Brown)	18	18
Exhibit 9 (Item 11)	2/12/04 consent letter of Robert M. Davant, Jr. (G. Owens Brown)	18	18
Exhibit 10 (Item 11)	2/12/04 consent letter of Eugenia Davant Wilson (G. Owens Brown)	18	18

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Exhibit 12 (Item 11)	2/16/04 consent letter of Robert M. Davant, Jr. (G. Owens Brown)	18	18
Exhibit 13 (Item 11)	2/12/04 consent letter of Cornelia Atwood Perry (G. Owens Brown)	18	18
Exhibit 14 (Item 11)	2/12/04 consent letter of James E. Davant, DVM (G. Owens Brown)	18	18
Exhibit 15 (Item 11)	2/12/04 consent letter of William Louis Davant (G. Owens Brown)	18	18
Exhibit 16 (Item 11)	2/12/04 consent letter of Kathryn Dodson Goss (G. Owens Brown)	18	18
Exhibit 17 (Item 11)	2/12/04 consent letter of Thomas E. Dunnam III (G. Owens Brown)	18	18
Exhibit 18 (Item 11)	2/12/04 consent letter of Mary Kathryn Dunnam Ladewig (G. Owens Brown)	18	18
Exhibit 19 (Item 11)	2/12/04 consent letter of Derek H. Davis (G. Owens Brown)	18	18

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Exhibit 23 (Item 11)	2/12/04 consent letter of Valerie Hundley (G. Owens Brown)	18	18
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Exhibit 26 (Item 11)	2/12/04 consent letter of Estate of Leighton Dawson (G. Owens Brown)	18	18
Exhibit 1 (Item 12)	Affidavit of testimony (Richard A. Payton)	19	19
Exhibit 2 (Item 12)	Affidavit of notice (William T. Watson)	18	18

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Exhibit 4 (Item 12)	2/12/04 consent letter of Glenn A. Sodd (G. Owens Brown)	19	19
Exhibit 5 (Item 12)	2/12/04 consent letter of Barbara Moe (G. Owens Brown)	19	19
Exhibit 6 (Item 12)	2/12/04 consent letter of Kathryn Davant Higgins (G. Owens Brown)	19	19
Exhibit 7 (Item 12)	2/12/04 consent letter of Mary D. Rosenberg (G. Owens Brown)	19	19
Exhibit 8 (Item 12)	2/12/04 consent letter of Jones 2001 Trust John Hunter Jones, Trustee (G. Owens Brown)	19	19
Exhibit 9 (Item 12)	2/12/04 consent letter of Robert M. Davant, Jr. (G. Owens Brown)	19	19
Exhibit 10 (Item 12)	2/12/04 consent letter of Eugenia Davant Wilson (G. Owens Brown)	19	19
Exhibit 11 (Item 12)	2/12/04 consent letter of Estate of Elizabeth Lea Howe (G. Owens Brown)	19	19

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EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 12 (Item 12)	2/16/04 consent letter of Robert M. Davant, Jr. (G. Owens Brown)	19	19
Exhibit 13 (Item 12)	2/12/04 consent letter of Cornelia Atwood Perry (G. Owens Brown)	19	19
Exhibit 14 (Item 12)	2/12/04 consent letter of James E. Davant, DVM (G. Owens Brown)	19	19
Exhibit 15 (Item 12)	2/12/04 consent letter of William Louis Davant (G. Owens Brown)	19	19
Exhibit 16 (Item 12)	2/12/04 consent letter of Kathryn Dodson Goss (G. Owens Brown)	19	19
Exhibit 17 (Item 12)	2/12/04 consent letter of Thomas E. Dunnam III (G. Owens Brown)	19	19
Exhibit 18 (Item 12)	2/12/04 consent letter of Mary Kathryn Dunnam Ladewig (G. Owens Brown)	19	19
Exhibit 19 (Item 12)	2/12/04 consent letter of Derek H. Davis (G. Owens Brown)	19	19
Exhibit 20 (Item 12)	2/12/04 consent letter of Jack R. Dodson, Jr. (G. Owens Brown)	19	19

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Exhibit 21 (Item 12)	2/12/04 consent letter of Kathryn Davant Dodson (G. Owens Brown)	19	19
Exhibit 22 (Item 12)	2/12/04 consent letter of Richard A. Groenendyke, Jr. (G. Owens Brown)	19	19
Exhibit 23 (Item 12)	2/12/04 consent letter of Valerie Hundley (G. Owens Brown)	19	19
Exhibit 24 (Item 12)	2/12/04 consent letter of Laura A. Gunn (G. Owens Brown)	19	19
Exhibit 25 (Item 12)	2/12/04 consent letter of R. Matt Dawson (G. Owens Brown)	19	19
Exhibit 26 (Item 12)	2/12/04 consent letter of Estate of Leighton Dawson (G. Owens Brown)	19	19
Exhibit 1 (Items 14 & 15)	Gathering system for East Cedar Point and East Heron Pass Fields (Ken Hanby)	26	26
Exhibit 2 (Item 14 & 15)	Diagram of production platform facilities, East Cedar Point and East Heron Pass Fields (Ken Hanby)	26	26

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Exhibit 3 (Items 14 & 15)	Narrative of meters, sales gas and allocation, East Cedar Point and East Heron Pass Fields (Ken Hanby)	26	26
Exhibit 4 (Items 14 & 15)	Allocation example, East Cedar Point and East Heron Pass Fields (Ken Hanby)	26	26
Exhibit 5 (Items 14 & 15)	Heat content from gas analysis from Saxon Bay and North Saxon Bay Fields (Ken Hanby)	26	26
Exhibit 6 (Items 14 & 15)	Affidavit of notice (William T. Watson)	20	20
Exhibit 7 (Items 14 & 15)	Affidavit of notice (William T. Watson)	20	20
Exhibit 8 (Items 14 & 15)	3/5/04 letter to James H. Griggs (Jay H. Masingill)	26	27
Exhibit 9 (Items 14 & 15)	3/5/04 letter to James H. Griggs (Jay H. Masingill)	26	27
Exhibit 10 (Items 14 & 15)	3/17/04 letter to Board (James H. Griggs)	27	27
Exhibit 11 (Items 14 & 15)	3/17/04 letter to Board (James H. Griggs)	27	27

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EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 1 (Item 17)	Affidavit of testimony (Ron Rovenko)	28	28
Exhibit 2 (Item 17)	Affidavit of testimony (David Sistrunk)	28	28
Exhibit 3 (Item 17)	Affidavit of notice (David Sistrunk)	28	28
Exhibit 4 (Item 17)	3/16/04 letter of consent (David Sistrunk) 1. James Graham Brown Foundation, Mason Rummel, Executive Director	28	28
Exhibit 1 (Item 21)	Affidavit of testimony (Ron Rovenko)	29	29
Exhibit 2 (Item 21)	Affidavit of testimony (David Sistrunk)	29	29
Exhibit 3 (Item 21)	3/16/04 letters of consent (David Sistrunk) 1. Ruth Mae Roberts Phillips 2. Albert Vallon 3. Susan Hoey Brown 4. Judy Nolan 5. Dorris Hoey Freeman 6. Stanislaus Hoey 7. Patricia Phillips Lae 8. Maurice Lloyd 9. Michael Phillips 10. Richard Vallon 11. TL Phillips and WA Phillips 12. William Phillips 13. Joanne Sterbenz	32	32

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Exhibit 4 (Item 21)	Affidavit of notice (David Sistrunk)	29	29

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

March 19, 2004

Testimony and proceedings before the State Oil and Gas Board in Regular Session in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, pursuant to adjournment, on this the 19th day of March, 2004.

BEFORE:

Mr. Gaines C. McCorquodale..... Chairman
Mrs. Rebecca Wright Pritchett..... Member

BOARD STAFF

Mr. Marvin Rogers..... Attorney
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

APPEARANCES

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	NAME	REPRESENTING
1.	Arthur Pruet	Big Sandy Farms
2.	Keith Elmore	Big Sandy Farms
3.	Danny Elmore	Big Sandy Farms
4.	Jerry Sanders	Land, Inc.
5.	Charles P. Rogers	Moundville
6.	David Sistrunk	CDX Gas, LLC
7.	Jim Sledge	CDX Gas, LLC
8.	Foster Arnold	CDX Gas, LLC
9.	Ken Hanby Tuscaloosa, AL	Legacy
10.	Bob Wood Tuscaloosa, AL	Legacy
11.	John Tyra Tuscaloosa, AL	Land, Inc.
12.	Tom Watson Tuscaloosa, AL	

1 (The hearing was convened at 10:07 a.m. on Friday,
2 March 19, 2004, at Tuscaloosa, Alabama.)
3

4
5
6 CHMN. MCCORQUODALE: Let the record reflect that the State Oil and Gas Board is
7 now in session.

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

10
11 AGENDA
12 STATE OIL AND GAS BOARD OF ALABAMA
13 MARCH 17 & 19, 2004
14

15 The State Oil and Gas Board of Alabama will hold its regular monthly
16 meeting at 10:00 a.m. on Wednesday, March 17, and Friday, March 19,
17 2004, in the Board Room of the State Oil and Gas Board, Walter B. Jones
18 Hall, University of Alabama Campus, 420 Hackberry Lane, Tuscaloosa,
19 Alabama, to consider among other items, the following petition(s):
20

21 1. DOCKET NO. 4-30-03-10
22 Continued petition by MOON-HINES-TIGRETT OPERATING CO.,
23 INC., a foreign corporation authorized to do and doing business in the
24 State of Alabama, requesting the State Oil and Gas Board to enter an order
25 amending Rule 1 of the Special Field Rules for Sneads Creek Field to add
26 the West Half of Section 22, all of Section 27, and the East Half of Section
27 34, all in Township 20 South, Range 13 West, Pickens County, Alabama,
28 to the field limits of said field.
29

30 This petition is filed as a companion to a petition bearing Docket No. 4-
31 30-03-11 requesting an order reforming the 40-acre wildcat drilling unit
32 for the Byars Heirs 27-4 #1 Well, Permit No. 8418-A, to a 360-acre unit; a
33 petition bearing Docket No. 4-30-03-12 requesting approval of an
34 exceptional location for the referenced well; and a petition bearing Docket
35 No. 4-30-03-13 requesting the forced pooling of all tracts and interests in
36 said unit, without the imposition of a risk compensation fee.

1 2. DOCKET NO. 4-30-03-11A

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

15
16 This petition is filed as a companion to a petition bearing Docket No. 4-
17 30-03-10 requesting an amendment to Rule 1 of the Special Field Rules
18 for Sneads Creek Field to add to the field limits; a petition bearing Docket
19 No. 4-30-03-12 requesting approval of an exceptional location for the
20 referenced well; and a petition bearing Docket No. 4-30-03-13 requesting
21 the forced pooling of all tracts and interests in said unit, without the
22 imposition of a risk compensation fee.

23
24 3. DOCKET NO. 4-30-03-12A

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

38
39 This petition is filed as a companion to a petition bearing Docket No. 4-
40 30-03-10 requesting an amendment to Rule 1 of the Special Field Rules
41 for Sneads Creek Field to add to the field limits; a petition bearing Docket

1 No. 4-30-03-11 requesting an order reforming the 40-acre wildcat unit for
2 the Byars Heirs 27-4 #1 Well to a 360-acre unit; and a petition bearing
3 Docket No. 4-30-03-13 requesting the Board to force pool all tracts and
4 interests in said unit, without the imposition of a risk compensation fee.
5

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

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

19 This Petition is in accordance with Section 9-17-13, Code of Alabama
20 (1975), as amended, and Rule 400-7-2-.01 of the State Oil and Gas Board
21 of Alabama Administrative Code.
22

23 This Petition is filed as a companion to a petition bearing Docket No. 4-
24 30-03-10 requesting an amendment to Rule 1 of the Special Field Rules
25 for Sneads Creek Field to add to the field limits; a petition bearing Docket
26 No. 4-30-03-11 requesting an order reforming the 40-acre wildcat unit for
27 the Byars Heirs 27-4 #1 Well to a 360-acre unit; and a petition bearing
28 Docket No. 4-30-03-12 requesting an exceptional location for the
29 referenced well.
30

31 5. DOCKET NO. 2-4-04-7

32 Continued petition by BLACK WARRIOR METHANE CORP., an
33 Alabama corporation, requesting the State Oil and Gas Board, pursuant to
34 Rule 400-3-4-.17(1) of the State Oil and Gas Board of Alabama
35 Administrative Code, to enter an order approving the temporarily abandoned
36 status for certain wells in the Brookwood Coal Degasification Field,
37 Tuscaloosa and Jefferson Counties, Alabama, in the following areas, for a
38 period of one (1) year:
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40 Township 19 South, Range 6 West, Tuscaloosa County
41 Section 31

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Township 19 South, Range 7 West, Tuscaloosa County
Sections 27, 31, 32, 33, 34, 35 and 36

Township 19 South, Range 8 West, Tuscaloosa County
Sections 25, 26, 27, 29, 30, 33, 34 and 35

Township 20 South, Range 6 West, Tuscaloosa County
Sections 6 and 7

Township 20 South, Range 7 West, Tuscaloosa County
Sections 1, 3, 4, 7, 9, 10, 12, 15, 16, 17, 21 and 28

Township 20 South, Range 8 West, Tuscaloosa County
Sections 2, 3, 4, 10, 13, 14, 15, 23 and 24

6. DOCKET NO. 2-4-04-8
Continued petition by BLACK WARRIOR METHANE CORPORATION, an Alabama corporation, requesting the State Oil and Gas Board, pursuant to Rule 400-3-4-.17(1) of the State Oil and Gas Board of Alabama Administrative Code, to enter an order approving the temporarily abandoned status for certain wells in the Oak Grove Coal Degasification Field, Tuscaloosa and Jefferson Counties, Alabama, in the following areas, for a period of one (1) year:

Township 19 South, Range 6 West, Jefferson County
Sections 2, 11 and 21

7. DOCKET NO. 2-4-04-9A
Continued petition by ALABAMA MERIT ENERGY COMPANY, INC., a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama, pursuant to Rule 400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative Code, to enter an order approving the temporarily abandoned status and pursuant to Rule 400-4-2-.01(5) of the State Oil and Gas Board of Alabama Administrative Code to enter an order approving the extension of the Class II injection permits with the approvals applying to certain wells located in the Citronelle Field, Mobile County, Alabama, in the following areas for a period of one (1) year:

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Citronelle Unit

Township 2 North, Range 3 West
Sections 21, 22, 23, 24, 25, 26, 27, 28, 33, 34, 35, 36

Township 2 North, Range 2 West
Sections 17, 18, 19, 20, 29, 30, 31

Township 1 North, Range 3 West
Sections 1, 2, 3, 10, 11, 12, 13, 14

Township 1 North, Range 2 West
Sections 5, 6, 7, 8, 9, 16, 17, 18

Southeast Citronelle Unit

Township 1 North, Range 2 West
Sections 4, 5, 8, 9, 10

Township 2 North, Range 2 West
Sections 32 and 33

East Citronelle Unit

Township 1 North, Range 2 West
Section 6

Township 2 North, Range 2 West
Sections 29, 31, 32

8. DOCKET NO. 3-17-04-1

Petition by SPOONER PETROLEUM COMPANY, 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 establishing a new gas field in Lamar County, Alabama, to be known as the Vernon Field, or such other name as the Board deems proper, and to adopt Special Field Rules therefor. The proposed field, as underlain by the Carter Sand Gas Pool, consists of the South Half of Section 20; the Southeast Quarter and the South Three-Quarters of the West Half of Section 27; Section 28; Section 29; the North Half of Section 33; Section 34; Section 35; all in Township 15 South, Range 15 West, Lamar County, Alabama.

The Carter Sand Gas Pool in said field is defined as that interval productive of hydrocarbons between 3,010 feet and 3,080 feet as indicated on the Array

1 Induction Log for the Weyerhaeuser 28-9 No. 1 Well, Permit No. 12798, and
2 all zones in communication therewith and all productive extensions thereof.

3
4 Petitioner is requesting well spacing of 320 acres, and is also requesting the
5 establishment of allowables for said field.
6

7 9. DOCKET NO. 3-17-04-2

8 Petition by ENERGEN RESOURCES CORPORATION, an Alabama
9 corporation, requesting the State Oil and Gas Board to enter an order
10 reforming the unit for the GSPC-Taurus 89-21-08-26-11 #1171, Permit
11 No. 6745-C, from an 80-acre unit consisting of the North Half of the
12 Southwest Quarter of Section 26, Township 21 South, Range 8 West,
13 Tuscaloosa County, Alabama in the Cedar Cove Coal Degasification
14 Field, to a 40-acre unit consisting of the Northeast Quarter of the
15 Southwest Quarter of said Section 26. Although Petitioner requests the
16 Board to eliminate certain lands from the present spacing unit, Petitioner
17 proposes to drill another coalbed methane well in the lands proposed to be
18 eliminated.
19

20 10. DOCKET NO. 3-17-04-3

21 Petition by ENERGEN RESOURCES CORPORATION, an Alabama
22 corporation, requesting the State Oil and Gas Board to enter an order
23 reforming the unit for the Devant-Taurus 90-21-08-23-16 #1137, Permit
24 No. 7686-C, from an 80-acre unit consisting of the East Half of the
25 Southeast Quarter of Section 23, Township 21 South, Range 8 West,
26 Tuscaloosa County, Alabama in the Cedar Cove Coal Degasification
27 Field, to a 40-acre unit consisting of the Southeast Quarter of the
28 Southeast Quarter of said Section 23. Although Petitioner requests the
29 Board to eliminate certain lands from the present spacing unit, Petitioner
30 proposes to drill another coalbed methane well in the lands proposed to be
31 eliminated.
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33 11. DOCKET NO. 3-17-04-4

34 Petition by ENERGEN RESOURCES CORPORATION, an Alabama
35 corporation, requesting the State Oil and Gas Board to enter an order
36 reforming the unit for the Devant-Taurus 90-21-08-23-10 #1131-A, Permit
37 No. 7866-C, from an 80-acre unit consisting of the West Half of the
38 Southeast Quarter of Section 23, Township 21 South, Range 8 West,
39 Tuscaloosa County, Alabama in the Cedar Cove Coal Degasification
40 Field, to a 40-acre unit consisting of the Northwest Quarter of the
41 Southeast Quarter of said Section 23. Although Petitioner requests the

1 Board to eliminate certain lands from the present spacing unit, Petitioner
2 proposes to drill another coalbed methane well in the lands proposed to be
3 eliminated.
4

5 12. DOCKET NO. 3-17-04-5

6 Petition by ENERGEN RESOURCES CORPORATION, an Alabama
7 corporation, requesting the State Oil and Gas Board to enter an order
8 reforming the unit for the Devant-Taurus 90-21-08-23-14 #1136, Permit
9 No. 7680-C, from an 80-acre unit consisting of the East Half of the
10 Southwest Quarter of Section 23, Township 21 South, Range 8 West,
11 Tuscaloosa County, Alabama in the Cedar Cove Coal Degasification
12 Field, to a 40-acre unit consisting of the Southeast Quarter of the
13 Southwest Quarter of said Section 23. Although Petitioner requests the
14 Board to eliminate certain lands from the present spacing unit, Petitioner
15 proposes to drill another coalbed methane well in the lands proposed to be
16 eliminated.
17

18 13. DOCKET NO. 3-17-04-6

19 Petition by ENERGEN RESOURCES CORPORATION, an Alabama
20 corporation, requesting the State Oil and Gas Board to enter an order
21 reforming the unit for the Hanson-Taurus 90-21-08-14-02 #1107, Permit
22 No. 8625-C, from an 80-acre unit consisting of the West Half of the
23 Northeast Quarter of Section 14, Township 21 South, Range 8 West,
24 Tuscaloosa County, Alabama in the Cedar Cove Coal Degasification
25 Field, to a 40-acre unit consisting of the Northwest Quarter of the
26 Northeast Quarter of said Section 14. Although Petitioner requests the
27 Board to eliminate certain lands from the present spacing unit, Petitioner
28 proposes to drill another coalbed methane well in the lands proposed to be
29 eliminated.
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31 14. DOCKET NO.3-17-04-7

32 Petition by LEGACY RESOURCES COMPANY, LIMITED
33 PARTNERSHIP, an Indiana limited partnership, authorized to do and
34 doing business in the State of Alabama, requesting the State Oil and Gas
35 Board to enter an order approving the procedure for allocation of Miocene
36 gas production from wells producing from the East Cedar Point Field,
37 Mobile County, Alabama.
38

39 This petition is filed pursuant to Section 9-17-1, et. seq. and particularly 9-
40 17-6(c)(18) of the Code of Alabama 1975.

1 15. DOCKET NO. 3-17-04-8

2 Petition by LEGACY RESOURCES COMPANY, LIMITED
3 PARTNERSHIP, an Indiana limited partnership, authorized to do and
4 doing business in the State of Alabama, requesting the State Oil and Gas
5 Board to enter an order approving the procedure for allocation of Miocene
6 gas production from wells producing from the East Heron Pass Field,
7 Mobile County, Alabama.
8

9 This petition is filed pursuant to Section 9-17-1, et. seq. and particularly 9-
10 17-6(c)(18) of the Code of Alabama 1975.
11

12 16. DOCKET NO. 3-17-04-9

13 Petition by MIDROC OPERATING COMPANY, a foreign corporation
14 authorized to do and doing business in the State of Alabama, requesting the
15 State Oil and Gas Board to enter an order reforming a 160-acre unit for the
16 Langford 5-10 #2 Well, Permit No. 13287, consisting of the Southeast
17 Quarter of Section 5, Township 4 North, Range 5 East, Monroe County,
18 Alabama, in the North Wallers Creek Field, to a 240-acre unit in
19 accordance with the 50% tolerance allowed by Section 9-17-12 (b) of the
20 Code of Alabama 1975, as amended. The 240-acre production unit for said
21 Langford 5-10 #2 Well would consist of the Southeast Quarter, the South
22 Half of the Southwest Quarter of the Northeast Quarter, the Southeast
23 Quarter of the Northwest Quarter and the East Half of the Northeast Quarter
24 of the Southwest Quarter of Section 5, Township 4 North, Range 5 East,
25 Monroe County, Alabama, in the North Wallers Creek Field. Said well is
26 located 1,714 feet from the South line and 1,950 feet from the East line of
27 said Section 5.
28

29 Section 9-17-12(b) of the Code of Alabama 1975, as amended, authorizes
30 the Board to grant units in excess of 160 acres when it is demonstrated that
31 one well can efficiently and economically drain the proposed area and that
32 such a larger unit is justified because of technical, economic, environmental
33 or safety considerations, or other reasons deemed valid by the Board. Said
34 240-acre unit would be an exception to Rule 3(a) of the Special Field Rules
35 for the North Wallers Creek Field, which states in part that units shall consist
36 of governmental quarter sections containing approximately 160 acres.
37

38 17. DOCKET NO. 3-17-04-10

39 Petition by CDX GAS, L.L.C., a Texas limited liability company,
40 requesting the Board to reform the unit for the Brown Foundation 22-01-
41 44 well, Permit No. 12136-C, from an 80-acre unit consisting of the North

1 Half of the Northeast Quarter of S22, T19S, R9W, Tuscaloosa County,
2 Alabama, in the Deerlick Creek Coal Degasification Field, to a new 40-
3 acre unit consisting of the Northeast Quarter of the Northeast Quarter of
4 said Section 22. Although Petitioner requests the Board to eliminate
5 certain lands from the present spacing unit, Petitioner proposes to drill
6 another coalbed methane well in the lands proposed to be eliminated.

7
8 18. DOCKET NO. 3-17-04-11

9 Petition by CDX GAS, L.L.C., a Texas limited liability company,
10 requesting the Board to reform the unit for the CLC 23-12-28 well, Permit
11 No. 11916-C, from an 80-acre unit consisting of the West Half of the
12 Southwest Quarter of S23, T19S, R9W, Tuscaloosa County, Alabama, in
13 the Deerlick Creek Coal Degasification Field, to a new 40-acre unit
14 consisting of the Northwest Quarter of the Southwest Quarter of said
15 Section 23. Although Petitioner requests the Board to eliminate certain
16 lands from the present spacing unit, Petitioner proposes to drill another
17 coalbed methane well in the lands proposed to be eliminated.

18
19 19. DOCKET NO. 3-17-04-12

20 Petition by CDX GAS, L.L.C., a Texas limited liability company,
21 requesting the Board to reform the unit for the CLC 34-05-47 well, Permit
22 No. 12162-C, from an 80-acre unit consisting of the West Half of the
23 Northwest Quarter of S34, T19S, R9W, Tuscaloosa County, Alabama, in
24 the Deerlick Creek Coal Degasification Field, to a new 40-acre unit
25 consisting of the Southwest Quarter of the Northwest Quarter of said
26 Section 34. Although Petitioner requests the Board to eliminate certain
27 lands from the present spacing unit, Petitioner proposes to drill another
28 coalbed methane well in the lands proposed to be eliminated.

29
30 20. DOCKET NO. 3-17-04-13

31 Petition by CDX GAS, L.L.C., a Texas limited liability company,
32 requesting the Board to reform the unit for the GSP 14-09-14 well, Permit
33 No. 11815-C, from an 80-acre unit consisting of the East Half of the
34 Southeast Quarter of S14, T19S, R9W, Tuscaloosa County, Alabama, in
35 the Blue Creek Coal Degasification Field, to a new 40-acre unit consisting
36 of the Northeast Quarter of the Southeast Quarter of said Section 14.
37 Although Petitioner requests the Board to eliminate certain lands from the
38 present spacing unit, Petitioner proposes to drill another coalbed methane
39 well in the lands proposed to be eliminated.

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21. DOCKET NO. 3-17-04-14
Petition by CDX GAS, L.L.C., a Texas limited liability company, requesting the Board to reform the unit for the Hoey 26-14-32 well, Permit No. 11976-C, from an 80-acre unit consisting of the East Half of the Southwest Quarter of S26, T19S, R9W, Tuscaloosa County, Alabama, in the Deerlick Creek Coal Degasification Field, to a new 40-acre unit consisting of the Southeast Quarter of the Southwest Quarter of said Section 26. Although Petitioner requests the Board to eliminate certain lands from the present spacing unit, Petitioner proposes to drill another coalbed methane well in the lands proposed to be eliminated.

22. DOCKET NO. 3-17-04-15
Petition by CDX GAS, L.L.C., a Texas limited liability company, requesting the Board to reform the unit for the University of Alabama 32-13-11 well, Permit No. 12814-C, from an 80-acre unit consisting of the West Half of the Southwest Quarter of S32, T18S, R5W, Jefferson County, Alabama, in the Oak Grove Coal Degasification Field, to a new 40-acre unit consisting of the Southwest Quarter of the Southwest Quarter of said Section 32. Although Petitioner requests the Board to eliminate certain lands from the present spacing unit, Petitioner proposes to drill another coalbed methane well in the lands proposed to be eliminated.

23. DOCKET NO. 3-17-04-16
Petition by CDX GAS, L.L.C., a Texas limited liability company, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order pursuant to Section 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 VI of the Oak Grove Coal Degasification Field, Jefferson 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 538 feet and 2,896 feet as encountered in the U.S. Steel Corporation #29-08-01 Well, Permit #12656-C, located in Section 29, Township 18S, Range 5W, Jefferson County, Alabama as indicated on the density log for the 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

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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, in accordance with Section 9-17-84, Code of Alabama (1975), and approval of the amendments to the Special Field Rules for the Oak Grove Coal Degasification Field in order to conform to the provisions of the aforementioned Unit Agreement and Unit Operating Agreement.

Petition 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 CDX Gas, L.L.C. as operator of the Unit Area in accordance with the laws of Alabama. The proposed Unit Area, to be designated Unit VI, consisting of 732.50 acres, more or less, as described as follows:

The following lands lying and being in Jefferson County, Alabama in the Oak Grove Coal Degasification Field:

Section 29, Township 18 South, Range 5 West

- S/2 of the NE/4
- W/2 of the NW/4 of the NE/4
- SE/4 of the NW/4 of the NE/4
- SW/4 of the NE/4 of the NW/4 of the NE/4
- S/2 of the SW/4 of the NE/4 of the NE/4
- NW/4 of the SW/4 of the NE/4 of the NE/4
- E/2 of the SE/4
- E/2 of the NW/4 of the SE/4
- E/2 of the W/2 of the NW/4 of the SE/4
- E/2 of the SW/4 of the SE/4
- E/2 of the W/2 of the SW/4 of the SE/4

Section 32, Township 18 South, Range 5 West

- E/2 of the NE/4
- E/2 of the NW/4 of the NE/4
- NE/4 of the NW/4 of the NW/4 of the NE/4
- E/2 of the E/2 of the SW/4 of the NE/4
- SE/4
- E/2 of the SW/4

1 Section 33, Township 18 South, Range 5 West

2 NW/4 of the SW/4 of the SW/4 of the SW/4

3 NW/4 of the SW/4 of the SW/4

4 NW/4 of the NE/4 of the SW/4 of the SW/4

5 NW/4 of the SW/4

6 W/2 of the SW/4 of the NW/4

7 W/2 of the E/2 of the SW/4 of the NW/4

8 W/2 of the NW/4 of the NW/4

9
10 Section 28, Township 18 South, Range 5 West

11 W/2 of the SW/4 of the NW/4 of the SW/4

12 W/2 of the W/2 of the SW/4 of the SW/4

13
14 24. DOCKET NO. 3-17-04-17

15 Petition by EL PASO PRODUCTION COMPANY, a foreign corporation
16 authorized to do and doing business in the State of Alabama, requesting
17 the State Oil and Gas Board of Alabama to enter an order force pooling,
18 without imposition of the risk compensation fee, all tracts and interests in
19 hydrocarbons produced from a proposed 80-acre unit consisting of the
20 South Half of the Northeast Quarter of Section 13, Township 19 South,
21 Range 10 West, Tuscaloosa County, Alabama, in the Blue Creek Coal
22 Degasification Field. This Petition is filed in accordance with Section 9-
23 17-13, Code of Alabama (1975), as amended, and Rule 400-7-2-.01 of the
24 State Oil and Gas Board of Alabama Administrative Code.

25
26 25. DOCKET NO. 3-17-04-18

27 Petition by LAND AND NATURAL RESOURCE DEVELOPMENT,
28 INC., an Alabama corporation, requesting the State Oil and Gas Board to
29 enter an order approving an exception to Rule 3(a) of the Special Field
30 Rules for the Driver Creek Field in order to permit the drilling of a well on
31 a 320-acre unit consisting of the South Half of the Southwest Quarter of
32 Section 26, the South Half of the Southeast Quarter of Section 27, the
33 North Half of the Northeast Quarter of Section 34, and the North Half of
34 the Northwest Quarter of Section 35, all in Township 17 South, Range 15
35 West, Lamar County, Alabama, in the Driver Creek Field. Rule 3(a) states,
36 in part, that wells in said Field "shall be drilled on a drilling unit consisting
37 of three hundred twenty (320) contiguous surface acres in the north-south or
38 east-west unit within government half sections, where possible" and the
39 above described 320-acre drilling unit would be an exception to said Rule.

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

2 MOTION OF LAND & NATURAL RESOURCE DEVELOPMENT,
3 INC. ("Movant"), an Alabama corporation, requesting the State Oil and
4 Gas Board to order a stay of a Board Order entered on February 6, 2004,
5 and to order a rehearing for the purpose of modifying and setting aside
6 portions of the Order entered on February 6, 2004, pursuant to Section 41-
7 22-17 of the Code of Alabama (1975), as amended (Alabama
8 Administrative Procedure Act). The Motion relates to a Petition bearing
9 Docket No. 8-28-02-9 filed by Movant concerning certain coalbed
10 methane wells in the Moundville Coal Degasification Field in Tuscaloosa
11 and Hale Counties, Alabama.
12

13 27. DOCKET NO. 4-30-03-7

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

29
30 The meetings of the State Oil and Gas Board are public meetings, and
31 members of the public are invited to attend and present their position
32 concerning this petition(s). Requests to continue or oppose a petition
33 should be received by the Board at least two (2) days prior to the hearing.
34 For additional information, you may contact the State Oil and Gas Board,
35 P. O Box 869999, Tuscaloosa, Alabama 35486-6999, Telephone Number
36 205/349-2852, Fax Number 205/349-2861, or by email at
37 petitions@ogb.state.al.us.

March 19, 2004

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

4 MR. ROGERS: Mr. Chairman and Mrs. Pritchett, I have a written report of the items
5 heard by the Hearing Officer and the staff on Wednesday, March 17, 2004. Copies of the report
6 are available for members of the public to review and study. I recommend the report be adopted
7 by the Board.

8 MRS. PRITCHETT: So move.

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

10 (Board members McCorquodale and Pritchett voted "aye")

11 CHMN. MCCORQUODALE: "Ayes" have it.

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

13 CHMN. MCCORQUODALE: That request is granted. It is made a part of the record.

14 (Whereupon, the report was received in evidence)

15 DR. TEW: Mr. Chairman, the staff would recommend approval of the minutes of the
16 following meetings: February 4, 2004, Hearing Officer meeting and February 6, 2004, Board
17 meeting.

18 MRS. PRITCHETT: So move.

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

20 (All Board members voted "aye")

21 CHMN. MCCORQUODALE: "Ayes" have it.

22 MR. ROGERS: The first item on the docket today is Item 10, Docket No. 3-17-04-3,
23 petition by Energen Resources Corporation.

24 MR. WATSON: Mr. Chairman, I have prefiled an affidavit of notice in this matter and
25 would ask that it be made a part of the record.

26 CHMN. MCCORQUODALE: It is admitted.

27 (Whereupon, the affidavit was received in evidence)

March 19, 2004

1 MR. WATSON: This is a request by Energen Resources Corporation to reform an 80-
2 acre unit in the Cedar Cove Coal Degasification Field from the East Half of the Southeast
3 Quarter of Section 23, Township 21 South, Range 8 West, to a 40-acre unit consisting of the
4 Southeast Quarter of the Southeast Quarter of that said Section 23. I have prefiled an affidavit of
5 testimony in support by Mr. Rick Payton. I have also, Mr. Chairman, prefiled letters of consent.
6 Some 23 owners in this 80-acre unit have consented to the unit reformation. I would ask that the
7 affidavit and the consents be made a part of the record.

8 CHMN. MCCORQUODALE: Your request is granted.

9 (Whereupon, affidavit and consent letters were
10 received in evidence)

11 MR. WATSON: I submit the matter to you on the basis of the testimony contained in
12 Mr. Payton's affidavit.

13 MR. ROGERS: I might mention in the petition that it is stated that another well will be
14 drilled.

15 MR. WATSON: Yes. We have filed a permit application for the drilling of the second
16 well in this 80-acre unit. The wells will be on 40-acre units.

17 CHMN. MCCORQUODALE: Are there any questions from the Board or from the staff?
18 Do I hear a motion?

19 MRS. PRITCHETT: So move.

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

21 (Board members McCorquodale and Pritchett voted "aye")

22 CHMN. MCCORQUODALE: "Ayes" have it.

23 MR. ROGERS: The next item then is Item 11, Docket No. 3-17-04-4, petition by
24 Energen Resources Corporation.

25 MR. WATSON: Again, Mr. Chairman, I have prefiled an affidavit of notice in this
26 matter and would ask that it be admitted into the record.

27 CHMN. MCCORQUODALE: It is admitted.

March 19, 2004

1 (Whereupon, the affidavit was received in evidence)

2 MR. WATSON: This is an order requesting the reformation of an 80-acre unit to a 40-
3 acre unit in the Cedar Cove Coal Degasification Field reforming the West Half of the Southeast
4 Quarter of Section 23 to a 40-acre unit consisting of the Northwest Quarter of the Southeast
5 Quarter of said Section 23. I have prefiled an affidavit of testimony of Mr. Payton in support of
6 this matter. We have also filed copies of consents from the 23 mineral and royalty interest
7 owners in this unit and would ask that both of those, the affidavit of Mr. Payton and the letters of
8 consent, I should say, be admitted into the record.

9 CHMN. MCCORQUODALE: They are admitted.

10 (Whereupon, the affidavit and letters were
11 received in evidence)

12 MR. WATSON: And that you approve this based on the testimony of Mr. Payton and the
13 consent by the owners.

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

15 MR. ROGERS: These consents represent all the parties? All the parties have consented?

16 MR. WATSON: All 23, yes sir. Like in the previous case we have filed a permit
17 application to drill the second well in this unit.

18 CHMN. MCCORQUODALE: Are there any other questions or comments?

19 MRS. PRITCHETT: Mr. Chairman, I move that we grant the petition.

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

21 (Board members McCorquodale and Pritchett voted "aye")

22 CHMN. MCCORQUODALE: "Ayes" have it.

23 MR. ROGERS: The next item then is Item 12, Docket No. 3-17-04-5, petition by
24 Energen Resources Corporation.

25 MR. WATSON: I have prefiled an affidavit of notice in this matter and would ask that it
26 be admitted into the record.

27 CHMN. MCCORQUODALE: It is admitted.

28 (Whereupon, the affidavit was received in evidence)

March 19, 2004

1 MR. WATSON: This is a request to reform an 80-acre unit in the Cedar Cove Coal
2 Degasification Field, the 80-acre unit being the East Half of the Southwest Quarter of Section 23,
3 Township 21 South, Range 8 West. We would ask that you reform that to a 40-acre unit
4 consisting of the Southeast Quarter of the Southwest Quarter of said Section 23. I have prefiled
5 an affidavit of testimony by Mr. Payton in support and also letters of consent from the 23 royalty
6 owners in the unit. We have filed a permit application for the drilling of the second well in this
7 unit. I would ask that you approve the request for reformation.

8 CHMN. MCCORQUODALE: The affidavit is admitted and the letters of consent are
9 admitted .

10 (Whereupon, the affidavit and letters were
11 received in evidence)

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

13 MR. ROGERS: Those 23 owners represent all the owners?

14 MR. WATSON: All the owners, yes, sir. There are common owners in all three of these.

15 MRS. PRITCHETT: Mr. Chairman, I make a motion that we grant the petition.

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

17 (Board members McCorquodale and Pritchett voted "aye")

18 CHMN. MCCORQUODALE: "Ayes" have it.

19 MR. ROGERS: The next item then is Item 14, Docket No. 3-17-04-7, petition by Legacy
20 Resources Company, Limited Partnership.

21 MR. WATSON: Mr. Chairman, can we consolidate for hearing purposes Dockets 3-17-
22 04-7 and 04-8?

23 CHMN. MCCORQUODALE: Yes, those will be consolidated for hearing purposes.

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

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

26 MR. HANBY: Ken Hanby, 4904 Lakeview Estates Drive, Northport, Alabama.

27 (Witness was sworn by Mr. Rogers)

March 19, 2004

1 MR. WATSON: Mr. Chairman, in these consolidated items I have prefiled affidavits of
2 notice and would ask that they be admitted into the record.

3 CHMN. MCCORQUODALE: They are admitted.

4 (Whereupon, the affidavits were received in evidence)

5 MR. WATSON: In these petitions that are before you for hearing this morning Legacy is
6 requesting the Board to enter an order approving the procedure for allocation of Miocene gas
7 production from wells in the East Cedar Point Field and the East Heron Pass Field, both fields
8 being in Mobile County, Alabama. By your Orders 2004-17 and 2004-18 this Board established
9 these two new Miocene gas fields in the submerged offshore lands of Alabama. We are here
10 today to ask you to approve the allocation procedure for allocating gas from these two wells.

11 KEN HANBY

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

14 DIRECT EXAMINATION

15 Questions by Mr. Watson:

16 Q. Mr. Hanby, you are familiar with these petitions that have been consolidated for hearing
17 purposes for these two fields that I have just outlined?

18 A. Yes sir, I am.

19 Q. Have you prepared exhibits in support of the procedures for allocation of Miocene gas?

20 A. Yes sir.

21 Q. I have handed up to the Board and staff copies of your exhibit booklet. Turn in that
22 booklet of exhibits to Exhibit No. 1. Describe the information shown on that exhibit.

23 A. Exhibit No. 1 shows the gathering system for these two fields. Tract 62 in its entirety is
24 shown along with portions of Tract 76 where these wells are located. East Cedar Point
25 Field is highlighted in the blue color. East Heron Pass Field is in the orange color. The
26 two wells, one in each field, are shown. In addition, the buried flowlines--gathering lines
27 that will be constructed are shown with the dashed line. They are both four inch lines
28 that will run from each well to the Legacy Platform 62C. There will be an additional

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1 buried four inch line that runs from the Legacy Platform 62C to the ExxonMobil Platform
2 62A. These are shown on this exhibit. The green highlight is a portion of the Bon
3 Secour Bay Field. The brown outline is a portion of the Lower Mobile Bay-Mary Ann
4 Field. These are both Norphlet reservoirs and really have nothing to do with this petition
5 except for the location. A portion of those fields exist in this area.

6 Q. Mr. Hanby, neither of these submerged pipelines are in place now, are they?

7 A. Correct.

8 Q. Nor is the Legacy 62C Platform?

9 A. That is correct.

10 Q. Is it not correct, Mr. Hanby, that this gas that is produced from these two fields is a sweet
11 Miocene gas that is to be used on the Exxon platform as plant fuel?

12 A. That is correct.

13 Q. All right. Let's turn to your Exhibit 2 and describe the information shown there.

14 A. Exhibit 2 shows the production platform facilities on the proposed Legacy 62C Platform,
15 which application for that platform has been submitted to the Board. This exhibit shows
16 the two wells, the State Lease 347 No. 3 in the East Heron Pass Field and the State Lease
17 534 No. 2 in the East Cedar Point Field, that will flow to the Legacy 62C Platform. Upon
18 entering the platform they will individually flow into a two-phase separator where the gas
19 will be taken off. There will be a meter to meter the gas flow from the production
20 separator. I've just numbered these meters No. 1 and No. 2. You will also note that there
21 is a water meter on each of the flowlines from the separator to the 300 barrel water tank
22 to meter the water flow. In addition to a meter there will be a sampling port where
23 samples of the gas from each of the wells will be collected and sent to a laboratory for
24 gas analysis on a bi-annual basis. After the gas has been metered it will be commingled
25 and will then flow to a compressor. Prior to the compressor there will be a tap into the
26 line that will take gas for fuel use for both the compressor and dehydrator. There will
27 also be a meter to meter the gas that is used for fuel. There will also be a sampling port
28 there that once again takes a sample of that commingled gas for gas analysis on a semi-

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1 annual basis. After the gas has been compressed and dehydrated it will once again flow
2 through a meter. This will be designated Meter No. 4 and then will leave the 62C
3 platform into the four-inch flowline to the ExxonMobil 62A Platform. The water, when
4 it is produced, will flow into the 300 barrel water tank and when necessary a barge will
5 take the water to an approved water treatment and disposal facility.

6 Q. All right sir. Let's go then to your Exhibit No. 3 which is a narrative. Mr. Hanby, tell us
7 in summary what this narrative states and why it is included in our exhibit booklet.

8 A. This exhibit shows or gives the narrative on the meters, sales gas, and allocation. The
9 first two paragraphs are basically from the field rules and from the statewide rules and
10 deals with the meters and measurement of gas volumes and provides for a two percent
11 (2%) tolerance and how that will be corrected when measurements deviate outside the
12 two percent (2%) tolerance. It also provides the source for orifice factors and sets forth
13 the same as in the statewide rules that the pressure base is 14.65 psi and the temperature
14 base is 60 degrees Fahrenheit. I'm going to read the last two paragraphs. This deals with
15 the allocation of production. The gas volume and heat content of the commingled gas
16 from the two wells will be determined at the Gathering System Delivery Point upon
17 entering the ExxonMobil Tract 62A Platform. The BTU value of the gas at the Gathering
18 System Delivery Point is the MMBTU of sales gas from these two wells in two fields.
19 The volume will be measured at that point. It will be sampled monthly to determine the
20 heat content of the commingled gas from the two wells. That will then be multiplied
21 times the volume to arrive at the MMBTU's of sales gas. As Mr. Watson said, this gas
22 was actually going to be used physically for fuel on the ExxonMobil 62A Platform and
23 Legacy will be given at the tailgate of the ExxonMobil plant onshore the equivalent
24 MMBTU's of sales gas which will be sold to Duke Energy Trading and Marketing. The
25 allocation of the sales gas to the individual wells will be based upon the individual well
26 meters and the individual BTU value determined for each well downstream of the
27 production separators on the Legacy 62C Platform.

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- 1 Q. Okay. It's a fact isn't it Mr. Hanby that these two Miocene wells are drilled by Legacy
2 on farm outs from Exxon from their state leases in 62 and 76?
- 3 A. Yes sir that is correct.
- 4 Q. Now, your next exhibit, Exhibit No. 4, is a sample of how the allocation process will
5 work based on various assumptions that you have made. These wells are not currently on
6 production but the wells have been tested. Is that correct?
- 7 A. That is correct.
- 8 Q. A gas analysis taken of that test gas to give you some idea of the heat value of the gas?
- 9 A. Yes sir.
- 10 Q. All right. With that having been said, let's go through this example that you have here so
11 that we can clearly understand the allocation process.
- 12 A. There are a lot of numbers on this exhibit. As I go through it if anybody has a question
13 go ahead and interrupt me so I can maybe catch back up at that point because it is a lot of
14 numbers. I've used some color coding to help us as we go through this exhibit. The
15 upper part of the exhibit identified as the ExxonMobil 62A Platform Gathering System
16 Delivery Point Meter Station is where the gas will be metered and analyzed for the heat
17 value. The volume--this would be measured through the meter--is 134,900 Mcf. Then
18 we will have taken an analysis and gotten the heat value and multiplying that times the
19 volume I have a heat value as an example of 134,859 MMBTU. I'm going to refer to that
20 as million BTU's. The MM each stands for a thousand. So, that would be referred to as
21 million BTU's. This will be the basis for this assumed monthly production. On the
22 Legacy 62C Platform we have the two meters, one for each of the wells. I'm going to
23 step through the computation for State Lease 347 No. 3 which I have highlighted in
24 yellow. The gas is the volume that is metered at Meter No. 1 of 52,500 Mcf. That was
25 determined by simply taking the tested rate of 1,750 Mcf per day by this well using the
26 30-day month to come up with that number. The BTU factor is the actual BTU factor
27 determined for gas from that well of 0.9954 MMBTU/Mcf which gives a BTU for that
28 volume of gas from State Lease 347 No. 3 of 52,259 MMBTU. The same computation

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1 goes for the second well and then the total of 142,457 MMBTU. Also on Legacy 62C we
2 have a meter for the fuel gas which is Meter No. 3. The estimate of the amount of gas to
3 be used is approximately 6,200 Mcf per month. A fuel BTU factor of 0.9997 is used in
4 this example. The final meter on Platform 62C, which is Meter No. 4, shows a total of
5 134,900 Mcf. For this example it is exactly the same as the meter on the ExxonMobil
6 platform. To allocate production to each well in the next example SG stands for sales
7 gas. That is going to be equal to the well's monthly BTU divided by the total monthly
8 BTU for the two wells times the delivery point monthly BTU. To put the numbers to it I
9 have used the highlight of yellow for the well's monthly BTU of 52,259 divided by the
10 total BTU's of 142,457 multiplied by the sales volume in BTU's of 134,859, yielding
11 State Lease 347 No. 3's allocation of the sales gas of 49,472 MMBTU. To then convert
12 that to the Mcf or the volume of sales gas you simply divide that by the BTU factor of
13 .9954 which is highlighted in blue to give the Mcf that would be assigned to the State
14 Lease 347 No. 3. As far as the fuel gas allocation goes you would take the volume of
15 7,600 Mcf times the BTU factor of 0.9997 to come up with the BTU's of fuel gas of
16 7,598 MMBTU. You go through the same process for the fuel gas as you did for the
17 sales gas and that is shown in the next set of data to develop this 2,787 MMBTU of fuel
18 gas used, converting that to Mcf divided by the BTU factor giving 2,800 Mcf. I just
19 summarized the calculations in the next section, allocation to wells, for both of the wells
20 showing in Column Three the sales gas in MMBTU and the assignment to each well, then
21 that converted to Mcf in Column Four, and then the fuel gas in MMBTU for each well
22 and the fuel gas in Mcf in Column Five. In the first column we have the total production
23 which is actually the sum of columns four and five, the sales gas and the fuel gas in Mcf.
24 This will be the value that will be reported to the Board on the OBG-15.

25 Q. Okay. Ken, the only thing I think in going through all those numbers, just for the record,
26 when we were talking about the fuel gas at Meter 3, I think you said 6,200. It's 7,600 in
27 your assumptions as you go through. I just note that for the record. Let's go to your

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1 Exhibit No. 5. Tell us why you have included Exhibit No. 5 and what is this information
2 that you are showing there?

3 A. The information here is the measured heat content from gas analysis for the last three
4 years from the Saxon Bay and North Saxon Bay Fields. If you will remember in the
5 discussion, the meters from each individual separator and the fuel meters will be sampled
6 semi-annually to determine the heat value for the gas from each well on a semi-annual
7 basis. The analysis of the sales point gas will be done on a monthly basis. This is
8 submitted to support Legacy's petition that they will sample the wells on a semi-annual
9 basis. It's to show the consistency that we are receiving from Miocene production from
10 fields that are very similar to the gas that we have at the East Cedar Point and the East
11 Heron Pass Fields. You will notice that the average for the 36 months is 1004.36
12 MBTU/Mcf. This is in thousand BTU's per Mcf. The median is 1004.59. The
13 maximum is 1007.02. The minimum is 1001.25 and the standard deviation is 1.2650. To
14 show you the significance, if you looked at the value of gas using the maximum and the
15 minimum BTU value it's a difference of two cents or \$4.00 per Mcf or \$4.00 per
16 MMBTU gas. So, this swing is, in our opinion, well within the range of being acceptable
17 with a two cent deviation from the maximum to the minimum and supports our request
18 that the sampling be done on a semi-annual basis at the individual wells and at the fuel
19 meter.

20 Q. Mr. Hanby, is it your testimony that this procedure that we have recommended for
21 allocation will allocate back to the individual wells that have relative production in
22 MMBTU's and thereby protect the correlative rights of the State of Alabama and the
23 production from these two wells?

24 A. Yes sir that is my opinion.

25 Q. I point out for the Chairman that in our last hearing we made it a part of the record that
26 the East Heron Pass Field contains portions of Tract 62 and Tract 76 and that there are
27 different royalty rates for those two tracts. The Department of Conservation has given us
28 an assumption based on the allocation of production, so it's important that this allocation

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1 procedure be specific and then we will adapt to that allocation procedure the allocation
2 within the East Heron Pass Field for those variable royalty rates. Is that a fair statement
3 of what we are doing here?

4 A. Yes sir.

5 MR. WATSON: Mr. Chairman, I would ask that you receive into the record of this
6 hearing Exhibits 1 through 5 to the testimony of Mr. Hanby in both of these petitions.

7 CHMN. MCCORQUODALE: The exhibits are admitted.

8 (Whereupon, the exhibits were received in evidence)

9 Q. Mr. Hanby, would the granting of these petitions and the approval of this allocation
10 procedure prevent waste and protect correlative rights?

11 A. In my opinion it would, yes sir.

12 MR. WATSON: I tender my witness to the Board and staff for any questions.

13 CHMN. MCCORQUODALE: Any questions?

14 KEN HANBY

15 EXAMINATION BY BOARD/STAFF

16 Questions by Dr. Bolin:

17 Q. Mr. Chairman, I have one clarification to make. Mr. Hanby, early on in your testimony
18 you indicated that the gas analysis would be on a bi-annual basis but then subsequently
19 all your references were semi-annual. It is going to be semi-annual as far as the
20 sampling?

21 A. Yes, semi-annual.

22 DR. BOLIN: That's all I have.

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

24 MR. WATSON: Mr. Chairman, I would also note for the record that we have copies of a
25 letter from Mr. Griggs that was sent to Dr. Tew on each of these items giving you the
26 Department of Conservation's position in these matters. I would ask that those letters be made a
27 part of the record.

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1 CHMN. MCCORQUODALE: They are admitted and the letters from Mr. Masingill to
2 Mr. Griggs are admitted also.

3 (Whereupon, the letters were received in evidence)

4 MRS. PRITCHETT: Mr. Chairman, I move that we grant both of these consolidated
5 petitions.

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

7 (Board members McCorquodale and Pritchett voted "aye")

8 CHMN. MCCORQUODALE: "Ayes" have it.

9 MR. ROGERS: The next item then is Item 17, Docket No. 3-17-04-10, petition by CDX
10 Gas, LLC.

11 MR. SLEDGE: Mr. Chairman, I have one witness who needs to be sworn.

12 MR. ROGERS: Will you state your name and address, sir?

13 MR. SISTRUNK: David Sistrunk, 10053 FM 148, Scurry, Texas 75158.

14 (Witness was sworn by Mr. Rogers)

15 MR. SLEDGE: Mr. Chairman, I'm Jim Sledge representing the petitioner in this matter.
16 In Item 17 we seek to reform the current 80-acre drilling unit for the Brown Foundation 22-01-44
17 well from an 80-acre unit, the North Half of the Northeast Quarter of Section 22, Township 19
18 South, Range 9 West, to a 40-acre unit consisting of the Northeast Quarter of the Northeast
19 Quarter of Section 22. We have prefiled the following affidavits: our affidavit of notice, the
20 affidavit of Mr. Sistrunk regarding ownership, and the affidavit of Mr. Rovenko, an engineer,
21 regarding the unit itself. In addition to those affidavits, I would offer the testimony of--I'm
22 sorry, we have also prefiled copies of consents from landowners. In addition to those affidavits I
23 would offer the testimony of Mr. Sistrunk.

24 DAVID SISTRUNK

25 Appearing as a witness on behalf of Petitioner, CDX Gas, LLC, testified as follows:

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DIRECT EXAMINATION

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Questions by Mr. Sledge:

Q. Mr. Sistrunk, you are a landman and your qualifications in that field have been previously accepted by this Board?

A. Yes.

Q. The 80-acre original unit and the 40-acre reformed unit have common ownership. Is this correct?

A. This is correct.

Q. Have all the owners in the unit consented to this reformation?

A. The Brown Foundation has consented. PhillipsConoco has not consented to date.

Q. What does PhillipsConoco own in this unit?

A. 6.25 percent overriding royalty.

Q. Now, this 6.25 percent override, does it apply to the entire 80-acre original unit?

A. Yes it does.

Q. So that after this reformation as to the existing Brown Foundation well Phillips will continue to have its 6.25 percent override in the existing well?

A. That's right.

Q. They would also have a 6.25 percent override in the new well that you planned to drill for which a permit application has been filed?

A. Yes.

MR. SLEDGE: Mr. Chairman, we would ask that our affidavits be admitted. In spite of the lack of consent from Phillips we would submit that we have met the requirements for this reformation.

CHMN. MCCORQUODALE: Are there questions? All your affidavits and letters are admitted.

(Whereupon, the affidavits and letter was received in evidence)

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1 CHMN. MCCORQUODALE: Are there questions of Mr. Sistrunk or any questions of
2 any other source by the staff or by the Board?

3 MR. ROGERS: Just for clarification, Phillips has not consented, right? Phillips has an
4 interest in the 40 that will be reduced?

5 MR. SLEDGE: They have an interest in the entire 80 so their interest is not disturbed by
6 this. They will continue to have the full interest in the 40 after reformation and in the new well
7 after reformation.

8 MR. ROGERS: Their position was what on this?

9 MR. SLEDGE: Their position was that everyone was on spring break and they could not
10 get to it this week. I'm saying that very facetiously. It's a big company. That's what we were
11 told yesterday. I don't mean to be that flippant. The paperwork rose to the top and nobody was
12 there to look at it.

13 MR. ROGERS: Well, you stated that another well was going to be drilled.

14 MR. SLEDGE: Yes sir and there is a permit application on file.

15 MRS. PRITCHETT: Mr. Chairman, I move that we grant the petition.

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

17 (Board members McCorquodale and Pritchett voted "aye")

18 CHMN. MCCORQUODALE: "Ayes" have it.

19 MR. ROGERS: The next item then is another petition by CDX, Item 21, Docket No. 3-
20 17-04-14, petition by CDX Gas, LLC.

21 MR. SLEDGE: This petition is a little different, Mr. Chairman and Mrs. Pritchett. We
22 are again seeking to reform an 80 to a 40. We are reducing the unit from the East Half of the
23 Southwest Quarter of Section 26, Township 19 South, Range 9 West, to a new 40 consisting of
24 the Southeast Quarter of the Southwest Quarter of Section 26. As with the prior petition we have
25 the affidavit of notice, the affidavit by Mr. Sistrunk regarding ownership, and the affidavit of Mr.
26 Rovenko regarding the engineering aspects of the reformation. We also have an application for a
27 permit to drill a new well on the acreage to be deleted. I guess I would stop at this point and ask
28 that the Board admit those items into the record.

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1 CHMN. MCCORQUODALE: They are admitted.

2 (Whereupon, the affidavits were received in evidence)

3 MR. SLEDGE: The distinction here is that we have consents from twelve of thirteen
4 owners in the Hoey family.

5 DAVID SISTRUNK

6 Appearing as a witness on behalf of Petitioner, CDX Gas, LLC, testified as follows:

7 DIRECT EXAMINATION

8 Questions by Mr. Sledge:

9 Q. Mr. Sistrunk, you have prefiled your affidavit. Is it true that all but one of the owners in
10 this 80-acre unit has filed their consent?

11 A. That is correct.

12 Q. That one owner is Joanne R. Sterbenz?

13 A. Sterbenz.

14 Q. Okay. Now Ms. Sterbenz, she is one of thirteen owners in a 73-acre parcel that makes up
15 part of this original 80-acre unit.

16 A. That's correct.

17 Q. Now, Mr. Chairman, I know that doing land work is not your favorite thing but I'm going
18 to ask you to visualize this. Ms. Sterbenz has an interest in 33 acres out of the proposed
19 reformed unit.

20 A. That's correct.

21 Q. She has an interest in 40 acres in the acreage to be devoted to the new well.

22 A. That's correct.

23 Q. So Ms. Sterbenz's interest would be reduced slightly in the existing well.

24 A. That's right.

25 Q. But she would have a larger interest in the new well?

26 A. That's correct.

27 Q. Now, have you talked with Ms. Sterbenz about this consent?

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1 A. Yes I have and as late as Monday she indicated she had put the consent in the mail.

2 Q. Where was she coming from?

3 A. California.

4 Q. It has not arrived as of the last mail?

5 A. Yesterday at 11:00.

6 Q. In no way has she objected to this. You have not received any verbal, written, or any
7 other objection to this?

8 A. That is correct. I have not.

9 Q. Now, it seems to me that under the rule that we got from rulings last summer and fall we
10 would be entitled to the reformation under these circumstances. The landowner has
11 notice. She has not objected. Her interest, while it would be reduced in one unit she
12 would have a larger interest in the new well. Now, that's basically how we saw this. We
13 hope we get the consent within the next day or two and if we do we will file it with the
14 Board.

15 CHMN. MCCORQUODALE: She did get notice. That was your point.

16 MR. SLEDGE: Yes sir, she got notice.

17 CHMN. MCCORQUODALE: Obviously she is not here. We have received nothing
18 from her in the way of a letter.

19 MR. SLEDGE: The notice had the return to I think my office and this office, the Board's
20 office.

21 CHMN. MCCORQUODALE: Are you finished?

22 MR. SLEDGE: Yes sir.

23 CHMN. MCCORQUODALE: Are there questions of Mr. Sistrunk by the staff or the
24 Board?

25 MR. ROGERS: I was reviewing the file and I didn't see the consents in here. Mr.
26 Hinkle said he didn't have those.

27 MR. SLEDGE: Well, let me just give you my copy then.

28 MR. ROGERS: Let's admit these copies.

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1 CHMN. MCCORQUODALE: We'll admit those copies and make them a part of the
2 record.

3 (Whereupon, the consents were received in evidence)

4 MRS. PRITCHETT: Mr. Chairman, I move that the petition be granted.

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

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

7 CHMN. MCCORQUODALE: "Ayes" have it. Mr. Sistrunk, my curiosity got the best of
8 me. Are you related to Walter Sistrunk?

9 MR. SISTRUNK: Distantly related.

10 MR. SLEDGE: Your reputation precedes you.

11 CHMN. MCCORQUODALE: Those of us that go way, way back with this Board
12 remember Mr. Sistrunk vividly as being a regular participant and a really interesting fellow and a
13 good guy, too. Good to see you.

14 MR. ROGERS: That bring us then to Item 26, Docket No. 8-28-02-9, which is a motion
15 by Land and Natural Resource Development, Inc. requesting the Board to order a stay of a prior
16 order entered by the Board on February 6, 2004, and requesting a rehearing by the Board of that
17 order.

18 MR. TYRA: Mr. Chairman and Mrs. Pritchett, I'm John Tyra here on behalf of Land and
19 Natural Resource Development, Inc. on this motion. Section 41-22-17 of our Code provides for
20 a rehearing of contested matters at or before the Administrative Board. Listed among those
21 grounds for a rehearing are the grounds that a final order is clearly erroneous in view of the
22 reliable probative and substantial evidence of the whole record. On February 6th of this year this
23 Board heard the continuing petition of Land and Natural Resources Development, Inc., or Land,
24 Inc. from hereon, to allow certain wells in the Moundville Coal Degasification Field in
25 Tuscaloosa and Hale Counties to remain in a temporary abandoned status. In that regard, Jerry
26 Sanders, who has just come up here on my right, offered testimony or a report concerning the
27 activities of the field since our last status conference. Land firmly believes and alleges and is of
28 the opinion that these wells have future utility. Mr. Sanders at that time discussed problems with

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1 the ponds and the re-permitting with ADEM. He discussed negotiations with the pipeline
2 company and the tin horn completions and the status of pad removals. He also noted that Land,
3 Inc. had negotiated with two companies out of Texas and California to try a new technology in
4 the field to spur on production. Land has presented the Board with a copy of that confidential
5 term sheet between Land and those companies. The term sheet for redevelopment was presented
6 to Land by these companies and it is they that ask that it be held in a confidential status. To
7 honor that requirement Land requested at that time and we renew the request now that the
8 agreement remain confidential. Mr. Sanders reported that Land, Inc. proposed to try the new
9 technique on two or three of the wells in the Big Bend area. He indicated that representatives of
10 the company were coming to the field toward the end of February to do a feasibility study. That
11 study I think has now been completed. Edge Capital Group, one of the principals out of
12 California, has submitted a letter to the Board asking for a chance to try the technology in the
13 Big Bend area. At the conclusion of Mr. Sanders' report Mr. Pruet, Arthur Pruet, addressed the
14 Board. He began his presentation by stating that he represented the owners of the majority of
15 mineral rights in the Big Bend area and then he asked this Board to immediately order the
16 plugging of eleven specific wells, wells that were listed by permit number. He concluded his
17 initial remarks with a statement that the majority of the interest, the lease interest, would like to
18 see the plugging started in the Big Bend area. Mr. Dampier, who is not here right now,
19 specifically asked Mr. Pruet how many of the subject wells were actually on his property, to
20 which he replied that he had mineral rights in all the wells but he didn't answer the question
21 posed to him, how many wells were actually on his land. Rather, he referenced the acreage
22 under the eleven wells and indicated again that he owned a majority of that acreage. Of course,
23 neither the Board nor Land, Inc. had the mineral ownership tabulations or the surface ownership
24 tabulations before them at that time. Mr. Pruet argues that the information was before the Board
25 but that appeared in an exhibit that was filed in March of last year. Unless you people are a lot
26 better than me, I seriously doubt that anybody remembered those surface calculations from an
27 exhibit that is over a year old. You can rest assure that I have since reviewed that exhibit. In
28 fact, the Big Bend area has 21 wells, not eleven. Mr. Pruet owns an interest under eleven of the

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1 21 wells and arrives at his majority ownership status, which is actually a 50.7 percent interest, by
2 lumping his interest in the eleven wells together and ignoring the other ten wells. A review of
3 the ownership of the eleven wells individually also reveals quite a different picture than what
4 was indicated. For instance, the Lavender 24-16-1-4007, which is Permit No. 6827-C, Mr. Pruet
5 owns or controls 38.44 percent of the unit. The rest of the ownership, 61.56 percent, those
6 people have appeared before this Board or sent letters to this Board saying we want to continue
7 with this project. The same is true with the LaGrone 19-10-36-4010, Permit No. 7441-C. Mr.
8 Pruet owns 35.84 percent. The other 64.06 percent has stated they want to continue with this
9 program. On the Baughman 24-11-39-4006 well, Permit No. 7470-C, Mr. Pruet owns 34.48
10 percent. On the Lavender 19-12-2-4003, Permit No. 6831-C, 28.17 percent. On the Brantley 24-
11 8-41-4004, Permit No. 7568-C, 18.75 percent. On the LaGrone 19-6-42-4002, Permit No. 7444-
12 C, 9.38 percent. I'm convinced that no one on this Board was aware that Mr. Pruet controlled
13 only 9.38 percent of that well when he demanded that this Board order the plugging against the
14 wishes of the other 90.63 percent interest owners. Incidentally, that 90.63 percent interest
15 owner, that's vested in Mr. Lewis LaGrone. He has sent a letter to this Board supporting Land's
16 activities. It is also owned by Dr. Reid Holland. You will remember Reid--Dr. Holland actually
17 appeared before this Board and stated his support for what is happening, what's going on. As to
18 Mr. Dampier's question of how many of the wells are actually on the surface of Mr. Pruet, if he
19 had answered the question he would have said five wells. Of that five he purchased two of the
20 tracts after the leases were entered and the wells were drilled. I understand, and I haven't been
21 able to see it because I just found out this morning, that there is a specific provision in those two
22 purchases that the lady who conveyed it to him would continue with her exploration--her gas
23 exploration. I have not seen the order issued by the Board yet. I don't think it has come out. I
24 don't know if you will specifically discuss the basis for ordering the plugging of the exact same
25 wells over which Mr. Pruet claims a majority ownership. I don't know if that order will address
26 the fact that there has been production from one of the wells ordered to be plugged. I don't know
27 if the order is based on the premise that Mr. Pruet controls a majority of the ownership under all
28 eleven wells that he demanded be plugged or that those wells are located on his surface. If so, if

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1 any of that is so, then the order is based upon evidence that is erroneous and should be set aside,
2 should be modified, or superceded. I do know this, I know that the only hope that Land, Inc. has
3 at this moment to produce sufficient amounts of gas to sustain the field and the only hope at this
4 moment that the lessors of Land, Inc. have to receive royalties from the mineral interest that they
5 leased and the only hope at this moment that the lessors who do, in fact, own a majority interest
6 under six of the wells of ever receiving anything from those wells, their only hope is for this
7 Edge Capital Group, the group out of California, to come in here and attempt their procedures
8 and techniques. The letter from that group to this Board makes it pretty clear that all eleven of
9 the subject wells are important to that project. We don't know if any technique would work.
10 Quite frankly, I don't understand what the technique is. I don't know if I could ever understand
11 what it is. I don't know if the Edge Group and Land will be able to get sufficient financing to
12 undertake the project but I do know that they are willing to try and I do know that none of the
13 eleven wells in question are posing an environmental threat. I do know that it is too wet in the
14 field right now to even attempt to plug the wells. I think Mr. Pruet would agree with that. I
15 think that trying to move heavy equipment at this time would probably cause pretty serious
16 injury to the surface. Finally, I believe that once plugged, if plugged, the hope of ever producing
17 any hydrocarbons from those eleven wells will be lost forever. I fear that the plugging of those
18 eleven wells will also doom the remaining ten wells in the area. I don't know if it is
19 economically feasible to go for ten wells up there. So, on behalf of Land I request that you stay
20 your order of February 6. I request that we all gather back here during the April or May meeting
21 to discuss the progress made with the Edge Capital Group, to discuss the impact that plugging
22 eleven wells will have on the remaining ten and to discuss the effect of potential liability
23 resulting from the application of the rule of capture if any wells are plugged. Is there still a
24 glimmer of hope for production? I know Ike Espy filed a lawsuit two weeks ago against El Paso
25 with this same type of question. As I said earlier we can't get out there anyway without
26 destroying the surface, so why don't we let the field dry out and let's regroup and try again
27 because, remember, if the technique is tried and if the technique does work, there is a good
28 chance that all of the mineral owners in that area with the exception of Mr. Pruet who said that

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1 he is not interested in any royalties, there is a chance that those other mineral owners would want
2 to receive their fair share of the royalties. Now, if their interest is included in a plugged well, as
3 you know under the rule of capture, that would prevent them from ever receiving one penny
4 from that production. So, on the basis of that I ask for a rehearing. Let us discuss these things,
5 kick them around a little bit and see what we can come up with.

6 CHMN. MCCORQUODALE: Mr. Pruet, do you want to respond to the motion? Mr.
7 Tyra, you said that you have not seen the Order. I thought we gave them a copy this morning.

8 MR. MASINGILL: I delivered a copy of the Order to Mr. Sanders and Mr. Pruet at
9 10:00 this morning.

10 CHMN. MCCORQUODALE: You can review that and after we hear the response and
11 anything that you have to say about this, we'll take a brief recess and you can read it in more
12 detail.

13 MR. PRUET: Mr. Chairman, Arthur Pruet, Big Sandy Farms. I have been sworn in. Do
14 you want to swear me in again?

15 CHMN. MCCORQUODALE: No, we just want to hear what you have to say about the
16 motion. We're not taking testimony.

17 MR. PRUET: I would like for Mr. Rogers to put a copy of my letter in the record.

18 CHMN. MCCORQUODALE: This is the letter that you wrote in response?

19 MR. PRUET: Yes, sir, and also this map that I will be discussing.

20 CHMN. MCCORQUODALE: We may need to swear you in if you are going to talk
21 about the map.

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

23 MR. PRUET: Arthur Pruet, Big Sandy Farms, Tuscaloosa.

24 (Witness was sworn by Mr. Rogers)

25 CHMN. MCCORQUODALE: We're not going to take anything new; we are just going
26 to talk about just the specific issues. I will say that to both sides. We are going to talk about
27 what the motion says and what was discussed at the previous hearing. We're not going to get
28 into any new evidence.

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ARTHUR PRUET

DIRECT TESTIMONY

1
2
3 I am going to ask Mr. Elmore to hold up a couple of blow-up's that I'll be referring to.
4 Can everybody see that? This was put in the record by Land on June 28, 2002. The reason for
5 this, this is where the eleven wells came from. I realize there are other wells in that area but Mr.
6 Sledge chose to pick these eleven wells because I do have an interest in these eleven wells. That
7 is the basis where all this started back in 2002. That's why I wanted to refer to that. I'm going
8 to make some quotes from three different sets of minutes stating what I have said about the
9 wells. If you will bear with me I'm going to have to read it. June 28, 2002, Line 12, Page 27,
10 these are quotes: "I just stress to the committee and would like carried to the full Board that the
11 minerals in question, the people that signed those forms that they presented have not been on this
12 property in five years. They have the mineral rights, yes, which makes me, in most cases, the
13 minority mineral rights--mineral holder." Then I said, "Mr. Baughman and I together still would
14 not have the majority." That was when it was just two of us involved in this. Then on March
15 28th I took document 6-21-02 1A that Land presented and broke it down where you could see the
16 percentages and the mineral rights a little better and put this in the record. Also at that time on
17 Page 34, Line 19, Mr. Dampier asked me several times what percentage I had in the mineral
18 rights. Of course Mr. Sledge had a document that was in Docket No. 6-21-02 1A, Exhibit 3, that
19 was presented to the Board, Page 35, Line 1. That was presented to show y'all that I don't have
20 a large percentage in any one well. Line 2, if you would go to document 2 in your packet. This
21 was document 2 that was presented and put in the record on March 28th. I took and broke down
22 the individual landowners. This is 840 acres, by the way. On this thing that Mr. Sledge gave us,
23 Line 12, that's 426.5 acres--well, half of the 840--half of 420 acres. So you see over half of the
24 acres involved want to have the wells plugged. Page 36, Line 6, we have over 50 percent of the
25 acres involved that would like to see the wells plugged. From a draft of the February 6th
26 meeting, Page 3: "Members of the Board, we the owners of the majority of the mineral rights in
27 the Big Bend area would ask that you begin immediate plugging of the following wells." Mr.
28 Dampier asked, "Let me ask a couple of questions, Mr. Pruet. These twelve wells--and I don't

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1 know how we got twelve--that you named in the Big Bend area, how many are actually on your
2 property and Mr. Elmore's property?" I did fail to answer that but I came back, my mind was
3 moving, and I said, "Property or we have leases, I mean mineral rights? I have mineral rights in
4 all of them. Mr. Elmore is in two of them. We presented to the Board and it is on record the list
5 of who has how much in each well and the percentage." Mr. Sledge, you might remember a
6 couple of years ago presented when he was trying to show that I didn't have the majority myself
7 in any of them, presented 840 acres on that list. Of the 840 acres the people that would like them
8 plugged, 425.5 or 426. There are about 413 that don't want them plugged. Mr. Dampier, "Is that
9 still the case?" I answered, "Yes." Referring to the motion for rehearing and the stay of the
10 Order that the Board received, the sentence represented a majority interest in and to the eleven. I
11 have never said I had the majority interest in any one particular well. Also, in the stay it does say
12 what I did say, he represented the majority owners of the mineral interest under eleven wells in
13 said field but then it goes on to break down the individual wells again, which I have never done.
14 So, it's just a play on semantics on what's been said and what hasn't been said. To show you
15 how easy these things get mixed up because we know that Mr. Sanders is a qualified authority in
16 this, also in that draft Mr. Sanders said the majority of the people that have wells on their
17 property prefer that they not be plugged. Well, we have seven wells that are on our property, not
18 what was quoted a few minutes ago. So, seven would naturally be more than half of eleven. He
19 made a mistake there too. So, mistakes can be made. Just to help the Board because we've been
20 talking about this I know of for three years, the Big Bend area has been referred to and brought
21 up and kicked around and tossed around and I thought that I would try to make it where it could
22 be seen a little better. When you take the blue line around those eleven wells that is what we
23 have been referring to in all these documents. The green are the wells that Mr. Elmore and I
24 have, the majority of the mineral interest in. The 7470 and the 7568, I have the surface rights on
25 both of them and they are on my property. I do not have the majority of the mineral rights in
26 those two wells but you've got to go through everything on my property to get to those two
27 wells. So, as you see--those two wells, by the way, as was stated a few minutes ago, when I
28 bought that property those mineral rights revert back to me in six years. I do not have those

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1 mineral rights but in six years I will have the majority of those two wells. You know, I'm not the
2 authority in this at all and y'all know how green I have been in dealing with this but the way I
3 see it, that is the way it is. As far as letting this wind down, the Board has already heard the last
4 2-1/2 or 3 years about the lack of funds, production problems, disposal problems, electrical
5 problems, compressor problems, compressor order problems. We've just had one excuse after
6 the other. We've had one partnership after the other, both in the open and confidential but the
7 cold hard fact is there has been no production. We have had in the Big Bend area five operators
8 in 16 years. There is Marsh, MetFuel, Torch, Energen and Land and now after a 2-1/2 or 3 year
9 stay, Land is coming back again. They brought Mr. Sanders in to try a new technique that
10 promised production. Well, we've had Project I. We've had Project II and we have had the
11 experimentation on three wells in the Big Bend area. All of these have ended in failure. We
12 have a new confidential partner now which I think we got his name a few minutes ago with
13 another new technique. I know the Board recognizes this and in the February meeting you voted
14 the facts of failure, not because of a landowner coming here before you, but facts. As I have
15 stated from the beginning of this meeting, I stated to the Board anything that I understand to be
16 fact. The motion to stay February 20, 2002, and the alternative affidavit grossly misrepresents
17 my testimony of February 6th and it is as simple as semantics in an attempt to postpone the
18 plugging of these wells. I have been saying the same thing since June of 2002. I think even
19 though we are only here once a month most everybody remembers that. I also think just the
20 remainder of these things that they have asked are really just moot because I read in the statute
21 Section 9-17-7 Oil and Gas Board Rules, "Any person having any interest in the subject matter
22 of the hearing shall be entitled to be heard." Then you come over to Section F, "Any interested
23 person shall have the right to have the Board call a hearing for the purpose of taking action in
24 respect to any matter within the jurisdiction of the Board by making a request therefore in
25 writing." So, it doesn't matter what percentage I have in any of these wells or what percentage
26 of this land I own or what other landowners have, somebody's going to have the short end of the
27 stick. This decision that the Board has made, it does not have to be based on anything or any

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1 percentages. They can make people plug for whatever. So, I make a motion to dismiss with
2 prejudice the Land petition and not stay the Order of February 4th.

3 CHMN. MCCORQUODLE: Mr. Tyra, do you have anything else?

4 MR. TYRA: Nothing much, just that again there are 21 wells there instead of eleven.
5 There is 1,520 acres instead of 840. Mr. Pruet says that the interest that he owns or claims is not
6 important at this time but it was important at the last hearing because he was indicating that he
7 was the majority owner. If it wasn't important, it's interesting that the exact eleven that he
8 claimed to have a majority ownership are the eleven that we have been requested to plug.
9 Nothing has been said as to the other ten. I'm just concerned about the rights of all the parties,
10 including the majority owners under those six wells that I specifically referenced. So, on the
11 basis of that I think that we should sit back down and have a look at this again and just see
12 exactly where everybody stands on everything and where the Edge Group is and if anything can
13 be done. You know, yes, there have been a lot of projects. Apparently, Land, Inc. is absolutely
14 dedicated and devoted to trying to make something happen out there and they keep trying. They
15 keep investing more of their money and they keep, quite frankly, losing more of their money, but
16 they are willing to try again. That's all I have to say but I do understand that there is a gentleman
17 here that would like to make a statement to the Board.

18 CHMN. MCCORQUODALE: Right. I see somebody's hand up. Come on up here to
19 the microphone if you would. Tell us your name and whatever you want us to hear.

20 MR. ROGERS: I'm Charlie Rogers from Birmingham and Moundville. I'm not
21 comfortable being in front of people so I will be a little nervous. Our family owns 1,300 acres in
22 Moundville. My grandfather bought it in 1939. We have ten wells on it. We own all of nine
23 wells and a partial interest in another well. It's south, not the Big Bend area, but in my thinking
24 this whole thing goes together. I speak for my family, it's just us. We own all the mineral rights
25 and for the 57 years that I've been alive, I've been down there. I've hunted it, fished it and
26 worked it with my uncle. I was an F-4 pilot in the Air Force and the Air National Guard. I've
27 taken pictures of it. I have a Masters Degree in Mechanical Engineering and I've studied it. I've
28 known the people in Land, Inc. for probably 25 years, going back to Bill Tucker's daddy. They

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1 are straight up folks. Sure, they are going to make money at it if it works. We're going to make
2 money at it. Everybody's going to make money at it. I guess I'm going to speak from my mind
3 and my heart. I think right now our country is in a little bit of trouble. We care about our land.
4 We care about our country. We're in a jobless recovery right now. I think it's worth Land, Inc.
5 or anybody else going down there, trying to look, trying to find energy. Energy is important to
6 us. This part of the country is poor. We've seen all the articles in the Birmingham News. If
7 something happens down there we're going to have more jobs. It's going to help this part of the
8 country. It's going to help the whole country. We care about that land. It means a lot to us, our
9 family. It's our fourth generation. It's going to be passed down to them. We care a lot about it.
10 We don't want our wells plugged. We want to stay positive. We want to try, we want to look,
11 and we want to see. We're behind them 100 percent and anybody else that is on the up and up to
12 do that. I really, as an engineer, don't see any reason honestly to plug them. Y'all know a lot
13 more about it than I do. I guess that's all I have to say. Thank you for listening to me.

14 CHMN. MCCORQUODALE: Thank you, Mr. Rogers. Are there any other questions or
15 comments? Anybody in the audience or from the Board or staff? Mr. Tyra, we're going to take
16 a brief recess and let everybody kind of catch their breath and you study that order a little more.
17 When we come back if there is something specifically in the order that you would like to
18 comment on, we'll give you a chance to do that. Mr. Tyra, you are very new to this and quite
19 honestly, given the history, Mr. Sanders is pretty new to it. Before either one of you were
20 involved in this, way before you were Mr. Tyra, and pretty substantially before Mr. Sanders got
21 involved in and started trying to make something out of it, you'll see this in your order in
22 Paragraph IV that Mr. Wolf did testify--and this is where some of this eleven well stuff comes
23 from--at the June 28, 2002, meeting of this Board, Mr. Sledge, who was representing Land at
24 that time, asked Mr. Wolf, "Your proposal as to Mr. Pruet's wells is--we're talking about the
25 eleven, they spend a good many minutes prior to that talking about these specific eleven wells--
26 as I understand it, to not plug them at this time, but, if the pilot project is unsuccessful his wells
27 would be plugged first." To which Mr. Wolf answered under oath, "That's what we propose."
28 Now that pilot project was to have ended on March 1, 2003, more than a year ago. We all know

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1 that the pilot project was not successful. Just for what it's worth and for those of you who are
2 somewhat new to this, that's where some of this eleven well stuff comes from and that forms a
3 small part, not all of it, but a small part of what the Board has been dealing with for a pretty good
4 while. We're going to take a brief recess and let Mr. Tyra have a few more moments to digest
5 this order and then we will be back in ten minutes or so and hear anything further that you want
6 to say.

7 (Whereupon, the hearing was recessed for 16 minutes)

8 CHMN. MCCORQUODALE: Let the record reflect that the State Oil and Gas Board is
9 back in session. Mr. Tyra, I had indicated before the break that we would give you an additional
10 opportunity to look at the written order and say anything more that you would like to. You don't
11 have to but we're happy to hear from you if you do.

12 MR. TYRA: Thank you. I appreciate you giving me the Order and giving me time to
13 read it. I fear this Order will completely shut down the Big Bend area, so again I request that
14 you, and know you will, consider the facts and matters that I brought to light today that I gave to
15 you today and that you will either modify or set this order aside or hold it in abeyance until the
16 next meeting. If it is not modified or set aside or held in abeyance, I would request an extension,
17 a little more time in which to plug the eleven wells. I think this puts the deadline as next month,
18 at the end of next month. I guess I need a clarification. If the Edge Group is still interested in
19 coming and trying this procedure on the remaining wells, do we have the authority to do that?

20 CHMN. MCCORQUODALE: Well first of all, that's not the issue before the Board
21 today. I don't know of anything that prevents the Land Group from doing all they can do to
22 continue to develop this field other than---

23 MR. TYRA: I didn't know if the prior orders would prevent that since this one seems to
24 enforce the prior orders and put them all back into effect.

25 CHMN. MCCORQUODALE: I'm not sure I know how to answer your question.

26 MR. TYRA: I guess we can present it on a case-by-case basis.

27 CHMN. MCCORQUODALE: That would be more of a case-by-case basis. If
28 something magic happened out there, Land obviously knows how to file a motion.

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1 MR. TYRA: We know where to find you.

2 CHMN. MCCORQUODALE: I assume that we would get something saying that we
3 have found something new and different that is going to work and then we would listen to it at
4 that time. I don't think I or the Board or Mrs. Pritchett or anybody can sit here and say here is
5 what we are going to do, other than what we have already done.

6 MR. TYRA: Mr. Sanders just pointed out to me specifically the Lavender 19-12-2-4003
7 which is Permit No. 6831-C is one that they specifically picked to try this technique on. This is
8 one of the ones that we are supposed to plug.

9 CHMN. MCCORQUODALE: That was not before us at that time.

10 MR. TYRA: No it was not, nothing was before you then except for the contract itself.
11 Perhaps we will just put this to the very bottom of the plugging schedule and maybe work
12 something out.

13 MRS. PRITCHETT: You have indicated that if we don't grant your motion that you
14 need more time to plug the wells because it's wet?

15 MR. TYRA: I think it's pretty wet out there right now, isn't it, Mr. Pruet?

16 MR. PRUET: It has been but it has dried out a good bit. If, in fact, you are going to
17 plug, rather than have more of these delays I would hope that you would go ahead and try to do it
18 as soon as possible.

19 MRS. PRITCHETT: I do have a couple of comments. Land's motion assumes that we
20 made that Order based on Mr. Pruet owning a majority interest in those individual wells. We did
21 not. The Order was based on other evidence in the record. In June of 2002 Land had identified
22 these eleven as being the first that would be closed if the pilot project was not successful. In
23 addition, Mr. Pruet has been here continuously. He was here at the last hearing and he has been
24 here numerous times and specifically asked that these eleven wells be closed. Land has had
25 almost three years to make substantial progress in making this field productive and that just
26 hasn't happened. I believe we've got some numbers here. In August of 2003 Land testified that
27 it expected to produce 100,000 cubic feet of gas per day from three wells. In four months Land
28 produced less than two days worth, less than 200,000 cubic feet. It's just not working. We have

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1 given you almost three years to make significant progress and it just hasn't worked. This Board,
2 at the last meeting, was going to order some of the wells to be plugged. We chose those eleven
3 because of what was testified to this Board back in June of 2002 and because Mr. Pruet was here.
4 Mr. Chairman, I make a motion that we deny the motion to set aside.

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

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

7 CHMN. MCCORQUODALE: "Ayes" have it. Thank you gentlemen.

8 MR. ROGERS: Mr. Chairman, that's all the items to be heard today.

9 CHMN. MCCORQUODALE: The hearing is adjourned.

10 (Whereupon, the hearing was adjourned at 11:37 a.m.)

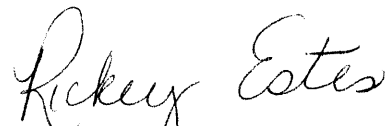
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REPORTER'S CERTIFICATE

STATE OF ALABAMA
COUNTY OF TUSCALOOSA

I, Rickey Estes, Hearing Reporter in and for the State of Alabama, do hereby certify that on Friday, March 19, 2004, the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, I reported the proceedings before the State Oil and Gas Board in Regular Session; that the foregoing 44 written 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