

July 12, 2004

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MR

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Board Exhibit	Proofs of Publication Docket No. 7-12-04-1 Docket No. 7-12-04-2 Docket No. 7-12-04-3 Docket No. 7-12-04-4 Docket No. 7-12-04-5 Docket No. 7-12-04-6 Docket No. 7-12-04-7 Docket No. 7-12-04-8 Docket No. 7-12-04-9 Docket No. 7-12-04-10	16	16
Board Exhibit	Hearing Officer Order	16	16
Exhibit 1 (Items 1 & 7)	Structure map, top Millerella sand, Vernon Field (Ed Hollingsworth)	21	21
Exhibit 2 (Items 1 & 7)	Isopach map, Carter sand, Vernon Field (Ed Hollingsworth)	21	21
Exhibit 3 (Items 1 & 7)	Array induction density neutron log, Weyerhaeuser 28-9, Vernon Field (Ed Hollingsworth)	21	21
Exhibit 4 (Items 1 & 7)	Well location plat, Weyerhaeuser 28-9 No. 1, Vernon Field (Ed Hollingsworth)	21	21

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 5 (Items 1 & 7)	Well location plat, Brown 27-13, Vernon Field (Ed Hollingsworth)	21	21
Exhibit 6 (Items 1 & 7)	Form OGB-9, Weyerhaeuser 28-9 No. 1, Vernon Field (Ed Hollingsworth)	21	21
Exhibit 7 (Items 1 & 7)	Form OGB-9, Brown 27-13 No. 1, Vernon Field (Ed Hollingsworth)	21	21
Exhibit 8 (Items 1 & 7)	Affidavit of notice (John Foster Tyra)	22	22
Exhibit 9 (Items 1 & 7)	4/15/04 letter to John Tyra (S. Marvin Rogers)	22	22
Exhibit 1 (Item 11)	Affidavit of notice (John Foster Tyra)	26	26
Exhibit 2 (Item 11)	5/19/04 letter to Samson Resources Co. (William Beckett)	26	26
Exhibit 3 (Item 11)	5/19/05 letter to Southwest Royalties, Inc. (William Beckett)	26	26
Exhibit 1 (Item 12)	Affidavit of notice (John Foster Tyra)	27	27

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EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 2 (Item 12)	5/19/04 letter to Southwest Royalties, Inc. (William Beckett)	27	27
Exhibit 3 (Item 12)	5/19/05 letter to Samson Resources Co. (William Beckett)	27	27
Exhibit 1 (Item 13)	Affidavit of notice (John Foster Tyra)	29	29
Exhibit 2 (Item 13)	5/19/04 letter to T.C. Craighead (William Beckett)	29	29
Exhibit 3 (Item 13)	5/19/04 letter to Marathon Oil Co. (William Beckett)	29	29
Exhibit 4 (Item 13)	5/19/04 letter to Sempra Energy Production Co. (William Beckett)	29	29
Exhibit 5 (Item 13)	5/19/04 letter to Pruet Family Management (William Beckett)	29	29
Exhibit 6 (Item 13)	5/19/04 letter to Pruet Oil Company LLC (William Beckett)	29	29
Exhibit 7 (Item 13)	5/19/04 letter to MCM-Petro-One, Ltd. (William Beckett)	29	29

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EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 8 (Item 13)	5/19/04 letter to Jackson Oil Co., Inc. (William Beckett)	29	29
Exhibit 9 (Item 13)	5/19/04 letter to H. Wayne Stafford (William Beckett)	29	29
Exhibit 10 (Item 13)	5/19/04 letter to Charles A. Bridges and Crystal P. Bridges (William Beckett)	29	29
Exhibit 11 (Item 13)	5/19/04 letter to Rick L. Erickson (William Beckett)	29	29
Exhibit 12 (Item 13)	5/19/04 letter to Robert K. Mansfield (William Beckett)	29	29
Exhibit 13 (Item 13)	5/19/04 letter to Wichita Production Partners (William Beckett)	29	29
Exhibit 14 (Item 13)	5/19/04 letter to Bill W. Newton (William Beckett)	29	29
Exhibit 15 (Item 13)	5/19/04 letter to Finley Resources, Inc. (William Beckett)	29	29

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 2 (Item 14)	Tract Participation plat for the existing Unit VII, Brookwood Coal Degas. Field (Eric Hutchens)	35	35
Exhibit 3 (Item 14)	Tract participation plat showing the two tracts to be added to Unit VII, Brookwood Coal Degas. Field (Eric Hutchens)	35	35
Exhibit 4 (Item 14)	Tract participation plat showing Unit VII as enlarged, Brookwood Coal Degas. Field (Eric Hutchens)	35	35
Exhibit 5 (Item 14)	Royalty ownership of each owner and participation percent of the enlarged Unit VII, Brookwood Coal Degas. Field (Eric Hutchens)	35	35
Exhibit 6 (Item 14)	Coal isopach map, Mary Lee/Blue Creek seams, Brookwood Coal Degas. Field (Eric Hutchens)	35	35
Exhibit 7 (Item 14)	Cross section C-C', Brookwood Coal Degas. Field (Eric Hutchens)	35	35
Exhibit 8 (Item 14)	Affidavit of notice (William T. Watson)	31	31

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EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 9 (Item 14)	Agreement to enlarge boundaries of Unit VII, Brookwood Coal Degas. Field (Eric Hutchens)	32	32
Exhibit 10 (Item 14)	7/13/04 letter to Board (William T. Watson) (This exhibit was received on July 13, 2004, the day after the July 12, 2004 hearing)	Received 7-13-04	
Exhibit A (Item 20)	Structure map, top Millerella sand, Sec. 31, T18S, R14W, Pickens County (David Higginbotham)	41	41
Exhibit B (Item 20)	Confidential seismic (David Higginbotham)	41	42
Exhibit C (Item 20)	7/7/04 letter to Board (David Higginbotham)	41	42

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EXHIBITS
(Incorporated by Reference)

<u>DESCRIPTION</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Record of Docket No. 6-9-04-4	22	22
Record in Docket No. 6-9-04-6	24	24
Testimony and exhibits of Docket No. 2-27-01-11	31	32
Exhibit 1, Type log in Docket No. 2-27-01-11	35	35
Exhibits and testimony from Emergency Docket No. 6-25-04-1A	42	42

July 12, 2004

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

July 12, 2004

Testimony and proceedings before a Hearing Officer in Regular Session in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, pursuant to adjournment, on this the 12th day of July, 2004.

BEFORE:

Mr. Marvin Rogers..... Attorney

BOARD STAFF

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

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

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

Mr. Douglas HallGeologist

Mr. Frank HinkleGeologist

APPEARANCES

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NAME	REPRESENTING
1. Eric Hutchens Tuscaloosa, AL	Black Warrior Methane Corp.
2. Ed Hollingsworth Jackson, MS	Spooner Petroleum Company
3. Glenton Gant Northport, AL	Self
4. J.R. Gant Tuscaloosa, AL	Self
5. William Beckett Bruce, MS	S. Lavon Evans, Jr. Operating Co.
6. Steve Hutchings Mobile, AL	Dominion Black Warrior Basin, Inc.
7. John Tyra Tuscaloosa, AL	Spooner Petroleum Co./Land and Natural Resource Development, Inc./ S. Lavon Evans, Jr. Operating Co., Inc.
8. David Higginbotham Tuscaloosa, AL	Land and Natural Resource Development, Inc.
9. Tom Watson Tuscaloosa, AL	-----

1 (The hearing was convened at 10:05 a.m. on Monday,
2 July 12, 2004, at Tuscaloosa, Alabama)
3

4
5 MR. ROGERS: This hearing is in session.

6 DR. TEW: The Hearing Officer and the staff will hear the uncontested items from the
7 July 12 and 14, 2004, docket today.
8

9 AGENDA
10 STATE OIL AND GAS BOARD OF ALABAMA
11 JULY 12 & 14, 2004
12

13 The State Oil and Gas Board of Alabama will hold its regular monthly
14 meeting at 10:00 a.m. on Monday, July 12, and Wednesday, July 14, 2004,
15 in the Board Room of the State Oil and Gas Board, Walter B. Jones Hall,
16 University of Alabama Campus, 420 Hackberry Lane, Tuscaloosa,
17 Alabama, to consider among other items, the following petition(s):
18

19 1. DOCKET NO. 3-17-04-1B

20 Continued amended petition by SPOONER PETROLEUM COMPANY, a
21 foreign corporation authorized to do and doing business in the State of
22 Alabama, requesting the State Oil and Gas Board to enter an order
23 establishing a new gas field in Lamar County, Alabama, to be known as
24 the Vernon Field, or such other name as the Board deems proper, and to
25 adopt Special Field Rules therefor. The proposed field, as underlain by
26 the Carter Sand Gas Pool, consists of the South Half of Section 20; the
27 Southeast Quarter and the South Three-Quarters of the West Half of
28 Section 27; Section 28; Section 29; the North Half of Section 33; Section
29 34; Section 35; all in Township 15 South, Range 15 West, Lamar County,
30 Alabama.
31

32 The Carter Sand Gas Pool in said field is defined as that interval
33 productive of hydrocarbons between 3,010 feet and 3,080 feet as indicated
34 on the Array Induction Log for the Weyerhaeuser 28-9 No. 1 Well, Permit
35 No. 12798, and all zones in communication therewith and all productive
36 extensions thereof.

1 Petitioner is requesting well spacing of 320 acres, and is also requesting
2 the establishment of allowables for said field.
3

4 Petitioner also proposes to establish final production units for the
5 distribution of revenues for three wildcat wells drilled and located within
6 the field limits of the proposed Vernon Field, namely, the Brown 27-13
7 No. 1 Well, Permit No. 13239; the Weyerhaeuser 28-9 No. 1 Well, Permit
8 No. 12798; and the Pate 34-2 No. 1 Well, Permit No. 13374. The
9 production unit for the Brown 27-13 No. 1 Well shall consist of the South
10 Half of the Northwest Quarter and the Southwest Quarter of Section 27
11 and the North Half of the Northwest Quarter of Section 34, Township 15
12 South, Range 15 West. The production unit for the Weyerhaeuser 28-9
13 No. 1 Well shall consist of the East Half of Section 28, Township 15
14 South, Range 15 West. The production unit for the Pate 34-2 No. 1 Well
15 shall consist of the Southeast Quarter of Section 27 and the Northeast
16 Quarter of Section 34, Township 15 South, Range 15 West, all in Lamar
17 County, Alabama.
18

19 2. DOCKET NO. 3-17-04-16A

20 Continued amended petition by CDX GAS, L.L.C., a Texas limited liability
21 company, authorized to do and doing business in the State of Alabama,
22 requesting the State Oil and Gas Board to enter an order pursuant to Section
23 9-17-1 through 9-17-33 and 9-17-80 through 9-17-88, Code of Alabama
24 (1975) approving and establishing a partial field-wide Unit, to be known as
25 Unit VI of the Oak Grove Coal Degasification Field, Jefferson County,
26 Alabama consisting of the hereinafter described "Unit Area" in said field,
27 and requiring the operation of said Unit Area as a single Unit in order to
28 avoid the drilling of unnecessary wells, increase the efficiency of operations
29 and improve the ultimate recovery of occluded natural gas from the Unitized
30 Formation, as hereinafter defined, and avoid waste. The "Unitized
31 Formation" is to be designated as the Pottsville Coal Interval and is defined
32 as the productive coal seams found between the depths of 538 feet and 2,896
33 feet as encountered in the U.S. Steel Corporation #29-08-01 Well, Permit
34 #12656-C, located in Section 29, Township 18S, Range 5W, Jefferson
35 County, Alabama as indicated on the density log for the said well, and all
36 zones in communication therewith and all productive extensions thereof,
37 including any coal seam stringer that might occur within a depth of either 80
38 feet above or 80 feet below the Pottsville Coal Interval, and including those
39 coal seams which can be correlated therewith. Petitioner further seeks
40 approval of the Unit Agreement and Unit Operating Agreement, in
41 accordance with Section 9-17-84, Code of Alabama (1975), and approval of

1 the amendments to the Special Field Rules for the Oak Grove Coal
2 Degasification Field in order to conform to the provisions of the
3 aforementioned Unit Agreement and Unit Operating Agreement.

4
5 Petition further seeks entry of an order unitizing, pooling and integrating the
6 Unit Area, as underlain by the above defined unitized formation so as to
7 require all owners or claimants of royalty, overriding royalty, mineral and
8 leasehold interests within the Unit Area to unitize, pool and integrate their
9 interests and develop their lands or interests as a Unit, and designating CDX
10 Gas, L.L.C. as operator of the Unit Area in accordance with the laws of
11 Alabama. The proposed Unit Area, to be designated Unit VI, consisting of
12 732.50 acres, more or less, as described as follows:

13
14 The following lands lying and being in Jefferson County, Alabama in the
15 Oak Grove Coal Degasification Field:

16
17 Section 29, Township 18 South, Range 5 West

18 S/2 of the NE/4
19 W/2 of the NW/4 of the NE/4
20 SE/4 of the NW/4 of the NE/4
21 SW/4 of the NE/4 of the NW/4 of the NE/4
22 S/2 of the SW/4 of the NE/4 of the NE/4
23 NW/4 of the SW/4 of the NE/4 of the NE/4
24 E/2 of the SE/4
25 E/2 of the NW/4 of the SE/4
26 E/2 of the W/2 of the NW/4 of the SE/4
27 E/2 of the SW/4 of the SE/4
28 E/2 of the W/2 of the SW/4 of the SE/4

29
30 Section 32, Township 18 South, Range 5 West

31 E/2 of the NE/4
32 E/2 of the NW/4 of the NE/4
33 NE/4 of the NW/4 of the NW/4 of the NE/4
34 E/2 of the E/2 of the SW/4 of the NE/4
35 SE/4
36 E/2 of the SW/4

37
38 Section 33, Township 18 South, Range 5 West

39 NW/4 of the SW/4 of the SW/4 of the SW/4
40 NW/4 of the SW/4 of the SW/4
41 NW/4 of the NE/4 of the SW/4 of the SW/4

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

Section 28, Township 18 South, Range 5 West
W/2 of the SW/4 of the NW/4 of the SW/4
W/2 of the W/2 of the SW/4 of the SW/4

3. DOCKET NO. 6-9-04-4

Continued petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order reforming the unit for the Chevron 07-12-316 Well, Permit No. 12752-C, from a 40-acre unit consisting of the Northwest Quarter of the Southwest Quarter of Section 7, Township 17 South, Range 9 West, Tuscaloosa County, Alabama in the Blue Creek Coal Degasification Field, to an 80-acre unit consisting of the North Half of the Southwest Quarter of said Section 7.

This petition is filed as a companion to a petition bearing Docket No. 6-9-04-5 requesting the forced pooling, with imposition of a risk compensation penalty, of the referenced 80-acre unit for the subject well.

4. DOCKET NO. 6-9-04-5A

Continued amended petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order force pooling, with a risk compensation penalty, all tracts and interests in hydrocarbons produced from coalbeds in the Pottsville Formation in the Chevron 07-12-316 Well, Permit No. 12752-C, located on a proposed reformed 80-acre unit consisting of North Half of the Southwest Quarter of Section 7, Township 17 South, Range 9 West, Tuscaloosa County, Alabama, in the Blue Creek Coal Degasification Field.

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

This petition is filed as a companion to a petition bearing Docket No. 6-9-04-4 requesting reformation of the existing 40-acre unit for the referenced well to an 80-acre unit.

1 5. DOCKET NO. 6-9-04-6

2 Continued petition by DOMINION BLACK WARRIOR BASIN, INC., an
3 Alabama corporation, requesting the State Oil and Gas Board to enter an
4 order reforming the unit for the Chevron 7-13-315 Well, Permit No.
5 12955-C, from a 40-acre unit consisting of the Southwest Quarter of the
6 Southwest Quarter of Section 7, Township 17 South, Range 9 West,
7 Tuscaloosa County, Alabama in the Blue Creek Coal Degasification Field,
8 to an 80-acre unit consisting of the South Half of the Southwest Quarter of
9 said Section 7.

10
11 This petition is filed as a companion to a petition bearing Docket No. 6-9-
12 04-7 requesting the forced pooling, with imposition of a risk compensation
13 penalty, of the referenced 80-acre unit for the subject well.
14

15 6. DOCKET NO. 6-9-04-7A

16 Continued amended petition by DOMINION BLACK WARRIOR
17 BASIN, INC., an Alabama corporation, requesting the State Oil and Gas
18 Board to enter an order force pooling, with a risk compensation penalty,
19 all tracts and interests in hydrocarbons produced from coalbeds in the
20 Pottsville Formation in the Chevron 7-13-315 Well, Permit No. 12955-C,
21 located on a proposed reformed 80-acre unit consisting of South Half of the
22 Southwest Quarter of Section 7, Township 17 South, Range 9 West,
23 Tuscaloosa County, Alabama, in the Blue Creek Coal Degasification Field.
24

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

29 This petition is filed as a companion to a petition bearing Docket No. 6-9-
30 04-6 requesting reformation of the existing 40-acre unit for the referenced
31 well to an 80-acre unit.
32

33 7. DOCKET NO. 6-9-04-9

34 Continued petition by SPOONER PETROLEUM COMPANY, a foreign
35 corporation authorized to do and doing business in the State of Alabama,
36 requesting the State Oil and Gas Board to enter an order approving an
37 exception to Rule 400-1-2-.02(2)(c) of the State Oil and Gas Board of
38 Alabama Administrative Code for a 320-acre unit consisting of the
39 Southeast Quarter of Section 20 and the Southwest Quarter of Section 21,
40 Township 15 South, Range 15 West, Lamar County, Alabama.

1 Petitioner proposes to drill the McNees 20-16 No. 1 Well at a regular
2 location on the aforementioned 320-acre unit and said Rule 400-1-2-
3 .02(2)(c) requires units to consist of a governmental one-half section
4 containing approximately 320 contiguous surface acres.

5
6 This petition is filed as a companion to a petition bearing Docket No. 6-9-04-
7 10 requesting the forced pooling, with imposition of the risk compensation
8 penalty, of the referenced 320-acre unit.

9
10 8. DOCKET NO. 6-9-04-10

11 Continued petition by SPOONER PETROLEUM COMPANY, a foreign
12 corporation authorized to do and doing business in the State of Alabama,
13 requesting the State Oil and Gas Board to enter an order force pooling,
14 with a risk compensation penalty, all tracts and interests in hydrocarbons
15 produced from the Mississippian, Pennsylvanian and Devonian Formations
16 in the McNees 20-16 No. 1 Well, to be drilled on a 320-acre unit consisting
17 of the Southeast Quarter of Section 20 and the Southwest Quarter of Section
18 21, all in Township 15 South, Range 15 West, Lamar County, Alabama.
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 of
21 Alabama Administrative Code.

22
23 This petition is filed as a companion to a petition bearing Docket No. 6-9-04-
24 9 requesting approval of the exceptional 320-acre unit for the referenced
25 well.

26
27 9. DOCKET NO. 6-9-04-11

28 Continued petition by SPOONER PETROLEUM COMPANY, a foreign
29 corporation authorized to do and doing business in the State of Alabama,
30 requesting the State Oil and Gas Board to enter an order approving an
31 exception to Rule 400-1-2-.02(2)(c) of the State Oil and Gas Board of
32 Alabama Administrative Code for a 320-acre unit consisting of the
33 Southwest Quarter of Section 20 and the Northwest Quarter of Section 29,
34 Township 15 South, Range 15 West, Lamar County, Alabama.

35
36 Petitioner proposes to drill the Langley 20-11 No. 1 Well at a regular
37 location on the aforementioned 320-acre unit and said Rule 400-1-2-
38 .02(2)(c) requires units to consist of a governmental one-half section
39 containing approximately 320 contiguous surface acres.

1 This petition is filed as a companion to a petition bearing Docket No. 6-9-04-
2 12 requesting the forced pooling, with imposition of the risk compensation
3 penalty, of the referenced 320-acre unit.
4

5 10. DOCKET NO. 6-9-04-12

6 Continued petition by SPOONER PETROLEUM COMPANY, a foreign
7 corporation authorized to do and doing business in the State of Alabama,
8 requesting the State Oil and Gas Board to enter an order force pooling,
9 with a risk compensation penalty, all tracts and interests in hydrocarbons
10 produced from the Mississippian, Pennsylvanian and Devonian Formations
11 in the Langley 20-11 No. 1 Well, to be drilled on a 320-acre unit consisting
12 of the Southwest Quarter of Section 20 and the Northwest Quarter of Section
13 29, all in Township 15 South, Range 15 West, Lamar County, Alabama.
14 This Petition is in accordance with Section 9-17-13, Code of Alabama
15 (1975), as amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of
16 Alabama Administrative Code.
17

18 This petition is filed as a companion to a petition bearing Docket No. 6-9-04-
19 11 requesting approval of the exceptional 320-acre unit for the referenced
20 well.
21

22 11. DOCKET NO. 6-9-04-15

23 Continued petition by S. LAVON EVANS, JR. OPERATING
24 COMPANY, INC., a foreign corporation authorized to do and doing
25 business in the State of Alabama, requesting the State Oil and Gas Board
26 to enter an order force pooling, with a risk compensation penalty, all tracts
27 and interests in hydrocarbons produced from formations of Mississippian
28 and Pennsylvanian Age, in the Gartman 2-4 #1 Well to be drilled on a 320-
29 acre wildcat unit consisting of the West Half of Section 2, Township 17
30 South, Range 16 West, Lamar County, Alabama.
31

32 The Rector 2-12 #1 Well, Permit No. 13261, was permitted on November
33 17, 2003 and all tracts and interests in hydrocarbons were force pooled by
34 the Board in Order No. 2003-148 on November 14, 2003. Because six
35 months have elapsed since the permitting of this well and the forced pooling
36 order issued by the Board, said permit and forced pooling order have
37 expired.
38

39 This Petition is in accordance with Section 9-17-13, Code of Alabama
40 (1975), as amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of
41 Alabama Administrative Code.

12. DOCKET NO. 6-9-04-17

Continued petition by S. LAVON EVANS, JR. OPERATING COMPANY, INC., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling, with a risk compensation penalty, all tracts and interests in hydrocarbons produced from formations of Mississippian and Pennsylvanian Age, in the Weyerhaeuser 2-1 #1 Well to be drilled on a 320-acre wildcat unit consisting of the East Half of Section 2, Township 17 South, Range 16 West, Lamar County, Alabama.

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

13. DOCKET NO. 6-9-04-18

Continued petition by S. LAVON EVANS, JR. OPERATING COMPANY, INC., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling, with a risk compensation penalty, all tracts and interests in hydrocarbons produced from formations of Mississippian and Pennsylvanian Age, in the Langston 10-3 #1 Well to be drilled on a 320-acre wildcat unit consisting of the North Half of Section 10, Township 17 South, Range 16 West, Lamar County, Alabama.

The Langston 10-3 #1 Well, Permit No. 13262, was permitted on November 17, 2003, and all tracts and interests in hydrocarbons were forced pooled by the Board in Order No. 2003-147 issued on November 14, 2003. Because six months have elapsed since the permitting of this well and the forced pooling order issued by the Board, said permit and forced pooling order have expired.

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

14. DOCKET NO. 7-12-04-1

Petition by BLACK WARRIOR METHANE CORP., an Alabama corporation, requesting the State Oil and Gas Board to enter an order enlarging the Unit Area of Unit VII of the Brookwood Coal Degasification Field to add the Southeast Quarter of Section 28, Township 19 South, Range 8 West, Tuscaloosa County, Alabama, and amending Rule 11 of the

1 Special Field Rules for said Field to add said Southeast Quarter of Section
2 28. Petitioner further proposes to amend the Unit Area of Unit VII, as
3 described in the Unit Agreement and Board Order No. 2001-45, so that, as
4 enlarged, the Unit Area will consist of the following described lands located
5 in Tuscaloosa County, Alabama:

6
7 The Southeast Quarter of Section 28 and the Northeast Quarter of Section
8 33, all in Township 19 South, Range 8 West, Tuscaloosa County,
9 Alabama.

10
11 This request is in accordance with Section 9-17-85 of the Code of Alabama
12 (1975) and Article 9 of the Unit Agreement and said proposed enlargement
13 is subject to approval by the owners of at least sixty-six and two-thirds
14 percent (66 2/3%) in interests as costs are shared, and by at least sixty-six
15 and two-thirds percent (66 2/3%) in interests of royalty and overriding
16 royalty owners in the area to be added to Unit VII of the Brookwood Coal
17 Degasification Field.

18
19 15. DOCKET NO. 7-12-04-2

20 Petition by MIDROC OPERATING COMPANY, a foreign corporation,
21 authorized to do and doing business in the State of Alabama, requesting the
22 State Oil and Gas Board to enter an order amending Rule 2 of the Special
23 Field Rules for the Little Cedar Creek Field, Conecuh County, Alabama, in
24 order to re-define the Smackover Oil Pool as the Smackover Oil Pool "A,"
25 being the interval between 11,490 feet and 11,530 feet and the Smackover
26 Oil Pool "B," being the interval between 11,530 feet and 11,580 feet in the
27 Pugh 22-2 Well, Permit No. 13472, with a surface location 900 feet FNL and
28 1,800 feet FEL of Section 22, Township 4 North, Range 12 East, Conecuh
29 County, Alabama, as defined by the Dual Induction log for said well,
30 including those strata which can be correlated therewith, and all zones in
31 communication therewith and all productive extensions thereof.

32
33 16. DOCKET NO. 7-12-04-3

34 Petition by H & S OPERATING CO., INC., a foreign corporation
35 authorized to do and doing business in the State of Alabama, requesting
36 the State Oil and Gas Board of Alabama to enter an order amending Rule
37 1 of the Special Field Rules for the North Magnolia River Field to expand
38 the field limits to include the following tract: Beginning at the Southeast
39 Corner of Fractional Section 30, Township 7 South, Range 3 East,
40 Baldwin County, Alabama, thence North along the East line of said
41 Section 30 for 1,320 feet, more or less, thence West for 5,280 feet, more

or less, to the West line of said Section 30, thence South along the West line of said Section 30 for 1,320 feet, more or less, to the Southwest Corner of said Section 30, thence East along the South line of said Section 30 for 5,280 feet, more or less, to the point of beginning; revising Rule 3.A. regarding spacing of wells to provide for 80-acre gas units consisting of 80 contiguous surface acres in the form of a rectangle; revising Rule 3.B. such that each well shall be located at least 330 feet from every exterior boundary of such unit and deleting the 1,320-foot distance requirement between wells; revising Rule 4.B. to provide that production casing be set into the producing reservoir, unless otherwise approved by the State Oil and Gas Supervisor; and revising Rule 9 to provide that reservoir pressure surveys be performed on producing wells annually during the month of July, pursuant to Section 9-17-1, et seq., Code of Alabama (1975), as amended.

Consistent with the proposed amendments to the Special Field Rules for North Magnolia River Field, H&S Operating Co., Inc. plans to file an application for a permit to drill its proposed Head 31 No. 1 Well on the following described 80-acre unit: Commencing at the Northwest corner of Grant Section 31, Township 7 South, Range 3 East, Baldwin County, Alabama; run thence Easterly along the North line of said Section 31 for 2,640 feet, to the POINT OF BEGINNING; thence South for 1,320 feet, more or less; thence West for 1,320 feet, more or less; thence North for 1,320 feet, more or less to a point on the North line of said Section 31; thence continue North for 1,320 feet, more or less; thence East for 1,320 feet, more or less; thence South for 1,320 feet, more or less to the POINT OF BEGINNING.

17. DOCKET NO. 7-12-04-4

Petition by CHEVRON U.S.A., Inc., a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling, with a risk compensation penalty, all tracts and interests in the Pottsville Coal Interval in an 80-acre gas drilling unit, consisting of the East Half of Northeast Quarter of Section 32, Township 17 South, Range 9 East, in Blue Creek Coal Degasification Field, Tuscaloosa County, Alabama for its proposed workover operations of the Chevron-Christian/Clements No. 32-01-15 Well, Permit No. 8822-C

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

5 18. DOCKET NO. 7-12-04-5

6 Petition by MOON-HINES-TIGRETT OPERATING CO., INC., a foreign
7 corporation, authorized to do and doing business in the State of Alabama,
8 requesting the State Oil and Gas Board to enter an order approving an
9 exceptional location for a well to be re-entered on a 160-acre wildcat
10 drilling unit consisting of the Southwest Quarter of Section 36, Township
11 1 North, Range 9 East, Escambia County, Alabama. The location for the
12 Moon-Hines-Tigrett Operating Co., Inc.-T.R. Miller Mill 36-12 No. 1
13 Well, Permit No. 6290, on said 160-acre unit will be 1,561 feet from the
14 south line and 640 feet from the west line of said Section 36, and as such
15 is an exception to Rule 400-1-2-.02(2)(b) of the State Oil and Gas Board
16 of Alabama Administrative Code, which states that such a well shall be
17 located at least 660 feet from every exterior boundary of the drilling unit.
18

19 This petition is filed as a companion to a petition bearing Docket No. 7-
20 12-04-6 requesting force pooling, with imposition of a risk compensation
21 penalty, of all tracts and interests in a 160-acre gas drilling unit.
22

23 19. DOCKET NO. 7-12-04-6

24 Petition by MOON-HINES-TIGRETT OPERATING CO., INC., a foreign
25 corporation, authorized to do and doing business in the State of Alabama,
26 requesting the State Oil and Gas Board to enter an order force pooling,
27 with a risk compensation penalty, all tracts and interests in the Wilcox
28 Formation in a 160-acre wildcat gas drilling unit, consisting of the
29 Southwest Quarter of Section 36, Township 1 North, Range 9 East,
30 Escambia County, Alabama for its proposed re-entry of the T.R. Miller
31 Mill 36-12 No. 1 Well, Permit No. 6290.
32

33 This petition is in accordance with Section 9-17-13, Code of Alabama
34 (1975) as amended, and Rule 400-7-2-.01 of the State Oil and Gas Board
35 of Alabama Administrative Code.
36

37 This petition is filed as a companion to a petition bearing Docket No. 7-
38 12-04-5 requesting the Board to approve an exceptional location of said
39 T.R. Miller Mill 36-12 No. 1 Well.

1 20. DOCKET NO. 7-12-04-7

2 Petition by LAND AND NATURAL RESOURCE DEVELOPMENT,
3 INC., an Alabama corporation, requesting the State Oil and Gas Board to
4 enter an order approving an exception to Rule 400-1-2-.02(2)(c) of the
5 *State Oil and Gas Board of Alabama Administrative Code*, for an
6 exceptional location for the Hill-Behan/Prater 31-2 Well. Petitioner
7 proposes to drill said well on a 320-acre unit consisting of the North Half
8 of Section 31, Township 18 South, Range 14 West, Pickens County,
9 Alabama, at a location 370 feet from the North line and 2,670 feet from
10 the East line of said Section 31. Said Rule 400-1-2-.02(2)(c) requires that
11 such wells be located at least 660 feet from every exterior boundary of the
12 drilling unit, and the proposed location of the referenced well will be only
13 370 feet from the North line of the drilling unit for said well.
14

15 21. DOCKET NO. 7-12-04-8

16 Petition by LAND AND NATURAL RESOURCE DEVELOPMENT,
17 INC., an Alabama corporation, requesting the State Oil and Gas Board to
18 enter an order approving an exception to Rule 3(b) of the Special Field
19 Rules for the Coal Fire Creek Field, for an exceptional location for the Joe
20 Cook 27-12 No. 1 Well. Petitioner proposes to drill said well on a 320-
21 acre unit consisting of the West Half of Section 27, Township 18 South,
22 Range 14 West, Pickens County, Alabama, at a location 330 feet from the
23 West line and 2,450 feet from the South line of said Section 27. Said Rule
24 3(b) require that such wells be located at least 660 feet from every exterior
25 boundary of the drilling unit, and the location of the above-described well
26 will be only 330 feet from the West line of the 320-acre unit for said well.

27 22. DOCKET NO. 7-12-04-9

28 Petition by EL PASO PRODUCTION COMPANY, a foreign corporation
29 authorized to do and doing business in the State of Alabama, requesting the
30 State Oil and Gas Board of Alabama to enter an order force pooling, with
31 imposition of the risk compensation fee, all tracts and interests in
32 hydrocarbons produced from a well to be drilled to the Pottsville Formation
33 on a proposed 80-acre unit consisting of the East Half of the Northeast
34 Quarter of Section 26, Township 18 South, Range 10 West, Tuscaloosa
35 County, Alabama, in the Blue Creek Coal Degasification Field. This
36 Petition is filed in accordance with Section 9-I7-13, Code of Alabama
37 (1975), as amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of
38 Alabama Administrative Code.

1 23. DOCKET NO. 7-12-04-10

2 Petition by EL PASO PRODUCTION COMPANY, a foreign corporation
3 authorized to do and doing business in the State of Alabama, requesting the
4 State Oil and Gas Board of Alabama to enter an order force pooling, with
5 imposition of the risk compensation fee, all tracts and interests in
6 hydrocarbons produced from a well to be drilled to the Pottsville Formation
7 on a proposed 80-acre unit consisting of the West Half of the Northeast
8 Quarter of Section 26, Township 18 South, Range 10 West, Tuscaloosa
9 County, Alabama, in the Blue Creek Coal Degasification Field. This
10 Petition is filed in accordance with Section 9-17-13, Code of Alabama
11 (1975), as amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of
12 Alabama Administrative Code.
13

14 24. DOCKET NO. 4-30-03-7

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

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

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1 MR. ROGERS: I have an order of the State Oil and Gas Board appointing me as Hearing
2 Officer to conduct this hearing on behalf of the Board. The Hearings Reporter has received and
3 compiled the proofs of publication for the items appearing on the docket for the first time. These
4 proofs of publication for the items on the July 12 and 14, 2004, docket are admitted into the
5 record.

6 (Whereupon, the proofs of publication were
7 received in evidence)

8 MR. ROGERS: The order appointing me as Hearing Officer is now made a part of the
9 record.

10 (Whereupon, the order was received
11 in evidence)

12 MR. ROGERS: I will recommend that the following petitions be continued: Item 2,
13 Docket No. 3-17-04-16A, petition by CDX Gas, LLC; Item 9, Docket No. 6-9-04-11, petition by
14 Spooner Petroleum Company; Item 10, Docket No. 6-9-04-12, petition by Spooner; Item 15,
15 Docket No. 7-12-04-2A, petition by Midroc Operating Company; Item 16, Docket No. 7-12-04-
16 3, petition by H&S Operating Company, Inc.; Item 17, Docket No. 7-12-04-4, petition by
17 Chevron, USA, Inc.; Item 22, Docket No. 7-12-04-9, petition by El Paso Production Company;
18 Item 23, Docket No. 7-12-04-10, petition by El Paso; and Item 24, Docket No. 4-30-03-7, a
19 motion by the Board. I will recommend that the following petitions be dismissed without
20 prejudice: Item 4, Docket No. 6-9-04-5A, petition by Dominion Black Warrior Basin, Inc.; Item
21 6, Docket No. 6-9-04-7A, petition by Dominion; Item 8, Docket No. 6-9-04-10, petition by
22 Spooner Petroleum Company; Item 18, Docket No. 7-12-04-5, petition by Moon-Hines-Tigrett
23 Operating Company, Inc., and Item 19, Docket No. 7-12-04-6, petition by Moon-Hines-Tigrett.
24 The first item to be heard today is Item 1, Docket No. 3-17-04-1B, petition by Spooner
25 Petroleum Company.

26 MR. TYRA: Mr. Rogers, I have one witness to be sworn in, please.

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

28 MR. HOLLINGSWORTH: Ed Hollingsworth, Jackson, Mississippi.

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(Witness was sworn by Mr. Rogers)

MR. TYRA: Mr. Rogers, for hearing purposes can we consolidate Item 1, Docket No. 3-17-04-1B, with Item 7, Docket No. 6-9-04-09?

MR. ROGERS: Any objection? Those petitions are consolidated.

MR. TYRA: Docket No. 3-17-04-1B is a request to form a new field in Lamar County, Alabama, to be known as the Vernon Field and to adopt Special Field Rules for that field. Docket No. 6-9-04-09 is a request to approve an exception for a well. We are proposing a 320-acre well on a unit consisting of the Southeast Quarter of Section 20 and the Southwest Quarter of Section 21, Township 15 South, Range 15 West, Lamar County, Alabama. Mr. Hollingsworth, I'll ask you first, have you previously testified before this Board?

MR. HOLLINGSWORTH: I have.

MR. TYRA: Your qualifications are on file with the Board. Is that true?

MR. HOLLINGSWORTH: They are.

MR. TYRA: I would ask that he be recognized as an expert.

MR. ROGERS: He is so recognized.

MR. TYRA: Thank you.

ED HOLLINGSWORTH

Appearing as a witness on behalf of Petitioner, Spooner Petroleum Company, testified as follows:

DIRECT EXAMINATION

Questions by Mr. Tyra:

Q. Are you familiar with the petition that we have filed for Spooner Petroleum Company requesting the Vernon Field to be established?

A. I am.

Q. In conjunction with that petition have you filed certain exhibits in support of it?

A. Yes I have.

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1 Q. If you will, turn to that first exhibit. I know we are going to be using this for Item 7 as
2 well but let's first discuss this in reference to the Vernon Field. If you will, explain what
3 it shows.

4 A. Exhibit No. 1 is the top of the Millerella limestone structure map. It shows the down-to-
5 the-north fault that we believe is the trapping fault for the proposed Vernon Field. The
6 discovery well was the Weyerhaeuser 28-9. It was drilled in the East Half of Section 28,
7 15 South, 15 West. In red on this map is the proposed field outline which would be the
8 productive unit for the Weyerhaeuser 28-9 and also the unit for the offset, the Brown 27-
9 13. Shown in the blue dashed line are the existing 320-acre units for the field and also
10 the 320-acre unit for the Pate 34-2 which turned out to be a dry hole as shown on the
11 map. The field is a combination fault trap and stratigraphic trap in the Carter sand. We
12 drilled it off a seismic line, originally the seismic line that went through the East Half of
13 Section 28 about where the Weyerhaeuser location is. We believe we were upthrown at
14 the Weyerhaeuser and the Brown. After drilling to the southeast at the Pate we purchased
15 another line to the west that goes up, the east section line of 29 and 20, which shows the
16 fault a little bit further north than what we had originally thought. That's why we are
17 proposing in the other docket the McNees unit up in Section 20. We wanted to drill that
18 location on that seismic line close to our control.

19 Q. All right, sir. The field limits that we are asking for will be the South $\frac{3}{4}$ of the West Half
20 of Section 27 and the East Half of Section 28 as well as the North Half of the Northwest
21 Quarter of Section 34, all in Township 15 South, Range 15 West. Is that correct?

22 A. That's correct.

23 Q. The producing unit for the two wells that we have there, the Weyerhaeuser 28-9 and the
24 Brown 27-13, the productive unit for the Weyerhaeuser is?

25 A. The East Half of Section 28.

26 Q. For the Brown?

27 A. The Brown is the South $\frac{3}{4}$ of the West Half of Section 27 and the North Half of the
28 Northwest Quarter of Section 34.

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1 Q. All right, sir. If you will, turn to your Exhibit 2, please.

2 A. Exhibit 2 is an isopach of the Carter sand. Porosity is greater than nine percent on the
3 density log. You kind of see the stratigraphic aspect of the sand also. Not only do you
4 have to be upthrown but you've got to get some permeable sand. We drilled the
5 Weyerhaeuser and then the Pate 27-11. The Carter sand was just about pinched out. We
6 only had about a foot of true sand. So we then backed up and drilled the Brown 27-13
7 and had a nice sand and completed it in the same unit as the original Pate 27-11. We
8 stepped southeast down the fault to the Pate 34-2 where we had eleven feet of porosity
9 greater than nine percent but the well had no permeability, as least as indicated by the
10 micro log, so we decided not to try a completion there. The Carter sand in the area, a
11 series of several thin sands that kind of stack up on each other and kind of come and go
12 when they are on the edge of the channels here, basically has a northwest-to-southeast
13 looking trend to it in this area. This also shows the proposed field limits and the existing
14 320-acre gas unit.

15 Q. All right sir, your Exhibit 3.

16 A. Exhibit 3 is the type log for the Vernon Field. It's an array induction density neutron log
17 and micro log combination from the Weyerhaeuser 28-9 in the East Half of Section 28,
18 15 South, 15 West, Lamar County. It shows the Carter sand, like I was saying, as several
19 thin sands that tend to stack up on each other. The definition of the Carter sand for the
20 proposed Vernon Field would be from 3,010 feet, that's a subsea of -2618, and the base
21 at 3,080 feet or a subsea of -2688.

22 Q. All right sir, Exhibit 4.

23 A. Exhibit 4 is the plat, surveyor's plat, for the discovery well which was the Weyerhaeuser
24 28-9, showing it as a legal location in the East Half of the 320 in Section 28.

25 Q. Exhibit 5 is the same type exhibit. Is that correct?

26 A. That's correct. It's the surveyor's plat for the Brown 27-13. It shows it 660 off the West
27 line and 1,256 from the South line of the section. It shows the 320-acre unit that it is
28 producing from.

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1 Q. All right, Exhibit 6, your OGB-9.

2 A. This is the first production report for the Weyerhaeuser 28-9. It shows the perforations.
3 It produced 884 Mcf/d on a 16/64-inch choke with 600 pounds flowing tubing pressure.

4 Q. This has been filed with the Board. Is that correct?

5 A. Yes.

6 Q. Your final exhibit, Exhibit 7.

7 A. That's the first production report for the Brown 27-13. It shows the perfs. The initial
8 production after frac was 1,242 Mcf/d with 1,020 pounds flowing tubing pressure on a
9 14/64-inch choke.

10 Q. This form too has been filed with the Board, has it not?

11 A. That's correct.

12 Q. All right, sir. If you will, go back to your Exhibit 1 and discuss this McNees well up in
13 Section 20.

14 A. After we drilled our dry hole down in Section 34 we went back and purchased some
15 additional seismic in the area to try to pin down this fault that we were chasing. We feel
16 like the best fault cut on that north-south line over in Sections 26, 20 and 21 looks like
17 the Millerella at least should be upthrown about Shot Point 710. We wanted to place our
18 well as close to that control as we could. We are proposing to drill it just north of Shot
19 Point 720 which would put it almost on a section line and would be an exceptional unit.
20 It looks like there is about 80 acres or so in Section 21 that should be upthrown and
21 productive. We felt like the best unit to drill that well would be the southeast of 20 and
22 the southwest of 21 to make a 320.

23 Q. So it's your testimony then that this location is the optimum geological location based
24 upon that shot point?

25 A. Based upon that seismic line, correct.

26 Q. Let me also ask you about Section 28, the west half. There is no well there yet. Are
27 there some typographical problems there that you are dealing with?

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1 A. Yellow Creek flows right through most of Section 28. If we drill it we would have to
2 probably drill a directional well which is more money than we wanted to spend on it right
3 now, so we are going to step up and drill the McNees which is a high location that we can
4 drill a vertical well. If we are successful on the McNees, and it looks like that upthrown
5 area is productive to the northwest of the Weyerhaeuser well, we probably would at that
6 point come back and directionally drill underneath the Northwest Quarter of Section 28
7 to recover that gas.

8 Q. But you need to evaluate the McNees well first. Is that correct?

9 A. Yeah. We would like to make sure there is enough gas up there to be chasing before we
10 spend the money to directionally drill one.

11 MR. TYRA: I would ask that these exhibits be made a part of the record at this time.

12 MR. ROGERS: The exhibits are admitted.

13 (Whereupon, the exhibits were received in evidence)

14 Q. Are you familiar with the term waste as it is defined by the laws and statutes of the State
15 of Alabama?

16 A. I am.

17 Q. Would, in your opinion, the granting of these petitions prevent waste?

18 A. They would.

19 Q. Also, in your opinion, would the granting of these petitions protect coequal rights?

20 A. They would.

21 MR. TYRA: I would present the witness to any questions that the staff may have at this
22 time.

23 MR. ROGERS: Any questions? One question I want to ask is just clarification that the
24 proposed unit for the McNees well that you referred to, that is proposed to be a wildcat drilling
25 unit so that after the well is drilled, and let's hope it is productive, you will come back to
26 establish the final unit.

27 MR. TYRA: That's correct. We'll establish the final unit and also determine whether it
28 needs to be included in this field.

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1 MR. ROGERS: The outline of the unit there to the southeast, that Spooner Pate No. 2
2 Well, that is outlined as a unit but it is a dry hole?

3 MR. TYRA: That's correct.

4 MR. ROGERS: The affidavit of notice submitted by you, Mr. Tyra, is admitted and the
5 letter from me dated April 15, 2004, is also admitted.

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

7 MR. ROGERS: Any questions? The staff will review the evidence and make a
8 recommendation to the Board.

9 MR. TYRA: Thank you.

10 MR. ROGERS: Thank you, Mr. Tyra. The next item is Item 3, Docket No. 6-9-04-4,
11 petition by Dominion Black Warrior Basin, Inc.

12 MR. WATSON: Let's swear in Mr. Hutchings. I'm not sure we are going to have much
13 for him to say but in case you have a question.

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

15 MR. HUTCHINGS: Steve Hutchings, Mobile Alabama.

16 (Witness was sworn by Mr. Rogers)

17 MR. WATSON: At the June hearing, Mr. Rogers, Items 3 and 4 were companion
18 petitions. You have recognized this morning the dismissal of Item 4 on the docket, the force
19 pooling with risk comp. That's because all of the leases have been acquired. I would ask that
20 you incorporate into the record of this hearing the testimony and evidence presented in support
21 of Docket No. 6-9-04-4. That's on reforming the unit for the Chevron 17-12-316 well from a 40-
22 acre unit consisting of the Northwest Quarter of the Southwest Quarter of Section 7 in the Blue
23 Creek Coal Degasification Field to an 80-acre unit consisting of the North Half of the Southwest
24 Quarter of that said Section 7. I have a copy of an affidavit in support of this that was presented
25 at the last hearing if you want to include that into today's hearing.

26 MR. ROGERS: The record from that hearing is incorporated into this item.

27 (Whereupon, testimony and evidence in Docket No.
28 6-9-04-4 was incorporated by reference)

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1 MR. MASINGILL: This document that you handed up is already in the record?

2 MR. WATSON: Yes. That's all we have on this item, Mr. Rogers. We would ask that
3 you recommend that this item be approved.

4 MR. ROGERS: Do we have any comments on this item?

5 MR. GANT: Is this the right place for me?

6 MR. ROGERS: I really don't know exactly but I believe it is. We just covered this. You
7 can address the Board if you want to.

8 MR. GANT: I'm only interested in what happened to the force pooling or what is going
9 to happen where you have issued the permit to drill a well and where we stand relative to force
10 pooling on that issue.

11 MR. ROGERS: Yes sir. The Hearing Officer's recommendation to the Board will be
12 that the force pooling connected with this will be dismissed. We have just heard the testimony to
13 reform this unit from a 40-acre unit to an 80-acre unit. The evidence has been submitted so we
14 will make a recommendation to the Board about the reformation but the force pooling, our
15 recommendation is that it be dismissed.

16 MR. GANT: Yeah. I got that part. Only the one that has already been issued is the one I
17 was concerned about. Thank you.

18 MR. ROGERS: We will review the evidence and make a recommendation to the Board
19 on that petition. Why don't you state your name for the record, sir?

20 MR. GANT: Glenton Gant.

21 MR. ROGERS: Will you state your address?

22 MR. GANT: 18853 Watermelon Road, Northport, Al 35475.

23 MR. ROGERS: Thank you.

24 MR. WATSON: Mr. Gant, you were here at the meeting last month, were you not, and
25 made a statement to the Board?

26 MR. GANT: Yes.

27 MR. WATSON: I remember because I mispronounced your name.

1 MR. ROGERS: The next item then will be Item 5, Docket No. 6-9-04-6, another petition
2 by Dominion Black Warrior Basin.

3 MR. WATSON: As in the previous item, Mr. Rogers, we dismissed Item 6, the force
4 pooling with risk comp. because it was a companion to Item 5 on the docket requesting you to
5 reform the Chevron 7-13-315 well from a 40-acre unit consisting of the Southwest Quarter of the
6 Southwest Quarter of Section 7, 17 South, 9 West, Tuscaloosa County, in the Blue Creek Field to
7 an 80-acre unit consisting of the South Half of the Southwest Quarter of said Section 7. I would
8 ask that you incorporate the evidence and testimony in that item in this hearing.

9 MR. ROGERS: The evidence in that item is incorporated into this hearing.
10 (Whereupon, testimony and evidence in Docket No.
11 6-9-04-6 was incorporated by reference)

12 MR. WATSON: We have nothing further on this item, Mr. Rogers.

13 MR. ROGERS: Do we have any questions or comments on this item? Hearing none, we
14 will review the evidence and make a recommendation to the Board. Thank you. The next item
15 then will be Item 11, Docket No. 6-9-04-15, petition by S. Lavon Evans, Jr. Operating Company,
16 Inc.

17 MR. TYRA: Mr. Rogers, I have one witness to be sworn in, please.

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

19 MR. BECKETT: William Beckett, Bruce, Mississippi.

20 (Witness was sworn by Mr. Rogers)

21 MR. TYRA: Docket No. 6-09-04-15 is a request by S. Lavon Evans, Jr. Operating
22 Company, Inc. to force pool, with risk compensation, a unit to be drilled in Lamar County,
23 Alabama, on the West Half of Section 2, Township 17 South, Range 16 West, the proposed
24 Gartman 2-4 No. 1 Well. Mr. Beckett, have you previously testified before this Board?

25 MR. BECKETT: Yes sir, I have.

26 MR. TYRA: Your qualifications are still on file. Is that correct?

27 MR. BECKETT: Yes sir, that's correct.

28 MR. TYRA: I would ask that Mr. Beckett be recognized, please.

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

2 MR. TYRA: Thank you.

3 WILLIAM BECKETT

4 Appearing as a witness on behalf of Petitioner, S. Lavon Evans, Jr. Operating Company,
5 Inc., testified as follows:

6 DIRECT EXAMINATION

7 Questions by Mr. Tyra:

8 Q. Mr. Beckett, are you familiar with the petition that we have filed concerning the force
9 pooling of this unit?

10 A. Yes sir, I am.

11 Q. Would you tell us as of this morning the parties that are unleased or uncommitted to
12 drilling this well?

13 A. We have Southwest Royalty, Inc.

14 Q. All right sir. All other parties have agreed to either participate or have farmed out their
15 interest or assigned their interest to you?

16 A. Yes sir that is correct.

17 Q. All right sir. Have you made a diligent effort to get Southwest Royalty to come on board
18 and participate, farm-out, or assign their interest?

19 A. Yes sir we have.

20 Q. Is it true that Southwest Royalty is being at this time conveyed, the entire organization is
21 being conveyed, and that this is sort of tied up at this time because of that?

22 A. Yes sir that's my understanding on that.

23 Q. All right. Have you provided Southwest Royalty with a listing of all the requirements
24 that the statute makes insofar as the force pooling and interest?

25 A. Yes sir we have.

26 MR. TYRA: Mr. Rogers, we have previously filed and submitted the letter that was sent
27 to these parties giving them notice of this matter and listing the statutory requirements. I would
28 ask that that be made a part of the record.

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1 MR. ROGERS: Those letters and green cards are admitted and made a part of the record.

2 (Whereupon, the letters with attached green

3 cards were received in evidence)

4 Q. As of this morning we have no reply from Southwest Royalty on this matter. Is that
5 correct?

6 A. That is correct.

7 Q. In your opinion would the granting of this petition prevent waste and protect coequal and
8 correlative rights?

9 A. Yes sir.

10 MR. TYRA: I would tender Mr. Beckett to any questions that you may have.

11 MR. ROGERS: The staff has no questions. Also, the affidavit of notice submitted by
12 you, Mr. Tyra, is admitted.

13 (Whereupon, the affidavit was received in evidence)

14 MR. ROGERS: We will review the evidence and make a recommendation to the Board.

15 The next item then is Item 12, Docket No. 6-9-04-17, petition by S. Lavon Evans, Jr. Operating
16 Company, Inc.

17 MR. TYRA: I will remind Mr. Beckett that he is still under oath, Mr. Rogers. This too is
18 a request for force pooling, with risk compensation, on another unit in Lamar County. It's the
19 East Half of Section 2, Township 17 South, Range 16 West. It's the Weyerhaeuser 2-1 No. 1
20 Well.

21 WILLIAM BECKETT

22 Appearing as a witness on behalf of Petitioner, S. Lavon Evans, Jr. Operating Company,
23 Inc., testified as follows:

24 DIRECT EXAMINATION

25 Questions by Mr. Tyra:

26 Q. Mr. Beckett, are you familiar with the petition that has been filed in this matter?

27 A. Yes sir I am.

1 Q. In fact, the exact same parties in this well are also the parties in the previous well that we
2 just testified to. Is that correct?

3 A. That is correct.

4 Q. That would be Southwest Royalty, Inc.?

5 A. Yes sir.

6 Q. You provided notice to Southwest Royalty, Inc. and made a diligent effort to have them
7 either participate or farm out or assign their interest to us?

8 A. Yes sir, we have.

9 Q. As of this morning have you got a positive reply from them as to any of those matters?

10 A. No sir we have not.

11 Q. But you have provided them with a certified letter that they have signed for that has all
12 the statutory requirements as far as notice is concerned?

13 A. Yes sir.

14 MR. TYRA: I would ask that that letter and my affidavit of notice be admitted at this
15 time, Mr. Rogers.

16 MR. ROGERS: The letters and the affidavit are admitted.

17 (Whereupon, the letters with attached green cards
18 and the affidavit were received in evidence)

19 Q. Would the granting of this petition in your opinion prevent waste and protect coequal and
20 correlative rights?

21 A. Yes sir.

22 MR. TYRA: I would tender Mr. Beckett for any questions that the staff may have.

23 MR. ROGERS: The staff has no questions. So it's two letters, one to Samson and one to
24 Southwest Royalty. Both of those are admitted.

25 (Whereupon, the letters were received in evidence)

26 MR. ROGERS: The staff will review the evidence and make a recommendation to the
27 Board. The next item then is Item 13, Docket No. 6-9-04-18, petition by S. Lavon Evans, Jr.
28 Operating Company, Inc.

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1 MR. TYRA: This is also a request by Lavon Evans Operating Company to force pool a
2 unit with risk compensation in Lamar County. This is the North Half of Section 10, Township
3 17 South, Range 16 West, the proposed Langston 10-3 No. 1 well. Actually, we force pooled
4 this unit earlier under Order No. 2003-147 but six months have elapsed and we have not been
5 able to get a rig there yet to drill this well and so we are presenting this again.

6 WILLIAM BECKETT

7 Appearing as a witness on behalf of Petitioner, S. Lavon Evans, Jr. Operating Company,
8 Inc., testified as follows:

9 DIRECT EXAMINATION

10 Questions by Mr. Tyra:

11 Q. Mr. Beckett, I would ask you a third time if you are familiar with the petition and the
12 matters alleged therein?

13 A. Yes sir I am.

14 Q. I also remind you that you are still under oath. Have we provided notice to parties as to
15 the statutory requirements as far as force pooling with risk compensation for this well?

16 A. Yes sir we have.

17 Q. As of this morning have all of the working interest owners, proposed working interest
18 owners, indicated whether they would participate or farm out or assign their interests?

19 A. No sir they have not, not all of them.

20 Q. Let's clarify as of this morning who we have open. I'll give you the listing that I have
21 and you indicate or read into the record those that you have not received anything from.

22 A. T.C. Craighead, Marathon Oil Company, Sempra or Pacific Enterprises Oil Company,
23 MCM-Petro-One, Ltd., Jacksoco Oil Company, Charles A. Bridges, Rick L. Erickson,
24 Robert K. Mansfield, and Bill W. Newton.

25 Q. All right sir. Those are the parties as of this morning that are outstanding and have not
26 agreed to either participate or assign or farm out their interests?

27 A. That is correct. We have not received anything back from them as of this time.

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1 Q. You have sent them a certified letter with all the requirements required under Alabama
2 statute to force pool with risk compensation?

3 A. Yes sir we have.

4 MR. TYRA: Mr. Rogers, there are a number of letters with the green cards attached and
5 also my affidavit of notice that I would ask to be admitted at this time, please, sir.

6 MR. ROGERS: Do you want to admit them all even though they went ahead and---

7 MR. TYRA: I think so because at the time of the petition they were open.

8 MR. ROGERS: They are all admitted and so is the affidavit of notice.

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

11 Q. Mr. Beckett, in your opinion would the granting of this petition prevent waste and protect
12 coequal and correlative rights?

13 A. Yes sir it would.

14 MR. TYRA: We would tender Mr. Beckett for any questions that you have.

15 MR. ROGERS: The only question I have is--let's do this, Mr. Tyra. We have been
16 trying to be fair about this. If you will, recalculate the outstanding interest so that the order can
17 reflect that. Do you know that? Is that something that you can put in the record now? If you
18 don't, that's all right.

19 MR. BECKETT: We could calculate it. I have the figures for the ones that are here.

20 MR. ROGERS: Maybe we should leave the record open. It's something you could
21 calculate. Just submit a letter and state what the outstanding interest is so we not only have it in
22 the order we will have it in the record.

23 MR. TYRA: Yes sir. I'll submit a letter to you under my signature with that outstanding
24 interest.

25 MR. ROGERS: That would probably be best. That way we got it clear what the
26 outstanding interest is.

27 MR. TYRA: All right sir. If we might go to the other two matters I can give you that
28 interest right now since it is only one party. If you would like that, we can do that for the record.

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1 MR. ROGERS: Explain that again.

2 MR. TYRA: The other two matters that we had where we force pooled Southwest
3 Royalty, Inc., I have their interests right now if you would like that into the record.

4 MR. ROGERS: All right. So that is different from what was stated in the petition?

5 MR. TYRA: No. In the first two items we just force pooled Southwest Royalty. On this
6 third item we force pooled some parties other than Southwest Royalty but in the petitions for the
7 first two we were force pooling two parties, Samson and Southwest Royalty. We have an
8 agreement with Samson now so the only party that we are force pooling is Southwest Royalty.

9 MR. ROGERS: For the record, Mr. Tyra is going to state the interest with respect to the
10 other items. If you will just state the item number and what the current outstanding interest is.

11 WILLIAM BECKETT

12 DIRECT EXAMINATION

13 Questions by Mr. Tyra:

14 Q. For Docket No. 6-9-04-15?

15 A. We have 10.77 mineral acres and 3.366 percent.

16 Q. For Docket No. 6-09-04-17?

17 A. We have 29.5 mineral acres and 9.219 percent.

18 MR. ROGERS: All right, thank you. You will submit that in the proposed order and
19 then calculate and submit a letter on the item that we just covered?

20 MR. TYRA: Yes sir.

21 MR. ROGERS: Thank you, Mr. Tyra. We will review the evidence after we receive that
22 and make a recommendation to the Board. If we can get it done, John, we can get that approved
23 by the Board on Wednesday.

24 MR. TYRA: I'll get it to you today.

25 MR. ROGERS: All right, good. The next item then is Item 14, Docket No. 7-12-04-1,
26 petition by Black Warrior Methane Corporation.

27 MR. WATSON: I have one witness, Mr. Rogers, if you would swear him in.

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

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1 MR. HUTCHENS: Eric Hutchens, 2510 Valley View Lane, Tuscaloosa, AL.

2 (Witness was sworn by Mr. Rogers)

3 MR. WATSON: Mr. Rogers, I have prefiled an affidavit of notice in this matter and ask
4 that it be made a part of the record.

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

6 (Whereupon, the affidavit was received in evidence)

7 MR. WATSON: By Board Order 2001-45 the Board approved a partial field-wide unit in
8 the Brookwood Coal Degasification Field and we call that Unit VII. It consists of the Northeast
9 Quarter of Section 33, Township 19 South, Range 8 West, Tuscaloosa County, in the Brookwood
10 Coal Degasification Field. In the matter before you today we are requesting the Board to enlarge
11 Unit VII by adding the Southeast Quarter of Section 28, same township and range, to the unit.
12 We are going to present technical exhibits in support of this unit enlargement. We expect to
13 have in excess of 66 2/3 percent of the royalty and working interest owners in the area to be
14 added to approve this unit enlargement. I am going to request, Mr. Rogers, that you leave the
15 record open for us to present the written ratifications in excess of 66 2/3 percent of those owners.

16 MR. ROGERS: All right.

17 MR. WATSON: My witness, when he testifies, will give you the status of those
18 outstanding working and royalty interest owners. My witness, Eric Hutchens, is the Operations
19 Manager for Black Warrior Methane and has on file an affidavit of his qualifications and has
20 appeared before you many times and has been accepted as an expert witness. Mr. Hutchens, are
21 you familiar with the petition to enlarge Unit VII and have you prepared or had exhibits prepared
22 under your supervision in support of this request?

23 MR. HUTCHENS: Yes.

24 MR. WATSON: Mr. Rogers, I'm going to also ask that you make note of the
25 incorporation into this record today Docket No. 2-27-01-11. Those are the exhibits. I also ask to
26 incorporate the testimony to those exhibits that created Unit VII in the Brookwood Coal
27 Degasification Field.

28 MR. ROGERS: That request is granted.

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(Whereupon, the exhibits and testimony of Docket No.
2-27-01-11 were incorporated by reference)

ERIC HUTCHENS

Appearing as a witness on behalf of Petitioner, Black Warrior Methane Corporation,
testified as follows:

DIRECT EXAMINATION

Questions by Mr. Watson:

Q. Mr. Hutchens, Unit VII initially consisted of 156.82 acres and we are proposing to add
155.22 acres. Is that correct?

A. Yes that's correct.

Q. Can you tell the Board who the royalty and working interests are in the area to be added
to Unit VII?

A. The royalty owners are Gulf States Paper Corporation and U.S. Steel Corporation. The
working interests are jointly owned by Jim Walter Resources and El Paso Production
Company.

Q. Have those royalty and working interest owners been contacted and asked to approve this
proposed unit enlargement?

A. Yes they have. In fact, Jim Walter Resources, we have a signed ratification agreement
with them. El Paso, U.S. Steel, and Gulf States Paper all verbally agreed to the
ratification of the contract but we have not received those in hand yet.

MR. WATSON: I have handed up, Mr. Rogers, our agreement to enlarge the unit and it
is signed by Jim Walter Resources. I'll ask that you make that an exhibit to this hearing today.

MR. ROGERS: All right. That will be made an exhibit. That is admitted.

(Whereupon, the exhibit was received in evidence)

Q. Tell Mr. Rogers and members of the staff, Mr. Hutchens, why Black Warrior Methane is
proposing to enlarge Unit VII.

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1 A. Our future mine plans for Mine IV, we are expecting to move north in the next several
2 years. By granting this petition it would allow us to put gob wells next to conventional
3 wells and allow us to promulgate mine safety for Mine IV as we develop that area.

4 Q. Okay. I have handed up your exhibits. Let's start with Exhibit No. 2. Exhibit No. 1, let
5 me refer the Board to the type log for the unitized formation that is included in Docket
6 No. 2-27-01-11. We'll incorporate that as our Exhibit 1 for the type log for the unitized
7 formation. Your first exhibit is Exhibit No. 2. Tell the Board what's shown on that
8 exhibit.

9 A. Exhibit 2 is a unit plat for the existing Unit VII showing a 156.82 acre unit and royalty
10 owner Wesley West owning 100 percent of the royalty. The working interest owner is 50
11 percent for Jim Walter and 50 percent for El Paso Production Company.

12 Q. All right sir. Let's turn to Exhibit No. 3. Tell us what's shown on that exhibit, please,
13 sir.

14 A. Exhibit No. 3 shows the two tracts to be added to Unit VII. A 38 plus acre tract is owned
15 by U.S. Steel Corporation and a 116 plus acre tract is owned by Gulf States Paper
16 Corporation. Also shown on the plat are wells that have already been completed in
17 Sections 28 and 33.

18 Q. If you will, turn to your Exhibit 4.

19 A. Exhibit 4 shows Unit VII as enlarged. Also shown are the three royalty owners in the
20 acreage. There are a total of 312.038 acres in the proposed enlarged Unit VII. The
21 royalty owners again are U.S. Steel Corporation, Gulf States Paper, and Wesley West.

22 Q. Now, by incorporating the Unit VII exhibits and testimony, am I correct in stating that
23 the tract participation formula as approved by Board Order 2001-45 is 100 percent
24 surface acre participation?

25 A. That is correct.

26 Q. Let's turn to your Exhibit 5. Tell Mr. Rogers and the staff what's shown there, please,
27 sir.

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1 A. Exhibit 5 shows the royalty ownership of each of the owners and the participation
2 percentage of the proposed enlarged unit. U.S. Steel Corporation's participation is 12.45
3 percent. Gulf States Paper Corporation's participation is 37.29 percent. Wesley West
4 Cattle Company is 50.26 percent. Wesley West Cattle Company by virtue of its contract
5 leasing unit operator owns a working interest in gob wells and gob gas in the coalbed gas
6 produced through conventional degasification wells in a portion of Unit VII in Section
7 33. The revised unit division order will correctly reflect its working interest ownership.
8 The only working interest owners in the area to be added to the Unit in Section 28 are Jim
9 Walter Resources and El Paso Production Company.

10 Q. Now, Mr. Hutchens, let's go to Exhibit 6. Tell us what that exhibit is and what is shown
11 on the exhibit, please, sir.

12 A. Exhibit 6 is a coal isopach map of the Mary Lee/Blue Creek coal seams. As you can see
13 the coal seam thicknesses under existing Unit VII range from 7.0 feet to 8.5 feet. In the
14 area added under unit thickness these things will range from 8.5 feet to 8.75 feet. So it's
15 clear that the unitized formation underlies the parcel to be added to the enlarged unit.
16 Also shown on Exhibit 6 is cross section C-C' and that will be Exhibit No. 7. I should
17 also point out that this exhibit is a revised exhibit that we used to form the original Unit
18 VII under Board Order 2001-45. We just revised the exhibit to show the additional
19 acreage.

20 Q. All right. Now go to your cross sectional exhibit, Exhibit No. 7.

21 A. Exhibit No. 7 is cross section C-C'. It runs from Well 28-15-154 southeast to Well 33-
22 01-219. You can see from the exhibit that the two wells encountered the Gwin, Cobb,
23 Pratt, Gillespie, Newcastle, Mary Lee/Blue Creek, Jagger and Black Creek seams. These
24 coals are the Pottsville coal intervals that are designated under the unitized formation for
25 Unit VII as enlarged.

26 Q. Rule 17 of the Special Field Rules that pertain to Unit VII define the unitized formation
27 to be designated as the Pottsville coal interval defined as the productive coal seams found
28 between the depths of 210 feet and 2,342 feet as encountered in the U.S. Pipe 18-15 No.

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1 3 Well and between the depths of 2,200 feet and 2,743 feet as encountered in the Chevron
2 Taurus 89-21-81-03-1301 Well as indicated on the gamma ray density log of these wells
3 and all zones in communication therewith and all productive extensions thereof including
4 any coal seam stringer that might occur within a depth of either 80 feet above or 80 feet
5 below the Pottsville coal interval including those coal seams that can be correlated
6 therewith. Now, you recognize that as the definition of the unitized interval, do you not?

7 A. Yes I do.

8 Q. Your cross section on Exhibit 7 and the isopach on Exhibit 6 indicate that the area to be
9 added is underlain by that unitized formation. Is that correct?

10 A. That is correct.

11 Q. All right sir. Now, Section 9-17-85 of the Code of Alabama pertains to new or amending
12 orders for unit operations and in that Code section we are dealing with the allocation of
13 interest as the unit is enlarged. We are also stating that in order for this Board to approve
14 a unit enlargement that all the terms and provisions of the unitization agreement relating
15 to an extension or enlargement have been complied with and that we have 66 2/3 percent
16 of the royalty and working interest owners in the area to be added having approved that.
17 You stated that we have circulated and we expect to receive those ratifications but is it
18 also your testimony that all the terms of the unitization agreement relating to extension or
19 enlargement of the unit area are complied with or shall be complied with upon receipt of
20 those ratifications?

21 A. That is correct.

22 MR. WATSON: Mr. Rogers, I would ask that you receive into the record of this hearing
23 Exhibits 2 through 7 to the testimony of Mr. Hutchens as well as the previous documents that I
24 have asked to be incorporated.

25 MR. ROGERS: Those items are admitted into the record.

26 (Whereupon, the exhibits were received in
27 evidence; the type log from Docket No.
28 2-27-01-11 was incorporated by reference)

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1 Q. Will the approval of the enlargement of Unit VII fulfill all the terms of the unitization
2 agreement and will it promote orderly development and will it also address mine
3 requirements, mine safety requirements, and mine ventilation requirements?

4 A. Yes.

5 Q. In fact, that is what's driving this, to give Black Warrior Methane the flexibility to put the
6 number of wells in, the types of wells, into this area that we are adding both in this area
7 and the original unit area to comply with the mine's requirements. Is that correct?

8 A. That is correct.

9 Q. Waste will be prevented and correlative rights protected if the Board approves this
10 ratification?

11 A. Yes it will.

12 MR. WATSON: Having stated that we need to leave the record open, Mr. Rogers, we are
13 within a few days of having these back. In fact, we anticipated having them by Wednesday of
14 this week. That's kind of the word we have put out to the royalty and working interest owners.
15 We will try to have those ratifications in by Wednesday of this week. El Paso has agreed to send
16 theirs in. I have spoken with Gulf States, Libby Shaw, and she is having Gulf States sign. We
17 have talked to Bill Lawrence at U.S. Steel. They are in the transition of selling their land but
18 there is no problem. It's just that we'll hustle those in here for you. That's all I have. I tender
19 my witness for any questions you have.

20 MR. ROGERS: The problem that we get into, Tom, is that we don't want to leave the
21 record open indefinitely for those to come in. We would like to contact the Board to approve all
22 the items that the Hearing Officer has heard today on Wednesday.

23 MR. WATSON: I think we'll have our 66 2/3 by Wednesday.

24 MR. ROGERS: I guess it would be helpful to us if you could do it as early in the day as
25 possible because as the day passes we might not be able to get in touch with the Board members.

26 MR. WATSON: We will do that, Mr. Rogers. Failing that, then we would recommend
27 that you just continue this until the August meeting of the Board if you want to do that. We

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1 know we are going to have it within the week. We'll try to have everything here by Wednesday
2 morning.

3 MR. ROGERS: You feel rather certain that you will have the ratifications?

4 MR. WATSON: No one is opposed to this. It's just a matter of getting it in. Is that
5 correct, Mr. Hutchens?

6 MR. HUTCHENS: Yes sir.

7 MR. ROGERS: We will leave the record open then for those ratifications. At that time
8 we will make a recommendation to the Board.

9 MR. WATSON: All right sir. Thank you.

10 MR. ROGERS: The next item then is Item 20, Docket No. 7-12-04-7.

11 MR. TYRA: Mr. Rogers, before we go to that next item, on Docket No. 6-9-04-18 we
12 left the record open to determine the exact mineral acres and ownership. Mr. Beckett and I have
13 done some calculations in the hallway there and we would like to, while Mr. Beckett is under
14 oath, go ahead and put that in the record now.

15 MR. ROGERS: All right. That will be fine. Well hear from him on Item 13 concerning
16 the outstanding interest.

17 WILLIAM BECKETT

18 Appearing as a witness on behalf of Petitioner, S. Lavon Evans, Jr. Operating Company,
19 Inc., in Docket No. 6-9-04-18, testified as follows:

20 DIRECT EXAMINATION

21 MR. BECKETT: Yes sir. The outstanding interest, we have 42.58 net acres which is
22 13.405 percent of that unit.

23 MR. ROGERS: All right. Your order will reflect that, Mr. Tyra.

24 MR. TYRA: That's correct.

25 MR. ROGERS: Thank you. The next item then will be Item 20, Docket No. 7-12-04-7,
26 petition by Land and Natural Resource Development, Inc.

27 MR. TYRA: Mr. Rogers, I have one witness to be sworn in, please.

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

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1 MR. HIGGINBOTHAM: David Higginbotham, Tuscaloosa, Alabama.

2 (Witness was sworn by Mr. Rogers)

3 MR. TYRA: Mr. Rogers, this is a petition for an exceptional unit for a well to be drilled
4 in Pickens County, Alabama, the proposed Hill-Behan/Prater 31-2 well. Our 320-acre unit
5 proposed is the North Half of Section 31. I'm sorry, it's not an exceptional unit but an
6 exceptional location on the unit. The location will be 370 feet from the North line and 2,670 feet
7 from the East line of Section 31 which is an exception to the requirement that every well be at
8 least 660 feet. Also, as a part of our testimony we will be presenting a seismic line that we
9 would like to have kept in a confidential status at this time.

10 MR. ROGERS: What you need to do, Mr. Tyra, is to address in an affidavit that material
11 such as this is considered to be proprietary and confidential in the industry. You might get your
12 witness to state that.

13 MR. TYRA: Right. I will. Let me introduce the witness first, Mr. David Higginbotham.
14 Mr. Higginbotham, you have testified before this Board on many occasions, have you not?

15 MR. HIGGINBOTHAM: Yes I have.

16 MR. TYRA: The line that we were discussing is a line that is, in fact, normally
17 considered to be confidential in situations like this?

18 MR. HIGGINBOTHAM: Yes it is. This particular seismic line Land, Inc. purchased and
19 then had reprocessed. Part of the purchase agreement of any of these seismic lines is that you
20 don't give them out to other parties. So, you have got to sign a licensing agreement to say that
21 you are not going to be distributing the line.

22 MR. TYRA: So this is propriety information to be used by Land, Inc. Is that correct?

23 MR. HIGGINBOTHAM: That's correct.

24 MR. ROGERS: All right. We'll rule then that this exhibit is proprietary and confidential
25 and unavailable for public disclosure.

26 MR. TYRA: Thank you, Mr. Rogers.

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DAVID HIGGINBOTHAM

Appearing as a witness on behalf of Petitioner, Land and Natural Resource Development Inc., testified as follows:

DIRECT EXAMINATIONQuestions by Mr. Tyra:

Q. Mr. Higginbotham, are you familiar with the petition that we have filed in this matter?

A. Yes I am.

Q. Have you prepared and filed exhibits in support of that petition?

A. Yes I have.

Q. All right sir. Let's go to your first exhibit then, your structure line. Explain what that shows and explain why we want to drill at this location, please.

A. Okay. Exhibit A is a structure map and the companion shot is of the seismic line. I've got the original seismic line here if anybody wants to look at the whole thing. I've got it. I'll be referring to both of these as part of Exhibit A. Exhibit A is a seismic structure contour map on a seismic reflector that is slightly above the base of the Millerella limestone. This map is in time. The contour interval on this map is five milliseconds. The velocities in this area of Pickens County are approximately seven feet a millisecond. So, the contour interval on this map equates to approximately 35 feet. The scale of the map is 1-inch equals 1,000 feet. The proposed unit outline is in red. The proposed exceptional location is shown. It is 370 feet from the North line and 2,670 feet from the East line of Section 31. This structure map shows a prominent north-west striking down-to-the-northeast normal fault. This fault extends southeastward and is the trapping fault in Linebarger Creek Field discovered by Terra Resources in 1988. There are two wellbores on this map that show this fault. The first is the McDaniel 32-11. This cuts the fault 50 feet at a subsea depth of 2,801. It also cuts the fault at 93 feet at a subsea depth of 4,290. Further to the northwest is the Odom 31-8. This well cuts the fault 153 feet at a subsea depth of -4,579. The respective depths of both wells are illustrated by the 3-digit number located next to the well just on the other side of the fault. The McDaniel

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1 32-11 well has a time value of .752 milliseconds. The Odom 31-8 well has a time value
2 of .748 milliseconds. So, the Odom 31-8 well is approximately four milliseconds high to
3 the 32-11 well. This corresponds to all the different formations. The top of the
4 Mississippian all the way down to the Tusculumbia is around 35 feet, 28 to 30 and 35 feet
5 structurally high. This map is on a particular seismic reflector. What I would like to do
6 is to review the Odom 31-8 well history first. The Odom 31-8 well was spud November
7 6, 1985. It was logged November 24, 1985. They drill stem tested the Lewis sand and
8 they recovered drilling mud. They DST's the Carter sand and recovered gas cut drilling
9 mud. Then they plugged the well back in February of '86 and Browning and Welch went
10 back in that well later that year, re-entered it, and tested the Lewis sand. It produced 320
11 barrels of oil. They tested the Carter sand and it ended up testing wet with just a trace of
12 gas. It is our interpretation that this Odom 31-8 well is sitting on the edge of a gas field
13 and that by positioning a well at the absolute highest point on the structure then we can
14 get in the gas column and make a commercial well. Land, Inc. has purchased and
15 reprocessed several seismic lines in the area. The attached Seismic Line 123 illustrates
16 the highest point on the structure and on Seismic Line 123 it defines where the highest
17 point is and therefore the best geological location from which to recovery gas in the
18 Carter reservoir. It just so happens that that location is positioned on Shot Point 410.
19 Shot Point 410 happens to be an exception to the rules of 660-660. Shot Point 410 is
20 located 370 feet from the North line and 2,670 feet from the East line. What we are
21 asking to do is for permission to drill at that shot point which is an exceptional location.
22 This location according to our seismic interpretation from other wells in the area in
23 plugging everything in is that we ought to be approximately 22 milliseconds high to the
24 Odom well which tested wet in the Carter sand. In my opinion this exceptional
25 geological location on Shot Point 410 will best protect coequal and correlative rights,
26 prevent waste and eliminate the drilling of unnecessary wells.

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1 Q. So it is your testimony that this is the optimum geological location based upon trying to
2 get to the highest point on the structure and your interpretation of the seismic line and is
3 based upon this shot point itself. Is that correct?

4 A. That's correct. Also, I want to add that there are presently no producing wells in any
5 adjacent unit to the exceptional location.

6 MR. TYRA: I would tender Mr. Higginbotham for any questions but first I would like to
7 have this Exhibit A admitted into the record, please.

8 MR. ROGERS: Exhibit A is admitted.

9 (Whereupon, the exhibit was received in evidence)

10 MR. TYRA: I would tender Mr. Higginbotham for any questions that you may have.

11 DAVID HIGGINBOTHAM

12 EXAMINATION BY BOARD/STAFF

13 Questions by Mr. Hinkle:

14 Q. Mr. Higginbotham, on your Exhibit A you have a gas water contact here. I'm assuming
15 that you want this exceptional location so that you can get as far away from that gas
16 water contact as possible. Is that correct?

17 A. Yes sir.

18 Q. Okay.

19 A. And the--and the gas water contact, again, is interpretative. The--the Odom 31-8 well
20 looked encouraging on the logs. That's why they drill stem tested it. You know, they
21 didn't get hardly any gas out of it. It looked encouraging enough for Browning & Welch
22 to re-enter it and actually test it and they tested it wet. So, I mean, I think the Odom 31-8
23 well is real close and we just want to get as structurally high to it as we possibly can.

24 MR. HINKLE: Thank you.

25 DR. TEW: Mr. Tyra and Mr. Higginbotham, we're passing these back to you.

26 MR. ROGERS: All the exhibits are admitted, the structure map, the seismic, and the
27 letter from Mr. Higginbotham.

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1 (Whereupon, the exhibits were received in evidence)

2 MR. ROGERS: Anything else, Mr. Tyra?

3 MR. TYRA: That's all.

4 MR. ROGERS: Any other questions? The staff has no questions. We will review the
5 evidence and make a recommendation to the Board. The last item then is Item 21, Docket No. 7-
6 12-04-8, petition by Land and Natural Resource Development, Inc.

7 MR. TYRA: This is a petition to make permanent actually an emergency order that was
8 entered, Emergency Order 2004-65, on July 1, 2004. It is to allow us to re-enter the Cook Estate.
9 I'm sorry, we tried to re-enter the Cook Estate 27-12 well and were not able to get to the
10 potential productive interval, so it's a request to drill the Joe Cook 27-12 well which was at an
11 exceptional location. I would like to incorporate in the record all of the testimony and exhibits
12 present insofar as the emergency petition was concerned, please.

13 MR. ROGERS: The testimony and those exhibits are incorporated into this record.

14 (Whereupon, the exhibits and testimony from Docket No.
15 6-25-04-1A were incorporated by reference)

16 MR. TYRA: We will present this to you on the basis of that, although I do have Mr.
17 Higginbotham here if you have any questions concerning that matter.

18 MR. ROGERS: So all you are asking is just to make permanent that order?

19 MR. TYRA: That's correct.

20 DAVID HIGGINBOTHAM

21 EXAMINATION BY BOARD/STAFF

22 Questions by Mr. Rogers:

23 Q. Anything else you need to state about that, about the results of that well? Maybe we
24 ought to put that in the record.

25 A. The 27-12 well that we re-entered, when we re-entered it we found that what had been
26 recorded on the plugging report by the company that plugged it was that they had not--
27 they had not--they had not put an accurate plugging report in the record. So, when we re-
28 entered the well and went down to it, when we got down around 3,500 feet, we

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1 discovered that there was tubing there that had been left in the hole that had not been
2 reported to the state. So, we started drilling it and found that there was tubing there and
3 to continue to do that would have cost a whole lot of money and so we decided not to do
4 that. The decision was to take the money that was left and drill a new well at the
5 optimum geological location.

DIRECT EXAMINATION

Questions by Mr. Tyra:

8 Q. Mr. Higginbotham, we presented this on an emergency basis because of the availability
9 of the rig. If you will, advise the staff of what happened to the rig after we came forward
10 please.

11 A. The rig got stuck over in Mississippi. It was in a well in which, according to--somebody
12 else told me that the casing had collapsed, the casing had parted, and so the rig got stuck
13 in Mississippi. That's why the rig hasn't moved yet but supposedly it is moving in now.

14 Q. So we have everything ready for the rig and are anticipating the rig at any time. Is that
15 correct?

16 A. Yes, at any time.

17 Q. All right, sir.

18 MR. ROGERS: So the status of the well that was the subject of the emergency petition is
19 what right now?

20 MR. TYRA: We're waiting for the rig that we were told was available when we came
21 forward.

22 MR. ROGERS: Have you gotten a permit to drill another well? Is that it?

23 MR. TYRA: Yes sir.

24 MR. ROGERS: Anything else?

25 MR. TYRA: That's all.

26 MR. ROGERS: The staff will review the evidence and make a recommendation to the
27 Board. The hearing is adjourned.

28 (Whereupon, the hearing was adjourned at 11:12 a.m.)

REPORTER'S CERTIFICATE

STATE OF ALABAMA
COUNTY OF TUSCALOOSA

I, Rickey Estes, Hearing Reporter in and for the State of Alabama, do hereby certify that on Monday, July 12, 2004, in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, I reported the proceedings before a Hearing Officer; that the foregoing 43 typewritten pages contain a true and accurate verbatim transcription of said proceedings to the best of my ability, skill, knowledge, and belief.

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


Rickey Estes
Hearing Reporter