

February 11, 2005

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4-22-05
MSC

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Board Exhibit	Hearing Officer Report	18	18
Exhibit 1 (Item 25)	Structure map, Top of permeable upper stringer Lewis sand (David Higginbotham)	22	22
Exhibit 2 (Item 25)	Isopach map, Upper stringer Lewis sand (David Higginbotham)	22	22
Exhibit 3 (Item 25)	Cross section A-A', top Lewis limestone, Kennedy Field (David Higginbotham)	22	22
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Exhibit 5 (Item 25)	Form OGB-9, Carolyn Davis 15-3-1, Kennedy Field (David Higginbotham)	22	22
Exhibit 6 (Item 25)	Affidavit of notice (John Foster Tyra)	22	22
Exhibit 7 (Item 25)	1/25/05 letter to John Tyra (S. Marvin Rogers)	23	23
Exhibit 1 (Item 5)	Affidavit of testimony (Raymond E. Love)	24	24

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 2 (Item 5)	Affidavit of notice (William T. Watson)	23	24
Exhibit 3 (Item 5)	Letter consent, Dorroh Family Limited Partnership (Joel F. Dorroh)	24	24
Exhibit 4 (Item 5)	Letter of consent, Gulf States Paper Corp. (Bill Walker)	24	24
Exhibit 1 (Item 6)	Affidavit of testimony (Raymond E. Love)	25	25
Exhibit 2 (Item 6)	Affidavit of notice (William T. Watson)	25	25
Exhibit 3 (Item 6)	Letter of consent, (Thomas C. McMullen, Jr.)	25	25
Exhibit 4 (Item 6)	Letter of consent, (J. Carolyn Watkins)	25	25
Exhibit 5 (Item 6)	Letter of consent, (Doster L. McMullen)	25	25
Exhibit 6 (Item 6)	Letter of consent, (Anita R. Stringfellow)	25	25
Exhibit 7 (Item 6)	Letter of consent, (James W. Robertson)	25	25
Exhibit 8 (Item 6)	Letter of consent, (Carol C. Robertson, Executor John E. Robertson Estate)	25	25

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 8 (Item 6)	Letter of consent, (Carol C. Robertson, Executor, John E. Robertson Estate)	25	25
Exhibit 9 (Item 6)	Letter of consent, (Mary Estelle R. Brazeal)	25	25
Exhibit 1 (Item 7)	Affidavit of testimony (Raymond E. Love)	26	27
Exhibit 2 (Item 7)	Affidavit of notice (William T. Watson)	26	26
Exhibit 3 (Item 7)	Letter of consent, (Thomas C. McMullen, Jr.)	27	27
Exhibit 4 (Item 7)	Letter of consent, (Mary Estelle R. Brazeal)	27	27
Exhibit 5 (Item 7)	Letter of consent, (Carol C. Robertson, Executor, John E. Robertson Estate)	27	27
Exhibit 6 (Item 7)	Letter of consent, (James W. Robertson)	27	27
Exhibit 7 (Item 7)	Letter of consent, (J. Carolyn R. Watkins)	27	27
Exhibit 8 (Item 7)	Letter of consent, (Doster L. McMullen)	27	27
Exhibit 9 (Item 7)	Letter of consent, (Anita R. Stringfellow)	27	27

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 1 (Item 13)	Unit plat, partial field wide unit, Little Cedar Creek Field (Wayne Stafford)	34	35
Exhibit 2 (Item 13)	Upper Smackover hydrocarbon pore volume map, Little Cedar Creek Field (Wayne Stafford)	34	35
Exhibit 3 (Item 13)	Lower Smackover hydrocarbon pore volume map, Little Cedar Creek Field (Wayne Stafford)	34	35
Exhibit 4 (Item 13)	Tract participation formula, Phase I and Phase 2, Little Cedar Creek Field (Wayne Stafford)	34	35
Exhibit 5 (Item 13)	Table of well productivity test data , productivity tract factors Little Cedar Creek Field (Wayne Stafford)	34	35
Exhibit 6 (Item 13)	Calculation of the total tract factors, hydrocarbon pore volume tract factors and new tract factors, Little Cedar Creek Field (Wayne Stafford)	34	35

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 7 (Item 13)	Tract participation formula and description and tract participation of each tract Little Cedar Creek Field (Wayne Stafford)	34	35
Exhibit 8 (Item 13)	Tabulation of tract factors for Phase I and Phase II and revised tract factors for Tracts 32 and 35, Little Cedar Creek Field (Wayne Stafford)	34	35
Exhibit 9 (Item 13)	Affidavit of notice (William T. Watson)	27	28
Exhibit 1 (Item 14)	Base map of portion of Lower Mobile Bay area (Paul Nicholson)	46	46
Exhibit 2 (Item 14)	Well location map, North Central Gulf Field, Mobile area (Paul Nicholson)	46	46
Exhibit 3 (Item 14)	Top of porous Norphlet structure map, North Central Gulf Field (Paul Nicholson)	46	46
Exhibit 4 (Item 14)	Well log for the 114-4 well, North Central Gulf Field (Paul Nicholson)	46	46

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 5 (Item 14)	Well log for the 114-1 well, North Central Gulf Field (Paul Nicholson)	46	46
Exhibit 6 (Item 14)	Gross porous Norphlet isochore map, North Central Gulf Field (Paul Nicholson)	46	46
Exhibit 7 (Item 14)	Structure/gross isochore map, North Central Gulf Field (Paul Nicholson)	46	46
Exhibit 8 (Item 14)	3-D seismic cross section labeled X-Y-Z, North Central Gulf Field (Paul Nicholson)	46	46
Exhibit 9 (Item 14)	3-D seismic cross section X, Gulf Central Gulf Field (Paul Nicholson)	46	46
Exhibit 10 (Item 14)	2/4/05 letter to Board (James H. Griggs)	45	45
Exhibit 11 (Item 14)	Affidavit of notice (William T. Watson)	37	37
Exhibit 1 (Item 24)	Affidavit of notice (John Foster Tyra)	47	47

February 11, 2005

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 2 (Item 24)	12/13/04 letter to Chris Fling, Samson Resources with green card attached (Stephen Lewis)	47	47

February 11, 2005

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

February 11, 2005

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 15th day of February, 2005.

BEFORE

Mr. Gaines C. McCorquodale.....Chairman
Mr. M. Stephen DampierMember
Mrs. Rebecca Wright Pritchett.....Member

STAFF

Mr. Marvin Rogers.....Attorney
Dr. Berry H. (Nick) Tew.....Secretary and Supervisor
Mr. Jay H. MasingillAssistant Supervisor
Dr. David Bolin.....Assistant Supervisor
Mr. Richard Hamilton.....Engineer
Mr. Douglas HallGeologist

APPEARANCES

	NAME	REPRESENTING
1		
2		
3		
4		
5	1. Wayne Stafford	Midroc Operating Company
6	55-B Highway 46S	
7	Brandon, MS 39042	
8		
9	2. Luann Thomas	Independent
10	1653 Old Cahaba Cr.	
11	Helena, AL 35080	
12		
13	3. Carl Southern	Exxon Mobil Corporation
14	515 West Greens Road	
15	Houston, TX	
16		
17	4. Richard Davis	Robinson's Bend Operating Co.
18	600 Lurleen B. Wallace South	
19	Tuscaloosa, AL 35401	
20		
21	5. Paul Nicholson	Exxon Mobil Corporation
22	Kingswood Texas	
23		
24	6. John Tyra	Delphi Oil, Inc.
25	Tuscaloosa, AL	Local, Inc.
26		
27	7. Tom Watson	-----
28	Tuscaloosa, AL	
29		
30	8. David Higginbotham	Delphi Oil, Inc.
31	Tuscaloosa, AL	
32		
33	9. Mike Beirne	Chevron
34	1111 South Wilcrest	
35	Houston, TX 77099	
36		
37	10. Kyle Carlton	-----
38	321 18 th Street East	
39	Tuscaloosa, AL	

February 11, 2005

APPEARANCES

1
2
3
4
5
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7
8

NAME	REPRESENTING
11. Dennis Latham 3829 Lorna Road Suite 306 Birmingham, AL 35244	Coalbed Methane Assoc.

(The hearing was convened at 10:10 a.m. on Friday,
February 11, 2005, in Tuscaloosa, Alabama.)

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

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

AGENDA
STATE OIL AND GAS BOARD OF ALABAMA
FEBRUARY 9 & 11, 2005

The State Oil and Gas Board of Alabama will hold its regular monthly meeting at 10:00 a.m. on Wednesday, February 9, and Friday, February 11, 2005, in the Board Room of the State Oil and Gas Board, Walter B. Jones Hall, University of Alabama Campus, 420 Hackberry Lane, Tuscaloosa, Alabama, to consider among other items, the following petition(s):

1. DOCKET NO. 9-29-04-15

Continued petition by BLACK WARRIOR METHANE CORP., an Alabama corporation, requesting the State Oil and Gas Board to enter an order pursuant to Sections 9-17-1 through 9-17-33 and 9-17-80 through 9-17-88, *Code of Alabama* (1975) approving and establishing a partial field-wide unit, to be known as Unit VIII, consisting of the hereinafter described "Unit Area" in the Brookwood Coal Degasification Field, Tuscaloosa County, Alabama, and requiring the operating 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 590 feet and 2,250 feet as encountered in the Shook 19-01-281 Well, Permit No. 12084-C, located in Section 19, Township 19 South, Range 7 West, Tuscaloosa County, Alabama, as indicated on the density log of said well, and all zones in communication therewith and all productive extensions thereof, including any coal seam stringer that might occur within a depth of either 80 feet above or 80 feet below the Pottsville Coal Interval, and including those coal seams which can be correlated therewith. Petitioner further seeks approval of the Unit Agreement and Unit Operating Agreement, as ratified, in accordance with Section 9-17-84, Code of Alabama

1 (1975), and approval of the amendments to the Special Field Rules for the
2 Brookwood Coal Degasification Field in order to conform to the provisions of the
3 aforementioned Unit Agreement and Unit Operating Agreement.

4
5 Petitioner further seeks entry of an order unitizing, pooling and integrating the Unit
6 Area, as underlain by the above defined unitized formation so as to require all
7 owners or claimants of royalty, overriding royalty, mineral, and leasehold interests
8 within the Unit Area to unitize, pool and integrate their interests and develop their
9 lands or interests as a unit, and designating Black Warrior Methane Corp. as
10 operator of the Unit Area in accordance with the laws of Alabama. The proposed
11 Unit Area, to be designated Unit VIII, containing approximately 6,960 acres,
12 consists of the following described parcels in Tuscaloosa County, Alabama:

13
14 Township 19 South, Range 7 West

15 All of Sections 19, 20, 21, 29 and 30;

16 North Half, Southeast Quarter and North Half of Southwest Quarter of Section
17 28; and

18 Southwest Quarter of the Southeast Quarter of Section 18

19
20 Township 19 South, Range 8 West

21 South Half of the South Half, the North Half of the Southwest Quarter
22 and the Northwest Quarter of the Southeast Quarter of Section 13;

23 All of Sections 23, 24, 25 and 26; and

24 North Half of Section 35.

25
26 2. DOCKET NO. 11-03-04-3

27 Continued petition by BLACK WARRIOR METHANE CORP., an Alabama
28 corporation, requesting the State Oil and Gas Board to enter an order pursuant to
29 Sections 9-17-1 through 9-17-33 and 9-17-80 through 9-17-88, Code of Alabama
30 (1975) approving and establishing a partial field-wide unit, to be known as Unit IX,
31 consisting of the hereinafter described "Unit Area" in the Brookwood Coal
32 Degasification Field, Tuscaloosa County, Alabama, and requiring the operating of
33 said Unit Area as a single unit in order to avoid the drilling of unnecessary wells,
34 increase the efficiency of operations and improve the ultimate recovery of occluded
35 natural gas from the Unitized Formation, as hereinafter defined, and avoid waste.
36 The "Unitized Formation" is to be designated as the Pottsville Coal Interval and is
37 defined as the productive coal seams found between the depths of 312 feet and
38 2,017.5 feet as encountered in the Wesley West 29-11-157 Well, Permit No. 11231-
39 C, located in Section 29, Township 19 South, Range 8 West, Tuscaloosa County,
40 Alabama, as indicated on the density log of said well, and all zones in
41 communication therewith and all productive extensions thereof, including any coal

1 seam stringer that might occur within a depth of either 80 feet above or 80 feet
2 below the Pottsville Coal Interval, and including those coal seams which can be
3 correlated therewith. Petitioner further seeks approval of the Unit Agreement and
4 Unit Operating Agreement, as ratified, in accordance with Section 9-17-84, Code of
5 Alabama (1975), and approval of the amendments to the Special Field Rules for the
6 Brookwood Coal Degasification Field in order to conform to the provisions of the
7 aforementioned Unit Agreement and Unit Operating Agreement.

8
9 Petitioner further seeks entry of an order unitizing, pooling and integrating the Unit
10 Area, as underlain by the above defined unitized formation so as to require all
11 owners or claimants of royalty, overriding royalty, mineral, and leasehold interests
12 within the Unit Area to unitize, pool and integrate their interests and develop their
13 lands or interests as a unit, and designating Black Warrior Methane Corp. as
14 operator of the Unit Area in accordance with the laws of Alabama. The proposed
15 Unit Area, to be designated Unit IX, containing approximately 7,200 acres, consists
16 of the following described parcels in Tuscaloosa County, Alabama:

17
18 Township 19 South, Range 8 West

19 South Half of Section 15;

20 All of Sections 21, 29, 32;

21 Northwest Quarter of Section 22;

22 West Half and Northeast Quarter of Section 28; and

23 West Half and Southeast Quarter of Section 33

24
25 Township 20 South, Range 8 West

26 All of Sections 4, 5, 8, 9, 16 and 21.

27
28 3. DOCKET NO. 12-15-04-10

29 Continued petition by EL PASO PRODUCTION COMPANY, a foreign
30 corporation authorized to do and doing business in the State of Alabama,
31 requesting the State Oil & Gas Board of Alabama to enter an order force pooling,
32 with risk compensation, all tracts and interests in coalbed methane produced from
33 a well drilled to the Pottsville Formation on a unit consisting of approximately 80
34 acres located in the South Half of the Southwest Quarter of Section 17, Township
35 17 South, Range 8 West, Tuscaloosa County, Alabama, in the White Oak Creek
36 Coal Degasification Field. This petition is in accordance with Section 9-17-13,
37 ALABAMA CODE (1975), as amended, and Rules 400-7-1 and 400-7-2 of the State
38 Oil and Gas Board of Alabama Administrative Code.

1 4. DOCKET NO. 2-9-05-1

2 Petition by ROBINSON'S BEND OPERATING CO., LLC, a foreign limited
3 liability company, authorized to do and doing business in the State of Alabama,
4 requesting the State Oil and Gas Board to enter an order reforming the unit for the
5 Banks #7-16-304 Well, Permit No. 8549-C, from an 80-acre unit consisting of the
6 East Half of the Southeast Quarter of Section 7, Township 22 South, Range 11
7 West, Tuscaloosa County, Alabama in the Robinson's Bend Coal Degasification
8 Field to a 40-acre unit consisting of the Southeast Quarter of the Southeast
9 Quarter of said Section 7.

10
11 5. DOCKET NO. 2-9-05-2

12 Petition by ROBINSON'S BEND OPERATING CO., LLC, a foreign limited
13 liability company, authorized to do and doing business in the State of Alabama,
14 requesting the State Oil and Gas Board to enter an order reforming the unit for the
15 Ralph Dorroh #7-6-31 Well, Permit No. 7533-C, from an 80-acre unit consisting
16 of the South Half of the Northwest Quarter of Section 7, Township 22 South,
17 Range 11 West, Tuscaloosa County, Alabama in the Robinson's Bend Coal
18 Degasification Field to a 40-acre unit consisting of the Southeast Quarter of the
19 Northwest Quarter of said Section 7.

20
21 6. DOCKET NO. 2-9-05-3

22 Petition by ROBINSON'S BEND OPERATING CO., LLC, a foreign limited
23 liability company, authorized to do and doing business in the State of Alabama,
24 requesting the State Oil and Gas Board to enter an order reforming the unit for the
25 Robertson #1-2-370 Well, Permit No. 9219-C, from an 80-acre unit consisting of
26 the North Half of the Northeast Quarter of Section 1, Township 22 South, Range
27 12 West, Tuscaloosa County, Alabama in the Robinson's Bend Coal
28 Degasification Field to a 40-acre unit consisting of the Northwest Quarter of the
29 Northeast Quarter of said Section 1.

30
31 7. DOCKET NO. 2-9-05-4

32 Petition by ROBINSON'S BEND OPERATING CO., LLC, a foreign limited
33 liability company, authorized to do and doing business in the State of Alabama,
34 requesting the State Oil and Gas Board to enter an order reforming the unit for the
35 Robertson 36-16-399 Well, Permit No. 9315-C, from an 80-acre unit consisting of
36 the East Half of the Southeast Quarter of Section 36, Township 21 South, Range
37 12 West, Tuscaloosa County, Alabama in the Robinson's Bend Coal
38 Degasification Field to a 40-acre unit consisting of the Southeast Quarter of the
39 Southeast Quarter of said Section 36.

1 8. DOCKET NO. 2-9-05-5

2 Petition by ROBINSON'S BEND OPERATING CO., LLC, a foreign limited
3 liability company, authorized to do and doing business in the State of Alabama,
4 requesting the State Oil and Gas Board to enter an order reforming the unit for the
5 West #31-6-4 Well, Permit No. 7318-C, from an 80-acre unit consisting of the
6 East Half of the Northwest Quarter of Section 31, Township 21 South, Range 11
7 West, Tuscaloosa County, Alabama in the Robinson's Bend Coal Degasification
8 Field to a 40-acre unit consisting of the Southeast Quarter of the Northwest
9 Quarter of said Section 31.

10
11 9. DOCKET NO. 2-9-05-6

12 Petition by ROBINSON'S BEND OPERATING CO., LLC, a foreign limited
13 liability company, authorized to do and doing business in the State of Alabama,
14 requesting the State Oil and Gas Board to enter an order reforming the unit for the
15 Ralph Dorroh #32-6-76 Well, Permit No. 7840-C, from an 80-acre unit consisting
16 of the East Half of the Northwest Quarter of Section 32, Township 21 South,
17 Range 11 West, Tuscaloosa County, Alabama in the Robinson's Bend Coal
18 Degasification Field to a 40-acre unit consisting of the Southeast Quarter of the
19 Northwest Quarter of said Section 32.

20
21 10. DOCKET NO. 2-9-05-7

22 Petition by ROBINSON'S BEND OPERATING CO., LLC, a foreign limited
23 liability company, authorized to do and doing business in the State of Alabama,
24 requesting the State Oil and Gas Board to enter an order reforming the unit for the
25 ADMH #24-4-386 Well, Permit No. 9226-C, from an 80-acre unit consisting of
26 the North Half of the Northwest Quarter of Section 24, Township 21 South,
27 Range 11 West, Tuscaloosa County, Alabama in the Robinson's Bend Coal
28 Degasification Field to a 40-acre unit consisting of the Northwest Quarter of the
29 Northwest Quarter of said Section 24.

30
31 11. DOCKET NO. 2-9-05-8

32 Petition by ROBINSON'S BEND OPERATING CO., LLC, a foreign limited
33 liability company, authorized to do and doing business in the State of Alabama,
34 requesting the State Oil and Gas Board to enter an order reforming the unit for the
35 Tierce #24-1-231 Well, Permit No. 8575-C, from an 80-acre unit consisting of the
36 North Half of the Northeast Quarter of Section 24, Township 21 South, Range 12
37 West, Tuscaloosa County, Alabama in the Robinson's Bend Coal Degasification
38 Field to a 40-acre unit consisting of the Northeast Quarter of the Northeast
39 Quarter of said Section 24.

12. DOCKET NO. 2-9-05-9

Petition by ROBINSON'S BEND OPERATING CO., LLC, a foreign 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 reforming the unit for the ADMH 30-7-316 Well, Permit No. 8837-C, from an 80-acre unit consisting of the South Half of the Northeast Quarter of Section 30, Township 21 South, Range 11 West, Tuscaloosa County, Alabama in the Robinson's Bend Coal Degasification Field to a 40-acre unit consisting of the Southwest Quarter of the Northeast Quarter of said Section 30.

13. DOCKET NO. 2-9-05-10

Petition by MIDROC OPERATING 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 finding that the contribution of the separately owned Tracts in the Little Cedar Creek Oil Unit have been shown to be erroneous by subsequently discovered data from the completion and testing of the Tisdale 14-16 Well, Permit No. 13670, with a surface location in Section 14, Township 4 North, Range 12 East, Conecuh County, Alabama and the Findley 23-3 Well, Permit No. 13697, with a surface location in Section 23, Township 4 North, Range 12 East, Conecuh County, Alabama, in the Little Cedar Creek Field. The Unit Operator has calculated the new Tract participation factors to reflect the altered Tract contribution and requests the Board to approve the revised Tract participation factors of each Tract in the Little Cedar Creek Oil Unit in Conecuh County, Alabama.

The redetermination of Unit Tract participation factors for the Little Cedar Creek Oil Unit, Conecuh County, Alabama, is in accordance with the provisions of the Unit Agreement and Section 9-17-86 of the Code of Alabama (1975).

14. DOCKET NO. 2-9-05-11

Petition by EXXON MOBIL CORPORATION, a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving an exceptional location for Petitioner's Tract 114 (Norphlet) Unit, Well No. 5, to be directionally drilled on said Unit from a surface location 5,391 feet from the North line and 5,105 feet from the West line of Tract 114 to intercept the Norphlet Formation no closer than 300 feet from the North line and approximately 7,500 feet from the East line of said Tract 114. The proposed surface location and bottom hole location are in Baldwin County, Alabama. Said location is an exception to Rule 15 of the Special Field Rules for the North Central Gulf Field-Mobile Area, Mobile and Baldwin Counties, Alabama, which requires that any well directionally drilled as a producing well shall have its bottom hole location of entry into the Unitized Formation located at a point no closer than 500

1 feet from the State/Federal boundary and no closer than 1,320 feet from all other
2 exterior boundaries of the Unit. This would be an exception to Rule 15 because the
3 proposed bottom hole is only 394 feet from the North line of the Tract 114
4 (Norphlet) Unit.
5

6 15. DOCKET NO. 2-9-05-12

7 Petition by ROBINSON'S BEND OPERATING CO., LLC, a foreign limited
8 liability company, authorized to do and doing business in the State of Alabama,
9 requesting the State Oil and Gas Board to enter an order reforming the unit for the
10 ADMH #30-2-315 Well, Permit No.8828-C, from an 80-acre unit consisting of
11 the North Half of the Northeast Quarter of Section 30, Township 21 South, Range
12 11 West, Tuscaloosa County, Alabama in the Robinson's Bend Coal
13 Degasification Field to a 40-acre unit consisting of the Northwest Quarter of the
14 Northeast Quarter of said Section 30.
15

16 16. DOCKET NO. 2-9-05-13

17 Petition by CHEVRON U.S.A. INC., a foreign corporation authorized to do and
18 doing business in the State of Alabama requesting the State Oil and Gas Board to
19 enter an order reforming the unit for the Chevron-North River 21-14-206 Well,
20 Permit No. 9421-C, from an 80-acre unit consisting of the East Half of the
21 Southwest Quarter of Section 21, Township 17 South, Range 9 West, Tuscaloosa
22 County, Alabama in the Blue Creek Coal Degasification Field, to a 40-acre unit
23 consisting of the Southeast Quarter of the Southwest Quarter of said Section 21.
24 Although Petitioner requests the Board to eliminate certain lands from the present
25 spacing unit, Petitioner proposes to drill another coalbed methane well in the
26 lands proposed to be eliminated.
27

28 The public is further advised that, pursuant to this hearing, the applicable
29 provisions of the Code of Alabama (1975), and the State Oil and Gas Board of
30 Alabama Administrative Code, the Board will enter such Order or Orders as in its
31 judgment may be necessary in accordance with the evidence submitted and
32 accepted.
33

34 17. DOCKET NO. 2-9-05-14

35 Petition by CHEVRON U.S.A., INC., a foreign corporation, authorized to do and
36 doing business in the State of Alabama, requesting the State Oil and Gas Board to
37 enter an order force pooling, with a risk compensation penalty, all tracts and
38 interests in hydrocarbons produced from the Pottsville Coal Interval in a 40-acre
39 unit, consisting of the Northwest Quarter of Southeast Quarter of Section 13,
40 Township 18 South, Range 10 West, in the Blue Creek Coal Degasification Field,

1 Tuscaloosa County, Alabama for its proposed Chevron-Christian No. 13-10-431
2 Well.

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

7
8 18. DOCKET NO. 2-9-05-15

9 Petition by CHEVRON U.S.A., INC., a foreign corporation, authorized to do and
10 doing business in the State of Alabama, requesting the State Oil and Gas Board to
11 enter an order force pooling, with a risk compensation penalty, all tracts and
12 interests in hydrocarbons produced from the Pottsville Coal Interval in a 40-acre
13 unit, consisting of the Southeast Quarter of Southwest Quarter of Section 12,
14 Township 18 South, Range 10 West, in the Blue Creek Coal Degasification Field,
15 Tuscaloosa County, Alabama for its proposed Chevron-Christian No. 12-14-430
16 Well.

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

21
22 19. DOCKET NO. 2-9-05-16

23 Petition by CHEVRON U.S.A. INC., a foreign corporation authorized to do and
24 doing business in the State of Alabama requesting the State Oil and Gas Board to
25 enter an order reforming the unit for the Chevron-North River 21-10-204 Well,
26 Permit No. 9448-C, from an 80-acre unit consisting of the Southwest Quarter of
27 the Northeast Quarter and the Northwest Quarter of the Southeast Quarter of
28 Section 21, Township 17 South, Range 9 West, Tuscaloosa County, Alabama in
29 the Blue Creek Coal Degasification Field, to a 40-acre unit consisting of the
30 Southwest Quarter of the Northeast Quarter of said Section 21. Although
31 Petitioner requests the Board to eliminate certain lands from the present spacing
32 unit, Petitioner proposes to drill another coalbed methane well in the lands
33 proposed to be eliminated.

34
35 This Petition is filed as a companion to a Petition bearing Docket No. 2-9-05-17
36 requesting the approval of the resulting exceptional location of the Chevron-North
37 River 21-10-204 Well on the proposed 40 acre unit.

38
39 The public is further advised that, pursuant to this hearing, the applicable
40 provisions of the Code of Alabama (1975), and the State Oil and Gas Board of
41 Alabama Administrative Code, the Board will enter such Order or Orders as in its

1 judgment may be necessary in accordance with the evidence submitted and
2 accepted.

3
4 20. DOCKET NO. 2-9-05-17

5 Petition by CHEVRON U.S.A., INC., a foreign corporation, authorized to do and
6 doing business in the State of Alabama, requesting the State Oil and Gas Board to
7 enter an order approving the exceptional location of the Chevron-North River 21-
8 10-204 Well, Permit No. 9448-C pending the Board's approval of Chevron's
9 request to reform the unit for said well from an 80-acre unit consisting of the
10 Southwest Quarter of the Northeast Quarter and the Northwest Quarter of the
11 Southeast Quarter of Section 21, Township 17 South, Range 9 West, Tuscaloosa
12 County, Alabama, in the Blue Creek Coal Degasification Field to a 40-acre unit
13 consisting of the Southwest Quarter of the Northeast Quarter of said Section 21.
14 The location of said well was regular in the original 80-acre unit, but under the
15 proposed unit reformation, it will be an exception to Rule 4.B. of the Special Field
16 Rules for the Blue Creek Coal Degasification Field, which requires that all wells
17 be at least 150 feet from every exterior boundary of the unit. Said well will be at
18 a location closer than the 150-foot set back requirement but no closer than 50 feet
19 from the south line of the reformed unit.

20
21 This Petition is filed as a companion to a petition bearing Docket No. 2-9-05-16
22 requesting the reformation of the 80-acre unit for the Chevron-North River 21-10-
23 204 Well to a 40-acre unit.

24
25 The public is further advised that, pursuant to this hearing, the applicable
26 provisions of the Code of Alabama (1975), and the State Oil and Gas Board of
27 Alabama Administrative Code, the Board will enter such Order or Orders as in its
28 judgment may be necessary in accordance with the evidence submitted and
29 accepted.

30
31 21. DOCKET NO. 2-9-05-18

32 Petition by CDX GAS, L.L.C., a Texas limited liability company, authorized to do
33 and doing business in the State of Alabama, requesting the State Oil and Gas Board
34 to enter an order, pursuant to Section 9-17-1, et seq., ALABAMA CODE and Rule
35 400-1-4-.17 of the State Oil and Gas Board of Alabama Administrative Code, to
36 enter an order designating the U.S. Steel Corporation 29-01-09 Well, Permit No.
37 12791, located on a 40-acre unit consisting of the Northeast Quarter of the
38 Northeast Quarter of Section 29, Township 18 South, Range 5 West, Jefferson
39 County, Alabama, as temporarily abandoned.

22. DOCKET NO. 2-9-05-19

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 and Tuscaloosa Counties, 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 206 feet and 446 feet as encountered in the U.S. Pipe & Foundry Company Gob Vent Hole 11-2-1 located 1070 feet FNL and 1798 feet FEL of Section 11, Township 19 South, Range 6 West, Jefferson County, Alabama as indicated on the density log for the said well and between the depths of 171.73 feet and 1846.50 feet below ground surface of U.S. Steel Core Hole No. C-3, located 763 feet FWL and 712 feet FSL of Section 18, Township 18 South, Range 5 West, Jefferson County, Alabama as indicated on the density log for the said well and between the depths of 466 feet and 2823 feet below ground surface of CDX Gas U.S. Steel 32-15-8 Well, Permit No. 12658-C, located 1672 feet FEL and 1107 feet FSL of Section 32, Township 18 South, Range 5 West, 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 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 640 acres, more or less, as described as follows:

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

3
4 Section 29, Township 19 South, Range 5 West

5 The entire section

6
7 23. DOCKET NO. 2-9-05-20

8 Petition by CDX GAS, L.L.C., a Texas limited liability company, authorized to do
9 and doing business in the State of Alabama, requesting the State Oil and Gas Board
10 to enter an order pursuant to Section 9-17-1 through 9-17-33 and 9-17-80 through 9-
11 17-88, Code of Alabama (1975) approving and establishing a partial field-wide Unit,
12 to be known as Unit I of the Gurnee Coal Degasification Field, Shelby and Bibb
13 Counties, Alabama consisting of the hereinafter described "Unit Area" in said field,
14 and requiring the operation of said Unit Area as a single Unit in order to avoid the
15 drilling of unnecessary wells, increase the efficiency of operations and improve the
16 ultimate recovery of occluded natural gas from the Unitized Formation, as
17 hereinafter defined, and avoid waste. The "Unitized Formation" is to be designated
18 as the Pottsville Coal Interval and is defined as the productive coal seams found
19 between the depths of 430 feet and 3,690 feet as encountered in the in the Kimberly
20 Clark Segco 29-4-111 Well, Permit #6709-C, located in Section 29 South, Township
21 21 South, Range 3 West, Shelby County, Alabama as indicated on the density log
22 for the said well and between 1,740 feet and 3,940 feet as encountered in the USX
23 28-12-73 Well, Permit # 6655-C, located in Section 28, Township 21 South,
24 Range 4 West, Shelby County, Alabama as indicated on the density log for the
25 said well, and all zones in communication therewith and all productive extensions
26 thereof, including any coal seam stringer that might occur within a depth of either 80
27 feet above or 80 feet below the Pottsville Coal Interval, and including those coal
28 seams which can be correlated therewith. Petitioner further seeks approval of the
29 Unit Agreement and Unit Operating Agreement, in accordance with Section 9-17-
30 84, Code of Alabama (1975), and approval of the amendments to the Special Field
31 Rules for the Gurnee Coal Degasification Field in order to conform to the provisions
32 of the aforementioned Unit Agreement and Unit Operating Agreement.

33
34 Petition further seeks entry of an order unitizing, pooling and integrating the Unit
35 Area, as underlain by the above defined unitized formation so as to require all
36 owners or claimants of royalty, overriding royalty, mineral and leasehold interests
37 within the Unit Area to unitize, pool and integrate their interests and develop their
38 lands or interests as a Unit, and designating CDX Gas, L.L.C. as operator of the Unit
39 Area in accordance with the laws of Alabama. The proposed Unit Area, to be
40 designated Unit I, consisting of 640 acres, more or less, as described as follows:

1 The following lands lying and being in Shelby County, Alabama in the Gurnee Coal
2 Degasification Field:

3
4 Section 16, Township 22 South, Range 4 West
5 Entire Section
6

7 24. DOCKET NO. 2-9-05-21

8 Petition by LOCAL, INC., a foreign corporation authorized to do and doing
9 business in the State of Alabama, requesting the State Oil and Gas Board to enter
10 an order force pooling, with a risk compensation penalty, all tracts and interests in
11 hydrocarbons produced from Cambrian, Ordovician, Silurian, Devonian,
12 Mississippian and Pennsylvanian aged formations within a 40-acre wildcat drilling
13 unit for the Delaney 21-1 No. 1 Well consisting of the Northeast Quarter of the
14 Northeast Quarter of Section 21, Township 12 South, Range 15 West, Lamar
15 County, Alabama.

16
17 This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as
18 amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama
19 Administrative Code.

20
21 25. DOCKET NO. 2-9-05-22

22 Petition by DELPHI OIL, INC., a foreign corporation authorized to do and doing
23 business in the State of Alabama, requesting the State Oil and Gas Board to enter
24 an order establishing an exceptional production unit for the Carolyn P. Davis 15-3
25 #1 Well, Permit No. 4377-A, said production unit to consist of the Northwest
26 Quarter of Section 15 and the Southwest Quarter of Section 10, Township 17
27 South, Range 14 West, Lamar County, Alabama, in the Kennedy Field. By Board
28 Order 2004-132, issued on November 5, 2004, the Board approved the above-
29 described 320-acre drilling unit for said well and required Petitioner to request a
30 permanent production unit should the well prove productive. The proposed non-
31 governmental unit is an exception to Rule 3 of the Special Field Rules for the
32 Kennedy Field which provides for units consisting of governmental half-sections.

33
34 26. DOCKET NO. 2-9-05-23

35 Petition by BAY GAS STORAGE COMPANY, LTD. ("Petitioner"), an Alabama
36 limited partnership whose general partner is MGS Storage Services, Inc., an
37 Alabama corporation, requesting that the State Oil and Gas Board of Alabama
38 ("Board") enter an order: approving the underground storage of gas by Petitioner
39 in a proposed cavity to be created in a salt dome, said cavity and related
40 equipment to be located in the N 1/2 of the NW 1/4 of Section 29, T3N, R1E,
41 Washington County, Alabama; designating the horizontal and vertical boundaries

of the "Bay Gas Salt Dome Gas Storage Facility #3 at McIntosh" (or such other name as may be deemed appropriate by the Board) including a buffer zone which will extend into the SW 1/4 of Section 37, T4N, R1E and the NW 1/4 of Section 29, T3N, R1E, Washington County, Alabama; promulgating Special Gas Storage Rules for said facility and the operation thereof; and designating Petitioner as the storage operator for said facility thereby authorizing Petitioner to exercise the rights and authorities of such operator including operating rights and condemnation authority, all as authorized by and in accordance with the provisions of Ala. Code Sections 9-17-150 et seq. (and in particular Section 9-17-152) and State Oil and Gas Board of Alabama Administrative Code Rules 400-6-1 et seq. The public is invited to attend this meeting and to present to the Board their position concerning these matters.

27. DOCKET NO. 2-9-05-24

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 amending Rules 1, 2, 3 and 4 of the Special Field Rules for Wiley Dome Field, Tuscaloosa County, Alabama, to: (1) add Sections 25, 26, 27, 28 and 33, Township 17 South, Range 9 West; Sections 4, 9, 13, 14, 15 and 16, Township 18 South, Range 9 West; Sections 30 and 31, Township 17 South, Range 8 West; and Sections 6, 7 and 18, Township 18 South, Range 8 West, all in Tuscaloosa County, Alabama, to the field limits of said field; (2) add the Ordovician Gas Pool, as being those strata productive of hydrocarbons as encountered in the Alawest 34-13 No. 1 Well, Permit No. 13311, in the interval between 4,930 feet to 7,926 feet as indicated on the electric log of said well; and (3) revise spacing rules so that wells are required to be located at least 330 feet from every exterior boundary of the unit instead of 660 feet and at least 1,320 feet from any other drilling or completed gas well producing from the same gas pool instead of 2,000 feet. Petitioner also proposes to revise the drilling and completion requirements to allow open hole completions and to conform to the statewide rule concerning setting of surface casing.

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

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

1 right-of-way adjoining the lands of Lois Ezell. Pruet Production Company
2 operates a natural gas pipeline and a salt-water pipeline on the pipeline right-of-
3 way adjoining the lands of Lois Ezell. The jurisdiction and authority of the Board
4 is set forth in Section 9-17-1 et seq. of the Code of Alabama (1975), as amended.
5

6 29. DOCKET NO. 12-15-04-13

7 Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA
8 to amend Rules 400-1-4-.03, 400-2-4-.03, and 400-3-4-.03 (Well Record); Rules
9 400-1-4-.04, 400-2-4-.04, and 400-3-4-.04 (Directional Surveys); and Rules 400-
10 1-6-.06, 400-2-6-.06, 400-3-6-.05 (Recompletion or Reworking) to change the
11 filing requirements of said rules. Said rules presently require two (2) copies of all
12 well logs, directional surveys, and drill stem tests be filed with the Board, and the
13 proposed rule change would require that only one (1) copy of the information be
14 filed.
15

16 30. DOCKET NO. 12-15-04-14

17 Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA
18 to amend Rules 400-1-2-.05, 400-2-2-.05, and 400-3-2-.05 of the State Oil and
19 Gas Board of Alabama Administrative Code relating to Change of Operator to
20 change the notification and filing requirements of said rules and to clarify the
21 current operator's responsibilities prior to the Supervisor's approval of the
22 proposed new operator.
23

24 31. DOCKET NO. 12-15-04-15

25 Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA
26 to amend Rule 400-1-4-.13 of the State Oil and Gas Board of Alabama
27 Administrative Code relating to Blow-Out Prevention for onshore wells to specify
28 the installation, testing and recordkeeping requirements of blow-out prevention
29 equipment associated with drilling, completion, and workover operations.
30

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

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. McCorquodale, Mr. Dampier and Mrs. Pritchett, I have a written
5 report of the items heard by the Hearing Officer and the staff on Wednesday, February 9, 2005.
6 Copies of the report are available for members of the public to review and study. I recommend
7 that the report be adopted by the Board.

8 MR. DAMPIER: Move.

9 MRS. PRITCHETT: Second.

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

11 (All Board members voted "aye")

12 CHMN. MCCORQUODALE: "Ayes" have it.

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

14 CHMN. MCCORQUODALE: That request is granted.

15 (Whereupon, the report was received in evidence)

16 DR. TEW: Mr. Chairman, the staff would recommend approval of the minutes of the
17 following meetings: December 3, 2004, Special Board meeting; December 15, 2004, Hearing
18 Officer meeting; December 17, 2004, Board meeting, and January 14, 2005, Special Hearing
19 Officer meeting.

20 MRS. PRITCHETT: So move.

21 MR. DAMPIER: Second.

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

23 (All Board members voted "aye")

24 CHMN. MCCORQUODALE: "Ayes" have it.

25 MR. ROGERS: Mr. Chairman and members of the Board, the following items are set for
26 hearing today: Item 5, Docket No. 2-9-05-2, petition by Robinson's Bend Operating Company,
27 LLC; Item 6, Docket No. 2-9-05-3, petition by Robinson's Bend; Item 7, Docket No. 2-9-05-4,
28 petition by Robinson's Bend; Item 13, Docket No. 2-9-05-10, petition by Midroc Operating

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1 Company; Item 14, Docket No. 2-9-05-11, petition by Exxon Mobil Corporation; Item 24,
2 Docket No. 2-9-05-21, petition by Local, Inc., and Item 25, Docket No. 2-9-05-22A, petition by
3 Delphi Oil, Inc.

4 CHMN. MCCORQUODALE: Mr. Rogers, there has been a request made to the Chair
5 that Item 25, the petition by Delphi, be heard first. I understand it will not be a lengthy item. Is
6 there any objection? Do I hear any objection to hearing Item 25 at the top of the docket?
7 Hearing none, let's call Item 25.

8 MR. ROGERS: Item 25, Docket No. 2-9-05-22A, petition by Delphi Oil, Inc.

9 MR. TYRA: Mr. McCorquodale, I have one witness to be sworn in, please.

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

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

12 (Witness was sworn by Mr. Rogers)

13 MR. TYRA: I'm John Tyra here on behalf of Delphi Oil, Inc. for Docket No. 2-9-05-
14 22A. This is a request to establish an exceptional production unit for the Carolyn P. Davis 15-3
15 well on a unit consisting of the Northwest Quarter of Section 15 and the Southwest Quarter of
16 Section 10, Township 17 South, Range 14 West, Lamar County, Alabama, in the Kennedy Field.
17 Let me first thank you for allowing us to go before our allotted time. We first presented this
18 matter to the Board on an emergency basis and received an emergency order, E-2004-127, on
19 October 1, 2004. In November we came before the Board again and asked to make the
20 emergency order permanent. We gave notice to all the parties involved as well as those who
21 would have been in the regular standup unit in Section 15 at that time and received an order on
22 November 5, 2004, Order No. 2004-132, making the exceptional order permanent. We said at
23 that time that in the event that this was a productive unit that we would come back and ask for an
24 exceptional productive unit because the earlier units were approved as drilling units. As it turns
25 out, it is productive and that is why we are back today. Mr. Higginbotham, you have previously
26 testified before this Board both as to the emergency matter and the Order of November 5, 2004,
27 as well as other matters, have you not?

28 MR. HIGGINBOTHAM: Yes I have.

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1 MR. TYRA: Your testimony has been accepted as that of an expert petroleum geologist.
2 Is that true?

3 MR. HIGGINBOTHAM: Yes.

4 MR. TYRA: Your qualifications are still on file with the Board. Is that correct?

5 MR. HIGGINBOTHAM: Yes sir.

6 MR. TYRA: Mr. McCorquodale, I ask that Mr. Higginbotham be recognized as an
7 expert.

8 CHMN. MCCORQODALE: He is so recognized.

9 DAVID HIGGINBOTHAM

10 Appearing as a witness on behalf of Petitioner, Delphi Oil, Inc., testified as follows:

11 DIRECT EXAMINATION

12 Questions by Mr. Tyra:

13 Q. You are familiar with the petition that we have filed to ask for this permanent drilling
14 unit, are you not?

15 A. Yes sir.

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

17 A. Yes I have.

18 Q. If you would, briefly go through those exhibits starting with Exhibit No. 1.

19 A. Exhibit No. 1 is a structure contour map on top of the permeable upper stringer in the
20 Lewis Sand Gas Pool. The contour interval is five feet and the scale is 1-inch equals
21 1,000 feet. This map illustrates that the Davis 15-3 well is at one of the structurally
22 highest points in the Kennedy Field area for the upper stringer of the Lewis Sand Gas
23 Pool.

24 Q. All right sir. What is your next exhibit?

25 A. Exhibit No. 2 is a net pay isopach map of the upper stringer Lewis Sand Gas Pool. The
26 net pay isopach map illustrates that the Davis 15-3 well has five feet of net permeable
27 upper stringer Lewis gas sand. To the south and the southwest quarter of Section 15 the
28 Betsy McAdams 15-13, Permit No. 11385, produced approximately 59 million cubic feet

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1 of gas from a different stringer called the Lower Lewis sand. This well was plugged and
2 abandoned in 1999. There are two other dry holes shown on the map in the North Half of
3 Section 15, the Plyler 15-2 and the Davis 15-10.

4 Q. Let me ask you a question about this. I am seeing on this exhibit one, two, three, four,
5 five, six, seven wells that surround the proposed productive unit. All those are
6 nonproductive at this time, is that correct?

7 A. That's correct. All seven wells around the Davis well have been plugged and abandoned
8 and have been plugged for several years.

9 Q. None of these wells encountered the upper stringer of the Lewis sand. Is that correct?

10 A. That's correct.

11 Q. All right. So, what you are saying then is that the well that we have drilled now in the
12 upper stringer of the Lewis sand is a virgin part of that sand?

13 A. That's correct. It is a virgin zone.

14 Q. All right, go to your Exhibit 3.

15 A. Exhibit No. 3 is a stratigraphic cross section on top of the Lewis limestone in the
16 Kennedy Field area. It illustrates on a cross section what is seen on the Exhibit No. 2
17 isopach map. In the center of the cross section the Carolyn Davis 15-3 well illustrates
18 that the Upper Lewis stringer is only present in the Davis 15-3 well. It is not present in
19 either direction.

20 Q. So I jumped the gun by asking that question a minute ago. Your next exhibit, please.

21 A. Exhibit No. 4 is stratigraphic cross section B-B' on top of the Lewis Limestone. This
22 cross section goes perpendicular to the last cross section. Again, it shows the same thing
23 but in a different direction. It shows that the Carolyn Davis 15-3 well has the Upper
24 Lewis sand stringer and the two wells on either side of it do not.

25 Q. Those A-A' lines and B-B' lines are also shown on your Exhibit 2.

26 A. That's correct.

27 Q. All right, your final exhibit.

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1 A. Exhibit No. 5 is an OGB-9 which illustrates the test data on the Delphi Davis 15-3 well.
2 Most importantly the Delphi Davis tested a pressure of 1,185 pounds.

3 Q. What does that tell you?

4 A. That tells you that it's a virgin reservoir. The 1,185 shut-in pressure was approximately
5 twelve to fourteen hours. I'm sorry, the 1,185 was a 24-hour shut-in pressure. The OGB-
6 9 illustrates that the Delphi Davis tested 135 Mcf/d on 1/4 choke with 85 pounds flowing
7 tubing pressure.

8 Q. In your opinion would the granting of this petition prevent "waste" as defined by the laws
9 and statutes of the State of Alabama and the Administrative Code of this Board?

10 A. Yes it would.

11 Q. Would it also protect correlative rights in your opinion?

12 A. Yes it would.

13 MR. TYRA: I would ask that the affidavit of notice be admitted as well as the exhibits
14 and testimony of Mr. Higginbotham.

15 CHMN. MCCORQUODALE: They are all admitted.

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

17 MR. TYRA: I would tender Mr. Higginbotham to the Board and staff for any questions
18 that you may have.

19 CHMN. MCCORQUODALE: Are there questions?

20 DAVID HIGGINBOTHAM

21 EXAMINATION BY BOARD/STAFF

22 Questions by Dr. Tew:

23 Q. Mr. Higginbotham, on your Exhibit No. 2, your isopach map, the configuration of your
24 sand body, it looks like you have gotten some guidance in your mapping there from the
25 Duncan 10-6 well to the north, indicating on your exhibit that there is some microlog
26 separation in that well. Could you discuss that, please?

27 A. Actually the Duncan 10-6 shows the gross interval, shows that the Upper Lewis sand gas
28 interval is present but it doesn't have any first quadrant microlog separation which we are

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1 using to define net pay. It does have a trace of microlog separation in what we call the
2 second quadrant. The point of the Duncan 10-6 well is indicating that the remnant--it is
3 not productive in the Duncan 10-6 but geologically you look at the remnant. It is
4 indicating that the sand is oriented in that north-south direction.

5 DR. TEW: Thank you, sir.

6 CHMN. MCCORQUODALE: Are there other questions?

7 MR. ROGERS: Mr. Chairman, I would recommend this letter that I wrote to Mr. Tyra
8 dated January 25 requiring extra notice be admitted into the record.

9 CHMN. MCCORQUODALE: That letter is admitted. It does address the issue of the
10 notice to all of the parties. That was done, right, Mr. Tyra?

11 MR. TYRA: Yes sir that was done, both for this hearing and for the November hearing.

12 (Whereupon, the letter was received in evidence)

13 MR. DAMPIER: Mr. Tyra, did you all receive any comments back after you sent the
14 notice out? Did anybody object?

15 MR. TYRA: No, sir.

16 MR. DAMPIER: There has been no objection?

17 MR. TYRA: No sir.

18 MR. DAMPIER: Mr. Chairman, I move that we approve this petition.

19 MRS. PRITCHETT: I second.

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

21 (All Board members voted "aye")

22 CHMN. MCCORQUODALE: "Ayes" have it.

23 MR. TYRA: Thank you and thank you again for allowing us to go early.

24 MR. ROGERS: Mr. Chairman, that brings us back to the top of the docket. The next
25 item will be Item 5, Docket No. 2-9-05-2, petition by Robinson's Bend Operating Company,
26 LLC.

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

1 CHMN. MCCORQUODALE: The affidavit is admitted.

2 (Whereupon, the affidavit was received in evidence)

3 MR. WATSON: This is a request by Robinson's Bend Operating Company to reform an
4 80-acre unit to a 40-acre unit in the Robinson's Bend Coal Degasification Field. The petitioner
5 seeks to reform this 80-acre unit to a 40-acre unit consisting of the Southeast Quarter of the
6 Northwest Quarter of Section 7, Township 22 South, Range 11 West, Tuscaloosa County. I have
7 handed up to you and have prefiled an affidavit of testimony of Mr. Raymond Love in support of
8 this unit reformation which is being done for the purpose of drilling an additional well. We have
9 also noticed the owners in the 80-acre unit. I have prefiled letters in support of this unit
10 reformation and would ask that those letters be made a part of this record.

11 CHMN. MCCORQUODALE: Those are admitted.

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

13 MR. WATSON: I submit this matter on the basis of the evidence contained in the
14 affidavit of Mr. Love and note the support of the mineral owners and ask that you approve the
15 petition.

16 CHMN. MCCORQUODALE: Are there any questions, of which I guess would be of
17 Mr. Watson?

18 MR. ROGERS: Mr. Chairman, I guess we will just note the submittals or the signatures
19 of Gulf States Paper Corporation and the Dorroh Family Limited Partnership. These letters show
20 that they signed this consent.

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

22 MR. DAMPIER: Second.

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

24 (All Board members voted "aye")

25 CHMN. MCCORQUODALE: "Ayes" have it.

26 MR. ROGERS: The next item then is Item 6, Docket No. 2-9-05-3, petition by
27 Robinson's Bend Operating Company, LLC.

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

3 CHMN. MCCORQUODALE: It is admitted.

4 (Whereupon, the affidavit was received in evidence)

5 MR. WATSON: This is a request by Robinson's Bend Operating Company to reform an
6 80-acre unit for the Robertson 1-2-370 well to form a 40-acre unit consisting of the Northwest
7 Quarter of the Northeast Quarter of Section 1, Township 22 South, Range 12 West, Tuscaloosa
8 County, in the Robinson's Bend Coal Degasification Field. I have prefiled an affidavit of
9 testimony of Mr. Raymond Love in support of granting this petition and in support of drilling an
10 additional well in this unit. I have also prefiled letters from all of the royalty owners in this 80-
11 acre unit in support of the unit reformation, that being Ms. Anita Stringfellow, Doster McMullen,
12 Carol Watkins, James Robertson, Carol C. Robertson as Executor of the Estate of John E.
13 Robertson, Mary Brazeal and Thomas C. McMullen. I would ask that all of those letters of
14 consent be included in the record.

15 CHMN. MCCORQUODALE: Your request is granted.

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

17 MR. WATSON: I submit this matter to you on the basis of the affidavit of testimony and
18 on the basis of the support of the mineral owners in the 80-acre unit to have an additional well
19 drilled.

20 CHMN. MCCORQUODALE: I was just noticing the signatures, Mr. Watson, that they,
21 of course, are not notarized or witnessed. I assume that you are prepared here today to tell us
22 that these people did, in fact, sign these consents that have been handed up and made a part of
23 the record.

24 MR. WATSON: I represent that to you, Mr. Chairman, and also point out to you that we
25 have never had them notarized in the past. This is a matter to give the Board indication of the
26 fact that these folks have been notified. That's the main purpose. As you have pointed out many
27 times, even though we might not have a letter back from these individuals, it still does not tie the

1 Board's hands. If the Chairman would like for us to start having these notarized we can certainly
2 do that.

3 CHMN. MCCORQUODALE: I'm not saying that. I just wanted to make sure if we are
4 handing these up--if the people get notice obviously you don't have to hand the consent up and if
5 they got notice they can be here. If we are given these things I just want some assurance that
6 somebody knew these people signed them. For example, we've got Carol Robertson and it says
7 as Executor. Well, it doesn't say she is the Executor of whose estate, for example. That was the
8 one that sort of got my attention when I say that she signed as Executor.

9 MR. WATSON: I have the landman for Robinson's Bend here and he can give you any
10 information that you might want for that.

11 CHMN. MCCORQUODALE: I apologize, Mrs. Pritchett pointed out that it has up here
12 the John Robertson Estate.

13 MR. WATSON: Thank you, Mrs. Pritchett.

14 MRS. PRITCHETT: You are welcome.

15 MR. WATSON: A lot of people may not realize but this process where we do these
16 items, this is the end of the process. People do have notice and they do have an opportunity to be
17 here. We try to get these signatures on these consent letters so you will have an appreciation for
18 the fact that they have been notified and that they support.

19 MR. DAMPIER: Mr. Chairman, I move that the petition be granted.

20 MRS. PRITCHETT: Second.

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

22 (All Board members voted "aye")

23 CHMN. MCCORQUODALE: "Ayes" have it.

24 MR. ROGERS: The next item is Item 7, Docket No. 2-9-05-4, petition by Robinson's
25 Bend Operating Company, LLC.

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

28 CHMN. MCCORQUODALE: It is admitted.

1 (Whereupon, the affidavit was received in evidence)

2 MR. WATSON: I have prefiled an affidavit of testimony of Mr. Raymond Love who has
3 technical support for the reformation of the Robertson 36-16-399 well from an 80-acre unit to a
4 40-acre unit consisting of the Southeast Quarter of the Southeast Quarter of Section 36,
5 Township 21, South, Range 12 West, Tuscaloosa County, in the Robinson's Bend Coal
6 Degasification Field. I have also prefiled letters of consent and this happens to be the same
7 parties that were in the previous docketed item who have all signed consenting to the
8 reformation. I would ask that those letters be made a part of this record.

9 CHMN. MCCORQUODALE: They are admitted.

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

11 MR. WATSON: I submit the matter to you on the basis of the evidence in the affidavit
12 of testimony and the support by those royalty owners.

13 CHMN. MCCORQUODALE: Are there any questions?

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

15 MR. DAMPIER: Second.

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

17 (All Board members voted "aye")

18 CHMN. MCCORQUODALE: "Ayes" have it.

19 MR. ROGERS: The next item then is Item 13, Docket No. 2-9-05-10, petition by Midroc
20 Operating Company.

21 MR. WATSON: Mr. Chairman, I have one witness and would like to have him sworn in,
22 please, sir.

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

24 MR. STAFFORD: I'm Wayne Stafford from Brandon, Mississippi.

25 (Witness was sworn by Mr. Rogers)

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

28 CHMN. MCCORQUODALE: That request is granted.

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1 (Whereupon, the affidavit was received in evidence)

2 MR. WATSON: We are here this morning, Mr. Stafford and I, to follow up on the
3 Board's approval of the Little Cedar Creek partial field-wide unit in Conecuh County. You will
4 recall that you approved that unit on December 3, 2004, and Order No. 2004-140 will come as a
5 result of that approval of that partial field-wide unit. In connection with that approval and as a
6 part of our responsibility as unit operator we are back here today to introduce testimony and
7 evidence relating to the testing of two wells that had been drilled but not tested on December 3rd
8 and to award those wells the additional portion of the formula, 50 percent, having to do with
9 productivity. Those two wells that Mr. Stafford will identify have since the 1st day of January of
10 this year participated in the unit production based on the pore volume 50 percent factor
11 attributable to the tracts in which they were completed. As a part of our unit order that the Board
12 is about to publish, the allocation formula requires that the unit operator conduct timely well tests
13 and calculate the productivity factor according to the formula and come to the Board to have a
14 redetermination. That is what we are here for today. Mr. Stafford, you have appeared before
15 this Board and have on file an affidavit of your qualifications. Is that correct?

16 MR. STAFFORD: Yes, that's correct.

17 MR. WATSON: You were the engineering witness at the unit hearing on December 3rd
18 and I assume that you are familiar with the petition that we have here today to determine the
19 productivity factor for two wells that have recently been tested?

20 MR. STAFFORD: That's correct.

21 MR. WATSON: I tender my witness, Mr. Chairman, as an expert petroleum engineer for
22 giving testimony in this matter.

23 CHMN. MCCORQUODALE: He is so recognized.

24 WAYNE STAFFORD

25 Appearing as a witness on behalf of Petitioner, Midroc Operating Company, testified as
26 follows:

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DIRECT EXAMINATION

Questions by Mr. Watson:

Q. I have handed up to you, Mr. Chairman and members of the Board and staff, exhibits that Mr. Stafford will be sponsoring today. Mr. Stafford did not prepare these first few exhibits. They are taken from the December 3rd hearing. We are including them in your package of exhibits today to kind of set the stage for the testing information that we have on the two wells. Before Mr. Stafford starts into these exhibits, I would ask you to turn to Exhibit 1. I'm going to ask Mr. Stafford to kind of give us a status report on operations in the Little Cedar Creek Unit since we last met.

A. Since the last meeting on December 3rd, at that time we had a drilling rig in the field drilling the Overby 15-14 well. Since that time there has been an additional well drilled outside the field. As you recall, there is a gas pipeline, a gas gathering system being laid in the field. That line began in the eastern extremity of the unit area and we have laid it almost 15,000 feet now to the west. We lack about 3,600 feet completing the laying of that gas gathering line. The gas processing plant is approximately 90 percent complete. The gas sweetening plant is approximately 70 percent complete. We are looking forward, the Lord willing and good weather holding, to starting the gas plant up along about the 1st of April. There have been or there are now three wells drilled in the field, two of which have not at this point been tested. We have recently, as recently as yesterday, gotten a production test on the Stewart 15-15 well in Tract No. 28 and it appears that it is producing at a rate of about 400 barrels of oil per day with 700 psi flowing tubing pressure. We have installed hydraulic pumps in two wells in the west end of the field, one of which did not have a productivity test in the earlier round of testing because the well would not flow. We have installed a pump in it and today beginning to bring it on production so that it will be capable of achieving a production test in the very near future. We will be coming back to the Board soon with the results of that test as well as test on the new well.

Q. The Stewart 15-15?

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1 A. The well that has been put on a pump is the Cedar Creek 16-14. It had no test. We will
2 come back with a test on the Stewart 16-15 as well as the Overby 15-14 within the very
3 short future, the very near future.

4 Q. All right. With that summary, Mr. Stafford, let's start and quickly go through these
5 exhibits that the Board has seen before. Describe what is shown there and we will move
6 to your test data.

7 A. Exhibit No. 1 is a base map of the unit area and shows the location and the completion
8 interval for all the wells in the field. You will note from the legend that the wells
9 enclosed by the green circle are completed in the Upper Smackover zone. The wells
10 encircled by the green hexagon are completed in the Lower Smackover zone. I will
11 direct your attention to Tract No. 35. The tracts within the unit are all 160-acre tracts and
12 they are numbered in green letters beginning in the extreme left-hand part of the map in
13 Section 19 and winding up in Section 23 at Tract No. 36. The two wells in question here
14 today are the Tisdale 14-16 in Tract No. 35 and the Findley 23-3 in Tract No. 32. The
15 well which would not flow and had no test in the previous round of testing is located in
16 Tract No. 16, the Cedar Creek Land and Timber 16-14. That well still has no test and we
17 will get a test as soon as we get the pump installed in it. I might point out that it might
18 seem like a long time, two months, to get a pump installed in a well but as you probably
19 have heard there is a huge scarcity of drilling and well service rigs. We waited almost six
20 weeks to get a well service rig, a workover rig, to begin this work. Drilling rigs
21 practically cannot be had at this point-in-time. We began to work the second week in
22 January to complete wells in the field, wells that had been drilled and shut in. Hopefully,
23 we will keep the well service rig until we finish the work.

24 Q. Your Exhibit No. 2 that you are testifying to today is the same Upper Smackover pore
25 volume map that was testified to at the last hearing by Mr. Smith. Nothing has changed
26 on this map, has it?

27 A. That's correct. The map is identical with that shown in the unitization exhibits for the
28 December 3rd hearing.

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- 1 Q. That's because these two wells that are being tested today had the productive acre
2 calculations determined and approved by the Board at the December 3rd hearing, correct?
- 3 A. That is correct. We had that information available when the map was prepared. I might
4 point out that with respect to Tracts 28 and 24, the information regarding the hydrocarbon
5 pore volume is not incorporated into this map. You will notice that the red numbers
6 adjacent to each of the wellbores shown in black indicate the hydrocarbon pore volume
7 for the respective wells and there are no red numbers in Tracts 24 and 28. That is
8 because the unitization committee, the geological committee of the unitization
9 committee, has not met since the drilling of these wells to revise these maps but that
10 meeting and that information will be updated and will be presented to the Board at an
11 early hearing.
- 12 Q. Exhibit No. 3.
- 13 A. One point on Exhibit No. 2, Mr. Watson, it is the net hydrocarbon pore volume of the
14 Upper Smackover zone.
- 15 Q. Yes.
- 16 A. Exhibit No. 3 is the net hydrocarbon pore volume for the Lower Smackover zone. It is
17 identical in every respect to the map which was shown at the unitization hearing.
- 18 Q. Exhibit 4, Mr. Stafford, is just setting out the tract participation formula for Phase I and
19 Phase II?
- 20 A. Exhibit No. 4 is a copy of Exhibit No. G-13 from the unitization hearing and is set forth
21 here just to refresh our memory regarding the calculation or the determination of tract
22 participation formulas in Little Cedar Creek Field. You will recall that the Board
23 approved a two-phase formula for tract participation in the field. The Phase I formula
24 will apply until the production of the calculated primary recovery of 5,622,557 barrels. It
25 is composed 50 percent of net hydrocarbon pore volume which is attributable to a tract
26 and 50 percent to the productivity of a well completed on the tract. It is our purpose here
27 today to revise the tract participation factor for the two tracts, 32 and 35, because of a
28 well test which we have conducted since the last hearing.

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1 Q. All right sir. That information is shown on your Exhibit 5. This is the first new
2 information that we are showing the Board today.

3 A. That's correct. Exhibit No. 5 is a table which sets forth the test rates for all of the wells
4 in the field including the Findley 23-3 well located in Tract No. 32 and the Tisdale 14-16
5 well located in Tract No. 35. You will see those two wells highlighted in the light gray
6 stippling next to the bottom of the table of numbers. The Findley well tested on a two-
7 day test 357.91 barrels and the Tisdale 14-16 tested 469.17 barrels on the two-day test.
8 All other test rates are the same as we presented in our engineering exhibit, No. E-8, at
9 the unitization hearing. In order to recalculate tract factors--or each tract factor based on
10 productivity changes, and they are diluted, the earlier tract factors are diluted as a result
11 of including these new well test. The previous total production rate for the field was
12 4,778 barrels and the present total production for the field, including these two new tests,
13 was 5,605 barrels. The fraction of the total production is shown on the right-hand side or
14 the third to the last column to the right. That shows the fraction that each well
15 contributed to the total production. The productivity tract factor then is 50 percent of
16 that. Going down to the stippled or highlighted areas you will see that the Findley
17 acquires a productivity tract factor of .031924781 or 3.2 percent, whereas it had no
18 productivity tract factor in the earlier allocation formula because it had no test. What that
19 means is that it will receive, after the Board approves this redetermination, an additional
20 3.2 percent of all the oil produced in the unit. The Tisdale 14-16 will receive an
21 additional 4.18 percent and that is necessarily carved out of the productivity tract factors
22 of the other wells. Again, this exhibit is the same as Exhibit E-8 that we testified in our
23 earlier testimony that these wells will be retested following completion of the gas plant.
24 New tract factors will be calculated and that will be the final productivity tract factor ever
25 to be calculated except for new wells completed within the field prior to the initiation of
26 water injection.

27 Q. Now having that new test information, let's go to your next exhibit, Exhibit 6. Tell the
28 Board what is shown there, please, sir.

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1 A. Exhibit 6 is a calculation of the total tract factor incorporating both the hydrocarbon pore
2 volume tract factor for each of the tracts as well as the new tract factors which we have
3 calculated for those tracts having a well completed. We have highlighted Tract Nos. 32
4 and 35 to indicate which tracts are receiving increased tract factors. I might point out and
5 you are aware that a tract not having a well on it, the tract factors will not be altered. All
6 tracts having a well completed on it, the tract factor will be altered by virtue of the
7 change in the productivity tract factor. The last column on the right side of the page, the
8 total tract factor, sets forth the tract factor applicable to each of the tracts after inclusion
9 of the test data from these two wells.

10 Q. All right sir, your Exhibit 7.

11 A. Exhibit 7 is a tabulation of the tract factors for Phase I and Phase II including the revised
12 tract factors for Tracts 32 and 35. The column headed Phase I tract participation factor is
13 the tract factor that we are revising here. Phase I you will recall applies to production
14 prior to recovery of the calculated primary reserves. After that time the productivity tract
15 factor no longer applies so that the Phase II tract factors will become the operable net
16 revenue interest. They will never change. As we come back to you from time-to-time
17 and present new data, say for significant changes in hydrocarbon pore volume, the Phase
18 II tract factors will always remain the same but you will see changes in the Phase I tract
19 factors as each new well is tested.

20 Q. All right sir. The final exhibit, Mr. Stafford, is a 25-page exhibit that spells out the
21 working and royalty interest for all 36 tracts and breaks it down to the individual working
22 and royalty interest owners. Is that correct?

23 A. That's correct.

24 Q. Let's take one example, for instance in Tract 32, and have the Board turn over to page 21
25 of 25. We did this on December 3 but explain to them again how this sheet works.

26 A. If we were able to present this sheet as it resides in our computer it would be one large
27 sheet with all of the owners of interests which you see next to the left-hand column

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1 tabulated and each of the tracts across the top of the page. In order to present it on 8 ½
2 by 14 it had to be broken up into a group. Taking Tract No. 32, you see that heading
3 about 1/3 of the way across the page, the tract factor which we have calculated or this
4 tract based on the new well test is 0.697644. That's the tract factor. Every owner of
5 interest in that tract is listed in the owner column and his net revenue interest--this
6 applies, the net revenue interest, to both the working interest and royalty interest--is
7 tabulated in the left-hand column of Tract 32. Each owner's interest then is multiplied by
8 that tract factor to obtain that owner's net revenue interest attributable to that tract.
9 Owners that have interest in more than one tract, their interest is added from left-to-right
10 from Tract No. 1 through Tract No. 36. Let's take Robert Bourne for example, the third
11 owner down from the top of page 21, who has interest in each tract across the page.
12 When we add his interest, his net revenue interest, which comes from the right-hand
13 column of each tract all the way through these 36 tracts, we find that he has a net revenue
14 interest of .003133091 of the unit. That would be his total unit net revenue interest. That
15 is subject to change as productivity factors change.

16 Q. That system is set up and will be in place as this field continues to mature and wells are
17 tested through Phase I. This information is then available to the royalty owners. They
18 will sign division orders representing their agreement with these determinations. This is
19 the "pay deck" as we call it that would distribute the revenue. Is that correct?

20 A. That's correct.

21 Q. As well as distribute the cost of development, both revenue and costs are based on this,
22 the working interest.

23 A. The working interest is based on a linear. The tract factor is not involved in the working
24 interest calculation.

25 Q. Right.

26 MR. WATSON: Mr. Chairman, I would ask that you receive these Exhibits 1 through 7
27 to the testimony of Mr. Stafford into the record of the hearing.

28 CHMN. MCCORQUODALE: They are admitted.

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(Whereupon, the exhibits were received in evidence)

Q. Mr. Stafford, is it your testimony to the Board that on behalf of Midroc we have complied with the Board's order and the allocation formula by testing these two wells that you have identified, bringing the test results back here, factoring those test results into our formula and presenting that to the Board for approval?

A. Yes, that's correct. That is in compliance with the order of the Board.

Q. If the Board sees fit to grant the petition based on this redetermination will that act prevent "waste" and protect the correlative rights of all the owners in the Little Cedar Creek Unit?

A. Yes it will.

MR. WATSON: Mr. Chairman, I tender Mr. Stafford to you and members of the staff for any questions you have?

CHMN. MCCORQUODALE: Are there questions?

WAYNE STAFFORD

EXAMINATION BY BOARD/STAFF

Questions by Mrs. Pritchett:

Q. Mr. Chairman, I have one. Do you have plans to drill the well on Tract 13 prior to initiation of enhanced recovery?

A. Yes we do.

Q. That is in the works right now?

MR. WATSON: The well has been staked. They are acquiring the drill site. Yes.

MR. DAMPIER: You all will be back in here once you get a well for redetermination?

MR. WATSON: Yes sir. We've got other wells that Mr. Stafford testified to today that we will be back in here before that one.

CHMN. MCCORQUODALE: We haven't seen Mr. Stafford in a pretty good while and now we are seeing him every month.

MR. STAFFORD: It's a pleasure to be back.

MR. WATSON: You will see him every month.

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1 CHMN. MCCORQUODALE: You have been here as long as I have.

2 MR. STAFFORD: Oh.

3 Questions by Mr. Dampier:

4 Q. Mr. Stafford, you testified a minute ago about the tract factor where the royalty owner is
5 not the same tract factor as the working interest owner. Is that what you testified?

6 A. Mr. Dampier, with respect to the distribution of revenue, the tract factor does apply to the
7 revenue distribution of the working interest owners as well as to the royalty owners but
8 the cost sharing basis for the working interest owners is based on acreage participation in
9 the unit.

10 Q. I noticed you talked earlier about this geologic committee. You are not on that, are you?

11 A. I am not on the geological committee, no sir.

12 Q. Okay.

13 A. Members of the committee are listed on Exhibit No. 1

14 Q. Are they all employed by Midroc?

15 A. No they are not. For example, Alvin Byrd is employed by Hughes Oil Company in
16 Jackson. Jim Harris is a principal in Midroc. I don't know Siemien Horton or Edward
17 Yarbrough. Robin Smith is an employee of Midroc.

18 MR. WATSON: Siemien Horton is not. She is a consulting geologist representing some
19 of the working interest owners as I think Mr. Yarbrough.

20 Q. This is the committee that determines the pore volume?

21 A. Yes it is. That's correct.

22 Q. Do you have input into this committee?

23 A. Only on an advisory capacity, not a voting capacity.

24 Q. But you look at their work before you testify here?

25 A. Yes I do.

26 MR. DAMPIER: That's all the questions I have.

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

28 MR. DAMPIER: Second.

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

2 (All Board members voted "aye")

3 CHMN. MCCORQUODALE: "Ayes" have it.

4 MR. ROGERS: The next item is Item 14, Docket No. 2-9-05-11, petition by

5 ExxonMobil Corporation.

6 MR. WATSON: Mr. Chairman, I have prefled an affidavit of notice in this matter and
7 would like to have it admitted into the record.

8 CHMN. MCCORQUODALE: It is admitted.

9 (Whereupon, the affidavit was received in evidence)

10 MR. WATSON: I have two witnesses who need to be sworn in.

11 (Witnesses were sworn by Mr. Rogers)

12 MR. WATSON: I would ask that my witnesses please stand and state your name and
13 address for the record, starting with you, Mr. Nicholson.

14 MR. NICHOLSON: My name is Paul Nicholson. I'm from Houston, Texas.

15 MR. SOUTHERN: My name is Carl Southern. I'm from Houston, Texas

16 MR. WATSON: Remain standing. Have you already done this?

17 MR. ROGERS: I've already sworn them in.

18 MR. WATSON: I'm sorry.

19 CHMN. MCCORQUODALE: Let the record reflect that Mr. Dampier recused himself
20 from this matter.

21 MR. WATSON: You swore them in and I just didn't get their names in the record. Mr.
22 Chairman and members of the Board, this is a petition by ExxonMobil Corporation asking for
23 permission to drill a well in Tract 114 (Norphlet) Unit offshore Alabama as an exception to the
24 spacing rules contained in the Special Field Rules for that unit. ExxonMobil proposes to drill the
25 Tract 114 No. 5 well at an exceptional location that my witness will describe to you. My first
26 witness is Paul Nicholson. I might point out, Mr. Chairman, that this request for an exceptional
27 location was previously approved for a similar location in 2001 by your Board Order 2001-150.
28 My witness, Mr. Nicholson, will justify, in my opinion, the granting of this request for the new

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1 exceptional location and has prepared exhibits in support of that. This well that we propose to
2 drill would take approximately a year once work begins. This is the first step in the process and
3 Mr. Southern will describe that process in a little more detail. Mr. Nicholson, you have not
4 appeared before this Board but I would ask first that you state your name and your business
5 address and your position with ExxonMobil.

6 MR. NICHOLSON: My name is Paul Nicholson. I'm a senior geologist with
7 ExxonMobil US Production, a division of the ExxonMobil Corporation.

8 MR. WATSON: Have you previously testified before this Board?

9 MR. NICHOLSON: I have not.

10 MR. WATSON: Would you give the Board a brief summary of your educational
11 background and work experience.

12 MR. NICHOLSON: I received my Bachelor of Science degree in Geology and my
13 Master of Science in Sedimentology from Reading University, United Kingdom, graduating in
14 1982. I joined ExxonMobil as a geologist in the same year. My 22 years of experience with
15 ExxonMobil covers all phases of offshore exploration and production, working opportunities in
16 the U.K., Ireland, Algeria, Canada and the U.S. I am presently assigned to ExxonMobil's
17 Mobile Bay Asset team as a geoscientist responsible for Tract 114 in the state waters of
18 Alabama. I have been involved with Mobile Bay for the last 19 months.

19 MR. WATSON: Mr. Chairman, an affidavit as to Mr. Nicholson's qualifications has
20 been pre-filed and I tender him as an expert geoscientist for giving testimony.

21 CHMN. MCCORQUODALE: He is so recognized.

22 PAUL NICHOLSON

23 Appearing as a witness on behalf of Petitioner, ExxonMobil Production Company,
24 testified as follows:

25 DIRECT EXAMINATION

26 Questions by Mr. Watson:

27 Q. Are you familiar with the matters covered in the ExxonMobil petition that we have today
28 at this hearing, Mr. Nicholson?

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1 A. I am.

2 Q. Rule 15 of the Special Field Rules requires that all wells directionally drilled as
3 producing wells shall have their bottom hole location of entry into the Unitized
4 Formation located at a point no closer than 500 feet from the State/Federal boundary and
5 no closer than 1,320 feet from all other exterior boundaries of the Unit. Are you familiar
6 with that Rule?

7 A. I am.

8 Q. Am I correct in stating that this exceptional location that we are proposing today is closer
9 than 1,320 feet to the northern boundary of Tract 114?

10 A. You are correct.

11 Q. In that connection, have you made a detailed geological and geophysical study of the area
12 that is under consideration?

13 A. Yes, I have.

14 Q. I have passed out your exhibits to the Board and staff and I would like for you to turn in
15 the booklet of exhibits to Exhibit No. 1 and tell us what is shown there, please, sir.

16 A. Exhibit 1 is the base map of a portion of the lower Mobile Bay area. The Tract 114
17 (Norphlet) Unit is the acreage highlighted in yellow. Also shown on the map are various
18 wells, the offshore state-federal boundary, shipping fairways and some regional
19 geographic data. Shown on Tract 114 are four wells named 114-1 through 4 that drilled
20 the Norphlet gas bearing sandstone. 114-1 is an exploration well and 114-2 through 4 are
21 currently producing wells. The exceptional location for this unit well is shown in red to
22 the north of the 114-4 well near the tract boundary.

23 Q. All right, sir. Let's turn to your Exhibit 2 and tell the Board what is shown on that
24 exhibit.

25 A. There are two maps shown in the exhibit. One to the left is a culture map that describes
26 features in the 114 tract such as wells, lease lines and a shipping fairway edge. The
27 proposed position of the 114-5 well is shown as the wellpath with a black triangle at its
28 top reservoir location. The well path describes a deviated well that would be

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1 directionally drilled from the 114 production facility that lies at the point the wells
2 intersect in the center of this picture.

3 Q. How is the well path determined, Mr. Nicholson?

4 A. The ExxonMobil drilling department in conjunction with a specialized directional drilling
5 company plans the well path. The well is then drilled to these specifications. The map to
6 the right is an enlargement of a portion of the left-hand map depicting the northern end of
7 the well and showing in detail the top Norphlet and top porous Norphlet intersections,
8 bottom hole location and the lease line. I shall describe these three locations from south
9 to north. The top Norphlet target is at the point where the well penetrates the Norphlet.
10 The distance from this point to the North line of Tract 114 is 775 feet. The solid blue
11 triangle marks the location of the top porous Norphlet which describes the point where
12 the well would intersect the Norphlet pay section. In between the top Norphlet and the
13 top porous Norphlet is a sandstone zone that is referred to as the tight zone. The tight
14 zone has low porosity and therefore does not contribute much to production of gas from
15 the Norphlet. The well will penetrate the top porous Norphlet 749 feet south of the tract
16 boundary. The bottom hole location is planned to be at the base of the Norphlet. Drilling
17 deeper would expose the well to the risk of having hole problems. Between the top
18 porous Norphlet and the bottom of the hole is the productive zone of the Norphlet that
19 has good porosity and is the source of the majority of the gas in production from the
20 Norphlet. The bottom hole location is 459 feet from the North line of Tract 114.

21 Q. Let's turn to your Exhibit No. 3, Mr. Nicholson, and describe the information shown on
22 that exhibit, please.

23 A. Exhibit No. 3 shows the top of the porous Norphlet structure for Tract 114. This has
24 been mapped using a 3-D seismic grid with a node spacing of 164 feet. The contours
25 show the depth of the structure below sea level at the 50 foot interval. Geological faults
26 are represented in blue and well paths are represented in dashed lines. The area outlined
27 in red marks the Norphlet above the lowest known gas in the targeted Norphlet structure.
28 The proposed 114-5 well targets this gas accumulation. The top porous Norphlet location

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1 of the well is shown using a black triangle. Also in this accumulation are the 114-4 and
2 114-1 wells. The structure is bound to the south and east by dip closure and to the west
3 by an area where porous Norphlet is very thin and poorly developed. The map shows
4 that the shallowest contour in this accumulation is to the west of the 114-4 well. The
5 114-5 is targeted 40 foot deeper than the 114-4 well.

6 Q. What is the purpose of the 114-5 well, Mr. Nicholson?

7 A. The 114-5 well would be drilled to accelerate gas production from the gas accumulation
8 currently being produced by the 114-4 well. The economic success of this acceleration
9 well is strongly dependent upon achieving high gas production rates.

10 Q. Let's turn to Exhibit No. 4 and describe the information shown on that exhibit.

11 A. This exhibit shows a well log for the Norphlet in the 114-4 well displayed in measured
12 and true vertical depth along the well. The proposed 114-5 well will penetrate the
13 Norphlet reservoir approximately 1,000 feet to the north of this well. On the left of the
14 well log display is a gamma ray log. This has been colored to show the productive and
15 non-productive zones of the Norphlet. The non-porous or tight zone is colored in gray
16 and the porous Norphlet is colored in light brown and yellow. The middle track displays
17 the calculated porosity. This shows an increase in porosity with increasing depth below
18 the top Norphlet. This is typical of wells drilled in the Mobile Bay area. The upper part
19 of the porous Norphlet colored in light brown in the left-hand track represents a transition
20 from the very poor quality tight zone to the good quality, highly productive lower porous
21 zone shown in yellow. The right hand track shows the fluid type. Gas extends to the
22 base of the well. In the key to the right I have shown by color code lithology, porosity
23 and fluid. We can see that the 114-4 well found a large thickness, 379 feet, of porous gas
24 bearing Norphlet. The well is a highly productive gas well.

25 Q. The next exhibit is Exhibit 5. Turn to that exhibit please.

26 A. This exhibit shows a well log for the Norphlet in the 114-1 well displayed in measured
27 and true vertical depth along the well. The proposed 114-5 well will penetrate the
28 Norphlet reservoir approximately 2,500 feet to the northeast of this well. On the left of

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1 the well log display is a gamma ray log. This has been colored to show the Norphlet
2 sands and the adjacent formations. The Norphlet is colored in gray, light brown and
3 yellow. The underlying Pinehill Anhydrite is colored in magenta and the Louann salt is
4 colored in green. The overlying Pydol is colored in purple. This formation has a highly
5 distinctive composition. The interface between the Pydol and the Norphlet produces a
6 strong seismic reflection. We can see that the 114-1 well found a small thickness of
7 relatively poor quality gas bearing lower porous Norphlet. The well was not a high
8 productivity gas well on test and was plugged and abandoned as uneconomic.

9 Q. Is the 114-5 well designed to penetrate the Norphlet sandstone thicker and similar in
10 quality to the 114-4 well and thus exhibit high production rates and avoid rocks such as
11 that found in the 114-1 well?

12 A. Yes. The well location has been chosen to intersect the thickest Norphlet pay and hence
13 maximize the potential gas production rate.

14 Q. Turn to your Exhibit No. 6, Mr. Nicholson.

15 A. Exhibit No. 6 is a gross porous Norphlet isochore map that shows the gross thickness
16 from the top to the base of the porous Norphlet of the structure in question. Wells are
17 denoted with dashed lines, the faults in blue and the prognosed top porous Norphlet of the
18 114-5 is shown as a black triangle. The Norphlet sands were deposited in an aeolian
19 desert environment. Thin porous Norphlet is colored in gray and represents a type of
20 rock called interdune that is associated with very low permeability and porosity.
21 Increasing thickness contours are associated with increasingly darker yellow through
22 orange colors and define dunes and dune complexes. At the maximum thickness of
23 porous Norphlet we find the best porosity and permeability and hence the maximum
24 production of gas. The 114-5 well is targeted to hit near the maximum thickness of
25 Norphlet for this dune. The 114-1 well clearly penetrates the thin gray area that is the
26 poor reservoir quality interdune.

27 Q. Turn to Exhibit No. 7, Mr. Nicholson, and tell the Board what is shown on that exhibit.

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- 1 A. This map is a representation of the maps of Exhibits 3 and 6 combined. The contours
2 show the depth to the top of the Norphlet porosity and the color shows the gross porous
3 Norphlet isochore thickness. The map shows that the take point of the 114-5 well is
4 defined by both the depth of the Norphlet and the thickness of the porous Norphlet. The
5 well is aimed at the combination of shallowest structure and thickest porous Norphlet.
6 The maximum thickness of porous Norphlet is to the northeast of the 114-4 well. This is
7 why the 114-5 well is planned to be drilled between the North line of Tract 114 and well
8 114-4.
- 9 Q. Why should the 114-5 well not be drilled nearer the 114-4 well?
- 10 A. If the well was drilled closer this could result in the wells interfering with each other and
11 not draining the dune efficiently. Therefore, efficient production from the dune would be
12 compromised.
- 13 Q. Mr. Nicholson, is it obvious from this interpretation that the proposed bottom hole
14 location for the 114-5 well will be optimally located for the structure, the thickness of the
15 porous Norphlet, and for production?
- 16 A. Yes. This is why we have planned to drill a Norphlet thick and why we should not
17 design a well further to the southwest where the reservoir thins rapidly or to the southeast
18 where the top of the reservoir is significantly deeper.
- 19 Q. I noticed, Mr. Nicholson, that in Exhibits 3, 6 and 7 you did not map the Norphlet gas
20 accumulation onto the tract to the north, choosing to leave your contours open against the
21 boundary between Tracts 114 and 95. Why is that?
- 22 A. Industry practice and precedent has been not to map beyond the Unit boundaries and I
23 have followed that precedent.
- 24 Q. Please turn to your next exhibit, Exhibit No. 8, and describe the information shown on
25 that exhibit, please, sir.
- 26 A. Exhibit No. 8 is a west-east-northeast trending 3-D seismic cross section labeled X-Y-Z.
27 The location of the seismic section is shown on the map in the lower left of the exhibit.
28 The vertical axis of the seismic section represents two-way time. The northern tract

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1 boundary is shown as a vertical, dashed green line. On the seismic section the well
2 trajectories are shown as dashed gray lines. The short horizontal magenta bars show the
3 location of the bottom of the hole. The green undulating marker is the top of the
4 Norphlet and the blue marker is the base of the Norphlet. This exhibit clearly shows that
5 the 114-5 well is aimed at a dune thick on a structural high.

6 Q. Now let's turn to your last exhibit which is Exhibit No. 9 and describe the information
7 shown there, please.

8 A. Exhibit No. 9 is a geological representation of the seismic shown in Exhibit 8. In this
9 case the vertical axis represents depth in feet. The Norphlet has been colored to show gas
10 in red and water in blue. The horizontal dashed line 21,541 feet subsea is the lowest
11 proven gas as observed in the well. The actual gas-water contact is unknown and could
12 be located anywhere between the lowest proven gas and the structural spill. However, to
13 account for the volumes seen in the 144-4 well we believe the gas-water contact has to lie
14 at approximately the TD of the proposed 114-5 well or deeper. This exhibit shows that
15 the proposed location of the 114-5 well is aimed at maximizing the productive interval by
16 penetrating a dune thick on a structural high. The dune is also the same thickness to the
17 southeast of the 114-4 well but the structure is deeper and the well would penetrate less
18 Norphlet in the gas section and consequently run the risk of producing significantly less
19 gas and more water.

20 MR. WATSON: Mr. Chairman, my next witness is Carl Southern who has appeared
21 before you on numerous occasions and has on file an affidavit of his qualifications as a
22 petroleum landman. Mr. Southern, are you familiar with the request here today concerning the
23 proposed 114 No. 5 well?

24 MR. SOUTHERN: Yes I am.

25 MR. WATSON: Are you familiar with the ownership, both working and royalty, in the
26 Tract 114 (Norphlet) Unit as well as in the surrounding fields and Units?

27 MR. SOUTHERN: Yes I am.

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

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1 CHMN. MCCORQUODALE: He is so recognized.

2 CARL SOUTHERN

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

5 DIRECT EXAMINATION

6 Questions by Mr. Watson:

7 Q. In connection with this hearing I have prefiled and the Chairman has accepted into the
8 record of this hearing my affidavit of notice. Tell us who operates the offset Tract to this
9 exceptional location.

10 A. That would be Tract 95 to the north and it is part of the Mary Ann Unit. It is operated by
11 MOEPSI and notice has been sent to MOEPSI.

12 Q. Who are the working interest owners in the proposed Tract 114 No. 5 well?

13 A. ExxonMobil owns 75 percent of the working interest and Hunt Petroleum owns 25
14 percent.

15 Q. Our rules do not require that we give notice to Shell Oil, operator of the Fairway Unit to
16 the west, is that correct?

17 A. That's correct.

18 Q. But we did give them notice, didn't we?

19 A. Yes, we did send them notice.

20 Q. Am I correct in stating that you have discussed this request with your company's Lessor,
21 the Department of Conservation and Natural Resources?

22 A. Yes, you are correct. We met with Mr. Griggs, Director of State Lands of the
23 Department of Conservation and Natural Resources, and he has sent a letter to the Board
24 supporting this petition.

25 MR. WATSON: Mr. Chairman, if you have a copy of that letter I would ask that it be
26 made a part of the record.

27 CHMN. MCCORQUODALE: The letter is admitted.

28 (Whereupon, the letter was received in evidence)

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1 Q. For the record, Mr. Southern, will you tell the Board about the state's royalty rate for
2 Tract 114 and Tract 95?

3 A. Tract 95 is a fixed royalty rate of $1/6^{\text{th}}$ and Tract 114 has a royalty rate of $1/6^{\text{th}}$ which
4 escalates to $1/4^{\text{th}}$ after payout.

5 MR. WATSON: Mr. Chairman, I would ask that you receive into the record of this
6 hearing Exhibits 1-9 to the testimony of Mr. Nicholson.

7 CHMN. MCCORQUODALE: The exhibits are admitted.

8 (Whereupon, the exhibits were received in evidence)

9 MR. WATSON: I ask you gentlemen, Mr. Nicholson and Mr. Southern, if the Board
10 grants this request for an exceptional location and an exception to Rule 15 would the granting of
11 this petition prevent "waste" as that term is defined and protect correlative rights and enhance the
12 recovery of hydrocarbon resources. Mr. Nicholson?

13 MR. NICHOLSON: Yes.

14 MR. WATSON: Mr. Southern?

15 MR. SOUTHERN: Yes, it would.

16 MR. WATSON: Mr. Chairman, I tender my witnesses to the Board and staff for any
17 questions you have.

18 CHMN. MCCORQUODALE: Are there questions?

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. WATSON: Thank you, sir.

24 MR. ROGERS: The last item then is Item 24, Docket No. 2-9-05-21, petition by Local,
25 Inc.

26 CHMN. MCCORQUODALE: The Board will be in recess.

27 (Whereupon, the hearing was recessed for 45 minutes)

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1 CHMN. MCCORQUODALE: Let the record reflect that the State Oil and Gas Board is
2 back in session.

3 MR. ROGERS: The last item, Mr. Chairman and members of the Board, is Item 24,
4 Docket No. 2-9-05-21, petition by Local, Inc.

5 MR. TYRA: Mr. McCorquodale, I'm John Tyra on behalf of Local, Inc. This is a
6 request to force pool a unit, with risk compensation, in Lamar County. It's a 40-acre wildcat
7 drilling unit designated as the Delaney 21-1 well located in the Northeast Quarter of the
8 Northeast Quarter of Section 21, Township 12 South, Range 15 West, Lamar County. I have one
9 witness who needs to be sworn in, please.

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

11 MR. LEWIS: Stephen Lewis, Cottdale, Alabama.

12 (Witness was sworn by Mr. Rogers)

13 MR. TYRA: I have prefled an affidavit of notice as well as copies of a letter that Mr.
14 Lewis sent and answers to that letter and ask that that be made a part of the record at this time.

15 CHMN. MCCORQUODALE: Your request is granted.

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

17 STEPHEN LEWIS

18 Appearing as a witness on behalf of Petitioner, Local, Inc., testified as follows:

19 DIRECT EXAMINATION

20 Questions by Mr. Tyra:

21 Q. Mr. Lewis, you are President of Local, Inc. Is that correct?

22 A. Correct.

23 Q. In that capacity you put this deal together and have purchased leases and assignments and
24 farm-outs of that nature. Is that correct?

25 A. That is correct.

26 Q. You are familiar with the petition that we have filed this morning requesting this force
27 pooling. Is that correct?

28 A. Yes.

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1 Q. You know that there is an outstanding party that has not agreed at this point to either
2 farm-out or assign their interest to you?

3 A. Yes.

4 Q. Is that party Samson Exploration Company?

5 A. Samson, yes.

6 Q. Is it true that they own 7.5 mineral acres which would be about 18.75 percent of the
7 drilling unit?

8 A. That's correct.

9 Q. Did you personally send the letter to them and the information to them concerning this
10 force pooling?

11 A. Yes.

12 Q. You have been in negotiations with those parties at this time?

13 A. Since September.

14 Q. As of this morning you do not yet have an agreement with them. Is that correct?

15 A. That is correct.

16 MR. TYRA: The green card I think we have already made a part of the record. Is that
17 correct?

18 MR. ROGERS: We have already put that in the record.

19 MR. TYRA: All right. Thank you.

20 Q. Is it true that you are continuing to negotiate with Samson or plan to continue to negotiate
21 with Samson concerning this matter as you get ready to drill this well?

22 A. That's correct.

23 Q. We are asking that this unit be force pooled with risk compensation but if you reach an
24 agreement with Samson we will not have to use the force pooling order. Is that correct?

25 A. That is correct.

26 Q. Are you familiar with the term "waste" as it is defined by the State Oil and Gas Board
27 and the Administrative Code of the Board and the statutes of the State of Alabama?

28 A. Yes I am.

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1 Q. Would the drilling of this well in your opinion and the granting of this petition prevent
2 "waste" and protect correlative rights?

3 A. Yes.

4 MR. TYRA: I would tender the witness to you for any questions that you may have.

5 EXAMINATION BY BOARD/STAFF

6 Questions by Mr. Dampier:

7 Q. Could you tell me a little bit about your negotiations with Samson?

8 A. It started in September. I received back from them, I think, in November a farm-out
9 agreement that was totally unworkable. I got back with them pretty quickly and
10 expressed my concerns. That was in November. I finally got an e-mail back the 29th of
11 December agreeing to two minor changes but leaving the bulk of the agreement as they
12 wanted it.

13 Q. You have had ongoing negotiations with them and have not been able to work it out?

14 A. Yes. It has been kind of hard to work out.

15 CHMN. MCCORQUODALE: Are there any other questions?

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

17 MRS. PRITCHETT: Second.

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

19 (All Board members voted "aye")

20 CHMN. MCCORQUODALE: "Ayes" have it.

21 MR. TYRA: Thank you and again thank you for accommodating us.

22 CHMN. MCCORQUODALE: You are welcome. The hearing is adjourned.

23 (Whereupon, the hearing was adjourned at 12:01 p.m.)

REPORTER'S CERTIFICATE

STATE OF ALABAMA

COUNTY OF TUSCALOOSA

I, Rickey Estes, Hearing Reporter in and for the State of Alabama, do hereby certify that on Friday, February 11, 2005, in 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 Section; that the foregoing 49 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