

March 9, 2005

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4.22.05
MSC —

MR

March 9, 2005

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Board Exhibit	Proofs of Publication Docket No. 2-9-05-23 Docket No. 3-9-05-1 Docket No. 3-9-05-2 Docket No. 3-9-05-3 Docket No. 3-9-05-4 Docket No. 3-9-05-5 Docket No. 3-9-05-6 Docket No. 3-9-05-7 Docket No. 3-9-05-8 Docket No. 3-9-05-9 Docket No. 3-9-05-10 Docket No. 3-9-05-11 Docket No. 3-9-05-12 Docket No. 3-9-05-13 Docket No. 3-9-05-14 Docket No. 3-9-05-15 Docket No. 3-9-05-16 Docket No. 3-9-05-17 Docket No. 3-9-05-18	19	19
Board Exhibit	Hearing Officer Order	19	19
Exhibit 1 (Item 14)	Affidavit of testimony (W. Thomas Cassard)	21	21
Exhibit 2 (Item 14)	Affidavit of notice (Michael T. Estep)	21	21
Exhibit 1 (Item 16)	Affidavit of testimony (Rueben A. Holguin)	23	23

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 1 (Item 17)	1/7/05 letter to Bill W. Newton with green card (William G. Beckett)	25	26
Exhibit 2 (Item 17)	1/7/05 letter to H. Wayne Stafford with green card (William G. Beckett)	25	26
Exhibit 3 (Item 17)	1/7/05 letter to MCM-Petro-One, Ltd. with green card (William G. Beckett)	25	26
Exhibit (1-4) (Item 22)	Affidavit of testimony (Gregory Burns)	28	28
Exhibit 1 (Item 22)	Plat of Short Creek Coal Degasification Field (Gregory Burns)	28	28
Exhibit 2 (Item 22)	Legal description of expanded area of Short Creek Coal Degas. Field (Gregory Burns)	28	28
Exhibit 3 (Item 22)	Cross section A-A', Short Creek Coal Degas. Field (Gregory Burns)	28	28
Exhibit 4 (Item 22)	Special Field Rules, Short Creek Coal Degas. Field (Gregory Burns)	28	28

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EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 5 (Item 22)	Affidavit of notice (Foster C. Arnold)	28	28
Exhibit 6 (Item 22)	Affidavit of publication (Foster C. Arnold)	28	28
Exhibit 1 (Item 24)	Affidavit of testimony (Robert Anderson)	29	29
Exhibit 2 (Item 24)	Affidavit of testimony (Ron Rovenko)	29	29
Exhibit 3 (Item 24)	Affidavit of publication (Foster C. Arnold)	29	29
Exhibit 4 (Item 24)	2/22/05 letter to RGGGS Land & Minerals Ltd, LP (Foster C. Arnold)	28	29
Exhibit 5 (Item 24)	Affidavit of notice (Foster C. Arnold)	29	29
Exhibit 1 (Item 25)	Affidavit of testimony (Robert Anderson)	30	30
Exhibit 2 (Item 25)	Affidavit of testimony (Ron Rovenko)	30	30
Exhibit 3 (Item 25)	2/22/05 letter to RGGGS Land & Minerals Ltd., LP (Foster C. Arnold)	30	31
Exhibit 4 (Item 25)	Affidavit of publication (Foster C. Arnold)	30	30

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 5 (Item 25)	Affidavit of notice (Foster C. Arnold)	30	30
Exhibit 1 (Item 26)	Affidavit of testimony (Robert Anderson)	31	31
Exhibit 2 (Item 26)	Affidavit of testimony (Ron Rovenko)	31	31
Exhibit 3 (Item 26)	Affidavit of publication (Foster C. Arnold)	31	31
Exhibit 4 (Item 26)	2/22/05 letter to RGGGS Land & Minerals, Ltd., LP (Foster C. Arnold)	31	31
Exhibit 5 (Item 26)	Affidavit of notice (Foster C. Arnold)	31	31
Exhibit 1 (Item 27)	Affidavit of notice (John Foster Tyra)	33	33
Exhibit 1 (Item 31)	Map of portion of Blue Creek Coal Degas. Field (Ken Hanby)	42	42
Exhibit 2 (Item 31)	Survey plat, Federal 09-08-1039, Blue Creek Coal Degas. Field (Ken Hanby)	42	42
Exhibit 3 (Item 31)	Topo map of well location, Blue Creek Coal Degas. Field (Ken Hanby)	42	42

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EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 4 (Item 31)	Memorandum of surface use agreement and right-of-way easement (J. Shepherd)	43	43
Exhibit 5 (Item 31)	Affidavit of notice (William T. Watson)	37	37

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

March 9, 2005

Testimony and proceedings before a Hearing Officer in Regular Session in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, pursuant to adjournment, on this the 9th day of March, 2005.

BEFORE

Mr. Marvin Rogers..... Attorney

STAFF

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

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

Dr. David Bolin.....Assistant Supervisor

Mr. Richard Hamilton..... Engineer

Mr. Douglas Hall Geologist

Mr. Frank Hinkle Geologist

APPEARANCES

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NAME	REPRESENTING
1. William Beckett Bruce, MS	S. Lavon Evans, Jr. Operating Co.
2. Steve Hutchings Mobile, AL	Dominion Black Warrior Basin
3. Tom Watson Tuscaloosa, AL	Four Star Oil & Gas, Company/ Dominion Black Warrior Basin
4. Ken Hanby Tuscaloosa, AL	Dominion Black Warrior Basin
5. Foster Arnold Tuscaloosa, AL	El Paso Production Company/ CDX Gas, LLC
6. Mike Estep Mobile, AL	Denbury Onshore, LLC
7. Tom Cassard Plano, TX	Denbury Onshore, LLC
8. Bill Barber Plano, TX	Denbury Onshore, LLC
9. John Tyra Tuscaloosa, AL	S. Lavon Evans, Jr. Operating Co./ Land, Inc.
10. Steve Wolf Tuscaloosa, AL	Land, Inc.
11. Nike Neusome Mobile, AL	MidSouth Land & Svc.

(The hearing was convened at 10:00 a.m. on
Wednesday, March 9, 2005, in Tuscaloosa, Alabama.)

MR. ROGERS: This hearing is in session.

DR. TEW: The Hearing Officer and the staff will hear the uncontested items on the
March 9 and March 11, 2005, docket today. The Hearing Officer and the staff will hear the
remaining items on the March 9 & 11, 2005, docket on Friday.

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

The State Oil and Gas Board of Alabama will hold its regular monthly meeting at
10:00 a.m. on Wednesday, March 9, and Friday, March 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

1 Agreement, as ratified, in accordance with Section 9-17-84, Code of Alabama
2 (1975), and approval of the amendments to the Special Field Rules for the
3 Brookwood Coal Degasification Field in order to conform to the provisions of the
4 aforementioned Unit Agreement and Unit Operating Agreement.
5

6 Petitioner further seeks entry of an order unitizing, pooling and integrating the Unit
7 Area, as underlain by the above defined unitized formation so as to require all
8 owners or claimants of royalty, overriding royalty, mineral, and leasehold interests
9 within the Unit Area to unitize, pool and integrate their interests and develop their
10 lands or interests as a unit, and designating Black Warrior Methane Corp. as
11 operator of the Unit Area in accordance with the laws of Alabama. The proposed
12 Unit Area, to be designated Unit VIII, containing approximately 6,960 acres,
13 consists of the following described parcels in Tuscaloosa County, Alabama:
14

15 Township 19 South, Range 7 West

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

17 North Half, Southeast Quarter and North Half of Southwest Quarter of Section
18 28; and

19 Southwest Quarter of the Southeast Quarter of Section 18
20

21 Township 19 South, Range 8 West

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

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

25 North Half of Section 35.
26

27 2. DOCKET NO. 11-03-04-3

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

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

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

18
19 Township 19 South, Range 8 West

20 South Half of Section 15;

21 All of Sections 21, 29, 32;

22 Northwest Quarter of Section 22;

23 West Half and Northeast Quarter of Section 28; and

24 West Half and Southeast Quarter of Section 33

25
26 Township 20 South, Range 8 West

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

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

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

1 4. DOCKET NO. 2-9-05-6

2 Continued petition by ROBINSON'S BEND OPERATING CO., LLC, a foreign
3 limited liability company, authorized to do and doing business in the State of
4 Alabama, requesting the State Oil and Gas Board to enter an order reforming the
5 unit for the Ralph Dorroh #32-6-76 Well, Permit No. 7840-C, from an 80-acre
6 unit consisting of the East Half of the Northwest Quarter of Section 32, Township
7 21 South, Range 11 West, Tuscaloosa County, Alabama in the Robinson's Bend
8 Coal Degasification Field to a 40-acre unit consisting of the Southeast Quarter of
9 the Northwest Quarter of said Section 32.

10
11 5. DOCKET NO. 2-9-05-7

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

20
21 6. DOCKET NO. 2-9-05-8

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

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

32 Continued petition by ROBINSON'S BEND OPERATING CO., LLC, a foreign
33 limited liability company, authorized to do and doing business in the State of
34 Alabama, requesting the State Oil and Gas Board to enter an order reforming the
35 unit for the ADMH 30-7-316 Well, Permit No. 8837-C, from an 80-acre unit
36 consisting of the South Half of the Northeast Quarter of Section 30, Township 21
37 South, Range 11 West, Tuscaloosa County, Alabama in the Robinson's Bend
38 Coal Degasification Field to a 40-acre unit consisting of the Southwest Quarter of
39 the Northeast Quarter of said Section 30.

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

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

10
11 9. DOCKET NO. 2-9-05-14

12 Continued petition by CHEVRON U.S.A., INC., a foreign corporation, authorized
13 to do and doing business in the State of Alabama, requesting the State Oil and Gas
14 Board to enter an order force pooling, with a risk compensation penalty, all tracts
15 and interests in hydrocarbons produced from the Pottsville Coal Interval in a 40-
16 acre unit, consisting of the Northwest Quarter of Southeast Quarter of Section 13,
17 Township 18 South, Range 10 West, in the Blue Creek Coal Degasification Field,
18 Tuscaloosa County, Alabama for its proposed Chevron-Christian No. 13-10-431
19 Well.

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

24
25 10. DOCKET NO. 2-9-05-15

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

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

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

Continued 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 12. DOCKET NO. 2-9-05-20

8 Continued petition by CDX GAS, L.L.C., a Texas limited liability company,
9 authorized to do and doing business in the State of Alabama, requesting the State Oil
10 and Gas Board to enter an order pursuant to Section 9-17-1 through 9-17-33 and 9-
11 17-80 through 9-17-88, Code of Alabama (1975) approving and establishing a
12 partial field-wide Unit, to be known as Unit I of the Gurnee Coal Degasification
13 Field, Shelby and Bibb Counties, Alabama consisting of the hereinafter described
14 "Unit Area" in said field, and requiring the operation of said Unit Area as a single
15 Unit in order to avoid the drilling of unnecessary wells, increase the efficiency of
16 operations and improve the ultimate recovery of occluded natural gas from the
17 Unitized Formation, as hereinafter defined, and avoid waste. The "Unitized
18 Formation" is to be designated as the Pottsville Coal Interval and is defined as the
19 productive coal seams found between the depths of 430 feet and 3,690 feet as
20 encountered in the in the Kimberly Clark Segco 29-4-111 Well, Permit #6709-C,
21 located in Section 29 South, Township 21 South, Range 3 West, Shelby County,
22 Alabama as indicated on the density log for the said well and between 1,740 feet
23 and 3,940 feet as encountered in the USX 28-12-73 Well, Permit # 6655-C,
24 located in Section 28, Township 21 South, Range 4 West, Shelby County,
25 Alabama as indicated on the density log for the said well, and all zones in
26 communication therewith and all productive extensions thereof, including any coal
27 seam stringer that might occur within a depth of either 80 feet above or 80 feet
28 below the Pottsville Coal Interval, and including those coal seams which can be
29 correlated therewith. Petitioner further seeks approval of the Unit Agreement and
30 Unit Operating Agreement, in accordance with Section 9-17-84, Code of Alabama
31 (1975), and approval of the amendments to the Special Field Rules for the Gurnee
32 Coal Degasification Field in order to conform to the provisions of the
33 aforementioned Unit Agreement and Unit Operating Agreement.
34

35 Petition further seeks entry of an order unitizing, pooling and integrating the Unit
36 Area, as underlain by the above defined unitized formation so as to require all
37 owners or claimants of royalty, overriding royalty, mineral and leasehold interests
38 within the Unit Area to unitize, pool and integrate their interests and develop their
39 lands or interests as a Unit, and designating CDX Gas, L.L.C. as operator of the Unit
40 Area in accordance with the laws of Alabama. The proposed Unit Area, to be
41 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 13. DOCKET NO. 2-9-05-23

8 Continued petition by BAY GAS STORAGE COMPANY, LTD. ("Petitioner"),
9 an Alabama limited partnership whose general partner is MGS Storage Services,
10 Inc., an Alabama corporation, requesting that the State Oil and Gas Board of
11 Alabama ("Board") enter an order: approving the underground storage of gas by
12 Petitioner in a proposed cavity to be created in a salt dome, said cavity and related
13 equipment to be located in the N 1/2 of the NW 1/4 of Section 29, T3N, R1E,
14 Washington County, Alabama; designating the horizontal and vertical boundaries
15 of the "Bay Gas Salt Dome Gas Storage Facility #3 at McIntosh" (or such other
16 name as may be deemed appropriate by the Board) including a buffer zone which
17 will extend into the SW 1/4 of Section 37, T4N, R1E and the NW 1/4 of Section
18 29, T3N, R1E, Washington County, Alabama; promulgating Special Gas Storage
19 Rules for said facility and the operation thereof; and designating Petitioner as the
20 storage operator for said facility thereby authorizing Petitioner to exercise the
21 rights and authorities of such operator including operating rights and
22 condemnation authority, all as authorized by and in accordance with the
23 provisions of Ala. Code Sections 9-17-150 et seq. (and in particular Section 9-17-
24 152) and State Oil and Gas Board of Alabama Administrative Code Rules 400-6-1
25 et seq. The public is invited to attend this meeting and to present to the Board
26 their position concerning these matters.
27

28 14. DOCKET NO. 3-9-05-1

29 Petition by DENBURY ONSHORE, LLC, a foreign limited liability company,
30 authorized to do and doing business in the State of Alabama, requesting the State
31 Oil and Gas Board to enter an order force pooling, without imposition of a risk
32 compensation penalty, all tracts and interests in a 320-acre gas unit, consisting of
33 the East Half of Section 35, Township 16 South, Range 14 West, Lamar County,
34 Alabama, for the drilling of its proposed Richards 35-2 Well No. 1.
35

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

15. DOCKET NO. 3-9-05-2

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

Township 18 South, Range 7 West
Section 27

Township 18 South, Range 8 West
Section 26

Township 19 South, Range 6 West
Section 28

Township 19 South, Range 7 West
Sections 10 and 14

Township 19 South, Range 8 West
Section 10

The previously granted temporarily abandoned status expired on November 4, 2004, and said status was extended administratively until March 11, 2005. Energen Resources Corporation requests that this Board grant a one year extension of the temporarily abandoned status beginning March 11, 2005 because all of the wells in the aforementioned Sections have future utility and should not be plugged.

16. DOCKET NO. 3-9-05-3

Petition by FOUR STAR OIL & GAS COMPANY, a subsidiary of Chevron U.S.A. Inc., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order extending the temporarily abandoned status and the Class II UIC permit for the following described gas injection well in Mobile County, Alabama, in the Hatter's Pond Unit, in accordance with Rules 400-1-4-.17(1) and 400-4-2-.01(5) of the State Oil and Gas Board of Alabama Administrative Code:

<u>PERMIT NO.</u>	<u>WELL NAME</u>	<u>LOCATION</u>
2735-B-GI-93-1	Hatter's Pond Unit 34-10 #1 ST	S34, T1S, R1W

The previous temporarily abandoned status and the Class II UIC permit for this well expired on February 11, 2005 and were extended administratively until March 11, 2005. Petitioner requests the Board to grant a one year extension of said status and permit beginning March 11, 2005, because said well has future utility and should not be plugged.

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

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

The Langston 10-3 #1 Well, Permit No. 13262, was permitted on November 17, 2003, and all tracts and interests in hydrocarbons were forced pooled by the Board in Order No. 2003-147 issued on November 14, 2003. Because six months elapsed after said permitting of this well and issuance of the forced pooling order, the permit and forced pooling order expired and the permit was cancelled by the Board on May 17, 2004. Thereafter, said well, Permit No. 13638, was permitted on July 15, 2004, and all tracts and interests in hydrocarbons were forced pooled by the Board in Order No. 2004-75 issued on July 14, 2004. Because six months have elapsed since the subsequent permitting of the Langston 10-3 #1 Well and the issuance of the forced pooling order by the Board, said permit and forced pooling order have expired and the permit was cancelled by the Board on January 18, 2005.

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

18. DOCKET NO. 3-9-05-5

Petition by S. LAVON EVANS, JR. OPERATING COMPANY, INC., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling, with a risk compensation penalty, all tracts and interests in hydrocarbons produced from formations of Mississippian and Pennsylvanian Age, in the McNees 3-12 #2 Well to

1 be drilled on a 320-acre unit consisting of the West Half of Section 3, Township 17
2 South, Range 16 West, Lamar County, Alabama, in the Asbury Church Field, at a
3 location 2,315 feet from the South line and 1,130 feet from the West line of said
4 Section 3.

5
6 The above-described 320-acre unit was previously forced pooled, with imposition of
7 risk compensation, by the Board in Order No. 2003-49, dated May 2, 2003, for the
8 drilling of the McNees 3-12 #1 Well, Permit No. 12976.

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

13
14 19. DOCKET NO. 3-9-05-6

15 Petition by S. LAVON EVANS, JR. OPERATING COMPANY, INC., a foreign
16 corporation authorized to do and doing business in the State of Alabama,
17 requesting the State Oil and Gas Board to enter an order force pooling, with a risk
18 compensation penalty, all tracts and interests in hydrocarbons produced from
19 formations of Mississippian and Pennsylvanian Age, in the W.H. Smith Estate 17-1
20 #1 Well to be drilled on a 320-acre wildcat unit consisting of the East Half of
21 Section 17, Township 17 South, Range 16 West, Lamar County, Alabama.

22
23 The W.H. Smith Estate 17-1 #1 Well, Permit No. 13687, was permitted on August
24 30, 2004, and all tracts and interests in hydrocarbons were forced pooled by the
25 Board in Order No. 2004-102, issued on August 20, 2004. The drilling permit and
26 the forced pooling order are set to expire six months from the dates of issuance.
27 Therefore, said permit and forced pooling order will have expired prior to the
28 Board's hearing on March 11, 2005.

29
30 This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as
31 amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama
32 Administrative Code.

33
34 20. DOCKET NO. 3-9-05-7

35 Petition by EXXON MOBIL CORPORATION, a foreign corporation, authorized to
36 do and doing business in the State of Alabama, requesting the State Oil and Gas
37 Board to enter an order approving the procedure for determining the production
38 volumes from the Northwest Gulf – Mobile Area Field, Mobile County, Alabama,
39 to be based on the difference between the total metered volume of the combined
40 production volumes of the Northwest Gulf – Mobile Area and the North Central
41 Gulf – Mobile Area Fields, as metered by the platform exit meter on the

1 Northwest Gulf Platform and the metered volume of the North Central Gulf –
2 Mobile Area Field, Mobile and Baldwin Counties, as metered by the platform exit
3 meter on the North Central Gulf Platform.
4

5 Petitioner proposes to combine gas production from the two fields prior to the
6 platform exit meter on the Northwest Gulf Platform to accommodate the
7 installation of gas compression equipment; thereby resulting in the measurement
8 of the combined flow at said exit meter. The difference in the two metered gas
9 volumes, subject to any adjustments for gas volumes flared, will be reported as
10 the volume attributable to the Northwest Gulf – Mobile Area Field. The
11 commingling, measurement and allocation procedures for gas production in said
12 Fields will be in accordance with the provisions of Board Order Nos. 93-148, 97-
13 152, and 2003-68.
14

15 21. DOCKET NO. 3-9-05-8

16 Petition by EL PASO PRODUCTION COMPANY, a Delaware corporation
17 authorized to do and doing business in the State of Alabama, requesting the State
18 Oil & Gas Board of Alabama to enter an order force pooling, with risk
19 compensation, all tracts and interests in coalbed methane produced from a well
20 drilled to the Pottsville Formation on a unit consisting of approximately 80 acres
21 located in the West Half of the Southwest Quarter of Section 18, Township 17
22 South, Range 8 West, Tuscaloosa County, Alabama, in the White Oak Creek Coal
23 Degasification Field. This petition is in accordance with Section 9-17-13,
24 ALABAMA CODE (1975), as amended, and Rules 400-7-1 and 400-7-2 of the State
25 Oil and Gas Board of Alabama Administrative Code.
26

27 22. DOCKET NO. 3-9-05-9

28 Petition by EL PASO PRODUCTION COMPANY, a Delaware corporation,
29 authorized to do and doing business in the State of Alabama, requesting the State Oil
30 and Gas Board to enter an order pursuant to Section 9-17-1 et seq., Code of Alabama
31 (1975) to amend Rule 2 of the Special Field Rules for the Short Creek Coal
32 Degasification Field, Jefferson County, Alabama to expand the area limits of the
33 Short Creek Coal Degasification Field to include the hereinafter described
34 "Expansion Area."
35

36 The proposed Expansion Area consists of approximately 1840 acres, more or less,
37 described as follows:

In Jefferson County:

SE/4 SE/4, Section 33 of Township 16 South, Range 5 West
S/2 SW/4, Section 34, Township 16 South, Range 5 West

W/2 SW/4, SW/4 NW/4, Section 1, Township 17 South, Range 5 West
N/2 N/2, SE/4 NE/4, N/2 SE/4, SE/4 SE/4 Section 2, Township 17 South, Range
5 West
Section 3, Township 17 South, Range 5 West
SE/4, Section 4, Township 17 South, Range 5 West
N/2, SW/4 Section 9, Township 17 South, Range 5 West

23. DOCKET NO. 3-9-05-10

Petition by EL PASO PRODUCTION COMPANY, a Delaware corporation, 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 CLC 14-16-44 well, Permit No. 13332-C, from an 80-acre unit consisting of the East Half of the Southeast Quarter of Section 14, Township 17 South, Range 5 West, Jefferson County, Alabama in the Short Creek Coal Degasification Field, to an 80-acre unit consisting of the Southeast Quarter of the Southeast Quarter of Section 14, Township 17 South, Range 5 West and the Southwest Quarter of the Southwest Quarter of Section 13, Township 17 South, Range 5 West, Jefferson County, Alabama, in the Short Creek Coal Degasification Field. Although Petitioner requests the Board to eliminate certain lands from the present spacing unit, Petitioner proposes to drill another coalbed methane well in the lands proposed to be eliminated from the current unit by formation of an additional 80 acre unit comprised of the Northeast Quarter of the Southeast Quarter of said Section 14, Township 17 South, Range 5 West and the Northwest Quarter of the Southwest Quarter of Section 13, Township 17 South, Range 5 West, Jefferson County, Alabama.

24. DOCKET NO. 3-9-05-11

Petition by CDX GAS, LLC, 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 reforming the unit for the RGGS 30-12-46 well, Permit No. 13731-C, from a 40-acre unit consisting of the Northwest Quarter of the Southwest Quarter of Section 30, Township 19 South, Range 5 West, Jefferson County, Alabama, in the Oak Grove Coal Degasification Field, to an 80-acre unit consisting of the West Half of the Southwest Quarter of said Section 30.

1 25. DOCKET NO. 3-9-05-12

2 Petition by CDX GAS, LLC, a Texas limited liability company, authorized to do
3 and doing business in the State of Alabama, requesting the State Oil and Gas
4 Board to enter an order reforming the unit for the RGGS 30-14-45 well, Permit
5 No. 13732-C, from a 40-acre unit consisting of the Southeast Quarter of the
6 Southwest Quarter of Section 30, Township 19 South, Range 5 West, Jefferson
7 County, Alabama, in the Oak Grove Coal Degasification Field to an 80-acre unit
8 consisting of the East Half of the Southwest Quarter of said Section 30.
9

10 26. DOCKET NO. 3-9-05-13

11 Petition by CDX GAS, LLC, a Texas limited liability company, authorized to do
12 and doing business in the State of Alabama, requesting the State Oil and Gas
13 Board to enter an order reforming the unit for the RGGS 31-04-47 well, Permit
14 No. 13733-C, from a 40-acre unit consisting of the Northwest Quarter of the
15 Northwest Quarter of Section 31, Township 19 South, Range 5 West, Jefferson
16 County, Alabama, in the Oak Grove Coal Degasification Field to an 80-acre unit
17 consisting of the North Half of the Northwest Quarter of said Section 31.
18

19 27. DOCKET NO. 3-9-05-14

20 Petition by LAND AND NATURAL RESOURCE DEVELOPMENT, INC., an
21 Alabama corporation, requesting the State Oil and Gas Board to enter an order
22 force pooling, with a risk compensation penalty, all tracts and interests in
23 hydrocarbons produced from formations of Mississippian and Pennsylvanian Age, in
24 the re-entry of the C.C. Ward et al 7-1 #1 Well, Permit No. 5918, located on a 320-
25 acre wildcat unit consisting of the North Half of Section 7, Township 17 South,
26 Range 16 West, Lamar County, Alabama.
27

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

32 28. DOCKET NO. 3-9-05-15

33 Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama
34 corporation, requesting the State Oil and Gas Board to enter an order force
35 pooling, with a risk compensation penalty, all tracts and interests in hydrocarbons
36 produced from coalbeds in the Pottsville Formation in the Jernigan 04-04-163 Well
37 to be located on an 80-acre unit consisting of the West Half of the Northwest
38 Quarter of Section 4, Township 18 South, Range 8 West, Tuscaloosa County,
39 Alabama, in the Blue Creek Coal Degasification Field.

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

4
5 29. DOCKET NO. 3-9-05-16

6 Petition by BLACK WARRIOR METHANE CORP., an Alabama corporation,
7 requesting the State Oil and Gas Board to enter an order reforming the unit for the
8 JWR 28-15-19 Well, Permit No. 13519-CG, from an 80-acre unit consisting of the
9 West Half of the Southeast Quarter of Section 28, Township 19 South, Range 7
10 West, Tuscaloosa County, Alabama, in the Brookwood Coal Degasification Field,
11 to a 40-acre unit consisting of the Southwest Quarter of the Southeast Quarter of
12 said Section 28, Township 19 South, Range 7 West, Tuscaloosa County, Alabama.

13
14 Although Petitioner requests the Board to eliminate certain lands from the present
15 80-acre spacing unit, Petitioner proposes to drill another gob well in the parcel
16 proposed to be eliminated. Petitioner further requests that the above-referenced 80-
17 acre unit for the existing vertical coalbed methane well, namely, the Champion 28-
18 10-3, Permit No. 10658-C, consisting of the West Half of the Southeast Quarter of
19 Section 28, Township 19 South, Range 7 West, remain intact. Petitioner further
20 requests that said 80-acre unit shall remain intact for Horizontal Degasification
21 Boreholes Unit 2CN, Permit No. 12205-CH.

22
23 30. DOCKET NO. 3-9-05-17

24 Petition by ROBINSON'S BEND OPERATING CO., LLC, a foreign limited
25 liability company, authorized to do and doing business in the State of Alabama,
26 requesting the State Oil and Gas Board to enter an order force pooling, without
27 the imposition of a risk compensation penalty, all tracts and interests in
28 hydrocarbons produced from the Jones 19-1-526 Well, Permit No. 13894-C, located
29 on a 40-acre unit consisting of the Northeast Quarter of the Northeast Quarter of
30 Section 19, Township 22 South, Range 11 West, Tuscaloosa County, Alabama, in
31 the Thornton Creek Coal Degasification Field.

32
33 Subsequent to the issuance of the aforementioned permit and during negotiations
34 for surface damages, Petitioner's surveyor and landman discovered an error in a
35 source deed which resulted in a small parcel being unleased.

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

1 31. DOCKET NO. 3-9-05-18

2 Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama
3 corporation, requesting the State Oil and Gas Board to enter an order approving
4 an exception to Rule 4B of the Special Field Rules for the Blue Creek Coal
5 Degasification Field for the drilling of Petitioner's Federal 09-08-1039 Well.
6 Said well is to be drilled on an 80-acre unit consisting of the East Half of the
7 Northeast Quarter of Section 9, Township 18 South, Range 8 West, Tuscaloosa
8 County, Alabama, at a location 173 feet from the South line and 167 feet from the
9 East line of the unit. At such location, said well is only 167 feet from the East
10 boundary of the Field and said Rule 4B requires that wells drilled in said Field be
11 located at least 300 feet from every exterior boundary of the Field.
12

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

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

27 33. DOCKET NO. 12-15-04-13

28 Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA
29 to amend Rules 400-1-4-.03, 400-2-4-.03, and 400-3-4-.03 (Well Record); Rules
30 400-1-4-.04, 400-2-4-.04, and 400-3-4-.04 (Directional Surveys); and Rules 400-
31 1-6-.06, 400-2-6-.06, 400-3-6-.05 (Recompletion or Reworking) to change the
32 filing requirements of said rules. Said rules presently require two (2) copies of all
33 well logs, directional surveys, and drill stem tests be filed with the Board, and the
34 proposed rule change would require that only one (1) copy of the information be
35 filed.
36

37 34. DOCKET NO. 12-15-04-14

38 Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA
39 to amend Rules 400-1-2-.05, 400-2-2-.05, and 400-3-2-.05 of the State Oil and
40 Gas Board of Alabama Administrative Code relating to Change of Operator to
41 change the notification and filing requirements of said rules and to clarify the

1 current operator's responsibilities prior to the Supervisor's approval of the
2 proposed new operator.

3
4 35. DOCKET NO. 12-15-04-15

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

10
11
12 The meetings of the State Oil and Gas Board are public meetings, and members of
13 the public are invited to attend and present their position concerning this
14 petition(s). Requests to continue or oppose a petition should be received by the
15 Board at least two (2) days prior to the hearing. For additional information, you
16 may contact the State Oil and Gas Board, P. O Box 869999, Tuscaloosa, Alabama
17 35486-6999, Telephone Number 205/349-2852, Fax Number 205/349-2861, or by
18 email at petitions@ogb.state.al.us.

19
20 MR. ROGERS: The Hearings Reporter has received and compiled the proofs of
21 publication for the items appearing on the docket for the first time. These proofs of publication
22 for the items on the March 9 and 11, 2005, docket are admitted into the record.

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

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

27 (Whereupon, the Order was received in evidence)

28 MR. ROGERS: I will recommend the following petitions and motions be continued:
29 Item 1, Docket No. 9-29-04-15, petition by Black Warrior Methane Corporation; Item 2, Docket
30 No. 11-3-04-3, petition by Black Warrior; Item 3, Docket No. 12-15-04-10, petition by El Paso
31 Production Company; Item 4, Docket No. 2-9-05-6, petition by Robinson's Bend Operating
32 Company, LLC; Item 5, Docket No. 2-9-05-7, petition by Robinson's Bend; Item 6, Docket No.
33 2-9-05-8, petition by Robinson's Bend; Item 8, Docket No. 2-9-05-12, petition by Robinson's
34 Bend; Item 9, Docket No. 2-9-05-14, petition by Chevron USA, Inc.; Item 10, Docket No. 2-9-

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1 05-15, petition by Chevron; Item 11, Docket No. 2-9-05-19, petition by CDX Gas, LLC; Item
2 12, Docket No. 2-9-05-20, petition by CDX; Item 18, Docket No. 3-9-05-5, petition by S. Lavon
3 Evans, Jr. Operating Company, Inc.; Item 19, Docket No. 3-9-05-6, petition by Evans; Item 21,
4 Docket No. 3-9-05-8, petition by El Paso Production Company; Item 23, Docket No. 3-9-05-
5 10A, petition by El Paso. The four remaining items are motions by the Board: Item 32, Docket
6 No. 4-30-03-7; Item 33, Docket No. 12-15-04-13; Item 34, Docket No. 12-15-04-14, and Item
7 35, Docket No. 12-15-04-15. I will recommend that the following petitions be dismissed without
8 prejudice: Item 7, Docket No. 2-9-05-9, petition by Robinson's Bend Operating Company, LLC;
9 Item 28, Docket No. 3-9-05-15, petition by Dominion Black Warrior Basin, Inc., and Item 29,
10 Docket No. 3-9-05-16, petition by Black Warrior Methane Corporation. The first item to be
11 heard is Item 14, Docket No. 3-9-05-1, petition by Denbury Onshore, LLC.

12 MR. ESTEP: I will have one witness.

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

14 MR. CASSARD: Thomas Cassard. I live at 3922 Bonita Drive, Frisco, Texas. I'm
15 employed by Denbury Onshore, LLC.

16 (Witness was sworn by Mr. Rogers)

17 MR. ESTEP: Mr. Cassard, have you appeared before this Board to testify in the past?

18 MR. CASSARD: No, I have not.

19 MR. ESTEP: Mr. Hearing Officer, we have prefiled an affidavit regarding the
20 qualifications of Mr. Cassard which we would like to have admitted into the record.

21 MR. ROGERS: The affidavit is admitted but we would like to just briefly go through
22 that.

23 MR. ESTEP: If you would, Tom, tell the Board a brief summary of your educational
24 background and work experience.

25 MR. CASSARD: In 1985 I graduated from the University of Texas at Austin with a
26 Bachelor of Business Administration Degree with concentration in petroleum land management.
27 At that time I started working for Fina Oil and Chemical and continued working for Fina Oil and
28 Chemical in Tyler, Texas, up through 1993. At that point I was transferred, still with Fina, back

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1 to Houston, Texas, employed through April of 1996. On April 30, 1996, I became employed by
2 Denbury Resources and currently am employed by Denbury Resources. My work experience
3 includes land work extensively in Mississippi, South Arkansas, and recently in Alabama.

4 MR. ROGERS: He is recognized as an expert petroleum landman.

5 MR. ESTEP: Mr. Cassard, are you familiar with the petition that Denbury Onshore, LLC
6 has filed seeking to force pool, without imposition of the risk compensation fee, all tracts and
7 interests in a 320-acre drilling unit that we refer to as the Richards 35-2 Well No. 1?

8 MR. CASSARD: Yes I am.

9 MR. ESTEP: We are here today requesting the force pooling, without imposition of the
10 risk compensation fee, of all tracts and interests in that 320-acre unit consisting of the East Half
11 of Section 35 for the Richard 35-2 well. We have prefiled and would ask that you make a part of
12 the record of this hearing the affidavit executed by Mr. Cassard with respect to this petition and
13 the affidavit of notice which I have prepared and executed in connection with this petition.

14 MR. ROGERS: Those affidavits are admitted.

15 (Whereupon, the affidavits were received in evidence)

16 THOMAS CASSARD

17 Appearing as a witness on behalf of Petitioner, Denbury Onshore, LLC, testified as
18 follows:

19 DIRECT EXAMINATION

20 Questions by Mr. Estep:

21 Q. Mr. Cassard, I have described the drilling unit for the Richards 35-2 well. Have you or
22 brokers working under your supervision and control examined the ownership in the 320-
23 acre drilling unit that I have just described?

24 A. Yes I have.

25 Q. Will you identify the names and the amount of net acreage attributable to each
26 nonconsenting owner in the 320-acre unit?

27 A. Yes, Joyce R. Troupe, spelled T-R-O-U-P-E. Her net mineral acreage in the 320-acre
28 unit is 1.31 net mineral acres.

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- 1 Q. Does Denbury Onshore, LLC own or control all of the leasehold rights in the 320-acre
2 unit except for those interests owned by the party that you have just identified?
- 3 A. Yes we do.
- 4 Q. That is 99.6 percent of the unit, correct?
- 5 A. Yes sir, that's correct.
- 6 Q. Could you tell us the total net acreage in the 320-acre unit represented by the party that
7 has not agreed to lease, farm-out, or participate, please?
- 8 A. 1.31 net mineral acres of the unit.
- 9 Q. What percentage of the 320-acre unit does that represent?
- 10 A. Four tenth's of one percent.
- 11 Q. With respect to the nonconsenting owner owning .4 of a percent of the 320-acre drilling
12 unit, did you on Denbury's behalf attempt to lease that interest or have that interest owner
13 participate or farm-out her interest to Denbury?
- 14 A. Yes I did.
- 15 Q. The owner that you did not obtain consent from was notified by first-class mail, postage
16 paid, at least 15 days prior to the hearing of this petition that Denbury intended to force
17 pool their interests, were they not?
- 18 A. That is correct.
- 19 Q. Did Denbury prepare to proceed with the drilling of the Richards 35-2 well upon receipt
20 of an order of this Board force pooling, without risk compensation, all interests in the
21 East Half of Section 35?
- 22 A. Yes we are.
- 23 Q. How soon would the company expect to begin that work?
- 24 A. By the end of this month.
- 25 Q. If the Board grants this petition would the coequal and correlative rights of all owners in
26 the proposed 320-acre unit be protected?
- 27 A. Yes sir.

1 Q. Would "waste" be prevented as that term is defined in the rules and regulations of the
2 Board?

3 A. It would.

4 Q. And the drilling of unnecessary wells be prevented?

5 A. Correct.

6 MR. ESTEP: I tender the witness to you or members of the staff for any questions.

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

9 MR. ROGERS: The next item is Item 16, Docket No. 3-9-05-3, petition by Four Star Oil
10 and Gas Company.

11 MR. WATSON: This is a request, Mr. Rogers, of Four Star Oil and Gas to extend the
12 temporary abandonment status and Class II UIC permit for the Hatter's Pond Unit 34-10 No. 1
13 Sidetrack located in Section 34, Township 1 South, Range 1 West, in Mobile County, Alabama.
14 I have prefiled an affidavit of testimony of Mr. Rueben A. Holguin and also filed an affidavit of
15 his qualifications. I would ask that his affidavit of testimony be admitted into the record in this
16 case.

17 MR. ROGERS: The affidavit of Mr. Holguin is admitted.

18 (Whereupon, the affidavit was received in evidence)

19 MR. WATSON: That's all I have. I would ask that you make a recommendation to the
20 Board that this item be approved extending the temporary abandonment status and extending the
21 Class II permit for this well.

22 MR. ROGERS: Any questions from the staff? We will review the evidence and make a
23 recommendation to the Board. The next item is Item 17, Docket No. 3-9-05-4, petition by S.
24 Lavon Evans, Jr. Operating Company, Inc.

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

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

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

28 (Witness was sworn by Mr. Rogers)

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1 MR. TYRA: Docket No. 3-9-05-4 is a request by S. Lavon Evans, Jr. Operating
2 Company, Inc. to force pool the Langston 10-3 No. 1 Well with the imposition of the risk
3 compensation penalty. The well is to be located on a 320-acre wildcat unit consisting of the
4 North Half of Section 10, Township 17 South, Range 16 West, Lamar County, Alabama. Mr.
5 Beckett, you have testified before this Board on many occasions, have you not?

6 MR. BECKETT: Yes sir, I have.

7 MR. TYRA: Your qualifications are on file with the Board at this time. Is that correct?

8 MR. BECKETT: That is correct.

9 MR. TYRA: I would ask that Mr. Beckett be recognized again as an expert petroleum
10 landman.

11 MR. ROGERS: He is so recognized.

12 WILLIAM G. BECKETT

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

15 DIRECT EXAMINATION

16 Questions by Mr. Tyra:

17 Q. In your capacity as a petroleum landman are you doing work with S. Lavon Evans, Jr.
18 Operating Company, Inc. in reference to gathering and purchasing leases in the area that
19 the Langston well is to be drilled?

20 A. Yes sir, I am.

21 Q. Did you have the responsibility of leasing the Langston unit for this?

22 A. Yes sir, I did, I and brokers working for me.

23 Q. Were you able to get all the leases or working interest ownership on behalf of Lavon
24 Evans Operating Company?

25 A. No sir, there were several tracts that we were not able to work a deal with.

26 Q. All right, sir. Tell us the cumulative amount of acreage or percentage of ownership that
27 you don't own at this time.

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1 A. What we don't own at this time would be 3.19 percent of the unit.

2 Q. All right sir. Would you read into the record the parties that we are actually force pooling
3 this morning?

4 A. This morning we are force pooling Bill W. Newton. Bill has .417 percent. H. Wayne
5 Stafford has .844 percent. MCM Petro-One, Ltd. has 1.758 percent.

6 Q. Those are the three parties that we will be force pooling?

7 A. Yes.

8 Q. Did you send notices to these parties concerning this matter?

9 A. Yes sir, we did.

10 Q. Did you receive the green cards back indicating that they had, in fact, received those
11 notices?

12 A. Yes sir.

13 Q. In those notices did you provide the information as required by statute to be provided in
14 order to receive a risk compensation fee?

15 A. Yes sir, we did.

16 Q. In those notices at one point we indicated that the location of the well would be 2,386 feet
17 from the West line but, in fact, it will be 2,366 feet from the West line. Is that correct?

18 A. That's correct.

19 Q. In your opinion would the granting of this petition allowing us to go forward and drill this
20 well with the risk compensation fee against these parties that we are force pooling
21 prevent "waste" and protect correlative rights?

22 A. Yes sir, it would.

23 MR. TYRA: I would ask that the letters and the green cards attached be made a part of
24 the record at this time.

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WILLIAM G. BECKETT

EXAMINATION BY BOARD/STAFF

Questions by Mr. Rogers:

Q. You have prefiled five letters and green cards but Marathon and TC Craighead must have leased?

A. Yes sir and that was one reason I was having a little trouble picking this percentage out. I got this letter yesterday from Marathon, their interest.

Q. So, Wayne Stafford, Bill Newton and MCM Petro-One Limited are the three nonconsenting owners?

A. Yes sir, that's correct.

MR. ROGERS: Do you just want to admit those three letters into the record?

MR. TYRA: Yes sir.

MR. ROGERS: Those letters will be admitted, the ones to those three owners.

(Whereupon, the letters were received in evidence)

MR. TYRA: I would tender the witness for any questions that you might have.

WILLIAM G. BECKETT

EXAMINATION BY BOARD/STAFF

Questions by Mr. Rogers:

Q. You have these three owners and the Code requires that you negotiate in good faith with them. Would you just briefly discuss your negotiations or communications with Mr. Stafford, Mr. Newton and MCM?

A. We have contacted these people on several occasions. In fact, we had a letter from H. Wayne Stafford on this well at one time but the permit expired. We just have not been able at this time to work a deal with him. We have contacted all of them including Bill W. Newton. We had an agreement with him at one time.

Q. We all know Wayne Stafford and Bill Newton. In essence, they have just stated that they are not going to participate in the well. That was the substance of your negotiations?

A. At this time, that is correct.

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1 MR. TYRA: I might add that this is the third time we have force pooled this. We have
2 had agreements with them in the past and those agreements may still be good. We are just not
3 sure about that and were not sure if we needed to go forward with past agreements. We felt like
4 since the permits expired for the past force poolings that it would be best if we just cleared the
5 slate and contacted them all again. That has created some confusion too.

6 MR. ROGERS: MCM-Petro-One, is that Tom McMillan's company?

7 MR. BECKETT: I'm not sure. I didn't contact them personally myself. That was done
8 by the company.

9 MR. TYRA: That's the group out of Brewton.

10 MR. ROGERS: Well, we just want to be sure these people understand what you are
11 doing. You have the green card.

12 MR. TYRA: Certainly, if we get an agreement with them before we drill a well we will
13 go by the agreement and not the force pooling order.

14 MR. ROGERS: Any other questions? The staff will review the evidence and make a
15 recommendation to the Board. The next item is Item 22, Docket No. 3-9-05-9A, petition by El
16 Paso Production Company.

17 MRS. ARNOLD: Foster Arnold on behalf of El Paso Production Company. Docket No.
18 3-9-05-9A is a petition by El Paso Production Company requesting amendment of Rule 2 of the
19 Special Field Rules for the Short Creek Coal Degasification Field in Jefferson County to expand
20 the area limits of the field as set forth in the petition of El Paso. We have prefiled the affidavit of
21 Greg Burns who has previously testified before the Board and been accepted by the Board as an
22 expert in petroleum geology. This affidavit correlates the coal groups in the expansion area as
23 defined in that petition with the coal groups in the existing Short Creek Coal Degasification
24 Field. The affidavit concludes that the amendment of Rule 2 of the Special Field Rules for the
25 Short Creek Coal Degasification Field to include the expansion area will prevent "waste" and
26 protect the coequal and correlative rights of the owners in the expansion area. We have also filed
27 my affidavit of notice stating that notice was given to all of the operators in the existing Short
28 Creek Coal Degasification Field as well as those operators within the expansion area and the

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1 mineral and overriding royalty interest owners in the expansion area of which we were aware.
2 We have also filed my affidavit of publication. We would request that the Board once more
3 recognize Greg Burns as an expert in petroleum geology.

4 MR. ROGERS: He is so recognized.

5 MRS. ARNOLD: We would ask the Board to admit the prefiled affidavits of Burns and
6 Arnold.

7 MR. ROGERS: The affidavits of Mrs. Arnold are admitted. The affidavit of Mr. Burns
8 is admitted with all the attached exhibits.

9 (Whereupon, the affidavits and attachments were
10 received in evidence)

11 MRS. ARNOLD: Finally, we would ask that the Board grant the petition of El Paso to
12 amend Rule 2 of the Special Field Rules for the Short Creek Coal Degasification Field in
13 Jefferson County to expand the area limits of the field as set forth in their petition.

14 MR. ROGERS: Any questions from the staff? We will review the evidence and make a
15 recommendation to the Board. Thank you. The next item is Item 24, Docket No. 3-9-05-11,
16 petition by CDX Gas, LLC.

17 MRS. ARNOLD: Foster Arnold on behalf of CDX Gas, LLC. Docket No. 3-9-05-11 is a
18 petition by CDX Gas, LLC requesting reformation of the unit for the RGGS 30-12-46 well,
19 Permit No. 13731-C, from an original 40-acre unit consisting of the Northwest Quarter of the
20 Southwest Quarter of Section 30, Township 19 South, Range 5 West, Jefferson County, in the
21 Oak Grove Coal Degasification Field to a revised 80-acre unit consisting of the West Half of the
22 Southwest Quarter of said Section 30. We have prefiled the affidavit of ownership of Robert
23 Anderson confirming common ownership in the original and the revised unit by RGGS Land and
24 Minerals Limited, LP, the only mineral owner. We have also prefiled the affidavit of Foster
25 Arnold stating that notice was given to the sole mineral owner in the original and revised unit.
26 CDX has received consent since the filing of that petition for reformation from RGGS, copies of
27 which I would like to now have admitted into the record.

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1 MR. ROGERS: This is a letter from Foster Arnold to RGGS signed by William
2 Lawrence where he states that he has consented. That is admitted.

3 (Whereupon, the letter was received in evidence)

4 MRS. FOSTER: We have also prefiled the affidavit of Foster Arnold showing
5 publication and the engineering affidavit of Ron Rovenko who has previously testified before the
6 Board and been accepted by the Board as an expert in petroleum engineering. This affidavit
7 details the basis for reformation and concludes that the reformation will prevent "waste" and
8 protect the coequal and correlative rights of the owners in the original and revised unit. We have
9 also prefiled Robert Anderson's qualifications in the field of petroleum land matters. At this
10 time we would request that Robert Anderson be accepted by the Board and recognized as an
11 expert in the field of petroleum land matters.

12 MR. ROGERS: We have his affidavit. He is recognized as an expert.

13 MRS. FOSTER: We would also ask that Ron Rovenko once more be recognized as an
14 expert in petroleum engineering.

15 MR. ROGERS: He is so recognized.

16 MRS. FOSTER: We would ask the Board to admit the affidavits of Anderson, Rovenko
17 and Arnold as filed.

18 MR. ROGERS: Those affidavits are admitted.

19 (Whereupon, the affidavits were received in evidence)

20 MRS. ARNOLD: Finally, we would ask that the Board grant the petition to reform the
21 unit for the RGGS 30-12-46 well, Permit No. 13731-C, from the original 40-acre unit consisting
22 of the Northwest Quarter of the Southwest Quarter of Section 30, Township 19 South, Range 5
23 West, Jefferson County, in the Oak Grove Coal Degasification Field to the revised 80-acre unit
24 consisting of the West Half of the Southwest Quarter of said Section 30.

25 MR. ROGERS: The only thing that I think would help, Mrs. Arnold, is if you put in your
26 order that you have the consent of the sole owner. That would make that clear.

27 MRS. ARNOLD: We will do that.

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1 MR. ROGERS: Any questions from the staff? The staff has no questions. We will
2 review the evidence and make a recommendation to the Board. The next item is Item 25, Docket
3 No. 3-9-05-12, petition by CDX Gas, LLC.

4 MRS. ARNOLD: Foster Arnold for CDX Gas, LLC. Docket No. 3-9-05-12 is a petition
5 by CDX Gas, LLC requesting reformation of the unit for the RGGS 30-14-45 well, Permit No.
6 13732-C, from an original 40-acre unit consisting of the Southeast Quarter of the Southwest
7 Quarter of Section 30, Township 19 South, Range 5 West, Jefferson County, in the Oak Grove
8 Coal Degasification Field to a revised 80-acre unit consisting of the East Half of the Southwest
9 Quarter of said Section 30. We have prefiled the ownership affidavit of Robert Anderson
10 confirming common ownership in the original and the revised unit by RGGS Land and Minerals
11 Limited, LP, the sole mineral owner. We have filed the notice affidavit of Foster Arnold stating
12 that notice was given to this sole mineral owner in the original and the revised unit. Again, CDX
13 has since the filing of this petition received consent of the reformation by RGGS, copies of
14 which consent I would like to now have admitted into the record. We have also prefiled the
15 engineering affidavit of Ron Rovenko who has previously been recognized by the Board as an
16 expert in petroleum engineering. This affidavit details the basis for reformation and concludes
17 that the reformation will prevent "waste" and protect the coequal and correlative rights of the
18 owners in both the original and revised unit. CDX would request that the Board admit the
19 affidavits of Anderson, Rovenko and Arnold.

20 MR. ROGERS: Those affidavits are admitted.

21 (Whereupon, the affidavits were received in evidence)

22 MRS. FOSTER: CDX would request the Board to grant the petition to reform the unit
23 for RGGS 30-14-45 well, Permit No. 13732-C, from the original 40-acre unit consisting of the
24 Southeast Quarter of the Southwest Quarter of Section 30, Township 19 South, Range 5 West,
25 Jefferson County, in the Oak Grove Coal Degasification Field to a revised 80-acre unit
26 consisting of the East Half of the Southwest Quarter of said Section 30.

27 MR. ROGERS: The letter of consent from Mr. Lawrence is admitted. They are the sole
28 owner of the mineral rights?

1 MRS. ARNOLD: Yes in both the original and revised unit.

2 MR. ROGERS: That letter is admitted. Mr. Anderson's affidavit is admitted. Mr.
3 Rovenko's affidavit is admitted. You have two affidavits that you have signed. They are both
4 admitted.

5 (Whereupon, the letter and affidavits were received in evidence)

6 MR. ROGERS: Any questions from the staff? We will review the evidence and make a
7 recommendation to the Board. The next item is Item 26, Docket No. 3-9-05-13A, petition by
8 CDX Gas, LLC.

9 MRS. ARNOLD: Foster Arnold for CDX Gas, LLC. Docket No. 3-9-05-13A is a
10 petition by CDX Gas, LLC requesting reformation of the unit for the RGGS 31-04-47 well,
11 Permit No. 13733-C, from the original 40-acre unit consisting of the Northwest Quarter of the
12 Northwest Quarter of Section 31, Township 19 South, Range 5 West, Jefferson County, in the
13 Oak Grove Coal Degasification Field to the revised 80-acre unit consisting of the North Half of
14 the Northwest Quarter of said Section 31. We have prefiled the ownership affidavit of Robert
15 Anderson confirming common ownership in the original and revised unit by RGGS Land and
16 Minerals Limited LP. We have prefiled the notice affidavit of Foster Arnold stating that notice
17 was given to this sole mineral owner in the original and revised unit. At this time we would like
18 to have the consent of RGGS Land and Minerals admitted to the record.

19 MR. ROGERS: We have a letter from Mr. Lawrence representing RGGS Land and
20 Minerals Limited. That letter is admitted.

21 (Whereupon, the letter was received in evidence)

22 MRS. FOSTER: We have also prefiled the engineering affidavit of Ron Rovenko who
23 has previously been accepted by the Board as an expert in petroleum engineering. This affidavit
24 details the basis for reformation and concludes that the reformation will prevent "waste" and
25 protect the coequal and correlative rights of the owners in both the original and revised unit. We
26 would ask the Board to admit the prefiled affidavits of Anderson, Rovenko and Arnold.

27 MR. ROGERS: Those affidavits are admitted.

28 (Whereupon, the affidavits were received in evidence)

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1 MRS. ARNOLD: We would ask the Board to grant the petition to reform the unit for
2 RGGS 31-04-47 well, Permit No. 13733-C, from the original 40-acre unit consisting of the
3 Northwest Quarter of the Northwest Quarter of Section 31, Township 19 South, Range 5 West,
4 Jefferson County, in the Oak Grove Coal Degasification Field to the revised 80-acre unit
5 consisting of the North Half of the Northwest Quarter of said Section 31.

6 MR. ROGERS: Any questions from the staff? We will review the evidence and make a
7 recommendation to the Board. If you will just put in all the orders that the sole mineral owner,
8 RGGS, consented to the reformatations.

9 MRS. ARNOLD: We will do that. Thank you.

10 MR. ROGERS: The next item then is Item 27, Docket No. 3-9-05-14, petition by Land
11 and Natural Resource Development Corporation.

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

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

14 MR. WOLF: Steve Wolf, Tuscaloosa, Alabama.

15 (Witness was sworn by Mr. Rogers)

16 MR. TYRA: Mr. Rogers, I have just handed up to you an amended petition requesting an
17 order force pooling, without the risk compensation penalty, all tracts and interests in a proposed
18 C.C. Ward 7-1 No. 1 Well. We plan to re-enter this well and drill a 320-acre wildcat unit on a
19 unit consisting of the North Half of Section 7, Township 17 South, Range 16 West, Lamar
20 County. The amended petition drops our request for the risk compensation fee.

21 STEVE WOLF

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

24 DIRECT EXAMINATION

25 Questions by Mr. Tyra:

26 Q. Mr. Wolf, in what manner are you employed by Land and Natural Resource
27 Development, Inc.?

28 A. I'm the President.

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1 Q. As such you would be familiar with the petition that has been filed in this matter asking
2 for a force pooling of this unit, would you not?

3 A. I am.

4 Q. Are you also familiar with the negotiations for leases in order to drill this unit?

5 A. I am.

6 Q. Would you testify as to whether Land and Natural Resource Development, Inc. has been
7 successful in securing leases from all the mineral interest owners in the proposed unit?

8 A. With the exception of the four parties that are subject to this petition.

9 MR. TYRA: I would like admitted into the record the affidavit of notice that I filed
10 indicating that we sent notice to these four parties.

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

12 (Whereupon, the affidavit was received in evidence)

13 Q. If you would, read into evidence the name of these four parties, please.

14 A. Mrs. Billie Joe Scott, Mrs. Jimmie Wilson, Mr. Thomas Parson, Jr. and Mr. Thomas
15 Parson, Sr.

16 Q. All right sir. These parties own about 6.1 mineral acres. Is that correct?

17 A. Approximately.

18 Q. That will be about 1.9 percent of the drilling unit. Is that correct?

19 A. That's correct.

20 Q. If you will, testify as to your efforts to locate Mrs. Jimmie Wilson.

21 A. We have contacted whom we thought owned her tract in total which was Mrs. Scott. She
22 said that Mrs. Wilson owned half of it. Based on her verbal, we attempted to contact
23 Mrs. Wilson whom we understand has been working overseas for the last several years.
24 Her last known address to anybody is the Grand Prairie address that we attempted to
25 contact. We did an Internet search looking for any other possible address in this and in
26 all of our searches this address was listed as her last known address. We contacted every
27 phone number that came up in relation to that. All of those phone numbers have been

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1 disconnected. We have just been unable to locate her or anybody who knows her
2 whereabouts.

3 Q. Is it also true that you have been unable to verify in the record title that this Mrs. Jimmie
4 Wilson owns an interest?

5 A. That's correct.

6 Q. You have been told by Mrs. Billie Joe Scott that she does actually own half of her
7 interest.

8 A. That's right.

9 Q. We have included her even though we can't find record title into her and can't locate her.
10 All the other parties have received notice of this through your letters and my notification.
11 Is that correct?

12 A. That's correct.

13 Q. Have you offered to lease these parties on the same basis as everyone else in the area that
14 is similarly situated?

15 A. We have.

16 Q. They do not agree to lease at this time. Is that correct?

17 A. At this time, no. Pardon me, one person has verbally agreed to lease in the last couple of
18 days. We don't have the lease in yet.

19 Q. Which one is that?

20 A. That would be Mrs. Scott.

21 Q. But we do not have that lease in hand?

22 A. No.

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

24 STEVE WOLF

25 EXAMINATION BY BOARD/STAFF

26 Questions by Mr. Rogers:

27 Q. Maybe I'll ask a few questions about this lady because that is almost like the case of
28 Walker vs. Clary where the owner was in the Indian Ocean. Is that her husband's name,

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1 Jimmy Wilson? She is Mrs. Jimmie Wilson? That is the name of her husband or is that
2 her name? Do you know?

3 A. I honestly don't know. Jimmie is I believe her name. I am not positive.

4 Q. Did you get that information from the other lady, Mrs. Billie Joe Scott?

5 A. That's correct.

6 Q. Did she say she had actually sold the interest to her or conveyed it to her?

7 A. No. She said that Mrs. Wilson is her sister-in-law by her deceased husband, long
8 deceased. She said that Mrs. Wilson's husband was Mrs. Scott's brother. She said that--
9 we haven't got that far into it exactly how that ownership was obtained.

10 Q. But it wasn't recorded though.

11 MR. TYRA: We can't determine how she thinks that she came into the interest.
12 Apparently she thinks her brother and herself shared the interest rather than being hers outright.

13 MR. ROGERS: So really, it might have been in her husband's name, Mrs. Scott's
14 brother?

15 MR. TYRA: Right.

16 Q. Could you state how you came to learn of this address that you have?

17 A. We got that from Mrs. Scott and then confirmed it on the Internet. That shows up as her
18 last known address.

19 Q. What age lady would this person be? What age lady is Mrs. Scott? Is she elderly or is
20 she middle-aged?

21 A. My impression is she is in her 60's.

22 Q. Okay. If these people ever come to the Board or if somebody that tries to track this
23 comes to the Board it will be helpful to put as much as you can in.

24 MR. TYRA: We apologize to Mrs. Scott if she is in her 50's.

25 MR. ROGERS: Well, I think you have enough in the record and then actually record title
26 is in Mrs. Scott.

27 MR. TYRA: That's correct.

1 Q. Any idea when that transaction would have taken place, roughly? It might have been 20
2 years ago?

3 A. It might have been. Mrs. Scott is not really clear on details and I haven't pressed her for
4 them. Up until a few weeks ago I assumed that we were going to find Mrs. Wilson and
5 take care of it.

6 MR. ROGERS: I think that you have made a diligent effort to locate her and have done
7 all this research. Anything else, Mr. Tyra?

8 MR. TYRA: No, sir.

9 MR. ROGERS: Will you just state for the record then what the outstanding interest is at
10 this time? We'll have that in the record and if you will put that in the order too.

11 MR. TYRA: The outstanding interest is 6.1 net mineral acres which is 1.906 percent of
12 the unit.

13 MR. ROGERS: I think it would be helpful in the proposed order to state this, that one of
14 the owners you were not able to locate but you made a diligent effort to locate them.

15 MR. TYRA: Yes sir.

16 MR. ROGERS: Anything else?

17 MR. TYRA: No sir.

18 MR. ROGERS: The staff will review the evidence and make a recommendation to the
19 Board. Thank you. The next item is Item 30, Docket No. 3-9-05-17, petition by Robinson's
20 Bend Operating Company, LLC.

21 MR. WATSON: Mr. Rogers, let's hear that on Friday.

22 MR. ROGERS: Is there any objection to hearing that matter on Friday? We will set that
23 for the hearing this Friday. The next item then is Item 31, Docket No. 3-9-05-18A, petition by
24 Dominion Black Warrior Basin, Inc.

25 MR. WATSON: I have two witnesses, Mr. Rogers, and would like to have them sworn
26 in, please.

27 MR. ROGERS: Will you gentlemen state your names and addresses?

28 MR. HUTCHINGS: Steve Hutchings, Mobile, Alabama.

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1 MR. HANBY: Ken Hanby, Northport, Alabama.

2 (Witnesses were sworn by Mr. Rogers)

3 MR. WATSON: Mr. Rogers, I have prefiled an affidavit of notice in this matter and
4 would like to have it admitted into the record. While he is looking for that I told Foster Arnold
5 as she left the hearing room today that in my 38 years associated with this Board I do not ever
6 recall a mother-to-be presenting either as a witness or as an attorney before the Board.

7 MR. ROGERS: Good for her. The affidavit of notice is admitted.

8 (Whereupon, the affidavit was received in evidence)

9 MR. WATSON: Mr. Rogers and members of the staff, this is a petition by Dominion
10 Black Warrior Basin asking you to approve an exception to Rule 4(b) of the Special Field Rules
11 for the Blue Creek Coal Degasification Field in Tuscaloosa County, Alabama. My first witness
12 is Steve Hutchings. Mr. Hutchings has on file an affidavit of his qualifications as a petroleum
13 landman. Mr. Hutchings, you are familiar with the petition that has been called for hearing on
14 this exception to Rule 4(b)?

15 MR. HUTCHINGS: Yes sir.

16 MR. WATSON: Are you familiar with the ownership of the interest involved in the 80-
17 acre unit that we propose to drill?

18 MR. HUTCHINGS: Yes sir.

19 MR. WATSON: I tender Mr. Hutchings as an expert witness in this matter, please.

20 MR. ROGERS: He is so recognized.

21 STEVE HUTCHINGS

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

24 DIRECT EXAMINATION

25 Questions by Mr. Watson:

26 Q. I have handed up to members of the staff Mr. Hanby's exhibits. If you would, turn to
27 Exhibit No. 3 in that booklet. I'm going to ask you to use that exhibit as we discuss this
28 matter. Rule 4(b) of the Special Field Rules for Blue Creek requires wells to be drilled at

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1 least 300 feet from every exterior boundary of the field limits. Do you understand that to
2 be the Rule?

3 A. Yes.

4 Q. The field rules also require that wells be located at least 150 feet from every exterior
5 boundary of a drilling unit. You are familiar with that, are you not?

6 A. Yes sir.

7 Q. Now, Mr. Hanby is going to testify as to the juxtaposition of the fields here that come
8 into play but what I want to cover with you, Mr. Hutchings, you are familiar with the
9 ownership of the surface over this 80-acre unit that, as I appreciate it, is owned by the
10 Federal Government, the minerals that are owned by the Federal Government?

11 A. That is correct.

12 Q. Tell us who the surface owner is over this 80 acres.

13 A. The surface owner is a gentleman by the name of John Holley Shepherd.

14 Q. Okay. This gentleman has negotiated with Dominion for the location of the proposed
15 Federal 9-8-1039 well. Is that correct?

16 A. That is correct, yes.

17 Q. Did Mr. Shepherd negotiate with advice and aid of counsel?

18 A. Yes sir.

19 Q. Now, in your own words tell the staff what Mr. Shepherd's requirements were for the
20 drilling of this well on his surface.

21 A. Mr. Shepherd has a development plan to develop a subdivision on the ridge top. He and
22 his family own a fair amount of the property on both sides of Yellow Creek in Sections 9
23 and 10. In fact, down on one of the points just north of here there are some houses in a
24 little subdivision that was developed by Julian Shepherd, John Holley Shepherd's father.
25 We originally requested in May of last year and obtained permission to survey and to
26 stake a well. We sent out an easement and started our negotiation process shortly
27 thereafter. On or about August 30th we received a letter from Jim Sledge, the attorney
28 representing Mr. Shepherd, that said our original location would interfere or restrict or

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1 cause great harm to his "developable acreage." So in consultation with Mr. Shepherd,
2 Mr. Sledge, and Dominion, we actually had two alternatives. One would have been a
3 legal 300 feet but basically what it boiled down to was this location is the only location
4 that Mr. Shepherd would agree to.

5 Q. This location is 173 feet from the South line and 167 feet from the East line of the 80-
6 acre unit that we are asking for?

7 A. That is correct.

8 Q. The Board has jurisdiction to grant exceptions based on optimum geological locations
9 and based on typographical problems. In your initial contact with Mr. Shepherd the 300
10 foot distance off the boundary between Blue Creek and White Oak, he objected to that.
11 Looking at this Exhibit 3, would that regular location of 300 feet get out of the flat areas
12 depicted on this map and into the hillier portions?

13 A. It would get us a little further west and we would get into where it starts going down to
14 the creek there.

15 Q. Is it your testimony, Mr. Hutchings, to this staff and Mr. Rogers that this is the only
16 location that Mr. Shepherd would approve for the drilling of these Federal minerals?

17 A. Yes sir.

18 Q. You are convinced of that. There is no need in going back to him and trying to
19 renegotiate?

20 A. I am absolutely convinced of that, yes.

21 Q. Okay.

22 MR. WATSON: My next witness is Ken Hanby. I may come back to you in a minute,
23 Mr. Hutchings. Mr. Hanby has appeared before this Board and has on file an affidavit of his
24 qualifications as a petroleum engineer. Mr. Hanby, you are familiar with the petition that we
25 have just described here today for an exception to Rule 4(b) of the Blue Creek field rules?

26 MR. HANBY: Yes sir, I am.

27 MR. WATSON: I tender him as an expert witness.

28 MR. ROGERS: He is so recognized.

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KEN HANBY

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

DIRECT EXAMINATION

Questions by Mr. Watson:

Q. Turn to your Exhibit No. 1 and describe the information that you have highlighted on that exhibit, please.

A. This exhibit presents a portion of the Blue Creek Coal Degasification Field. The wells that are in the section shown in the Blue Creek Field are outlined in red. It also shows part of the limits of the White Oak Creek Field highlighted in blue. The Federal 09-08-1039 well is highlighted in yellow. The unit, the 80-acre unit, which is the East Half of the Northeast Quarter of Section 9 is highlighted in gray. The other wells in each section are shown. Rule 4(b) requires that the spacing of wells within the interior of a field be located no closer than 150 feet from the unit boundaries. That Rule also requires that the wells adjacent to the field boundary are located no closer than 300 feet. The field boundaries for coal degasification fields are established not on the basis of reservoir limits like many of the fields in conventional oil and gas fields are done but more like an arbitrary line that designates areas where different operators are generally operating or are the major operator. The spacing for both of these fields, both of which are operated by Dominion in different areas of the fields, are spaced on predominately 80-acre spacing. There are many wells within these fields that have been located at least 150 feet or close to 150 feet from the unit boundaries. The adjacent wells to the east of the proposed 80-acre unit are the Holliman 10-3-60 and the Holliman 10-6-62.

Q. What units are they on, Mr. Hanby? What is the unit for the Holliman 10-3-60 well?

A. It is on the North Half of the Southwest Quarter.

Q. The North Half of the Northwest Quarter, you mean?

A. Yes sir, the Northwest Quarter of Section 10. The Holliman 10-6-62 is located on the South Half of the Northwest Quarter of Section 10. Both of those wells commenced

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1 production during 1996. The 10-3-60 through November of 2004 has produced
2 approximately .678 Bcf of gas. The 10-6-62 has produced as of November 2004, .576
3 Bcf of gas.

4 Q. What about the well, Mr. Hanby, to the south, the 10-11-227?

5 A. That well is located on a unit consisting of the North Half of the Southwest Quarter of
6 Section 10. It commenced production in 1999 and through November has produced
7 approximately ¼ BCF of gas.

8 Q. The clear message in all of this is that even though we are 167 feet off the field boundary
9 there are offset wells that have been producing, some since 1996 that have produced
10 considerable gas. This well certainly is not taking advantage of the offset units, is it?

11 A. That's correct.

12 Q. It is also true isn't it, Mr. Hanby, that we in our affidavit of notice noticed all the
13 operators in both fields?

14 A. That's correct.

15 Q. Let's go to your next exhibit, No. 2.

16 A. Exhibit No. 2 is a copy of the survey plat prepared by Omni Engineering Corporation. It
17 shows the exact location of the well with the footage in all directions, the elevation, and
18 the other wells in the section as well as the closest well which is 1,891 feet to the west of
19 the proposed Federal well.

20 Q. Let's look at your Exhibit No. 3 that Mr. Hutchings discussed. Tell us what's shown
21 there and then let me ask you a question about the topography.

22 A. This is the location of the well or actually the red square is the pad, the location pad, a
23 175 foot square that will be built. It also shows the access road, approximately a 130 foot
24 access road from the existing road. Yellow Creek is shown just to the west of the
25 proposed well.

26 Q. Mr. Hanby, as I appreciate this topographic map, there is going to have to be some
27 excavation for that site to be put in. Is that right?

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1 A. Yes. There would have to be cuts to build the location as you move to the west. There
2 will have to be topographic changes to the location to build that if you move to the west.

3 Q. The 167 foot exceptional location can be built minimizing topographical problems. Any
4 further movement, that is to a 300 foot location, would require quite an excavation effort
5 in that area, would it not?

6 A. That is correct. In addition, the testimony that Mr. Hutchings has presented dealing with
7 the developmental plans, Rule 400-3-2-.02(2)(e) requires that wells are located at least
8 200 feet from any living structure. If this is a development, that would be something that
9 the developers would have to take into consideration in developing this acreage.

10 Q. All right.

11 STEVEN HUTCHINGS

12 Questions by Mr. Watson:

13 Q. Mr. Hutchings, you have or Dominion has negotiated a well site with Mr. Shepherd at a
14 specific location. If that location is not approved as an exception, is Mr. Shepherd going
15 to give you your money back if you have to move that location and put in a new location?

16 A. No sir.

17 Q. I believe you testified that it is either this location or no location as far as he is
18 concerned?

19 A. Yes sir.

20 Q. Which would mean that if Dominion could not get an agreement by the landowner you
21 would have no alternative but to not drill the well or to take the matter to court?

22 A. I believe that would be our two options, yes.

23 MR. WATSON: Mr. Rogers, I would ask that you receive into the record of this hearing
24 Exhibits 1 through 3 to the testimony of my witnesses.

25 MR. ROGERS: The exhibits are admitted.

26 (Whereupon, the exhibits were received in evidence)

27 MR. WATSON: I'll ask Mr. Hutchings and Mr. Hanby, in your opinions would the
28 granting of this petition approving this exception prevent "waste" and protect correlative rights?

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1 MR. HUTCHINGS: Yes sir.

2 MR. HANBY: Yes sir, it would.

3 MR. WATSON: I have, Mr. Rogers, if you would like to have it introduced into the
4 record, a memorandum of surface use agreement that we referred to, Mr. Hutchings and I, from
5 Mr. Shepherd.

6 MR. ROGERS: Whatever you think, Mr. Watson.

7 MR. WATSON: If you want to make it a part of the record you can mark it Exhibit No.
8 4.

9 MR. ROGERS: All right. A copy of the memorandum of surface use agreement and
10 right-of-way easement is admitted into the record as Exhibit 4 with attachments.

11 (Whereupon, the memorandum was received in evidence)

12 MR. ROGERS: Anything else, Mr. Watson.

13 MR. WATSON: That's all we have.

14 MR. ROGERS: Any questions from the staff? We will review the evidence and make a
15 recommendation to the Board. Mr. Estep.

16 MR. ESTEP: Just to clarify on Item 14, Docket No. 3-9-05-1, a force pooling petition, at
17 the time the petition was filed there were three nonconsenting owners and that is reflected in my
18 affidavit of notice. Those owners were Helen P. Richards who had 1.31 net mineral acres, Joyce
19 R. Troupe who had 1.31 net mineral acres, and Iva R. Graves who had 1.31 net mineral acres.
20 Yesterday we acquired leases from Mrs. Richards and Mrs. Troupe. The sole remaining
21 nonconsenting owner is Iva R. Graves.

22 MR. ROGERS: Would you state that in the proposed order?

23 MR. ESTEP: Yes.

24 MR. ROGERS: The remaining mineral interest then is only 1.3125.

25 MR. ESTEP: That's correct. Thank you.

26 MR. WATSON: Before you adjourn, Mr. Rogers, can I ask you a question?

27 MR. ROGERS: Yes sir.

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1 MR. WATSON: The staff had requested that we file a map on behalf of Energen that
2 would show the status of certain temporary abandoned wells. We did not prefiled that but that
3 has now been filed.

4 MR. ROGERS: That's on Item 15, Docket No. 3-9-05-2.

5 MR. WATSON: Do we still need to bring a witness in? I have that map today and can
6 introduce it and the affidavit or I can bring it on Friday. If y'all have not looked at it we'll bring
7 him in.

8 MR. ROGERS: If you don't mind. Thank you, sir. Anything else for this hearing? The
9 hearing is adjourned.

10 (Whereupon, the hearing was adjourned at 11:00 a.m.)


REPORTER'S CERTIFICATE

STATE OF ALABAMA

COUNTY OF TUSCALOOSA

I, Rickey Estes, Hearing Reporter in and for the State of Alabama, do hereby certify that on Wednesday, March 9, 2005, in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, I reported the proceedings before a Hearing Officer; that the foregoing 44 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