

April 22, 2005

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	DIRECT RE-DIRECT	CROSS/ RE-CROSS	EXAM. BY BOARD/STAFF
1. Mike Beime	21-24	---	---
2. Bob McLaughlin	25-27	---	27
3. Eric Hutchens	29-32	---	---

McL
5.26.05

April 22, 2005

EXHIBITS

<u>EXHIBIT NO. (ITEM NO.)</u>	<u>TITLE (TESTIMONY OF)</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Board Exhibit	Hearing Officer Report	18	18
Exhibit 1 (Items 8 & 9)	Affidavit of testimony (Willard B. Simmons, Jr.)	21	21
Exhibit 2 (Items 8 & 9)	Affidavit of notice (Michael T. Estep)	24	24
Exhibit 3 (Items 8 & 9)	Affidavit of notice (Michael T. Estep)	24	24
Exhibit 4 (Items 8 & 9)	Affidavit of testimony (Willard B. Simmons, Jr.)	21	21
Exhibits 5, 6, 7 8, 9, 10, 11 & 12)	Returned unopened envelopes addressed to Eric R. Christian and Jerry Wayne Christian (Mike Estep)	24	24
Exhibits 13 & 14 (Items 8 & 9)	Green return receipt cards of Jerry Wayne Christian and Eric R. Christian (Mike Estep)	21	21
Exhibit 15 (Items 8 & 9)	Affidavit of qualifications (Michael J. Beirne)	20	20
Exhibit 1 (Item 22)	3/8/05 letter to Board from Charles Willis (Eric Hutchens)	32	32
Exhibit 2 (Item 22)	Affidavit of notice (William T. Watson)	28	28

April 22, 2005

EXHIBITS

<u>EXHIBIT NO. (ITEM NO.)</u>	<u>TITLE (TESTIMONY OF)</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Exhibits A, B, C, D, E, F, G, H, I (Item 30)	Proposed rule changes	32	32
Exhibits A, B, C (Item 31)	Proposed rule changes	33	33
Exhibit A (Item 32)	Proposed rule change	33	33

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

April 22, 2005

Testimony and proceedings before the State Oil and Gas Board in Regular Session in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, pursuant to adjournment, on this the 22nd day of April, 2005.

BEFORE

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

STAFF

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

APPEARANCES

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NAME	REPRESENTING
1. Tom Watson Tuscaloosa, AL	-----
2. Steve Hutchings Mobile, AL	Dominion Black Warrior Basin
3. Mike Estep Mobile, AL	Chevron U.S.A., Inc.
4. Mike Beirne Houston, TX	Chevron U.S.A., Inc.
5. Eric Hutchens Tuscaloosa, AL	Black Warrior Methane Corp.
6. R. G. Sanders Tuscaloosa, AL	Land, Inc.
7. Steve Wolf Tuscaloosa, AL	Land, Inc.

1 (The hearing was convened at 10:29 a.m. on
2 Friday, April 22, 2005, at Tuscaloosa, Alabama.)
3

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

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

9 AGENDA
10 STATE OIL AND GAS BOARD OF ALABAMA
11 APRIL 20 & 22, 2005
12

13 The State Oil and Gas Board of Alabama will hold its regular monthly meeting at
14 10:00 a.m. on Wednesday, April 20, and Friday, April 22, 2005, in the Board
15 Room of the State Oil and Gas Board, Walter B. Jones Hall, University of
16 Alabama Campus, 420 Hackberry Lane, Tuscaloosa, Alabama, to consider among
17 other items, the following petition(s):
18

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

20 Continued petition by BLACK WARRIOR METHANE CORP., an Alabama
21 corporation, requesting the State Oil and Gas Board to enter an order pursuant to
22 Sections 9-17-1 through 9-17-33 and 9-17-80 through 9-17-88, Code of Alabama
23 (1975) approving and establishing a partial field-wide unit, to be known as Unit
24 VIII, consisting of the hereinafter described "Unit Area" in the Brookwood Coal
25 Degasification Field, Tuscaloosa County, Alabama, and requiring the operating of
26 said Unit Area as a single unit in order to avoid the drilling of unnecessary wells,
27 increase the efficiency of operations and improve the ultimate recovery of occluded
28 natural gas from the Unitized Formation, as hereinafter defined, and avoid waste.
29 The "Unitized Formation" is to be designated as the Pottsville Coal Interval and is
30 defined as the productive coal seams found between the depths of 590 feet and 2,250
31 feet as encountered in the Shook 19-01-281 Well, Permit No. 12084-C, located in
32 Section 19, Township 19 South, Range 7 West, Tuscaloosa County, Alabama, as
33 indicated on the density log of said well, and all zones in communication therewith
34 and all productive extensions thereof, including any coal seam stringer that might
35 occur within a depth of either 80 feet above or 80 feet below the Pottsville Coal
36 Interval, and including those coal seams which can be correlated therewith.
37 Petitioner further seeks approval of the Unit Agreement and Unit Operating
38 Agreement, as ratified, in accordance with Section 9-17-84, Code of Alabama

1 (1975), and approval of the amendments to the Special Field Rules for the
2 Brookwood Coal Degasification Field in order to conform to the provisions of the
3 aforementioned Unit Agreement and Unit Operating Agreement.
4

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

14 Township 19 South, Range 7 West
15 All of Sections 19, 20, 21, 29 and 30;
16 North Half, Southeast Quarter and North Half
17 of Southwest Quarter of Section 28; and
18 Southwest Quarter of the Southeast Quarter of Section 18
19

20 Township 19 South, Range 8 West
21 South Half of the South Half, the North Half of the Southwest Quarter
22 and the Northwest Quarter of the Southeast Quarter of Section 13;
23 All of Sections 23, 24, 25 and 26; and
24 North Half of Section 35.
25

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

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

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

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

18 Township 19 South, Range 8 West

19 South Half of Section 15;

20 All of Sections 21, 29, 32;

21 Northwest Quarter of Section 22;

22 West Half and Northeast Quarter of Section 28; and

23 West Half and Southeast Quarter of Section 33
24

25 Township 20 South, Range 8 West

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

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

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

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

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. 2-9-05-12

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 #30-2-315 Well, Permit No.8828-C, from an 80-acre unit
36 consisting of the North 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 Northwest Quarter of
39 the Northeast Quarter of said Section 30.

1 8. DOCKET NO. 2-9-05-14

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

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

14
15 9. DOCKET NO. 2-9-05-15

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

24
25 This petition is in accordance with Section 9-17-13, Code of Alabama (1975) as
26 amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama
27 Administrative Code.

28
29 10. DOCKET NO. 2-9-05-19

30 Continued petition by CDX GAS, L.L.C., a Texas limited liability company,
31 authorized to do and doing business in the State of Alabama, requesting the State Oil
32 and Gas Board to enter an order pursuant to Section 9-17-1 through 9-17-33 and 9-
33 17-80 through 9-17-88, Code of Alabama (1975) approving and establishing a
34 partial field-wide Unit, to be known as Unit VI of the Oak Grove Coal
35 Degasification Field, Jefferson and Tuscaloosa Counties, Alabama consisting of the
36 hereinafter described "Unit Area" in said field, and requiring the operation of said
37 Unit Area as a single Unit in order to avoid the drilling of unnecessary wells,
38 increase the efficiency of operations and improve the ultimate recovery of occluded
39 natural gas from the Unitized Formation, as hereinafter defined, and avoid waste.
40 The "Unitized Formation" is to be designated as the Pottsville Coal Interval and is
41 defined as the productive coal seams found between the depths of 206 feet and 446

1 feet as encountered in the U.S. Pipe & Foundry Company Gob Vent Hole 11-2-1
2 located 1070 feet FNL and 1798 feet FEL of Section 11, Township 19 South,
3 Range 6 West, Jefferson County, Alabama as indicated on the density log for the
4 said well and between the depths of 171.73 feet and 1846.50 feet below ground
5 surface of U.S. Steel Core Hole No. C-3, located 763 feet FWL and 712 feet FSL
6 of Section 18, Township 18 South, Range 5 West, Jefferson County, Alabama as
7 indicated on the density log for the said well and between the depths of 466 feet
8 and 2823 feet below ground surface of CDX Gas U.S. Steel 32-15-8 Well, Permit
9 No. 12658-C, located 1672 feet FEL and 1107 feet FSL of Section 32, Township
10 18 South, Range 5 West, Jefferson County, Alabama as indicated on the density
11 log for the said well, and all zones in communication therewith and all productive
12 extensions thereof, including any coal seam stringer that might occur within a depth
13 of either 80 feet above or 80 feet below the Pottsville Coal Interval, and including
14 those coal seams which can be correlated therewith. Petitioner further seeks
15 approval of the Unit Agreement and Unit Operating Agreement, in accordance with
16 Section 9-17-84, Code of Alabama (1975), and approval of the amendments to the
17 Special Field Rules for the Oak Grove Coal Degasification Field in order to conform
18 to the provisions of the aforementioned Unit Agreement and Unit Operating
19 Agreement.

20
21 Petition further seeks entry of an order unitizing, pooling and integrating the Unit
22 Area, as underlain by the above defined unitized formation so as to require all
23 owners or claimants of royalty, overriding royalty, mineral and leasehold interests
24 within the Unit Area to unitize, pool and integrate their interests and develop their
25 lands or interests as a Unit, and designating CDX Gas, L.L.C. as operator of the Unit
26 Area in accordance with the laws of Alabama. The proposed Unit Area, to be
27 designated Unit VI, consisting of 640 acres, more or less, as described as follows:
28

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

31
32 Section 29, Township 19 South, Range 5 West

33 The entire section
34

35 11. DOCKET NO. 2-9-05-20

36 Continued petition by CDX GAS, L.L.C., a Texas limited liability company,
37 authorized to do and doing business in the State of Alabama, requesting the State Oil
38 and Gas Board to enter an order pursuant to Section 9-17-1 through 9-17-33 and 9-
39 17-80 through 9-17-88, Code of Alabama (1975) approving and establishing a
40 partial field-wide Unit, to be known as Unit I of the Gurnee Coal Degasification
41 Field, Shelby and Bibb Counties, Alabama consisting of the hereinafter described

1 “Unit Area” in said field, and requiring the operation of said Unit Area as a single
2 Unit in order to avoid the drilling of unnecessary wells, increase the efficiency of
3 operations and improve the ultimate recovery of occluded natural gas from the
4 Unitized Formation, as hereinafter defined, and avoid waste. The “Unitized
5 Formation” is to be designated as the Pottsville Coal Interval and is defined as the
6 productive coal seams found between the depths of 430 feet and 3,690 feet as
7 encountered in the in the Kimberly Clark Segco 29-4-111 Well, Permit #6709-C,
8 located in Section 29 South, Township 21 South, Range 3 West, Shelby County,
9 Alabama as indicated on the density log for the said well and between 1,740 feet
10 and 3,940 feet as encountered in the USX 28-12-73 Well, Permit # 6655-C,
11 located in Section 28, Township 21 South, Range 4 West, Shelby County,
12 Alabama as indicated on the density log for the said well, and all zones in
13 communication therewith and all productive extensions thereof, including any coal
14 seam stringer that might occur within a depth of either 80 feet above or 80 feet
15 below the Pottsville Coal Interval, and including those coal seams which can be
16 correlated therewith. Petitioner further seeks approval of the Unit Agreement and
17 Unit Operating Agreement, in accordance with Section 9-17-84, Code of Alabama
18 (1975), and approval of the amendments to the Special Field Rules for the Gurnee
19 Coal Degasification Field in order to conform to the provisions of the
20 aforementioned Unit Agreement and Unit Operating Agreement.
21

22 Petition further seeks entry of an order unitizing, pooling and integrating the Unit
23 Area, as underlain by the above defined unitized formation so as to require all
24 owners or claimants of royalty, overriding royalty, mineral and leasehold interests
25 within the Unit Area to unitize, pool and integrate their interests and develop their
26 lands or interests as a Unit, and designating CDX Gas, L.L.C. as operator of the Unit
27 Area in accordance with the laws of Alabama. The proposed Unit Area, to be
28 designated Unit I, consisting of 640 acres, more or less, as described as follows:
29

30 The following lands lying and being in Shelby County, Alabama in the Gurnee Coal
31 Degasification Field:
32

33 Section 16, Township 22 South, Range 4 West
34 Entire Section
35

36 12. DOCKET NO. 3-9-05-5
37 Continued petition by S. LAVON EVANS, JR. OPERATING COMPANY, INC.,
38 a foreign corporation authorized to do and doing business in the State of Alabama,
39 requesting the State Oil and Gas Board to enter an order force pooling, with a risk
40 compensation penalty, all tracts and interests in hydrocarbons produced from
41 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 13. DOCKET NO. 3-9-05-6

15 Continued petition by S. LAVON EVANS, JR. OPERATING COMPANY, INC.,
16 a foreign 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 14. DOCKET NO. 3-9-05-8

35 Continued petition by EL PASO PRODUCTION COMPANY, a Delaware
36 corporation authorized to do and doing business in the State of Alabama,
37 requesting the State Oil & Gas Board of Alabama to enter an order force pooling,
38 with risk compensation, all tracts and interests in coalbed methane produced from
39 a well drilled to the Pottsville Formation on a unit consisting of approximately 80
40 acres located in the West Half of the Southwest Quarter of Section 18, Township
41 17 South, Range 8 West, Tuscaloosa County, Alabama, in the White Oak Creek

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

5 15. DOCKET NO. 3-9-05-10A

6 Continued amended petition by EL PASO PRODUCTION COMPANY, a
7 Delaware corporation, authorized to do and doing business in the State of
8 Alabama, requesting the State Oil and Gas Board to enter an order reforming the
9 unit for the CLC 14-16-44 well, Permit No. 13332-C, from an 80-acre unit
10 consisting of the East Half of the Southeast Quarter of Section 14, Township 17
11 South, Range 5 West, Jefferson County, Alabama in the Short Creek Coal
12 Degasification Field, to an 80-acre unit consisting of the Southeast Quarter of the
13 Southeast Quarter of Section 14, Township 17 South, Range 5 West and the
14 Southwest Quarter of the Southwest Quarter of Section 13, Township 17 South,
15 Range 5 West, Jefferson County, Alabama, in the Short Creek Coal
16 Degasification Field. Although Petitioner requests the Board to eliminate certain
17 lands from the present spacing unit, Petitioner proposes to drill another coalbed
18 methane well in the lands proposed to be eliminated from the current unit by
19 formation of an additional 80 acre unit comprised of the Northeast Quarter of the
20 Southeast Quarter of said Section 14, Township 17 South, Range 5 West and the
21 Northwest Quarter of the Southwest Quarter of Section 13, Township 17 South,
22 Range 5 West, Jefferson County, Alabama.
23

24 16. DOCKET NO. 4-20-05-1

25 Petition by TRAVELERS EXPLORATION COMPANY, a Texas Limited
26 Liability Company, qualified to do and doing business in the State of Alabama
27 requesting the Board to enter an Order approving as an exceptional location the
28 proposed bottom hole location for the proposed Shiver 6-14 #1 Well to be drilled
29 by Petitioner in Section 6, Township 1 north, Range 7 East, Escambia County,
30 Alabama in the Big Escambia Creek Field. Petitioner proposes to drill said well
31 to a bottom hole location no closer than 1,350 feet from the West line and 1,300
32 feet from the South line of the 640 acre unit consisting of said Section 6. The
33 proposed bottom hole location would be an exception to Rule 3(b) of the Special
34 Field Rules for the Big Escambia Creek Field, which states that wells shall be
35 located at least 1,320 feet from every exterior boundary of the unit. The
36 Petitioner avers that a well drilled at a regular location in said Section would not
37 encounter the Smackover Formation as the same is defined by the Special Field
38 Rules of the Big Escambia Creek Field and that such well is necessary to allow
39 Petitioner and the mineral and royalty owners in said Section to recover their fair,
40 just and equitable share of the hydrocarbons lying thereunder. The Petitioner
41 further avers that, if such well is not drilled, the hydrocarbons rightfully belonging

1 to the mineral and royalty owners in Section 6 will be lost by drainage to other
2 units.

3
4 This Petition is a companion Petition to Docket No. 4-20-05-2 in which Petitioner
5 requests approval of force pooling.
6

7 17. DOCKET NO. 4-20-05-2

8 Petition by TRAVELERS EXPLORATION COMPANY, a Texas Limited
9 Liability Company., qualified to do and doing business in the State of Alabama
10 requesting the Board to enter an Order approving force pooling, with the
11 imposition of the risk compensation fee, all tracts and interests in hydrocarbons
12 produced from the Smackover Formation within a 640 acre drilling unit for the
13 proposed Shiver 6-14 #1 Well, consisting of the entire Section 6, Township 1
14 North, Range 7 East, Escambia County, Alabama, in the Big Escambia Creek
15 Field.
16

17 This Petition is a companion Petition to Docket No. 4-20-05-1 in which Petitioner
18 requests approval of an exceptional location.
19

20 18. DOCKET NO. 4-20-05-3

21 Petition by TRAVELERS EXPLORATION COMPANY a Texas Limited
22 Liability Company, qualified to do and doing business in the State of Alabama
23 requesting the Board to enter an Order approving as an exceptional location the
24 proposed bottom hole location for the proposed Manning 4-14 No. 1 Well to be
25 drilled by Petitioner in Section 4, Township 1 North, Range 7 East, Escambia
26 County, Alabama in the Big Escambia Creek Field. Petitioner proposes to drill
27 said well to a bottom hole location no closer than 330 feet from the South line and
28 1,750 feet from the West line of the 640 acre unit consisting of said Section 4.
29 The proposed bottom hole location would be an exception to Rule 3(b) of the
30 Special Field Rules for the Big Escambia Creek Field, which states that wells
31 shall be located at least 1,320 feet from every exterior boundary of the unit. The
32 Petitioner avers that a well drilled at a regular location in said Section would not
33 encounter the Smackover Formation as the same is defined by the Big Escambia
34 Creek Field and that such well is necessary to allow Petitioner and the mineral
35 and royalty owners in said Section to recover their fair, just and equitable share of
36 the hydrocarbons lying thereunder. The Petitioner further avers that, if such well
37 is not drilled, the hydrocarbons rightfully belonging to the mineral and royalty
38 owners in Section 4 will be lost by drainage to other units.
39

40 This Petition is a companion Petition to Docket No. 4-20-05-4 in which Petitioner
41 requests approval of force pooling.

1 19. DOCKET NO. 4-20-05-4

2 Petition by TRAVELERS EXPLORATION COMPANY a Texas Limited
3 Liability Company, qualified to do and doing business in the State of Alabama
4 requesting the Board to enter an Order approving force pooling, with the
5 imposition of the risk compensation fee, all tracts and interests in hydrocarbons
6 produced from the Smackover Formation within a 640 acre drilling unit for the
7 proposed Manning 4-14-No.1 Well, consisting of Section 4, Township 1 North,
8 Range 7 East, Escambia County, Alabama, in the Big Escambia Creek Field.

9
10 This Petition is a companion Petition to Docket No. 4-20-05-3 in which Petitioner
11 requests approval of an exceptional location.

12
13 20. DOCKET NO. 4-20-05-5

14 Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama
15 corporation, requesting the State Oil and Gas Board to enter an order approving
16 an amendment to Rule 2 of the Special Field Rules for the Blue Creek Coal
17 Degasification Field to add all of Sections 3, 10, 15, 22, 27 and 34, all in
18 Township 18 South, Range 10 West, Tuscaloosa County, Alabama, to the field
19 limits of said field.

20
21 21. DOCKET NO. 4-20-05-6

22 Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama
23 corporation, requesting the State Oil and Gas Board to enter an order reforming
24 the unit for the Jolen 03-06-703 Well, Permit No. 13927-C, from a 40-acre
25 wildcat drilling unit consisting of the Southeast Quarter of the Northwest Quarter
26 of Section 3, Township 18 South, Range 10 West, Tuscaloosa County, Alabama,
27 to an 80-acre unit consisting of the South Half of the Northwest Quarter of
28 Section 3, Township 18 South, Range 10 West, Tuscaloosa County, Alabama, in
29 the Blue Creek Coal Degasification Field.

30
31 Said Section 3 will be included in the Blue Creek Coal Degasification Field
32 subject to the approval of a petition bearing Docket No. 4-20-05-5.

33
34 22. DOCKET NO. 4-20-05-7

35 Petition by BLACK WARRIOR METHANE CORPORATION, an Alabama
36 corporation, requesting the State Oil and Gas Board to enter an order approving
37 an amendment to Rule 4E of the Special Field Rules for the Brookwood Coal
38 Degasification Field, Tuscaloosa and Jefferson Counties, Alabama, in order to
39 allow production simultaneously from vertical, gob and horizontal boreholes in
40 said Field in areas that are subject to underground mining operations.

1 Said Rule 4E should be amended to read as follows:
2

3 E. Coal degasification wells drilled vertically, including gob wells and/or gob
4 production wells, and horizontal boreholes may be drilled and produced
5 simultaneously from the same unit, in the Pottsville Coal Interval when the unit is
6 underlain by either planned or existing underground mine works. Multiple gob
7 wells may be permitted on the same unit when justified by the operator and
8 approved by the Supervisor. Justification shall include a copy of current
9 underground mine maps applicable to the area depicting the unit boundaries, all
10 existing well locations within the unit, as well as the location of the proposed gob
11 well. Additional justification shall include a statement that said gob wells should
12 be produced simultaneously in order to enhance mine safety and avoid waste.
13 The number of wells allowed for each of the well types other than gob wells shall
14 be limited to one within each unit.
15

16 Gas production from the wells shall be allocated in accordance with these
17 Special Field Rules, i.e., production from vertical wells, including the gob wells,
18 shall be allocated based on surface acres in the unit, and production from
19 horizontal boreholes in the unit shall be based on Rule 10(C) of these Special
20 Field Rules.
21

22 23. DOCKET NO. 4-20-05-8

23 Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama
24 corporation, requesting the State Oil and Gas Board to enter an order force
25 pooling, with a risk compensation penalty, all tracts and interests in hydrocarbons
26 produced from coalbeds in the Pottsville Formation in the Jernigan 04-04-163 Well
27 to be located on an 80-acre unit consisting of the West Half of the Northwest
28 Quarter of Section 4, Township 18 South, Range 8 West, Tuscaloosa County,
29 Alabama, in the Blue Creek Coal Degasification Field.
30

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

35 This petition is filed as a companion to a petition bearing Docket No. 4-20-05-9
36 requesting approval of an exceptional location for the referenced well.
37

38 24. DOCKET NO. 4-20-05-9

39 Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama
40 corporation, requesting the State Oil and Gas Board to enter an order approving
41 an exception to Rule 4B of the Special Field Rules for the Blue Creek Coal

1 Degasification Field for the drilling of Petitioner's Jernigan 04-04-163 Well. Said
2 well is to be drilled on an 80-acre unit consisting of the West Half of the Northwest
3 Quarter of Section 4, Township 18 South, Range 8 West, Tuscaloosa County,
4 Alabama, in the Blue Creek Coal Degasification Field, at a location 665 feet from
5 the north line and 174 feet from the west line of the unit. At such location, said
6 well is only 174 feet from the boundary of the Field and said Rule 4B requires
7 that such wells be drilled at least 300 feet from every exterior boundary of the
8 Field.

9
10 This petition is filed as a companion to a petition bearing Docket No. 4-20-05-8
11 requesting the forced pooling, with a risk compensation penalty, of all tracts and
12 interests in hydrocarbons produced from coalbeds in the Pottsville Formation in the
13 referenced well.

14
15 25. DOCKET NO. 4-20-05-10

16 Petition by BLACK WARRIOR METHANE CORPORATION, an Alabama
17 corporation, requesting the State Oil and Gas Board, pursuant to Rule 400-3-4-
18 .17(1) of the State Oil and Gas Board of Alabama Administrative Code, to enter an
19 order extending the temporarily abandoned status for certain wells in the Brookwood
20 Coal Degasification Field, Tuscaloosa and Jefferson Counties, Alabama, in the
21 following areas, for a period of one (1) year:

22
23 Township 19 South, Range 6 West, Tuscaloosa County
24 Section 31

25
26 Township 19 South, Range 7 West, Tuscaloosa County
27 Sections 31, 32, 33, 34 and 35

28
29 Township 19 South, Range 8 West, Tuscaloosa County
30 Sections 25, 26, 27, 33, 34 and 35

31
32 Township 20 South, Range 6 West, Tuscaloosa County
33 Sections 6 and 7

34
35 Township 20 South, Range 7 West, Tuscaloosa County
36 Sections 1, 3, 4, 7, 9, 10, 12, 15, 16, 17, 18, 21 and 28

37
38 Township 20 South, Range 8 West, Tuscaloosa County
39 Sections 3, 4, 10, 13, 14, 15, 23 and 24

1 The previously granted temporarily abandoned status expires on April 22, 2005, and
2 Petitioner is requesting this Board to grant a one year extension of the temporarily
3 abandoned status beginning April 22, 2005 because all of the wells in the
4 aforementioned Sections have future utility and should not be plugged.
5

6 26. DOCKET NO. 4-20-05-11

7 Petition by BLACK WARRIOR METHANE CORPORATION, an Alabama
8 corporation, requesting the State Oil and Gas Board, pursuant to Rule 400-3-4-
9 .17(1) of the State Oil and Gas Board of Alabama Administrative Code, to enter an
10 order extending the temporarily abandoned status for certain wells in the Oak Grove
11 Coal Degasification Field, Tuscaloosa and Jefferson Counties, Alabama, in the
12 following areas, for a period of one (1) year:
13

14 Township 19 South, Range 6 West, Jefferson County
15 Sections 2 and 21
16

17 The previously granted temporarily abandoned status expires on April 22, 2005, and
18 Petitioner is requesting this Board to grant a one year extension of the temporarily
19 abandoned status beginning April 22, 2005 because these wells in the
20 aforementioned Sections have future utility and should not be plugged.
21

22 27. DOCKET NO. 4-20-05-12

23 Petition by CDX GAS, LLC, a Texas Limited Liability Company, authorized to
24 do and doing business in the State of Alabama, requesting the State Oil & Gas
25 Board of Alabama to enter an order force pooling, with risk compensation, all
26 tracts and interests in coalbed methane produced from a well drilled to the
27 Pottsville Formation on a unit consisting of approximately 80 acres located in the
28 East Half of the Southeast Quarter of Section 36, Township 21 South, Range 4
29 West, Shelby County, Alabama, in the Gurnee Coal Degasification Field. This
30 petition is in accordance with Section 9-17-13, ALABAMA CODE (1975), as
31 amended, and Rules 400-7-1 and 400-7-2 of the State Oil and Gas Board of
32 Alabama Administrative Code.
33

34 28. DOCKET NO. 4-20-05-13

35 Petition by MIDROC OPERATING COMPANY, a foreign corporation,
36 authorized to do and doing business in the State of Alabama, requesting the State
37 Oil and Gas Board to enter an order finding that the contribution of the separately
38 owned Tracts in the Little Cedar Creek Oil Unit have been shown to be erroneous by
39 subsequently discovered data from the completion and testing of the Stuart 15-15
40 Well, Permit No. 13729-B, and the Overby 15-14 Well, Permit No. 13770, both
41 located in Section 15, Township 4 North, Range 12 East, Conecuh County,

1 Alabama, in the Little Cedar Creek Field. The Unit Operator has calculated the new
2 Tract participation factors to reflect the altered Tract contribution and requests the
3 Board to approve the revised Tract participation factors of each Tract in the Little
4 Cedar Creek Oil Unit in Conecuh County, Alabama.
5

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

10 29 DOCKET NO. 4-30-03-7

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

24 30. DOCKET NO. 12-15-04-13

25 Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA
26 to amend Rules 400-1-4-.03, 400-2-4-.03, and 400-3-4-.03 (Well Record); Rules
27 400-1-4-.04, 400-2-4-.04, and 400-3-4-.04 (Directional Surveys); and Rules 400-
28 1-6-.06, 400-2-6-.06, 400-3-6-.05 (Recompletion or Reworking) to change the
29 filing requirements of said rules. Said rules presently require two (2) copies of all
30 well logs, directional surveys, and drill stem tests be filed with the Board, and the
31 proposed rule change would require that only one (1) copy of the information be
32 filed.
33

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

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

1 32. DOCKET NO. 12-15-04-15

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

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

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

20 MR. ROGERS: Mr. McCorquodale, Mr. Dampier and Mrs. Pritchett, I have a written
21 report of the items heard by the Hearing Officer and the staff on Wednesday, April 20, 2005.
22 Copies of the report are available for members of the public to review and study. I recommend
23 that the report be adopted by the Board.

24 MR. DAMPIER: Move.

25 MRS. PRITCHETT: Second.

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

27 (All Board members voted "aye")

28 CHMN. MCCORQUODALE: "Ayes" have it.

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

30 CHMN. MCCORQUODALE: That request is granted.

31 (Whereupon, the report was received in evidence)

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1 DR. TEW: Mr. Chairman, the staff would recommend approval of the minutes of the
2 following meetings: February 9, 2005, Hearing Officer meeting; February 11, 2005, Board
3 meeting; March 9, 2005, Hearing Officer meeting and March 11, 2005, Hearing Officer meeting.

4 MRS. PRITCHETT: So move.

5 MR. DAMPIER: Second.

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

7 (All Board members voted "aye")

8 CHMN. MCCORQUODALE: "Ayes" have it.

9 MR. ROGERS: Mr. Chairman, the first item to be heard today is Item 8, Docket No. 2-9-
10 05-14, petition by Chevron USA, Inc.

11 MR. ESTEP: Good morning. My name is Mike Estep representing Chevron. I will have
12 two witnesses.

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

14 MR. BEIRNE: Mike Beirne, 11111 South Wilcrest, Houston, Texas 77099.

15 MR. MCLAUGHLIN: Bob McLaughlin, 1231 Heritage Drive, Tuscaloosa, AL 35406

16 (Witnesses were sworn by Mr. Rogers)

17 MR. ESTEP: Mr. Chairman, Docket No. 2-9-05-14, is a request by Chevron USA, Inc.
18 to force pool, with the imposition of the risk compensation fee, tracts and interests in a 40-acre
19 unit in the Blue Creek Coal Degasification Field in Tuscaloosa County, Alabama. Chevron
20 proposes to drill its Christian No. 13-10-431 well on a unit described as the Northwest Quarter of
21 the Southeast Quarter of Section 13, Township 18 South, Range 10 West. The next item on the
22 docket, Docket No. 2-9-05-15, is also a petition by Chevron to force pool, with the imposition of
23 a risk compensation fee, tracts and interests in an additional 40 acre unit in the Blue Creek Coal
24 Degasification Field, that being the Southeast Quarter of the Southwest Quarter of Section 12,
25 Township 18 South, Range 10 West. Both of these petitions involve the same two unleased
26 mineral owners, Eric Christian and Jerry Wayne Christian. Both parties own the same unleased
27 mineral interest in both units. We would request that these two matters be consolidated for
28 hearing purposes.

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1 CHMN. MCCORQUODALE: That request is granted.

2 MR. ESTEP: Mr. Beirne, are you familiar with the petitions that are on file here today
3 and are you familiar with the title relating to the outstanding interest in both of these 40-acre
4 units?

5 MR. BEIRNE: Yes.

6 MR. ESTEP: Have you testified before the Board previously?

7 MR. BEIRNE: No.

8 MR. ESTEP: Mr. Chairman, we have an affidavit regarding the qualifications of Mr.
9 Beirne on file which we would like to have admitted to the record.

10 CHMN. MCCORQUODALE: It is admitted.

11 (Whereupon, the affidavit was received in evidence)

12 MR. ESTEP: In addition, if you would, Mr. Beirne, please give the Board a brief
13 summary of your educational background and work experience.

14 MR. BEIRNE: I received a Bachelor of Business Administration in Marketing from the
15 University of Kentucky in Lexington, Kentucky. I have worked on projects for the exploration
16 and development of coal seams, shale and other tight gas formations in New Mexico, Colorado,
17 and Alabama, and have previously testified before the Colorado Oil and Gas Conservation
18 Commission.

19 MR. ESTEP: I tender Mr. Beirne as an expert witness for petroleum land matters.

20 CHMN. MCCORQUODALE: He is so recognized.

21 MR. ESTEP: Mr. Chairman, as I mentioned, we are here today requesting the force
22 pooling, with the risk compensation fee, of all tracts and interests in the 40-acre unit for the
23 Chevron Christian 13-10-431 well, Docket No. 2-9-05-14, and also in Docket No. 2-9-05-15 the
24 force pooling of all tracts and interests for the drilling of the Chevron Christian 12-14-430 well.
25 Just to clarify, I have been advised by Mr. Rogers that there was a discrepancy in the well name
26 appearing in the petitions and our application for permit and in the force pooling letter that went
27 out to the two unleased owners. The correct name of the wells is listed in the respective
28 petitions. The description of the property was the same. In the letters they incorrectly identified

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1 the wells as Chevron North River wells. In addition, I would like to point out that these two
2 units were previously force pooled with the risk compensation fee by Board Orders dated May 2,
3 2003. That first order is Order No. 2003-51. That's Permit No. 12983-C for the Christian 13-
4 10-431 well. The second force pooling order is Order No. 2003-52. That's Permit No. 12984-C
5 for the Christian 12-14-430 well. Those two wells were never drilled and the permits either
6 expired or were cancelled at the operator's request.

7 MIKE BEIRNE

8 Appearing as a witness on behalf of Petitioner, Chevron USA, testified as follows:

9 DIRECT EXAMINATION

10 Questions by Mr. Estep:

11 Q. Mr. Beirne, I have described the drilling unit for the Chevron Christian 13-10-431 well
12 and the Chevron Christian 12-14-430 well. Have you or brokers that are working under
13 your direct supervision and control examined the ownership in these two 40-acre drilling
14 units?

15 A. Yes.

16 Q. Will you please tell the Board what outstanding interest exists in both of these 40-acre
17 units?

18 A. It is a 1/4 mineral interest which is ten net mineral acres.

19 Q. Tell us who owns that outstanding interest in both units.

20 A. Mr. Eric Christian and Mr. Jerry Wayne Christian.

21 MR. ESTEP: Mr. Chairman, we have prefiled affidavits executed by Willard B.
22 Simmons, Jr. in support of Chevron's petitions in both of these dockets. I would ask that you
23 receive into the record the prefiled affidavits of Mr. Simmons.

24 CHMN. MCCORQUODALE: They are admitted.

25 (Whereupon, the affidavits were received in evidence)

26 MR. ESTEP: Mr. Chairman, I also have the green cards sent out by Mr. Simmons.

27 CHMN. MCCORQUODALE: They are admitted.

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

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1 Q. Mr. Beirne, would you tell the Board what relationship Mr. Simmons has with Chevron?

2 A. He is a contract land broker.

3 Q. Were the affidavits that Willard Simmons prepared done at your instruction and under
4 your supervision?

5 A. Yes.

6 Q. Briefly describe to the Board the efforts that Chevron has made in attempting to contact
7 these owners and get them to lease, participate or farm out.

8 A. Mr. Simmons brokers have been in touch with both of the owners numerous times over
9 the past couple of years in attempting to get them to lease, participate or farm-out their
10 interest.

11 Q. These two owners were also force pooled back in 2003?

12 A. Correct.

13 Q. Were the terms that you offered these parties as good as or better than the terms that you
14 offered those parties who did agree to lease?

15 A. Yes.

16 Q. Does Chevron own a majority of the interest in the two 40-acre units described in these
17 two petitions?

18 A. Yes. We own all the interest except Jerry Wayne Christian and Eric Christian.

19 Q. It is my understanding that the mineral owners that Chevron has leased are the siblings of
20 Eric Christian and Jerry Wayne Christian or the heirs of deceased siblings. Is that
21 correct?

22 A. Correct.

23 Q. Have you made a good faith effort to negotiate with each of these nonconsenting owners
24 you have just identified?

25 A. Yes.

26 Q. Have you notified each of these nonconsenting owners of the names of all the owners of
27 the drilling rights who have agreed to pool their interest in the unit?

28 A. Yes.

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1 Q. That owner is Chevron. Is that correct?

2 A. Correct.

3 Q. You have also ascertained the address of each of the nonconsenting owners?

4 A. Yes.

5 Q. You have given each of these nonconsenting owners written notice of the proposed
6 operation, specifying the work to be performed, the proposed location, proposed depth,
7 objective formation, and the estimated costs of the proposed operation?

8 A. Yes.

9 Q. Have you offered each nonconsenting owner the opportunity to lease or farm out on
10 reasonable terms or participate in the costs and risks of developing and operating the unit
11 wells involved in these two petitions on reasonable terms?

12 A. Yes.

13 Q. Did you notify these nonconsenting owners that if they did not pay their proportionate
14 share of drilling and completion costs within 30 days after commencement of actual
15 drilling operations or prior to reaching total depth then there would be charged to the tract
16 or interest a risk compensation fee equal to 150 percent of each tract or interest share in
17 the actual and reasonable costs of drilling, reworking, testing, deepening and completing
18 the well?

19 A. Yes.

20 Q. Did you advise these nonconsenting owners that if before commencement of actual
21 drilling operations they provided a notarized statement agreeing to pay such costs, then in
22 that case their tract or interest would not be penalized?

23 A. Yes.

24 Q. In your opinion will the granting of these petitions force pooling these outstanding tracts
25 and interests prevent "waste" and protect correlative rights?

26 A. Yes it will.

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1 Q. Is Chevron prepared to proceed with the drilling of the Chevron Christian 13-10-431 well
2 and the Chevron Christian 12-14-430 well upon receipt of an order by this Board force
3 pooling, with risk compensation, all interests in the respective units for said wells?

4 A. Yes we are.

5 Q. How soon does the company plan to begin that work?

6 A. In June.

7 MR. ESTEP: Mr. Chairman, my next witness is Bob McLaughlin. Mr. McLaughlin was
8 one of the field land men who actually contacted or attempted to contact Eric Christian and Jerry
9 Wayne Christian. In addition, he attempted to hand deliver the notice of meeting in connection
10 with the petitions for these two dockets to the nonconsenting owners. I would point out at this
11 time that I have prefiled affidavits of notice in this matter and ask that you receive those into the
12 record.

13 CHMN. MCCORQUODALE: They are received in the record.

14 (Whereupon, the affidavits were received in evidence)

15 MR. ESTEP: Mr. Chairman, my office sent notice of the hearing in these two dockets
16 both by certified mail restricted delivery and also by first class mail on January 20, 2005. These
17 notices were sent to the addresses shown on the affidavit of Willard B. Simmons, Jr. that has
18 been admitted to the record. The certified mail was returned refused. The first class mail was
19 not returned. I point out that the date of my mailing was January 20th and the date of the receipt
20 of the green cards on the force pooling letters was January 20th. Subsequently on January 31st
21 my office sent out certified mail return receipt requested but not restricted delivery. Those
22 envelopes were also returned refused. I would like to make the return certified mail part of the
23 record also. I have those envelopes.

24 CHMN. MCCORQUODALE: They are admitted.

25 (Whereupon, the envelopes were received in evidence)

26 MR. ESTEP: Mr. McLaughlin, are you familiar with the petitions that are on file here
27 today in Docket Nos. 2-9-05-14 and 2-9-05-15?

28 MR. MCLAUGHLIN: Yes I am.

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1 MR. ESTEP: Are you familiar with the title relating to the outstanding interest in those
2 two 40-acre units?

3 MR. MCLAUGHLIN: Yes.

4 MR. ESTEP: Have you testified before the Board previously?

5 MR. MCLAUGHLIN: No, I have not.

6 MR. ESTEP: Would you give the Board a brief summary of your educational
7 background and work experience as a petroleum land man?

8 MR. MCLAUGHLIN: I have a B.A. in history from The University of Alabama and
9 began work as a petroleum land man in 1977 and have worked on various conventional and
10 coalbed methane projects since that time.

11 MR. ESTEP: You have how many years experience as a land man?

12 MR. MCLAUGHLIN: Sixteen total.

13 MR. ESTEP: I tender Mr. McLaughlin as an expert witness in petroleum land matters.

14 CHMN. MCCORQUODALE: He is so recognized.

15 BOB MCLAUGHLIN

16 Appearing as a witness on behalf of Petitioner, Chevron, USA, Inc., testified as follows:

17 DIRECT EXAMINATION

18 Questions by Mr. Estep:

19 Q. Mr. McLaughlin, would you describe for us your efforts in attempting to secure a lease,
20 farm-out or participation by Eric Christian and Jerry Wayne Christian in the two wells we
21 have previously identified?

22 A. Yes sir. On Monday, January 17th I traveled to both residences. The residence of Eric
23 Christian has numerous No Trespassing signs at the entrance. It's a long driveway. I
24 stopped at the No Trespassing signs and attempted to contact Eric Christian by telephone.
25 There is no answer and no answering machine at that number. I then went to Jerry
26 Wayne Christian's home. That home is surrounded by a chain link fence with a gate.
27 The gate was closed. I called Jerry Wayne Christian's home number and got an
28 answering machine and at that time left a message. January 17th through February 2nd I

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1 made numerous attempts to reach Eric Christian and Jerry Wayne Christian by phone.
2 None of those calls to Eric Christian's home were answered nor was there even an
3 answering machine. Several times in calling Jerry Wayne Christian's home I talked to
4 either his wife or Jerry Wayne answered the phone. As soon as I explained why I was
5 calling they would hang up. On February 3rd I talked to an employee at Dominion Black
6 Warrior Basin who knows both Jerry Wayne and Eric Christian and asked that third party
7 if he would mind calling Jerry Wayne Christian and asking if we could make an
8 arrangement for a meeting or if I could meet with Jerry Wayne. That was done and it
9 was my understanding that all I had to do was call Jerry Wayne Christian back. I was
10 going to arrange a meeting with Mr. Christian and a Chevron land man. When I called
11 Mr. Christian at that point to arrange the meeting he told me that he would not meet with
12 anyone, that this was going nowhere, and he hung the phone up again. On February 5th
13 or 6th I took the document packages, put those in waterproof sleeves and put that into a
14 bright red and orange package and delivered that to the front of Eric Christian's driveway
15 and put the other one at the base of Jerry Wayne Christian's mailbox. I tried once again
16 on the telephone and got no answer there. That's the last contact I had with them.

17 Q. That conversation was with Jerry Wayne Christian. Is that correct?

18 A. Yes.

19 Q. I understand that each of these nonconsenting owners own an undivided 1/8th mineral
20 interest under both of the referenced 40-acre units. Is that correct?

21 A. That's correct.

22 Q. Chevron has been successful in obtaining leases from all other owners or potential
23 owners or claimants of these two 40-acre units. Is that correct?

24 A. Yes.

25 Q. Included in the owners that leased to Chevron are the six brothers and sisters of the two
26 nonconsenting owners. Is that correct?

27 A. That's correct.

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1 Q. Eric Christian and Jerry Wayne Christian each own an undivided 1/8th mineral interest or
2 five net mineral acres under the two proposed units. Is that correct?

3 A. Yes it is.

4 Q. Did you make a good faith effort to negotiate with each of these nonconsenting owners
5 that you have just identified?

6 A. Yes I did.

7 MR. ESTEP: I tender Mr. Beirne and Mr. McLaughlin to the Board and staff for any
8 questions that they might have.

9 MRS. PRITCHETT: You indicated that the well was named incorrectly in the letters that
10 were sent. Did any of the other documents provided to the Christian's clearly identify which
11 wells you were talking about?

12 MR. ESTEP: I don't believe the well names were actually on there. The description of
13 property was clearly on there and the attempts to lease, they own the two 40-acre units. Leases
14 were sent that properly described the acreage that we are trying to force pool, yes.

15 MRS. PRITCHETT: Thank you.

16 BOB MCLAUGHLIN

17 EXAMINATION BY BOARD/STAFF

18 Questions by Chmn. McCorquodale:

19 Q. As a matter of curiosity, what age are these people and are they employed anywhere? Do
20 either of you know that?

21 A. I don't know their age. I believe that Jerry Wayne Christian works for a coal mine. I
22 believe he is a coal miner and I think Eric Christian is also.

23 MR. ESTEP: In the past they have worked for Chevron's subsidiary, Pittsburg Midway.
24 One or both may work on a part-time basis for them now.

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

26 MRS. PRITCHETT: Second.

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

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1 (All Board members voted "aye")

2 CHMN. MCCORQUODALE: "Ayes" have it. That is both for Items 8 and 9. Is that
3 right, Mr. Dampier?

4 MR. DAMPIER: Yes. Sir.

5 MR. ROGERS: The next item then will be Item 22, Docket No. 4-20-05-7A, petition by
6 Black Warrior Methane Corporation.

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

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

10 MR. HUTCHENS: Eric Hutchens, Tuscaloosa, Alabama.

11 (Witness was sworn by Mr. Rogers)

12 MR. WATSON: Mr. Chairman, I have prefiled an affidavit of notice and would ask that
13 that be admitted into the record.

14 CHMN. MCCORQUODALE: It is admitted.

15 (Whereupon, the affidavit was received in evidence)

16 MR. WATSON: This is a petition by Black Warrior Methane Corporation asking the
17 Board to amend Rule 4(e) of the Special Field Rules for the Brookwood Coal Degasification
18 Field, Tuscaloosa and Jefferson Counties, Alabama. Rule 4(e) has to do with the permitting of
19 wells in an area that is being underground mined. We are paying particular attention today to
20 gob wells. The Rule as presently proposed for adoption by the Board today would allow the
21 operator to drill more than one gob well in a drilling unit consisting of 40 or 80 acres in an area
22 basically that is being underground mined by the long-wall mining method and in areas that are
23 not unitized. All of this is for the removal of methane gas from the underground mining
24 environment. By proposing this rule, as Mr. Hutchens will testify to, we will enhance the
25 removal of methane from the underground mining environment. One would assume that that
26 would increase underground mining safety and production.

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ERIC HUTCHENS

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

DIRECT EXAMINATION

Questions by Mr. Watson:

Q. Mr. Hutchens, you are familiar with the petition that I have just described proposing an amendment to Rule 4(e) of the Special Field Rules?

A. Yes I am.

Q. You have testified before this Board and have on file an affidavit of your qualifications. You are in charge of operations in the Brookwood Field, are you not?

A. Yes I am.

Q. I have handed up to the Board and staff a document which is really a letter to Dr. Tew with attachments. I would like for you to tell the Board and staff what it is that we are proposing to do and how we propose to operate if the Board sees fit to amend Rule 4(e).

A. If you look at Page 3 in the document, the well plat, we have an 80-acre unit which consists of the West Half of the Southeast Quarter of Section 28, Township 19 South, Range 7 West.

CHMN. MCCORQUODALE: Mr. Watson, have you handed those up?

MR. WATSON: Yes sir. I laid it right in front of Marvin.

Q. I might say this, the reason the letter was sent to Dr. Tew on March 8th, we felt like the Rule at that time, Mr. Chairman, allowed us to ask the Supervisor to use his authority to permit a second gob well in this particular unit that Mr. Hutchens has just described. I think with the staff's assistance in this matter there was enough of a concern on Dr. Tew's part that we felt like we needed to clarify this and get clear Board authority for the Supervisor to approve these second gob wells in an 80-acre unit. That's the reason we have used the letter. Now that the Board and staff have turned to the third page in the letter, go ahead with your testimony.

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- 1 A. We are looking at a location plat of an 80-acre unit consisting of the West Half of the
2 Southeast Quarter of Section 28, Township 19 South, Range 7 West. We have diverse
3 mineral ownership in the 80-acre tract. RGGGS Land and Minerals owns the Southwest
4 Quarter of the Southeast Quarter with Pure Resources, Inc. owning the Northwest Quarter
5 of the Southeast Quarter. We've got a gob well, the 28-15-19, a degas well, the 28-10-3,
6 and a horizontal well already in that unit. We have proposed to drill the second gob well,
7 the 28-10-22, in the northernmost part of the 80-acre unit.
- 8 Q. Mr. Hutchens, is that because we have another long-wall panel that is going to intercept
9 that north 40 acres in the 80-acre unit?
- 10 A. That is correct. In the southern part of the unit we have Mine 7, 3 North panel, going
11 through that unit. In the northern part of the unit we have the 4 North panel coming
12 directly above that, coming the opposite way, two distinct panels for Mine 7.
- 13 Q. I believe that is shown on the next page, is it not?
- 14 A. Yes it is.
- 15 Q. These hatch-marked areas are long wall panels. Where the hatched mark is through that
16 means that the long wall panel has been pulled through and all the coal removed, correct?
- 17 A. That is correct. This drawing is about one month old. In the northernmost panel it is
18 actually closer to the 28-10-22 proposed well.
- 19 Q. So where we see on this document the beginning of a hatch mark up midway there, that
20 would be moving back to the right. You are saying that currently that panel is in the
21 direction of the proposed gob well.
- 22 A. Correct.
- 23 Q. The fold-out exhibit shows the same 80-acre unit in Section 28 and the panels. What else
24 is shown on that exhibit?
- 25 A. What is shown on this is the mineral ownership of the area and the future mine plan for
26 Mine 7 directly north of the acreage in Section 28.
- 27 Q. Is it a fair statement to say that as the mine moves to the north and as we continue to
28 degasify we are going to have this same situation in each of the areas to the north in

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1 Sections 16 and 21 such that we would be needing two gob wells in an 80-acre unit as the
2 panels move through?

3 A. Yes that's correct. We did look at the forecasted mine plan along with the heirs of
4 diverse mineral ownership and we may have in excess of 40 instances where this could
5 happen if the mine plan stays the same as it is right now.

6 Q. In proposing the amendment to the Rule to allow the Supervisor to approve these upon
7 certain qualifications, then that would prevent the Board from hearing at least 40 some
8 odd additional applications for a second gob well. Is that correct?

9 A. That's correct.

10 Q. You cannot put in both gob wells at one time. Is it true that you put in one gob well and
11 then as the next panel moves you would then drill the second gob well?

12 A. That's true.

13 Q. The second gob well really only comes into full production as the panel is pulled and the
14 coal removed?

15 A. Right. As the mine progresses past the gob wells, typically the structure will fall back
16 behind the mine and that's when the gob wells help draw methane out of the mine.

17 Q. So, what we are saying, Mr. Hutchens, in this proposed amendment to Rule 4(e) is that
18 the coal degasification wells drilled vertically including the gob wells and the gob
19 production wells and horizontal boreholes may be drilled and produced simultaneously
20 from the same unit in the Pottsville Coal Interval when the Unit is underlain by either
21 planned or existing underground mine works. The new language or what we are trying to
22 get to focus here is that multiple gob wells may be permitted on the same unit when
23 justified in writing by the operator and approved by the Supervisor. Is that correct?

24 A. That is correct.

25 Q. That justification shall include a copy of the current underground mine maps applicable
26 to the area depicted in the unit boundaries, all existing well locations within the unit, and
27 the location of the proposed gob well. Additional justification shall include a statement
28 that the gob wells should be produced simultaneously in order to enhance mine safety and

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1 avoid waste. The number of wells allowed for each of the well types other than the gob
2 wells shall be limited to one within each unit. Is that correct?

3 A. That's correct.

4 Q. The rule goes on with some additional language there that is presently in the rule on
5 allocation of gas. Is it your testimony then that the approval of this amendment to Rule
6 4(e) will prevent waste, protect correlative rights, and promote underground mine safety?

7 A. Yes it is.

8 MR. WATSON: Mr. Chairman, I would ask that you receive into the record of this
9 hearing the exhibit that we have passed up, that being the letter to Dr. Tew. We will mark that as
10 Exhibit 1 to Mr. Hutchens testimony.

11 CHMN. MCCORQUODALE: That is admitted.

12 (Whereupon, the exhibit was received in evidence)

13 MR. WATSON: I tender Mr. Hutchens for any questions you have on this item.

14 CHMN. MCCORQUODALE: Any questions?

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

16 MR. DAMPIER: Second.

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

18 (All Board members voted "aye")

19 CHMN. MCCORQUODALE: "Ayes" have it.

20 MR. ROGERS: Mr. Chairman, Mrs. Pritchett and Mr. Dampier, the next three items are
21 motions by the Board. Item 30 is a motion by the Board to amend Rules 400-1-4-.03, 400-2-4-
22 .03, and 400-3-4-.03; Rules 400-1-4-.04, 400-2-4-.04 and 400-3-4-.04, and Rules 400-1-6-.06,
23 400-2-6-.06 and 400-3-6-.06. I have copies of the proposed rule which we would request be
24 admitted into the record as exhibits.

25 CHMN. MCCORQUODALE: Those are admitted.

26 (Whereupon, the exhibits were received in evidence)

27 CHMN. MCCORQUODALE: Does anybody have any comment about these proposed
28 rule changes.

1 MR. ROGERS: I recommend that the rule be adopted.

2 MR. DAMPIER: I recommend approval of the staff recommendation.

3 MRS. PRITCHETT: Second.

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

5 (All Board members voted "aye")

6 CHMN. MCCORQUODALE: "Ayes" have it.

7 MR. ROGERS: The next motion is a motion by the Board, Docket No. 12-15-04-14, that
8 relates to the change of operator rule. This rule will amend Rules 400-1-2-.05, Rule 400-2-2-.05
9 and Rule 400-3-2-.05. Mr. Chairman, we have a proposed rule as an exhibit that we would
10 request be admitted into the record.

11 CHMN. MCCORQUODALE: It is admitted.

12 (Whereupon, the exhibits were received in evidence)

13 CHMN. MCCORQUODALE: Are there any comments about the rule? Hearing none,
14 do I hear a motion?

15 MRS. PRITCHETT: Mr. Chairman, I move that the motion be granted.

16 MR. DAMPIER: Second.

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

18 (All Board members voted "aye")

19 CHMN. MCCORQUODALE: "Ayes" have it.

20 MR. ROGERS: The last motion is Item 32, Docket No. 12-15-04-15, a motion by the
21 Board to amend Rule 400-1-4-.13. This relates to blow-out prevention for onshore wells. We
22 have a copy of the rule as proposed and request that it be admitted to the record.

23 CHMN. MCCORQUODALE: It is admitted.

24 (Whereupon, the exhibit was received in evidence)

25 CHMN. MCCORQUODALE: Are there any comments about the proposed rule?

26 MR. DAMPIER: Move.

27 MRS. PRITCHETT: Second.

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

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(All Board members voted "aye")

CHMN. MCCORQUODALE: "Ayes" have it. The regular hearing of the State Oil and Gas Board is adjourned.

(Whereupon, the hearing was adjourned at 10:45 a.m.)

REPORTER'S CERTIFICATE

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STATE OF ALABAMA

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COUNTY OF TUSCALOOSA

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I, Rickey Estes, Hearing Reporter in and for the State of Alabama, do hereby certify that on Friday, April 22, 2005, in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, I reported the proceedings before the State Oil and Gas Board in Regular Session; that the foregoing 34 typewritten pages contain a true and accurate verbatim transcription of said proceedings to the best of my ability, skill, knowledge, and belief.

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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.

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Rickey Estes
Hearing Reporter