INDEX

8.19.05

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Exhibit 3 (Item 17)	Signed consent letters (Richard Davis) (1) Richard A. Groenendyke, Jr. (2) Mary Kathryn Dunnam Ladewig (3) Kathryn Davant Dodson (4) Thomas E. Dunnam, III (5) Laura A. Gunn (6) Kathryn Dodson Goss (7) Jack R. Dodson, Jr. (8) Derek H. Davis (9) Cornelia Atwood Perry (10) William Louis Davant (11) Eugenia Davant Wilson (12) James E. Davant (13) Robert M. Davant, Jr.	50	50

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Exhibit 4 (Item 17)	Unsigned consent letters (Richard Davis) (1) Mary D. Rosenberg (2) Glenn A. Sodd (3) Leighton Dawson Estate (4) Barbara Moe (5) R. Matt Dawson (6) Carolyn Davant Fricke (7) Kathryn Davant Higgins (8) Valerie Hundley (9) Charles Russell Bell, Jr. (10) Amelia Sundberg (11) Texas Gulf Bank (12) Perry L. Baggett (13) Leonard Keith Blalock (14) Shallowbrook Properties, Inc.	51	51
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Exhibit 1 (A-I) (Item 22)	Proposed rule Well Record (A) Rule 400-1-4-.03 (B) Rule 400-2-4-.03 (C) Rule 400-3-4-.03 Directional Surveys (D) Rule 400-1-4-.04 (E) Rule 400-2-4-.04 (F) Rule 400-3-4-.04 Recompletion or Reworking (G) Rule 400-1-6-.06 (H) Rule 400-2-6-.06 (I) Rule 400-3-6-.05	51	51

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Exhibit 1 (A-C) (Item 23)	Proposed Rule Change of Operator (A) Rule 400-1-2-.05 (B) Rule 400-2-2-.05 (C) Rule 400-3-2-.05	52	52
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STATE OIL AND GAS BOARD OF ALABAMA

Mobile, Alabama

July 13, 2005

Testimony and proceedings before the State Oil and Gas Board in Regular Session at the USA Brookley Center, 254 Old Bay Front Road, Mobile, Alabama, pursuant to adjournment, on this the 13th day of July, 2005.

BEFORE

Mr. Gaines C. McCorquodale ..... Chairman

Mr. M. Stephen Dampier ..... Member

STAFF

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

Mr. Marvin Rogers ..... Attorney

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

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

Mr. Douglas Hall ..... Geologist

APPEARANCES

NAME	REPRESENTING
1. Norton Brooker Mobile, AL	Travelers Exploration Co.
2. Reggie & Mary Stubbs 1429 Polaris Dr. Mobile, AL 36693	Self
3. Pat & David Shoemaker 371 Drew Circle Pensacola, FL	Self
4. Clifford Williams 4721 Fellswood Dr. Stone Mountain, GA	Self
5. Mary S. Hill 3207 N. Miller St. Pensacola, FL	Self
6. Don Clark Dallas, TX	Midroc Operating Co.
7. Dudley Hughes Jackson, MS	Hughes Oil, Inc.
8. Wayne Stafford Brandon, MS	Midroc Operating Co.
9. Everett Poindexter New Orleans, LA	Self
10. Linda Jackson New Orleans, LA	Self
11. Jerome Jones Lanham, MD	Self

APPEARANCES

NAME	REPRESENTING
12. Robin Smith Shreveport, LA	Midroc Operating Co.
13. Katherine Straughn Castleberry, AL	Self
14. Lillie Carter P.O. Box 40-S Flomaton, AL	Midroc Operating Co.
15. Willie N. Johnson Route 1, Box 232 Castleberry, AL 36432	Self
16. Mannie Bradley 725 Auctron St. Brewton, AL	Self
17. Ann Matthews 115 Chapman St. Evergreen, AL 35401	Self
18. Tom Watson Tuscaloosa, AL	Midroc Operating Co./ Robinson's Bend Operating Co.

(The hearing was convened at 10:04 a.m. on Wednesday, July 13, 2005, in Mobile, Alabama.)

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

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

AGENDA
STATE OIL AND GAS BOARD OF ALABAMA
JULY 11 & 13, 2005

The State Oil and Gas Board of Alabama will hold its regular monthly meeting at 10:00 a.m. on Monday, July 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, and Wednesday, July 13, 2005, at the USA Brookley Center, 254 Old Bay Front Road, Mobile, Alabama (near the office of the State Oil and Gas Board, Phone Number (251)438-4848) to consider among other items the following petition:

1. DOCKET NO. 9-29-04-15
Continued petition by BLACK WARRIOR METHANE CORP., an Alabama corporation, requesting the State Oil and Gas Board to enter an order pursuant to Sections 9-17-1 through 9-17-33 and 9-17-80 through 9-17-88, Code of Alabama (1975) approving and establishing a partial field-wide unit, to be known as Unit VIII, consisting of the hereinafter described "Unit Area" in the Brookwood Coal Degasification Field, Tuscaloosa County, Alabama, and requiring the operating of said Unit Area as a single unit in order to avoid the drilling of unnecessary wells, increase the efficiency of operations and improve the ultimate recovery of occluded natural gas from the Unitized Formation, as hereinafter defined, and avoid waste. The "Unitized Formation" is to be designated as the Pottsville Coal Interval and is defined as the productive coal seams found between the depths of 590 feet and 2,250 feet as encountered in the Shook 19-01-281 Well, Permit No. 12084-C, located in Section 19, Township 19 South, Range 7 West, Tuscaloosa County, Alabama, as indicated on the density log of said well, and all zones in communication therewith and all productive extensions thereof, including any coal seam stringer that might occur within a depth of either 80 feet above or 80 feet below the Pottsville Coal Interval, and including those coal seams which can be correlated therewith. Petitioner further seeks approval of the Unit Agreement and Unit Operating

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

Petitioner 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 Black Warrior Methane Corp. as operator of the Unit Area in accordance with the laws of Alabama. The proposed Unit Area, to be designated Unit VIII, containing approximately 6,960 acres, consists of the following described parcels in Tuscaloosa County, Alabama:

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

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

2. DOCKET NO. 11-03-04-3
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 IX, 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 312 feet and 2,017.5 feet as encountered in the Wesley West 29-11-157 Well, Permit No. 11231-C, located in Section 29, Township 19 South, Range 8 West, Tuscaloosa County, Alabama, as indicated on the density log of said well, and all zones in

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

Petitioner 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 Black Warrior Methane Corp. as operator of the Unit Area in accordance with the laws of Alabama. The proposed Unit Area, to be designated Unit IX, containing approximately 7,200 acres, consists of the following described parcels in Tuscaloosa County, Alabama:

Township 19 South, Range 8 West
South Half of Section 15;
All of Sections 21, 29, 32;
Northwest Quarter of Section 22;
West Half and Northeast Quarter of Section 28; and
West Half and Southeast Quarter of Section 33

Township 20 South, Range 8 West
All of Sections 4, 5, 8, 9, 16 and 21.

3. DOCKET NO. 12-15-04-10
Continued petition by EL PASO PRODUCTION COMPANY, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil & Gas Board of Alabama to enter an order force pooling, with risk compensation, all tracts and interests in coalbed methane produced from a well drilled to the Pottsville Formation on a unit consisting of approximately 80 acres located in the South Half of the Southwest Quarter of Section 17, Township 17 South, Range 8 West, Tuscaloosa County, Alabama, in the White Oak Creek Coal Degasification Field. This petition is in accordance with Section 9-17-13, ALABAMA CODE (1975), as amended, and Rules 400-7-1 and 400-7-2 of the State Oil and Gas Board of Alabama Administrative Code.

4. DOCKET NO. 2-9-05-7
Continued petition by ROBINSON'S BEND OPERATING CO., LLC, a foreign limited liability company, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order reforming the unit for the ADMH #24-4-386 Well, Permit No. 9226-C, from an 80-acre unit consisting of the North Half of the Northwest Quarter of Section 24, Township 21 South, Range 11 West, Tuscaloosa County, Alabama in the Robinson's Bend Coal Degasification Field to a 40-acre unit consisting of the Northwest Quarter of the Northwest Quarter of said Section 24.

5. DOCKET NO. 3-9-05-5
Continued petition by S. LAVON EVANS, JR. OPERATING COMPANY, INC., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling, with a risk compensation penalty, all tracts and interests in hydrocarbons produced from formations of Mississippian and Pennsylvanian Age, in the McNees 3-12 #2 Well to be drilled on a 320-acre unit consisting of the West Half of Section 3, Township 17 South, Range 16 West, Lamar County, Alabama, in the Asbury Church Field, at a location 2,315 feet from the South line and 1,130 feet from the West line of said Section 3.

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

6. DOCKET NO. 3-9-05-6
Continued petition by S. LAVON EVANS, JR. OPERATING COMPANY, INC., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling, with a risk compensation penalty, all tracts and interests in hydrocarbons produced from formations of Mississippian and Pennsylvanian Age, in the W.H. Smith Estate 17-1 #1 Well to be drilled on a 320-acre wildcat unit consisting of the East Half of Section 17, Township 17 South, Range 16 West, Lamar County, Alabama.

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

7. DOCKET NO. 3-9-05-8
Continued petition by EL PASO PRODUCTION COMPANY, a Delaware corporation authorized to do and doing business in the State of Alabama, requesting the State Oil & Gas Board of Alabama to enter an order force pooling, with risk compensation, all tracts and interests in coalbed methane produced from a well drilled to the Pottsville Formation on a unit consisting of approximately 80 acres located in the West Half of the Southwest Quarter of Section 18, Township 17 South, Range 8 West, Tuscaloosa County, Alabama, in the White Oak Creek Coal Degasification Field. This petition is in accordance with Section 9-17-13, ALABAMA CODE (1975), as amended, and Rules 400-7-1 and 400-7-2 of the State Oil and Gas Board of Alabama Administrative Code.

8. DOCKET NO. 7-11-05-1A
Amended petition by ALABAMA MERIT ENERGY COMPANY, INC., a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama, pursuant to Rule 400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative Code, to enter an order approving the temporarily abandoned status and pursuant to Rule 400-4-2-.01(5) of the State Oil and Gas Board of Alabama Administrative Code to enter an order approving the extension of the Class II injection permits with the approvals applying to certain wells located in the Citronelle Field, Mobile County, Alabama, in the following areas for a period of one (1) year:

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

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

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

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

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

Township 2 North, Range 2 West
Sections 32 and 33

East Citronelle Unit
Township 1 North, Range 2 West
Section 6

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

9. DOCKET NO. 7-11-05-2A
Amended petition by ALABAMA MERIT ENERGY COMPANY, INC., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama to enter an Order approving an exception to Rule 4(b) of the Special Field Rules for the Fanny Church Field, Escambia County, Alabama, pertaining to completion requirements for the Simmons 31-5 #1 ST Well (Permit No. 2029-B).

10. DOCKET NO. 7-11-05-3
Petition by TRAVELERS EXPLORATION COMPANY a Texas Limited Liability Company, qualified to do and doing business in the State of Alabama requesting the Board to enter an Order requiring Vintage Petroleum, Inc. to either shut in the St. Regis Gas Unit 9-4, No. 1 Well, Permit No. 3339, located in Section 9, Township 1 North, Range 7 East in the Big Escambia Creek Field, Escambia County, Alabama, or to order Vintage Petroleum, Inc. to reduce the production from said well to no more than 25% of its current allowable until Travelers Exploration Company, LLC has been afforded an opportunity to drill a well or wells at a location acceptable to it in Section 4 of Township 1 North, Range 7 East, Escambia County, Alabama.

11. DOCKET NO. 7-11-05-4A
Amended petition by MIDROC OPERATING CO., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving the Unit Operator's proposed well test procedures for redetermination of productivity Tract factors for producing oil wells in the Little Cedar Creek Oil Unit, Conecuh County, Alabama, in

furtherance of the terms and conditions of Board Order 2004-140 dated December 3, 2004.

12. DOCKET NO. 7-11-05-5A
Amended petition by MIDROC OPERATING COMPANY, a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order finding that the contribution of the separately owned Tracts in the Little Cedar Creek Oil Unit have been shown to be erroneous by subsequently discovered data from the Overby 15-14 Well, Permit No. 13770, and the Oliver 20-15 Well, Permit No. 13907, said wells located in Sections 15 and 20, Township 4 North, Range 12 East, Conecuh County, Alabama, in the Little Cedar Creek Field respectively. The Unit Operator has calculated the new Tract participation factors to reflect the altered Tract contribution and requests the Board to approve the revised Tract participation factors of each Tract in the Little Cedar Creek Oil Unit in Conecuh County, Alabama.

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

13. DOCKET NO. 7-11-05-6
Petition by BLACK WARRIOR METHANE CORP., an Alabama corporation, requesting the State Oil and Gas Board to enter an order reforming the unit for the S.E. Belcher 05-02-365 Well, Permit No.13666-C, from an 80-acre unit consisting of the West Half of the Northeast Quarter of Section 5, Township 21 South, Range 7 West, Tuscaloosa County, Alabama in the Brookwood Coal Degasification Field to a 40-acre unit consisting of the Northwest Quarter of the Northeast Quarter of said Section 5. 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.

14. DOCKET NO. 7-11-05-7
Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order reforming the unit for the Jolen 02-12-700 Well, Permit No.14079-C, from a 40-acre unit consisting of the Northwest Quarter of the Southwest Quarter of Section 2, Township 18 South, Range 10 West, Tuscaloosa County, Alabama in the Blue Creek Coal Degasification Field, to an 80-acre unit consisting of the North Half of the Southwest Quarter of said Section 2.

15. DOCKET NO. 7-11-05-8A
Amended petition by ROBINSON'S BEND OPERATING CO., LLC, a foreign limited liability company, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order reforming the unit for the Findley #21-7-88 Well, Permit No.7778-C, from an 80-acre unit consisting of the Southwest Quarter of the Northeast Quarter and the Southeast Quarter of the Northwest Quarter of Section 21, Township 21 South, Range 11 West, Tuscaloosa County, Alabama in the Robinson's Bend Coal Degasification Field to a 40-acre unit consisting of the Southwest Quarter of the Northeast Quarter of said Section 21. 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.

16. DOCKET NO. 7-11-05-9A
Amended petition by ROBINSON'S BEND OPERATING CO., LLC, a foreign limited liability company, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order reforming the unit for the ADMH #36-2-397 Well, Permit No.9224-C, from an 80-acre unit consisting of the West Half of the Northeast Quarter of Section 36, Township 21 South, Range 12 West, Tuscaloosa County, Alabama in the Robinson's Bend Coal Degasification Field to a 40-acre unit consisting of the Northwest Quarter of the Northeast Quarter of said Section 36. 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.

17. DOCKET NO. 7-11-05-10A
Amended petition by ROBINSON'S BEND OPERATING CO., LLC, a foreign limited liability company, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order reforming the unit for the Baggett #19-9-219 Well, Permit No. 8244-C, from an 80-acre unit consisting of the East Half of the Southeast Quarter of Section 19, Township 21 South, Range 11 West, Tuscaloosa County, Alabama in the Robinson's Bend Coal Degasification Field to a 40-acre unit consisting of the Northeast Quarter of the Southeast Quarter of said Section 19. 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.

18. DOCKET NO. 7-11-05-11
Petition by ROBINSON'S BEND OPERATING CO., LLC, a foreign limited liability company, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order reforming the unit for the

Maxwell Crossing B11 11-4-#660 Well, Permit No.8773-C, from an 80-acre unit consisting of the West Half of the Northwest Quarter of Section 11, Township 22 South, Range 11 West, Tuscaloosa County, Alabama in the Robinson's Bend Coal Degasification Field to a 40-acre unit consisting of the Northwest Quarter of the Northwest Quarter of said Section 11. 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.

19. DOCKET NO. 7-11-05-12

Petition by PALMER PETROLEUM, 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 establishing a new oil field in Monroe County, Alabama, to be named the Brushy Creek Field, or such other name as the Board deems proper, and to adopt Special Field Rules therefor. The proposed field, as underlain by the Frisco City Sand Oil Pool, consists of the Southeast Quarter of the Northeast Quarter and the Northeast Quarter of the Southeast Quarter of Section 7; the Southwest Quarter of the Northwest Quarter, the Northwest Quarter of the Southwest Quarter and the South Half of the Southwest Quarter, all in Section 8; the North Half of the Northwest Quarter of Section 17, all in Township 6 North, Range 8 East, Monroe County, Alabama.

The Frisco City Sand Oil Pool should be defined as that interval of the Frisco City Sand productive of hydrocarbons between the depths of 11,049 feet and 11,090 feet measured depth in the Jennings Carter 17-3 #1 Well, Permit No. 13340-B-1, with a surface location 368 feet FNL and 1,230 feet FWL of Section 17, Township 6 North, Range 8 East, Monroe County, Alabama, as defined by the Halliburton Induction log for said well, including those strata which can be correlated therewith, and all zones in communication therewith and all productive extensions thereof. Petitioner is requesting that the 160-acre drilling unit for the Jennings Carter 17-3 #1 Well consisting of the South Half of the Southwest Quarter of Section 8, and the North Half of the Northwest Quarter of Section 17, all in Township 6 North, Range 8 East, Monroe County, Alabama, be approved as a production unit in the proposed Brushy Creek Field. Petitioner is requesting well spacing consisting of one hundred sixty (160) contiguous acres, and is also requesting the establishment of allowables for said field.

20. DOCKET NO. 7-11-05-13

Petition by LAND AND NATURAL RESOURCE DEVELOPMENT, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order force pooling, with imposition of a risk compensation penalty, all tracts and interests in hydrocarbons produced from formations of Mississippian and

Pennsylvanian Age, in the re-entry of the Barker 27-3 #1 Well, Permit No. 5750, located on a 320-acre wildcat unit consisting of the West Half of Section 27, Township 16 South, Range 15 West, Lamar County, Alabama.

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

21. DOCKET NO. 4-30-03-7
Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA to consider issuing an order for Vintage Petroleum, Inc., Hunt Refining Company, and Pruet Production Company to clean up and remove the oil on the lands of Lois Ezell and the adjoining pipeline right-of-way located in Section 29, Township 11 North, Range 3 West, Choctaw County, Alabama. Vintage Petroleum, Inc., operates the Ezell 29-5 Well, Permit No. 1844, on the lands of Lois Ezell, and certain oil pipelines on the pipeline right-of-way adjoining the lands of Lois Ezell. Hunt Oil Company operates an oil pipeline on the pipeline right-of-way adjoining the lands of Lois Ezell. Pruet Production Company operates a natural gas pipeline and a salt-water pipeline on the pipeline right-of-way adjoining the lands of Lois Ezell. The jurisdiction and authority of the Board is set forth in Section 9-17-1 et seq. of the Code of Alabama (1975), as amended.

22. DOCKET NO. 7-11-05-14
MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA to amend Rules 400-1-4-.03, 400-2-4-.03, and 400-3-4-.03 (Well Record); Rules 400-1-4-.04, 400-2-4-.04, and 400-3-4-.04 (Directional Surveys); and Rules 400-1-6-.06, 400-2-6-.06, 400-3-6-.05 (Recompletion or Reworking) to change the filing requirements of said rules. Said rules presently require two (2) copies of all well logs, directional surveys, and drill stem tests be filed with the Board, and the proposed rule change would require that only one (1) copy of the information be filed.

23. DOCKET NO. 7-11-05-15
MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA to amend Rules 400-1-2-.05, 400-2-2-.05, and 400-3-2-.05 of the State Oil and Gas Board of Alabama Administrative Code relating to Change of Operator to change the notification and filing requirements of said rules and to clarify the current operator's responsibilities prior to the Supervisor's approval of the proposed new operator.

24. DOCKET NO. 7-11-05-16
MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA to amend Rule 400-1-4-.13 of the State Oil and Gas Board of Alabama Administrative Code relating to Blow-Out Prevention for onshore wells to specify the installation, testing and recordkeeping requirements of blow-out prevention equipment associated with drilling, completion, and workover operations.

25. DOCKET NO. 7-11-05-17
Petition by TRAVELERS EXPLORATION COMPANY a Texas Limited Liability Company, qualified to do and doing business in the State of Alabama requesting the Board to enter an Order force pooling, with the imposition of the risk compensation fee, a 640 acre drilling unit for the proposed Manning 4-14, No. 1 Well, on a unit consisting of all of Section 4, Township 1 North, Range 7 East, Big Escambia Creek Field, Escambia County, Alabama, with an objective depth of the Smackover Formation as defined by the Special Field Rules for the Big Escambia Creek Field. Petitioner requests that due and proper notice of said hearing be given in the manner and form and for the time required by law and the rules and regulations of this Board.

This Petition is a companion to Docket No. 7-11-05-18 in which Petitioner requests approval of an exceptional location.

26. DOCKET NO. 7-11-05-18
Petition by TRAVELERS EXPLORATION COMPANY a Texas Limited Liability Company, qualified to do and doing business in the State of Alabama requesting the Board to enter an Order approving an exception to the spacing requirements as set out in Rule 3 of the Special Field Rules for the Big Escambia Creek Field so as to allow the Petitioner to drill a Well known as the Manning 4-14, No. 1 Well, with a proposed bottom hole location to be 2,250 feet from the west line and no closer than 660 feet from the south line of Section 4, Township 1 North, Range 7 East, Big Escambia Creek Field, Escambia County, Alabama. Petitioner requests that due and proper notice of the hearing on this matter be given in the manner and form and for the time required by law and the rules and regulations of this Board.

This Petition is a companion to Docket No. 7-11-05-17 in which Petitioner requests approval of force pooling.

27. DOCKET NO. 7-11-05-19
Petition by TRAVELERS EXPLORATION COMPANY a Texas Limited Liability Company, qualified to do and doing business in the State of Alabama

requesting the Board to enter an Order force pooling, with the imposition of the risk compensation fee, a 640 acre drilling unit for the proposed Shiver 6-14, No. 1 Well, on a unit consisting of all of Section 6, Township 1 North, Range 7 East, Big Escambia Creek Field, Escambia County, Alabama, with an objective depth of the Smackover Formation as defined by the Special Field Rules for the Big Escambia Creek Field. Petitioner requests that due and proper notice of said hearing be given in the manner and form and for the time required by law and the rules and regulations of this Board, and in support of said petition shows unto the Board as follows:

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

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

MR. ROGERS: Mr. McCorquodale and Mr. Dampier, I have a written report of the items heard by the Hearing Officer and the staff on Monday, July 11, 2005. Copies of the report are available for members of the public to review and study. I recommend that the report be adopted by the Board.

MR. DAMPIER: Move.

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

(Board members McCorquodale and Dampier voted "aye")

CHMN. MCCORQUODALE: "Ayes" have it.

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

CHMN. MCCORQUODALE: That request is granted.

(Whereupon, the report was received in evidence)

DR. TEW: Mr. Chairman, the staff would recommend approval of the minutes from the following meetings: May 24, 2005, Hearing Officer meeting and May 26, 2005, Board meeting.

MR. DAMPIER: Move.

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

(Board members McCorquodale and Dampier voted "aye")

CHMN. MCCORQUODALE: "Ayes" have it.

MR. ROGERS: Mr. Chairman, I recommend that the following petitions be continued: Item 1, Docket No. 9-29-04-15, petition by Black Warrior Methane Corporation; Item 2, Docket No. 11-3-04-3, petition by Black Warrior; Item 3, Docket No. 12-15-04-10, petition by El Paso Production Company; Item 4, Docket No. 2-9-05-7, petition by Robinson's Bend Operating Company LLC; Item 7, Docket No. 3-9-05-8, petition by El Paso Production Company; Item 8, Docket No. 7-11-05-1A, petition by Alabama Merit Energy Company, Inc.; Item 10, Docket No. 7-11-05-3, petition by Travelers Exploration Company; Item 13, Docket No. 7-11-05-6, petition by Black Warrior Methane Corporation; Item 14, Docket No. 7-11-05-7, petition by Dominion Black Warrior Basin, Inc.; Item 18, Docket No. 7-11-05-11, petition by Robinson's Bend Operating Company LLC; Item 20, Docket No. 7-11-05-13, petition by Land and Natural Resource Development, Inc.; Item 21, Docket No. 4-30-03-7, a motion by the Board; Item 25, Docket No. 7-11-05-17, petition by Travelers and Item 26, Docket No. 7-11-05-18, petition by Travelers.

CHMN. MCCORQUODALE: Is there any objection? Hearing none, the items that were just described by Mr. Rogers are continued.

MR. ROGERS: Item 19, Docket No. 7-11-05-12, is a petition by Palmer Petroleum, Inc. I recommend that petition be continued with the stipulation that the temporary test period and allowable for the Jennings Carter 17-3 No. 1 well, Permit No. 13340-B-1 be extended to the next regularly scheduled meeting of the Board.

MR. DAMPIER: Move.

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

(Board members McCorquodale and Dampier voted "aye")

CHMN. MCCORQUODALE: "Ayes" have it.

MR. ROGERS: I recommend the following petitions be dismissed without prejudice: Item 5, Docket No. 3-9-05-5, petition by S. Lavon Evans, Jr. Operating Company, Inc. and Item 6, Docket No. 3-9-05-6, petition by Evans.

MR. DAMPIER: Move.

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

(Board members McCorquodale and Dampier voted "aye")

CHMN. MCCORQUODALE: "Ayes" have it.

MR. ROGERS: The first item to be heard today, Mr. Chairman and Mr. Dampier, is Item 11, Docket No. 7-11-05-4A, petition by Midroc Operating Company.

MR. WATSON: Mr. Chairman, Tom Watson on behalf of Midroc Operating Company. I would like to consolidate Items 11 and 12 for purposes of giving testimony.

CHMN. MCCORQUODALE: Is there any objection? Hearing none, those items are consolidated.

MR. WATSON: I have three witnesses. I ask that they stand and be sworn in, please.

MR. STAFFORD: Wayne Stafford, Brandon, Mississippi.

MR. SMITH: Robin Smith, Midroc Operating Company in Shreveport, Louisiana.

MR. CLARK: Don Clark, Dallas, Texas.

(Witnesses were sworn by Mr. Rogers)

MR. WATSON: Mr. Chairman, I have filed affidavits of notice in connection with these two consolidated items and would ask that those affidavits of notice be admitted into the record.

CHMN. MCCORQUODALE: They are admitted.

(Whereupon, the affidavits were received in evidence)

MR. WATSON: We are here today in these two consolidated items on behalf of Midroc Operating Company to redetermine participation factors in the Little Cedar Creek Unit as a result of new information that has been developed since our last redetermination. This will be the third redetermination of tract factors in the Little Cedar Creek Field. We are also asking today in the second petition for the Board to approve a procedure for the testing of wells in compliance with

the order that set up this unit effective January 1 of this year. As the testimony will show today the gas plant has now been installed and is operational and we are here today to propose a procedure for the testing of wells to determine productivity subsequent to the installation and operation of that gas plant. With that background, my first witness is Robin Smith. Mr. Smith has appeared before you in all the hearings related to Little Cedar Creek. He has on file an affidavit of his qualifications as a petroleum geologist. Mr. Smith, you have prepared exhibits in support of this third redetermination request, have you not?

MR. SMITH: Yes sir, I have.

MR. WATSON: I tender him, Mr. Chairman, as an expert geological witness for giving testimony in this matter.

CHMN. MCCORQUODALE: He is so recognized.

MR. WATSON: I have some extra booklets here. I have passed the exhibits out to you folks. If there is anyone that would like a copy, I have a limited number.

CHMN. MCCORQUODALE: There are probably some interested parties that might want exhibits. Mr. Watson, why don't we start out by doing one to a table and then if you have any extras we will do them otherwise. That way we will ensure at least that every table has one.

MR. WATSON: Just to make it clear to everyone, under our Oil and Gas Board statute we are required to come back to this Board if we discover new evidence subsequent to the formation of this unit. In fact, the Order that the Board approved gives us 60 days from the date of completion of a well to file a petition to bring that new information back to you. This field and unit are in a continuous development scenario and we anticipate this will not be the last time we will be back before you for a redetermination as other wells will be drilled in the field. If that information is pertinent to this unit then we will be back to you for another redetermination.

CHMN. MCCORQUODALE: Mr. Watson, if I might just for a moment, it occurred to me as you were handing out the booklets that there are a lot of people who are interested in this matter and I might take two minutes and explain how our procedure works on matters such as this. Mr. Watson and the representatives and witnesses from Midroc will make their presentation in its completeness. They will tell us everything they want to tell us. After they finish then

anybody here who has questions of those witnesses or the representatives will have an opportunity to ask questions and then the Board and the staff will ask questions if there are any questions to be asked. Following that then anybody who simply wishes to make a statement or make another presentation after all of the questions will have an opportunity to make a statement to the Board about how you feel about any of these issues. Having said that, Mr. Watson, I hope everybody knows how we will proceed with this.

MR. WATSON: My first witness is Robin Smith.

ROBIN SMITH

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

DIRECT EXAMINATION

Questions by Mr. Watson:

Q. Turn in the booklet of exhibits to Exhibit No. 1, Mr. Smith. Tell the Board and members of the staff what's shown on that exhibit, please, sir.

A. Exhibit No. 1 is the first page of the booklet. Exhibit No. 1 is a unit plat showing the Little Cedar Creek Field in Township 4 North, Range 12 East, Conecuh County, Alabama. The tracts or units in the Little Cedar Creek Field are shown by the 160-acre partials. The area that has the blue heavy outline around it is the Little Cedar Creek Oil Unit. Within that oil unit are the tracts and the tract nomenclature in the upper left-hand corner of each 160-acre tract. The wells that are circled and shaded in light green are completed in the Upper Smackover. The wells with the hexagon and the dark green shading are completed in the Lower Smackover. You will notice two tracts that are outlined or shaded in yellow. One tract is within the unit located in Section 20 or what is known as Tract 13. The Midroc Oliver 20-15 well is a point of new control since our last hearing. The other point of new control is outside the unit but is within the confines of the Little Cedar Creek Field as located in the Northwest Quarter of Section 24 and is the Tisdale 24-3 No. 1 well. These two wells are the points of new control that were incorporated into the geological interpretation that we are about to show.

Q. All right, sir. Let's go to Exhibit No. 2, Mr. Smith. Tell us what the exhibit is and describe your information shown on the exhibit.

A. Exhibit No. 2 is a structure map on top of the Upper Smackover Formation in the Little Cedar Creek Field. The scale of this map is 1-inch equals 3,000 feet. The contour interval is 100 feet. The two tracts that are shaded in yellow have down points by them and have been used to slightly adjust the contours to honor the new subsurface well control. There was no unusual geological events found in these wellbores and as you can see this geological interpretation is a gentle dip to the southwest at a rate of about 200 feet per mile and has not changed significantly since our last geological interpretation. No faulting, no dip reversals or anything like that were encountered in these wells.

Q. All right sir. Let's go to your Exhibit No. 3. Tell us what that exhibit is, Mr. Smith, and describe the information shown there.

A. Exhibit No. 3 is the same base map contoured on top of the Lower Smackover. The scale of this map is 1-inch equals 3,000 feet. The contour interval is 50 feet. We used 50 feet contour intervals because we have to locate the highest known water in the Lower Smackover. A 50-foot interval is a better interval to locate exactly where that highest known water level is. Again the two new points of well control are shaded in yellow and those new subsurface points have been added to the map and the contours have been adjusted to honor those new subsurface points. You will note one contour is dashed and is shaded blue. That's the -11,365 foot contour. That contour has been shown in previous geological exhibits and represents the highest known water in the Lower Smackover. That is an important contour because it forms the down dip boundary to the Lower Smackover reservoir.

Q. Exhibit No. 4.

A. Exhibit No. 4 is a structural cross section. We took the two new control points and made a cross section between the two wells. On the left-hand side of the cross section is the Oliver 20-15 No. 1 well. On the east side of the cross section or the right side is the Tisdale 24-3 well. The datum is -11,000 feet so this is hung on a structural point and you

can see that the structural dip is to the direction of the Oliver 20-15. Speaking of structural dip, you will notice the Oliver 20-15 is low structurally to the Tisdale well. We have our highest known water posted on this cross section at -11,365. The Oliver 20-15 well is structurally low to the highest known water in the field so there is no oil saturation or oil productivity from the Lower Smackover in the Oliver well. At the time we filed this exhibit the Oliver well had been perforated from 11,790 to 11,812 in the Upper Smackover. There was no initial natural flow from that well. We ran a static bottom hole pressure on June 16, 2005, and the pressure at that time was 3,448 pounds. Since that time we have moved a completion rig to the well and we are currently working on the well today. We had to take some time off for the hurricane but we are back on the well and it is work in progress today. To the east on the right side of the cross section, again at the time of filing we had only run the 5 ½-inch casing on this well but since that time we have perforated the Lower Smackover. It tested some oil. It looks like it's going to be a fine producer. We are currently waiting on tanks and production facilities before we can officially complete this well.

Q. But you were able from these two wellbores to gain the geological information and incorporate that in your maps. As you will see in your next exhibit, Exhibit No. 5, that information now has been put on our net porosity foot isopach map. Let's describe that map now, please.

A. Exhibit No. 5 is the Upper Smackover hydrocarbon pore volume map. This map has been previously submitted in other hearings. The only difference in this map and the previous maps is that we have now taken the two points of new control and honored those with our contouring. You will notice on the right side of the map is the Tisdale 24-3 unit which is outside of the Little Cedar Creek Oil Unit. That well encountered zero Upper Smackover so that part of the map was not adjusted. Back to the west is the Midroc Oliver 20-15 well which did encounter Upper Smackover productive rock. The hydrocarbon pore volume for that well is 1.201. You can see the isopach makes a little flare around that well to honor the point of new well control. When we changed the

contours to honor the new well control it bulged the isopach out or made it flare out to correctly honor that new point. The new tract factors are based on this new interpretation.

Q. This interpretation, your net isopach map, is submitted to the engineers to planimeter to come up with this productive area within Tract 13, correct?

A. That's right.

Q. Let's now look at the Lower Smackover in your Exhibit 6.

A. Exhibit No. 6 is the isopach map of the Lower Smackover hydrocarbon pore volume. As we discussed earlier the Oliver 20-15 Tract 13 well is structurally low to the highest known water in the field. That well does not effect the contouring of the Upper Smackover. It's structurally too low. It's all wet. To the east is the Tisdale 24-3 well having a hydrocarbon pore volume of .284. Although that well is outside the Little Cedar Creek Oil Unit we felt that it is necessary to honor the subsurface geology especially in a tract that immediately offsets the unit. We have adjusted our contours to honor that point of well control outside the unit which alters the contouring within the unit.

Q. Again that re-contouring of the Lower Smackover inside the Little Cedar Creek Oil Unit, your map is handed over to the engineers who planimeter the net pay within these tracts and that is the subject of a subsequent exhibit. Is that right?

A. Yes. sir.

Q. Before we leave this exhibit and you have touched on this point, it is Midroc's intention to honor data points for wells drilled adjacent to the unit, in 160-acre units adjacent to the unit. Is that correct?

A. Yes sir, that's correct.

Q. We will be discussing that with the Board as we come to our subsequent redetermination hearings because as the Board will understand looking at Mr. Smith's Exhibit 6, you have two wells in a location for the 13-5 outside the unit but adjacent to the unit. Now, those outside tracts, those 160-acre tracts, may elect to become a part of this unit, may elect not to become a part of this unit. That is up to the owners in those tracts. As the Board

knows we would have to have a vote of 66 2/3 of the royalty and overriding royalty and working interest owners in those tracts to become a part of this unit. We will discuss those more at our subsequent redetermination hearings.

MR. WATSON: My next witness is Wayne Stafford. Mr. Stafford is a petroleum engineer and has appeared before you on numerous occasions in this and other matters. Mr. Stafford, you are familiar with the petition here today for a redetermination of tract factors in the Little Cedar Creek Unit. Have you prepared exhibits in support of this third redetermination?

MR. STAFFORD: Yes I have.

WAYNE STAFFORD

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

DIRECT EXAMINATION

Questions by Mr. Watson:

Q. We have heard Mr. Smith describe new data points for the geological control being Tract 13 and the Tisdale 24-3 well. We have now come to the Overby 15-14 well which is in Tract 24. It is my understanding that you are here to present the productivity test from that well. Is that correct?

A. That's correct.

Q. Let's turn then to Exhibit No. 7. Describe to the Board what's shown here and describe the results of the test.

A. Exhibit No. 7 is a list of wells completed in the Little Cedar Creek Unit showing the results of the oil productivity tests which were conducted on the respective dates shown in the right-hand column of the exhibit. The list is sorted by tract factors. You will notice in the third column from the left the tract number. It is sorted from lowest to highest beginning with Tract 5 and going through Tract 36. The purpose of the productivity test is to calculate the productivity tract factor for each well in the unit. This calculated productivity tract factor constitutes 50 percent of the total tract factor for each tract in the field. As each new well is completed it is tested for a period of two days and

its production is added to the total production for all the wells that have been tested up to that point-in-time. With that information new productivity tract factors are calculated for all wells and it's a fraction that each well's production bears to the total production for the field. The Overby 15-14 well was tested on June 20th and 21st of this year, too late to be included with the redetermination hearing in June so we are bringing it to the Board to include it into this redetermination hearing. The data for the Overby 15-14 is shown about the middle of the list. It is located on Tract 24 and there is an asterisk preceding the well name. You will notice that the well tested 310.02 barrels during a two-day test and its resultant productivity tract factor is .020915133. That fraction will be added to the hydrocarbon pore volume fraction which Mr. Smith will develop for you momentarily. The sum of those two factors will become the tract factor for Tract No. 24.

ROBIN SMITH

DIRECT EXAMINATION

Q. Mr. Smith, I'm going to ask you to turn in the booklet to Exhibit No. 8. Let's take Tract 24. I'll ask you to go across this exhibit and explain how we have incorporated that productivity test with your geological information that constitutes the other 50 percent of the Phase 1 participation factor.

A. Page 1 of Exhibit No. 8 is a spreadsheet showing the Little Cedar Creek tract participation schedule. There are a lot of columns and rows and numbers here and I'll try to explain Tract 24 from left-to-right. If you go to the tract number column, Tract 24 is located near the bottom of Page 1. We'll go from left to right. The first column is the location which is the Southwest Quarter of Section 15, Township 4 North, Range 12 East. The next column shows the number of acres in that tract, 159.16 acres. The number of productive acres in the Upper Smackover is also 159.16. The number of acres in the Lower Smackover that were productive is 89.2. Now we come to the productivity section of the spreadsheet which Mr. Stafford has just explained in detail. The two-day production test for that well was 310 barrels which has a .04 fractional proportion of the field as a whole. When we multiply that number times .5 to adjust for the one-half

productivity factor we get .020915. That is the 50 percent productivity factor for Tract 24. Moving to the next section of the spreadsheet is where we calculate the 50 percent hydrocarbon pore volume acre-feet. In the Upper Smackover we have 273.57 acre-feet. In the Lower Smackover we have 70.7 hydrocarbon pore volume acre-feet, for a total of 344. Three hundred forty four has a fractional part of the field as a whole which equates to five percent or .0505096. Now our formula calls for a 50 percent adjustment for hydrocarbon pore volume so we divide that number by two and get .0252548. Now we have both pieces of the formula calculated and we simply add those two together, .020 and .025, and we get a Phase 1 total tract factor of .0461699.

Q. Mr. Smith, I'm going to call your attention to Tract 13. Tract 13, you have testified that is a new data point. Go across that in the same manner in summary form and point out the difference in 24 and 13 and then I'll have a question for Mr. Stafford.

A. Tract 13 is the Oliver 20-15 well. It's located again on Page 1 about half way up the spreadsheet. Beginning on the left we have the location. We have 159.65 acres in that tract, with 149.15 of those acres productive in the Upper Smackover. You will see zero, the column is blank for the Lower Smackover. We move to the productivity section of the spreadsheet where we have zeros. The reason we have zeros there is because we don't have a productivity factor on that well yet. We are still working on that well. At this phase of that well it gets no productivity factor yet, but its coming. Moving to the right to the hydrocarbon pore volume acre-feet section you will notice in the Upper Smackover 182.92 hydrocarbon pore volume acre-feet. That value is a portion of the field as a whole and its fractional proportion of the field equates to .0268364. Now since we have to adjust for a 50 percent hydrocarbon pore volume we divide that number by two and get a hydrocarbon pore volume 50 percent factor of .0134182. The last column to the right is again that same number added to zero which again is .0134182. We added it to zero because we have no productivity factor yet.

WAYNE STAFFORD

DIRECT EXAMINATION

Questions by Mr. Watson:

Q. Okay. Mr. Stafford, I would like for you to describe for the Board and anyone here who is interested in Tract 13 about the test of that well and what the plans are for the testing of that well and what the set-up is for that well, please.

A. As Mr. Smith stated earlier, we now have a well service rig on the well. Last week we were in the process of preparing to acidize the well and lost a string of wireline tubes in the hole that we were not able to recover by wireline methods. We moved the rig on the location Friday and had to shut down for the hurricane over the weekend. We resumed operations yesterday and anticipate acidizing the well tomorrow afternoon at which time we will begin to swab, test and evaluate the well. We had previously perforated the well after drilling it but because of its location behind numerous houses there on Highway 29, Midroc elected to construct the tank battery and surface production facilities at its Cedar Creek Land and Timber 20-7 surface location which is some 2900 feet north of the surface location of the Oliver well. In order to do that and because we fully anticipate that the well will require pumping in order to produce because of the relatively low bottom hole pressure, we constructed both flowlines and hydrologic pumping power oil lines to the wellhead such that there is no production facility at the surface location. Another factor involved in that decision was the access to the location. The road to the location is narrow and passes between closely spaced houses and almost very close to the yard of several houses along the road. Midroc did not deem it expedient or satisfactory to transport oil and gas up that narrow road and make the sharp hard turn into Conecuh County Road 29; therefore, the surface production facility was built at the 20-7. That is now all complete. As soon as the acid job is complete tomorrow following a brief swab test we anticipate that the well will be placed on hydraulic pump production. It might flow but we rather doubt that. So, we anticipate hydraulic pump production early next week.

Q. You located those facilities off site and north where you described to also avoid the noise and interference that that would create right in the area where people live. Is that correct?

A. With the pumping facility and the engine running it will eliminate that noise right in their back door, yes, sir.

MR. WATSON: Exhibit No. 9, Mr. Chairman, is a spreadsheet, 25 pages in length, for the various interest owners in the various tracts. We include this and update it with each redetermination. I'm not going to go through that but suffice it to say one can locate one's name in the left-hand column and the tract that you are in across the top and determine the various individual factors. Mr. Clark can answer any questions if you have questions on Exhibit No. 9.

ROBIN SMITH

DIRECT EXAMINATION

Questions by Mr. Watson:

Q. I'd like now to go to the appendix with you, Mr. Smith. The appendix is behind a solid green sheet labeled Appendix. I would like to call your attention to Appendix Exhibit No. 1. Tell us what's shown there, Mr. Smith.

A. Appendix Exhibit No. 1 is a narrative of the determination of a correction factor for intentionally deviated wellbores in the Little Cedar Creek Field. This method was developed by the Geological Committee and approved. What this item does is show how we take data from a well that has been directionally drilled or deviated and correct for true vertical depth to make adjustments when we calculate net pay.

Q. Put in layman's terms, it takes a deviated well and compares it to a straight well or vertical well so that you can determine the pay in those wellbores. Is that right?

A. Yes sir.

Q. These correction factors are applied for the purpose of making those corrections to compare apples to apples, straight holes to straight holes?

A. That's correct.

Q. Go to your Appendix Exhibit No. 2 and tell us what is shown there, please sir.

A. Appendix Exhibit No. 2 is the net pay core analysis on the Midroc Oliver 20-15 Tract 13 well. This is the same core format that was developed by OMNI Laboratories early on in the Little Cedar Creek unitization. When we core a new well they simply put the new data in the same spreadsheet formula and generate our net pay report. This is simply a copy of that report.

Q. All right, sir. Your Appendix Exhibit No. 3.

A. Appendix Exhibit No. 3 is again an exhibit that is generated by OMNI Laboratories. It's the core gamma ray and the permeability and porosity plot in a graphical presentation.

Q. Now, let's go to your field net pay worksheet, Exhibit NP-4.

A. There are several pages.

Q. We want to look first at NP4-4.

A. Those page numbers are located in the upper right. We will discuss Tract 13 which is at the bottom of this exhibit. It's shown with a double line boarder. Tract 13 is the Oliver 20-15 well. We drilled down to the top of the Smackover in this well and put a core barrel on it and cored most of the Smackover formation or all we could with a 60 foot core barrel. When we drilled into the top of it we drilled up a few inches of what we consider as pay. We used log analysis to account for the pay in that well that was not cored. The Upper Smackover has a cutoff of 10 percent porosity that we use to pick net pay with the logs when we don't have core analysis. In the log analysis section in the electric log depth of 11,793.5 to 11,794.5, the height of that bed is .5 feet or six inches and the porosity by electric log analysis is .126 or a little over 12.5 percent. We take those figures and add them to the net pay derived from the OMBI Core analysis which was nine feet and get an average porosity of .146. The height of that porosity is 1.313. Added to the log analysis of .063 we have porosity feet of 1.376. Now we have to adjust that number for hydrocarbon pore volume and in order to do that we have to calculate water saturation. In this case it was .127. The formula adjusts for hydrocarbon pore volume by taking the water saturation out. When we go through that calculation, the hydrocarbon pore volume for the Upper Smackover is 1.20103.

Q. That is reflected on your geological maps?
A. Yes. You can take the Upper Smackover hydrocarbon pore volume map and check that point and you will see that we have honored a new point of well control with that exact point.
Q. What about the lower reservoir in this Oliver 20-15 well?
A. The Oliver 20-15 Tract 13 well is structurally low to the highest known water in the field. We went ahead and calculated the core porosity and the log porosity that meets the cutoff parameters; however, since that well is far below the oil-water contact it has no hydrocarbon pore volume because the porosity is all filled with salt water.
Q. Hence the term wet beside the 5.078?
A. Yes sir, that's correct. You can see the water saturation calculation and an average porosity of 12 percent. The one on resistivity is over 100 percent porosity which is a mathematical statistical error but 100 percent water saturation.
Q. Now, I noticed that the 24-3 well outside the unit is not included in your worksheet and that is because it is not a part of the unit. You do not make these redeterminations. They are not applicable to the 24-3 well. Is that correct?
A. Yes sir, that's correct.
Q. But you honored the data point for the mapping inside the unit. Let's turn now to your NP4-12. Tell us what's shown there, please, sir.
A. You had mentioned that we used the well control outside the unit so we calculated those values for those new wells outside the unit. Those calculations are located on the last page of this exhibit booklet, NP4-12. You will notice in the center of the spreadsheet there's the text, "not in the unit." That means the wells below that point are not in the unit but they are in the field. We went through all the calculations and handled those wells just like they were in the unit because we hopefully plan that they will be in the unit at some point in the future. The hydrocarbon pore volumes are calculated using the exact same formulas and exact same methods in those wells outside the unit as they are inside

the unit. This shows both of those wells that are currently outside the unit that we incorporated in our geological interpretation.

Q. Incorporated for reference and possible future use but not pertinent insofar as the redetermination that we are asking the Board to approve today.

A. No sir.

Q. The final exhibit in the appendix is Appendix Exhibit No. 5 which is an OGB-9, the first test on the Overby 15-14 well. That is included in our booklet of exhibits because we always file our first test that shows that the test date of the well is as Mr. Stafford previously testified June 20th through the 21st. It shows the test rate there of 155.01 barrels and 183 Mcf of gas. Is that correct?

A. Yes sir, that's correct.

WAYNE STAFFORD

DIRECT EXAMINATION

Questions by Mr. Watson:

Q. Recalling that we consolidated the two Midroc petitions, Mr. Stafford is going to discuss with you and I have handed out a two-page exhibit outside the booklet, a loose leaf exhibit. Mr. Stafford, being the petroleum engineer and being responsible for the testing that has been done thus far, is going to describe to you, Mr. Chairman and members of the staff, a test procedure that we are recommending to the Board for approval to be followed subsequent to the operation of our gas plant. Mr. Stafford, if you would take what is referred to here as Exhibit No. 1 to Docket No. 7-11-05-4. It is marked Revised Exhibit No. 1. I might point out for the Board and staff that the revision of this exhibit from the prefiling is to add what's in all caps below flowing wells and pumping wells as a preamble to the test itself. Mr. Stafford, I would ask you first to tell the Board and members of the audience who may be interested in this, why we are proposing this procedure and what your plans are to carry out this requirement as contained in the Board's order.

A. The Little Cedar Creek Field Unit Agreement and the Board orders which created the Unit provide in-part that all wells will be retested for productivity following the installation of a gas processing plant. We have already spoken from Exhibit No. 7 about the initial testing for productivity. This Board order specifically provides that after the gas plant is installed and in operation all wells will be retested.

Q. If I can interrupt you just a minute and for the record that's Board Order No. 2004-140. What Mr. Stafford is referring to is Exhibit F, Paragraph 2-D of that order. Go ahead.

A. The gas processing plant has been installed and commenced operations on June 1st. It is now capable of processing all the gas produced in the field. Midroc has devised a plan for retesting of these wells as contemplated by the Order for purposes of recalculating the productivity tract factors. That plan is written before you and I would like to read it verbatim just so that we get it into the record without any errors. Exhibit No. 1 reads: Well testing procedure for re-determination of productivity tract factors. There are two types of wells in the field, flowing wells and pumping wells. For flowing wells: Flowing wells will be tested under conditions specified below. Wells capable of producing oil and gas by flowing will be tested for a period of 48 hours. Flowing wells will be equipped with a 14/64-inch flow choke located in the wellhead tree flow outlet. Wells will be produced to the heater treater primary oil and gas separation vessel. Produced gas from the heater treater will be piped to the gas scrubber vessel and to the field gas gathering pipeline. Operating pressure of each gas scrubber vessel will be maintained at 45 psig, thereby assuring identical flow conditions for all wells downstream of the flow choke. For pumping wells: Wells that will not flow will have pumping units or hydraulic units installed and wells will be tested under conditions specified below. Wells which are produced by hydraulic pump will be tested for a period of 48 hours. Pumping wells will be identically equipped with jet type downhole hydraulic pumps fitted with C-4 jet nozzle combinations. Operating pressure of the surface hydraulic power oil pumps will be identically maintained at 3,500 psi. Wells will be produced to the heater treater primary oil and gas separation vessel. Produced gas from the heater treater will be piped to the

gas scrubber vessel and to the field gas gathering pipeline. Operating pressure of each gas scrubber vessel will be maintained at 45 psig, thereby assuring identical pumping conditions. Allowable production rate: The maximum well productivity permitted to be included in the calculation of the Productivity Tract Factor for any well shall be 400 BOPD, the daily single well allowable production rate established for the Little Cedar Creek Field.

Q. You left out the word oil, single well allowable oil production rate. Now, if that is the procedure that we are going to follow, tell the Board and members of the staff what Midroc's plans are for implementing these test procedures that you have just outlined.

A. We've related that we are acidizing the Oliver well. There are some other wells in the west end of the field completed in the Upper Smackover which have not been acidized. We plan to conduct that work within the next three to four weeks and we anticipate that it will be completed by the third or fourth week in August at which time these new productivity tests will be conducted. The Board will be notified of the date of the test. They will be conducted for two days. Royalty and working interest owners will be notified of the date of the test and any and all people that have an interest and wish to witness the test will be welcome in the field at that time. If all goes well then we will be prepared to present those final productivity tests to the Board at its regular September hearing for recalculation of productivity tract factors for all wells in the field.

Q. Okay. The Tract 13 well that has not had a productivity test on it, what are our plans for testing that well?

A. As I related earlier, we plan to have the well on production by early next week and immediately when the well is stabilized we will be conducting a productivity test on it. Again, the Board will be notified as well as interested parties. Anyone is welcome to witness the test. Upon completion of that test we will file our petition for redetermination of the productivity tract factor for the well and present that at the regular August hearing of the Board.

MR. WATSON: Mr. Chairman, I would ask that you receive into the record of this hearing the exhibits testified to by Mr. Smith and Mr. Stafford in both docket items.

CHMN. MCCORQUODALE: The exhibits are admitted.

(Whereupon, the exhibits were received in evidence)

MR. WATSON: Gentlemen, I will ask you, Mr. Smith first, if you would first respond, will the granting of these petitions in your opinion protect the correlative rights of the owners in the field and reflect the relative contribution which each tract in the unit is expected to make to total unit production?

MR. SMITH: Yes sir.

MR. WATSON: Mr. Stafford, I ask you the same question.

MR. STAFFORD: Yes it will.

MR. WATSON: I tender now these witnesses, Mr. Chairman, to anyone who has questions.

CHMN. MCCORQUODALE: Thank you, Mr. Watson. This is the point at which those of you here would have the opportunity to ask questions. To do so you would need to come to one of these microphones. Does anybody have questions for the witnesses, keeping in mind if you just simply want to make a statement, you will have a chance to do that at the end of the question period. Does anybody have questions of Mr. Smith or Mr. Stafford regarding their testimony or these exhibits? Yes sir. If you don't mind coming up here so we can get you on the microphone, please. Tell us your name and where you are from.

MR. WILLIAMS: My name is Clifford Williams. I'm a property owner in Johnsonville. That's south of Little Creek. My question is, what are your plans for the Johnsonville area in Conecuh County?

CHMN. MCCORQUODALE: If these witnesses cannot answer, perhaps you or Mr. Clark can answer.

MR. WILLIAMS: This is directed to Mr. Clark.

MR. CLARK: Mr. Williams, are you talking about other wells to be drilled in that area?

MR. WILLIAMS: Yes.

MR. CLARK: Well, we are developing the field as quickly as possible. We don't have a location staked, another location staked in the Johnsonville area. If you have a specific question about a tract, maybe I could answer that better.

MR. WILLIAMS: You mean a section?

MR. CLARK: What I was referring to was one of these tracts that you may be under. If you had a question about that, a specific tract, maybe I could answer it better.

MR. DAMPIER: Mr. Clark, can you show him where Johnsonville would be? Do you know where it would be on one of those tracts?

MR. CLARK: Johnsonville is generally under Tract 13.

MR. DAMPIER: Tract 13.

MR. CLARK: Correct, which is where the Oliver 20-15 well was drilled. Part of the Johnsonville area is also under Tract 18 but the bulk of it is under Tract 13. We have done something about the Johnsonville area in drilling a well in Tract 13. I though perhaps he had another question about one of these other tracts.

CHMN. MCCORQUODALE: That is the tract that there was a lot of conversation about at our last hearing. Mrs. Pritchett, who is not here today, particularly was interested in seeing that that got drilled, which you have now done. Those of you here will remember that is the well that we talked about at that last hearing.

MR. WILLIAMS: So there is a well in Johnsonville? That's Tract 13?

MR. CLARK: Yes sir, there is. It's called the Oliver 20-15 which is one of the wells that we discussed this morning that is getting a tract participation factor and we will test it next week for a productivity factor.

MR. WILLIAMS: He has a question.

CHMN. MCCORQUODALE: Why don't you change places because we have a limited number of microphones and we need to make sure that everybody can be heard?

MR. WILLIE JOHNSON: Clarification on the location here. Tract 13 is not Johnsonville. This is the community of Franklintown. This is the area near the--anyway it is near your gas---

MR. DAMPIER: Plant.

MR. JOHNSON: That area of the field is called Franklintown. The Johnsonville area is not on this tract. It is the area before you get to the Tisdale area. It is the community down below that. If you have maps you can kind of verify that with me. That's Franklintown not Johnsonville.

MR. HALL: Will you state your name, please?

MR. JOHNSON: Sorry, my name is Willie Johnson.

MR. CLARK: Excuse me. We call it Johnsonville but I understand--there are three communities down there and I had them confused. I suppose that Johnsonville is the area around the church?

MR. JOHNSON: The Sandy Grove Church.

MR. WILLIAMS: I talked with you once before and you said you were three miles from my property.

MR. CLARK: Right. Well, at this time we don't have any plans to drill a well in the Johnsonville area.

MR. WILLIAMS: Why? Can I ask you why?

MR. CLARK: At this time it doesn't look like it is productive to us.

MR. WILLIAMS: Okay. I have another question then. Now, if you've got all those wells there that are supposed to be back to the church, if you set a well down to drill oil, is the oil straight down or do you drill down till you hit it?

MR. CLARK: I'm not sure I understand your question. The wells are drilled straight down unless there is some surface obstruction that makes you locate it in one place and drill to another. In this particular area the wells are drilled straight down to a depth of about 12,000 feet.

MR. WILLIAMS: That's to hit the pool of oil, right? You are not drilling oil straight down. You drill down till you hit the oil? Is that true?

MR. CLARK: Yes, but the oil is not everywhere. We drill it down to the Smackover Formation which is a horizontal formation down there that contains oil in some places and other places it does not. I'm not sure if that answers your question.

MR. WILLIAMS: No, it don't. If you drilled down till you hit oil, how far can you suck the oil from when you hit it?

CHMN. MCCORQUODALE: Just a minute, Mr. Clark. I think you know where he's going and that is the issue. If I'm not saying this right, y'all correct me. I think the question is will any of these wells take any oil, for example, from the Johnsonville area?

MR. WILLIAMS: Exactly.

CHMN. MCCORQUODALE: I think that's something that we all commonly hear a lot, how far would one of these wells suck oil in from Johnsonville or somewhere else. Okay? Maybe, Tom, you might want to answer that.

MR. WATSON: Mr. Williams, this Board has set up a set of rules that Midroc has to follow. Midroc cannot just go out and drill a well where they want to. The Board has determined that wells in this area will be drilled on a 160-acre tract. That's the reason you see these little squares. The basis for that was that the Board determined under its rules and regulations that one well in 160 acres would efficiently and economically drain 160 acres, the 160 acres that the well is on. Now, you heard me say earlier or I hope you did that this field is continually being developed. That's the reason that we are here today. For the third time we have come back to the Board with new information from new wells that have been drilled but the oil is limited in the area that we can find it. It doesn't cover the whole countryside down there. This drilling pattern that is set up is to try to define how much oil or the extent of that oil and so far we have determined from these maps in the booklets that I have handed out to you, we have given you a picture, just like you were taking a photograph from the sky looking down on this oil, and these outlines of these net pay maps, that's where the oil is. That's where the development has been. Now your specific question is will one of these wells drain oil from some other tract that doesn't have a well. It may or it may not. The Board has set up a unit so that whether there is a well on say Tract 18 which is just east of Tract 13, whether there is a well on it or not, that tract, that 160-acre tract that does not have a well is participating in the production from this field because it's like a pie. We put everything into one bucket and we are sharing it with everyone in this unit based on these factors that these gentlemen have testified to today. If

we drill a well on a tract that doesn't have a well, then that tract will get a productivity factor as well as having a piece of the pool. For instance, Tract 18 just east of Tract 13 is participating in the unit today.

CHMN. MCCORQUODALE: Mr. Watson, if you might explain a step further. Outside these blue lines--and everybody's got one of these books with the maps in front of them--outside these blue lines we don't know it yet but what if in the Johnsonville area which is apparently outside these blue lines and let's say it's two miles away, is one of these wells taking oil from Johnsonville if it's two miles away?

MR. WATSON: Very, very doubtful that that would occur.

CHMN. MCCORQUODALE: Maybe one of your witnesses can answer.

MR. WATSON: I'll ask Mr. Smith that. He's qualified.

CHMN. MCCORQUODALE: I think that's the question that a lot of people have. I think, Mr. Smith, who is qualified on that subject can answer that.

MR. WATSON: Look at Exhibit 5, Mr. Smith, and Exhibit 6, if you want to. Mr. Williams question has to do with the area that is outside the blue outline of the unit. Do you understand the question? Answer the question.

MR. SMITH: Yes sir. I understand the question but I'm not sure I understand where Johnsonville is.

MR. WATSON: Take the question that the Chairman has given you, an area outside the blue line. Are these wells inside the blue line, inside the unit, draining anything from outside this unit boundary?

MR. SMITH: Not to our knowledge.

MR. WILLIAMS: You really don't know, do you?

MR. SMITH: Well, we have some pretty good well control evidence to say that it is not. We can't disregard the well control knowledge that we have. Chances of that draining something outside the blue line three miles away, that's a pretty remote chance.

MR. WILLIAMS: Answer this question then. When you drill for oil and when you strike oil, how do you determine how the oil base, the formation, is formed? I mean, is it a pool? Is it like a spider-web? How is it that you could suck from a well and where it is coming from?

MR. SMITH: Well, it's not really a void space. It's not like a cave down there at 12,000 feet, if that's what you are thinking. It's not. It's rock. It's solid rock. It's got little holes in it and all the little holes are full of oil but there is not a big pool. There is not this big void down in the earth. Its oil saturated rock.

MR. WILLIAMS: How can you determine where it is coming from?

MR. SMITH: Where the oil is coming from?

MR. WILLIAMS: Yes.

MR. SMITH: Well, we drill these wells in a certain pattern and we make observations from the thicknesses in those wells and the pressures and production rates. All these things like that go all together.

MR. WILLIAMS: If we ask for proof of that, can you produce it? If we ask for proof of where the oil is coming from, can you show it to us?

MR. WATSON: Mr. Williams, that's exactly what we are showing this Board today, under oath, with hard data.

MR. WILLIAMS: Well I'm not questioning that. Don't be trying to get an attitude. I'm not questioning that.

CHMN. MCCORQUODALE: Let me explain something here to everybody and we are all trying to answer questions. These two men who testified here are experts in that, just like if you came to me you would be coming to me about law because that's what I do for a living. These guys are engineers and geologists and what they do everyday is study these formations and study this kind of stuff to try to determine the answer to a question just like you've got, Mr. Williams, which is a question I hear a lot by the way. I'm not from Birmingham or Tuscaloosa or somewhere, I'm from Jackson and I represent folks for a living just like you. I get asked that question a lot which is why I was asking Mr. Watson that, that is how far away these people are with the oil companies drawing our oil. I get asked that question a lot. These guys can answer

that question. Now, when he said probably not or remotely, that's just the way people talk. He didn't mean it is happening. Okay. He is just saying it is highly unlikely but let me go a step further. Anybody, you or anybody in this room, that is uncomfortable with or dissatisfied with what Mr. Stafford or Mr. Smith has testified to, we're going to be back here several more times before this is all said and done and anybody in this room that is dissatisfied with what Mr. Smith or Mr. Stafford or Mr. Watson or anybody has said has an absolute right to go hire your own geologist and engineer. I'm not one, for example. Mr. Dampier is not one. I have to rely on these guys up here that are to tell me answers to these questions. I don't know anymore about those questions and answers than you do hardly, Mr. Williams. I have to judge what I think is fair based on what the expert witnesses tell me. What I want everybody to know is that we bend over backwards to get everybody their opportunity to be heard and give them their day in court. Some of you that were there before will remember that that is one of the reasons that Tract 13 got drilled as fast as it did because we on this Board insisted that we really wanted that done to see what was there. Okay. Any of you that are uncomfortable with what you hear today or when you get back home and you are uncomfortable with it you have an absolute right to hire your own geologist and your own engineer and have them study all of this stuff and bring them with you back to a Board meeting. They may not agree with Mr. Stafford. We'll hear what they've got to say and we then we will decide which one we believe. Okay.

MR. WILLIAMS: Okay, that's fair enough.

CHMN. MCCORQUODALE: Does everybody understand that? Does anybody have any questions about that? This was the other thing. Up here at this table are engineers and geologists just like Mr. Smith and Mr. Stafford. Our duty up here, our duty that we are sworn to uphold is not to simply believe what Midroc tells us. We are sworn under oath to do what we believe is fair and right for Midroc, for you, and for the State of Alabama, everybody. That's what we are sworn to do. When we finish up here in just a few minutes, if any of you would like to hang around and go to one of these conference rooms with one of our geologists and one of our engineers from on this staff, not from Midroc, and ask some of those same questions they will be glad to try to answer some of those questions for you. Fair enough?

MR. WILLIAMS: Fair enough.

CHMN. MCCORQUODALE: Okay.

MR. DAMPIER: Let me just echo what the Chairman said. We don't rubber stamp anything that anybody brings us. These engineers and geologists up here, they study all the data and scrutinize it and then they make a recommendation to the Board. This stuff is not rubber stamped. It's all scrutinized.

MR. WATSON: I can attest to that, Mr. Williams.

CHMN. MCCORQUODALE: Thank you, Mr. Williams. You brought up some good points and I hope in some way we cleared the air a little bit and answered some questions for you. Again, I encourage everybody to hang around if you want to. Yes sir, Mr. Johnson, right?

MR. JOHNSON: Yes sir. Willie Johnson. I overheard that there was low pressure in the new Oliver well and that you would have to put in some hydraulic pumps or some other form of pumping mechanism to remove the oil from the immediate community. The concern I have or a question that I have is what form of measurement are we using to track the exact amount of oil that is being removed from that well in relation to the other wells that are already tied into the one existing area?

MR. WATSON: We'll be glad to answer that, Mr. Johnson, but the staff is charged with, if you will, monitoring our production reports. Mr. Stafford can answer that, however you want us to handle that, Mr. Chairman.

DR. TEW: Dr. Bolin probably is as well equipped as anyone to answer that question.

DR. BOLIN: I think part of your answer is that this type of procedure here of where they come and put on the record how they are going to produce each of the wells under similar conditions, that is part of the reason to try to make sure that the wells are tested as uniformly as can be. From that standpoint then that is something that the Board then takes into consideration and approves if they think it is an appropriate way of testing the wells. That establishes the productivity which is part of the tract participation factor but you have to also remember that as a unit the tracts are sharing based on the tract participation formula not on the actual amount of production that comes from each well. You have to keep that in mind also.

MR. JOHNSON: So what you are telling me then is that the actual performance of that well is not monitored once it is tied in. Basically, it is whatever all the other wells are producing at this point. The merging of the Oliver well, we are saying that it is just a contributing factor to the overall total and the total is what?

DR. BOLIN: Is how the money is divided up.

MR. JOHNSON: How the money is divided from that point.

DR. BOLIN: Right. The actual production from each well is monitored because this Board does require Midroc to provide monthly reports of the actual production from each well even though it is not the determining factor of how the money is divided up. That's based on the tract participation formula.

MR. JOHNSON: One other question before I leave the stand, the term low pressure, and I do understand the pumping action that has to take place, does this mean that there is not much there or does it mean that the oil has got a high velocity--viscosity or what are we saying? Why would the pressure be lower? Is there less gas or what would determine the low pressure at this well?

MR. WATSON: Mr. Stafford would be qualified to answer that, Mr. Chairman.

MR. STAFFORD: Low pressure in the area of the Oliver 20-15 well is a result of production from other wells in the field.

MR. JOHNSON: Okay.

MR. STAFFORD: When you have an automobile tire that has a certain amount of pressure in it and you take a little bit out, then the pressure goes down, right? It's the same situation in an oil field.

MR. JOHNSON: But because of the spacing of the wells you are not saying that that well--in other words, since we have agreed or established that each tract is 160 acres per tract, then the production of that well still should be pretty much consistent with any of the other wells. In other words, we are not saying that because of other wells around it we have less in that well are we?

MR. STAFFORD: I'm not sure that I understand the question. In fact, I do not understand the question.

DR. TEW: I think he is referring to hydrocarbon volume verses pressure.

MR. STAFFORD: Let me point out that Mr. Smith has gone to some lengths to calculate the hydrocarbon pore volume. That a fancy term. It means how much oil is in that rock under that tract, how much of it. He has calculated that and this is original. How much was there on day one when this first well was drilled. He has calculated that and that is included in the total field oil and this tract is getting its credit for all the oil that was ever there, from day one. Now, the productivity tract factor goes to how fast can that well produce that oil out of that tract. If we were operating under competitive conditions, in other words, if there were no unit here then right now that well wouldn't be getting anything. All wells can't be drilled at the same time obviously. This well has been drilled in its turn and it penetrated the reservoir under these conditions. Right now we don't know that it will produce anything but it will, I'm confident that it will. We are in the process of establishing that and that will be the productivity tract factor. It will get credit for how much it could have produced if there were no unit in the field. Someone has already said, I believe Dr. Bolin has already said that the production from all the wells within the blue line on this map is treated just like one well. It's divided according to these tract factors that we have spoken about. The only criteria for productivity on the Oliver is to determine how much of that tract factor will be determined by how much the well will produce. Once we establish that tract factor in the next two weeks then that well can be shut in and this tract will continue--it may never produce another drop but that tract will continue to be allocated its percentage of the oil no matter where it is produced in the unit. Do you follow me?

MR. JOHNSON: I got you.

MR. WATSON: Didn't you also say that the Board will be notified as well as royalty owners of when that test is going to be conducted so that they can witness that?

MR. STAFFORD: We might go so far as to publish it in the paper.

CHMN. MCCORQUODALE: Are there other questions?

MS. JACKSON: May, I?

DR. TEW: Would you come to one of the microphones, please.

MR. DAMPIER: We record all these hearings over here and transcribe them and that's why you have to speak into a microphone.

CHMN. MCCORQUODALE: Would you identify yourself please?

MS. JACKSON: Linda Jackson. I hate to move back but I was not satisfied with the Johnsonville situation. Am I to understand, Mr. Smith, that you said there will never be any drilling on the Johnsonville land property? If the Johnsonville property is right outside this blue line and we know it is, who determines this area was the best area and not further down because we know that it is right next door to the blue line? Why can't there be drilling on the Johnsonville property when it is right next door to these tracts right here?

MR. CLARK: I didn't say we would never drill it. I said we don't have any plans to drill it because it doesn't look productive. I guess that's the answer to your second question. It doesn't look to us like it is productive of oil and gas.

MS. JACKSON: But to us it looks productive.

CHMN. MCCORQUODALE: Well I think that goes back, Ms. Jackson, to what we were talking about earlier when I was explaining about people hiring engineers and geologists. What these witnesses and these experts have come up with is where they think the oil is, inside these blue lines basically.

DR. TEW: And even further, inside the red line.

CHMN. MCCOQUODALE: And inside the red line to the east. Right now they don't see any evidence that there is any oil where you are talking about. You might take all this information to some geologist or engineer who might disagree with that.

MS. JACKSON: If so, come back to the Board.

CHMN. MCCORQUODALE: Come back to this Board because they are going to be coming back periodically.

MS. JACKSON: Because they could change their mind.

CHMN. MCCORQUODALE: They may change their mind as other wells are drilled.

MR. DAMPIER: Mr. Clark, do you all have leases on their property, in the Johnsonville area outside.

MR. CLARK: On some of them. Do we have your lease?

MS. JACKSON: No, we have some.

MR. CLARK: Well, we can't drill a well if we don't have a lease. If someone else was interested in leasing your property you are more than free to lease it to them and maybe they would drill a well.

CHMN. MCCORQUODALE: I will say again, Ms. Jackson, and this may be a more efficient way to do this, if you will wait about five minutes when we finish with this Midroc item we will free up a couple of our folks from our staff to go to one of these conference rooms and answer I guess what I would call more just fundamental questions about oil than just as it specifically relates to this so that maybe you have a little better feel for how this stuff works.

DR. TEW: I will go a little further there. If we can't get satisfied in the context of the meeting today and the timeframe that we have we will be most happy for anybody to visit with us in Tuscaloosa and we will take the time to go through it there as well.

CHMN. MCCORQUODALE: Thank you, Ms. Jackson. Are there other questions?

MRS. STUBBS: I'm Mrs. Reginald Stubbs. My husband has property in Brooklyn. It may be better known as Johnsonville. I'm not sure of that. I just have a question. We are a member of the unit so we are collecting royalties. If they never drill on our property would we get any less than what we are getting or if they do drill on our property and find oil would we get anything more than what we are getting? We would get the same percentage, right?

MR. DAMPIER: Mr. Stafford has already answered that question but I'll let him answer again.

MR. STAFFORD: You say you are in the unit now?

MRS. STUBBS: Yes.

MR. STAFFORD: You are receiving your payment as a result of the hydrocarbon pore volume tract factor?

MRS. STUBBS: Yes.

MR. STAFFORD: You do not have a well on your property?

MRS. STUBBS: No.

MR. STAFFORD: If a well were drilled on your property, if your property were included in a unit and it was successful and the well were completed and tested before water is injected or any substance is injected into the reservoir then that well would receive a productivity tract factor. It would get more, a higher fraction. If ten years from now a well is drilled on it and successfully completed and water has been injected into the reservoir then you would not get more. That is directly what the Board has approved in the Unit Agreement and the Board Order, that once any substance is injected into the reservoir to enhance or increase the reservoir pressure or enhance the production then productivity tract factors on wells drilled after that time will no longer be calculated, so that's divided once injected is begun. Did I answer your question?

MRS. STUBBS: I think so.

CHMN. MCCORQUODALE: What we are also going to do is after we complete this in just a minute, two of our staff members are going to find a conference room around here, Dr. Bolin and Jay Masingill, who you have not heard speak up yet but they can answer your questions, a lot of these kind of questions that have been asked, and it will give you all who are interested a better feel for how all of this process works just in a general educational kind of way.

DR. TEW: Mr. Masingill is a petroleum geologist and Dr. Bolin is petroleum engineer.

CHMN. MCCORQUODALE: Does the staff have any questions? I guess we have already had comments because we have had questions and comments.

MR. WATSON: That's our case, if you have questions of my witnesses.

CHMN. MCCORQUODALE: Is there anything further?

MS. MATTHEWS: I apologize for being late.

CHMN. MCCORQUODALE: No apology necessary.

MS. MATTHEWS: I'm pretty sure y'all went over quite a bit of things but I have just one question in mind.

CHMN. MCCORQUODALE: Again, what is your name?

MS. MATTHEWS: Annie Matthews. I thought everybody knew me.

CHMN. MCCORQUODALE: I do know you but for the record we need to get it in the record, in case you had a twin that had showed up.

MS. MATTHEWS: I had a question pertaining to the Oliver well. You said there was low volume or low pressure on the well. One question, when the well was in the process of being dug, why was it dug in such a remote area because that well is so far back into those woods. I was surprised for you even to find a spec of oil that far back when the Andrews well is readily accessible to the highway. The Oliver well is so far back. I don't think any of us have been back up in there to see where it is. I believe the first meeting we were in or the December 3rd meeting that we attended Mr. Clark mentioned to us that there was prior drilling further north of the Andrews well and that there was a dry hole hit. It seems as if with that being the case the oil is in I would say the remote areas of the community. If that is the case, why go so far back into that remote area because--correct me if I'm wrong--with this well being where it is, is it possible to say that if you were closer to where the Andrews well is or closer to the highway there that you might have gotten different results?

CHMN. MCCORQUODALE: Mr. Stafford, can you answer that question or Mr. Smith.

MR. STAFFORD: I'll give it my best shot. I assume that the Andrews well that you are referring to is in Tract 12 which we designate that as the Cedar Creek Land and Timber 20-7 and you are proposing that we drill closer to the Andrews well?

MS. MATTHEWS: Not necessarily to the Andrews well but closer to the highway. Where the Oliver well presently sits on the dirt road that you went back in there on, there were properties ready and available right there at the entrance. To me I think you are about a mile back up in there.

MR. STAFFORD: Look at this map if you will. These red lines on this map tell us where to expect to find the oil and gas. We drill the well where we expect to have the high probability of finding oil and gas. We may have to drill a directional well to do that but we don't concern ourselves unduly with where it is located unless it is under a river or in a swamp or something like that, then we take whatever measures are necessary. We want this well here because we think that's where the oil and gas is.

MS. MATTHEWS: That is determined because of the testing?

MR. STAFFORD: No, that's the geological studies that have been done. Geological studies that have resulted from the drilling of all these wells tell us that there is a very high probability of oil and gas in this location and that's where we want to drill the well.

CHMN. MCCORQUODALE: They are going to drill it where they think they are most likely to find oil.

MR. STAFFORD: That's correct and that's why we drilled where it is.

MS. MATTHEWS: Another question. Is that the only well that will be drilled in that tract? Looking at the number of wells that we have altogether and the number of tracts that you have altogether, for this tract to be the only tract that has one well, I believe it is one well on that tract.

MR. STAFFORD: Each tract is tested with one well at this time. These tracts are 160-acre each. To say that this will be the only well drilled on this tract, we couldn't say that. Ten years from now it might be that oil is $150 per barrel and we want to try to recover some more oil from the corner of it. We don't know. Additional studies with time will tell us whether to drill additional wells on these tracts.

MS. MATTHEWS: Okay. On the testing you said that it shows the volume of oil that was there when you got this particular project started. Are you saying that the same amount is there today?

MR. STAFFORD: The same amount of oil is not there but the tract got credit for the oil that was there when the first well was drilled. The hydrocarbon pore volume tract factor calculates that amount of oil.

MS. MATTHEWS: Okay. I think that was the community's concern and my concern when you are saying that prior to December 3rd before the unitization your testimony was that there was no oil or testimony that the pore volume of oil or whatever, that means that there has been oil that has been released from that area. As a landowner I was hoping, and I think I talked to Mr. Rogers, that if the drilling was going to effect any oil that was coming from underneath the land, we should have been participating back before now because if the same oil is not there--

CHMN. MCCORQUODALE: Not to interrupt you but what he is telling you is the way they have done their calculations, it's going back to day one.

MS. MATTHEWS: Okay. I understand that part.

CHMN. MCCORQUODALE: You are going to get credit for everything that was there on day one.

MS. MATTHEWS: I understand that part but the point that I'm trying to make is on December 3rd if there had not been a unitization and things went on as it is, that we were not affected as this unitization is doing for us now, that still means that oil that was presently there would have been known.

MR. STAFFORD: That is correct.

MS. MATTHEWS: Thank you.

MR. DAMPIER: Mr. Chairman, I believe that we have consolidated petitions here, Items 11 and 12.

CHMN. MCCORQUODALE: That's correct.

MR. DAMPIER: I would make a motion that these consolidated petitions be approved.

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

(Board members McCorquodale and Dampier voted "aye")

CHMN. MCCORQUODALE: "Ayes" have it. Mr. Massingill and Dr. Bolin, do you want to go to that conference room? Anybody that wants to go can go. Do you want to take one more item and then take a brief recess?

MR. ROGERS: We will go ahead and handle Item 17. It's uncontested. Item 17, Docket No. 7-11-05-10A, petition by Robinson's Bend Operating Company, LLC.

MR. JOHNSON: When is the next Oil and Gas Board meeting?

DR. TEW: We have a general question here before that.

CHMN. MCCORQUODALE: You want to know when the Oil and Gas Board meetings are? When we have meetings?

MR. JOHNSON: Yes sir.

MR. ROGERS: The next meeting is August 19th in Tuscaloosa. They have to publish notices in the Conecuh County paper, the Evergreen Courant.

CHMN. MCCORQUODALE: The notices are published in your local county newspaper.

DR. TEW: You can call the State Oil and Gas Board in Tuscaloosa anytime and we can give you that information.

MR. DAMPIER: If you have a computer there is a web site listed.

MR. WATSON: We also send out first class mail notices to everyone in the unit announcing the hearing.

MR. JOHNSON: Thank you.

CHMN. MCCORQUODALE: They are having that meeting back there if you want to go to that.

CHMN. MCCORQUODALE: We're going to take a four or five minute recess after we do a couple of items and that's all we are going to take, no lunch or no long recess or anything.

MR. ROGERS: All right. Item 17, Docket No. 7-11-05-10A, petition by Robinson's Bend Operating Company, LLC.

MR. WATSON: Swear me in, Mr. Rogers. I'm going to testify on this one.

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

MR. WATSON: Tom Watson, Tuscaloosa, Alabama.

(Witness was sworn by Mr. Rogers)

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

CHMN. MCCORQUODALE: It is admitted.

(Whereupon, the affidavit was received in evidence)

MR. WATSON: This is a request by Robinson's Bend Operating Company to reform an 80-acre unit to a 40-acre unit in the Robinson's Bend Coal Degasification Field in Tuscaloosa County, Alabama. The petitioner proposes to drill a new well on this 40-acre unit if the Board

sees fit to reform this unit. I have handed up to you an affidavit of testimony of Raymond E. Love and attached to that affidavit of testimony is a plat showing the current 80-acre unit consisting of the East Half of the Southeast Quarter of Section 19, Township 21 South, Range 11 West, Tuscaloosa County. We are also showing the proposed 40-acre unit that we want to drill in the Southeast Quarter of the Southeast Quarter. This 80-acre unit is based on diverse ownership and in accordance with the Board's procedures we have notified 27 owners in this unit seeking their written consent to the reformation of this unit. As of today you have on file thirteen written responses agreeing to this reformation. I would ask that those letters supporting this reformation be admitted into the record along with the affidavit of testimony of Raymond E. Love who is a duly qualified witness before this Board.

CHMN. MCCORQUODALE: All of those are admitted.

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

MR. WATSON: The Board has the opportunity to reform this unit with or without the consent of the owners. They have all been given notice. The thirteen out of the 27 that have agreed according to my calculations from the land people in working this represents about 73.5 percent of the owners in the unit. Even though the numbers are small the majority of the people have agreed to this reformation. We are still getting in letters. Most of the people who have not consented live in Texas and are a part of the Davant heirs. They have all been contacted. They have received letters. I would ask that those letters that we sent to all those 27 owners, whether they be signed or not, be admitted into the record.

CHMN. MCCORQUODALE: Those are admitted.

(Whereupon, the letters were received in evidence)

MR. WATSON: I would submit to you that the reformation of this unit in accordance with Mr. Love's testimony would protect correlative rights and promote the conservation of our natural resources. That's all I have on this matter.

MR. DAMPIER: Mr. Watson, I have a question. Did you testify too on the other 40 that if we approved this petition that you would drill a well on the other 40?

MR. WATSON: Yes I did testify to that and they have filed that permit application.

MR. ROGERS: One quick question, Mr. Watson, the affidavit of notice was admitted, the affidavit of testimony was admitted and then there was an amended affidavit of testimony. Admit the amended affidavit?

MR. WATSON: Yes, please.

MR. ROGERS: The two other pieces of evidence are the consent and then the letters that don't have consent which are four exhibits.

MR. WATSON: That's correct. The only thing we changed in the affidavit of testimony was one of the 1's was left off the 7-11. It was just 7-1. There is no substantive changes but let's do admit the amended one.

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

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

(Board members McCorquodale and Dampier voted "aye')

CHMN. MCCORQUODALE: "Ayes" have it.

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

MR. ROGERS: The next item is Item 22, Docket No. 7-11-05-14. That is a motion by the Board to amend certain rules related to filing requirements. We have copies of the rules and request that the proposed rules be admitted into the record.

CHMN. MCCORQUODALE: It is admitted.

(Whereupon, the proposed rules were received in evidence)

CHMN. MCCORQUODALE: Are there any questions or comments?

MR. ROGERS: I recommend the rules be adopted.

MR. DAMPIER: So move.

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

(Board members McCorquodale and Dampier voted "aye")

CHMN. MCCORQUODALE: "Ayes" have it.

MR. ROGERS: The next item is Item 23, Docket No. 7-11-05-15, motion by the Board to amend the rule relating to change of operator. We have a copy of the proposed rule and recommend that the proposed rule be admitted into the record.

CHMN. MCCORQUODALE: It is admitted.

(Whereupon, the proposed rule was received in evidence)

MR. ROGERS: I recommend that the rule be adopted as proposed.

CHMN. MCCORQUODALE: Are there any questions or comments?

MR. DAMPIER: Move.

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

(Board members McCorquodale and Dampier voted "aye")

CHMN. MCCORQUODALE: "Ayes" have it.

MR. ROGERS: The last motion is Item 24, Docket No. 7-11-05-16, a motion by the Board to amend the rule relating to blow-out prevention. We have a copy of the rule and recommend that the proposed rule be admitted into the record.

CHMN. MCCORQUODALE: It is admitted.

(Whereupon, the proposed rule was received in evidence)

MR. ROGERS: I recommend that the rule be adopted as proposed.

CHMN. MCCORQUODALE: Are there any questions or comments?

MR. DAMPIER: Move.

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

(Board members McCorquodale and Dampier voted "aye")

CHMN. MCCORQUODALE: "Ayes" have it. We are going to take about a four or five minute recess.

(Whereupon, the hearing was recessed for five minutes)

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

MR. ROGERS: Mr. Chairman, the next item is Docket No. 4-20-05-1, petition by Travelers Exploration Company. This was for an exceptional location in Section 6. I understand that this matter is due to be dismissed.

MR. BROOKER: We would ask that it be dismissed.

CHMN. MCCORQUODALE: I understand that that is also with the consent of Vintage. Is that right, Mr. Watson?

MR. WATSON: Yes sir.

CHMN. MCCORQUODALE: Is there any objection? Hearing none, the matter is dismissed without prejudice.

MR. ROGERS: The next item is another petition by Travelers Exploration Company, Docket No. 4-20-05-2. It was a request to force pool with risk compensation the unit for the exceptional location in Section 6.

MR. BROOKER: We ask that that be dismissed without prejudice as well.

CHMN. MCCORQUODALE: Also with consent. Is that right?

MR. WATSON: Yes sir.

CHMN. MCCORQUODALE: Is there any objection? Hearing none, the matter is dismissed without prejudice.

MR. ROGERS: The next item is Item 27, Docket No. 7-11-05-19, petition by Travelers Exploration Company for force pooling of a unit for the Shiver 6-14 No. 1 well at a regular location.

MR. BROOKER: We do want to be heard on that.

MR. DAMPIER: Mr. Brooker, as we dismissed I will have to recuse myself on this one. Mrs. Pritchett was unable to make the meeting today. I understand she was sick. I'm going to turn that over to the Chairman.

CHMN. MCCORQUODALE: Well, as I do the math that means that we don't have a quorum. It's my understanding that there has been a conversation with Mr. Brooker with regard to how this matter will be handled and there is an agreement that it will be handled by the Hearing Officer. Is that correct?

MR. BROOKER: That's fine.

CHMN. MCCORQUODALE: This is in an effort to accommodate you and your client in the face of some problems that we didn't necessarily anticipate. Let me add and I don't think there will be a problem here but just so the record is clear, as a general rule we have not heard matters involving risk compensation by Hearing Officer. Those have been heard by the full Board. So, with the caveat that assuming that it is clear and without reservation to the Hearing Officer on the issues of notice and offers and those things that we get into with risk compensation issues, and I understand this one is apparently pretty simple, then as long as there are no snakes that come boiling out of the closet that Mr. Rogers sees then we can do that that way but with the understanding that if the Hearing Officer feels a deep concern about any of those risk compensation issues, then we would continue that matter over to be heard by the full Board. Is that your understanding, Mr. Rogers?

MR. ROGERS: Yes sir.

CHMN. MCCORQUODALE: Having said that then the matter will be continued for a Hearing Officer meeting. You have a concern about one of the notice issues anyway, Mr. Rogers, I think the timing of it, and Friday or Monday would resolve that 10-day issue. There is a 10-day question on permit filing, isn't that right, Mr. Rogers.

MR. ROGERS: Yes sir.

MR. BROOKER: I don't think so. What is that?

CHMN. MCCORQUODALE: Let's go off the record.

(The hearing was recessed for three minutes)

MR. ROGERS: That meeting is set for Monday, July 18, 2005, at 11:00 a.m. at the office of Gaines McCorquodale in Jackson, Alabama.

CHMN. MCCORQUODALE: Okay. Meeting adjourned.

(Whereupon, the hearing was adjourned at 12:05 p.m.)

REPORTER'S CERTIFICATE

STATE OF ALABAMA

COUNTY OF TUSCALOOSA

I, Rickey Estes, Hearing Reporter in and for the State of Alabama, do hereby certify that on Wednesday, July 13, 2005, in the USA Brookley Center, 254 Old Bay Front Road, Mobile, Alabama, I reported the proceedings before the State Oil and Gas Board in Regular Section; that the foregoing 54 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

Rickey Estes
Hearing Reporter