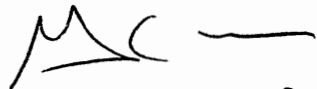


August 17, 2005

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		DIRECT RE-DIRECT	CROSS/ RE-CROSS	EXAM. BY BOARD/STAFF
1.	Robert Anderson	25-26 29-30	---	26 ---
2.	Tom Turner	31-33	---	---
3.	David Fouts	35-36	---	37
4.	Jim Mulligan	39-42	---	---
5.	Ken Hanby	44-48 49	---	49

  
9-30-05

## EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Board Exhibit	Proofs of Publication Docket No. 8-17-05-1 Docket No. 8-17-05-2 Docket No. 8-17-05-3 Docket No. 8-17-05-4 Docket No. 8-17-05-5 Docket No. 8-17-05-6 Docket No. 8-17-05-7 Docket No. 8-17-05-9 Docket No. 8-17-05-10	21	21
Board Exhibit	Hearing Officer Order	21	21
Exhibit 1(A-B) (Item 7)	Testimonial affidavit with attachments (Tommy Lambert)	22	22
Exhibit A (Item 7)	Listing of wells for requested TA extension (Tommy Lambert)	22	22
Exhibit B (Item 7)	Map of Citronelle, SE Citronelle, East Citronelle Units (Tommy Lambert)	23	23 (Corrected map received on 8/19/05)
Exhibit 2 (Item 7)	Affidavit of notice (Mark A. Scogin)	22	22
Exhibit 1 (Item 16)	Affidavit of testimony (Ron Rovenko)	25	25
Exhibit 2 (Item 16)	Affidavit of testimony (Robert Anderson)	25	25

August 17, 2005

EXHIBITS

<u>EXHIBIT NO. (ITEM NO.)</u>	<u>TITLE (TESTIMONY OF)</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Exhibit 3 (Item 16)	7/27/05 letter to Alabama Power Company (Foster C. Arnold)	24	24
Exhibit 4 (Item 16)	7/27/05 letter to Southern Electric Generating Co. (Foster C. Arnold)	24	24
Exhibit 5 (Item 16)	Affidavit of notice (Foster C. Arnold)	25	25
Exhibit 6 (Item 16)	Affidavit of publication (Foster C. Arnold)	25	25
Exhibit 7 (Item 16)	8/17/05 letter to Foster C. Arnold (Jeff Smith, GeoMet, Inc.)	27	27
Exhibit 8 (Item 16)	Map of Gurnee Degas. Field (Robert Anderson)	27	27
Exhibit 1 (Item 17)	Affidavit of testimony (Ron Rovenko)	28	29
Exhibit 2 (Item 17)	Affidavit of testimony (Robert Anderson)	28	29
Exhibit 3 (Item 17)	7/27/05 letter to Alabama Power Company (Foster C. Arnold)	28	28
Exhibit 4 (Item 17)	7/27/05 letter to Southern Electric Generating Co. (Foster C. Arnold)	28	28

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EXHIBITS

<u>EXHIBIT NO.</u> <u>(ITEM NO.)</u>	<u>TITLE</u> <u>(TESTIMONY OF)</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Exhibit 5 (Item 17)	Affidavit of notice (Foster C. Arnold)	28	29
Exhibit 6 (Item 17)	Affidavit of publication (Foster C. Arnold)	28	29
Exhibit 7 (Item 17)	8/17/05 letter to Foster C. Arnold (Jeff Smith, GeoMet, Inc.)	30	30
Exhibit 8 (Item 17)	Map of Gurnee Degas. Field (Robert Anderson)	30	30
Exhibit 1 (Item 18)	Affidavit of testimony (Thomas W. Turner, Jr.)	31	31
Exhibit 2 (Item 18)	Affidavit of notice (Michael T. Estep)	31 & 33	31 & 33
Exhibit 1 (Item 21)	Affidavit of notice (William T. Watson)	34	34
Exhibit 2 (Item 21)	Form OGB-1E (William T. Watson)	36 & 37	36 & 37
Exhibit 1 (Item 24)	Area map, Northeast Kennedy Field (Jim Mulligan)	42	42
Exhibit 2 (Item 24)	Field limits, Northeast Kennedy Field (Jim Mulligan)	42	42

August 17, 2005

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 3 (Item 24)	Structure map, top Lewis sand, Northeast Kennedy Field (Jim Mulligan)	42	42
Exhibit 4 (Item 24)	Lewis sand isopach map, Northeast Kennedy Field (Jim Mulligan)	42	42
Exhibit 5 (Item 24)	Form OGB-9, Richards 35-2 No. 1 Well, Northeast Kennedy Field (Jim Mulligan)	42	42
Exhibit 6 (Item 24)	Dual induction type log, Richards 35-2 No.1 Well, Northeast Kennedy Field (Jim Mulligan)	42	42
Exhibit 7 (Item 24)	8/12/05 letter to Board (Michael T. Estep)	42	42
Exhibit 8 (Item 24)	Affidavit of confidentiality (Michael T. Estep)	42	42
Exhibit 1 (Item 25)	Time for Federal 09-08-1039, APD from BLM (Ken Hanby)	49	49
Exhibit 2 (Item 25)	Affidavit of notice (William T. Watson)	43	43

August 17, 2005

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

August 17, 2005

Testimony and proceedings before a Hearing Officer in Regular Session in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, pursuant to adjournment, on this the 17<sup>th</sup> day of August, 2005.

BEFORE

Mr. Marvin Rogers..... Attorney

STAFF

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

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

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

Mr. Richard Hamilton..... Engineer

Mr. Tom Sexton..... Geologist

Mr. Douglas Hall..... Geologist

APPEARANCES

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	NAME	REPRESENTING
1.	Phil Schenewerk Tulsa, OK	Vintage Petroleum, Inc.
2.	Tom W. Turner, Jr. Leroy, AL	Energy Recovery Group
3.	Mark Scogin Tuscaloosa, AL	Merit Energy Co.
4.	Robert Anderson Birmingham, AL	CDX Gas, LLC
5.	Mike Estep Mobile, AL	Energy Recovery Group/ Denbury Onshore
6.	Jim Mulligan Plano, TX	Denbury Onshore
7.	Ken Hanby Tuscaloosa, AL	Dominion Black Warrior
8.	Tom Watson Tuscaloosa, AL	
9.	J. Katz Birmingham, AL	Lillian McKenzie
10.	Foster Arnold Tuscaloosa, AL	CDX Gas, LLC
11.	David Fouts Tuscaloosa, AL	Jabsco Oil Operating

August 17, 2005

1 (The hearing was convened at 10:00 a.m. on  
2 Wednesday, August 17, 2005, at Tuscaloosa, Alabama.)  
3  
4

5 MR. ROGERS: This hearing is in session. Dr. Tew, have the items to be heard today  
6 been properly noticed?

7 DR. TEW: The items to be heard today have been properly noticed. An agenda of  
8 today's meeting has been transmitted to the recording secretary.

9  
10 AGENDA  
11 STATE OIL AND GAS BOARD OF ALABAMA  
12 AUGUST 17 & 19, 2005  
13

14 The State Oil and Gas Board of Alabama will hold its regular monthly  
15 meeting at 10:00 a.m. on Wednesday, August 17, 2005 and Friday, August  
16 19, 2005 in the Board Room of the State Oil and Gas Board, Walter B.  
17 Jones Hall, University of Alabama Campus, 420 Hackberry Lane,  
18 Tuscaloosa, Alabama, to consider among other items the following  
19 petition(s):  
20

21 1. DOCKET NO. 8-28-02-9  
22 Continued petition by LAND AND NATURAL RESOURCE  
23 DEVELOPMENT, INC., an Alabama corporation, requesting the Board to  
24 further address the Temporarily Abandoned Status for 134 wells, 34 wells  
25 which are operated by Land and Natural Resource Development, Inc. and  
26 100 wells which are operated by TECO Coalbed Methane, Inc., all of  
27 which are located in the Moundville Coal Degasification Field, Tuscaloosa  
28 and Hale Counties, Alabama. The Board has addressed the status of these  
29 wells in Board Order 2002-137(1), and in said order stayed prior Order  
30 Status Nos. 2001-85 and 2001-162 to the extent that such orders required  
31 plugging and abandonment of all wells by August 31, 2002. Petitioner  
32 desires to resume operation and asks the Board to extend the temporarily  
33 abandoned status of these wells, because they have future utility. These  
34 wells are located in the following sections:  
35

36 Township 23 North, Range 3 East  
37 Sections: 13, 24

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Township 23 North, Range 4 East

Sections: 7, 8, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 28, 29, 30

Township 23 North, Range 5 East

Sections: 1, 3, 4, 5, 7, 8, 9, 15, 16, 17, 18, 19, 20

Township 24 North, Range 4 East

Sections: 24, 25

Township 24 North, Range 5 East

Sections: 19, 30, 31

2. 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.

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

10  
11 Township 19 South, Range 7 West

12 All of Sections 19, 20, 21, 29 and 30;  
13 North Half, Southeast Quarter and North Half of Southwest Quarter of  
14 Section 28; and  
15 Southwest Quarter of the Southeast Quarter of Section 18

16  
17 Township 19 South, Range 8 West

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

23 3. DOCKET NO. 11-03-04-3

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

1 Coal Interval, and including those coal seams which can be correlated  
2 therewith. Petitioner further seeks approval of the Unit Agreement and Unit  
3 Operating Agreement, as ratified, in accordance with Section 9-17-84, Code  
4 of Alabama (1975), and approval of the amendments to the Special Field  
5 Rules for the Brookwood Coal Degasification Field in order to conform to  
6 the provisions of the aforementioned Unit Agreement and Unit Operating  
7 Agreement.  
8

9 Petitioner further seeks entry of an order unitizing, pooling and integrating  
10 the Unit Area, as underlain by the above defined unitized formation so as to  
11 require all owners or claimants of royalty, overriding royalty, mineral, and  
12 leasehold interests within the Unit Area to unitize, pool and integrate their  
13 interests and develop their lands or interests as a unit, and designating Black  
14 Warrior Methane Corp. as operator of the Unit Area in accordance with the  
15 laws of Alabama. The proposed Unit Area, to be designated Unit IX,  
16 containing approximately 7,200 acres, consists of the following described  
17 parcels in Tuscaloosa County, Alabama:  
18

19 Township 19 South, Range 8 West

20 South Half of Section 15;

21 All of Sections 21, 29, 32;

22 Northwest Quarter of Section 22;

23 West Half and Northeast Quarter of Section 28; and

24 West Half and Southeast Quarter of Section 33  
25

26 Township 20 South, Range 8 West

27 All of Sections 4, 5, 8, 9, 16 and 21.  
28

29 4. DOCKET NO. 12-15-04-10

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

1 5. DOCKET NO. 2-9-05-7

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

11  
12 6. DOCKET NO. 3-9-05-8

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

24  
25 7. DOCKET NO. 7-11-05-1A

26 Continued amended petition by ALABAMA MERIT ENERGY  
27 COMPANY, INC., a foreign corporation, authorized to do and doing  
28 business in the State of Alabama, requesting the State Oil and Gas Board  
29 of Alabama, pursuant to Rule 400-1-4-.17(1) of the State Oil and Gas  
30 Board of Alabama Administrative Code, to enter an order approving the  
31 temporarily abandoned status and pursuant to Rule 400-4-2-.01(5) of the  
32 State Oil and Gas Board of Alabama Administrative Code to enter an  
33 order approving the extension of the Class II injection permits with the  
34 approvals applying to certain wells located in the Citronelle Field, Mobile  
35 County, Alabama, in the following areas for a period of one (1) year:

36  
37 Citronelle Unit

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

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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

8. DOCKET NO. 7-11-05-3

Continued 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.

9. DOCKET NO. 7-11-05-6

Continued 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

1 to a 40-acre unit consisting of the Northwest Quarter of the Northeast  
2 Quarter of said Section 5. Although Petitioner requests the Board to  
3 eliminate certain lands from the present spacing unit, Petitioner proposes  
4 to drill another coalbed methane well in the lands proposed to be  
5 eliminated.  
6

7 10. DOCKET NO. 7-11-05-7

8 Continued petition by DOMINION BLACK WARRIOR BASIN, INC., an  
9 Alabama corporation, requesting the State Oil and Gas Board to enter an  
10 order reforming the unit for the Jolen 02-12-700 Well, Permit No.14079-  
11 C, from a 40-acre unit consisting of the Northwest Quarter of the  
12 Southwest Quarter of Section 2, Township 18 South, Range 10 West,  
13 Tuscaloosa County, Alabama in the Blue Creek Coal Degasification Field,  
14 to an 80-acre unit consisting of the North Half of the Southwest Quarter of  
15 said Section 2.  
16

17 11. DOCKET NO. 7-11-05-11

18 Continued petition by ROBINSON'S BEND OPERATING CO., LLC, a  
19 foreign limited liability company, authorized to do and doing business in  
20 the State of Alabama, requesting the State Oil and Gas Board to enter an  
21 order reforming the unit for the Maxwell Crossing B11 11-4-#660 Well,  
22 Permit No.8773-C, from an 80-acre unit consisting of the West Half of the  
23 Northwest Quarter of Section 11, Township 22 South, Range 11 West,  
24 Tuscaloosa County, Alabama in the Robinson's Bend Coal Degasification  
25 Field to a 40-acre unit consisting of the Northwest Quarter of the  
26 Northwest Quarter of said Section 11. Although Petitioner requests the  
27 Board to eliminate certain lands from the present spacing unit, Petitioner  
28 proposes to drill another coalbed methane well in the lands proposed to be  
29 eliminated.  
30

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

32 Continued petition by PALMER PETROLEUM, INC., a foreign  
33 corporation authorized to do and doing business in the State of Alabama,  
34 requesting the State Oil and Gas Board to enter an order establishing a  
35 new oil field in Monroe County, Alabama, to be named the Brushy Creek  
36 Field, or such other name as the Board deems proper, and to adopt Special  
37 Field Rules therefor. The proposed field, as underlain by the Frisco City  
38 Sand Oil Pool, consists of the Southeast Quarter of the Northeast Quarter  
39 and the Northeast Quarter of the Southeast Quarter of Section 7; the  
40 Southwest Quarter of the Northwest Quarter, the Northwest Quarter of the  
41 Southwest Quarter and the South Half of the Southwest Quarter, all in

1 Section 8; the North Half of the Northwest Quarter of Section 17, all in  
2 Township 6 North, Range 8 East, Monroe County, Alabama.

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

19  
20 13. DOCKET NO. 7-11-05-13

21 Continued petition by LAND AND NATURAL RESOURCE  
22 DEVELOPMENT, INC., an Alabama corporation, requesting the State Oil  
23 and Gas Board to enter an order force pooling, with imposition of a risk  
24 compensation penalty, all tracts and interests in hydrocarbons produced  
25 from formations of Mississippian and Pennsylvanian Age, in the re-entry of  
26 the Barker 27-3 #1 Well, Permit No. 5750, located on a 320-acre wildcat unit  
27 consisting of the West Half of Section 27, Township 16 South, Range 15  
28 West, Lamar County, Alabama.

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

33  
34 14. DOCKET NO. 7-11-05-17

35 Continued petition by TRAVELERS EXPLORATION COMPANY a  
36 Texas Limited Liability Company, qualified to do and doing business in  
37 the State of Alabama requesting the Board to enter an Order force pooling,  
38 with the imposition of the risk compensation fee, a 640 acre drilling unit  
39 for the proposed Manning 4-14, No. 1 Well, on a unit consisting of all of  
40 Section 4, Township 1 North, Range 7 East, Big Escambia Creek Field,  
41 Escambia County, Alabama, with an objective depth of the Smackover

1 Formation as defined by the Special Field Rules for the Big Escambia  
2 Creek Field. Petitioner requests that due and proper notice of said hearing  
3 be given in the manner and form and for the time required by law and the  
4 rules and regulations of this Board.

5  
6 This Petition is a companion to Docket No. 7-11-05-18 in which Petitioner  
7 requests approval of an exceptional location.

8  
9 15. DOCKET NO. 7-11-05-18

10 Continued petition by TRAVELERS EXPLORATION COMPANY a  
11 Texas Limited Liability Company, qualified to do and doing business in  
12 the State of Alabama requesting the Board to enter an Order approving an  
13 exception to the spacing requirements as set out in Rule 3 of the Special  
14 Field Rules for the Big Escambia Creek Field so as to allow the Petitioner  
15 to drill a Well known as the Manning 4-14, No. 1 Well, with a proposed  
16 bottom hole location to be 2,250 feet from the west line and no closer than  
17 660 feet from the south line of Section 4, Township 1 North, Range 7  
18 East, Big Escambia Creek Field, Escambia County, Alabama. Petitioner  
19 requests that due and proper notice of the hearing on this matter be given  
20 in the manner and form and for the time required by law and the rules and  
21 regulations of this Board.

22  
23 This Petition is a companion to Docket No. 7-11-05-17 in which Petitioner  
24 requests approval of force pooling.

25  
26 16. DOCKET NO. 8-17-05-1

27 Petition by CDX GAS, LLC, a Texas limited liability company,  
28 authorized to do and doing business in the State of Alabama, requesting  
29 the State Oil and Gas Board to enter an order reforming the unit for the  
30 SEGCO 5-6-9 well, Permit No. 13808-C, from an 80-acre unit consisting  
31 of the East Half of the Northwest Quarter of Section 5, Township 22  
32 South, Range 4 West, Bibb County, Alabama in the Gurnee Coal  
33 Degasification Field, to an 80-acre unit consisting of the South Half of the  
34 Northwest Quarter of Section 5, Township 22 South, Range 4 West, Bibb  
35 County, Alabama, in the Gurnee Coal Degasification Field.

36  
37 17. DOCKET NO. 8-17-05-2

38 Petition by CDX GAS, LLC, a Texas limited liability company,  
39 authorized to do and doing business in the State of Alabama, requesting  
40 the State Oil and Gas Board to enter an order reforming the unit for the  
41 SEGCO 5-8-10 well, Permit No. 13884-C, from an 80-acre unit consisting

1 of the East Half of the Northeast Quarter of Section 5, Township 22 South,  
2 Range 4 West, Bibb County, Alabama in the Gurnee Coal Degasification  
3 Field, to an 80-acre unit consisting of the South Half of the Northeast  
4 Quarter of Section 5, Township 22 South, Range 4 West, Bibb County,  
5 Alabama, in the Gurnee Coal Degasification Field.  
6

7 18. DOCKET NO. 8-17-05-3

8 Petition by ENERGY RECOVERY GROUP, LLC, a foreign limited  
9 liability company, authorized to do and doing business in the State of  
10 Alabama, requesting the State Oil and Gas Board to enter an order force  
11 pooling, without imposition of a risk compensation penalty, all tracts and  
12 interests in a 160-acre oil unit, consisting of the Southwest Quarter of  
13 Section 21, Township 1 South, Range 1 West, in the Turnerville Field,  
14 Mobile County, Alabama, for its proposed re-entry of the R. J. Newman,  
15 Jr., et al 21-11 No. 1 Well (Permit No. 4412).  
16

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

21 19. DOCKET NO. 8-17-05-4

22 Petition by ROBINSON'S BEND OPERATING CO., LLC, a foreign  
23 limited liability company, authorized to do and doing business in the State  
24 of Alabama, requesting the State Oil and Gas Board to enter an order  
25 reforming the unit for the Findley #16-10-346 Well, Permit No. 9013-C,  
26 from an 80-acre unit consisting of the Northwest Quarter of the Southeast  
27 Quarter and the Southwest Quarter of the Northeast Quarter of Section 16,  
28 Township 21 South, Range 11 West, Tuscaloosa County, Alabama in the  
29 Robinson's Bend Coal Degasification Field to a 40-acre unit consisting of  
30 the Northwest Quarter of the Southeast Quarter of said Section 16.  
31

32 Although Petitioner requests the Board to eliminate certain lands from the  
33 present spacing unit, Petitioner proposes to drill another coalbed methane  
34 well in the lands proposed to be eliminated.  
35

36 20. DOCKET NO. 8-17-05-5

37 Petition by ROBINSON'S BEND OPERATING CO., LLC, a foreign  
38 limited liability company, authorized to do and doing business in the State  
39 of Alabama, requesting the State Oil and Gas Board to enter an order  
40 reforming the unit for the Shirley #27-10-380 Well, Permit No. 9272-C,  
41 from an 80-acre unit consisting of the Northwest Quarter of the Southeast

1 Quarter and the Northeast Quarter of the Southwest Quarter of Section 27,  
2 Township 21 South, Range 11 West, Tuscaloosa County, Alabama in the  
3 Robinson's Bend Coal Degasification Field to a 40-acre unit consisting of  
4 the Northwest Quarter of the Southeast Quarter of said Section 27.  
5

6 Although Petitioner requests the Board to eliminate certain lands from the  
7 present spacing unit, Petitioner proposes to drill another coalbed methane  
8 well in the lands proposed to be eliminated.  
9

10 21. DOCKET NO. 8-17-05-6

11 Petition by JABSCO OIL OPERATING, LLC, an Alabama limited liability  
12 company, requesting the State Oil and Gas Board to enter an order force  
13 pooling, without imposition of a risk compensation penalty, all tracts and  
14 interests in hydrocarbons produced in the re-entry of the Dorothy R.  
15 Carmack 9-13 #1 Well, Permit No. 11108, located on a 320-acre unit  
16 consisting of the South Half of Section 9, Township 17 South, Range 15  
17 West, Lamar County, Alabama, in the Fernbank Field. Said well is currently  
18 operated by Munoco Company, L.C. Petitioner further requests that upon  
19 the successful completion of the Board's requirements for Change of  
20 Operator, Jabsco Oil Operating, LLC be designated as the operator of  
21 record.  
22

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

27 22. DOCKET NO. 8-17-05-7

28 Petition by MIDROC OPERATING COMPANY, a foreign corporation,  
29 authorized to do and doing business in the State of Alabama, requesting  
30 the State Oil and Gas Board to enter an order finding that the contribution  
31 of the separately owned Tracts in the Little Cedar Creek Oil Unit have been  
32 shown to be erroneous by subsequently discovered data from the Oliver 20-  
33 15 Well, Permit No. 13907, said well located in Section 20, Township 4  
34 North, Range 12 East, Conecuh County, Alabama, in the Little Cedar Creek  
35 Field. The Unit Operator has calculated the new Tract participation factors  
36 to reflect the altered Tract contribution based upon the results of a  
37 productivity test for said well, and requests the Board to approve the revised  
38 Tract participation factors of each Tract in the Little Cedar Creek Oil Unit in  
39 Conecuh County, Alabama.

1 The redetermination of Unit Tract participation factors for the Little Cedar  
2 Creek Oil Unit, Conecuh County, Alabama, is in accordance with the  
3 provisions of the Unit Agreement and Section 9-17-86 of the Code of  
4 Alabama (1975).  
5

6 23. DOCKET NO. 8-17-05-8

7 Petition by VENTEX OPERATING CORP., a foreign corporation  
8 authorized to do and doing business in the State of Alabama, requesting  
9 the State Oil and Gas Board to enter an order approving an exceptional  
10 bottom hole location for the proposed Odom 24-14 No. 1 Well. Petitioner  
11 proposes to directionally drill said well on a 160-acre unit consisting of the  
12 Southwest Quarter of Section 24, Township 3 North, Range 7 East,  
13 Escambia County, Alabama, in the North Smiths Church Field, at a  
14 surface location 1,622 feet from the West line and 688 feet from the South  
15 line of the unit. The proposed bottom hole location of said well is 1,520  
16 feet from the West line and 371 feet from the South line of the unit.  
17 Petitioner is requesting approval of an exceptional bottom hole location no  
18 closer than 330 feet from the South line, and, as such, will be an exception  
19 to Rule 3(b) of the Special Field Rules for said Field which requires that  
20 all wells in said Field be located at least 660 feet from every exterior  
21 boundary of the drilling unit.  
22

23 24. DOCKET NO. 8-17-05-9

24 Petition by DENBURY ONSHORE, LLC, a foreign limited liability  
25 company, authorized to do and doing business in the State of Alabama,  
26 requesting the State Oil and Gas Board to enter an order establishing a  
27 new gas field in Lamar County, Alabama, to be known as the Northeast  
28 Kennedy Field, or such other name as the Board deems proper, and to  
29 adopt Special Field Rules therefor. The proposed field, as underlain by  
30 the Lewis Sand Gas Pool, consists of the West Half of Section 25; Section  
31 26; Section 35; Section 36; all in Township 16 South, Range 14 West,  
32 Lamar County, Alabama.  
33

34 The Lewis Sand Gas Pool in said field is defined as that interval  
35 productive of hydrocarbons between 3,856 feet and 3,906 feet as indicated  
36 on the High Resolution Induction Log for the Richards 35-2 No. 1 Well,  
37 Permit No. 13979 and all zones in communication therewith and all  
38 productive extensions thereof.  
39

40 Petitioner is requesting well spacing of 320 acres, and is also requesting  
41 the establishment of allowables for said field.

1 25. DOCKET NO. 8-17-05-10

2 Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama  
3 corporation, requesting the State Oil and Gas Board to enter an order  
4 granting an exception to Rule 400-3-2-.01(6) of the State Oil and Gas  
5 Board of Alabama Administrative Code extending the drilling permit for  
6 the Federal 09-08-1039 Well, Permit No. 13948-C, which was issued on  
7 March 14, 2005, for an additional six months. Said rule states that a  
8 permit shall expire six months from the date of issuance if the permitted  
9 well has not been spudded. Board Order 2005-31, issued on March 11,  
10 2005, approved an exception to Rule 4B of the Special Field Rules for the  
11 Blue Creek Coal Degasification Field for an exceptional location for said  
12 well. Petitioner leased the 80-acre unit consisting of the East Half of the  
13 Northeast Quarter of Section 9, Township 18 South, Range 8 West,  
14 Tuscaloosa County, Alabama, from the U.S. Government, but has not yet  
15 received a permit to drill from the Bureau of Land Management pending  
16 approval of a federal inter-agency review.

17  
18 26. DOCKET NO. 4-30-03-7

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

33  
34 The meetings of the State Oil and Gas Board are public meetings, and  
35 members of the public are invited to attend and present their position  
36 concerning this petition(s). Requests to continue or oppose a petition  
37 should be received by the Board at least two (2) days prior to the hearing.  
38 For additional information, you may contact the State Oil and Gas Board,  
39 P. O Box 869999, Tuscaloosa, Alabama 35486-6999, Telephone Number  
40 205/349-2852, Fax Number 205/349-2861, or by email at  
41 [petitions@ogb.state.al.us](mailto:petitions@ogb.state.al.us).

1 MR. ROGERS: The Hearings Reporter has received and compiled the proofs of  
2 publication for items appearing on the docket for the first time. These proofs of publication for  
3 the items on the August 17 & 19, 2005, docket are admitted into the record.

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

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

8 (Whereupon, the Order was received in evidence)

9 MR. ROGERS: The procedure for this meeting is as follows: The Hearing Officer and  
10 the staff will hear the uncontested items on the docket today and certain other items. The State  
11 Oil and Gas Board will hear the recommendations of the Hearing Officer, contested items and  
12 certain other items beginning at 10:00 a.m. on Friday, August 19, 2005, here at the Board's  
13 office in Tuscaloosa. I will recommend the following petitions be continued: Item 2, Docket  
14 No. 9-29-04-15, petition by Black Warrior Methane Corporation; Item 3, Docket No. 11-3-04-3,  
15 petition by Black Warrior Methane Corporation; Item 4, Docket No. 12-15-04-10, petition by El  
16 Paso Production Company; Item 5, Docket No. 2-9-05-7, petition by Robinson's Bend Operating  
17 Company, LLC; Item 6, Docket No. 3-9-05-8, petition by El Paso Production Company; Item 9,  
18 Docket No. 7-11-05-6, petition by Black Warrior Methane Corporation; Item 23, Docket No. 8-  
19 17-05-8, petition by Ventex Operating Corporation; and Item 26, Docket No. 4-30-03-7, a  
20 motion by the Board. Item 12, Docket No. 7-11-05-12, is a petition by Palmer Petroleum, Inc. I  
21 will recommend that this petition be continued with the stipulation that the temporary test period  
22 and allowable for the Jennings Carter 17-3 No. 1 Well, Permit No. 13340-B-1, be extended to the  
23 next regularly scheduled meeting of the Board. I will recommend that the following petition be  
24 dismissed without prejudice: Item 10, Docket No. 7-11-05-7, petition by Dominion Black  
25 Warrior Basin, Inc. The following items are set for hearing by the Board: Item 1, Docket No. 8-  
26 28-02-9, petition by Land and Natural Resource Development, Inc.; Item 8, Docket No. 7-11-05-  
27 3, petition by Travelers Exploration Company; Item 11, Docket No. 7-11-05-11, petition by  
28 Robinson's Bend Operating Company, LLC.; Item 13, Docket No. 7-11-05-13, petition by Land

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1 and Natural Resource Development, Inc.; Item 14, Docket No. 7-11-05-17, petition by Travelers  
2 Exploration Company; Item 15, Docket No. 7-11-05-18, petition by Travelers; Item 19, Docket  
3 No. 8-17-05-4, petition by Robinson's Bend Operating Company, LLC; Item 20, Docket No. 8-  
4 17-05-5, petition by Robinson's Bend Operating Company, LLC; Item 22, and Docket No. 8-17-  
5 05-7, petition by Midroc Operating Company. An emergency petition, Docket No. 8-5-05-1,  
6 petition by Ventex Operating Corporation, is also set for the Board. That brings us to the first  
7 item today and that will be Item 7, Docket No. 7-11-05-1B, petition by Alabama Merit Energy  
8 Company, Inc.

9 MR. SCOGIN: My name is Mark Scogin representing Alabama Merit Energy Company,  
10 Inc. This is a petition requesting the Board to enter an Order extending the temporarily  
11 abandoned status of certain wells for one year and to extend the Class II injection well permits  
12 on certain wells for one year, these wells being in the Citronelle Units in Mobile County,  
13 Alabama. I have submitted a testimonial affidavit just now by Tommy Lambert with an Exhibit  
14 A attached thereto which is a list of the wells for which we are requesting the temporarily  
15 abandoned status. I have also prefiled an affidavit of notice in this matter and would ask that the  
16 testimonial affidavit with the exhibit and the affidavit of notice be admitted into the record.

17 MR. ROGERS: The affidavit of notice by Mr. Scogin and the affidavit of Tommy  
18 Lambert are admitted.

19 Whereupon, the affidavits with attachments  
20 were received in evidence)

21 MR. SCOGIN: I have also yesterday prefiled a map as Exhibit B to the petition but  
22 found out this morning that there are at least three inconsistencies between the map and Exhibit  
23 A. I am pretty confident Exhibit A is correct. It has been reviewed by numerous people for a  
24 long time. The map was just recently put together. I have contacted Merit this morning to make  
25 corrections to the map and when I receive the corrected map I will submit that as our Exhibit B  
26 to this petition. I hope to have that tomorrow.

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1 MR. ROGERS: Why don't we just leave the record open then for that map to be  
2 submitted so that we can review it? Maybe you ought to have your witness sign it. Is it referred  
3 to in the exhibit?

4 MR. SCOGIN: In the testimonial affidavit it is, yes.

5 MR. ROGERS: I guess if that's an attachment, if he has referred to it, it would be just  
6 Exhibit B. Why don't we just get all these exhibits signed, Mark? I don't know if you can get it  
7 done by tomorrow but a map like that, just have the witness sign it.

8 MR. SCOGIN: Once I make that submission, I would just ask that the petition be granted  
9 based on the affidavits and the exhibits.

10 MR. ROGERS: All right. We will leave the record open then for the submission of a  
11 corrected map. It is referred to in this so that covers it. I wanted to be sure there was a witness  
12 testifying to the map. Anything else?

13 MR. SCOGIN: That's it.

14 MR. ROGERS: We will leave the record open and review the evidence when it is  
15 received and make a recommendation to the Board.

16 (Whereupon, the corrected map was received on 8/19/05)

17 MR. SCOGIN: Thank you.

18 MR. ROGERS: Do you think you will try to get that done by Friday, Mark? If you  
19 can't, that's okay.

20 MR. SCOGIN: I have already contacted them about it so they should be working on it.

21 MR. ROGERS: The next item is Item 16, Docket No. 8-17-05-1, petition by CDX Gas,  
22 LLC.

23 MS. ARNOLD: Good morning. Foster Arnold for the petitioner. This docket number is  
24 a petition by CDX Gas, LLC requesting reformation of the unit for the SEGCO 5-6-9 Well,  
25 Permit No. 13808-C, from an original stand-up 80-acre unit consisting of the East Half of the  
26 Northwest Quarter of Section 5, Township 22 South, Range 4 West, Bibb County, in the Gurnee  
27 Coal Degasification Field to a revised lay-down 80-acre unit consisting of the South Half of the  
28 Northwest Quarter of said Section 5. CDX has requested approval of this reformation because it

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1 intends to assign its working interest in the North Half, the north 40 acres, of the original unit  
2 and more specifically, the North Half of the North Half of the entire Section 5, to another entity.  
3 This reformation is being requested so that that assignment can be made and so that acreage can  
4 be squared up as to operating rights and to promote the uniform spacing of units as to this  
5 operator and the entity that will receive that assignment of the North Half of the original unit.  
6 We have prefiled the ownership affidavit of Robert Anderson confirming ownership that is  
7 common in both the original and the revised units. Since the filing of this petition we have  
8 received the consents to this reformation from both Southern Electric Generating Company and  
9 Alabama Power Company who are the only two mineral owners in the original and the revised  
10 units. At this time we would ask that the Board admit those consents to the record.

11 MR. ROGERS: Those consents are admitted.

12 (Whereupon, the consents were received in evidence)

13 MS. ARNOLD: Jim Sledge and I met on behalf of the Petitioner with the staff on  
14 Monday and discussed obtaining the consent of GeoMet as the other operating entity in this coal  
15 degasification field. Since then Robert Anderson at CDX has had the opportunity to talk to  
16 GeoMet and they have verbally consented to this reformation petition. We were actually  
17 suppose to have that in hand by this morning, the actual written consent. Somehow due to a  
18 glitch in delivery it didn't end up making it to my office by the time I came over here this  
19 morning but we should have it in hand by the end of the day and I will hand deliver it over to  
20 you, but they have given their consent to Robert Anderson as to this reformation matter. We  
21 have also prefiled the engineering affidavit of Ron Rovenko detailing the basis for reformation  
22 and concluding that this reformation will protect the coequal and correlative rights of the owners  
23 in the original and revised units as well as promote uniform spacing of units within the field.  
24 Both Robert Anderson and Ron Rovenko have testified before the Board and their qualifications  
25 have been accepted. At this time we would once more ask the Board to recognize both Robert  
26 Anderson and Ron Rovenko as experts in their respective fields, to admit the prefiled affidavits  
27 of Anderson, Rovenko and my prefiled affidavit as to the notice given in this matter as well as  
28 the consents of Segco and Alabama Power and to grant the petition to reform the unit for the

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1 SEGCO 5-6-9 well from an 80-acre stand-up unit consisting of the East Half of the Northwest  
2 Quarter of Section 5, Township 22 South, Range 4 West, to a reformed unit consisting of the  
3 South Half of the Northwest Quarter of said Section 5, Bibb County, in the Gurnee Coal  
4 Degasification Field. That's all the information that I have to present on this matter. I do have  
5 with me today Robert Anderson who works with CDX and is familiar with the assignment  
6 transaction by which the other entity will take the working interest in the North Half of the unit  
7 which you may be curious as to. He is available to be sworn in if you would like and to answer  
8 any questions that you have.

9 MR. ROGERS: All those exhibits are admitted.

10 (Whereupon, the exhibits were received in evidence)

11 MR. ROGERS: I believe we would like him to explain some of the points that you made,  
12 particularly the relationship of those companies and that each company has its own infrastructure  
13 and why this is a place where there should be a break, where the Hearing Officer and the staff  
14 should make this recommendation even though there is no production from those wells. Why  
15 don't we swear him in and have him address that. Some of the points that you made in your  
16 statement I think would be proper for him to testify about.

17 MRS. ARNOLD: Certainly.

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

19 MR. ANDERSON: My name is Robert Anderson. I'm from Birmingham, Alabama.

20 (Witness was sworn by Mr. Rogers)

21 ROBERT ANDERSON

22 Appearing as a witness on behalf of Petitioner, CDX GAS, LLC, testified as follows:

23 DIRECT EXAMINATION

24 Questions by Mrs. Arnold:

25 Q. Robert, please explain to the Board your position with CDX.

26 A. I'm the land manager.

27 Q. Are you knowledgeable of the transaction with GeoMet with regard to the acreage, a part  
28 of which consists of the North Half of the unit in this reformation matter?

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1 A. That's correct.

2 Q. Could you generally explain to the Hearing Officer the nature of the transaction, the  
3 reason for the assignment of the working interest, and the infrastructure relating to the  
4 same, please?

5 A. I think this map might help, if it's okay to show this. The pink acreage is GeoMet  
6 acreage. The yellow acreage is CDX acreage. The brown acreage right in here is acreage  
7 that we are going to swap to GeoMet.

8 ROBERT ANDERSON

9 EXAMINATION BY BOARD/STAFF

10 Questions by Mr. Rogers:

11 Q. When you say swap, does that mean you are going to assign it to them?

12 A. Yes, that's correct. There is a deep ravine that cuts this north half-north half off from the  
13 rest of Section 5. Because of operation problems we would have to come around here  
14 and come up here to reach these wells. They have activity going on in here. They would  
15 be able to reach these wells, these roads, the drilling rig, and whatever they need coming  
16 from this direction a lot easier than we will.

17 Q. It looks like on that map that area adjoins the interest that CDX owns.

18 A. That's correct. It adjoins CDX and GeoMet. All this acreage is pretty much adjoining  
19 CDX's acreage and GeoMet's acreage.

20 Q. So is it fair to say that GeoMet has the infrastructure in the areas that you have shown so  
21 that they can develop the coalbed methane and that by assigning this interest and  
22 approving these petitions that that would allow for the drilling operations to continue and  
23 for the coalbed methane gas to be produced and that will promote conservation of oil and  
24 gas resources.

25 A. That's correct.

26 MRS. ARNOLD: While we can't speak for GeoMet as to their timing on future drilling,  
27 as I said, we will deliver those consents over to you today and that along with the consents of

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1 Alabama Power and SEGCO we hope we make you feel comfortable with the situation here and  
2 why the reformation is being requested.

3 MR. ROGERS: Are you going to submit this map, Foster?

4 MRS. ARNOLD: Mr. Hearing Officer, can we deliver one over to you that is more  
5 conducive to your file size. That is the only copy that Robert brought with him today but we will  
6 deliver one that is a reduced copy of this to you for your records.

7 MR. ROGERS: I think that would be helpful because it shows those areas that are the  
8 subject of the petition and the interest of the two companies.

9 DR. TEW: So in summary, all parties to this transaction, all interest here, are in  
10 agreement with the change?

11 MRS. ARNOLD: Yes sir.

12 MR. ROGERS: All right. We will leave the record open for submission of a copy of this  
13 map. It needs to be signed by the witness for the consent by GeoMet.

14 MRS. ARNOLD: Mr. Hearing Officer, I believe I missed this well number. Mr. Sexton  
15 pointed out to us that we had a typo in the plat. I delivered an unsigned revised plat over for this  
16 well but this is a signed one this morning that we would also like to submit for your well files.

17 MR. ROGERS: For the well files?

18 MRS. ARNOLD: And generally for the petition, two copies of each.

19 MR. ROGERS: So, what Mr. Sexton is saying, you may want to replace the plat that is  
20 attached to Ron Rovenko's affidavit with this one?

21 MRS. ARNOLD: Exactly.

22 MR. ROGERS: All right. It is admitted. We will replace it.

23 MRS. ARNOLD: That's all that we have on this matter.

24 MR. ROGERS: We will leave the record open for the exhibits that we discussed. After  
25 that information is in we will review the evidence and make a recommendation to the Board.

26 Thank you.

27 (Whereupon, the consent of GeoMet and the  
28 map received on 8/17/05)

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1 MR. ROGERS: The next item is Item 17, Docket No. 8-17-05-2, petition by CDX Gas,  
2 LLC.

3 MRS. ARNOLD: Again, Foster Arnold for the petitioner. This is a petition by CDX  
4 Gas, LLC requesting reformation of the unit for SEGCO 5-8-10 well, Permit No. 13884-C, from  
5 an original stand-up 80-acre unit consisting of the East Half of the Northeast Quarter of Section  
6 5, Township 22 South, Range 4 West, Bibb County, in the Gurnee Coal Degasification Field to a  
7 revised lay-down 80-acre unit consisting of the South Half of Northeast Quarter of said Section  
8 5. Again, this petition is very similar to the previous docket number in that CDX is requesting  
9 the reformation because it intends to assign the northern 40 acres of this unit to GeoMet as Mr.  
10 Robert Anderson for CDX previously testified under the prior docket number. We have prefiled  
11 the affidavit of ownership of Robert Anderson confirming ownership that is common in the  
12 original and the revised units. We have also with regard to this docket number since the filing of  
13 this petition received the consents to the reformation from both Southern Electric Generating  
14 Company and Alabama Power Company who are the only two mineral owners in the original  
15 and revised units for this petition. We ask that the Board admit those consents at this time.

16 MR. ROGERS: Those consents are admitted.

17 (Whereupon, the consents were received in evidence)

18 MRS. ARNOLD: Once more with this petition we anticipate submitting to you the  
19 written consent of GeoMet to this reformation petition which they have indicated by telephone  
20 that they did consent to Robert Anderson. We have also prefiled the notice affidavit of Foster  
21 Arnold stating that notice was given to all mineral owners in the original and revised units and to  
22 all other operators in the Gurnee Field. We have prefiled the affidavit of Ron Rovenko detailing  
23 the basis for reformation and concluding that this reformation will promote uniform spacing of  
24 units within the area and will protect the coequal and correlative rights of the owners in both the  
25 original and revised units. Robert Anderson and Ron Rovenko have testified before the Board  
26 before. We ask the Board to admit the prefiled affidavits of Anderson, Rovenko and my  
27 affidavit of notice given to the mineral owners and other operators in the field and to grant the  
28 petition to reform the unit for SEGCO 5-8-10 well from an 80-acre unit consisting of the East

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1 Half of the Northeast Quarter of Section 5, Township 22 South, Range 4 West, to a reformed unit  
2 consisting of the South Half of the Northeast Quarter of said Section 5, Bibb County, in the  
3 Gurnee Coal Degasification Field. We would request that the prior testimony under Docket No.  
4 8-17-05-1 of Robert Anderson also be applicable to this docket number as well.

5 MR. ROGERS: All those exhibits are admitted.

6 (Whereupon, the exhibits were received in evidence)

7 MR. ROGERS: Why don't you ask him some of those same questions that we went  
8 through? I assume you want to incorporate that map that is going to be placed in the record in  
9 the other item into this one.

10 MRS. ARNOLD: Yes, sir. We will deliver two signed copies over in a smaller scale,  
11 one for each of the docket number files.

12 MR. ROGERS: That will be good. Why don't you have him address those same issues,  
13 if you don't mind, Mrs. Arnold.

14 ROBERT ANDERSON

15 Appearing as a witness on behalf of Petitioner, CDX GAS, LLC, testified as follows:

16 DIRECT EXAMINATION

17 Questions by Mrs. Arnold:

18 Q. Robert, please state your name for the record.

19 A. Robert Anderson, land manager for CDX.

20 Q. Are you familiar with the transaction by which CDX Gas, LLC will assign its operating  
21 rights in the North Half of this unit to GeoMet?

22 A. I am.

23 Q. Could you generally explain the nature of that transaction, the reasons for that transaction  
24 and the infrastructure related to the same? I don't think it's necessary that you go up and  
25 refer to the map again, just generally give them the facts for the record.

26 A. This acreage is contiguous both to GeoMet and to CDX. There is a deep ravine that runs  
27 between the two, right below the north half-north half of the section which prevents us  
28 from accessing this area. They have production and operations to the north which allows



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1 MR. TURNER: I am.

2 MR. ESTEP: Mr. Rogers, I tender Mr. Turner as an expert for giving testimony in this  
3 matter.

4 MR. ROGERS: He is so recognized.

5 TOM TURNER

6 Appearing as a witness on behalf of Petitioner, Energy Recovery Group, LLC, testified as  
7 follows:

8 DIRECT EXAMINATION

9 Questions by Mr. Estep:

10 Q. We are here today requesting the force pooling, without imposition of the risk  
11 compensation fee, of all tracts and interests in a 160-acre oil unit for the re-entry of the  
12 R.J. Newman Jr. et al 21-11 No. 1 well. The unit for this well consists of the Southwest  
13 Quarter of Section 21, Township 1 South, Range 1 West, in the Turnerville Field, Mobile  
14 County, Alabama. We have prefiled and I would ask that you make a part of the record  
15 for this hearing the affidavit executed by Mr. Turner with respect to this petition and the  
16 affidavit of notice which I prepared in connection with the same.

17 MR. ROGERS: Those affidavits are admitted.

18 (Whereupon, the affidavits were received in evidence)

19 Q. I have described the drilling unit for the re-entry of the Newman 21-11 No. 1 well. Mr.  
20 Turner, have you or brokers that are working for you examined ownership in this 160-  
21 acre oil drilling unit?

22 A. We have.

23 Q. Would you please identify the names and the amount of net acreage attributable to each  
24 nonconsenting owner in the 160-acre unit?

25 A. Homer L. Baldwin, Sr., .4 net acres; Robert E. Baumgartner, .16 net acres; Tommy  
26 Brooks, Sr., .2 net acres; David L & Eva Jean Callahan, .22 net acres; Sue A. Carter, .43  
27 net acres; Dr. Ernest DeBakey, .2 net acres; F. Marshall Fischrupp, .24 net acres; Robbie  
28 B. Fischrupp, .16 net acres; B.J. Heggeman, Jr., .04 net acres; Walter E. King, .033 net

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1 acres; Joseph Martin, .04 net acres; Ronald H. and Genell R. McLeod, .2 net acres;  
2 Thomas E. Mitchell, .04 net acres; Bessie T. Smith, Individually and as Executrix of the  
3 Estate of W.J. Smith, .315 net acres; Don C. Wiley, Jr., .8 net acres; Robert A. Wills, .04  
4 net acres; Mitchell G. Lattof, .053 net acres; G. Keith Funston, Jr., .106 net acres;  
5 Elizabeth F. Wasson, .106 net acres and Marguerite F. Thatcher, .106 net acres.

6 Q. These are unleased mineral owners. Is that correct?

7 A. That's correct.

8 Q. Does Energy Recovery Group, LLC own or control all of the leasehold rights in the 160-  
9 acre unit except for those interests owned by the parties that you have just identified for  
10 the record?

11 A. Yes.

12 Q. That is over 97 percent of the unit. Is that correct?

13 A. Yes.

14 Q. Could you tell us the total net acreage in the 160-acre oil unit represented by those  
15 persons that have not agreed to lease, farm-out or participate, please?

16 A. 3.889 net mineral acres.

17 Q. What percentage of the 160-acre unit does that represent?

18 A. 2.430625 percent.

19 Q. When we filed this petition originally there was 7.7575 net acres outstanding or  
20 approximately 4.85 percent of the unit. In the meantime, you have been able to obtain  
21 agreements. Which owners have agreed since the filing of the petition?

22 A. Evan Austill, Jere Austill, Jr., the Estate of Homer L. Baldwin, Jr., Parawon Corporation,  
23 Cecil E. Munn, R.D. & Mattie Elizabeth Simonton; Betty M. Wills, Thomas C. Reed  
24 Trust and Richard Pate.

25 Q. With respect to those nonconsenting owners that own slightly over 2.43 percent of the  
26 160-acre drilling unit, did you on Energy Recovery Group's behalf attempt to lease those  
27 interests or have them participate or farm-out their interest to Energy Recovery?

28 A. Yes.

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1 Q. The owners that you did not obtain consents from were notified by first-class mail,  
2 postage paid, at least 15 days prior to the hearing of this petition that Energy Recovery  
3 intended to force pool their interest, did they not?

4 A. Yes.

5 Q. Is Energy Recovery prepared to proceed with the re-entry of the Newman 21-11 No. 1  
6 Well upon receipt of an order from this Board force pooling, without a risk  
7 compensation, all interest in the Southwest Quarter of Section 21?

8 A. Yes.

9 Q. How soon does the company expect to begin that work?

10 A. October 1.

11 Q. In your opinion if the Board grants this petition will the coequal and correlative rights of  
12 all owners in the proposed 160-acre unit be protected?

13 A. Yes.

14 Q. Would waste be prevented as that term is defined in the rules and regulations of the  
15 Board?

16 A. Yes.

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

18 A. Yes.

19 MR. ESTEP: Mr. Rogers, I would request that all the documents that I have prefiled be  
20 made a part the hearing. I tender the witness for questions from you or members of the staff.

21 MR. ROGERS: Your affidavit and Mr. Turner's affidavit are admitted.

22 (Whereupon, the affidavits were received in evidence)

23 MR. ROGERS: You've got all these different people that leased since you sent in this  
24 affidavit. The affidavit said 4.85 percent, 7.7575 net acres. We normally like to have the interest  
25 stated in the proposed order. Do you know that? Can you recalculate that? Would you state it?

26 MR. ESTEP: I can incorporate it in the order.

27 MR. ROGERS: Okay. What is it? Do you know it now?

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1 MR. ESTEP: That is 3.889 net acres that are still outstanding. That's 2.430625 percent  
2 of the unit.

3 MR. ROGERS: If you would put that in your proposed order that you submit, we would  
4 appreciate it. Anything else?

5 MR. ESTEP: That's all.

6 MR. ROGERS: We will review the evidence and make a recommendation to the Board.  
7 The next item then is Item 21, Docket No. 8-17-05-6A, petition by Jabsco Oil Operating, LLC.

8 MR. WATSON: I have one witness and need to have him sworn in, please, sir.

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

10 MR. FOUTS: David Fouts, Tuscaloosa, Alabama.

11 (Witness was sworn by Mr. Rogers)

12 MR. WATSON: Mr. Rogers, I have prefiled an affidavit of notice in this matter and  
13 would like to have it admitted into the record.

14 MR. ROGERS: The affidavit is admitted.

15 (Whereupon, the affidavit was received in evidence)

16 MR. WATSON: This is a petition by Jabsco requesting the Board to enter an order force  
17 pooling, without the imposition of the risk compensation fee, tracts and interests in a 320-acre  
18 unit in the Fernbank Field in Lamar County, Alabama. My witness is David Fouts who has  
19 appeared before this Board and has on file an affidavit of his qualifications as a petroleum  
20 landman. Mr. Fouts, are you familiar with this petition today requesting the force pooling,  
21 without the risk compensation fee, for tracts and interests in a 320-acre unit in the Fernbank  
22 Field, Lamar County, Alabama?

23 MR. FOUTS: Yes.

24 MR. WATSON: You have examined title into this 320-acre unit or you have had the  
25 assistance of others in examining this title and you know the ownership therein?

26 MR. FOUTS: Yes.

27 MR. WATSON: I tender Mr. Fouts as an expert witness, Mr. Rogers.

28 MR. ROGERS: He is so recognized.

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DAVID FOUTS

Appearing as a witness on behalf of Petitioner, Jabsco Oil Operating, LLC, testified as follows:

DIRECT EXAMINATION

Questions by Mr. Watson:

Q. Mr. Fouts, Jabsco Oil proposes to take over the operations of the Dorothy R. Carmack 9-13 No. 1 Well, Permit No. 11108, which is on a 320-acre unit consisting of the South Half of Section 9, Township 17 South, Range 15 West, Lamar County, Alabama, in the Fernbank Field. Is that right?

A. Correct.

Q. Tell Mr. Rogers and members of the staff about the ownership, what Jabsco owns and controls and what is outstanding in this unit.

A. Jabsco owns or controls 84.375 percent of the unit consisting of approximately 270 net acres of the 320. We have to date 50 net acres outstanding which represents 15.625 percent of our unit.

Q. All right, sir. Since the filing of our petition we stated we had 56 net mineral acres outstanding or 17.5 percent. You have acquired at least one lease in hand and another one coming in?

A. That is correct.

Q. So you have in hand a total of--there is only 50 acres outstanding of the total 56. Is that correct?

A. Correct.

Q. Now, I stated that Jabsco proposed to take over the operations of the Dorothy R. Carmack 9-13 well. You have prefiled an application for a change of operatorship. Is that correct?

A. Correct.

MR. WATSON: Mr. Rogers, I would ask that that change of operatorship be recognized and incorporated into the record of this hearing.

MR. ROGERS: It is incorporated.

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1 (Whereupon, the change of operatorship  
2 was received into the record)

3 Q. You have determined all of the outstanding unleased mineral interest owners in the 320-  
4 acre unit. You have contacted those parties, have you not?

5 A. Yes I have.

6 Q. You have offered them a lease or an opportunity to participate or farm out their interest  
7 on terms as good as or equal to those who agreed to participate in this unit?

8 A. Yes.

9 Q. Do you anticipate having others agree to the operations that you are proposing that have  
10 not yet agreed to lease their interest?

11 A. Yes I do.

12 Q. So that's an ongoing effort, in other words. Is that correct?

13 A. Correct.

14 Q. Is the Board sees fit to force pool the outstanding interest and allow your company to take  
15 over operations of the Dorothy R. Carmack 9-13 No. 1 well, will waste be prevented and  
16 correlative rights protected, Mr. Fouts?

17 A. Yes it would.

18 MR. WATSON: I tender my witness to you, Mr. Rogers, and members of the staff for  
19 any questions you have.

20 MR. ROGERS: The staff has no questions but we would like you to have the proposed  
21 order state the current percentage, Mr. Watson.

22 MR. WATSON: Yes sir, we will.

23 MR. ROGERS: Jay has a question.

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DAVID FOUTS

## EXAMINATION BY BOARD/STAFF

Questions by Mr. Masingill:

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4 Q. Mr. Fouts, I just wanted to clarify for the record the current status of the Dorothy R.  
5 Carmack well. It is not a plugged well. It's not really a re-entry. You are taking over an  
6 unplugged well from the former operator which was Munoco. Is that right?

7 A. That is correct.

8 Q. I just wanted to clarify that. Do you know anything about Jabsco's plans for the well?

9 A. Well, our plans are we saw or we recognized the fact that Munoco anticipated plugging  
10 this well and we saw a future utility. We plan to go back out, open the well up, see what  
11 it will do and go from there and evaluate and do what is necessary to try to establish  
12 production.

13 Q. Thank you.

14 MR. ROGERS: I think what we are going to do, Tom, is just copy this and put a copy of  
15 that change of operator in this record so we will admit that into this record.

16 MR. WATSON: I have a copy if you would like it.

17 MR. ROGERS: That is admitted into the record.

18 (Whereupon, the change of operator was received in evidence)

19 MR. ROGERS: Anything else, Mr. Watson?

20 MR. WATSON: That's all.

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

22 MR. WATSON: Thank you.

23 MR. ROGERS: Good to see you, David. Hope you are doing well.

24 MR. FOUTS: Thank you. It's good to be back.

25 MR. ROGERS: The next item is Item 24, Docket No. 8-17-05-9A, petition by Denbury  
26 Onshore, LLC.

27 MR. ESTEP: Good morning, Mike Estep for Denbury Onshore, LLC. I'll have one  
28 witness.

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

2 MR. MULLIGAN: Jim Mulligan, Richardson, Texas.

3 (Witness was sworn by Mr. Rogers)

4 MR. ESTEP: Please state your name and address for the record.

5 MR. MULLIGAN: My name is Jim Mulligan. I live in Richardson, Texas.

6 MR. ESTEP: By whom are you employed and in what capacity?

7 MR. MULLIGAN: Denbury Onshore, LLC as a senior geologist.

8 MR. ESTEP: Mr. Mulligan, you have not previously testified as an expert in the field of  
9 petroleum geology before the Board, have you?

10 MR. MULLIGAN: No I have not.

11 MR. ESTEP: Mr. Rogers, we have submitted an affidavit of qualifications for Mr.  
12 Mulligan and I would request that it be made a part of the record.

13 MR. ROGERS: It will be made a part of the record.

14 MR. ESTEP: Jim, would you briefly tell us about your educational background and work  
15 experience.

16 MR. MULLIGAN: I earned a Bachelor of Science in Geology from the University of  
17 Missouri at Raleigh in 1972 and have been employed initially by Sun Oil Company for  
18 approximately four years working in production and exploration in their Dallas, Houston, and  
19 Midland offices. I spent a few years with General American Oil Company in exploration and  
20 then worked as Vice-President of Exploration for a consulting firm Laridmore and Shaffer in  
21 Dallas. I did some time as a consultant in international work and for the last eight years I have  
22 been employed by Denbury as a senior geologist initially in acquisitions and now doing  
23 production exploration work in Mississippi and Alabama.

24 MR. ESTEP: Mr. Mulligan, are you familiar with the rules and regulations of the Board  
25 and the petition that has been filed on behalf of Denbury in Docket No. 8-17-05-9A?

26 MR. MULLIGAN: Yes I am.

27 MR. ESTEP: Mr. Rogers, I would request that Mr. Mulligan be recognized as an expert  
28 in the field of petroleum geology.

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1 MR. ROGERS: He is so recognized.

2 JIM MULLIGAN

3 Appearing as a witness on behalf of Petitioner, Denbury Onshore, LLC, testified as  
4 follows:

5 DIRECT EXAMINATION

6 Questions by Mr. Estep:

7 Q. Mr. Mulligan, have you prepared or have you had prepared under your supervision the  
8 exhibits which we have just handed out to the Oil and Gas Board staff?

9 A. Yes I did.

10 Q. Please turn to Exhibit No. 1 and tell us about this exhibit.

11 A. Exhibit 1 is an area map depicting the existing wells with respect to the discovery, the  
12 Richards 35-2 No. 1, outlined in the proposed Northeast Kennedy Field area.

13 Q. Turn to Exhibit 2 and describe that please.

14 A. Exhibit 2 is a more defined map that depicts the proposed Northeast Kennedy field limits  
15 along with the 320-acre drilling unit that is also the proposed gas unit.

16 Q. The proposed field limits include the West Half of Section 25, all of Section 26, all of  
17 Section 35 and all of Section 36. Is that correct?

18 A. That is correct.

19 Q. The drilling unit for the Richards 35-2 well was the East Half of Section 35. Is that  
20 correct?

21 A. That is also correct.

22 Q. Turn to Exhibit 3 and tell us about that, please.

23 A. Exhibit 3 is a structure map on top of the Lewis sand structure. It depicts southwest dip  
24 based on the one control point, the Richard 35-2 No. 1. It is bounded on the northeast by  
25 a fault and the southwest by a fault.

26 Q. Now turn to Exhibit 4 and tell us what this depicts.

27 A. Exhibit No. 4 is an interpretation based on the density log porosity that is greater than or  
28 equal to nine percent. It's an isopach map on the Lewis sand. The Richards 35-2 No. 1

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1 had 19 feet of porosity greater than or equal to nine percent porosity in the Lewis sand.

2 The general axis of the isopach is from the northwest to the southeast.

3 Q. That's the general trend for the Lewis sand in the Black Warrior Basin. Is that correct?

4 A. That is correct. That is the general trend for the sand.

5 Q. Based upon the structure map in Exhibit 3 and the isopach in Exhibit 4 do you believe  
6 that the area requested to be included within the proposed field limits for the Northeast  
7 Kennedy Field is reasonable at this time given the limited amount of information  
8 available based on the Richards well?

9 A. Yes I do.

10 Q. Does Denbury plan to drill additional wells in the proposed Northeast Kennedy Field to  
11 confirm your interpretation of the productive area?

12 A. Yes they do.

13 Q. Do you know when Denbury plans to drill an offset well to the Richards 35-2 well?

14 A. Yes. They are going through the budget process for 2006 and anticipate drilling an offset  
15 well sometime in the second or third quarter of next year.

16 Q. Where might that unit be located?

17 A. Based on surface constraints that still need to be investigated, it will either be in the  
18 eastern half--excuse me, in the Western Half of Section 25 or the Eastern Half of Section  
19 26.

20 Q. That would be the first offset, correct?

21 A. That would be our first offset, right.

22 Q. Turn to Exhibit 5 and describe this please.

23 A. Exhibit 5 is the OGB-9 form that is the initial production report for the well based on a  
24 4.5 hour test. It calculated 925 Mcf of gas a day with 1170 pounds of casing pressure.

25 Q. Next turn to Exhibit 6 and tell us about that.

26 A. Exhibit 6 is a partial shot of a high resolution induction log that was recorded in the  
27 discovery well depicting the Lewis gas sand reservoir bounded by the formations above  
28 and below the Lewis limestone and the Tuscambia[sic] limestone.

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1 Q. This well log shows information that would be consistent with the proposed definition of  
2 the Lewis sand gas pool and Rule 2 of the proposed Special Field Rules for Northeast  
3 Kennedy Field, does it not?

4 A. That is correct.

5 Q. Turning back to Exhibit 2 which shows the proposed area to be included in Northeast  
6 Kennedy Field, is it your opinion that it is reasonable at this time pending the drilling of  
7 additional wells in the area that the West Half of Section 25 and all of Sections 26, 35  
8 and 36 be included within the field limits?

9 A. Yes that is my opinion, that it is reasonable.

10 Q. That is based on your geological interpretation depicted in Exhibits 3 and 4?

11 A. That is correct.

12 MR. ESTEP: Mr. Rogers, we have also requested that the Board confirm the drilling unit  
13 for the Richards 35-2 well, Permit No. 13979, which is comprised of the East Half of Section 35,  
14 Township 16 South, Range 14 West, that it be established as the final production unit for  
15 distribution of revenue from this well.

16 Q. Mr. Mulligan, is it your opinion that the Richards 35-2 well would drain the recoverable  
17 hydrocarbons underlain by the existing drilling unit and would not likely drain  
18 hydrocarbons outside the unit?

19 A. Yes, that's my opinion.

20 Q. This opinion, again, is based on your review of the available data from the existing 320-  
21 acre drilling unit in the Richards 35-2 well?

22 A. That's correct.

23 Q. Mr. Mulligan, the petition in Docket No. 8-17-05-9A requests that the Board enter an  
24 order establishing Special Field Rules for Northeast Kennedy Field. Have you reviewed  
25 the proposed Special Field Rules for Northeast Kennedy Field?

26 A. Yes I have reviewed those rules.

27 Q. Is it your belief that the proposed Special Field Rules are appropriate based upon the  
28 information you have just testified to?

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1 A. Yes I find them appropriate.

2 Q. Will the adoption of the Special Field Rules provide for the orderly and economic  
3 development of the Lewis sand gas pool as defined in Rule 2 of the Special Field Rules?

4 A. Yes they will.

5 Q. Will the adoption of these Special Field Rules prevent waste as that term is defined in the  
6 laws of the State of Alabama?

7 A. Yes.

8 Q. Will coequal and correlative rights of the owners be protected by adoption of the  
9 proposed Special Field Rules?

10 A. Yes.

11 Q. Just to reiterate, you have read this petition and the proposed Special Field Rules that  
12 have been filed with the Board?

13 A. Yes I have read the petition and the field rules that have been filed.

14 MR. ESTEP: Mr. Rogers, I request that the exhibits referred to by Mr. Mulligan in his  
15 testimony and the various affidavits be admitted to the record.

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

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

18 MR. ESTEP: We have also filed a letter with Dr. Tew requesting confidentiality and an  
19 affidavit of confidentiality and request that that be approved also.

20 MR. ROGERS: That letter from you is admitted and the affidavit of confidentiality is  
21 admitted. I will rule that the logs may be unavailable for public disclosure during the remainder  
22 of the six month period.

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

24 MR. ESTEP: That's all I have. I would offer the witness for questions by the Board or  
25 staff.

26 DR. TEW: Mr. Mulligan, just a correction on your Exhibit No. 6, the type log. There is  
27 a misspelling there. It's the Tuscomb Limestone. You might want to make that correction just  
28 so that it conforms to our standard stratigraphic nomenclature.

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1 MR. MULLIGAN: So noted.

2 DR. TEW: You can just make that a hand correction on our copy up here, if you would,  
3 and initial it.

4 MR. ROGERS: Anything else, Mr. Estep?

5 MR. ESTEP: That's all.

6 MR. ROGERS: Any other questions? We will review the evidence and make a  
7 recommendation to the Board. The last item then is Item 25, Docket No. 8-17-05-10, petition by  
8 Dominion Black Warrior Basin, Inc.

9 MR. WATSON: I have one witness and need to have him sworn, Mr. Rogers.

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

11 MR. HANBY: Ken Hanby, 4904 Lakeview Estates Drive, Northport, Alabama.

12 (Witness was sworn by Mr. Rogers)

13 MR. WATSON: Mr. Rogers, I would ask that the prefiled affidavit of notice in this  
14 matter be admitted into the record.

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

16 (Whereupon, the affidavit was received in evidence)

17 MR. WATSON: This is a request by Dominion Black Warrior Basin, Inc. requesting the  
18 Board to enter an order recognizing a *force majeure* situation for a drilling permit that has been  
19 issued by this Board. Mr. Hanby has prepared exhibits that would include a timeline and suffice  
20 it to say in my introductory comments here that we are trying to get, in addition to the permit that  
21 has been issued by this Board, a drilling permit from the Bureau of Land Management. That  
22 permit process has been delayed and Mr. Hanby will describe that process. Mr. Hanby, you are  
23 familiar with the petition that I have just announced to the Board for hearing today and you have  
24 prepared an exhibit with numerous pages in support of the request for an extension of time or a  
25 *force majeure* declaration by this Board to preserve the drilling permit that has been issued by  
26 the Board. Is all of that correct?

27 MR. HANBY: That is correct.

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1 MR. WATSON: Mr. Rogers, I would note for the record that what we are doing here  
2 today is somewhat akin to the situation faced in the 1970's when the State of Alabama issued a  
3 lease on water bottoms and this Board was approached by the operator for a drilling permit.  
4 Because there were no offshore rules, this Board suspended any action on a permit request  
5 pending adoption of offshore rules. In the interim the lease was running and the operator went to  
6 the Court and asked the Court for a *force majeure* situation to prevent its lease time from toe in  
7 order to give this Board an opportunity to promulgate rules to regulate that operation. This  
8 situation as I say is somewhat akin to that all be it maybe only a first cousin to that because this  
9 agency has issued a permit and now we must have a permit from the Federal Government to drill  
10 a well on what Mr. Hanby will describe as all Federal acreage.

11 KEN HANBY

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

14 DIRECT EXAMINATION

15 Questions by Mr. Watson:

16 Q. With that opening comment, Mr. Hanby, I have handed up to Mr. Rogers and members of  
17 the staff your Exhibit No. 1 which consists of 23 pages. We are not going to go through  
18 all of these pages but I would ask you, using the exhibit to tell Mr. Rogers for the record  
19 what Dominion Black Warrior is facing regarding this situation and what the dilemma is  
20 that we are facing relative to the Bureau of Land Management's failure to issue a permit.  
21 A. The permit for the Federal 09-08-1039 was filed with this Board on February 23<sup>rd</sup> for an  
22 exceptional location. This 80-acre unit which consists of the East Half of the Northeast  
23 Quarter of Section 9, Township 18 South, Range 8 West, found itself on the edge of the  
24 Blue Creek Field adjacent to the White Oak Creek Field. Because of the fact that it was  
25 adjacent to that boundary between these two fields, the field rules require 300 feet off the  
26 boundary of the unit, Dominion came and requested an exceptional location. This well is  
27 located 167 feet from the east line of the Blue Creek field limits. A hearing was heard  
28 before the Hearing Officer on March 9<sup>th</sup>. The Board granted the petition for the

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1 exceptional location on March 11<sup>th</sup>. We received the permit for this well, Permit No.  
2 13948-C, on March 14<sup>th</sup>. The actual application for the BLM permit was signed on  
3 March 9, 2005. If you will turn to the second page you will see the cover letter that was  
4 actually Form 3160-3 of the Bureau of Land Management. Actually the date that had to  
5 be on this application to BLM was the API number which is granted or given by this  
6 Board at the same time that a permit is issued. You can see highlighted in yellow where  
7 we added this to the application, APD for BLM that Bob Singleton signed on March 9,  
8 2005. This was immediately submitted to BLM by Federal Express on March 14<sup>th</sup>. Page  
9 3 of this exhibit is a copy of the Air Bill for Federal Express dated March 14<sup>th</sup> sent to Mr.  
10 Kenneth R. Adams, a geologist with the Bureau of Land Management. On April 6<sup>th</sup> I  
11 called Ken at the BLM office in Jackson to see the status of our APD. I was advised at  
12 that time by Ken that the Jackson, Mississippi, office of BLM was under directives that  
13 there would be no more APD's approved for the remainder of the year. The money that  
14 had been allocated for APD's in the Jackson office had been spent and there would be no  
15 other permits issued. We were not the only company that had permit applications with  
16 the Jackson, Mississippi, office. I requested a letter to be sent advising us of that fact  
17 inasmuch as the Onshore Oil and Gas Order No. 1 requires BLM to respond in writing to  
18 a petitioner or an applicant when there is going to be a delay and to set forth when a  
19 permit would be issued. I did not receive a letter. Within about two weeks we got a call  
20 to set up a site inspection which is one of the processes in the APD permit. On April 25  
21 two Dominion representatives and myself met at the location with three BLM personnel  
22 to do the site inspection. During that discussion we talked about the remaining steps that  
23 BLM would take in issuing this permit, one of which was to put this out now on a 30-date  
24 period to get comments from the Indian group that all Federal lands have to go through.  
25 Also, other Federal agencies have an opportunity to comment on permits. They said that  
26 usually takes 30 days, the comment period, and then a permit can be issued after that.

27 Q. Mr. Hanby, those people came over here after Mr. Adams advised you that they were out  
28 of money?

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1 A. They came out after they had spent their money for APD's. I don't know what happened  
2 to that. We just got a call and said we are coming for a sight inspection. I received an e-  
3 mail from Faye Winters with BLM on June 14<sup>th</sup>. A copy of her e-mail and the  
4 attachment to that from Fish and Wildlife is shown as Pages 4 and 5 of this Exhibit 1  
5 requesting certain data responding to an establishment by Fish and Wildlife of a chronic  
6 level and then 10 percent of that which they desired. We responded by sending data.  
7 The next page, Page 6, is a copy of the cover letter with the data attached that we sent  
8 them, the data that we filed under our NPDES permit with ADEM which contained most  
9 of the constituents they were asking about, the parameters they were asking us to  
10 determine. This is at the discharge point for all of Dominion's NPDES permits. On July  
11 27<sup>th</sup> I called Ken Adams once again to request the status of our permit. I was advised that  
12 they were waiting Fish and Wildlife's approval and would not indicate a date but  
13 basically advised me that Fish and Wildlife wanted to shut down the NPDES permits  
14 issued by ADEM, that it was causing some endangered species in the waters that received  
15 the discharge from the methane coal degasification operations in this area. I once again  
16 requested a letter in accordance with Onshore Oil and Gas Order No. 1 setting forth when  
17 we might expect a permit. Our permit for this well will expire September 14<sup>th</sup> which is  
18 less than a month from today. I have included as Pages 7 through 17 of this Exhibit 1 a  
19 copy of Oil and Gas Order No. 1. I have highlighted some of the key statements in the  
20 order that sets forth timing and the response. I can testify that we have not received  
21 definite responses and consultation. I have also included as Pages 18 through 23  
22 documents that show the transfer of these leases to Dominion Black Warrior, Inc. This  
23 area that is contained in this 80-acre unit, I don't plan to go through that. That was there  
24 for additional information. I can answer any questions on it. We basically are aware of  
25 and know the reason for the six month period for a permit, where a company has a permit  
26 and doesn't drill within that time due to their own decisions and their own business  
27 performance. That's fine, we understand that. In this particular case Dominion feels that

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1 their hands are tied. The six month period is there. It's about to expire and the reason we  
2 haven't drilled this well is because we haven't gotten a permit from BLM.

3 Q. Mr. Hanby, Dominion has other Federal acreage under this common lease that includes  
4 the 80 acres in Section 9, does it not?

5 A. Yes sir, they do.

6 Q. Have other wells been drilled on the Federal property in accordance with that Onshore  
7 Rule No. 1 that you have described?

8 A. Yes sir.

9 Q. We have reached this point and then everything gets shut down and the Federal permit is  
10 not forthcoming. Tell Mr. Rogers and members of the staff if this permit expires, what  
11 additional steps that will require Dominion to take in the re-permitting process and give  
12 us some idea of the cost involved there, please sir.

13 A. Dominion would have to file a new permit which would require a new issuance of  
14 checks, \$450, two checks. We would also have to get a new plat, survey plat, for this  
15 location. It wouldn't have to be re-surveyed but we would have to get a new plat. We  
16 would have to file the forms for a new permit. This would then have to be filed with the  
17 Board to receive a new permit on this well.

18 Q. That new permit would only be for six months, wouldn't it?

19 A. Yes sir. It would be another permit for six months.

20 Q. So if we still had no action from the BLM because of their own reasons or because of the  
21 Fish and Wildlife hold that they put on this, then we would be right back into the  
22 situation of having to file yet another permit application, would we not?

23 A. That would be correct, yes sir.

24 Q. Part of the overall plan for development of this area with the prudent development  
25 scenario calls for a well to be drilled on this 80-acre unit that we have permitted through  
26 this Board. Is that right?

27 A. That is correct, our wells surround this 80 acres.

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1 Q. Okay. You spoke of the unusual nature--normally permits expire in six months. We also  
2 have the Order of the Board, 2005-31, that approved the exceptional location. That Order  
3 would normally expire within one year if it is not acted upon. We are addressing the  
4 permit and we would assume that the Board might take notice of the fact that the permit  
5 is suspended because of actions beyond our control, that we may or may not have to  
6 come back and get another order of the Board approving that same exceptional location.  
7 You do recognize that?

8 A. Yes sir.

9 Q. I pointed that out for the Board. Also I would point out for the Board and ask that you  
10 take judicial notice of the fact, Mr. Rogers, that just in the past few days the Alabama  
11 Court of Civil Appeals has upheld ADEM's water regulations for the NPDES permit that  
12 was under attack. It may be just a coincidence that the Fish and Wildlife section was  
13 trying to oppose the ADEM regulations. All of that was occurring prior to the Court's  
14 decision. All of that resulted in the holding up of this permit. I just point that out for  
15 you. That's been a reported decision of the Court of Civil Appeals. It has made the  
16 newspapers and could have some connection to this case and may, because of that ruling,  
17 may break the log jam and we may get a permit issued by BLM prior to this six month  
18 period. If that is not the case we are asking this Board to recognize that we have done all  
19 that we can and under this extraordinary circumstances we are asking that you enter an  
20 order or asking that you recommend to the Board that the Board enter an order  
21 recognizing this as a true *force majeure* situation and thereby prevent this permit from  
22 expiring on its six month normal expiration date. Mr. Hanby, if the Board saw fit to grant  
23 the request of Dominion, would that promote orderly development in this field and  
24 protect the interest of Dominion as well as the interest of the Federal acreage that needs  
25 to be developed?

26 A. Yes sir, in my opinion it would.

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1 MR. WATSON: I tender Mr. Hanby for any questions that you have. I would ask that  
2 you receive into the record of this hearing today the Exhibit No. 1 consisting of 23 pages that Mr.  
3 Hanby has testified about.

4 MR. ROGERS: The exhibit is admitted.

5 (Whereupon, the exhibit was received in evidence

6 DR. TEW: First one point of clarification. Mr. Hanby, are you asking for any particular  
7 time of extension for the permit or more or less an open-ended extension?

8 MR. WATSON: Since that's a legal question, can I answer that? We are asking for  
9 declaration of *force majeure*, meaning that as soon as that prohibition on our moving forward is  
10 lifted then the permit would be viable at that point. We would get to the six month exploration  
11 and if we still did not have the Federal permit we would ask for an extension equal to the time  
12 that the Federal Government takes to issue their permit.

13 KEN HANBY

14 EXAMINATION BY BOARD/STAFF

15 Questions by Dr. Bolin:

16 Q. In your testimony you pointed out on Page 2 the API well number that was assigned by  
17 the Board. As I understand it the Federal Government does require that this API number  
18 be assigned before they would accept the permit. The fact that if our permit was  
19 cancelled then that would also do away with the API number so then that would sort of  
20 put you in a catch 22 situation where you would have to start over again, perhaps not only  
21 would you have the expense of redoing the application here but it would affect the permit  
22 itself that you filed with BLM. Is that correct?

23 A. Yes sir. If you had to reissue that API number, yes, sir, that would definitely affect it.



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1 MR. WATSON: That's all we have, Mr. Rogers.

2 MR. ROGERS: We will review the evidence and make a recommendation to the Board.  
3 That's all the items that we have. I understand some people are here on the Midroc matter. That  
4 is set for Friday but Midroc's attorney, Mr. Watson, is here and he and some of the staff if  
5 necessary will be glad to discuss the Midroc matter and answer any questions. Anything else?  
6 The hearing is adjourned.

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

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1 REPORTER'S CERTIFICATE

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STATE OF ALABAMA

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COUNTY OF TUSCALOOSA

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I, Rickey Estes, Hearing Reporter in and for the State of Alabama, do hereby certify that  
8 on Wednesday, August 17, 2005, in the Board Room of the State Oil and Gas Board Building,  
9 University of Alabama Campus, Tuscaloosa, Alabama, I reported the proceedings before a  
10 Hearing Officer; that the foregoing 50 typewritten pages contain a true and accurate verbatim  
11 transcription of said proceedings to the best of my ability, skill, knowledge, and belief.

11

12

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

13

14

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16

  
Rickey Estes  
Hearing Reporter