

June 27, 2007

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3. Steve Hutchings	40-45	---	---



8-3-07

June 27, 2007

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Board Exhibit	Hearing Officer Report	19	19
Exhibit 1 (Items 9, 10 & 11)	Well location plat, Alta-Blackstone 31-14, West Wild Fork Creek (Richard Grigsby)	30	30
Exhibit 2 (Items 9, 10 & 11)	Type log, Alta-Blackstone 31-14, West Wild Fork Creek (Richard Grigsby)	30	30
Exhibit 3 (Items 9, 10 & 11)	Structure map, top of Smackover, West Wild Fork Creek (Richard Grigsby)	30	30
Exhibit 4 (Items 9, 10 & 11)	Cross section A-A' West Wild Fork Creek (Richard Grigsby)	30	30
Exhibit 5 (Items 9, 10 & 11)	Seismic Line TX-56, West Wild Fork Creek (Richard Grigsby)	30	30
Exhibit 6 (Items 9, 10 & 11)	Seismic Line ER-76, West Wild Fork Creek (Richard Grigsby)	30	30
Exhibit 7 (Items 9, 10 & 11)	Seismic Line 87-BN-7, West Wild Fork Creek (Richard Grigsby)	30	30
Exhibit 8 (Items 9, 10 & 11)	Seismic Line FSC-WF-1, West Wild Ford Creek (Richard Grigsby)	30	30

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EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 9 (Items 9, 10 & 11)	Form OGB-9, Alta-Blackstone 31-14, West Wild Fork Creek (Richard Grigsby)	30	30
Exhibit 10 (Items 9, 10 & 11)	Reservoir fluid study Alta Blackstone 31-14, West Wild Fork Creek (Richard Grigsby)	30	30
Exhibit 11 (Items 9, 10 & 11)	Affidavit of testimony (George Pritchett)	30	30
Exhibit 12 (Items 9, 10 & 11)	Affidavit of notice (William T. Watson)	20	20
Exhibit 13 (Items 9, 10 & 11)	Supplemental affidavit of notice (William T. Watson)	20	20
Exhibit 14 (Items 9, 10 & 11)	5/1/07 letter to William T. Watson (S. Marvin Rogers)	20	20
Exhibit 1 (Item 13)	Field limit map, 160-acre production unit, Cox 5-10 No. 1 well, West Catawba Springs Field (Erick Nefe)	38	38
Exhibit 1A (Item 13)	Revised field limit map, 160-acre production unit, Cox 5-10 No. 1 well, West Catawba Springs Field (Erick Nefe)	38	38

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EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 2 (Item 13)	Pre-drill well location plat, Cox 5-10 No. 1 well, West Catawba Springs Field, (Erick Nefe)	38	38
Exhibit 2A (Item 13)	Well location plat, Cox 5-10 No. 1 well, West Catawba Springs Field (Erick Nefe)	38	38
Exhibit 3 (Item 13)	Induction log, Smackover section, Cox 5-10 No. 1 well, West Catawba Springs Field (Erick Nefe)	38	38
Exhibit 3A (Item 13)	Revised Induction log, Smackover section, Cox 5-10 No. 1 well, West Catawba Springs Field (Erick Nefe)	38	38
Exhibit 4 (Item 13)	Structure map, top of Smackover, West Catawba Springs Field (Erick Nefe)	38	38
Exhibit 4A (Item 13)	Revised structure map, top of Smackover, West Catawba Springs Field (Erick Nefe)	38	38
Exhibit 5 (Item 13)	Directional survey, Cox 5-10 No. 1 well, West Catawba Springs Field (Erick Nefe)	38	38

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EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 6 (Item 13)	Form OGB-7 Cox 5-10 No. 1 well, West Catawba Springs Field (Erick Nefe)	38	38
Exhibit 6A (Item 13)	Revised Form OGB-7 Cox 5-10 No. 1 well, West Catawba Springs Field (Erick Nefe)	38	38
Exhibit 7 (Item 13)	Form OGB-8, Cox 5-10 No. 1 well, West Catawba Springs Field (Erick Nefe)	38	38
Exhibit 8 (Item 13)	Form OGB-9, Cox 5-10 No. 1 well, West Catawba Springs Field (Erick Nefe)	38	38
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Exhibit 10 (Item 13)	Affidavit of notice (Michael T. Estep)	31	31
Exhibit 11 (Item 13)	Affidavit of qualifications (Erick C. Nefe)	32	32
Exhibit 1 (Item 21)	Affidavit of notice (William T. Watson)	39	39
Exhibit 2 (Item 21)	5/24/07 letter to Tonja Carlson (Steven Hutchings)	41	41

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EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 3 (Item 21)	Green card from Tonja Carlson (Steven Hutchings)	41	41
Exhibit 4 (Item 21)	6/1/07 letter to Dominion Black Warrior, Inc. (Laura H. Carpenter)	40	40
Exhibit 5 (Item 21)	5/24/07 letter to Laura Carpenter (Steven Hutchings)	---	---
Exhibit 1 (Item 22)	Affidavit of notice (William T. Watson)	42	43
Exhibit 2 (Item 22)	Affidavit of testimony (Robert T. Wood)	44	44
Exhibit 3 (Item 22)	Signed consent letters: (1) Dorothy P. Lucas (2) James W. Price (3) Phyllis Peoples Moore (4) Roy L. Jones (5) Roy Lucas (6) Leslie V. Lucas (7) Hazel D. Poole (Steven Hutchings)	44	44
Exhibit 4 (Item 22)	Unsigned consent letters: (1) Susan Benson (2) William B. Pamplin (Steven Hutchings)	44	44
Exhibit 1 (Item 29)	5/2/07 letter to Board (E. Stallings Howell)	46	46

June 27, 2007

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

June 27, 2007

Testimony and proceedings before the State Oil and Gas Board in Regular Session, at the Fiver Rivers Delta Center, Blakeley Hall, 31095 Five Rivers Boulevard, Spanish Fort, Alabama, pursuant to adjournment, on this the 27th day of June, 2007.

BOARD

Mr. Gaines C. McCorquodaleChairman

Mr. M. Stephen DampierMember

STAFF

Mr. Marvin Rogers..... Attorney

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

Dr. David E. Bolin Deputy Director

Mr. Jay H. Masingill Assistant Supervisor

Mr. Kirk McQuillan Geologist

Mr. Butch Gregory Engineer

APPEARANCES

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NAME	REPRESENTING
1. Steve Hutchings Mobile, AL	Dominion Black Warrior Basin
2. Larry Franklin Pensacola, FL	Self
3. Richard Grigsby Houston, TX	Tepee/Alta.
4. Rick Payton Birmingham, AL	Energen Resources Corp.
5. David Minor Hoover, AL	CDX Gas
6. Greg Hodges Pensacola, FL	De Soto Oil & Gas, Inc.
7. Mike Estep Fairhope, AL	Mayne & Mertz
8. Erick Nefe Houston, TX	Mayne & Mertz
9. Dennis Lathem Hoover, AL	CMAA
10. Tom Watson Tuscaloosa, AL	---
11. Jeff Horne Mobile, AL	Evergreen Tanks
12. Matt Martin Mobile, AL	Evergreen Tanks

June 27, 2007

APPEARANCES

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NAME	REPRESENTING
13. Dave Ellis Mobile, AL	Self
14. Betty Ellis Mobile, AL	Self

(The hearing was convened at 10:10 a.m. on
Wednesday, June 27, 2007, at Spanish Fort, Alabama.)

CHMN. MCCORQUODALE: Let the record reflect that the State Oil and Gas Board is now in session. Before we begin, is anybody here from the Department of Conservation? I guess not, so there is nobody for me to thank. We do appreciate the facility that the Department of Conservation has made available. It is relatively new. Some of you may have been here. I have not been here. It is the first time that I have seen it. We will probably do this more in the future. I understand it is available for meetings and things like this, so you can keep that in mind if you are in the area. It is a fairly well kept secret so far. We do thank the Department of Conservation.

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

AGENDA
STATE OIL AND GAS BOARD OF ALABAMA
JUNE 25 & 27, 2007

The State Oil and Gas Board of Alabama will hold its regular meeting at 10:00 a.m. on Monday, June 25, 2007, in the Board Room of the State Oil and Gas Board, Walter B. Jones Hall, University of Alabama Campus, 420 Hackberry Lane, Tuscaloosa, Alabama, and at 10:00 a.m. on Wednesday, June 27, 2007, at the Five Rivers Delta Center, Blakeley Hall, 31095 Five Rivers Boulevard, Spanish Fort, Alabama, to consider among other items the following petitions:

1. DOCKET NO. 11-1-06-6

Continued petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order force pooling, with a risk compensation penalty, all tracts and interests in hydrocarbons produced from coalbeds in the Pottsville Formation in the Falls 28-16-826 Well to be located on an 80-acre unit consisting of the Southeast Quarter of the Southeast Quarter of Section 28, and the Northeast Quarter of the Northeast Quarter of Section 33, all in Township 18 South, Range 10 West, Tuscaloosa County, Alabama, in the Blue Creek Coal Degasification Field.

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

5
6 2. DOCKET NO. 11-01-06-10

7 Continued petition by SAGA PETROLEUM, LLC, a Colorado limited
8 liability company authorized to do and doing business in the State of
9 Alabama, requesting the State Oil & Gas Board of Alabama to enter an
10 order force pooling, with risk compensation, all tracts and interests in
11 coalbed methane produced from a well drilled to the Pottsville Formation
12 on a unit consisting of approximately 40 acres located in the Southeast
13 Quarter of the Northwest Quarter of Section 34, Township 19 South,
14 Range 9 West, Tuscaloosa County, Alabama, in the Deerlick Creek Coal
15 Degasification Field. This petition is in accordance with Section 9-17-13,
16 ALABAMA CODE (1975), as amended, and Rules 400-7-1 and 400-7-2 of
17 the State Oil and Gas Board of Alabama Administrative Code.

18
19 3. DOCKET NO. 1-31-07-4

20 Continued petition by MAYNE & MERTZ, INC., a foreign corporation,
21 authorized to do and doing business in the State of Alabama, requesting
22 the State Oil and Gas Board to enter an order approving a 320-acre unit for
23 the Jones Trust 21-4 No. 1 Well consisting of the South Half of the
24 Southwest Quarter of Section 16, the South Half of the Southeast Quarter
25 of Section 17, the North Half of the Northeast Quarter of Section 20, and
26 the North Half of the Northwest Quarter of Section 21, all in Township 1
27 North, Range 9 East, Escambia County, Alabama, in the Jernigan Mill
28 Creek Field as an exception to Rule 3(a) of the Special Field Rules for said
29 Field which requires, in part, that wells in said Field be located on units
30 consisting of two contiguous governmental quarter sections containing
31 approximately 320 contiguous acres.

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

38
39 4. DOCKET NO. 2-28-07-30

40 Continued petition by ESCAMBIA OPERATING CO., LLC, a foreign
41 limited liability company, authorized to do and doing business in the State

1 of Alabama, requesting the State Oil and Gas Board to enter an order
2 approving an exceptional surface location and proposed exceptional
3 bottom hole location for the Edwards 13-1 No. 1 Well to be drilled on a
4 640-acre unit consisting of Section 13, Township 1 North, Range 7 East,
5 Escambia County, Alabama, in the Big Escambia Creek Field, as an
6 exception to Rule 3(b) of the Special Field Rules for said Field which
7 requires that wells be located at least 1,320 feet from every exterior
8 boundary of the drilling unit. The surface location for the referenced well
9 will be 900 feet from the North line and 450 feet from the East line with a
10 proposed bottom hole location no closer than 330 feet from the East line
11 and no closer than 330 feet from the North line of said Section 13 and, as
12 such, will be an exception to said Rule 3(b).
13

14 5. DOCKET NO. 2-28-07-32

15 Continued petition by NATURAL GAS & OIL, INC., an Alabama
16 corporation, requesting the State Oil and Gas Board to enter an order force
17 pooling, with a risk compensation penalty, all tracts and interests in
18 hydrocarbons produced from formations of Mississippian and Pennsylvanian
19 Age, from a well to be drilled on a 320-acre drilling unit consisting of the
20 South Half of Section 14, Township 16 South, Range 15 West, Lamar
21 County, Alabama, as a productive extension of the Mt. Zion Field.
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 6. DOCKET NO. 4-11-07-1

28 Continued petition by MIDROC OPERATING COMPANY, a foreign
29 corporation authorized to do and doing business in the State of Alabama,
30 requesting the State Oil and Gas Board to enter an order finding that the
31 contribution of the separately owned Tracts in the Little Cedar Creek Oil
32 Unit have been shown to be erroneous by subsequently discovered
33 productivity data from a well in the Little Cedar Creek Oil Unit, namely, the
34 Pugh 22-12 Well, Permit No. 14824, said well having a surface location in
35 Section 22, Township 4 North, Range 12 East, Conecuh County, Alabama,
36 in the Little Cedar Creek Field. The Unit Operator has calculated the new
37 Tract participation factors to reflect the altered Tract contribution and
38 requests the Board to approve the revised Tract participation factors of each
39 affected Tract in the Little Cedar Creek Oil Unit in Conecuh County,
40 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 7. DOCKET NO. 4-11-07-21

7 Continued petition by HOLLAND OPERATING CO., INC., an Alabama
8 corporation, requesting the State Oil and Gas Board to enter an order
9 pursuant to Sections 9-17-1 through 9-17-33 and 9-17-80 through 9-17-88,
10 Code of Alabama (1975) approving and establishing a partial field-wide unit,
11 to be known as "Moundville Unit I," consisting of the hereinafter described
12 "Unit Area" in the Moundville Coal Degasification Field, Tuscaloosa, Hale
13 and Greene Counties, Alabama, and requiring the operating of said Unit
14 Area as a single unit in order to avoid the drilling of unnecessary wells,
15 increase the efficiency of operations and improve the ultimate recovery of
16 occluded natural gas from the Unitized Formation, as hereinafter defined,
17 and avoid waste. The "Unitized Formation" is to be designated as the
18 Pottsville Coal Interval underlying the Unit Area, the productive interval of
19 which is found between the depths of 500 feet and 5,000 feet as encountered
20 in the Tubbs 9-1-73-4173 Well, Permit No. 7540-C, located in the Northeast
21 Quarter of Section 9, Township 23 North, Range 5 East, Hale County,
22 Alabama, as indicated on the density log of said well, and all zones in
23 communication therewith and all productive extensions thereof, including
24 any coal seam stringer that might occur within a depth of either 80 feet
25 above or 80 feet below the Pottsville Coal Interval, as defined in said wells,
26 and including those coal seams which can be correlated therewith. Petitioner
27 further seeks approval of the Unit Agreement and Unit Operating
28 Agreement, as ratified, in accordance with Section 9-17-84, Code of
29 Alabama (1975), and approval of the amendments to the Special Field Rules
30 for the Moundville Coal Degasification Field in order to conform to the
31 provisions of the aforementioned Unit Agreement and Unit Operating
32 Agreement.
33

34 Petitioner further seeks entry of an order unitizing, pooling and integrating
35 the Unit Area, as underlain by the above defined Unitized Formation so as to
36 require all owners or claimants of royalty, overriding royalty, mineral, and
37 leasehold interests within the Unit Area to unitize, pool and integrate their
38 interests and develop their lands or interests as a unit, and designating
39 Holland Operating Co., Inc. as Operator of the Unit Area in accordance with
40 the laws of Alabama. The proposed Unit Area, to be designated Moundville
41 Unit I, containing approximately 160 acres, consists of the following

1 described parcels in Hale County, Alabama: East Half of the Northeast
2 Quarter of Section 9 and the West Half of the Northwest Quarter of
3 Section 10, all in Township 23 North, Range 5 East.
4

5 8. DOCKET NO. 4-11-07-27

6 Continued petition by ENERGEN RESOURCES CORPORATION, an
7 Alabama corporation, requesting the State Oil and Gas Board to enter an
8 order approving a proposed 320-acre exceptional wildcat drilling unit for
9 the Floyd Anderson 20-14 #1 Well consisting of the West Half of Section
10 20, Township 14 South, Range 3 East, St. Clair County, Alabama, as an
11 exception to Rule 400-1-2-.02(2)(a) of the State Oil and Gas Board of
12 Alabama Administrative Code, which provides that a well may be drilled
13 on a drilling unit consisting of a governmental quarter-quarter section
14 consisting of approximately 40 acres.
15

16 This petition is filed as a companion to a petition bearing Docket No. 4-
17 11-07-28 requesting force pooling without imposition of a risk
18 compensation penalty.
19

20 9. DOCKET NO. 5-16-07-5A

21 Continued petition by TEPEE PETROLEUM CO., INC., a foreign
22 corporation authorized to do and doing business in the State of Alabama,
23 requesting the State Oil and Gas Board to enter an order establishing a
24 new gas condensate field to be named the West Wild Fork Creek Field, or
25 such other name as the Board deems proper, and promulgating Special Field
26 Rules therefor. The proposed field, as underlain by the Smackover Gas Pool,
27 consists of the Southeast Quarter of the Southwest Quarter, South Half of the
28 Northeast Quarter of the Southwest Quarter, East Half of the Southwest
29 Quarter of the Southwest Quarter, Southeast Quarter of the Northwest
30 Quarter of the Southwest Quarter, West Half of the Southwest Quarter of the
31 Southeast Quarter, Southwest Quarter of the Northwest Quarter of the
32 Southeast Quarter of Section 31, Township 3 North, Range 9 East and the
33 North Half of the Northeast Quarter of the Northwest Quarter, Northeast
34 Quarter of the Northwest Quarter of Northwest Quarter, Northwest Quarter
35 of the Northwest Quarter of the Northeast Quarter of Section 6, Township 2
36 North, Range 9 East, all in Escambia County, Alabama.
37

38 The Smackover Gas Pool should be defined as that interval of the
39 Smackover Formation productive of hydrocarbons between 14,092 feet and
40 14,133 feet, as indicated on the Dual Induction Log of the Alta-Blackstone
41 31-14 Well, Permit No. 14261, located in the Southeast Quarter of the

1 Southwest Quarter of Section 31, Township 3 North, Range 9 East,
2 Escambia County, Alabama. Petitioner is requesting well spacing of 160
3 acres, and is also requesting the establishment of allowables for said field.
4

5 This petition is filed as a companion to a petition bearing Docket No. 5-
6 16-07-6 requesting reformation of the 40-acre wildcat drilling unit for the
7 Alta-Blackstone 31-14 Well to a 160-acre unit in the West Wild Fork
8 Creek Field, and a petition bearing Docket No. 5-16-07-7 requesting the
9 forced pooling, without the imposition of a risk compensation penalty, of
10 all tracts and interests in hydrocarbons produced in the referenced well.
11

12 10. DOCKET NO. 5-16-07-6A

13 Continued petition by TEPEE PETROLEUM CO., INC., a foreign
14 corporation authorized to do and doing business in the State of Alabama,
15 requesting the State Oil and Gas Board to enter an order approving the
16 reformation of a 40-acre wildcat drilling unit for the Alta-Blackstone 31-14
17 Well, Permit No. 14261, consisting of the Southeast Quarter of the
18 Southwest Quarter of Section 31, Township 3 North, Range 9 East,
19 Escambia County, Alabama, to a 160-acre production unit in the proposed
20 West Wild Fork Creek Field consisting of the Southeast Quarter of the
21 Southwest Quarter, South Half of the Northeast Quarter of the Southwest
22 Quarter, East Half of the Southwest Quarter of the Southwest Quarter,
23 Southeast Quarter of the Northwest Quarter of the Southwest Quarter, West
24 Half of the Southwest Quarter of the Southeast Quarter, Southwest Quarter
25 of the Northwest Quarter of the Southeast Quarter of Section 31, Township
26 3 North, Range 9 East and the North Half of the Northeast Quarter of the
27 Northwest Quarter, Northeast Quarter of the Northwest Quarter of
28 Northwest Quarter, Northwest Quarter of the Northwest Quarter of the
29 Northeast Quarter of Section 6, Township 2 North, Range 9 East, all in
30 Escambia County, Alabama.
31

32 This petition is filed as a companion to a petition bearing Docket No. 5-
33 16-07-5 requesting establishment of the West Wild Fork Creek Field, and
34 a petition bearing Docket No. 5-16-07-7 requesting the forced pooling,
35 without the imposition of a risk compensation penalty, of all tracts and
36 interests in hydrocarbons produced in the referenced well.
37

38 11. DOCKET NO. 5-16-07-7

39 Continued petition by TEPEE PETROLEUM CO., INC., a foreign
40 corporation authorized to do and doing business in the State of Alabama,
41 requesting the State Oil and Gas Board to enter an order force pooling,

without the imposition of a risk compensation penalty, all tracts and interests in hydrocarbons produced in the Alta-Blackstone 31-14 Well, Permit No. 14261, located on a proposed reformed 160-acre production unit in the proposed West Wild Fork Creek Field consisting of the Southeast Quarter of the Southwest Quarter, South Half of the Northeast Quarter of the Southwest Quarter, East Half of the Southwest Quarter of the Southwest Quarter, Southeast Quarter of the Northwest Quarter of the Southwest Quarter, West Half of the Southwest Quarter of the Southeast Quarter, Southwest Quarter of the Northwest Quarter of the Southeast Quarter of Section 31, Township 3 North, Range 9 East and the North Half of the Northeast Quarter of the Northwest Quarter, Northeast Quarter of the Northwest Quarter of Northwest Quarter, Northwest Quarter of the Northwest Quarter of the Northeast Quarter of Section 6, Township 2 North, Range 9 East, all in Escambia County, Alabama.

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

This petition is filed as a companion to a petition bearing Docket No. 5-16-07-5 requesting establishment of the West Wild Fork Creek Field, and a petition bearing Docket No. 5-16-07-6 requesting approval of the reformation of the 40-acre wildcat drilling unit for the referenced well to a 160-acre drilling unit in the West Wild Fork Creek Field.

12. DOCKET NO. 5-16-07-8

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

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

The previous temporarily abandoned status and the Class II UIC permit for this well will expire on May 18, 2007. Petitioner requests the Board to grant

1 a one year extension beginning May 18, 2007, because said well has future
2 utility and should not be plugged.
3

4 13. DOCKET NO. 6-25-07-1

5 Petition by MAYNE & MERTZ, INC., a foreign corporation, authorized
6 to do and doing business in the State of Alabama, requesting the State Oil
7 and Gas Board to enter an order establishing a new oil field in Escambia
8 County, Alabama, to be known as the West Catawba Springs Field, or
9 such other name as the Board deems proper, and to adopt Special Field
10 Rules therefor. The proposed field, as underlain by the Smackover Oil
11 Pool, consists of the East Half and the Southwest Quarter of Section 5 and
12 the Southwest Quarter of Section 4, all in Township 1 North, Range 9
13 East, Escambia County, Alabama.
14

15 The Smackover Oil Pool in said field is defined as that interval productive
16 of hydrocarbons between 14,512 feet measured depth and 14,747 feet
17 measured depth as indicated on the Induction Log for the Cox 5-10 No. 1
18 Well, Permit No. 15069-B and all zones in communication therewith and
19 all productive extensions thereof.
20

21 Petitioner is requesting well spacing of 160 acres, and is also requesting
22 the establishment of allowables for said field. Furthermore, Petitioner
23 requests that the drilling unit, consisting of the Southeast Quarter of
24 Section 5, Township 1 North, Range 9 East, be approved as the production
25 unit for the Cox 5-10 No. 1 Well.
26

27 14. DOCKET NO. 6-25-07-2

28 Petition by BLACK WARRIOR METHANE CORP., an Alabama
29 corporation, requesting the State Oil and Gas Board to enter an order
30 reforming the unit for the Shook #30-10-1 Well, Permit No. 9722-C, from
31 an 80-acre unit consisting of the North Half of the Southeast Quarter of
32 Section 30, Township 19 South, Range 7 West, Tuscaloosa County,
33 Alabama, in the Brookwood Coal Degasification Field to a 40-acre unit
34 consisting of the Northwest Quarter of the Southeast Quarter of said
35 Section 30.
36

37 Although Petitioner requests the Board to eliminate certain lands from the
38 present spacing unit, Petitioner proposes to drill another coalbed methane
39 well in the lands proposed to be eliminated.

15. DOCKET NO. 6-25-07-3

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 Shook 19-11-6 Well, Permit No. 10318-C, from an 80-acre unit consisting of the North Half of the Southwest Quarter of Section 19, Township 19 South, Range 7 West, Tuscaloosa County, Alabama, in the Brookwood Coal Degasification Field to a 40-acre unit consisting of the Northeast Quarter of the Southwest Quarter of said Section 19.

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

16. DOCKET NO. 6-25-07-4

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 Shook 30-7-7 Well, Permit No. 10295-C, from an 80-acre unit consisting of the West Half of the Northeast Quarter of Section 30, Township 19 South, Range 7 West, Tuscaloosa County, Alabama, in the Brookwood Coal Degasification Field to a 40-acre unit consisting of the Southwest Quarter of the Northeast Quarter of said Section 30.

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

17. DOCKET NO. 6-25-07-5

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

Township 19 South, Range 6 West, Tuscaloosa County

Section 31

Township 19 South, Range 7 West, Tuscaloosa County

Sections 31, 32, 33, 34 and 35

Township 19 South, Range 8 West, Tuscaloosa County

Sections 25, 26, 27, 33 and 35

Township 20 South, Range 6 West, Tuscaloosa County

Sections 6 and 7

Township 20 South, Range 7 West, Tuscaloosa County

Sections 1, 3, 4, 7, 9, 10, 12, 15, 16, 17, 21 and 28

Township 20 South, Range 8 West, Tuscaloosa County

Sections 3, 4, 10, 13, 14, 15, 23 and 24

The previously granted temporarily abandoned status expires on June 27, 2007, and Petitioner is requesting this Board to grant a one year extension of the temporarily abandoned status beginning June 27, 2007, because all of the wells in the aforementioned Sections have future utility and should not be plugged.

18. DOCKET NO. 6-25-07-6

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

Township 19 South, Range 6 West, Jefferson County

Section 21

The previously granted temporarily abandoned status expires on June 27, 2007, and Petitioner is requesting this Board to grant a one year extension of the temporarily abandoned status beginning June 27, 2007, because these wells in the aforementioned Section have future utility and should not be plugged.

19. DOCKET NO. 6-25-07-7

Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order reforming the unit for the Jernigan 01-02-1068 Well, Permit No. 14617-C, from an 80-acre unit consisting of the West Half of the Northeast Quarter

1 of Section 1, Township 18 South, Range 10 West, Tuscaloosa County,
2 Alabama, in the Blue Creek Coal Degasification Field to a 40-acre unit
3 consisting of the Northwest Quarter of the Northeast Quarter of said
4 Section 1.
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 20. DOCKET NO. 6-25-07-8

11 Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama
12 corporation, requesting the State Oil and Gas Board to enter an order force
13 pooling, with a risk compensation penalty, all tracts and interests in
14 hydrocarbons produced from coalbeds in the Pottsville Formation in the
15 Jernigan 01-07-1106 Well to be drilled on a 40-acre unit consisting of the
16 Southwest Quarter of the Northeast Quarter of Section 1, Township 18
17 South, Range 10 West, Tuscaloosa County, Alabama, in the Blue Creek
18 Coal Degasification Field.
19

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

24 21. DOCKET NO. 6-25-07-9

25 Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama
26 corporation, requesting the State Oil and Gas Board to enter an order force
27 pooling, with a risk compensation penalty, all tracts and interests in
28 hydrocarbons produced from coalbeds in the Pottsville Formation in the
29 Jernigan 01-06-1105 Well to be drilled on a 40-acre unit consisting of the
30 Southeast Quarter of the Northwest Quarter of Section 1, Township 18
31 South, Range 10 West, Tuscaloosa County, Alabama, in the Blue Creek
32 Coal Degasification Field.
33

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

38 22. DOCKET NO. 6-25-07-10

39 Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama
40 corporation, requesting the State Oil and Gas Board to enter an order
41 reforming the unit for the Price 23-02-776 Well, Permit No. 14225-C,

1 from an 80-acre unit consisting of the North Half of the Northeast Quarter
2 of Section 23, Township 18 South, Range 10 West, Tuscaloosa County,
3 Alabama, in the Blue Creek Coal Degasification Field to a 40-acre unit
4 consisting of the Northwest Quarter of the Northeast Quarter of said
5 Section 23.

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

10
11 23. DOCKET NO. 6-25-07-11

12 Petition by CARRIZO OIL AND GAS, INC., a foreign corporation
13 authorized to do and doing business in the State of Alabama, requesting
14 the State Oil and Gas Board of Alabama to enter an order establishing a
15 new oil field in Escambia County, Alabama, to be named the West
16 Chitterling Creek Oil Field, or such other name as the Board deems
17 proper, and to adopt Special Field Rules therefor. The proposed field, as
18 underlain by the Smackover Oil Pool, consists of the Southeast Quarter of
19 Section 9, Township 3 North, Range 6 East, Escambia County, Alabama.

20
21 The Smackover Oil Pool in said field is defined as those strata productive
22 of hydrocarbons between the interval of 14,222 feet (TVD) (-13,936 feet
23 Subsea TVD) and 14,293 feet (TVD) (-14,007 feet Subsea TVD) as
24 indicated on the True Vertical Depth – High Definition Induction Log –
25 Multipole Array Acoustic Log – Compensated Z-Densilog - Compensated
26 Neutron Log – Gamma Ray Log – Minilog for the Carrizo Oil & Gas, Inc.
27 Black Stone – Callon 9-9 No. 1 Well, Permit No. 14976-B, and all zones
28 in communication therewith and all productive extensions thereof.

29
30 Petitioner is requesting well spacing of 160 acres and is also requesting the
31 establishment of allowables for said field. Additionally, Petitioner requests
32 that the drilling unit consisting of the Southeast Quarter of Section 9,
33 Township 3 North, Range 6 East, be approved as the production unit for
34 the Black Stone – Callon 9-9 No. 1 Well.

35
36 24. DOCKET NO. 6-25-07-12

37 Petition by EL PASO E & P COMPANY, L.P., a Delaware limited
38 partnership, authorized to do and doing business in the State of Alabama,
39 requesting the State Oil & Gas Board of Alabama to enter an order force
40 pooling without risk compensation, tracts and interests in an 80 acre
41 drilling unit for the Calmes 01-12-555 Well, Permit No. 15249-C, having

1 a unit consisting of all of the North Half of the Southwest Quarter, Section
2 1, Township 17 South, Range 8 West, Walker County, Alabama, in the
3 White Oak Creek Coal Degasification Field. This petition is in
4 accordance with Section 9-17-13, ALABAMA CODE (1975), as amended,
5 and Rules 400-7-1 and 400-7-2 of the State Oil and Gas Board of Alabama
6 Administrative Code. Petitioner requests that due and proper notice of the
7 hearing on this matter be given in the manner and form and for the time
8 required by law and the rules and regulations of this Board.
9

10 25. DOCKET NO. 6-25-07-13

11 Petition by EL PASO E & P COMPANY, L.P., a Delaware limited
12 partnership, authorized to do and doing business in the State of Alabama,
13 requesting the State Oil & Gas Board of Alabama to enter an order force
14 pooling, with risk compensation all tracts and interests in a 40 acre drilling
15 unit for the proposed Calmes 02-05-554 Well, having a unit consisting of
16 all of the Southwest Quarter of the Northwest Quarter, Section 2,
17 Township 17 South, Range 8 West, Walker County, Alabama, in the
18 White Oak Creek Coal Degasification Field. This petition is in
19 accordance with Section 9-17-13, ALABAMA CODE (1975), as amended,
20 and Rules 400-7-1 and 400-7-2 of the State Oil and Gas Board of Alabama
21 Administrative Code. Petitioner requests that due and proper notice of the
22 hearing on this matter be given in the manner and form and for the time
23 required by law and the rules and regulations of this Board.
24

25 26. DOCKET NO. 6-25-07-14

26 Petition by EL PASO E & P COMPANY, L.P., a Delaware limited
27 partnership, authorized to do and doing business in the State of Alabama,
28 requesting the State Oil & Gas Board of Alabama to enter an order force
29 pooling, without risk compensation all tracts and interests in an 80 acre
30 drilling unit for the proposed Calmes 02-16-552 Well, having a unit
31 consisting of all of Southeast Quarter of the Southeast Quarter of Section
32 2, and the Southwest Quarter of the Southwest Quarter of Section 1, all in
33 Township 17 South, Range 8 West, Walker County, Alabama, in the
34 White Oak Creek Coal Degasification Field. This petition is in
35 accordance with Section 9-17-13, ALABAMA CODE (1975), as amended,
36 and Rules 400-7-1 and 400-7-2 of the State Oil and Gas Board of Alabama
37 Administrative Code. Petitioner requests that due and proper notice of the
38 hearing on this matter be given in the manner and form and for the time
39 required by law and the rules and regulations of this Board.

1 27. DOCKET NO. 4-30-03-7

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

17 28. DOCKET NO. 4-25-06-34

18 Continued MOTION BY THE STATE OIL AND GAS BOARD OF
19 ALABAMA requesting Operator, Lower 15 Oil Corporation to show
20 cause why the following abandoned wells located in the Gilberttown Field,
21 Choctaw County, Alabama, and described hereinbelow should not be
22 ordered plugged and abandoned in accordance with Rule 400-1-4-.14 of
23 the State Oil and Gas Board of Alabama Administrative Code relating to
24 Plugging and Abandonment of Wells and the well sites and associated
25 tank battery sites restored in accordance with Rule 400-1-4-.16 of the State
26 Oil and Gas Board of Alabama Administrative Code relating to
27 Restoration of Location. Additionally, the Frank Gibson #1 Well, Permit
28 No. 1071, which is described hereinbelow under Plugged and Abandoned
29 well was plugged and abandoned on August 21, 1997, however the well
30 site has not been restored in accordance with Rule 400-1-4-.16 of the State
31 Oil and Gas Board of Alabama Administrative Code relating to
32 Restoration of Location. Further, the Board is requesting the operator to
33 show cause why sites, such as well sites, production facility sites, and
34 Class II injection facility sites should not be ordered to be brought into
35 compliance with Rule 400-1-4-.10 of the State Oil and Gas Board of
36 Alabama Administrative Code relating to Site Maintenance.

East Gilbertown Eutaw Unit Wells & Tank Batteries

<u>Permit No.</u> (Tank Battery No.)	<u>Well Name</u> (Tank Battery)	<u>Location</u>
1280	Mattie Clark #1	S1, T10N, R3W
1293	C. F. Stewart Heirs #1	S1, T10N, R3W
(1293 TB)	(C. F. Stewart Heirs #1)	S1, T10N, R3W
1338	Mattie Clark #3	S1, T10N, R3W
10416	Mattie E. Clark #1-6	S1, T10N, R3W
(1343 TB)	(Abston Jones 1-6)	S1, T10N, R3W

Other Well

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>
1431	Joseph W. Hutchinson, Jr. et al #1	S7, T10N, R3W

Plugged and Abandoned well (well site not restored)

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>
1071	Frank Gibson #1	S1, T10N, R3W

29. DOCKET NO. 1-31-07-12

Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA to amend Rule 400-3-8-.03 of the State Oil and Gas Board of Alabama Administrative Code relating to the Protection of Underground Sources of Drinking Water during the Hydraulic Fracturing of Coal Beds so as to revise the filing, evaluation, approval, and operational requirements contained therein. In 2005, Congress amended the Safe Drinking Water Act, 42 U.S.C. Sec. 300h to exclude from the application of the Act "the underground injection of fluids or propping agents (other than diesel fuel) pursuant to hydraulic fracturing operations related to oil, gas, or geothermal production activities." 42 U.S.C. Sec. 300h(d)(1). Therefore, in its Motion the Board proposes to exclude hydraulic fracturing from the regulatory requirements of the Class II Underground Injection Control Program that is being administered by the State Oil and Gas Board.

The meetings of the State Oil and Gas Board are public meetings, and members of the public are invited to attend and present their position concerning this petition(s). Requests to continue or oppose a petition should be received by the Board at least two (2) days prior to the hearing.

1 For additional information, you may contact the State Oil and Gas Board,
2 P. O Box 869999, Tuscaloosa, Alabama 35486-6999, Telephone Number
3 205/349-2852, Fax Number 205/349-2861, or by email at
4 petitions@ogb.state.al.us.
5
6

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

10 MR. ROGERS: Mr. McCorquodale and Mr. Dampier, I have a written report of the
11 items heard by the Hearing Officer and the staff on Monday, June 25, 2007. Copies of the report
12 are available for members of the public to review and study. I recommend the report be adopted
13 by the Board.

14 MR. DAMPIER: So move.

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

16 (Board members McCorquodale and Dampier voted "aye")

17 CHMN. MCCORQUODALE: Adopted.

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

19 CHMN. MCCORQUODALE: That request is granted.

20 (Whereupon, the Hearing Officer report
21 was received in evidence)

22 DR. TEW: Members of the Board, the staff would recommend the approval of the
23 minutes of the following meetings: April 11, 2007, Hearing Officer meeting; April 13, 2007,
24 Regular Board meeting; May 16, 2007, Hearing Officer meeting.

25 MR. DAMPIER: Move.

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

27 (Board members McCorquodale and Dampier voted "aye")

28 MR. ROGERS: The following items are set for hearing today: Item 5, Docket No. 2-28-
29 07-32, petition by Natural Gas & Oil, Inc.; Item 9, Docket No. 5-16-07-5A, petition by Tepee

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Petroleum, Inc.; Item 10, Docket No. 5-16-07-6A, petition by Tepee; Item 11, Docket No. 5-16-07-7, petition by Tepee; Item 13, Docket No. 6-25-07-1, petition by Mayne & Mertz, Inc.; Item 19, Docket No. 6-25-07-7, petition by Dominion Black Warrior Basin, Inc.; Item 20, Docket No. 6-25-07-8, petition by Dominion; Item 21, Docket No. 6-25-07-9, petition by Dominion; Item 22, Docket No. 6-25-07-10, petition by Dominion and Item 29, a motion by the Board relating to the rules of the Board for Protection of Underground Sources of Drinking Water During the Hydraulic Fracturing of Coalbeds. The first item is Item 5, Docket No. 2-28-07-32, petition by Natural Gas & Oil, Inc.

MR. WATSON: Mr. Chairman, continue that item to the next meeting of the Board.

CHMN. MCCORQUODALE: Is there any objection? Hearing none, Item 5 is continued.

MR. ROGERS: The next item is Item 9, Docket No. 5-16-07-5A, petition by Tepee Petroleum, Inc.

MR. WATSON: Mr. Chairman, can we consolidate for hearing purposes Items 9, 10 and 11, please?

CHMN. MCCORQUODALE: Yes. That request is granted and they are consolidated.

MR. WATSON: I have one witness and would like to have him sworn in, please.

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

MR. GRIGSBY: Richard Grigsby, Houston Texas.

(Witness was sworn by Mr. Rogers)

MR. WATSON: Mr. Chairman, I have prefiled an affidavit of notice in these consolidated items along with a supplemental affidavit of notice and a letter from Mr. Rogers dated May 1st relative to this item. I would like to have all that admitted into the record, please.

CHMN. MCCORQUODALE: Admitted.

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

MR. WATSON: This is a request by Tepee Petroleum Company, Inc. to establish a new gas condensate field in Escambia County, Alabama. We are recommending that the field be

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1 named the West Wild Fork Creek Field. We are asking that a 40-acre unit be reformed to a 160-
2 acre unit that consists of the entire field area. We are asking that in addition to that reformation
3 that there be a force pooling without risk compensation for one tract in this proposed 160-acre
4 unit. Mr. Grigsby, you have appeared before this Board and have on file an affidavit of your
5 qualifications as a petroleum geologist. Is that correct?

6 MR. GRIGSBY: Yes it is.

7 MR. WATSON: Are you familiar with the petitions that I have just described here to
8 form a new gas condensate field in Escambia County?

9 MR. GRIGSBY: Yes I am.

10 MR. WATSON: Have you prepared exhibits in support of these consolidated requests?

11 MR. GRIGSBY: Yes I have.

12 MR. WATSON: Mr. Chairman, I tender Mr. Grigsby as an expert petroleum geologist
13 for giving testimony in these items.

14 CHMN. MCCORQUODALE: He is so recognized.

15 RICHARD GRIGSBY

16 Appearing as a witness on behalf of Petitioner, Tepee Petroleum Company, Inc., testified
17 as follows:

18 DIRECT EXAMINATION

19 Questions by Mr. Watson:

20 Q. I have put up in front of each of you a copy of the booklet of exhibits that we will be
21 using in presenting this testimony this morning. I would like for Mr. Grigsby to turn to
22 the first exhibit in the exhibit booklet and tell the Board and members of the staff what is
23 shown on that exhibit, please, sir.

24 A. Exhibit 1 is a plat drawn up by Engineering Services showing the 40-acre unit that the
25 well was drilled on which is shown in green. The red outline is the 160-acre proposed
26 production unit that we are proposing today.

27 Q. That 40-acre unit is the Southeast Quarter of the Southwest Quarter of Section 31,
28 Township 3 North, Range 9 East. Is that correct?

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1 A. That's right.

2 Q. We are showing on this plat outlined in green that 40-acre unit and outlined in red the
3 proposed 160-acre unit that consists of portions of Section 31 and Section 6, Section 31
4 in Township 3 North, Range 9 East, and Section 6 in Township 2 North, Range 9 East. Is
5 that correct?

6 A. That is correct.

7 Q. Also shown on this plat are the surface location and the bottom hole location of the Alta-
8 Blackstone 31-14 well. Is that right?

9 A. That's right.

10 Q. Why is the surface location and the bottom hole location different?

11 A. It is just the natural drift of the well.

12 Q. This well was not directionally drilled. It is a natural drift and we have by the directional
13 survey spotted the bottom hole location which is in the Smackover formation. Is that
14 right?

15 A. Well, I believe the plot on this map is the actual bottom hole location.

16 Q. The actual bottom hole location. That actual bottom hole location is more than 660 feet
17 from every exterior boundary of the 160-acre unit, is it not?

18 A. It is.

19 Q. Let's turn to Exhibit No. 2, please. This is our type log for this new gas condensate
20 reservoir in the Smackover formation. Describe the information shown on this plat,
21 please.

22 A. This is a dual induction log from the Tepee Alta-Blackstone 31-14 well. The purple line
23 is the top of the Buckner formation. The blue line is the top of the Smackover formation.
24 The red dashed line is the gas-water contact for the reservoir. The defined Smackover
25 productive zone runs from 14,092 feet to 14,133 feet which is a total thickness of 41 feet.

26 Q. I believe indicated also on this log is another zone that could be interpreted as containing
27 gas or gas condensate. Is that right?

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1 A. Yes. When we drilled the well we did exhibit some additional shows below this main
2 Smackover zone. Most of those zones were fairly thin in the two to three foot range so
3 the decision was not to test those zones at this time and to just complete in the thicker
4 zone at the top of the Smackover where the more traditional Smackover reservoirs are.

5 Q. Tepee understands, does it not, Mr. Grigsby, that should in the future you decide to test
6 those zones that are not in the defined Smackover gas interval that it would be necessary
7 before you do that to come back to this Board and to redefine the Smackover gas
8 interval?

9 A. Yes we do.

10 Q. Is that unlikely?

11 A. It is unlikely.

12 Q. Let's go to your next exhibit, Mr. Grigsby. Tell us what that exhibit is and describe the
13 information shown on it, please.

14 A. This is a structure map drawn on top of the Smackover formation. This interpretation is
15 controlled by three wells and four seismic lines. The proposed 160-acre unit is outlined
16 in pink. The gas-water contact is noted as the red-dashed line and is at a subsea depth of
17 13,813 feet. The red gas symbol on the well is the location of the borehole at the top of
18 the Smackover formation. The tops on the wells are indicated next to the wells. The
19 orange line is the location of the cross section that I will show when we get to Exhibit 8.
20 The limits of the reservoir are controlled to the south by the Harkins-Normand 6-3 well
21 and to the west by the PG&E-IPC 31-12 well. Both wells were dry holes; however the
22 Normand well did have fairly significant hydrocarbon shows both on a mud log and in
23 whole cores. If you would, turn to Exhibit No. 4. This is a structural cross section A-A'
24 and is noted on Exhibit 3. It shows the structural relationship between the three wells
25 controlling this structure. The PG&E well had the top of the Smackover at
26 approximately 60 feet below the gas-water contact as seen in the Tepee well and was a
27 dry hole. The Harkins well has the gas-water in the top of the Smackover just below the

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1 gas-water contact and just to reiterate did have significant shows at the top of the
2 Smackover formation indicating that it was close to a hydrocarbon reservoir.

3 Q. Okay.

4 A. If I can go back to Exhibit 3 and just note the location of the four seismic lines that I am
5 going to go through defining the other boundaries of the reservoir. The first line is TX-
6 56. TX-56 is a northeast-southwest trending line. The green area on the seismic line is
7 the Haynesville shale.

8 Q. Now you are referring to the seismic.

9 A. The seismic line on Exhibit 5, I'm sorry.

10 Q. Let's go to Exhibit 5 which is that line you have pointed out on your Exhibit 3 as the
11 cross section in the orientation that you have described. Now, let's describe the
12 information on Exhibit 5 which is your 2-D seismic line.

13 A. The green area is the Haynesville shale. The blue shaded area is the Smackover and the
14 purple is the Paleozoic basement. The heavy vertical line is the projection of the location
15 of the Tepee well into the section. The location of the well is a little bit off the line so it
16 has to be projected in. On the seismic the Smackover is showing to dip away from the
17 Tepee location both to the southwest and to the northeast. The edge of the unit is at Shot
18 Point 370 to the north and Shot Point 387 to the south which is about ten milliseconds
19 low to the Tepee location which is equal to 60 to 70 feet low to the top of the Smackover
20 which would be below the gas-water contact we see in the well.

21 Q. All right sir.

22 A. We go to the next line which is shown in Exhibit 6. This is ER-76. This line is an east-
23 west trending line located close to the southern boundary of Section 31. Again, the
24 coloring scheme on the lines are the same. The vertical line is the projected location of
25 the Tepee well. The Smackover is clearly shown to be dipping away from the Tepee
26 location both to the east and to the west. The boundary locations for the unit are located
27 at Shot Point 400 and 425. At those locations the top of the Smackover is approximately

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1 10 milliseconds or again 60 to 70 feet low to the top of the Smackover in the Tepee well
2 which would put these locations below the gas-water contact in the reservoir.

3 Q. All right, sir.

4 A. The next line, Exhibit 7, is Line 87-BN-7. This is a northwest-southeast trending line that
5 goes very close to both the Blackstone and the PG&E well. The PG&E well is the heavy
6 vertical line on the left portion of the seismic line. The Blackstone is the rightmost heavy
7 vertical line. Again, the Smackover is seen dipping away from the Tepee location both to
8 the northwest and the southeast. The unit boundaries are at Shot Point 60 and at Shot
9 Point 42 and both are more than 10 milliseconds low to the Tepee location and would be
10 low to the gas-water contact as seen in the well. The next line and last line is Exhibit 8.
11 This is FSC-WF-1. It is a northwest-southeast trending 2-D line and was acquired
12 through the PG&E and the Harkins well locations. The PG&E is the leftmost vertical
13 line. The Harkins well is the rightmost vertical line. The Tepee Blackstone well is
14 projected into the line and is the center line shown on the section. Again, the Smackover
15 dips away from the Tepee location towards both the PG&E and Harkins wells which we
16 know are both dry holes and are at or very close to the unit boundaries. I believe that the
17 well control and the 2-D seismic all support the geometry of the petroleum structure as
18 shown on Exhibit 3 and at the proposed 160-acre unit concludes all of the productive
19 acreage as indicated on this structure that was determined with the drilling of the Tepee
20 Alta-Blackstone 31-14 well.

21 Q. Let's look back just a minute at Exhibit No. 3 before we go on, Mr. Grigsby. The gas-
22 water contact as you have depicted on the log and as shown on this Exhibit No. 3 is all
23 contained within the 160-acre unit as you have testified. The southernmost control point
24 being the dry hole, the Harkins well, are you firmly convinced that that is a line or that
25 that point of control is controlling for the southern extent of that extension of the
26 productive area, the gas-water contact?

27 A. Yes it is.

28 Q. Is the same statement true for the 31-12 well to the west?

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1 A. Right. Yes, it is.

2 Q. Now, normally gas condensate reservoirs are on 640-acre spacing. We do have as I recall
3 at least two fields where we have gas condensate spacing at 160 acres as you are
4 recommending here. Would a 640-acre unit, if that were to be proposed to the Board,
5 encompass areas not productive to this wellbore at the 31-14 location?

6 A. Yes it would.

7 Q. That would then dilute and not protect the correlative rights of the owners in the gas pool
8 as you have defined it, wouldn't it, if it were a larger unit?

9 A. That's correct.

10 Q. Now the other thing that this Board has seen historically is when we set up these one-well
11 fields subsequent drilling will come in the immediate vicinity of the well and the geology
12 based on subsequent drilling will be revised such that the productive area would extend
13 based on revised geology outside the established 160-acre unit. Does your company or
14 anyone that you know of have any plans to offset this well in the immediate vicinity of
15 the 31-14 well?

16 A. No one that I know of.

17 Q. All right sir. Should that be the case then the Board's tolerance for increasing units up to
18 50 percent of the size approved, if it is approved for this well, would give an additional
19 80 acres of latitude. Do you foresee that happening?

20 A. No I don't.

21 Q. In establishing this irregular unit initially with the three well control points and with your
22 four seismic lines, is your degree of confidence in this structure as you have depicted it
23 high?

24 A. Yes it is.

25 Q. Let's go to the next exhibit in the booklet. That's the OGB-9 which is Exhibit No. 9.
26 Tell us about the test on this well.

27 A. Exhibit No. 9 is Form OGB-9. It shows the perforated interval being from 14,094 feet to
28 14,102 feet, an interval of eight feet. The test was taken on January 17, 2006 and tested

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1 at a rate of 305 barrels of condensate and 1,127 Mcf of gas. That was on a 12/64-inch
2 choke with a flowing tubing pressure of 2,325 pounds and a final shut-in tubing pressure
3 of 2,932 pounds, a pretty good test for a Smackover well.

4 Q. Let's go to Exhibit 10 which is the PVT report. First of all let's tell the Board from the
5 summary page the condition of the hydrocarbons in the reservoir from this report, if you
6 would, please.

7 A. Well, the report states that the recombined samples exhibited a dew point of 5,000 psia at
8 255 degrees Fahrenheit which was the reservoir temperature and that the reservoir exists
9 as an under-saturated gas at a current reservoir condition and that is why we are
10 proposing a gas condensate reservoir.

11 Q. The well is shut in and not producing. Is that right?

12 A. That is correct.

13 Q. What about the H₂S content of this well?

14 A. The analysis of the sample showed an H₂S content of 7.164 percent as shown on the third
15 page of the PVT analysis.

16 Q. All right sir. Our proposed Special Field Rules for the West Wild Fork Creek Field
17 requires that the hydrocarbons be cleansed before we are able to produce the well. Is that
18 right?

19 A. That is correct.

20 Q. The first thing I want you to tell the Board is, what is the state of the well bore today out
21 there in the field?

22 A. The well bore has the valves chained and locked. It is surrounded by a chain-link fence
23 that is locked. It is checked daily by our pumper. We knew prior to drilling the well that
24 it was going to have H₂S in the gas, so the well was completed with H₂S standard
25 tubulars and valves and surface tree.

26 Q. In order to produce this well, am I correct in stating that Tepee will have to lay a field
27 gathering line over to a pipeline that will take the products to the cleansing facility?

28 A. Yes we will.

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- 1 Q. And that line is approximately what length?
- 2 A. It is less than two miles.
- 3 Q. You understand or Tepee understands that that line would have to be first advertised for
- 4 comments along the route and then plans submitted to the staff for the construction of
- 5 that line and have those plans approved before that line is constructed. Do you
- 6 understand that?
- 7 A. Yes we do.
- 8 Q. So at the point of connecting that line to the transmission line, that goes to the cleansing
- 9 facility which I understand to be the Flomaton Plant?
- 10 A. That is correct.
- 11 Q. At that point the transmission line will take the product to the plant.
- 12 A. Right.
- 13 Q. What is the state of that line today?
- 14 A. That line has undergone several pressure tests. It has had what is called a smart pig
- 15 which gives you analyses of the pipeline integrity run on it. It is scheduled to have
- 16 another more sophisticated pig run on January 9th and to have that data submitted to the
- 17 Oil and Gas Board for approval to approve that line.
- 18 Q. So, it is safe to say that until the Oil and Gas Board approves the transmission line from
- 19 the point where your field collecting line connects, there will be no production from this
- 20 well until all that is cleared by this Board and its staff. Is that right?
- 21 A. That is correct.
- 22 Q. You have no control over that line, do you?
- 23 A. No we don't.
- 24 Q. So until that line is approved and put in operation, this well will remain shut in?
- 25 A. It will.
- 26 Q. The interim plans will be made and plans submitted to the Board's staff for that
- 27 collecting line from the point of the well to that transmission line?
- 28 A. Yes it will.

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1 Q. You are familiar with the ownership in this proposed 160-acre unit, are you not?

2 A. I am.

3 Q. The land in Section 31, who owns that land?

4 A. That land is owned jointly by Blackstone Minerals-Callon and the Ridgeway Partners.

5 Q. The land in Section 6 is diverse ownership?

6 A. Yes it is.

7 Q. Does your company own or control all but one outstanding unleased mineral interest in
8 that 160-acre unit?

9 A. Yes we do.

10 MR. WATSON: Mr. Chairman, what I have handed up is an affidavit of testimony in
11 support of the force pooling of that tract that we are going to testify to in a minute without the
12 imposition of the risk compensation fee.

13 Q. Is it correct that we have an outstanding unleased interest of 0.13125 net mineral acres or
14 approximately 0.08203 percent?

15 A. Yes it is.

16 Q. Do you have knowledge of our landman's attempts, George Pritchett's attempts, to
17 contact and lease this outstanding interest?

18 A. Yes I do.

19 Q. He has made repeated attempts to lease this tract, has he not?

20 A. Yes, several.

21 Q. Has he offered as good or better terms to this party as those who have leased and have
22 given their consent?

23 A. Yes he has.

24 Q. Would the granting of this petition reforming this 40-acre unit to a 160-acre unit and
25 establishing this field and the adoption of the Special Field Rules as we have proposed
26 present waste and protect correlative rights of all the owners in the unit?

27 A. Yes it would.

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1 Q. In the Special Field Rules we have provided for the 160 contiguous acre drilling unit 660
2 feet from every exterior boundary, pressure surveys in April and October of each year,
3 requiring the cleansing of production, and meters. All of those are standard Smackover
4 gas special field rules, are they not?

5 A. Yes they are.

6 Q. As far as the gas allowable is concerned, are we suggesting in the field rules that the gas
7 allowable be the actual amount of production processed through the cleansing plant
8 during the calendar month?

9 A. Yes we are.

10 Q. In your opinion is that a reasonable proposal and will those special field rules as proposed
11 prevent waste and protect correlative rights?

12 A. Yes it will.

13 MR. WATSON: Mr. Chairman, I would ask that you receive into the record of this
14 hearing Exhibits 1 through 10 to the testimony of Mr. Grigsby.

15 CHMN. MCCORQUODALE: Admitted.

16 (Whereupon, the exhibits were received in evidence)

17 MR. WATSON: Also, the affidavit of testimony of George Pritchett, the landman for
18 Tepee.

19 CHMN. MCCORQUODALE: Admitted.

20 (Whereupon, the affidavit was received in evidence)

21 MR. WATSON: I submit Mr. Grigsby to you and the staff for any questions you have.

22 CHMN. MCCORQUODALE: Are there questions?

23 MR. DAMPIER: Mr. Chairman, I move that these consolidated petitions, Items 9, 10
24 and 11, be approved.

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

26 (Board members McCorquodale and Dampier voted "aye")

27 CHMN. MCCORQUODALE: "Ayes" have it.

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1 MR. ROGERS: The next item is Item 13, Docket No. 6-25-07-1, petition by Mayne &
2 Mertz, Inc.

3 CHMN. MCCORQUODALE: While that is being prepared, we are going to take a brief
4 recess. Mr. Dampier has to make a phone call.

5 (Whereupon, the hearing was recessed for ten minutes)

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

8 MR. ESTEP: Good morning, Mr. Chairman.

9 CHMN. MCCORQUODALE: Good morning.

10 MR. ESTEP: I'm Mike Estep representing Mayne & Mertz, Inc. I have one witness.

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

12 MR. NEFE: Erick Nefe, Houston, Texas.

13 (Witness was sworn by Mr. Rogers)

14 MR. ESTEP: Mr. Chairman, this is a petition seeking to establish Special Field Rules for
15 the West Catawba Springs Field. I have prefiled an affidavit of notice in connection with this
16 matter and we would request that that be admitted to the record at this time.

17 MR. ROGERS: Admitted.

18 (Whereupon, the affidavit was received in evidence)

19 MR. ESTEP: Recently Mayne & Mertz completed the Cox 5-10 well which is located in
20 the Southeast Quarter of Section 5, Township 1 North, Range 9 East, Escambia County,
21 Alabama, in the Smackover Oil Pool. We are here today requesting that Special Field Rules for
22 that proposed field be approved by the Board. Mr. Nefe, by whom are you employed and in
23 what capacity?

24 MR. NEFE: I'm the Geophysical Manager at Mayne & Mertz.

25 MR. ESTEP: Have you previously testified as an expert in the field of petroleum
26 geology before the Alabama Oil and Gas Board?

27 MR. NEFE: No I have not.

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1 MR. ESTEP: Mr. Chairman, we have submitted an affidavit of qualifications from Mr.
2 Nefe and I would request that that be made a part of the record.

3 CHMN. MCCORQUODALE: Admitted.

4 (Whereupon, the affidavit was received in evidence)

5 MR. ESTEP: Erick, briefly tell us about your educational background and work
6 experience.

7 MR. NEFE: I received my Master's in Geophysics and Geology from Michigan State
8 University in 1981. Prior to getting my Master's I started work at Exxon in 1980 and went back
9 to the University and defended my thesis. I worked with Exxon from 1980 until 1995 where I
10 was Division Geophysicist in New Orleans for the Southeast US and Offshore Gulf of Mexico.
11 One of my Special Projects that I was involved in was the Fanny Church development between
12 Exxon's Jay field and Exxon's BEC field at that time. After leaving Exxon in 1995 I went to
13 Seismic Exchange. I managed all of their 3-D offshore and onshore. I left there after a couple of
14 years and went to Valence Operating where I got back into drilling wells. I drilled some of the
15 best wells at Valence Operating in East Texas in the Smackover and Cotton Valley Reef trend.
16 Mayne & Mertz hired me. I had several ideas in the Fanny Church area and Mayne & Mertz
17 hired me based on those ideas. That is when we acquired the 100 square mile 3-D and have been
18 drilling wells in that area for the last couple of years.

19 MR. ESTEP: That's the Fanny Church 3-D program?

20 MR. NEFE: That's correct.

21 MR. ESTEP: So you have had a lot of experience in the Escambia County area through
22 your work with Exxon in the past. Is that correct?

23 MR. NEFE: That's correct.

24 MR. ESTEP: Are you familiar with the rules and regulations of the Board and the
25 petition that we have filed on behalf of Mayne & Mertz in this docket?

26 MR. NEFE: Yes I am.

27 MR. ESTEP: I would request that Mr. Nefe be admitted as an expert in the field of
28 petroleum geology.

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1 CHMN. MCCORQUODALE: He is so recognized.

2 ERICK NEFE

3 Appearing as a witness on behalf of Petitioner, Mayne & Mertz, Inc. testified as follows:

4 DIRECT EXAMINATION

5 Questions by Mr. Estep:

6 Q. Erick, have you prepared or have you had prepared under your supervision and control
7 the exhibits which we have just handed out to the staff and that have been previously
8 filed with the Oil and Gas Board?

9 A. Yes.

10 Q. Please turn to Exhibit 1. Tell us about Exhibit 1 and Exhibit 1A please.

11 A. Exhibit 1 was presented to the Board in a preliminary hearing. That was revised with
12 Exhibit No. 1A.

13 Q. That was a preliminary staff meeting, correct?

14 A. That's correct. The numbers were transposed for the bottom hole location. Exhibit 1A
15 has the actual corrected bottom hole location of 1,835 feet from the South line and 1,872
16 feet from the East line. Exhibit 1A also shows the relationship of the Cox well to
17 Chavers Creek Field to the northwest and Catawba Springs Field down to the southeast.
18 The proposed field limits are the cyan areas and it totals 640 acres. The magenta is the
19 proposed 160-acre unit.

20 Q. That is the current drilling unit for the Cox well, the Southeast Quarter of Section 5?

21 A. That's correct.

22 Q. The proposed field limits include the entire East Half and Southwest Quarter of Section 5
23 and the Southwest Quarter of Section 4. Is that correct?

24 A. That's correct.

25 Q. You are familiar with the production from both the Catawba Springs and the Chavers
26 Creek Fields, are you not?

27 A. Yes I am.

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1 Q. The production from the Cox 5-10 well is separate and distinct from the production in
2 both of those fields. Is that right?

3 A. Yes it is.

4 Q. Those fields produce from the Norphlet formation and the Cox produces from the
5 Smackover. Is that correct?

6 A. That's correct.

7 Q. Would you describe Exhibit 2 and Exhibit 2A, please?

8 A. Exhibit 2 was our pre-drill plan to drill the well with the surface location and bottom hole
9 location. This is in our pre-drill planning. Exhibit 2A shows the actual bottom hole
10 location and it was very close to our planned bottom hole location. Again, the actual
11 bottom hole location was 1,835 feet from the South line and 1,872 feet from the East line.

12 Q. Turn to Exhibit 3. This is a type log for the Cox well. Is that correct?

13 A. That's correct.

14 Q. Tell us what Exhibits 3 and 3A depict, please.

15 A. Exhibit 3 was presented in the preliminary Board hearing.

16 Q. Staff meeting?

17 A. Staff meeting. Exhibit 3A is the revised exhibit and that is what I prefer to talk off of.
18 Exhibit 3A shows the top of the Smackover at a measured depth of 14,512 feet with the
19 perforations from 14,512 to 14,536. The oil-water contact is at 14,562 feet. The base of
20 the Smackover is at 14,747 feet.

21 Q. You added the oil-water contact pursuant to the request of the staff?

22 A. Yes that was the request and that is what we added.

23 Q. This well log shows information that is consistent with the proposed definition of the
24 Smackover Oil Pool in Rule 2 of the proposed Special Field Rules. Correct?

25 A. Correct.

26 Q. Turn to Exhibit 4 and tell us about Exhibits 4 and 4A, please.

27 A. Exhibit 4 was the initial structure map that was filed and Exhibit 4A is the same exhibit
28 with the oil-water contact added. I'll talk off of Exhibit 4A. This is a top of Smackover

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1 structure map. It is based on 3-D seismic. The oil-water contact on this map is at 14,320
2 feet. Again, the proposed 160-acre production unit is shown in magenta and then cyan
3 shows the proposed 640-acre field limit.

4 Q. Erick, just below the bottom hole location for the Cox 5-10 well there is a number
5 14916.0. Would you tell us what that number represents?

6 A. That is the total depth of the well.

7 Q. Based on the structure map in Exhibit 4, do you believe that the area requested to be
8 included within the proposed field limit for the West Catawba Springs Field is reasonable
9 at this time?

10 A. Yes I do.

11 Q. That area for the proposed field limits includes all lands that you believe are potentially
12 productive according to this exhibit. Is that correct?

13 A. That's correct.

14 Q. Does Mayne & Mertz have any immediate plans to drill additional wells in the proposed
15 field?

16 A. That is dependent on the production history and future engineering data that we will
17 collect.

18 Q. You plan to produce the well for some period of time before making a determination on
19 how to proceed with either additional wells, expansion of the unit, that sort of thing. Is
20 that correct?

21 A. That's correct.

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

23 A. Exhibit 5 is the Scientific Drilling directional survey. This is how I correctly determined
24 the actual bottom hole of the Cox well.

25 Q. You made that calculation yourself. Is that right?

26 A. I made the calculation and then Scientific Drilling made a last estimation in the two. My
27 work and Scientific Drilling's work matched.

28 Q. Please describe the information on Exhibit 6 and Exhibit 6A which is a Form OGB-7.

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1 A. On the OGB-7, the only difference between Exhibit 6 and Exhibit 6A is we have the
2 revised bottom hole location. Exhibit 6 was based on the original pre-drill plan. Exhibit
3 6A was based on the actual integration of the directional well and that is the true bottom
4 hole location as best we can estimate it.

5 Q. Mayne & Mertz will be filing a revised OGB-Form 7 to reflect the accurate and the true
6 bottom hole location, correct?

7 A. Yes. We have done that.

8 Q. Exhibit 7 is OGB Form-8. Tell us about that exhibit please.

9 A. OGB-8, Exhibit No. 7, shows the logs that were run in the Cox well.

10 Q. OGB-9 is Exhibit 8, is that correct?

11 A. That's correct.

12 Q. Tell us about the information shown on OGB-9.

13 A. Form OGB-9 or Exhibit 8 shows that we had a test period of five days. The well
14 produced at 1,147 barrels of oil a day and 334 Mcf per day. That was on a 14/64-inch
15 choke.

16 Q. I believe you said that Mayne & Mertz obtained approval to extend the test on that well
17 for about 30 days. Is that right?

18 A. That's correct.

19 Q. The well is not producing at this time. Is that correct?

20 A. No. We are finishing our facilities and waiting on an air permit.

21 Q. Exhibit 9 is a letter from Fesco, Ltd., the group that did the PVT study for the Cox well.
22 Please tell us the results of their findings.

23 A. Exhibit No. 9 shows that it is an oil reservoir that exists as an understaturated oil at static
24 reservoir conditions. The total report has been given to the State.

25 Q. Turning back to Exhibit 2 which shows the proposed area to be included in the West
26 Catawba Springs Field, is it your opinion that it is reasonable at this time that the East
27 Half and Southwest Quarter of Section 5 and the Southwest Quarter of Section 4 be
28 included within the field limits?

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1 A. Yes.

2 Q. That is based on your geological interpretation as depicted in Exhibits 3 and 4. Is that
3 correct?

4 A. That's correct.

5 Q. We have also requested that the Board confirm the drilling unit for the Cox 5-10 well
6 comprised of the Southeast Quarter of Section 5, Township 1 North, Range 9 East, and
7 that be established as the production unit for distribution of revenue from this well.
8 Based on the information currently available, is it your opinion that the existing 160-acre
9 drilling unit is the appropriate production unit for said well?

10 A. Yes.

11 Q. Is it also possible that sometime in the future Mayne & Mertz may determine that it
12 would be appropriate to drill additional wells or expand the production unit as allowed by
13 Alabama statute?

14 A. Yes.

15 Q. The petition in this docket requests that the Board enter an order establishing Special
16 Field Rules for the West Catawba Springs Field. Have you reviewed the petition and the
17 proposed Special Field Rules for said field?

18 A. Yes I have.

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

21 A. Yes.

22 Q. Will the adoption of the Special Field Rules provide for the orderly and economic
23 development of the Smackover Oil Pool as defined in Rule 2 of the Special Field Rules?

24 A. Yes they will.

25 Q. Will these Special Field Rules prevent waste as that term is defined by the State of
26 Alabama?

27 A. Yes.

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

3 A. Yes.

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

6 A. Yes I have.

7 Q. The facts set forth therein are true and correct to the best of your knowledge, information
8 and belief?

9 A. Yes.

10 MR. ESTEP: Mr. Chairman, I would ask that the exhibits that we have filed and handed
11 out to you and the staff today be admitted into testimony along with various affidavits.

12 CHMN. MCCORQUODALE: Admitted.

13 (Whereupon, the exhibits were received in evidence)

14 MR. ESTEP: I offer the witness to the Board for questions.

15 CHMN. MCCORQUODALE: Are there questions from the Board or staff? Is there
16 anyone else present who has an interest in this that has questions?

17 MR. DAMPIER: I move that Item 13 be granted.

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

19 (Board members McCorquodale and Dampier voted "aye")

20 CHMN. MCCORQUODALE: "Ayes" have it.

21 MR. ESTEP: Mr. Chairman, in addition we had requested that the logs filed with the
22 Board remain confidential for the period allowed under the rules and regulations of the Board.

23 DR. TEW: That would be appropriate.

24 CHMN. MCCORQUODALE: That request is granted.

25 MR. ESTEP: Thank you very much.

26 MR. ROGERS: The next item is Item 19, Docket No. 6-25-07-7, petition by Dominion
27 Black Warrior Basin, Inc. We understand that is continued, Mr. Watson?

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1 MR. WATSON: Mr. Chairman, Items 19 and 20 are companion petitions. I would ask
2 that those two items be continued until the next regular meeting of the Board.

3 CHMN. MCCORQUODALE: Is there any objection? Hearing none, they are continued.

4 MR. ROGERS: The next item is Item 21, Docket No. 6-25-07-9, petition by Dominion
5 Black Warrior Basin, Inc.

6 MR. WATSON: I have one witness and would like to have him sworn in, please.

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

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

9 (Witness was sworn by Mr. Rogers)

10 MR. WATSON: Mr. Chairman, this is a petition on behalf of Dominion Black Warrior
11 Basin, Inc. to force pool, with imposition of the risk compensation fee, tracts and interests in a
12 40-acre unit consisting of the Southeast Quarter of the Northwest Quarter of Section 1, Township
13 18 South, Range 10 West, Tuscaloosa County, Alabama, in the Blue Creek Coal Degasification
14 Field for the proposed Jernigan 01-06-1105 well. Mr. Hutchings, are you familiar with the
15 ownership in this 40-acre unit?

16 MR. HUTCHINGS: Yes I am.

17 MR. WATSON: Mr. Chairman, I tender Mr. Hutchings as an expert witness for giving
18 testimony in this item.

19 CHMN. MCCORQUODALE: He is so recognized even though he is not very far from
20 home.

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

23 CHMN. MCCORQUODALE: Admitted.

24 (Whereupon, the affidavit was received in evidence)

25 STEVEN HUTCHINGS

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

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DIRECT EXAMINATION

Questions by Mr. Watson:

Q. Mr. Hutchings, let's first of all tell the Board of the outstanding unleased interest in this 40-acre unit, please.

A. There is 3.85 percent, 1.54 net mineral acres, owned by CD Exploration, Inc. You will also note that we did notice El Paso Production out of an abundance of caution so that we would not have any remote claim issues out there. We believe that El Paso does not have an interest here but we wanted to notice them as a precaution.

Q. In fact, we have a letter from El Paso which confirms what you have just stated. Is that right?

A. That is correct.

MR. WATSON: I will offer that letter from El Paso from Laura H. Carpenter dated June 1, 2007, into the record.

CHMN. MCCORQUODALE: Admitted.

(Whereupon, the letter was received in evidence)

MR. ROGERS: On that issue, Mr. Watson, I don't see a green card for them. Are you saying you are not force pooling their interest because they do not have an interest?

MR. WATSON: Correct.

MR. ROGERS: I just wanted to clarify that.

Q. Now, Mr. Hutchings, does Dominion Black Warrior Basin, Inc. together with the other consenting owners own a majority of the interest insofar as the drilling and operating rights for the proposed unit?

A. Yes sir.

Q. The outstanding owner, CDX, has not agreed to or in writing accepted either a farm out or to participate or to lease their interest. Is that correct?

A. My understanding is I got an e-mail last night at 7:17 that CDX has agreed to accept the terms of an offer. There have been ongoing negotiations for an extended period of time but a lease has not been signed as of 8:00 this morning.

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1 Q. So out of an abundance of caution we are going forward with this force pooling even
2 though we have been told that a lease will be entered into between CDX and Dominion.

3 A. Correct.

4 Q. If that does take place then we would not ask or would not impose the risk compensation
5 penalty on CDX?

6 A. That is correct. We will treat them as a leased interest.

7 Q. Treat them as a leased interest at the royalty rate that we have agreed to as opposed to the
8 statutory rate provided for in the force pooling with risk compensation?

9 A. Correct yes sir.

10 Q. In getting up to this point, had Dominion made a good faith effort to negotiate with CDX
11 to get its interest under its ownership and control?

12 A. I believe so, yes sir.

13 MR. WATSON: We have a green card that we have received back from CDX from Ms.
14 Tonja Carlson. I have prefiled that. Mr. Chairman, I would like to have that green card admitted
15 into the record.

16 CHMN. MCCORQUODALE: Admitted.

17 (Whereupon, the letter and green card were received in evidence)

18 Q. You have made a reasonable offer, as good or better then offers made to other parties in
19 this 40-acre unit who have agreed to the outstanding unleased interest of CDX. Is that
20 correct?

21 A. That is correct.

22 Q. You have complied with the Alabama Statute 9-17-13 on its force pooling requirements
23 with the imposition of the risk compensation fee?

24 A. Yes sir.

25 Q. If that lease is not forthcoming then under the terms of the statute the unleased interest
26 would be entitled to a 3/16 royalty from date of first production?

27 A. Yes sir.

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1 Q. By force pooling this interest and imposing the risk compensation fee, would waste be
2 prevented as that term is defined by the Oil and Gas statutes?

3 A. I believe so, yes.

4 MR. WATSON: With the testimony of the witness and with the receipt of the green card,
5 Mr. Chairman, and with the stipulation that I have stated for the record that upon receipt of the
6 lease that has been agreed to orally, we would honor that lease and its terms but are asking you to
7 force pool this out of an abundance of caution in case all that falls through so we can proceed
8 with the drilling of this well.

9 Q. Is it your understanding, Mr. Hutchings, that Dominion is ready to proceed with its plans
10 to get this well ready to drill?

11 A. Yes sir.

12 Q. But for the authority of either the force pooling order or that lease then we couldn't do
13 that, could we?

14 A. That's correct.

15 MR. WATSON: I tender the witness to the Board and staff for any questions you have
16 on this item, Mr. Chairman.

17 CHMN. MCCORQUODALE: Are there any questions?

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

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

20 (Board members McCorquodale and Dampier voted "aye")

21 CHMN. MCCORQUODALE: "Ayes" have it.

22 MR. ROGERS: Mr. Rogers, on that matter, do you mind submitting a proposed order
23 that just names that one owner so that it will be absolutely clear that one owner was force pooled,
24 CD Exploration?

25 MR. WATSON: Yes sir, we will do that.

26 MR. ROGERS: The next item is Item 22, Docket No. 6-25-07-10, petition by Dominion.

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

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1 CHMN. MCCORQUODALE: Admitted.

2 (Whereupon, the affidavit was received in evidence)

3 MR. WATSON: This is a petition by Dominion Black Warrior Basin to reform an 80-
4 acre unit which consists of the North Half of the Northeast Quarter of Section 23, Township 18
5 South, Range 10 West, Tuscaloosa County, Alabama, in the Blue Creek Coal Degasification
6 Field to a 40-acre unit consisting of the Northwest Quarter of the Northeast Quarter of that
7 Section 23. Are you familiar with this petition requesting this unit reformation?

8 MR. HUTCHINGS: I am.

9 MR. WATSON: I tender my witness as an expert and remind him that he is under oath,
10 if those are acceptable, Mr. Chairman.

11 CHMN. MCCORQUODALE: Yes. That is correct.

12 MR. WATSON: Let me hand up an affidavit of testimony.

13 STEVEN HUTCHINGS

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

16 DIRECT EXAMINATION

17 Questions by Mr. Watson:

18 Q. Mr. Hutchings, you are familiar with this petition to reform this 80-acre unit to a 40-acre
19 unit and therefore are you familiar with the ownership of the 80-acre unit?

20 A. I am.

21 Q. It is diverse, is it not? Is there diverse ownership in the 80-acre unit?

22 A. Yes.

23 Q. Have we, in keeping with the standard practice of this Board, sought from those owners
24 in the 80-acre unit their consent to reform this unit for the purpose of drilling another
25 well?

26 A. We have.

27 Q. What has been the response to that request?

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1 A. As of yesterday morning when I left Tuscaloosa we had 89.5 percent owners consented.
2 We have two, Susan Benson and her brother, William Pamplin. We've gone through this
3 exercise on a couple of other wells that they have been under. They have agreed to sign
4 the consent letters but even on the past items we have never received their consent letter.

5 Q. All right. We know who they are. We have contacted them. We have submitted a letter
6 to them as we have submitted to all those others who own a total of 89.5 percent that
7 have agreed to the reformation. We have not had any written response back from these
8 parties.

9 A. That is correct.

10 Q. Have they expressed to you orally any opposition to this matter?

11 A. No sir.

12 MR. WATSON: Mr. Chairman, I have prefiled the signed letters of consent. I would
13 like to have those admitted into the record evidencing the 89.5 percent approval for the
14 reformation that we have.

15 CHMN. MCCORQUODALE: Admitted.

16 (Whereupon, the signed letters were received in evidence)

17 MR. WATSON: Also, I have prefiled all of the letters that Mr. Hutchings sent out, so the
18 unsigned letters indicate those two parties did receive letters. I would ask that they be admitted
19 into the record.

20 CHMN. MCCORQUODALE: Admitted.

21 (Whereupon, the unsigned letters were received in evidence)

22 MR. WATSON: The affidavit of testimony that I have just handed up to you is from
23 Robert T. Wood, a petroleum geologist.

24 CHMN. MCCORQUODALE: That is admitted.

25 (Whereupon, the affidavit was received in evidence)

26 Q. Mr. Hutchings, would the reformation of this unit allow Dominion to proceed to drill
27 another well on the 40-acre unit once it is reformed?

28 A. Yes sir.

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1 Q. Would that prevent waste and protect correlative rights?

2 A. Yes.

3 MR. WATSON: I tender the witness.

4 CHMN. MCCORQUODALE: Are there questions?

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

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

7 (Board members McCorquodale and Dampier voted "aye")

8 CHMN. MCCORQUODALE: "Ayes" have it.

9 MR. ROGERS: The last item is Item 29, Docket No. 1-31-07-12, a motion by the Board
10 to amend Rule 400-3-8-.03 of the State Oil and Gas Board of Alabama Administrative Code
11 relating to the Protection of Underground Sources of Drinking Water During the Hydraulic
12 Fracturing of Coalbeds.

13 DR. TEW: Mr. Chairman and members of the Board, you will recall that when the Board
14 first made its motion that we put out a draft of these rules for comment and have made an
15 announcement at each subsequent meeting to that that the rules were on the table and that we
16 were accepting public comment on the rules. We have redrafted the rules through the process as
17 we received public comment on what was there. The staff feels like these rules are now in a
18 form that both take some consideration some of the comments that we had and still allows the
19 Board to take care of its responsibilities in terms of hydraulic fracturing and protection of
20 underground sources of drinking water. We would like to recommend that we submit the
21 proposed rule to the Administrative Procedure process and then at the end of that process the
22 Board can take appropriate action on this rule making.

23 CHMN. MCCORQUODALE: Are there comments or questions?

24 MR. PAYTON: I'm Rick Payton, current Chairman of the Coalbed Methane Association
25 of Alabama. We also have with us here Dennis Lathem, our Executive Director, and Dave
26 Minor who is serving as Chairman of our Hydraulic Fracturing Committee. Dave has a few
27 comments for us.

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1 MR. MINOR: On behalf of the Coalbed Methane Association and its members I wanted
2 to express our unanimous support for this amendment to the hydraulic fracturing rules. As
3 noted, this amendment is in response to changes in the Federal Underground Injection
4 Regulations resulting from the Federal Energy Policy Act of August 2005. When implemented
5 the amended rules will streamline the Oil and Gas Board's regulatory process as it relates to
6 coalbed methane well stimulation and reduce the cost of and greatly improve the industry's
7 ability to do our hydraulic fracturing work. This will substantially reduce the so-called cycle
8 time from prospect identification to production and significantly improve our well economics.
9 At the same time we feel the proposed changes in no way diminish the Board's ability to protect
10 underground sources of drinking water. We want to thank Dr. Tew and the staff for their diligent
11 efforts in working with the industry to create this amendment. We view this as another example
12 of the positive results that have been achieved through the cooperative efforts of the Oil and Gas
13 Board and the regulated community. Thank you.

14 CHMN. MCCORQUODALE: Thank you, Mr. Minor. Are there other comments or
15 questions?

16 DR. TEW: We would also note that we submitted the proposed rule changes to the US
17 Environmental Protection Agency for their review and we received a letter back from the
18 Environmental Protection Agency stating that these changes gave them no cause for concern. I
19 would like to have that letter put into the record at this time Mr. Chairman.

20 CHMN. MCCORQUODALE: That is admitted.

21 (Whereupon, the letter was received in evidence)

22 CHMN. MCCORQUODALE: Thank you. The process will begin. Is there any other
23 business to come before the Board?

24 DR. TEW: That needs to be continued.

25 MR. DAMPIER: Mr. Chairman, I move that the Board's motion which is Item 29 on the
26 docket be continued.

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

28 (Board members McCorquodale and Dampier voted "aye")

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1 CHMN. MCCORQUODALE: "Ayes" have it. The Board stands adjourned.
2 (Whereupon, the hearing was adjourned at 11:10 a.m.)

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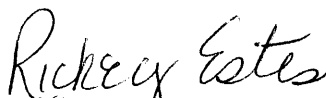
REPORTER'S CERTIFICATE

STATE OF ALABAMA

COUNTY OF TUSCALOOSA

I, Rickey Estes, Hearing Reporter in and for the State of Alabama, do hereby certify that on Wednesday, June 27, 2007, at the Fiver Rivers Delta Center, Blakeley Hall, 31095 Five Rivers Boulevard, Spanish Fort, I reported the proceedings before the State Oil and Gas Board in Regular Session; that the foregoing 47 typewritten pages contain a true and accurate verbatim transcription of said proceedings to the best of my ability, skill, knowledge, and belief.

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


Rickey Estes
Hearing Reporter