

November 7, 2007

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~~MC~~

2-8-08

MR

November 7, 2007

EXHIBITS

<u>EXHIBIT NO. (ITEM NO.)</u>	<u>TITLE (TESTIMONY OF)</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Board Exhibit	Proofs of publication Docket No. 9-5-07-5 Docket No. 9-5-07-6 Docket No. 11-7-07-1 Docket No. 11-7-07-2 Docket No. 11-7-07-3 Docket No. 11-7-07-4 Docket No. 11-7-07-5 Docket No. 11-7-07-6 Docket No. 11-7-07-7 Docket No. 11-7-07-8 Docket No. 11-7-07-9 Docket No. 11-7-07-10 Docket No. 11-7-07-11 Docket No. 11-7-07-12 Docket No. 11-7-07-13	17	17
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Board Exhibit	Hearing Officer Order	17	17
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EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 3 (Item 2)	Norphlet 3-D structure map, Jernigan Mill Creek Field (Erick C. Nefe)	25	25
Exhibit 4 (Item 2)	3-D strike Line, Jones Trust 21-4 No. 1, Jernigan Mill Creek Field (Erick C. Nefe)	25	25
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Exhibit B (Item 10)	Field map, Citronelle Field (Gary Dittmar)	32	33
Exhibit C (Item 10)	Affidavit of testimony (Gary Dittmar)	32	33
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Exhibit 1 (Item 13)	Graph of production and pressure history 6/19/07-10/15/07 Blackstone-Callon 9-9 No. 1, West Chitterling Creek Field (Ken Hanby)	37	37

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EXHIBITS

<u>EXHIBIT NO. (ITEM NO.)</u>	<u>TITLE (TESTIMONY OF)</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Exhibit 1A (Item 13)	Graph of production and pressure history 6/19/07-10/31/07 Blackstone-Callon 9-9 No. 1, West Chitterling Creek Field (Ken Hanby)	37	37
Exhibit 1 (Item 25)	Well location plat, McKinley-Cash 5-10 No. 1, Kennedy Field (David Higginbotham)	41	41
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Exhibit A (Item 15)	Affidavit of notice (William T. Watson)	42	42
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<u>EXHIBIT NO. (ITEM NO.)</u>	<u>TITLE (TESTIMONY OF)</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Exhibit A (Item 16)	Affidavit of notice (William T. Watson)	43	43
Exhibit B (Item 16)	Affidavit of testimony (Eric L. Hutchens)	43	43
Exhibit C (Item 16)	10/18/07 letter to Jim Walter Resources, Inc. (Eric Hutchens)	43	43
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Exhibit B (Item 18)	Affidavit of testimony (Eric L. Hutchens)	44	44
Exhibit C (Item 18)	10/18/07 letter to Jim Walter Resources, Inc. (Eric Hutchens)	44	44
Exhibit A (Item 19)	Affidavit of notice (William T. Watson)	45	45
Exhibit B (Item 19)	Affidavit of testimony (Eric L. Hutchens)	45	45

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EXHIBITS

<u>EXHIBIT NO. (ITEM NO.)</u>	<u>TITLE (TESTIMONY OF)</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Exhibit C (Item 19)	10/18/07 letter to Jim Walter Resources, Inc. (Eric Hutchens)	45	45
Exhibit A (Item 20)	Affidavit of notice (William T. Watson)	45	45
Exhibit B (Item 20)	Affidavit of testimony (Eric L. Hutchens)	45	45
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Exhibit B (Item 21)	Affidavit of testimony (Eric L. Hutchens)	46	46
Exhibit C (Item 21)	10/18/07 letter to Jim Walter Resources, Inc. (Eric Hutchens)	46	46

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STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

November 7, 2007

Testimony and proceedings before a Hearing Officer in Regular Session in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, pursuant to adjournment, on this the 7th day of November, 2007.

BOARD

Mr. Marvin Rogers..... Attorney

STAFF

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. Jacques Chasse Geologist

Mr. Tom Sexton Geologist

Mr. Butch Gregory Engineer

Mr. Randy Oglesby Geologist

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APPEARANCES

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NAME	REPRESENTING
1. John Tyra Tuscaloosa, AL	Carrizo Oil & Gas, Inc.
2. Mike Estep Mobile, AL	Mayne & Mertz, Inc./ Denbury Onshore, LLC
3. Gary Dittmar Plano, TX	Denbury Onshore, LLC
4. Ken Hanby Tuscaloosa, AL	Carrizo Oil & Gas, Inc.
5. David Higginbotham Tuscaloosa, AL	Sundown Energy, L.P.
6. Bill Browning Point Clear, AL	Sundown Energy, L.P.
7. Tom Watson Tuscaloosa, AL	Black Warrior Methane Corp.

November 7, 2007

1 (The hearing was convened at 10:05 a.m. on
2 Wednesday, November 7, 2007, at Tuscaloosa, Alabama.)
3

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

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

9 AGENDA
10 STATE OIL AND GAS BOARD OF ALABAMA
11 BOARD MEETING
12 NOVEMBER 7 & 9, 2007
13

14 The State Oil and Gas Board of Alabama will hold its regular meeting at 10:00
15 a.m. on Wednesday, November 7 and Friday, November 9, 2007, in the Board
16 Room of the State Oil and Gas Board, Walter B. Jones Hall, University of
17 Alabama Campus, 420 Hackberry Lane, Tuscaloosa, Alabama, to consider the
18 following item(s):
19

20 1. DOCKET NO. 11-01-06-10

21 Continued petition by SAGA PETROLEUM, LLC, a Colorado limited liability
22 company authorized to do and doing business in the State of Alabama, requesting
23 the State Oil & Gas Board of Alabama to enter an order force pooling, with risk
24 compensation, all tracts and interests in coalbed methane produced from a well
25 drilled to the Pottsville Formation on a unit consisting of approximately 40 acres
26 located in the Southeast Quarter of the Northwest Quarter of Section 34,
27 Township 19 South, Range 9 West, Tuscaloosa County, Alabama, in the Deerlick
28 Creek Coal Degasification Field. This petition is in accordance with Section
29 9-17-13, ALABAMA CODE (1975), as amended, and Rules 400-7-1 and 400-7-2 of
30 the State Oil and Gas Board of Alabama Administrative Code.
31

32 2. DOCKET NO. 1-31-07-4

33 Continued petition by MAYNE & MERTZ, INC., a foreign corporation,
34 authorized to do and doing business in the State of Alabama, requesting the State
35 Oil and Gas Board to enter an order approving a 320-acre unit for the Jones Trust
36 21-4 No. 1 Well consisting of the South Half of the Southwest Quarter of Section
37 16, the South Half of the Southeast Quarter of Section 17, the North Half of the
38 Northeast Quarter of Section 20, and the North Half of the Northwest Quarter of

1 Section 21, all in Township 1 North, Range 9 East, Escambia County, Alabama,
2 in the Jernigan Mill Creek Field as an exception to Rule 3(a) of the Special Field
3 Rules for said Field which requires, in part, that wells in said Field be located on
4 units consisting of two contiguous governmental quarter sections containing
5 approximately 320 contiguous acres.
6

7 The public is further advised that, pursuant to this hearing, the applicable
8 provisions of the Code of Alabama (1975), and the State Oil and Gas Board of
9 Alabama Administrative Code, the Board will enter such Order or Orders as in its
10 judgment may be necessary in accordance with the evidence submitted and
11 accepted.
12

13 3. DOCKET NO. 2-28-07-32

14 Continued petition by NATURAL GAS & OIL, INC., an Alabama corporation,
15 requesting the State Oil and Gas Board to enter an order force pooling, with a risk
16 compensation penalty, all tracts and interests in hydrocarbons produced from
17 formations of Mississippian and Pennsylvanian Age, from a well to be drilled on a
18 320-acre drilling unit consisting of the South Half of Section 14, Township 16
19 South, Range 15 West, Lamar County, Alabama, as a productive extension of the
20 Mt. Zion Field.
21

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

26 4. DOCKET NO. 4-11-07-27

27 Continued petition by ENERGEN RESOURCES CORPORATION, an Alabama
28 corporation, requesting the State Oil and Gas Board to enter an order approving a
29 proposed 320-acre exceptional wildcat drilling unit for the Floyd Anderson 20-14
30 #1 Well consisting of the West Half of Section 20, Township 14 South, Range 3
31 East, St. Clair County, Alabama, as an exception to Rule 400-1-2-.02(2)(a) of the
32 State Oil and Gas Board of Alabama Administrative Code, which provides that a
33 well may be drilled on a drilling unit consisting of a governmental quarter-quarter
34 section consisting of approximately 40 acres.
35

36 This petition is filed as a companion to a petition bearing Docket No. 4-11-07-28
37 requesting force pooling without imposition of a risk compensation penalty.
38

39 5. DOCKET NO. 6-25-07-5A

40 Continued amended petition by BLACK WARRIOR METHANE
41 CORPORATION, an Alabama corporation, requesting the State Oil and Gas

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1 Board, pursuant to Rule 400-3-4-.17(1) of the State Oil and Gas Board of Alabama
2 Administrative Code, to enter an order extending the temporarily abandoned status
3 for certain wells in the Brookwood Coal Degasification Field, Tuscaloosa and
4 Jefferson Counties, Alabama, in the following areas, for a period of one (1) year:
5

6 Township 19 South, Range 6 West, Tuscaloosa County
7 Section 31
8

9 Township 19 South, Range 7 West, Tuscaloosa County
10 Sections 31, 32, 33, 34 and 35
11

12 Township 19 South, Range 8 West, Tuscaloosa County
13 Sections 25, 26, 27, 33 and 35
14

15 Township 20 South, Range 6 West, Tuscaloosa County
16 Sections 6 and 7
17

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

21 Township 20 South, Range 8 West, Tuscaloosa County
22 Sections 3, 4, 10, 13, 14, 15, 23 and 24
23

24 The previously granted temporarily abandoned status expires on June 27, 2007, and
25 Petitioner is requesting this Board to grant a one year extension of the temporarily
26 abandoned status beginning June 27, 2007, because all of the wells in the
27 aforementioned Sections have future utility and should not be plugged.
28

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

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

1
2 7. DOCKET NO. 8-2-07-6

3 Continued petition by LOWER 15 OIL CORPORATION, an Alabama
4 corporation, requesting the State Oil and Gas Board to enter an order force
5 pooling, without the imposition of a risk compensation penalty, all tracts and
6 interests in hydrocarbons produced from the re-entry of the Mattie Clark #1 Well,
7 Permit No. 1280, located on a 40-acre unit consisting of the Northwest Quarter of
8 the Southeast Quarter of Section 1, Township 10 North, Range 3 West, Choctaw
9 County, Alabama, in the Gilberttown Oil Field.

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

14
15 The public is further advised that, pursuant to this hearing the applicable
16 provision of the Code of Alabama (1975), and the State Oil and Gas Board of
17 Alabama Administrative Code, the Board will enter such Order or Orders as in its
18 judgment may be necessary in accordance with the evidence submitted and
19 accepted.

20
21 8. DOCKET NO. 9-5-07-5

22 Continued petition by SUNDOWN ENERGY, L.P., a foreign limited partnership
23 authorized to do and doing business in the State of Alabama, requesting the State
24 Oil and Gas Board to enter an order approving the reformation of a 40-acre wildcat
25 drilling unit for the Weyerhaeuser 36-12 No. 1 Well, Permit No. 15312, consisting
26 of the Northwest Quarter of the Southwest Quarter of Section 36, Township 16
27 South, Range 16 West, Lamar County, Alabama, to a 320-acre production unit in the
28 McGee Lake Field consisting of the South Half of Section 36, Township 16 South,
29 Range 16 West, Lamar County, Alabama.

30
31 This petition is filed as a companion to a petition bearing Docket No. 9-5-07-06
32 requesting approval of an exceptional location for the referenced well.

33
34 9. DOCKET NO. 9-5-07-6

35 Continued petition by SUNDOWN ENERGY, L.P., a foreign limited partnership
36 authorized to do and doing business in the State of Alabama, requesting the State
37 Oil and Gas Board to enter an order approving an exceptional location for the
38 Weyerhaeuser 36-12 No. 1 Well, Permit No. 15312, on a proposed reformed 320-
39 acre production unit consisting of the South Half of Section 36, Township 16 South,
40 Range 16 West, Lamar County, Alabama, in the McGee Lake Field, as an
41 exception to Rule 3(b) of the Special Field Rules for said Field which requires

1 that wells be located at least 660 feet from every exterior boundary of the drilling
2 unit. The location of the referenced well on said proposed reformed 320-acre unit
3 is 910 feet from the North line and 330 feet from the West line of said 320-acre
4 unit and, as such, will be an exception to said Rule 3(b).

5
6 This petition is filed as a companion to a petition bearing Docket No. 9-5-07-05
7 requesting approval of the reformation of a 40-acre wildcat drilling unit for the
8 referenced well to a 320-acre production unit in the McGee Lake Field.
9

10 10. DOCKET NO. 10-3-07-1

11 Continued petition by DENBURY ONSHORE, LLC, a foreign limited liability
12 company, authorized to do and doing business in the State of Alabama, requesting
13 the State Oil and Gas Board of Alabama, pursuant to Rule 400-1-4-.17(1) of the
14 State Oil and Gas Board of Alabama Administrative Code, to enter an order
15 approving the temporarily abandoned status and pursuant to Rule 400-4-2-.01(5)
16 of the State Oil and Gas Board of Alabama Administrative Code to enter an order
17 approving the extension of the Class II injection permits with the approvals
18 applying to certain wells located in the Citronelle Field, Mobile County, Alabama,
19 in the following areas for a period of one (1) year:
20

21 Citronelle Unit

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

25 Township 2 North, Range 2 West
26 Sections 17, 18, 19, 20, 29, 30, 31
27

28 Township 1 North, Range 3 West
29 Sections 1, 2, 3, 10, 11, 12, 13, 14
30

31 Township 1 North, Range 2 West
32 Sections 5, 6, 7, 8, 9, 16, 17, 18
33

34 Southeast Citronelle Unit

35 Township 1 North, Range 2 West
36 Sections 4, 5, 8, 9, 10
37

38 Township 2 North, Range 2 West
39 Sections 32 and 33

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East Citronelle Unit

Township 1 North, Range 2 West
Section 6

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

11. DOCKET NO. 10-3-07-5

Continued petition by ROBINSON'S BEND OPERATING II, LLC, 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 reforming the unit for the Brewer #11-8-511 Well, Permit No. 9927-C, from an 80-acre unit consisting of the South Half of the Northeast Quarter of Section 11, Township 22 South, Range 12 West, Tuscaloosa County, Alabama, in the Robinson's Bend Coal Degasification Field to a 40-acre unit consisting of the Southeast Quarter of the Northeast Quarter of said Section 11.

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

12. DOCKET NO. 10-3-07-8

Continued petition by ESCAMBIA OPERATING CO., LLC, a foreign limited liability company, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to review the amount of surety required for wells and facilities operated by Petitioner in Alabama as ordered by the Board in Order No. 2006-146 issued on September 21, 2006.

13. DOCKET NO. 11-7-07-1

Petition by CARRIZO OIL & GAS, INC., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama to enter an order establishing permanent allowables for the Carrizo Oil & Gas, Inc. Black Stone - Callon 9-9 No. 1 Well, Permit No. 14976-B, in the West Chitterling Creek Oil Field, Escambia County, Alabama in accordance with Rule 7 of the Special Field Rules for said field.

14. DOCKET NO. 11-7-07-2

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 Abston 32-05-263 Well, Permit No. 11854-C, from an 80-acre unit consisting of

1 the West Half of the Northwest Quarter of Section 32, Township 20 South, Range
2 7 West, Tuscaloosa County, Alabama, in the Brookwood Coal Degasification
3 Field to a 40-acre unit consisting of the Southwest Quarter of the Northwest
4 Quarter of said Section 32.
5

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

10 15. DOCKET NO. 11-7-07-3

11 Petition by BLACK WARRIOR METHANE CORP., an Alabama corporation,
12 requesting the State Oil and Gas Board to enter an order reforming the unit for the
13 JWR 6-4-372 Well, Permit No. 13686-C, from an 80-acre unit consisting of the
14 North Half of the Northwest Quarter of Section 6, Township 21 South, Range 7
15 West, Tuscaloosa County, Alabama, in the Brookwood Coal Degasification Field
16 to a 40-acre unit consisting of the Northwest Quarter of the Northwest Quarter of
17 said Section 6.
18

19 Although Petitioner requests the Board to eliminate certain lands from the present
20 spacing unit, Petitioner proposes to drill another coalbed methane well in the
21 lands proposed to be eliminated.
22

23 16. DOCKET NO. 11-7-07-4

24 Petition by BLACK WARRIOR METHANE CORP., an Alabama corporation,
25 requesting the State Oil and Gas Board to enter an order reforming the unit for the
26 JWR 32-13-262 Well, Permit No. 11855-C, from an 80-acre unit consisting of the
27 West Half of the Southwest Quarter of Section 32, Township 20 South, Range 7
28 West, Tuscaloosa County, Alabama, in the Brookwood Coal Degasification Field
29 to a 40-acre unit consisting of the Southwest Quarter of the Southwest Quarter of
30 said Section 32.
31

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

36 17. DOCKET NO. 11-7-07-5

37 Petition by BLACK WARRIOR METHANE CORP., an Alabama corporation,
38 requesting the State Oil and Gas Board to enter an order reforming the unit for the
39 JWR 31-08-288 Well, Permit No. 12120-C, from an 80-acre unit consisting of the
40 East Half of the Northeast Quarter of Section 31, Township 20 South, Range 7
41 West, Tuscaloosa County, Alabama, in the Brookwood Coal Degasification Field

1 to a 40-acre unit consisting of the Southeast Quarter of the Northeast Quarter of
2 said Section 31.
3

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

8 18. DOCKET NO. 11-7-07-6

9 Petition by BLACK WARRIOR METHANE CORP., an Alabama corporation,
10 requesting the State Oil and Gas Board to enter an order reforming the unit for the
11 JWR 31-11-313 Well, Permit No. 12273-C, from an 80-acre unit consisting of the
12 East Half of the Southwest Quarter of Section 31, Township 20 South, Range 7
13 West, Tuscaloosa County, Alabama, in the Brookwood Coal Degassification Field
14 to a 40-acre unit consisting of the Northeast Quarter of the Southwest Quarter of
15 said Section 31.
16

17 Although Petitioner requests the Board to eliminate certain lands from the present
18 spacing unit, Petitioner proposes to drill another coalbed methane well in the
19 lands proposed to be eliminated.
20

21 19. DOCKET NO. 11-7-07-7

22 Petition by BLACK WARRIOR METHANE CORP., an Alabama corporation,
23 requesting the State Oil and Gas Board to enter an order reforming the unit for the
24 JWR 31-13-347 Well, Permit No. 13100-C, from an 80-acre unit consisting of the
25 West Half of the Southwest Quarter of Section 31, Township 20 South, Range 7
26 West, Tuscaloosa County, Alabama, in the Brookwood Coal Degassification Field
27 to a 40-acre unit consisting of the Southwest Quarter of the Southwest Quarter of
28 said Section 31.
29

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

34 20. DOCKET NO. 11-7-07-8

35 Petition by BLACK WARRIOR METHANE CORP., an Alabama corporation,
36 requesting the State Oil and Gas Board to enter an order reforming the unit for the
37 JWR 31-2-348 Well, Permit No. 12891-C, from an 80-acre unit consisting of the
38 West Half of the Northeast Quarter of Section 31, Township 20 South, Range 7
39 West, Tuscaloosa County, Alabama, in the Brookwood Coal Degassification Field
40 to a 40-acre unit consisting of the Northwest Quarter of the Northeast Quarter of
41 said Section 31.

1
2 Although Petitioner requests the Board to eliminate certain lands from the present
3 spacing unit, Petitioner proposes to drill another coalbed methane well in the
4 lands proposed to be eliminated.
5

6 21. DOCKET NO. 11-7-07-9

7 Petition by BLACK WARRIOR METHANE CORP., an Alabama corporation,
8 requesting the State Oil and Gas Board to enter an order reforming the unit for the
9 JWR 6-2-371 Well, Permit No. 13668-C, from an 80-acre unit consisting of the
10 North Half of the Northeast Quarter of Section 6, Township 21 South, Range 7
11 West, Tuscaloosa County, Alabama, in the Brookwood Coal Degasification Field
12 to a 40-acre unit consisting of the Northwest Quarter of the Northeast Quarter of
13 said Section 6.
14

15 Although Petitioner requests the Board to eliminate certain lands from the present
16 spacing unit, Petitioner proposes to drill another coalbed methane well in the
17 lands proposed to be eliminated.
18

19 22. DOCKET NO. 11-7-07-10

20 Petition by BLACK WARRIOR METHANE CORP., an Alabama corporation,
21 requesting the State Oil and Gas Board to enter an order approving an exceptional
22 location for the proposed JWR 31-05-502 well as an exception to Rule 4B of the
23 Special Field Rules for the Brookwood Coal Degasification Field. Petitioner
24 proposes to drill said well on a 40-acre unit consisting of the Southwest Quarter of
25 the Northwest Quarter of Section 31, Township 20 South, Range 7 West, Tuscaloosa
26 County, Alabama, at a location 14 feet from the North line and 41 feet from the East
27 line of said 40-acre unit. Rule 4B of the Special Field Rules requires that wells
28 drilled in said Field be at least 150 feet from every exterior boundary of the unit,
29 and the proposed location for the referenced well, being 14 feet from the northern
30 boundary and 41 feet from the eastern boundary of the proposed unit, will be an
31 exception to said Rule 4B.
32

33 23. DOCKET NO. 11-7-07-11

34 Petition by BLACK WARRIOR METHANE CORP., an Alabama corporation,
35 requesting the State Oil and Gas Board to enter an order reforming the unit for the
36 JWR 31-04-310 Well, Permit No. 12254-C, from an 80-acre unit consisting of the
37 West Half of the Northwest Quarter of Section 31, Township 20 South, Range 7
38 West, Tuscaloosa County, Alabama, in the Brookwood Coal Degasification Field
39 to a 40-acre unit consisting of the Northwest Quarter of the Northwest Quarter of
40 said Section 31.

1 Although Petitioner requests the Board to eliminate certain lands from the present
2 spacing unit, Petitioner proposes to drill another coalbed methane well in the
3 lands proposed to be eliminated.
4

5 24. DOCKET NO. 11-7-07-12

6 Petition by SKLAR EXPLORATION COMPANY, LLC, a Louisiana limited
7 liability company authorized to do and doing business in the State of Alabama,
8 requesting the State Oil and Gas Board of Alabama to enter an order amending
9 Rule 1 of the Special Field Rules for the Little Cedar Creek Field to add the
10 following described parcels to the field limits of said field: the Northwest Quarter
11 and the Southwest Quarter of Section 5 and the Northwest Quarter of Section 8,
12 Township 4 North, Range 13 East, Conecuh County, Alabama. This petition is
13 filed pursuant to Ala. Code Sections 9-17-1, *et seq.* and Rules 400-1, *et seq.* of the
14 State Oil and Gas Board of Alabama Administrative Code.
15

16 25. DOCKET NO. 11-7-07-13

17 Petition by SUNDOWN ENERGY, L.P., a foreign limited partnership, authorized
18 to do and doing business in the State of Alabama, requesting the State Oil and Gas
19 Board to enter an order approving an exceptional location for the re-entry of the
20 McKinley Cash 5-10 #1 Well, Permit No. 4013, on a 320-acre unit consisting of
21 the South Half of Section 5, Township 17 South, Range 14 West, Lamar County,
22 Alabama, in the Kennedy Field, as an exception to Rule 3(b) of the Special Field
23 Rules for said Field. Said Rule 3(b) requires that wells be located at least 660 feet
24 from every exterior boundary of the drilling unit, and the location of the
25 referenced well is 1628 feet from the East line and 579 feet from the North line of
26 said 320-acre unit, and as such, is an exception to said 3(b).
27

28 26. DOCKET NO. 4-30-03-7

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

1 27. DOCKET NO. 4-25-06-34

2 Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA
 3 requesting Operator, Lower 15 Oil Corporation to show cause why the following
 4 abandoned wells located in the Gilbertown Field, Choctaw County, Alabama, and
 5 described hereinbelow should not be ordered plugged and abandoned in
 6 accordance with Rule 400-1-4-.14 of the State Oil and Gas Board of Alabama
 7 Administrative Code relating to Plugging and Abandonment of Wells and the well
 8 sites and associated tank battery sites restored in accordance with Rule 400-1-4-
 9 .16 of the State Oil and Gas Board of Alabama Administrative Code relating to
 10 Restoration of Location. Additionally, the Frank Gibson #1 Well, Permit No.
 11 1071, which is described hereinbelow under Plugged and Abandoned well was
 12 plugged and abandoned on August 21, 1997, however the well site has not been
 13 restored in accordance with Rule 400-1-4-.16 of the State Oil and Gas Board of
 14 Alabama Administrative Code relating to Restoration of Location. Further, the
 15 Board is requesting the operator to show cause why sites, such as well sites,
 16 production facility sites, and Class II injection facility sites should not be ordered
 17 to be brought into compliance with Rule 400-1-4-.10 of the State Oil and Gas
 18 Board of Alabama Administrative Code relating to Site Maintenance.

19
 20 East Gilbertown Eutaw Unit Wells & Tank Batteries

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>
(Tank Battery No.)	(Tank Battery)	
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

29
 30 Other Well

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

34
 35 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

1 28. DOCKET NO. 8-2-07-7

2 Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA
 3 requesting Operator, Cedarhill Operating Co., L.L.C., to show cause why the
 4 following abandoned wells located in the Gilbertown Field and Bucatunna Creek
 5 Field in Choctaw County, Alabama, and described hereinbelow should not be
 6 ordered plugged and abandoned in accordance with Rule 400-1-4-.14 of the State
 7 Oil and Gas Board of Alabama Administrative Code relating to Plugging and
 8 Abandonment of Wells and the well sites and associated tank battery sites
 9 restored in accordance with Rule 400-1-4-.16 of the State Oil and Gas Board of
 10 Alabama Administrative Code relating to Restoration of Location.

11
 12 Gilbertown Field Wells and Tank Batteries

14	<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>
15	<u>(Tank Battery No.)</u>	<u>(Tank Battery)</u>	
17	11476	Boney 33-8 #1	S33, T11N, R4W
18	(11476 TB)	(Boney 33-8 #1)	S33, T11N, R4W
20	3038	Bonner Merritt #35-5	S35, T11N, R5W
21	3078	Davis #34-8	S34, T11N, R5W
22	3470	Merritt #34-1	S34, T11N, R5W
23	4241	Land et al 34-2 #2	S34, T11N, R5W
24	(3038 TB)	(Bonner Merritt #35-5)	S34, T11N, R5W
26	11464	Merritt 35-4 #1	S35, T11N, R5W
27	(11464 TB)	(Merritt 35-4 #1)	S35, T11N, R5W
29	2862-AB	Land Brothers 36-5 #2	S36, T11N, R5W
30	2930-AB	Land 36-6 #1	S36, T11N, R5W
31	13646-BH	Davis 35-7 #1	S35, T11N, R5W
32	13755-BH	Triad 36-7 #1	S36, T11N, R5W
33	(2862-AB TB)	(Land Brothers 36-5 #2)	S36, T11N, R5W

34
 35 Bucatunna Creek Underground Injection Control Well

36	2753-B-SWD-80-1	Johnson 14-14#1	S14, T11N, R5W
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1 29. DOCKET NO. 1-31-07-8A

2 Continued MOTION FOR REHEARING by LOWER 15 OIL CORPORATION,
 3 pursuant to the Alabama Administrative Procedure Act, Section 42-22-1 et seq. of
 4 the Code of Alabama (1975) requesting that the Board, upon rehearing, will
 5 modify or set aside its order related to its decision entered as Order No. 2007-97
 6 on June 15, 2007, regarding a petition by Lower 15 Oil Corporation. The
 7 application for rehearing relates to the petition bearing the docket number set
 8 forth herinabove.
 9

10 30. DOCKET NO. 10-3-07-12

11 Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA
 12 for Operator, ENERGY RECOVERY GROUP., to show cause why the wells
 13 described hereinbelow located in the Baldwin, Covington, Conecuh, Mobile and
 14 Walker Counties, Alabama, should not be found in violation of Rule 400-1-6-.10
 15 of the State Oil and Gas Board of Alabama Administrative Code relating to Site
 16 Maintenance and Rule 400-1-10-.01 of the State Oil and Gas Board of Alabama
 17 Administrative Code relating to Reports. Further pursuant to this Motion the
 18 Operator shall show cause why the wells described hereinbelow should not be
 19 ordered plugged and abandoned in accordance with Rule 400-1-4-.14 of the *State*
 20 *Oil and Gas Board of Alabama Administrative Code* relating to Plugging and
 21 Abandonment of Wells and the well sites and associated production facility sites
 22 restored in accordance with Rule 400-1-4-.16 of the *State Oil and Gas Board of*
 23 *Alabama Administrative Code* relating to Restoration of Location.

24 Baldwin County Wells

<u>Permit No</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
25 4548	Gulf State Park 7-13 #1	S7, T9S, R5E	Gulf State Park
26 5791	Smith et al Unit 38 #1	S38, T8S, R4E	Swifts Landing
27 6435	Dora Hand et al 32 #1	S32, T8S, R3E	South Weeks Bay
28 10036	Magnolia Land Co. 35-2 #1	S35, T7S, R3E	East Magnolia Springs
29 10037	Burnett 37 #1	S37, T8S, R4E	Oak
30 12325	Flowers Stewart 18-8	S18, T8S, R4E	Pleasant View

31 Covington County Wells

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
32 6239	Paramount-Jeffers 17-9 #1	S17, T1N, R14E	West Falco
33 8788	Paramount-Federal 16-14 #1	S16, T1N, R14E	West Falco
34 9950-	Paramount- Federal 21-1 #1	S21, T1N, R14E	West Falco
35 SWD-91-12			
36 10489	Smak-Dixon 31-6 #1	S31, T3N, R15E	Pleasant Home
37 10632	Smak-Dixon 31-11 #1	S31, T3N, R15E	Pleasant Home

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1 10735-B Smak-Dixon 31-10 #1 S31, T3N, R15E Pleasant Home
2 10874 Smak-Dixon 31-7 #1 S31, T3N, R15E Pleasant Home
3 11023- Smak-Dixon 31-10 SWD #1 S31, T3N, R15E Pleasant Home
4 SWD-96-2
5 11096-B Smak-Murphy 13-4#1 S13, T3N, R14E South Copeland
6 Creek

7
8 Conecuh County Well

9
10 Permit No. Well Name Location Field
11
12 12049-BD. W. McMillan 31-15#1 S31, T4N, R10E Juniper Creek
13

14 Mobile County Well

15
16 Permit No. Well Name Location Field
17
18 4412-A R. J. Newman et al 21-11#1 S21, T1S, R1W Turnerville
19

20 Walker County Well

21
22 Permit No. Well Name Location Field
23
24 3246 U. S. Steel 17-14#1 S17, T13S, R10W Eldridge
25 5131 McPoland et al 7-16#1 S7, T13S, R10W Eldridge
26 5132 McPoland et al 8-13#1 S8, T13S, R10W Eldridge
27 5283 McPoland et al 8-7#1 S8, T13S, R10W Eldridge
28 5539 U. S. Steel 8-10#1 S8, T13S, R10W Eldridge
29 5622 U. S. Steel 9-12#1 S9, T13S, R10W Eldridge
30 5916 Gordon Davis 17-12#1 S17, T13S, R10W Eldridge
31 6254 McPoland et al 18-16#1 S18, T13S, R10W Eldridge
32 6310 U. S. Steel 20-4#1 S20, T13S, R10W Eldridge
33 6355 Calvin 19-2#1 S19, T13S, R10W Eldridge
34 6388 Aultman 18-6#1 S18, T13S, R10W Eldridge
35 6972 U. S. Steel 19-10#1 S19, T13S, R10W Eldridge
36

37 Also, pursuant to this Motion the Operator shall show cause why these two
38 plugged and abandoned wells, the Thomas W. Walters et al Unit 13-10#1 Well,
39 Permit No. 4758, and the Brantley et al Unit 32-13 #1 Well, Permit No. 5266,
40 both of which were located in Baldwin County should not be found in violation of
41 Rule 400-1-4-.15 of the State Oil and Gas Board of Alabama Administrative Code
42 relating to Report of Well Plugging. Failure to comply with the Board's rules and
43 regulations may result in the Board issuing fines or taking other sanctions against
44 Operator, Energy Recovery Group. The Board may collect the proceeds of the
45 well bond covering these wells and use the proceeds to plug and abandon wells
46 and restore well locations.

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1 Hearings of the State Oil and Gas Board are public hearings, and members of the
2 public are invited to attend and present their position concerning petitions.
3 Requests to continue or oppose a petition should be received by the Board at least
4 two (2) days prior to the hearing. The public should be aware that a petition may
5 be set for hearing on the first day or second day of the hearing or may be
6 continued to another hearing at a later date. We suggest, therefore, that prior to
7 the hearing, interested parties contact the Board to determine the status of a
8 particular petition. For additional information, you may contact the State Oil and
9 Gas Board, P. O Box 869999, Tuscaloosa, Alabama 35486-6999, Telephone
10 Number 205/349-2852, Fax Number 205/349-2861, or by email at
11 petitions@ogb.state.al.us.
12

13 MR. ROGERS: The Hearings Reporter has received and compiled the proofs of
14 publication for the items appearing on the docket for the first time. These proofs of publication
15 for the items on the November 7 & 9, 2007, docket are admitted into the record. Furthermore,
16 copies of the information posted on the Website of the Secretary of State announcing these two
17 meetings of the State Oil and Gas Board on November 7 & 9, 2007, are also admitted into the
18 record. Also a copy of the information posted on the Website of the Secretary of State
19 announcing an emergency hearing of the State Oil and Gas Board scheduled for November 9,
20 2007, is admitted into the record.

21 (Whereupon, the proofs of publication and posting
22 on Secretary of State's website were received
23 in evidence)

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

27 (Whereupon, the Order was received in evidence)

28 MR. ROGERS: The procedure for this meeting is as follows: The Hearing Officer and
29 the staff will hear the uncontested items on the docket today and certain other items. The State
30 Oil and Gas Board will hear the recommendations of the Hearing Officer, contested items and
31 certain other items beginning at 10:00 a.m. on Friday, November 9, 2007, in the Board's office

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1 in Tuscaloosa. I will recommend the following petitions be continued: Item 3, Docket No. 2-28-
2 07-32, petition by Natural Gas and Oil, Inc.; Item 6, Docket No. 6-25-07-13, petition by El Paso
3 E & P Company, Limited Partnership; Item 7, Docket No. 8-2-07-6, petition by Lower 15 Oil
4 Corporation; Item 8, Docket No. 9-5-07-5, petition by Sundown Energy, Limited Partnership;
5 Item 9, Docket No. 9-5-07-6, petition by Sundown; Item 22, Docket No. 11-7-07-10, petition by
6 Black Warrior Methane Corporation; Item 23, Docket No. 11-7-07-11, petition by Black Warrior
7 Methane Corporation; Item 24, Docket No. 11-7-07-12, petition by Sklar Exploration Company,
8 LLC and two motions by the Board that we are going to recommend be continued. Item 26,
9 Docket No. 4-30-03-7, is a motion by the Board and Item 27, Docket No. 4-25-06-34, is a
10 motion by the Board. Item 29, Docket No. 1-31-07-8A, is a motion for rehearing. We will
11 recommend that motion be continued. Item 5, Docket No. 6-25-07-5A, is a petition by Black
12 Warrior Methane Corporation. I will recommend that that petition be continued with the
13 stipulation that the temporary abandoned status for the wells be continued until the next regularly
14 scheduled meeting of the Board. I will recommend the following petitions be dismissed without
15 prejudice: Item 1, Docket No. 11-1-06-10, petition by Saga Petroleum, LLC; Item 4, Docket No.
16 4-11-07-27, petition by Energen Resources Corporation, and Item 11, Docket No. 10-3-07-5,
17 petition by Robinson's Bend Operating II, LLC. The following items are set for hearing by the
18 Board on Friday: Item 12, Docket No. 10-3-07-8, petition by Escambia Operating Company,
19 LLC; Item 14, Docket No. 11-7-07-2, petition by Black Warrior Methane Corporation; Item 28,
20 Docket No. 8-2-07-7, a motion by the Board relating to Cedarhill Operating Company, LLC;
21 Item 30, Docket No. 10-3-07-12, a motion by the Board relating to Energy Recovery Group and
22 an emergency hearing by the Board, Docket No. 11-2-07-1, relating to wells operated by Energy
23 Recovery Group, LLC. Are there any corrections or comments on all those recommendations?
24 That brings us to the items to be heard today by the Hearing Officer. The first item is Item 2,
25 Docket No. 1-31-07-4A, petition by Mayne & Mertz, Inc.

26 MR. ESTEP: Mr. Rogers, I'm Mike Estep on behalf of Mayne & Mertz. I have one
27 witness today and would like to have him sworn in.

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

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1 MR. NEFE: My name is Erick Nefe.

2 MR. ROGERS: What is your address?

3 MR. NEFE: Spring, Texas.

4 (Witness was sworn by Mr. Rogers)

5 MR. ESTEP: Docket No. 1-31-07-4A is a request by Mayne & Mertz for approval of an
6 exceptional drilling unit in the Jernigan Mill Creek Field as an exception to Rule 3(a) of the
7 Special Field Rules for this field. Mayne & Mertz proposes to drill its Jones Trust 21-4 well on a
8 drilling unit comprised of the South Half of the Southwest Quarter of Section 16, the South Half
9 of the Southeast Quarter of Section 17, the North Half of the Northeast Quarter of Section 20 and
10 the North Half of the Northwest Quarter of Section 21, all in Township 1 North, Range 9 East,
11 Escambia County, Alabama. This well will test the Norphlet Gas Pool as defined in the Special
12 Field Rules for the Jernigan Mill Creek Field. We have prefiled exhibits in support of our
13 request for this exceptional unit. Mr. Nefe has previously testified before this Board as an expert
14 in the field of petroleum geology. He also has on file an affidavit of his qualifications as a
15 petroleum geologist. Mr. Nefe, have you prepared the exhibits in support of the exceptional
16 drilling unit requested today by Mayne & Mertz?

17 MR. NEFE: Yes.

18 MR. ESTEP: Are you familiar with the amended petition on file in this docket and the
19 Special Field Rules for Jernigan Mill Creek Field?

20 MR. NEFE: Yes.

21 MR. ESTEP: Mr. Rogers, I tender Mr. Nefe as an expert witness for giving testimony in
22 this matter.

23 MR. ROGERS: He is so recognized.

24 ERICK NEFE

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

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DIRECT EXAMINATION

Questions by Mr. Estep:

1
2
3 Q. Mr. Nefe, please turn in the booklet of exhibits to Exhibit 1. Tell the staff what is shown
4 here.

5 A. Exhibit 1 is a plat showing the field limits for Catawba Springs Field, West Catawba
6 Springs Field, part of Flomaton Field, the north boundary of Little Escambia Creek Field
7 and Jernigan Mill Creek Field. This plat also shows the proposed drilling unit for the
8 Mayne & Mertz, Inc. Jones Trust 21-4 No. 1 Well and the proposed bottom hole location
9 for the well within said drilling unit. Our proposed drilling unit is comprised of the South
10 Half of the Southwest Quarter of Section 16, the South Half of the Southeast Quarter of
11 Section 17, the North Half of the Northeast Quarter of Section 20 and the North Half of
12 the Northwest Quarter of Section 21, all in Township 1 North, Range 9 East. The
13 proposed bottom hole location for this well lies within the field limits of Jernigan Mill
14 Creek Field in the North Half of the Northwest Quarter of Section 21. Approximately
15 half of the proposed drilling unit lies outside the current field limits in Sections 20 and
16 21.

17 Q. Turn to Exhibit 2 and tell us what this exhibit depicts.

18 A. Exhibit 2 is a copy of the survey plat for the well location for the proposed Mayne &
19 Mertz, Inc. Jones Trust 21-4 No. 1 Well. The bottom hole location for this well is in the
20 North Half of the Northwest Quarter of Section 21. Outlined in red is the proposed
21 drilling unit for the Jones Trust 21-4 well. It will be a Norphlet test drilled to an
22 approximate total depth of 15,200 feet. Also shown on that plat are all the wells that
23 have been drilled previously in the Southwest Quarter of Section 16, the Southeast
24 Quarter of Section 17, the Northeast Quarter of Section 20 and the North Half of Section
25 21. At this time I would like to discuss the prior drilling activity in the area. Starting
26 from the north of our proposed location and going southeast there are three wells of
27 interest in the immediate area. The Exxon or Johnson 16-3, Permit No. 2031, was drilled
28 in 1975 and had a gas show on the mud log but it was never tested. Proceeding southeast

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1 to the Inexco Jones Trust 21-3 No. 1 whose Permit No. is 4426, that well gained 17 feet
2 of structure. It was drilled in 1985 and produced 779 barrels of oil and 6,967 Mcf of gas
3 from the Norphlet. The final well going to the southeast, the Pacific Enterprise/Fina
4 Jones Trust 21-7, Permit No. 8943, was drilled in 1990 and gained an additional 19 feet
5 relative to the Inexco well. That well produced .353 Bcf of gas and 93,793 barrels of oil.
6 We have incorporated all the tops, the dip meter and the 3-D seismic into the structural
7 mapping and it is our intent to drill the highest productive well on this structure.

8 Q. Turn to Exhibit 3. I think Mr. Nefe that this exhibit shows, according to your
9 interpretation, how your well is to be drilled on the highest point of the structure. Tell us
10 about that exhibit.

11 A. This is a structure map on the top of the Norphlet sand. It is in-depth and contoured on a
12 50-foot contour interval. This depth map was constructed by making a 3-D time structure
13 map using all the nearby well control, constructing an average velocity map down to the
14 top of the Norphlet, and multiplying these two maps to get the best and most accurate
15 depth map. As previously mentioned the dip meters were used for all structural mapping
16 and confirmed the structural dip mapped via the 3-D seismic. The major features on this
17 map are Fault A which is a 600-foot down-to-the-southwest fault shown in black on the
18 exhibit. The red area is the structural high associated with the Lou Ann salt uplift and the
19 structural faulting. As you can see within the red area we have located the well centrally
20 and centered it on the highest Norphlet area of the map. Also notice the location of the
21 Pacific Enterprises/Fina Jones Trust 21-7 well. This well was productive within the small
22 fault block to the northeast of the actual crest of the structure. Based on the area and the
23 amount of production from that well, the production data helps confirm that the faulting
24 and the overall structure are mapped correctly. Prior to leaving this page, please note the
25 locations of the 3-D strike line which runs northwest and southeast through the proposed
26 location and the 3-D dip line that runs northeast-southwest, again through the proposed
27 location.

28 Q. Turn to Exhibit 4 and tell us about this exhibit.

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- 1 A. This is the 3-D strike line which again runs northwest-to-southeast across the structure.
2 This is one line from 100-score mile 3-D that Mayne & Mertz acquired in 2004. To
3 summarize, it demonstrates that we intend to test the highest structural point on this 3-D
4 seismic line. What is very important on this line, it is estimated that we will get 50 to 90
5 feet high to the Jones Trust 21-7. As I previously mentioned, this well produced .353 Bcf
6 of gas and over 93,000 barrels of oil. The Pacific Enterprises well is located to the right
7 of our proposed Jones Trust well. The Norphlet top is shown in that well in red labeled
8 as Norphlet. The reflector is carried with the yellow horizon. This 3-D line clearly
9 shows that as you go northwest into our proposed location that you are gaining structure.
10 Once you get to the structure it is a relatively small target and then the structure rolls
11 back down and it continues down to the northwest.
- 12 Q. Okay. That 3-D seismic was actually seismic that was shot by Mayne & Mertz in 2004,
13 not acquired. Is that correct?
- 14 A. That's correct.
- 15 Q. Turn to Exhibit 5 and describe the information shown on that exhibit, please.
- 16 A. This is a 3-D dip line. It demonstrates the Norphlet, the yellow horizon, that we will test,
17 the highest structural point on this line. The 3-D dip line also shows the major faulting
18 across the structure. Fault A is again shown on the left side or it is southwest of our
19 proposed location. That is labeled on the exhibit. As you go to the northeast on the line
20 you see smaller faults which are shown as black and blue on the exhibit. The smaller
21 faults structurally fault the Norphlet down to the northeast. All of these faults control the
22 structuring that historically has been very difficult to correctly map and hook up without
23 3-D seismic.
- 24 Q. Is it your testimony, Mr. Nefe, that based upon your 3-D seismic interpretation and the
25 existing geological data from the wells drilled in this area that the proposed drilling unit
26 requested by Mayne & Mertz in this docket is the most appropriate unit for drilling a
27 proposed well?
- 28 A. Yes.

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1 Q. To try to permit this well on a unit consisting of the North Half of Section 21 would have
2 resulted in an extreme exceptional location. Is that correct?

3 A. That is correct.

4 Q. Looking at the Northeast Quarter of Section 21 is it your testimony that the North Half of
5 the Northeast Quarter of Section 21 would be nonproductive to this structure?

6 A. Yes.

7 Q. If you formed a governmental half section unit consisting of the North Half of Section 21
8 and got the Board to approve the resulting exceptional bottom hole location for the
9 proposed Jones Trust 21-4 well, would you then be encompassing the majority of this
10 structure and avoid the drilling of an unnecessary well?

11 A. No, it would not cover the majority of this feature based on the information shown on our
12 3-D seismic data. We might be forced to drill additional wells that are not necessary to
13 drain the hydrocarbons on this structure.

14 Q. So the request by Mayne & Mertz for this exceptional drilling unit if approved would
15 avoid the drilling of an unnecessary well or wells that could be required based upon your
16 geological interpretation either in the South Half of the Southwest Quarter of Section 16
17 or the South Half of the Southeast Quarter of Section 17 or perhaps both. Is that correct?

18 A. That's correct.

19 Q. If you would turn back to Exhibit 3, it appears that there could be some productive area to
20 the northwest and also to the southeast. I think that is shown in red. What additional
21 drilling or other action might Mayne & Mertz take if the proposed well drills up as
22 depicted by your exhibits and your geological interpretation?

23 A. We located the well by integrating all the information and feel confident that it is the
24 highest structural Norphlet location that is centrally located on this structure. Once we
25 log the well, run dip-meter, take bottom hole pressures and have several months of
26 production, we will incorporate this additional information to decide if another well is
27 warranted to drain this structure. If the additional data shows another well is needed one
28 possible option would be for us to form another exception 320-acre unit to the southeast

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1 in Section 21 and drill another well. This additional 320-acre unit would likely cover the
2 southeast portion of the structure as shown on the structure map in red. Regarding the
3 area to the northwest of the proposed drilling unit that is red on the structure map, I
4 believe that is very high risk. 3-D data can be affected as you approach large faulting. It
5 is called false shadow. It is due to drastic changes in the velocity of the rock on the low
6 side of the fault verses the high side of the fault and it can pull up the seismic data and
7 give you a false structure which is what I believe has occurred in this case. If through
8 production data or some other means we determine that that area of the structure is
9 productive, we have the option to increase the unit size or unitize the field and include
10 that area.

11 Q. But at this time you believe that the area to the northwest up in Section 17 is outside of
12 your unit showing red on Exhibit 3. You don't believe that that is actually productive of
13 hydrocarbons?

14 A. That's correct.

15 Q. It's kind of like a false positive.

16 A. That's correct.

17 Q. That is one reason why we are requesting a drilling unit here. One of the options that you
18 just mentioned is waiting to see what the data of the well, if it is productive, would
19 provide regarding this potentially productive area to the southeast. Depending on the
20 results of the proposed well, another possibility would be expanding the unit to add that
21 acreage if appropriate. The Board has the authority to expand production units by 50
22 percent, so Mayne and Mertz could come back to the Board with this additional data and
23 ask the Board to create an expanded production unit. Is that correct?

24 A. That is correct.

25 Q. Or you could petition the Board to have this area unitized or alternatively create an
26 additional 320-acre unit and drill a second well.

27 A. That is correct.

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1 Q. In any event, whichever scenario Mayne & Mertz decides to pursue your request would
2 be based in part on production data and petroleum engineering rather than just the 3-D
3 seismic and your geological interpretation.

4 A. That's correct.

5 Q. Erick, it is your testimony that the approval of this petition granting the 320-acre drilling
6 unit that you have described here will prevent the drilling of unnecessary wells and the
7 proposed 320-acre drilling unit will also protect the correlative rights of the owners in the
8 proposed unit and prevent waste as that term is defined?

9 A. Yes.

10 MR. ESTEP: Mr. Rogers, I would request that you accept into the record the affidavit of
11 notice that I have prefiled in this matter.

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

13 (Whereupon, the affidavit was received in evidence)

14 MR. ESTEP: And also Exhibits 1 through 5 testified to by Mr. Nefe.

15 MR. ROGERS: Those exhibits are admitted. Also, we have a letter from you, Mr. Estep,
16 to me dated January 9, 2007, where you go into some detail about the parties to be noticed at our
17 request. We will admit that letter into the record.

18 (Whereupon, the exhibits and letter were
19 received in evidence)

20 MR. ESTEP: Thank you. I tender the witness for any questions the staff may have.

21 MR. ROGERS: Any questions from the staff?

22 ERICK NEFE

23 EXAMINATION BY BOARD/STAFF

24 Questions by Mr. McQuillan:

25 Q. Mr. Nefe, in your Exhibit No. 3 within the drilling unit you show here there is that
26 section up in the northwest that is along the fault. You show a high area. What kind of
27 feeling do you have that that may be a false pull-up as well?

28 A. I need some clarification. Is that the area outside of the proposed drilling unit?

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1 Q. No, within the drilling unit.

2 A. Yes. That, again, could be a false positive and that is the reason that we located the
3 initial drill well centrally on the structure and away from the fault.

4 MR. MCQUILLAN: Thank you very much.

5 MR. ROGERS: Anything else, Mr. Estep, any other questions?

6 MR. ESTEP: That's all.

7 MR. ROGERS: The staff will review the evidence and make a recommendation to the
8 Board. The next item is Item 10, Docket No. 10-3-07-1A, petition by Denbury Onshore, LLC.

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

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

11 MR. DITTMAR: Gary Dittmar, Plano, Texas.

12 (Witness was sworn by Mr. Rogers)

13 MR. ESTEP: Mr. Rogers, Docket No. 10-3-07-1A is a request by Denbury Onshore,
14 LLC for approval of the temporarily abandoned status of certain wells in the Citronelle,
15 Southeast Citronelle and East Citronelle Units, Mobile County, Alabama, and also to extend the
16 Class II injection well permits on certain wells in these units for one year. We have prefiled an
17 affidavit of testimony in support of the amended petition executed by Mr. Dittmar who has
18 previously testified before this Board as an expert in the field of petroleum engineering. An
19 affidavit of his qualifications as a petroleum engineer is on file with the Board. Mr. Dittmar, are
20 you familiar with the amended petition filed in this docket and the status of the wells in question
21 in the Citronelle, Southeast Citronelle and East Citronelle Units, Mobile County, Alabama?

22 MR. DITTMAR: Yes.

23 MR. ESTEP: Did you prepare or cause to be prepared under your supervision and
24 control the Exhibit A list of wells attached to your affidavit of testimony filed in support of this
25 amended petition and also the Exhibit B map of wells in the three units at Citronelle Field?

26 MR. DITTMAR: Yes.

27 MR. ESTEP: Mr. Rogers, I tender Mr. Dittmar as an expert for giving testimony in this
28 matter.

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1 MR. ROGERS: He is so recognized.

2 GARY DITTMAR

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

5 DIRECT EXAMINATION

6 Questions by Mr. Estep:

7 Q. Gary, before we begin a discussion of the specific wells that are affected by our amended
8 petition, would you give us a short summary of Denbury's activities at Citronelle Field
9 since its acquisition of the prior operator's interest in February 2006?

10 A. One of the first things that Denbury did was expand the number of employees in
11 Citronelle from 15 to 29 to better monitor the field and to respond to any emergencies.
12 Battery upgrades were made in the form of adding PLC's, which are programmable logic
13 controllers, installed gas blankets on the water tanks, replaced oil and worn tanks and
14 rebuilt firewalls. Other surface upgrades were clearing right-of-way for the numerous
15 flowlines in the Citronelle Field and well work where we restored casing integrity
16 through the MIT program and other workovers.

17 Q. Tell us about the expenditures that Denbury has made since its acquisition at Citronelle.

18 A. As far as capital expenditures, the PLC system cost \$1.35 million to install. The original
19 estimate of that was \$879,000. LOE work that we did amounted to \$1.5 million which
20 included the gas blankets, the battery upgrades and cutting 135 miles right-of-way. Well
21 work that we did amounted to \$11.7 million of which hydraulic pump repairs were \$3.7
22 million, so workovers totaled \$8 million. Seventy-seven percent of that money went to
23 TA's, PA's and casing repair work. I believe Merit's only obligation going into 2006
24 initially was to plug three wells at an estimated cost of \$150,000.

25 Q. Tell us about the program to test wells for mechanical integrity that was in place at the
26 time of Denbury's acquisition, to the best of your knowledge.

27 A. At the beginning of 2006 there were 102 wells that needed to be pressure tested. We had
28 until the end of 2007 to test these wells. By mid-October 2006 all wells were tested, 14½

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1 months ahead of schedule. The results were that 33 wells had passed, 69 had failed the
2 pressure test. We have until the end of 2008 to restore integrity to those wells that failed
3 and we hope to accomplish this by mid-year 2008. To date 48 wells have been corrected
4 and 21 wells remain.

5 Q. If you would, discuss the impact of the work that Denbury has done at Citronelle in
6 relation to the production levels from the field.

7 A. By repairing any casing leaks as soon as possible and returning some of the failed MIT
8 wells to production, we have seen a steady increase in production levels in 2007. We are
9 currently just under 1,900 barrels a day gross production for all three units combined.

10 MR. ROGERS: Mike, this exhibit will need to be signed.

11 Q. In your affidavit of testimony that has been previously filed in connection with this
12 amended petition you attached Exhibits A and B. Tell us about the information shown on
13 Exhibits A and B to your affidavit.

14 A. Exhibit A is a listing of 113 wells to which Denbury is seeking approval of temporary
15 abandoned status. The listing notes whether the well is in a TP condition which is noted
16 in green or a TA condition which is noted in red and whether that well is a producer or an
17 injector. The count for each category is listed at the bottom of the document. The TP to
18 TA count is 56 wells are in TP status and 57 are in TA status. Exhibit B which you have
19 in front of you is a map which denotes well type and status of the wells in the three
20 Citronelle Units. It is color-coded to reflect TP and TA status as denoted in Exhibit A.
21 The fresh water wells are spotted and a one-half mile radius is drawn around each.

22 Q. Since we originally filed this petition back in September, the status of several wells
23 shown on Exhibits A and B have changed. Is that correct?

24 A. Yes.

25 Q. These changes basically reflect the normal state of flux at Citronelle regarding various
26 wells. Is that also correct?

27 A. Yes. Last year the number of wells in the petition was 124. This year that number is
28 113. Several wells were either returned to production or P&A, thus they were removed

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1 from the list. The number of TA wells dropped from 97 to 57 primarily due to the MIT-
2 TA program in place. Some of those wells were returned to production as previously
3 stated. The TP well count rose from 32 to 54.

4 Q. I believe on Exhibit A to our petition at this time there are approximately 22 wells which
5 failed the mechanical integrity test. Is that correct?

6 A. No. That number now is 21. The C-2-13 has been TP'd.

7 Q. Please discuss Denbury's plans to bring all wells that failed their mechanical integrity test
8 into compliance.

9 A. The current plan is to return 18 wells to production and P&A the remaining three wells.

10 Q. I think you have already testified to this but tell us again how soon you hope to have that
11 accomplished.

12 A. We plan to have this accomplished by mid-year of 2008.

13 Q. In addition, Gary, it is our understanding that there are approximately 34 wells in the
14 Citronelle, Southeast Citronelle and East Citronelle Units that passed their MIT but are
15 going to require additional work in order to comply with the Board's rules. Please
16 discuss Denbury's plans to accomplish this task.

17 A. As we did not view these wells as being as critical as the wells that failed their MIT, they
18 were pushed to the end of the list. At least four of these wells will be returned to
19 production and others are currently under evaluation. Our reservoir engineer and
20 geologist assigned to this project will determine which of those remaining wells will be
21 returned to production or TP'd. Those wells requiring only 200 feet of cement will be
22 TP'd first.

23 Q. Do you have a time frame when you hope to be able to complete work on these 34 wells?

24 A. Once we conclude our work on the 21 remaining wells, we will start work on these. We
25 will probably filter in a few of the 200 foot cement wells while we are doing the others.

26 Q. Certainly by this time next year you would have begun work on these 34 wells. Is that
27 correct?

28 A. That's correct.

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1 MR. ESTEP: Mr. Rogers, we received an e-mail from Ralph Hellmich of your office in
2 Mobile dated November 1. That e-mail lists the wells that failed the mechanical integrity test.
3 There is a separate list for the 34 wells that need either a cast-iron bridge plug or cement. Both
4 of those lists are effective as of October 25, 2007. If you believe it is appropriate we would be
5 happy to make that e-mail correspondence a part of this hearing.

6 MR. ROGERS: That would be fine.

7 GARY DITTMAR

8 EXAMINATION BY BOARD/STAFF

9 Questions by Mr. Masingill:

10 Q. It might be good, Mr. Dittmar, if you address the one well that you addressed in
11 testimony, the C-2-13 well, which brings that number down to 21.

12 A. Yes sir. That well failed pressure test. A cast-iron bridge plug was set above the perfs
13 and approximately 240 feet of cement was put on top of that. The leak was found in the
14 surface casing. The surface casing was backed off and the bad joints were replaced. The
15 well was MIT'd then and passed MIT. The wellhead was then put back on and the well
16 was put in TP status.

17 Q. Okay. That addresses it on the exhibit that you are putting into the record. Thank you.

18 DIRECT EXAMINATION

19 Questions by Mr. Estep:

20 Q. In addition, Gary, there are two abandoned tank batteries that have been the subject of
21 discussion between Denbury and the Oil and Gas Board staff and the Department of
22 Environmental Management. I know that the Board is concerned regarding the status of
23 these two abandoned batteries. Would you please tell us what plans Denbury has to
24 resolve this issue?

25 A. Work is currently underway to remove the surface equipment for these two batteries.
26 Barring any unforeseen delays, that work should be concluded by the end of the year.
27 The soil remediation will be delayed until a final decision on the remediation facility.

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1 That has been proposed to ADEM. Once we get their approval and the facility is built
2 then that soil will be remediated and put back in use.

3 Q. So in the meantime the tanks and the other metal on the surface locations will be removed
4 from these sites by the end of the year. Is that correct?

5 A. That's correct.

6 Q. At this time you are waiting on guidance from ADEM regarding the soil remediation.

7 A. That's correct.

8 Q. Certainly by this time next year we hope to have that issue resolved. Gary, would you
9 please tell us briefly about Denbury's plans to inject CO₂ in the Citronelle, Southeast
10 Citronelle, and East Citronelle Units as part of a tertiary recovery program?

11 A. In the short term the DOE has sponsored three sequestering projects in Alabama and
12 Mississippi. The first project is to inject CO₂ into a saline reservoir in Pascagoula,
13 Mississippi. The second project is to inject CO₂ into the producing horizon. Citronelle
14 was chosen for that project. The third project is to inject CO₂ in coal seams in the Black
15 Warrior Basin. The Citronelle project will inject between 5,000 and 7,500 tons of CO₂
16 into the pilot area consisting of one injector and four producers. The DOE awarded the
17 project to the University of Alabama Birmingham. Denbury along with the University of
18 Alabama, Alabama A&M, the University of North Carolina-Charlotte, the Geological
19 Survey of Alabama and Southern Companies are all part of the DOE technical committee
20 in project. Not only will the effect of production be monitored, the movement of the CO₂
21 plume would be monitored as well as any changes of surface foliage. Current timing of
22 injection is currently the start of the fourth quarter of 2008. This information will be
23 useful in the design of the fieldwide injection plans for Citronelle. The latest projection
24 shows that injection will begin in 2011. Prior to injection wells will need to be reworked
25 or redrilled. Batteries will need to be upgraded and a recycle center will need to be built.
26 The number of employees will have to also be increased. Some of this work will need to
27 be commenced by 2009.

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1 Q. As a result of Denbury's future plans for CO₂ injection, is it your testimony that the
2 inactive wells listed on Exhibit A to the amended petition and on your affidavit do have
3 future utility with respect to Denbury's operations in these three units?

4 A. Yes.

5 Q. As a result of this future utility, is it your testimony that these wells should be classified
6 as temporarily abandoned and the Class II permits for those inactive injection wells listed
7 on Exhibit A to the amended petition should be extended?

8 A. Yes.

9 Q. If it is later determined by Denbury that these wells do not have any future utility, then
10 you will plan to plug and abandon these wells in accordance with the Board's rules and
11 regulations, correct?

12 A. Correct.

13 Q. Gary, in your opinion will the granting of the amended petition in Docket No. 10-3-07-
14 1A provide for the orderly development of the Citronelle, Southeast Citronelle, and East
15 Citronelle Units and promote the full development of these units?

16 A. Yes.

17 Q. Is it your opinion that the granting of the amended petition will prevent waste, avoid the
18 drilling of unnecessary wells and protect the coequal and correlative rights of all affected
19 interest owners?

20 A. Yes.

21 MR. ESTEP: Mr. Rogers, I would ask that you accept into the record the affidavit of
22 notice that I have prefiled in this matter.

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

24 (Whereupon, the affidavit was received in evidence)

25 MR. ESTEP: And also Mr. Dittmar's affidavit and the exhibits testified to by Mr.
26 Dittmar and the e-mail correspondence from Ralph Hellmich.

27 MR. ROGERS: Those items are admitted.

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1 (Whereupon, the affidavit, exhibits, and e-mail
2 correspondence were received in evidence)

3 MR. ESTEP: I tender the witness for any questions the staff may have.

4 MR. ROGERS: As we said the map, Exhibit B, needs to be signed.

5 MR. ESTEP: Yes.

6 MR. ROGERS: Mr. Masingill.

7 GARY DITTMAR

8 EXAMINATION BY BOARD/STAFF

9 Questions by Mr. Masingill:

10 Q. Mr. Dittmar, just for clarification on a couple of things, I know you testified your plans
11 for CO₂. The State is very excited about that and glad to see that moving forward. I
12 know you mentioned that first it was 22 wells but then you amended it to 21 wells that
13 have the failed MIT. You indicated that you thought Denbury would be to those wells by
14 mid-2008. Would Denbury have any problem committing to getting to those wells prior
15 to any CO₂ injection?

16 A. Field-wide CO₂ injection?

17 Q. Right.

18 A. Correct. We are bringing in a second rig and that rig should be there on Monday. Work
19 will start on other wells in addition to these 21.

20 Q. Those are the ones obviously that are of most concern. We would love to see those
21 addressed before we get to the CO₂. The other 34 wells, that's not quite as high priority.
22 You have no problem with that I assume?

23 A. No sir.

24 Q. On the contaminated soil issue with ADEM that you are dealing with and we understand
25 you have that application in and we are certainly willing to wait a while but are you okay
26 with the one-year time frame for trying to--in other words, if we can't get any decision by
27 ADEM from a year from now, I mean go ahead and address it in some other form or

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1 fashion. Is that okay? I would think you will get a decision surely if they are going to
2 allow you to do it within a year.

3 A. Right, for any clarification to a decision from them or completion of the facility? We
4 won't start construction on the facility until we get permission from them.

5 Q. Okay.

6 A. There will be approximately a two month window from the time that we get permission
7 until the time we start construction.

8 Q. Okay.

9 A. ADEM has sent a letter with a laundry list of questions and one of those items included
10 detailed drawings. Right now we have two engineering firms looking at that and we are
11 waiting for bids from them to see how much their drawings will be and then we will
12 award that and resubmit to ADEM. They should have all of that by the end of the year.

13 Q. From the time when ADEM would approve it, what kind of time would it take to get the
14 facility built?

15 A. I would think we could have it built within two months.

16 Q. Within two months.

17 MR. ESTEP: Progress is being made we feel like. Hopefully by the end of the first
18 quarter of 2008 we will have something from ADEM that would give us a couple of months to
19 construct the facility. By this time next year, knock on wood; it will be a moot point. It is also
20 something that we don't completely control. If ADEM does not respond in a timely manner we
21 may be back here next year saying, we could not get anything from ADEM and we are going to
22 move forward on our own.

23 MR. MASINGILL: Thank you. By the way, I just want to say that the Board is very
24 pleased with the operations of Denbury down there, Mr. Dittmar, and just carry that back to the
25 company. We are excited about the CO₂ program. We appreciate your diligence in addressing
26 these long-term TA wells and other issues at Citronelle.

27 MR. DITTMAR: Thank you.

28 MR. ROGERS: Anything else?

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1 MR. ESTEP: That's all.

2 MR. ROGERS: Why don't you sign these? The staff will review the record and make a
3 recommendation to the Board. The next item then is Item 13, Docket No. 11-7-07-1, petition by
4 Carrizo Oil and Gas, Inc.

5 MR. TYRA: Mr. Rogers, I'm John Tyra for Carrizo. We have prefiled an exhibit which
6 shows production history and pressure history for our Blackstone-Callon 9-9 well which shows
7 the history through October 15, 2007. We have received additional data that allows us to do this
8 same exhibit through October 31, 2007. I'll be giving you this morning the prefiled exhibit as
9 well as the new exhibit that extends it for an additional 16 days.

10 MR. ROGERS: That will be fine.

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

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

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

14 (Witness was sworn by Mr. Rogers)

15 MR. TYRA: Mr. Rogers, Docket No. 11-7-07-1 is a petition by Carrizo Oil and Gas, Inc.
16 to establish permanent allowables for the West Chitterling Creek Oil Field in Escambia County,
17 Alabama. They have drilled one well there, the Blackstone-Callon 9-9 No. 1 Well, Permit No.
18 14976-B. They are the only operator in the well so the notice has been by publication. Mr.
19 Hanby, have you previously testified before this Board, sir?

20 MR. HANBY: Yes sir I have.

21 MR. TYRA: Are your qualifications on file with the Board at this time?

22 MR. HANBY: Yes sir.

23 MR. TYRA: Are you familiar with the petition that we have filed on behalf of Carrizo as
24 to these permanent allowables?

25 MR. HANBY: Yes sir I am.

26 MR. TYRA: Have you also prepared the exhibit in support of that petition?

27 MR. HANBY: Yes I did.

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1 MR. TYRA: I would submit Mr. Hanby to you as an expert witness to testify in this
2 matter, please.

3 MR. ROGERS: He is so recognized.

4 KEN P. HANBY

5 Appearing as a witness on behalf of Petitioner, Carrizo Oil & Gas, Inc., testified as
6 follows:

7 DIRECT EXAMINATION

8 Questions by Mr. Tyra:

9 Q. Mr. Hanby, look at the exhibit that you have filed. Let's use the one through October 31,
10 2007, if that is alright with everyone. It is the most recent one. Explain what this exhibit
11 depicts, please.

12 A. This exhibit shows the production and pressure history of the Blackstone-Callon 9-9 No.
13 1 Well from June 19, 2007, through October 31, 2007. There are four curves on the
14 exhibit. Shown with the green line is the oil production. This is in barrels of oil per day.
15 The scale for that production is the scale on the left. Shown in red is the gas production
16 in Mcf per day. Once again, the scale is on the left side of the exhibit. The black curve is
17 the gas-oil ratio in standard cubic feet per day per barrel. That is in black and the scale
18 for the gas-oil ratio is the scale on the right. Finally, the flowing tubing pressure for the
19 well is shown with the blue line. The scale for that is also on the right. This shows the
20 daily production and pressure from this well. Cumulatively it has produced
21 approximately 24,000 barrels of oil and 15,000 Mcf of gas since it began production on
22 June 19, 2007.

23 Q. Is it correct that the temporary allowable for this well at this time is 225 barrels?

24 A. That's correct.

25 Q. Is that what we are requesting as a permanent allowable as well?

26 A. That is what is requested and proposed in the Special Field Rules, 225 barrels of oil per
27 day.

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1 Q. All right sir. Would the granting of the petition establishing the permanent allowable at
2 225 barrels a day prevent waste in your opinion as that term is defined by the statutes of
3 this State and the Oil and Gas Board Administrative Code?

4 A. Yes sir it would.

5 Q. Would it also protect correlative rights?

6 A. In my opinion it would, yes.

7 Q. All right sir.

8 MR. TYRA: I would ask that the exhibit of Mr. Hanby be admitted at this time.

9 MR. ROGERS: We will admit both of those as exhibits.

10 (Whereupon, the exhibits were received in evidence)

11 MR. TYRA: Thank you so much. I will submit Mr. Hanby for any questions the staff
12 may have.

13 MR. ROGERS: Any questions from the staff?

14 KEN P. HANBY

15 EXAMINATION BY BOARD/STAFF

16 Questions by Mr. Gregory:

17 Q. I would just like to clarify one thing. This does not show any water production on the
18 graph. I'm assuming there is none.

19 A. That is correct.

20 MR. ROGERS: Anything else, Mr. Tyra?

21 MR. TYRA: No sir, that's all.

22 MR. ROGERS: The staff will review the evidence and make a recommendation to the
23 Board. The next item is Item 15, Docket No. 11-7-07-3, petition by Black Warrior Methane
24 Corporation.

25 MR. WATSON: Mr. Rogers, could you call Item 25 since we have a live witness to
26 testify before we hear Item 15?

27 MR. ROGERS: A request has been made that we hear Item 25 before the other Black
28 Warrior matters. Is there any objection to this? Hearing none, that request is granted. The next

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1 item then will be Item 25, Docket No. 11-7-07-13A, petition by Sundown Energy Limited
2 Partnership.

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

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

5 MR. HIGGINBOTHAM: David Higginbotham, Tuscaloosa, Alabama.

6 (Witness was sworn by Mr. Rogers)

7 MR. WATSON: This is an amended petition by Sundown Energy LP requesting the
8 Board to approve an exceptional location for the re-entry of a well in the Kennedy Field, Lamar
9 County, Alabama, as an exception to Rule 3(b) of the Special Field Rules. Mr. Higginbotham,
10 you have appeared before this Board and have on file an affidavit of your qualifications as a
11 petroleum geologist. Is that correct?

12 MR. HIGGINBOTHAM: That's correct.

13 MR. WATSON: Are you familiar with the procedure and the geology associated with
14 the McKinley-Cash 5-10 No. 1 Well that Sundown proposes to re-enter?

15 MR. HIGGINBOTHAM: Yes I am.

16 MR. WATSON: Have you prepared exhibits in support of this re-entry?

17 MR. HIGGINBOTHAM: Yes I have.

18 MR. WATSON: I tender him as an expert witness, Mr. Rogers.

19 MR. ROGERS: He is so recognized.

20 DAVID HIGGINBOTHAM

21 Appearing as a witness on behalf of Petitioner, Sundown Energy LP, testified as follows:

22 DIRECT EXAMINATION

23 Questions by Mr. Watson:

24 Q. Take Exhibit No. 1 which is a plat, Mr. Higginbotham, and describe the information
25 shown on that plat, please, sir.

26 A. Exhibit No. 1 is a plat illustrating the proposed unit for the McKinley-Cash 5-10 No. 1.
27 This illustrates that the proposed unit is the South Half of Section 5.

28 Q. We are also showing on this plat an alternate 40-acre unit. Is that right?

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1 A. That's correct.

2 Q. As you enter this well if you encounter oil in this 40-acre unit it would be the unit that
3 would be automatically applicable to the re-entry, otherwise the 320-acre unit would be
4 the unit that you would be requesting?

5 A. That's correct.

6 Q. This well originally produced on an east half unit. Is that right?

7 A. That is correct.

8 Q. I have stated in our petition that when this well was plugged on February 26, 1992, it had
9 been completed in a Carter Sand Gas Pool. Is that correct?

10 A. That is correct.

11 Q. According to the Board's records, prior to the plugging of that well it had produced some
12 376,236 Mcf of gas?

13 A. That's correct.

14 MR. ROGERS: Would you state that again, Mr. Watson? What was that number you
15 just stated?

16 MR. WATSON: 376,236 Mcf, according to your records.

17 MR. ROGERS: Thank you.

18 Q. Let's talk about the re-entry now and what your intentions are. Turn to your Exhibit 2
19 and tell us what that is.

20 A. Exhibit No. 2 is an isopach map of the Millerella Sand Gas Reservoir. We believe that
21 there is eleven feet of Millerella sand that is potentially gas productive in the Sundown
22 well. Regional mapping in the area indicates that the Millerella is a very small reservoir
23 in aerial extent and appears to be localized in east-west trending lithotopes. This map
24 illustrates that the Cash well, Permit No. 4013, has eleven feet of sand. The other two
25 wells in the unit; Permit No. 4494, was not deep enough to encounter the Millerella and
26 Permit No. 4451 encountered three feet of Millerella sand but was so thin it was never
27 tested.

28 Q. Okay. What about your Exhibit 3, your structure map?

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- 1 A. Exhibit No. 3 is a structure contour map on top of the Carter sand. The reason I did a
2 structure map on top of the Carter sand as opposed to the Millerella sand is that the
3 Millerella sand does not go everywhere and is not a regionally correlatable structural
4 marker. In contrast, the Carter sand which is only about 40 feet below the Millerella sand
5 is a blanket sand in the area and is a very reliable structural marker. The structure
6 contour map shows that there is north dip in that the Cash well encountered the top of the
7 Carter at a subsea depth of -3622. The north dip as shown on this map reflects what the
8 Board has previously recognized as exhibits which show larger areas of geology for the
9 Kennedy Field. The fact that there is north structural dip is pretty well documented in
10 here.
- 11 Q. It is my understanding, Mr. Higginbotham, that the re-entry permit application shows the
12 Lewis sand as a target?
- 13 A. That is correct.
- 14 Q. We have filed as a part of the permit application an amended procedure for a Lewis test
15 and for a Millerella completion, proposed procedure. What is the game plan there?
- 16 A. This well was drilled and completed in the Carter sand. The Carter sand produced and
17 more than 15 years ago the well was plugged and abandoned. Looking at the logs, there
18 may be gas present in the Lewis sand and there is a much more likely chance that gas is
19 present in economic quantities in the Millerella sand. Sundown has acreage to the east of
20 this proposed unit. The reason we are re-entering this well is for the Millerella sand.
21 That is 99 percent of why we are re-entering the well. Because Sundown has interest in
22 the area and because the Lewis sand does show some possibilities of being gas
23 productive, the prudent thing to do is to test the Lewis in this particular well before
24 coming up and testing the Millerella.
- 25 Q. Okay. We are proposing a south half unit for this Millerella. Based on your geological
26 information, is that the best unit for the re-entry of this well, best in that it is supported
27 geologically?

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1 A. Yes. The south half unit is the most equitable unit in light of the fact of the distribution
2 of the Millerella sand and the fact that structural dip is to the north. The north half of the
3 section is more likely to be water productive than the south half.

4 MR. WATSON: Mr. Rogers, I would ask that you receive into the record of this hearing
5 Exhibits 1 through 3 to the testimony of Mr. Higginbotham.

6 MR. ROGERS: The exhibits are admitted.

7 (Whereupon, the exhibits were received in evidence;
8 letter received on 11/21/07 following the 11/7/07
9 hearing was incorporated into the record)

10 Q. Mr. Higginbotham, would the approval of this request for the re-entry of the McKinley
11 Cash 5-10 No. 1 Well prevent waste and protect correlative rights if the Board sees fit to
12 approve this re-entry?

13 A. Yes it would.

14 Q. We went right over this in your Exhibit No. 1 so let me come back and touch on this.
15 You have justified this unit but we have an exceptional location here in that Rule 3(b) of
16 the Special Field Rules for the Kennedy Field requires wells to be 660. This well, this re-
17 entry, on this south half unit is only 579 feet from the North line of that 320-acre unit. Is
18 that correct?

19 A. That is correct.

20 Q. Is that the optimum geological location to test this Millerella and Lewis as you have
21 depicted it geologically?

22 A. Yes it is.

23 Q. My question then is would the granting of this petition for this exceptional location
24 prevent waste and protect correlative rights?

25 A. Yes it would.

26 Q. I focused on the justification for the unit because it had the east half unit and your
27 geology supports the south half unit. That, coupled with the exceptional location which

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1 is the basis for our request here, forms our request and is what we are asking this Board
2 to approve. Is that correct?

3 A. That's correct.

4 MR. WATSON: I tender Mr. Higginbotham to the staff for any questions you have on
5 this item.

6 MR. ROGERS: Any questions from the staff? The staff will review the evidence and
7 make a recommendation to the Board. Thank you. The next item is Item 15, Docket No. 11-7-
8 07-3, petition by Black Warrior Methane Corporation.

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

11 MR. ROGERS: Are you referring to the affidavit of notice or the affidavit of testimony?

12 MR. WATSON: The affidavit of notice.

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

14 (Whereupon, the affidavit was received in evidence)

15 MR. WATSON: This is a request by Black Warrior Methane Corporation to reform an
16 80-acre unit for the Jim Walter Resources 6-4-372 well which is on an 80-acre unit consisting of
17 the North Half of the Northwest Quarter of Section 6, Township 21 South, Range 7 West, in the
18 Brookwood Coal Degasification Field. I have prefiled an affidavit of testimony from Eric
19 Hutchens who is qualified as the Operations Manager for Black Warrior. I would ask that the
20 affidavit of testimony be admitted.

21 MR. ROGERS: The affidavit is admitted.

22 (Whereupon, the affidavit was received in evidence)

23 MR. WATSON: In my petition I set out that the ownership is common in this 80-acre
24 unit for the reformation but I have also submitted and prefiled a letter of consent from Jim
25 Walter Resources for this reformation. I would ask that that be admitted to the record.

26 MR. ROGERS: The letter showing the consent by Jim Walter Resources, Inc. is
27 admitted.

28 (Whereupon, the letter of consent was received in evidence)

1 MR. WATSON: I would note for the record that a permit application has been filed with
2 the staff for the drilling of a second well if the Board approves this unit reformation. That's all I
3 have on this item. I would ask that you make a recommendation to the Board based on the
4 evidence after it is reviewed.

5 MR. ROGERS: Any questions from the staff? The staff has no questions. We will
6 review the evidence and make a recommendation to the Board. The next item is Item 16, Docket
7 No. 11-7-07-4, petition by Black Warrior Methane Corporation.

8 MR. WATSON: Please admit the affidavit of notice that I have filed in this item.

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

10 (Whereupon, the affidavit was received in evidence)

11 MR. WATSON: This again is a request to reform an 80-acre unit for the Jim Walter
12 Resources 32-13-262 well from an 80-acre unit to a 40-acre unit. The ownership is common in
13 this 80-acre unit. I have prefiled an affidavit of testimony of Mr. Hutchens. I would ask that that
14 affidavit of testimony be admitted to the record.

15 MR. ROGERS: The affidavit of Mr. Hutchens is admitted.

16 (Whereupon, the affidavit was received in evidence)

17 MR. WATSON: I have also prefiled a letter of consent from Jim Walter Resources
18 consenting to the reformation and would ask that that be admitted.

19 MR. ROGERS: The letter of consent from Jim Walter Resources is admitted.

20 (Whereupon, the letter was consent was received in evidence)

21 MR. WATSON: I would note for the record that a permit application has been filed for
22 the drilling of a second well if the Board sees fit to grant this reformation. I request that you
23 make a recommendation to the Board following a review of the evidence in this matter.

24 MR. ROGERS: Any questions from the staff? The staff has no questions. We will
25 review the evidence and make a recommendation to the Board. The next item is Item 17, Docket
26 No. 11-7-07-5, petition by Black Warrior Methane Corporation.

27 MR. WATSON: I have prefiled an affidavit of notice and an affidavit of testimony in
28 support of a petition to reform an 80-acre unit for the Jim Walter Resources 31-08-288 from an

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1 80-acre unit to a 40-acre unit. I would ask that those two affidavits be admitted into the record
2 along with a prefiled letter of consent from Jim Walter Resources.

3 MR. ROGERS: We have all three of those items, the affidavit of notice signed by Mr.
4 Watson, the affidavit of testimony signed by Mr. Hutchens and the letter of consent signed by
5 Jim Walter Resources, Inc. All those items are admitted.

6 (Whereupon, the affidavits and the letter of consent
7 were received in evidence)

8 MR. WATSON: I again note for the record the filing of a permit application for the
9 drilling of the second well should the Board see fit to grant this reformation. That's all I have on
10 that item.

11 MR. ROGERS: Any questions from the staff? The staff has no questions. We will
12 review the evidence and make a recommendation to the Board. The next item is Item 18, Docket
13 No. 11-7-07-6, petition by Black Warrior Methane Corporation.

14 MR. WATSON: I have prefiled an affidavit of notice, an affidavit of testimony of Mr.
15 Hutchens and a prefiled letter of consent from Jim Walter Resources for our reformation of an
16 80-acre unit to a 40-acre unit for the Jim Walter Resources 31-11-313 well. I have also
17 submitted a permit application for a second well should the Board reform this unit. I would ask
18 that you admit into the record those two affidavits and the letter of consent.

19 MR. ROGERS: On this item we have the affidavit of notice of Mr. Watson, the affidavit
20 of testimony of Mr. Hutchens and the letter of consent by Jim Walter Resources, Inc. All those
21 items are admitted.

22 (Whereupon, the affidavits and the letter of consent
23 were received in evidence)

24 MR. ROGERS: Any questions from the staff? The staff has no questions. We will
25 review the evidence and make a recommendation to the Board. The next item is Item 19, Docket
26 No. 11-7-07-7, petition by Black Warrior Methane Corporation.

27 MR. WATSON: I have prefiled an affidavit of notice, an affidavit of testimony in
28 support by Eric Hutchens and a letter of consent from Jim Walter Resources for the reformation

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1 of an 80-acre unit for the Jim Walter Resources 31-13-347 well from an 80-acre unit to a 40-acre
2 unit. I would ask that those two affidavits and that letter be admitted into the record.

3 MR. ROGERS: The affidavit of notice of Mr. Watson, the affidavit of testimony of Mr.
4 Hutchens and the letter of consent by Jim Walter Resources are admitted.

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

7 MR. WATSON: I will note for the record the filing of the permit application with the
8 drilling of the second well if the Board sees fit to approve this reformation. That's all I have on
9 that item.

10 MR. ROGERS: Any questions from the staff? The staff has no questions. We will
11 review the evidence and make a recommendation to the Board. The next item is Item 20, Docket
12 No. 11-7-07-8, petition by Black Warrior Methane Corporation.

13 MR. WATSON: I have prefiled an affidavit of notice in this matter along with an
14 affidavit of testimony of Eric Hutchens and a letter of consent from Jim Walter Resources for the
15 reformation of an 80-acre unit for the Jim Walter Resources 31-2-348 well. I would ask that
16 those two affidavits and the letter of consent be admitted into the record.

17 MR. ROGERS: The affidavits of Mr. Watson and Mr. Hutchens are admitted. The letter
18 from Jim Walter Resources is admitted.

19 (Whereupon, the affidavits and the letter of consent
20 were received in evidence)

21 MR. WATSON: I would note for the record the filing of the permit application for a
22 second well should the Board see fit to grant the reformation. That's all I have on that item.

23 MR. ROGERS: Let me make sure we have the right one. That was the JWR 31-2-348?

24 MR. WATSON: 31-2-348, right.

25 MR. ROGERS: Any questions from the staff? No questions from the staff. We will
26 review the evidence and make a recommendation to the Board. The last item is Item 21, Docket
27 No. 11-7-07-9, petition by Black Warrior Methane Corporation.

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1 MR. WATSON: I have prefiled an affidavit of notice, an affidavit of testimony in
2 support by Mr. Hutchens and a letter of consent from Jim Walter Resources for the reformation
3 of an 80-acre unit for the Jim Walter Resources 6-2-371 well from an 80-acre unit to a 40-acre
4 unit. I would ask that those two affidavits be admitted into the record along with a prefiled letter
5 of consent.

6 MR. ROGERS: The affidavit of notice from Mr. Watson, the affidavit of testimony of
7 Eric Hutchens and the letter of consent by Jim Walter Resources, Inc. are admitted.

8 (Whereupon, the affidavits and the letter of consent
9 were received in evidence)

10 MR. WATSON: I would note for the record the filing of a permit application for the
11 drilling of the second well if the Board sees fit to grant the reformation. That's all I have on this
12 item.

13 MR. ROGERS: Any questions from the staff? The staff has no questions. We will
14 review the evidence and make a recommendation to the Board on that item. Anything else? The
15 hearing is adjourned.

16 (Whereupon, the hearing was adjourned at 11:15 a.m.)

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1 REPORTER'S CERTIFICATE

2
3
4 STATE OF ALABAMA

5 COUNTY OF TUSCALOOSA
6

7 I, Rickey Estes, Hearing Reporter in and for the State of Alabama, do hereby certify that
8 on Wednesday, November 7, 2007, in the Board Room of the State Oil and Gas Board Building,
9 University of Alabama Campus, Tuscaloosa, Alabama, I reported the proceedings before a
10 Hearing Officer in Regular Session; that the foregoing 46 typewritten pages contain a true and
11 accurate verbatim transcription of said proceedings to the best of my ability, skill, knowledge,
12 and belief.

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

15 
16 Rickey Estes
17 Hearing Reporter