

April 14, 2008

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2. Steven Hutchings	24-25	---	---

James H. Griggs
5/22/08

MR

April 14, 2008

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Board Exhibit	Proofs of Publication Docket No. 3-12-08-24 Docket No. 3-12-08-25 Docket No. 3-12-08-26 Docket No. 3-12-08-27 Docket No. 4-14-08-1 Docket No. 4-14-08-2 Docket No. 4-14-08-3 Docket No. 4-14-08-4 Docket No. 4-14-08-5 Docket No. 4-14-08-6 Docket No. 4-14-08-7 Docket No. 4-14-08-8	18	18
Board Exhibit	Postings of April 14 & 16, 2008, Board meetings on Website of Secretary of State	18	18
Board Exhibit	Hearing Officer Order	18	18
Exhibit 1 (Item 7)	Revised affidavit of notice (Foster C. Arnold)	20	20
Exhibit 2 (Item 7)	Green return receipt card from Conoco Phillips Company (David Petty)	22	22
Exhibit 3 (Item 7)	Revised notice of testimony (David Petty)	22	22
Exhibit 1 (Item 8, 9, 10 & 11)	4/14/08 letter to Board (William T. Watson)	23	23
Exhibit 1 (Item 14)	Affidavit of notice (William T. Watson)	23	24

April 14, 2008

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 2 (Item 14)	Affidavit of testimony (Robert T. Wood)	25	25
Exhibit 3 (Item 14)	2/11/08 letter to James Richard Bane (Steven M. Hutchings)	24	25
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Exhibit 5 (Item 14)	2/11/08 letter to Kathryn Bane Gryska (Steven M. Hutchings)	24	25
Exhibit 6 (Item 14)	2/11/08 letter to Richard P. Holman, Jr. (Steven M. Hutchings)	24	25
Exhibit 7 (Item 14)	2/11/08 letter to James Albert Holman (Steven M. Hutchings)	24	25

April 14, 2008

EXHIBITS
(Incorporated by Reference)

<u>DESCRIPTION</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Testimony and exhibits related to Docket No. 3-5-08-1, Docket No. 3-5-08-2, Docket No. 3-5-08-3 and Docket No. 3-5-08-4A	22	22

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

April 14, 2008

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 14th day of April, 2008.

BEFORE

Mr. Marvin Rogers..... Attorney

STAFF

Dr. Berry H. Tew, Jr. Secretary and Supervisor

Dr. David E. Bolin Deputy Director

Mr. Jay H. Masingill Assistant Supervisor

Mr. Richard Raymond..... Assistant Supervisor

Mr. Douglas Hall..... Geologist

Mr. Butch Gregory Engineer

Mr. Bob Roark Geologist

April 14, 2008

APPEARANCES

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NAME	REPRESENTING
1. Jim Sledge Tuscaloosa, AL	Saga Petroleum LLC Company of Colorado
2. David Petty Hueytown, AL	Saga Petroleum LLC Company of Colorado
3. Steve Hutchings Mobile, AL	HighMount
3. Tom Watson Tuscaloosa, AL	GeoMet, Inc./ HighMount Black Warrior Basin, LLC

April 14, 2008

(The hearing was convened at 10:05 a.m. on
Monday, April 14, 2008, at Tuscaloosa, Alabama.)

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

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

AGENDA
STATE OIL AND GAS BOARD OF ALABAMA
BOARD MEETING
APRIL 14 & 16, 2008

The State Oil and Gas Board of Alabama will hold its regular meeting at 10:00
a.m. on Monday, April 14 and Wednesday, April 16, 2008, in the Board Room of
the State Oil and Gas Board, Walter B. Jones Hall, University of Alabama
Campus, 420 Hackberry Lane, Tuscaloosa, Alabama, to consider the following
item(s):

1. DOCKET NO. 9-5-07-5

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

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

2. DOCKET NO. 9-5-07-6

Continued petition by SUNDOWN ENERGY, L.P., a foreign limited partnership
authorized to do and doing business in the State of Alabama, requesting the State
Oil and Gas Board to enter an order approving an exceptional location for the
Weyerhaeuser 36-12 No. 1 Well, Permit No. 15312, on a proposed reformed 320-
acre production unit consisting of the South Half of Section 36, Township 16 South,

1 Range 16 West, Lamar County, Alabama, in the McGee Lake Field, as an
2 exception to Rule 3(b) of the Special Field Rules for said Field which requires
3 that wells be located at least 660 feet from every exterior boundary of the drilling
4 unit. The location of the referenced well on said proposed reformed 320-acre unit
5 is 910 feet from the North line and 330 feet from the West line of said 320-acre
6 unit and, as such, will be an exception to said Rule 3(b).
7

8 This petition is filed as a companion to a petition bearing Docket No. 9-5-07-05
9 requesting approval of the reformation of a 40-acre wildcat drilling unit for the
10 referenced well to a 320-acre production unit in the McGee Lake Field.
11

12 3. DOCKET NO. 2-6-08-11

13 Continued petition by DOMINION BLACK WARRIOR BASIN, INC., an
14 Alabama corporation, requesting the State Oil and Gas Board to enter an order
15 reforming the unit for the Jernigan 01-08-1069 Well, Permit No. 14513-C, from
16 an 80-acre unit consisting of the East Half of the Northeast Quarter of Section 1,
17 Township 18 South, Range 10 West, Tuscaloosa County, Alabama, in the Blue
18 Creek Coal Degasification Field to a 40-acre unit consisting of the Southeast
19 Quarter of the Northeast Quarter of said Section 1.
20

21 Although Petitioner requests the Board to eliminate certain lands from the present
22 spacing unit, Petitioner proposes to drill another coalbed methane well in the
23 lands proposed to be eliminated.
24

25 4. DOCKET NO. 3-12-08-14

26 Continued petition by SAGA PETROLEUM LIMITED LIABILITY COMPANY
27 OF COLORADO, a Colorado limited liability company, authorized to do and
28 doing business in the State of Alabama, requesting the State Oil and Gas Board to
29 enter an order reforming the unit for the CLC 24-5-18, Permit No. 11864-C, from
30 an 80-acre unit consisting of the West Half of the Northwest Quarter of Section
31 24, Township 19 South, Range 9 West, Tuscaloosa County, Alabama in the
32 Deerlick Creek Coal Degasification Field, to an 40-acre unit consisting of the
33 Southwest Quarter of the Northwest Quarter of Section 24, Township 19 South,
34 Range 9 West, Tuscaloosa County, Alabama, in the Deerlick Creek Coal
35 Degasification Field. Although Petitioner requests the Board to eliminate certain
36 lands from the present spacing unit, Petitioner proposes to drill another coalbed
37 methane well in the lands proposed to be eliminated from the current unit by
38 formation of an additional 40 acre unit comprised of the Northwest Quarter of the
39 Northwest Quarter of said Section 24, Township 19 South, Range 9 West,
40 Tuscaloosa County, Alabama.

1 5. DOCKET NO. 3-12-08-16

2 Continued petition by SAGA PETROLEUM LIMITED LIABILITY COMPANY
3 OF COLORADO, a Colorado limited liability company, authorized to do and
4 doing business in the State of Alabama, requesting the State Oil and Gas Board to
5 enter an order reforming the unit for the RGGS 30-16-59, Permit No. 13953-C,
6 from an 80-acre unit consisting of the East Half of the Southeast Quarter of
7 Section 30, Township 19 South, Range 5 West, Jefferson County, Alabama in the
8 Oak Grove Coal Degasification Field, to an 40-acre unit consisting of the
9 Southeast Quarter of the Southeast Quarter of Section 30, Township 19 South,
10 Range 5 West, Jefferson County, Alabama, in the Oak Grove Coal Degasification
11 Field. Although Petitioner requests the Board to eliminate certain lands from the
12 present spacing unit, Petitioner proposes to drill another coalbed methane well in
13 the lands proposed to be eliminated from the current unit by formation of an
14 additional 40 acre unit comprised of the Northeast Quarter of the Southeast
15 Quarter of said Section 30, Township 19 South, Range 5 West, Jefferson County,
16 Alabama.

17
18 6. DOCKET NO. 3-12-08-17

19 Continued petition by SAGA PETROLEUM LIMITED LIABILITY COMPANY
20 OF COLORADO, a Colorado limited liability company, authorized to do and
21 doing business in the State of Alabama, requesting the State Oil and Gas Board to
22 enter an order reforming the unit for the West 33-12-49, Permit No. 12840-C,
23 from an 80-acre unit consisting of the Northwest Quarter of the Southwest
24 Quarter and the Southwest Quarter of the Northwest Quarter of Section 33,
25 Township 19 South, Range 9 West, Tuscaloosa County, Alabama in the Deerlick
26 Creek Coal Degasification Field, to an 40-acre unit consisting of the Northwest
27 Quarter of the Southwest Quarter of Section 33, Township 19 South, Range 9
28 West, Tuscaloosa County, Alabama, in the Deerlick Creek Coal Degasification
29 Field. Although Petitioner requests the Board to eliminate certain lands from the
30 present spacing unit, Petitioner proposes to drill another coalbed methane well in
31 the lands proposed to be eliminated from the current unit by formation of an
32 additional 40 acre unit comprised of the Southwest Quarter of the Northwest
33 Quarter of said Section 33, Township 19 South, Range 9 West, Tuscaloosa
34 County, Alabama.

35
36 7. DOCKET NO. 3-12-08-19

37 Continued petition by SAGA PETROLEUM LIMITED LIABILITY COMPANY,
38 a Colorado limited liability company authorized to do and doing business in the
39 State of Alabama, requesting the State Oil & Gas Board of Alabama to enter an
40 order force pooling, without risk compensation, all tracts and interests in coalbed
41 methane produced from a well drilled to the Pottsville Formation on a unit

1 consisting of approximately 40 acres located in the Southeast Quarter of the
2 Northwest Quarter of Section 34, Township 19 South, Range 9 West, Tuscaloosa
3 County, Alabama, in the Deerlick Creek Coal Degasification Field. This petition
4 is in accordance with Section 9-17-13, ALABAMA CODE (1975), as amended, and
5 Rules 400-7-1 and 400-7-2 of the State Oil and Gas Board of Alabama
6 Administrative Code.

7
8 8. DOCKET NO. 3-12-08-24

9 Continued petition by GEOMET, INC., a Delaware corporation, requesting the
10 State Oil and Gas Board to enter an order approving a 160-acre wildcat drilling
11 unit consisting of the Northeast Quarter of Section 30, Township 12 South, Range
12 1 East, Blount County, Alabama, for the drilling of a vertical well and then a
13 horizontal lateral, namely the proposed Fallin 30-07-03 Well, in accordance with
14 Rule 400-1-2-.02(2)(b) of the State Oil and Gas Board of Alabama Administrative
15 Code which provides that a well may be drilled on a drilling unit consisting of a
16 governmental quarter section containing approximately 160 acres.

17
18 Petitioner permitted the Wittmeier 30-02-03 Well, Permit No. 15448, on a 40-acre
19 unit consisting of the Northwest Quarter of the Northeast Quarter of said Section 30,
20 but intends to cancel said permit.

21
22 This petition is filed as a companion to a petition bearing Docket No. 3-12-08-25
23 requesting approval of an exceptional location for the referenced well on the
24 proposed 160-acre wildcat drilling unit, a petition bearing Docket No. 3-12-08-26
25 requesting forced pooling without imposition of a risk compensation penalty, and
26 a petition bearing Docket No. 3-12-08-27 requesting an exception to Rule 400-1-
27 4-.09(2)(c) pertaining to the setting and cementing of production casing.

28
29 9. DOCKET NO. 3-12-08-25

30 Continued petition by GEOMET INC., a Delaware corporation, requesting the
31 State Oil and Gas Board to enter an order approving an exceptional location for
32 the proposed Fallin 30-07-03 Well located 573 feet from the South line and 386
33 feet from the West line of a 160-acre wildcat drilling unit consisting of the
34 Northeast Quarter of Section 30, Township 12 South, Range 1 East, Blount
35 County, Alabama, as an exception to Rule 400-1-2-.02(2)(b) of the State Oil and
36 Gas Board of Alabama Administrative Code which requires that wells be drilled
37 at least 660 feet from every exterior boundary of the drilling unit. Petitioner
38 proposes to drill a vertical well into the Chattanooga Shale, evaluate the
39 formation, then plug back the well and drill horizontally in the Chattanooga Shale
40 in a northeasterly direction to a location that would be no closer than 330 feet
41 from the North line and 330 feet from the East line of the unit. As such, said well

1 will be no closer than 330 feet from every exterior boundary of the proposed 160-
2 acre wildcat drilling unit for the referenced well and, as such, will be an exception
3 to said Rule.
4

5 The petition is filed as a companion to a petition bearing Docket No. 3-12-08-24
6 requesting approval of a 160-acre wildcat drilling unit for the referenced well, a
7 petition bearing Docket No. 3-12-08-26 requesting forced pooling without
8 imposition of a risk compensation penalty, and a petition bearing Docket No. 3-
9 12-08-27 requesting an exception to Rule 400-1-4-.09(2)(c) pertaining to the
10 setting and cementing of production casing.
11

12 10. DOCKET NO. 3-12-08-26

13 Continued petition by GEOMET, INC., a Delaware corporation, requesting the
14 State Oil and Gas Board to enter an order force pooling, without the imposition of
15 a risk compensation penalty, all tracts and interests in hydrocarbons produced in the
16 proposed Fallin 30-07-03 Well, located 573 feet from the South line and 386 feet
17 from the West line of a 160-acre wildcat drilling unit consisting of the Northeast
18 Quarter of Section 30, Township 12 South, Range 1 East, Blount County,
19 Alabama.
20

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

25 This petition is filed as a companion to a petition bearing Docket No. 3-12-08-24
26 requesting approval of the above-described 160-acre wildcat drilling unit for the
27 referenced well, a petition bearing Docket No. 3-12-08-25 requesting approval of
28 an exceptional location for the referenced well on the proposed 160-acre wildcat
29 drilling unit, and a petition bearing Docket No. 3-12-08-27 requesting an exception
30 to Rule 400-1-4-.09(2)(c) the statewide rule pertaining to the setting and
31 cementing of production casing.
32

33 11. DOCKET NO. 3-12-08-27

34 Continued petition by GEOMET, INC., a Delaware corporation, requesting the
35 State Oil and Gas Board to enter an order approving an exception to Rule 400-1-
36 4-.09(2)(c) of the State Oil and Gas Board of Alabama Administrative Code
37 pertaining to the requirements for setting and cementing production casing for the
38 proposed Fallin 30-07-03 Well, to be drilled on a 160-acre wildcat drilling unit
39 consisting of the Northeast Quarter of Section 30, Township 12 South, Range 1
40 East, Blount County, Alabama.

1 This petition is filed as a companion to a petition bearing Docket No. 3-12-08-24
2 requesting approval of the above-described 160-acre wildcat drilling unit for the
3 referenced well, a petition bearing Docket No. 3-12-08-25 requesting approval of
4 an exceptional location for the referenced well on the proposed 160-acre wildcat
5 drilling unit, and a petition bearing Docket No. 3-12-08-26 requesting the forced
6 pooling, without imposition of a risk compensation penalty.
7

8 12. DOCKET NO. 4-14-08-1

9 Petition by ELAINE P. MORGAN to alter/amend or vacate that portion of Order
10 No. 2005-80 granting force pooling, with imposition of risk compensation, all
11 tracts and interests in hydrocarbons produced from the Smackover Formation in
12 the Shiver 6-14 No. 1 Well drilled on a 640-acre unit consisting of all of Section
13 6, Township 1 North, Range 7 East, Big Escambia Creek Field, Escambia County,
14 Alabama. Petitioner further requests that such Order be altered amended and/or
15 vacated to the extent that no risk compensation fee may be charged against the
16 interest of the non-consenting owner, Elaine P. Morgan.
17

18 13. DOCKET NO. 4-14-08-2

19 Petition by SUNDOWN ENERGY, L.P., a foreign limited partnership authorized
20 to do and doing business in the State of Alabama, requesting the State Oil and Gas
21 Board to enter an order amending Rule 1 of the Special Field Rules for the
22 Christian Chapel Gas Field to add the West Half of Section 12, Township 16
23 South, Range 15 West, Lamar County, Alabama, to the field limits of said Field.
24

25 Petitioner is also requesting that the production unit for the J.W. Newman et al
26 12-13 #1 Well, Permit No. 11607-A, be made permanent.
27

28 14. DOCKET NO. 4-14-08-3

29 Petition by HIGHMOUNT BLACK WARRIOR BASIN LLC, a foreign limited
30 liability company, authorized to do and doing business in the State of Alabama, as
31 Successor in Interest to DOMINION BLACK WARRIOR BASIN, INC.,
32 requesting the State Oil and Gas Board to enter an order reforming the unit for the
33 Holman 36-02-1086 Well, Permit No. 14644-C, from an 80-acre unit consisting
34 of the Southwest Quarter of the Southeast Quarter of Section 25 and the
35 Northwest Quarter of the Northeast Quarter of Section 36, all in Township 18
36 South, Range 10 West, Tuscaloosa County, Alabama, in the Blue Creek Coal
37 Degasification Field to a 40-acre unit consisting of the Northwest Quarter of the
38 Northeast Quarter of said Section 36.

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 15. DOCKET NO. 4-14-08-4

6 Petition by EL PASO E & P COMPANY, L.P., a Delaware limited partnership,
7 authorized to do and doing business in the State of Alabama, requesting the State
8 Oil and Gas Board to reform the unit for the Simmons 03-11-548 Well, Permit
9 No. 15539-C, from a 40-acre unit consisting of the Northeast Quarter of the
10 Southwest Quarter of Section 3, Township 17 South, Range 8 West, Walker
11 County, Alabama, in the White Oak Creek Coal Degasification Field, to an 80-
12 acre unit consisting of the Northeast Quarter of the Southwest Quarter and the
13 Southeast Quarter of the Northwest Quarter of said Section 3.
14

15 16. DOCKET NO. 4-14-08-5

16 Petition by EL PASO E & P COMPANY, L.P., a Delaware limited partnership,
17 authorized to do and doing business in the State of Alabama, requesting the State
18 Oil & Gas Board of Alabama to enter an order force pooling without risk
19 compensation, all tracts and interests in coalbed methane produced from the
20 Pottsville formation in an 80 acre drilling unit for the proposed Wiggins 3-07-581
21 Well, having a unit consisting of all of the Southwest Quarter of the Northeast
22 Quarter and the Northwest Quarter of the Southeast Quarter, Section 3, Township
23 17 South, Range 8 West, Walker County, Alabama, in the White Oak Creek Coal
24 Degasification Field. This petition is in accordance with Section 9-17-13,
25 ALABAMA CODE (1975), as amended, and Rules 400-7-1 and 400-7-2 of the State
26 Oil and Gas Board of Alabama Administrative Code. Petitioner requests that due
27 and proper notice of the hearing on this matter be given in the manner and form
28 and for the time required by law and the rules and regulations of this Board.
29

30 17. DOCKET NO. 4-14-08-6

31 Petition by LAND AND NATURAL RESOURCE DEVELOPMENT, INC., an
32 Alabama corporation, requesting the State Oil and Gas Board to enter an order
33 approving an exceptional location for the proposed Deerfield McCrary 27-15 #1
34 Well as an exception to Rule 3(b) of the Special Field Rules for the Coal Fire
35 Creek Field, Pickens County, Alabama. Petitioner proposes to drill said well on a
36 320-acre unit consisting of the East Half of Section 27, Township 18 South, Range
37 14 West, Pickens County, Alabama, at a location 2,350 feet from the East line and
38 470 feet from the South line of said Section 27. Rule 3(b) requires that wells
39 drilled in said Field be located at least 660 feet from every exterior boundary of
40 the drilling unit, and at the proposed location, the referenced well will be 290 feet

1 from the West line and 470 feet from the South line of the 320-acre drilling unit
2 and, as such, will be an exception to said Rule.
3

4 18. DOCKET NO. 4-14-08-7

5 Petition by LAND AND NATURAL RESOURCE DEVELOPMENT, INC., an
6 Alabama corporation, requesting the State Oil and Gas Board to enter an order
7 approving an exception to Rule 3(b) of the Special Field Rules for the Coal Fire
8 Creek Field, Pickens County, Alabama, for the exceptional location of the
9 Cunningham 16-12 #2 Well, Permit No. 5881. Petitioner proposes to re-enter and
10 complete said well on a 320-acre unit consisting of the West Half of Section 16,
11 Township 18 South, Range 14 West, Pickens County, Alabama, at a location
12 2,300 feet from the South line and 330 feet from the West line of said Section 16.
13 Said Rule 3(b) requires that wells drilled in said Field be located at least 660 feet
14 from every exterior boundary of the drilling unit, and the proposed location of the
15 referenced well is only 330 feet from the West line of the 320-acre drilling unit
16 for said well.
17

18 In the proposed re-entry, Petitioner desires to test the Benton Sand Gas Pool as
19 defined in the Special Field Rules for the Coal Fire Creek Field and also test the
20 Tuscumbia and Millerella Sands. Excluded from the re-entry tests are the Carter,
21 Lewis and Fayette Sand Gas Pools. There are two producing wells in the said
22 West Half of Section 16, one producing from the Lewis Sand Gas Pool and
23 another producing from the Fayette Sand Gas Pool with one well in the Carter
24 Sand Gas pool that is no longer producing.
25

26 19. DOCKET NO. 4-14-08-8

27 Petition by SUNDOWN ENERGY, L.P., a foreign limited partnership authorized
28 to do and doing business in the State of Alabama, requesting the State Oil and Gas
29 Board to enter an order establishing a new gas field to be known as the North
30 Kennedy Field, or by such other name as the Board deems appropriate and to
31 adopt Special Field Rules therefor. The proposed field, as underlain by the Lewis
32 and Millerella Sand Gas Pools, consists of the South Half of Section 30, Township
33 16 South, Range 14 West, Lamar County, Alabama.
34

35 The Lewis Sand Gas Pool in the proposed North Kennedy Field should be defined as
36 those strata productive of hydrocarbons in the interval between 4,898 feet and 4,922
37 feet in the Miller #30-14 No. 1 Well, Permit No. 4392-A, located on a 320-acre unit
38 consisting of the South Half of Section 30, Township 16 South, Range 14 West,
39 Lamar County, Alabama, in the proposed North Kennedy Field, as indicated on the
40 Array Resistivity Log of the said well.

The Millerella Sand Gas Pool in the proposed North Kennedy Field should be defined as those strata productive of hydrocarbons in the interval between 4,359 feet and 4,369 feet in the Miller #30-14 No. 1 Well, Permit No. 4392-A, located on the above-described 320-acre unit.

Petitioner is requesting well spacing of 320 acres, commingling of production from the Millerella and Lewis Sand Gas Pools, and is also requesting the establishment of the permanent production unit as described above for the Miller #30-14 No. 1 Well and the establishment of allowables for said field.

20. DOCKET NO. 4-25-06-34

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

East Gilbertown Eutaw Unit Wells & Tank Batteries

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

Other Well

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

Plugged and Abandoned well (well site not restored)

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

21. DOCKET NO. 1-31-07-8A

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

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

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

Baldwin County Wells

<u>Permit No</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
4548	Gulf State Park 7-13 #1	S7, T9S, R5E	Gulf State Park
5791	Smith et al Unit 38 #1	S38, T8S, R4E	Swifts Landing
6435	Dora Hand et al 32 #1	S32, T8S, R3E	South Weeks Bay
10036	Magnolia Land Co. 35-2 #1	S35, T7S, R3E	East Magnolia Springs

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10037	Burnett 37 #1	S37, T8S, R4E	Oak
12325	Flowers Stewart 18-8	S18, T8S, R4E	Pleasant View

Covington County Wells

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
6239	Paramount-Jeffers 17-9 #1	S17, T1N, R14E	West Falco
8788	Paramount-Federal 16-14 #1	S16, T1N, R14E	West Falco
9950-	Paramount- Federal 21-1 #1	S21, T1N, R14E	West Falco
	SWD-91-12		
10489	Smak-Dixon 31-6 #1	S31, T3N, R15E	Pleasant Home
10632	Smak-Dixon 31-11 #1	S31, T3N, R15E	Pleasant Home
10735-B	Smak-Dixon 31-10 #1	S31, T3N, R15E	Pleasant Home
10874	Smak-Dixon 31-7 #1	S31, T3N, R15E	Pleasant Home
11023-	Smak-Dixon 31-10 SWD #1	S31, T3N, R15E	Pleasant Home
	SWD-96-2		
11096-B	Smak-Murphy 13-4#1	S13, T3N, R14E	South Copeland Creek

Conecuh County Well

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
12049-B	D. W. McMillan 31-15#1	S31, T4N, R10E	Juniper Creek

Mobile County Well

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
4412-A	R. J. Newman et al 21-11#1	S21, T1S, R1W	Turnerville

Walker County Well

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
3246	U. S. Steel 17-14#1	S17, T13S, R10W	Eldridge
5131	McPoland et al 7-16#1	S7, T13S, R10W	Eldridge
5132	McPoland et al 8-13#1	S8, T13S, R10W	Eldridge
5283	McPoland et al 8-7#1	S8, T13S, R10W	Eldridge
5539	U. S. Steel 8-10#1	S8, T13S, R10W	Eldridge
5622	U. S. Steel 9-12#1	S9, T13S, R10W	Eldridge
5916	Gordon Davis 17-12#1	S17, T13S, R10W	Eldridge
6254	McPoland et al 18-16#1	S18, T13S, R10W	Eldridge
6310	U. S. Steel 20-4#1	S20, T13S, R10W	Eldridge

6355	Calvin 19-2#1	S19, T13S, R10W	Eldridge
6388	Aultman 18-6#1	S18, T13S, R10W	Eldridge
6972	U. S. Steel 19-10#1	S19, T13S, R10W	Eldridge

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

23. DOCKET NO. 12-12-07-39

MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA to address the following oil and gas wells described hereinbelow located in Baldwin, Covington, Conecuh, Mobile and Walker Counties, Alabama, operated by ENERGY RECOVERY GROUP, LLC:

Baldwin County Wells

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

Covington County Wells

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
6239	Paramount-Jeffers 17-9 #1	S17, T1N, R14E	West Falco
8788	Paramount-Federal 16-14 #1	S16, T1N, R14E	West Falco
9950-	Paramount- Federal 21-1 #1	S21, T1N, R14E	West Falco
	SWD-91-12		
10489	Smak-Dixon 31-6 #1	S31, T3N, R15E	Pleasant Home
10632	Smak-Dixon 31-11 #1	S31, T3N, R15E	Pleasant Home
10735-B	Smak-Dixon 31-10 #1	S31, T3N, R15E	Pleasant Home

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

Conecuh County Well

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
12049-B	D. W. McMillan 31-15#1	S31, T4N, R10E	Juniper Creek

Mobile County Well

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
4412-A	R. J. Newman et al 21-11#1	S21, T1S, R1W	Turnerville

Walker County Well

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
3246	U. S. Steel 17-14#1	S17, T13S, R10W	Eldridge
5131	McPoland et al 7-16#1	S7, T13S, R10W	Eldridge
5132	McPoland et al 8-13#1	S8, T13S, R10W	Eldridge
5283	McPoland et al 8-7#1	S8, T13S, R10W	Eldridge
5539	U. S. Steel 8-10#1	S8, T13S, R10W	Eldridge
5622	U. S. Steel 9-12#1	S9, T13S, R10W	Eldridge
5916	Gordon Davis 17-12#1	S17, T13S, R10W	Eldridge
6254	McPoland et al 18-16#1	S18, T13S, R10W	Eldridge
6310	U. S. Steel 20-4#1	S20, T13S, R10W	Eldridge
6355	Calvin 19-2#1	S19, T13S, R10W	Eldridge
6388	Aultman 18-6#1	S18, T13S, R10W	Eldridge
6972	U. S. Steel 19-10#1	S19, T13S, R10W	Eldridge

An Involuntary Petition for Bankruptcy has been filed in the U.S. Bankruptcy Court, Eastern District of Texas, Case No. 06-41568 relating to Energy Recovery Group, LLC. In order to ensure that the subject wells are operated properly in accordance with the Alabama oil and gas laws and to ensure the protection of the citizens of Alabama, the Board may consider whether the transfer of operatorship is in the best interest of the State of Alabama. Various proposals for transfer or change of operator are being considered relating to the subject wells.

1 The jurisdiction of the State Oil and Gas Board of Alabama is set out in Section 9-
2 17-1 et seq. of the Code of Alabama (1975). The Board may take any action it
3 deems appropriate to ensure that the wells are operated properly and in
4 accordance with Alabama oil and gas laws.
5

6 24. DOCKET NO. 2-6-08-6A

7 Continued amended petition by JABSCO OIL OPERATING, LLC, an Alabama
8 limited liability company, requesting the State Oil and Gas Board to enter an
9 order force pooling, without the imposition of a risk compensation penalty, all
10 tracts and interests in hydrocarbons produced from the re-entry of the Berry #24-13
11 Well, Permit No. 3115, located on a proposed 320-acre unit consisting of the West
12 Half of Section 24, Township 15 South, Range 12 West, Fayette County,
13 Alabama, in the Musgrove Creek Field.
14

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

19 25. DOCKET NO. 2-6-08-13

20 By Order No. 2008-27 issued on March 7, 2008, this petition was remanded for
21 further action by the Board:

22 Petition by HUGHES EASTERN CORPORATION, a foreign corporation
23 authorized to do and doing business in the State of Alabama, requesting the State
24 Oil and Gas Board to enter an order enlarging the "Unit Area" of the Southeast
25 Bluff Upper Carter Oil Unit in the Bluff Oil Field, Fayette County, Alabama, as
26 described in the Unit Agreement and Board Order No. 2005-113 to include the East
27 Half of the Northeast Quarter of the Northeast Quarter of Section 18, Township 14
28 South, Range 13 West, Fayette County, Alabama so that, as enlarged, the Unit Area
29 will consist of the following:
30

31 The South Half of the South Half of Section 8; Southwest Quarter of the Southwest
32 Quarter of Section 9; the West Half of the Northwest Quarter of Section 16; the
33 North Half of Section 17; and the East Half of the Northeast Quarter of the
34 Northeast Quarter of Section 18, all in Township 14 South, Range 13 West, Fayette
35 County, Alabama, containing 620 acres, more or less.
36

37 This request is in accordance with Article 11 of the Unit Agreement and Section
38 9-17-85 of the Code of Alabama (1975), and said proposed enlargement is subject
39 to approval by the owners of at least sixty-six and two-thirds percent (66 2/3%) in

1 interests as costs are shared, and by at least sixty-six and two-thirds percent (66
2 2/3%) in interests of royalty and overriding royalty owners in the area to be added
3 to the Southeast Bluff Upper Carter Oil Unit.

4 This petition is filed as a companion to petition bearing Docket No. 2-6-08-14
5 requesting an amendment to Rule 1 of the Special Field Rules for the Bluff Oil Field
6 to add to the field limits.
7

8 26. DOCKET NO. 2-6-08-14

9 By Order No. 2008-27 issued on March 7, 2008, this petition was remanded for
10 further action by the Board:

11 Petition by HUGHES EASTERN CORPORATION, a foreign corporation
12 authorized to do and doing business in the State of Alabama, requesting the State
13 Oil and Gas Board to enter an order amending Rule 1 of the Special Field Rules
14 for the Bluff Oil Field to add the East Half of the Northeast Quarter of the
15 Northeast Quarter of Section 18, Township 14 South, Range 13 West, Fayette
16 County, Alabama to the field limits of said field.

17 This petition is filed as a companion to petition bearing Docket No. 2-6-08-13
18 requesting an order enlarging the Unit Area of the Southeast Bluff Upper Carter
19 Oil Unit.
20

21 27. DOCKET NO. 2-6-08-15

22 By Order No. 2008-27 issued on March 7, 2008, this petition was remanded for
23 further action by the Board:

24 Petition by HUGHES EASTERN CORPORATION, a foreign corporation
25 authorized to do and doing business in the State of Alabama, requesting the State
26 Oil and Gas Board to enter an order finding that the contribution of the separately
27 owned Tracts in the Southeast Bluff Upper Carter Oil Unit of the Bluff Oil Field,
28 Fayette County, Alabama, have been shown to be erroneous by subsequently
29 discovered pore volume data from additional wells and by the presence of additional
30 wellbores in the Southeast Bluff Upper Carter Oil Unit, namely, the Southeast Bluff
31 Oil Unit 16-4 #1 Well, Permit No. 14302, the Southeast Bluff Oil Unit 17-7 #1 Well,
32 Permit No. 14342-WI-06-02, the Southeast Bluff Oil Unit 17-3 #1 Well, Permit No.
33 14344, and the Southeast Bluff Oil Unit 17-4 #1 Well, Permit No. 15174, said wells
34 having surface locations in Sections 16 and 17, Township 14 South, Range 13 West,
35 Fayette County, Alabama, in the Southeast Bluff Upper Carter Oil Unit. The Unit
36 Operator has calculated the new Tract participation factors to reflect the altered Tract
37 contribution and requests the Board to approve the revised Tract participation factors
38 of each affected Tract in the Southeast Bluff Upper Carter Oil Unit in Fayette
39 County, Alabama.

1 The redetermination of Unit Tract participation factors for the Southeast Bluff
2 Upper Carter Oil Unit, Fayette County, Alabama, is in accordance with the
3 provisions of the Unit Agreement and Section 9-17-86 of the Code of Alabama
4 (1975).
5

6 Hearings of the State Oil and Gas Board are public hearings, and members of the
7 public are invited to attend and present their position concerning petitions.
8 Requests to continue or oppose a petition should be received by the Board at least
9 two (2) days prior to the hearing. The public should be aware that a petition may
10 be set for hearing on the first day or second day of the hearing or may be
11 continued to another hearing at a later date. We suggest, therefore, that prior to
12 the hearing, interested parties contact the Board to determine the status of a
13 particular petition. For additional information, you may contact the State Oil and
14 Gas Board, P. O Box 869999, Tuscaloosa, Alabama 35486-6999, Telephone
15 Number 205/349-2852, Fax Number 205/349-2861, or by email at
16 petitions@ogb.state.al.us.
17

18 MR. ROGERS: The Hearings Reporter has received and compiled the proofs of publication
19 for the items appearing on the docket for the first time. These proofs of publication for the items
20 on the April 14 and April 16, 2008, docket are admitted into the record.

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

23 MR. ROGERS: Furthermore, copies of the information posted on the Website of the
24 Secretary of State announcing these two meetings of the State Oil and Gas Board on April 14 &
25 16, 2008, are also admitted into the record.

26 (Whereupon postings of hearing on Website of
27 Secretary of State were received in evidence)

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

31 (Whereupon, the Order was received in evidence)

32 MR. ROGERS: The procedure for the meeting is as follows: The Hearing Officer and
33 staff will hear the uncontested items on the docket today and certain other items. The State Oil

1 and Gas Board will hear the recommendations of the Hearing Officer, contested items and
2 certain other items beginning at 10:00 a.m. on Wednesday, April 16, 2008, in this room at the
3 Board's office in Tuscaloosa. I will recommend the following petitions be continued: Item 1,
4 Docket No. 9-5-07-5, petition by Sundown Energy Limited Partnership; Item 2, Docket No. 9-5-
5 07-6, petition by Sundown; Item 4, Docket No. 3-12-08-14, petition by Saga Petroleum LLC of
6 Colorado; Item 5, Docket No. 3-12-08-16, petition by Saga; Item 13, Docket No. 4-14-08-2,
7 petition by Sundown Energy Limited Partnership; Item 18, Docket No. 4-14-08-7, petition by
8 Land and Natural Resource Development, Inc.; Item 19, Docket No. 4-14-08-8A, petition by
9 Sundown Energy Limited Partnership; Item 20, Docket No. 4-25-06-34, a Motion by the Board;
10 Item 21, Docket No. 1-31-07-8A, a Motion for Rehearing; Item 22, Docket No. 10-3-07-12, a
11 Motion by the Board and Item 23, Docket No. 12-12-07-39, a Motion by the Board. The
12 following items are set for hearing by the Board on Wednesday: Item 3, Docket No. 2-6-08-
13 11A, petition by Dominion Black Warrior Basin, Inc.; Item 6, Docket No. 3-12-08-17, petition
14 by Saga Petroleum Limited Liability Company of Colorado; Item 12, Docket No. 4-14-08-1, a
15 petition by Elaine P. Morgan; Item 15, Docket No. 4-14-08-4, petition by El Paso E&P
16 Company, Limited Partnership; Item 16, Docket No. 4-14-08-5, petition by El Paso; Item 17,
17 Docket No. 4-14-08-6, petition by Land and Natural Resource Development, Inc.; Item 24,
18 Docket No. 2-6-08-6A, petition by Jabsco Oil Operating, LLC; Item 25, Docket No. 2-6-08-13A,
19 petition by Hughes Eastern Corporation; Item 26, Docket No. 2-6-08-14, petition by Hughes
20 Eastern and Item 27, Docket No. 2-6-08-15, petition by Hughes Eastern. Any comments on
21 those recommendations by the Hearing Officer and the staff? The first item to be heard today is
22 Item 7, Docket No. 3-12-08-19, petition by Saga Petroleum LLC of Colorado.

23 MR. SLEDGE: I have one witness to be sworn.

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

25 MR. PETTY: David Petty, Hueytown, Alabama.

26 (Witness was sworn by Mr. Rogers)

27 MR. SLEDGE: For the record, I'm Jim Sledge representing Saga Petroleum Limited
28 Liability Company of Colorado. This is a force pooling, without risk compensation, for the CLC

1 36-06-64 well located in the Southeast Quarter of the Northwest Quarter of Section 34,
2 Township 19 South, Range 9 West. We have prefiled a revised affidavit of notice of March 31,
3 2008, that Ms. Arnold signed. I would like to have that admitted to the record.

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

5 (Whereupon, the affidavit was received in evidence)

6 MR. SLEDGE: I would point out that this affidavit gave detailed notice to HighMount
7 Black Warrior Basin, LLC and ConocoPhillips. I have handed up the green card returned from
8 ConocoPhillips. We had some problems with the delivery of the certified mail to HighMount.
9 Tom Watson as HighMount's attorney has agreed to stipulate that it was received.

10 MR. WATSON: I so stipulate.

11 MR. SLEDGE: Thank you. We have as a witness today, David Petty, manager for
12 Alabama coalbed methane operations for petitioner.

13 DAVID PETTY

14 Appearing as a witness on behalf of Petitioner, Saga Petroleum Limited Liability
15 Company of Colorado, testified as follows:

16 DIRECT EXAMINATION

17 Questions by Mr. Sledge:

18 Q. David, the nonconsenting owner's interest in this unit arises from a 12-acre tract in the
19 40-acre unit.

20 A. Yes, that's correct.

21 Q. The two nonconsenting owners are the current holders of a leasehold interest. That lease
22 is held by production. Collectively, they have 30 percent of your unit?

23 A. Yes, that's correct.

24 Q. Specifically, HighMount controls 20.5 percent and Conoco 9.5 percent.

25 A. Yes sir.

26 Q. Those percentages include the landowner's royalty?

27 A. That is correct.

1 Q. Have you sought from these two nonconsenting owners an agreement to participate, to
2 farm out or assign the oil and gas interest that covers this tract?

3 A. Yes we have.

4 Q. Were those efforts successful?

5 A. We have contacted them and they have not been successful.

6 Q. Letters to those parties were prefiled and were made part of your notice of intent to testify
7 that was prefiled in this matter.

8 A. Yes sir.

9 MR. SLEDGE: Those notices, Marvin, are what I handed up earlier to members of the
10 staff and we would ask that those be made a part of the record.

11 MR. ROGERS: Do you want to admit this affidavit with the attachments?

12 MR. SLEDGE: Yes, that notice.

13 MR. ROGERS: That's admitted.

14 (Whereupon, the affidavit with attachments was
15 received in evidence)

16 Q. In your opinion, is the granting of this petition necessary to prevent waste and protect the
17 coequal and correlative rights of all owners in the proposed unit?

18 A. Yes sir.

19 Q. You have confirmed that this is a petition for forced pooling, without risk compensation?

20 A. Yes sir that is correct.

21 MR. SLEDGE: We would tender the witness.

22 MR. ROGERS: You have a letter here to ConocoPhillips attached to Foster Arnold's
23 affidavit. We have this affidavit of Mr. Petty but Ms. Arnold signed it.

24 MR. SLEDGE: This is not an affidavit of Mr. Petty. It is just a notice that he intended to
25 testify. Attached to the affidavit were copies of letters both dated March 29th, one of them
26 addressed to Bill Franklin at ConocoPhillips and the other to Vernon Jarreau at HighMount.
27 Those are the items that we would like to have admitted.

1 MR. ROGERS: Do you want to admit this as one exhibit? Is that the way you want to
2 do it?

3 MR. SLEDGE: Yes sir.

4 MR. ROGERS: That's admitted and also the green card to ConocoPhillips is admitted.
5 Mr. Watson has stated that he accepts notice on behalf of HighMount. Is that all right, Mr.
6 Watson?

7 MR. WATSON: Yes.

8 MR. ROGERS: We have the revised affidavit of notice from Ms. Arnold. That is
9 admitted. All these items are admitted.

10 (Whereupon, the affidavit with attachments, letters
11 and green card were received in evidence)

12 MR. ROGERS: Anything else, Mr. Sledge?

13 MR. SLEDGE: No sir.

14 MR. ROGERS: If you would, include in your proposed order the outstanding interest
15 and the percentage interest that is on this.

16 MR. SLEDGE: Yes sir.

17 MR. ROGERS: Any questions from the staff? The staff has no questions. We will
18 review the evidence and make a recommendation to the Board. The next item is Item 8, Docket
19 No. 3-12-08-24, petition by GeoMet, Inc.

20 MR. WATSON: Mr. Rogers, let's consolidate Items 8, 9, 10 and 11.

21 MR. ROGERS: Your request is granted.

22 MR. WATSON: I would request also that you take into evidence and make a part of this
23 hearing the testimony and exhibits filed on behalf of GeoMet at the last regular hearing in which
24 the recommendation was made and approved to approve all four of those petitions.

25 MR. MASINGILL: Mr. Rogers, I think that would be Docket No. 3-5-08-1, Docket No.
26 3-5-08-2, Docket No. 3-5-08-3 and Docket No. 3-5-08-4A. They were all emergency petitions
27 that were heard at the last hearing.

28 MR. ROGERS: Thank you, Mr. Masingill. Those items are incorporated into this item.

(Whereupon, Dockets 3-5-08-1, 3-5-08-2, 3-5-08-3 and
3-5-08-4A were incorporated by reference)

MR. WATSON: I have an update to hand in to you effective this morning as I was requested to do on that well, a letter to Dr. Tew. This letter states that GeoMet has drilled the vertical well and has commenced the drilling of the horizontal portion and as of today they are about 800 feet into the lateral. Make that a part of the record, please.

MR. ROGERS: The letter from Mr. Watson to Dr. Tew is admitted.

(Whereupon, the letter was received in evidence)

MR. WATSON: I would recommend that you recommend to the Board that these items be made permanent.

MR. ROGERS: Just for the record, this is the item that we received the letter on behalf of the County that was admitted into the record at the last hearing. This exhibit has been admitted. Are there any other questions from the staff?

MR. RAYMOND: One comment, Tom, on the letter, it says GeoMet has drilled the vertical well. The way the petition came before the Board was to drill the vertical well into the Chattanooga Shale, plug that vertical well back and then drill the horizontal component. As the staff understands, the vertical well did not penetrate the Chattanooga Shale. The horizontal component will. I just wanted to make sure that was clear for the record as to our understanding.

MR. WATSON: Notice I didn't say what it had gone into, so you are right.

MR. ROGERS: All right. That comment is noted. Anything else? The staff will review the evidence and make a recommendation to the Board. The last item is Item 14, Docket 4-14-08-3A, petition by HighMount Black Warrior Basin, LLC.

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

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

MR. HUTCHINGS: Steve Hutchings, Mobile, Alabama.

(Witness was sworn by Mr. Rogers)

MR. WATSON: Mr. Rogers, I have prefiled an affidavit of notice in this matter and would ask that it be made a part of the record.

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

2 (Whereupon, the affidavit was received in evidence)

3 MR. WATSON: This is a request by HighMount Black Warrior Basin Limited Liability
4 Company requesting the Board to enter an order reforming an 80-acre unit consisting of the
5 Southwest Quarter of the Southeast Quarter of Section 25 to the Northwest Quarter of the
6 Northeast Quarter of Section 36, all in Township 18 South, Range 10 West, Tuscaloosa County,
7 in the Blue Creek Coal Degasification Field.

8 STEVE HUTCHINGS

9 Appearing as a witness on behalf of Petitioner, HighMount Black Warrior Basin Limited
10 Liability Company, testified as follows:

11 DIRECT EXAMINATION

12 Questions by Mr. Watson:

13 Q. Mr. Hutchings, are you familiar with this request on behalf of HighMount?

14 A. Yes sir.

15 Q. Are you familiar with the ownership in this 80-acre unit?

16 A. Yes sir.

17 Q. Have you contacted the owners in the 80-acre unit seeking their consent for the
18 reformation of this unit?

19 A. I have.

20 Q. What has been your response?

21 A. We have consent from all five entities.

22 Q. We have prefiled those letters of consent with the Board. Is that correct?

23 A. That is correct.

24 MR. WATSON: Mr. Rogers, I would ask that you make a part of the record of this
25 hearing today those letters of consent from Mr. Hutchings to the owners in this 80-acre unit.

26 MR. ROGERS: They are admitted. I'll name them: James R. Bane, Investments, LLC;
27 Bane Land Resources, LLC; Gryska Natural Resources, LLC; Richard P. Holman, Jr., various

1 interests related to the Holman's and James Albert Holman Revocable Trust No. 1. Those are
2 admitted.

3 (Whereupon, the consent letters were received in evidence)

4 Q. Is it the intent of HighMount if this unit is reformed to drill a second well in the 40 acres
5 that would be created by the reformation?

6 A. Yes sir.

7 Q. In your opinion would the granting of this petition prevent waste, protect correlative
8 rights and promote orderly development?

9 A. Yes sir.

10 MR. WATSON: I tender the witness for any questions you have, Mr. Rogers.

11 MR. ROGERS: The affidavit of testimony of Mr. Wood?

12 MR. WATSON: Yes. I ask that that be admitted into the record.

13 MR. ROGERS: That affidavit is admitted.

14 (Whereupon, the affidavit was received in evidence)

15 MR. ROGERS: The affidavit of notice by Mr. Watson is admitted. The letters of
16 consent are admitted. All those items are admitted. Any questions from the staff? Anything
17 else, Mr. Watson?

18 MR. WATSON: That's all.

19 MR. ROGERS: We will review the evidence and make a recommendation to the Board.
20 Sir, is there any particular item that you are here to address the Board on? Let's take a brief
21 recess.

22 (Whereupon, the hearing was recessed for two minutes)

23 MR. ROGERS: The hearing is back in session. That is all the items set for today. Any
24 other business before the Hearing Officer and the staff? The hearing is adjourned.

25 (Whereupon, the hearing was adjourned at 10:20 a.m.)

April 14, 2008

REPORTER'S CERTIFICATE

STATE OF ALABAMA

COUNTY OF TUSCALOOSA

I, Rickey Estes, Hearing Reporter in and for the State of Alabama, do hereby certify that on Monday, April 14, 2008, in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, I reported the proceedings before a Hearing Officer in Regular Session; that the foregoing 25 typewritten pages contain a true and accurate verbatim transcription of said proceedings to the best of my ability, skill, knowledge, and belief.

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


Rickey Estes
Hearing Reporter