

April 16, 2008

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James H. Gingo
5/22/08

MR

April 16, 2008

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Board Exhibit	Hearing Officer Report	20	20
Exhibit 1 (Item 3)	Affidavit of notice (William T. Watson)	21	21
Exhibit 2 (Item 3)	Affidavit of testimony (Robert T. Wood)	22	22
Exhibit 3 (Item 3)	12/27/07 letter to Paul D. Owens, Jr. (Steven M. Hutchings)	22	22
Exhibit 4 (Item 3)	12/27/07 letter to Mark Wyatt (Kathryn F. Meagher Trust) (Steven M. Hutchings)	22	22
Exhibit 5 (Item 3)	12/27/07 letter to Mark Wyatt (Martha A. Fitzpatrick Trust) (Steven M. Hutchings)	22	22
Exhibit 6 (Item 3)	12/27/07 letter to Melissa Jernigan Welbourne (Steven M. Hutchings)	22	22
Exhibit 7 (Item 3)	12/27/07 letter to John L. Jernigan, III (Arabelle Byrne Jernigan Wilder Trust (Steven M. Hutchings)	22	22
Exhibit 8 (Item 3)	12/27/07 letter to John L. Jernigan, III (Arabelle B. Jernigan Rev Trust) (Steven M. Hutchings)	22	22

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EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 9 (Item 3)	12/27/07 letter to John L. Jernigan, III (Nancy Scott Jernigan Peterson Trust) (Steven M. Hutchings)	22	22
Exhibit 10 (Item 3)	12/27/07 letter to Robert Knox Jernigan (Steven M. Hutchings)	22	22
Exhibit 11 (Item 3)	12/27/07 letter to John L. Jernigan, III (JLJ Oil & Gas Ownership And Promotion Company LLC) (Steven M. Hutchings)	22	22
Exhibit 12 (Item 3)	12/27/07 letter to Joy Faye Jernigan (Steven M. Hutchings)	22	22
Exhibit 13 (Item 3)	12/27/07 letter to Anthony J. Edwards (Steven M. Hutchings)	22	22
Exhibit 14 (Item 3)	12/27/07 letter to Cecile Jernigan Petty (Steven M. Hutchings)	22	22
Exhibit 1 (Item 12)	7/1/05 letter to Elaine P. Morgan with attachments (Norton W. Brooker, Jr.)	35	35
Exhibit 2 (Item 12)	Affidavit of testimony (Elaine P. Morgan)	27	27

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EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 3 (Item 12)	Affidavit of support (Norton W. Brooker, Jr.)	35	35
Exhibit 4 (Item 12)	<i>See</i> 4/16/08 letter of support on behalf of Travelers (Foster Arnold & Jim Sledge)	35	35
Exhibit 1 (Item 15)	May showing position of Simmons 3-11-548 well as reformed, White Oak Creek Coal Degas. Field (Terry Wagstaff)	40	40
Exhibit 2 (Item 15)	Well location plat, Simmons 03-11-548, White Oak Creek Coal Degas. Field (Terry Wagstaff)	40	40
Exhibit 3 (Item 15)	Affidavit of notice (Foster C. Arnold)	36	36
Exhibit 4 (Item 15)	3/28/08 letter to Simmons Group, Ltd. (Foster C. Arnold)	36	37
Exhibit 5 (Item 15)	3/28/08 letter to Tony Edwards (Foster C. Arnold)	36	37
Exhibit 6 (Item 15)	3/28/08 letter to Sarah Woolfolk Wiggins (Foster C. Arnold)	36	37
Exhibit 7 (Item 15)	3/28/08 letter to William D. Jackson (Foster C. Arnold)	36	37

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EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 8 (Item 15)	3/28/08 letter to John G. Cooke, III (Foster C. Arnold)	36	37
Exhibit 9 (Item 15)	3/28/08 letter to Lide Taylor Cooke Anderson (Foster C. Arnold)	36	37
Exhibit 10 (Item 15)	3/28/08 letter to Barbara S. Joyce (Foster C. Arnold)	36	37
Exhibit 11 (Item 15)	3/28/08 letter to Michael Long (Foster C. Arnold)	36	37
Exhibit 12 (Item 15)	3/28/08 letter to Janice M. Collins (Foster C. Arnold)	36	37
Exhibit 13 (Item 15)	3/28/08 letter to George A. Long (Foster C. Arnold)	36	37
Exhibit 14 (Item 15)	3/28/08 letter to Norris E. Long (Foster C. Arnold)	36	37
Exhibit 15 (Item 15)	3/28/08 letter to CMV Joint Venture (Foster C. Arnold)	36	37
Exhibit 1 (Item 16)	Affidavit of testimony (A.C.G. Pettus)	45	45

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EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 1 (Items 25, 26 & 27)	Affidavit of testimony (Emil Pawlik)	46	46

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EXHIBITS

<u>DESCRIPTION</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Record of hearing related to Docket No. 7-11-05-19 (Order No. 2005-80)	27 & 35	27 & 35

April 16, 2008

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

April 16, 2008

Testimony and proceedings before the State Oil and Gas Board 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 16th day of April, 2008.

BOARD

Mr. Gaines C. McCorquodaleChairman
Mr. M. Stephen DampierMember
Ms. Rebecca Wright PritchettMember

STAFF

Mr. Marvin Rogers..... Attorney
Dr. David E. Bolin Deputy Director
Mr. Jay H. Masingill Assistant Supervisor
Mr. Richard Raymond..... Assistant Supervisor
Mr. Randy Oglesby Geologist
Mr. Jacques Chasse Geologist
Mr. Bob Roark Geologist

APPEARANCES

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NAME	REPRESENTING
1. A.C.G. Pettus, Sr. Lafayette, LA	El Paso E & P Company, L.P.
2. David Petty Hueytown, AL	Saga Petroleum Limited Liability Company of Colorado
3. Mark Caldwell Midland, TX	Saga Petroleum Limited Liability Company of Colorado
4. Jim Sledge Tucaloosa, AL	Saga Petroleum Limited Liability Company of Colorado
5. Chris King Monroeville, AL	Elaine P. Morgan
6. Billy & Elaine Morgan Monroeville, AL	Landowner
7. Steve Hutchings Mobile, AL	HighMount Black Warrior Basin
8. Foster Arnold Tuscaloosa, Al	
9. Greg Pearson 601 Greensboro Avenue Tuscaloosa, AL	El Paso E & P Company, L.P.
10. Tanner Sykes 1001 Louisiana St. Houston, TX 77009	El Paso E & P Company, L.P.
11. Terry Wagstaff 1001 Louisiana St. Houston, TX 77002	El Paso E & P Company, L.P.

April 16, 2008

APPEARANCES

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NAME	REPRESENTING
12. Tom Watson Tuscaloosa, AL	HighMount Black Warrior Basin/ Hughes Eastern Corp./ Land & Natural Resource Develop./
13. Kyle H____ Midland, Texas	Saga Petroleum Limited Liability Company of Colorado

April 16, 2008

(The hearing was convened at 10:10 a.m. on
Wednesday, April 16, 2008, at Tuscaloosa, Alabama.)

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

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

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 Tusculumbia 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

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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
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

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1	8788	Paramount-Federal 16-14 #1	S16, T1N, R14E	West Falco
2	9950-	Paramount- Federal 21-1 #1	S21, T1N, R14E	West Falco
3	SWD-91-12			
4	10489	Smak-Dixon 31-6 #1	S31, T3N, R15E	Pleasant Home
5	10632	Smak-Dixon 31-11 #1	S31, T3N, R15E	Pleasant Home
6	10735-B	Smak-Dixon 31-10 #1	S31, T3N, R15E	Pleasant Home
7	10874	Smak-Dixon 31-7 #1	S31, T3N, R15E	Pleasant Home
8	11023-	Smak-Dixon 31-10 SWD #1	S31, T3N, R15E	Pleasant Home
9	SWD-96-2			
10	11096-B	Smak-Murphy 13-4#1	S13, T3N, R14E	South Copeland Creek
11				
12	<u>Conecuh County Well</u>			
13				
14	<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
15				
16	12049-B	D. W. McMillan 31-15#1	S31, T4N, R10E	Juniper Creek
17				
18	<u>Mobile County Well</u>			
19				
20	<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
21				
22	4412-A	R. J. Newman et al 21-11#1	S21, T1S, R1W	Turnerville
23				
24	<u>Walker County Well</u>			
25				
26	<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
27				
28	3246	U. S. Steel 17-14#1	S17, T13S, R10W	Eldridge
29	5131	McPoland et al 7-16#1	S7, T13S, R10W	Eldridge
30	5132	McPoland et al 8-13#1	S8, T13S, R10W	Eldridge
31	5283	McPoland et al 8-7#1	S8, T13S, R10W	Eldridge
32	5539	U. S. Steel 8-10#1	S8, T13S, R10W	Eldridge
33	5622	U. S. Steel 9-12#1	S9, T13S, R10W	Eldridge
34	5916	Gordon Davis 17-12#1	S17, T13S, R10W	Eldridge
35	6254	McPoland et al 18-16#1	S18, T13S, R10W	Eldridge
36	6310	U. S. Steel 20-4#1	S20, T13S, R10W	Eldridge
37	6355	Calvin 19-2#1	S19, T13S, R10W	Eldridge
38	6388	Aultman 18-6#1	S18, T13S, R10W	Eldridge
39	6972	U. S. Steel 19-10#1	S19, T13S, R10W	Eldridge

1 An Involuntary Petition for Bankruptcy has been filed in the U.S. Bankruptcy
2 Court, Eastern District of Texas, Case No. 06-41568 relating to Energy Recovery
3 Group, LLC. In order to ensure that the subject wells are operated properly in
4 accordance with the Alabama oil and gas laws and to ensure the protection of the
5 citizens of Alabama, the Board may consider whether the transfer of operatorship
6 is in the best interest of the State of Alabama. Various proposals for transfer or
7 change of operator are being considered relating to the subject wells.
8

9 The jurisdiction of the State Oil and Gas Board of Alabama is set out in Section 9-
10 17-1 et seq. of the Code of Alabama (1975). The Board may take any action it
11 deems appropriate to ensure that the wells are operated properly and in
12 accordance with Alabama oil and gas laws.
13

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

15 Continued amended petition by JABSCO OIL OPERATING, LLC, an Alabama
16 limited liability company, requesting the State Oil and Gas Board to enter an
17 order force pooling, without the imposition of a risk compensation penalty, all
18 tracts and interests in hydrocarbons produced from the re-entry of the Berry #24-13
19 Well, Permit No. 3115, located on a proposed 320-acre unit consisting of the West
20 Half of Section 24, Township 15 South, Range 12 West, Fayette County,
21 Alabama, in the Musgrove Creek Field.
22

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

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

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

30 Petition by HUGHES EASTERN CORPORATION, a foreign corporation
31 authorized to do and doing business in the State of Alabama, requesting the State
32 Oil and Gas Board to enter an order enlarging the "Unit Area" of the Southeast
33 Bluff Upper Carter Oil Unit in the Bluff Oil Field, Fayette County, Alabama, as
34 described in the Unit Agreement and Board Order No. 2005-113 to include the East
35 Half of the Northeast Quarter of the Northeast Quarter of Section 18, Township 14
36 South, Range 13 West, Fayette County, Alabama so that, as enlarged, the Unit Area
37 will consist of the following:
38

39 The South Half of the South Half of Section 8; Southwest Quarter of the
40 Southwest Quarter of Section 9; the West Half of the Northwest Quarter of
41 Section 16; the North Half of Section 17; and the East Half of the Northeast

1 Quarter of the Northeast Quarter of Section 18, all in Township 14 South, Range
2 13 West, Fayette County, Alabama, containing 620 acres, more or less.

3
4 This request is in accordance with Article 11 of the Unit Agreement and Section
5 9-17-85 of the Code of Alabama (1975), and said proposed enlargement is subject
6 to approval by the owners of at least sixty-six and two-thirds percent (66 2/3%) in
7

8 interests as costs are shared, and by at least sixty-six and two-thirds percent (66
9 2/3%) in interests of royalty and overriding royalty owners in the area to be added
10 to the Southeast Bluff Upper Carter Oil Unit.

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

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

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

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

24
25 This petition is filed as a companion to petition bearing Docket No. 2-6-08-13
26 requesting an order enlarging the Unit Area of the Southeast Bluff Upper Carter
27 Oil Unit.

28
29 27. DOCKET NO. 2-6-08-15

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

32 Petition by HUGHES EASTERN CORPORATION, a foreign corporation
33 authorized to do and doing business in the State of Alabama, requesting the State
34 Oil and Gas Board to enter an order finding that the contribution of the separately
35 owned Tracts in the Southeast Bluff Upper Carter Oil Unit of the Bluff Oil Field,
36 Fayette County, Alabama, have been shown to be erroneous by subsequently
37 discovered pore volume data from additional wells and by the presence of additional
38 wellbores in the Southeast Bluff Upper Carter Oil Unit, namely, the Southeast Bluff
39 Oil Unit 16-4 #1 Well, Permit No. 14302, the Southeast Bluff Oil Unit 17-7 #1 Well,
40 Permit No. 14342-WI-06-02, the Southeast Bluff Oil Unit 17-3 #1 Well, Permit No.
41 14344, and the Southeast Bluff Oil Unit 17-4 #1 Well, Permit No. 15174, said wells

1 having surface locations in Sections 16 and 17, Township 14 South, Range 13 West,
2 Fayette County, Alabama, in the Southeast Bluff Upper Carter Oil Unit. The Unit
3 Operator has calculated the new Tract participation factors to reflect the altered Tract
4 contribution and requests the Board to approve the revised Tract participation factors
5 of each affected Tract in the Southeast Bluff Upper Carter Oil Unit in Fayette
6 County, Alabama.

7
8 The redetermination of Unit Tract participation factors for the Southeast Bluff
9 Upper Carter Oil Unit, Fayette County, Alabama, is in accordance with the
10 provisions of the Unit Agreement and Section 9-17-86 of the Code of Alabama
11 (1975).

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

24
25 DR. BOLIN: The Hearings Reporter has received and compiled proofs of publication of
26 the items to be heard today. The Hearing Officer and the staff heard various items at the Hearing
27 Officer meeting and at this time the Hearing Officer will make his report to the Board.

28 MR. ROGERS: Mr. Chairman, Mr. Dampier and Ms. Pritchett, I have a written report of
29 the items heard by the Hearing Officer and the staff on Monday, April 14, 2008. Copies of the
30 report are available for members of the public to review and study. I recommend that the report
31 be adopted by the Board.

32 MR. DAMPIER: Move.

33 MS. PRITCHETT: Second.

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

35 (All Board members voted "aye")

36 CHMN. MCCORQUODALE: "Ayes" have it.

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

2 CHMN. MCCORQUODALE: That request is granted.

3 (Whereupon, the report was received in evidence)

4 DR. BOLIN: Mr. Chairman, Mr. Dampier and Ms. Pritchett, the staff would recommend
5 approval of the minutes of the following meeting: February 6, 2008, Hearing Officer meeting;
6 February 8, 2008, Regular Board meeting; February 8, 2008, Emergency Board meeting and
7 February 20, 2008, Special Board meeting.

8 MS. PRITCHETT: So move.

9 MR. DAMPIER: Second.

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

11 (All Board members voted "aye")

12 CHMN. MCCORQUODALE: "Ayes" have it.

13 MR. ROGERS: Mr. Chairman and members of the Board, the following items are set for
14 hearing by the Board today: Item 3, Docket No. 2-6-08-11A, petition by Dominion Black
15 Warrior Basin, Inc.; Item 6, Docket No. 3-12-08-17, petition by Saga Petroleum Limited
16 Liability Company of Colorado; Item 12, Docket No. 4-14-08-1, petition by Elaine P. Morgan;
17 Item 15, Docket No. 4-14-08-4, petition by El Paso E & P Company Limited Partnership; Item
18 16, Docket No. 4-14-08-5, petition by El Paso E & P Company Limited Partnership; Item 17,
19 Docket No. 4-14-08-6, petition by Land and Natural Resource Development, Inc.; Item 24,
20 Docket No. 2-6-08-6A, petition by Jabsco Oil Operating Limited Liability Company; Item 25,
21 Docket No. 2-6-08-13A, petition by Hughes Eastern Corporation; Item 26, Docket No. 2-6-08-
22 14, petition by Hughes Eastern Corporation and Item 27, Docket No. 2-6-08-15, petition by
23 Hughes Eastern. The first item is Item 3, Docket No. 2-6-08-11A, petition by Dominion Black
24 Warrior Basin, Inc.

25 MR. WATSON: I have one witness to be sworn in, Mr. Chairman.

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

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

28 (Witness was sworn by Mr. Rogers)

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

3 CHMN. MCCORQUODALE: Admitted.

4 (Whereupon, the affidavit was received in evidence)

5 MR. WATSON: This is a request by Dominion Black Warrior Basin, Inc. asking the
6 Board to reform an 80-acre unit consisting of the East Half of the Northeast Quarter of Section 1,
7 Township 18 South, Range 10 West, Tuscaloosa County in the Blue Creek Coal Degasification
8 Field to a 40-acre unit consisting of the Southeast Quarter of the Northeast Quarter of said
9 Section 1. My witness, Steve Hutchings, has appeared before this Board and has on file an
10 affidavit of his qualifications as an expert petroleum landman.

11 STEVE HUTCHINGS

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

14 DIRECT EXAMINATION

15 Questions by Mr. Watson:

16 Q. Mr. Hutchings, are you familiar with this petition today and the request contained in it?

17 A. Yes sir.

18 Q. The ownership in this 80-acre unit is diverse. Is that correct?

19 A. That is correct.

20 Q. In keeping with the Board's practice have you attempted to gain consent from the owners
21 in this 80-acre unit for the reformation of this unit for the purpose of drilling a second
22 well if the Board sees fit to reform this unit?

23 A. Yes sir.

24 Q. What success have you had?

25 A. To date we have 92.9 percent of the owners consenting. We only have one owner who
26 lives in Karnack, Texas. I attempted as late as yesterday afternoon to contact her by
27 telephone and was unable to reach her.

28 Q. This lady in Karnack, Texas, Cecile Jernigan Perry, is related to attorney John Jernigan?

1 A. That is correct.

2 Q. Has it been your practice in the past that you contact Attorney Jernigan and discuss with
3 him what is proposed and he usually advises his family as to the proposal?

4 A. Yes sir. Mr. Jernigan is what I would refer to as our contact person for this group. I
5 talked with him in December when the letters were going out. He said to send them out
6 and he would send an e-mail or discuss the matter by telephone with all his relatives and
7 advise them to sign the consent letters; however, this one letter has not been returned yet.

8 Q. Have we had Cecile Jernigan Perry in any other unit reformations?

9 A. If my memory is correct, we have. My memory is not as good as it use to be but I believe
10 at the last reformation she was out of the country and did not sign a consent letter.

11 Q. So is it your testimony then, Mr. Hutchings, that you have exhausted all reasonable
12 attempts to have Ms. Perry consent to this unit reformation?

13 A. Yes sir.

14 MR. WATSON: Mr. Chairman, I have prefiled eleven out of the twelve consent letters
15 and would ask that those letters be admitted into the record.

16 CHMN. MCCORQUODALE: Admitted.

17 (Whereupon, the letters were received in evidence)

18 MR. WATSON: Along with the letter, a copy of which we sent to Ms. Perry admitted.

19 CHMN. MCCORQUODALE: Admitted.

20 (Whereupon, the letters were received in evidence)

21 MR. WATSON: In addition I have prefiled an affidavit of testimony from Robert T.
22 Wood, consulting geologist for Dominion Black Warrior, in support of this unit reformation for
23 the purpose of drilling a second well for which a permit application has been filed. I would ask
24 that Mr. Wood's affidavit of testimony be admitted into the record.

25 CHMN. MCCORQUODALE: Admitted.

26 (Whereupon, the affidavit was received in evidence)

27 Q. Mr. Hutchings, would the granting of this petition reforming this 80-acre unit to a 40-acre
28 unit for the purpose of drilling a second well promote orderly development, prevent waste

1 and protect correlative rights?

2 A. Yes sir.

3 MR. WATSON: I tender the witness, Mr. Chairman.

4 CHMN. MCCORQUODALE: Are there questions from the staff or the Board?

5 MS. PRITCHETT: Mr. Chairman, I move that the petition be granted.

6 MR. DAMPIER: Second.

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

8 (All Board members voted "aye")

9 CHMN. MCCORQUODALE: "Ayes" have it.

10 MR. ROGERS: Mr. Chairman and members of the Board the next item is Item 6, Docket
11 No. 3-12-08-17, petition by Saga Petroleum Limited Liability Company of Colorado requesting
12 the reformation of an 80-acre unit to a 40-acre unit.

13 MR. SLEDGE: Mr. Chairman, I'm Jim Sledge representing Saga. My witness had
14 mechanical difficulty in an airplane and had to turn around and go back and they have just
15 landed at the Tuscaloosa Airport. I am going to go downstairs and meet him, if we could move
16 this back in the docket for a little ways.

17 MR. PEARSON: I'm Greg Pearson representing El Paso. We've got the docket items
18 coming up that are Numbers 4 and 5. If we could just move it back and do it in order with those,
19 if that it all right with Mr. Sledge.

20 MR. SLEDGE: That's fine.

21 CHMN. MCCORQUODALE: Hearing no objection to that we will do that.

22 MR. ROGERS: The next item then is Item 12, Docket No. 4-14-08-1, petition by Elaine
23 P. Morgan.

24 MR. KING: Good morning, Mr. Chairman.

25 CHMN. MCCORQUODALE: Good morning.

26 MR. KING: Travelers has filed a motion to dismiss. I guess we should take that up first
27 before we worry about testimony.

28 MR. WATSON: For the record, it is Escambia Asset Company that has filed the motion,

1 the operating company. That's who I represent. I do not represent Travelers. Mr. Sledge
2 represents Travelers.

3 CHMN. MCCORQUODALE: Whose motion is it?

4 MR. WATSON: Escambia Asset Company, the operator of the well.

5 MR. DAMPIER: Travelers was the operator back whenever this occurred in 2005 and
6 now Escambia Asset Company is the operator?

7 MR. WATSON: That is correct. Travelers was the party that moved before the Board
8 and received the force pooling with risk compensation order and then operations were assigned
9 to Escambia Asset Company. Escambia Asset Company operates this well.

10 CHMN. MCCORQUODALE: Mr. Sledge has just returned. This is the Elaine P.
11 Morgan matter. I think you have a motion to dismiss, Mr. Sledge?

12 MR. SLEDGE: We are here on behalf of Travelers Exploration.

13 CHMN. MCCORQUODALE: So it is Mr. Watson's motion.

14 MR. WATSON: Yes sir.

15 CHMN. MCCORQUODALE: I'll get it straight in a minute. We'll hear from you on
16 that now.

17 MR. WATSON: Mr. Chairman, Board Order 2005-80 promulgated on July 18, 2005,
18 was an order that petitioner was presented to this Board by Norton Brooker. The hearing was
19 actually before the Hearing Officer. In that order the Board force pooled, with the imposition of
20 the risk compensation fee, all tracts and interests in the Smackover formation for the Shiver 6-14
21 No. 1 Well. In your order of 2005-80, the order concluded that Travelers had complied with the
22 requirements of Section 9-17-13 of the Code as amended for force pooling with the imposition of
23 risk compensation. The procedures for contesting that order are two-fold. One, Mrs. Morgan
24 could have asked this Board after that, within 15 days of the date of that order, for a rehearing on
25 the matter. Failing that, under our Code, Section 9-17-15, Mrs. Morgan could have appealed this
26 Board's decision within 30 days to the Circuit Court in Escambia County to review the action of
27 this Board. Neither was done. My motion simply says that three years has passed since the
28 promulgation of this Order 2005-80 and those provisions providing for rehearing and appeal

1 have long since expired. Therefore, my motion is simple. It simply says that the petition filed
2 by Mrs. Morgan should be dismissed for the lack of a timely rehearing or appeal. Now, one of
3 the issues raised in the request by Mrs. Morgan was in the materials sent out by Mr. Brooker
4 putting parties on notice of force pooling with risk comp. As you are familiar, the letter requires
5 that an AFE be sent, that the person be given the three options. All that is in his letter and all that
6 is in your record. I ask that you make a part of the record of this hearing the record in the docket
7 related to Board Order 2005-80. The key point that I can pick up from Mrs. Morgan's request is
8 that in a letter from Mr. Brooker he mentioned including in that letter a notice of meeting. Now,
9 bear in mind that the notice of this meeting was published in the newspaper in the county. Mr.
10 Brooker sent his letter certified mail return receipt requested. That green card was returned to
11 the Board. Mr. Rogers, acting as Hearing Officer, heard the matter and found all items to be in
12 order but Mrs. Morgan raises the question that in the letter to her from Mr. Brooker he
13 mentioned enclosing a notice that was not included, according to her. As this Board knows, Mr.
14 Norton is no longer with us. He passed away. I asked his office to research his files and they
15 have sent his files up to me, most of which was included in your record. On July 1, 2005, Mr.
16 Brooker sent a letter to Mrs. Morgan certified mail. He says, enclosed is a copy of the notice of
17 meeting for publication in the newspaper. This was inadvertently omitted from our letter to you
18 dated June 24th. Now, I have given Mr. King a copy of this letter and let me give you gentleman
19 a copy of the letter. You will see that attached to that letter is the notice that he had referred to
20 previously that Mr. King has raised in his request for this hearing. I would point out to you that
21 in our rules of procedure, Rule 400-7-1-.10(4)(i)(1), time and manner of notice, that notice is
22 required to be mailed 15 days prior to a hearing and is deemed to be completed on the 5th day
23 after the notice is mailed. You can see from the letter that I have handed up to you that the letter
24 is dated July 1st. The hearing on this matter was held on July 18th. More than 15 days passed
25 since the mailing of this letter. One can deem from our rule that notice was received to include
26 the missing document referred to prior to Mr. Rogers conducting the hearing. I submit to you
27 therefore that all of the requirements for force pooling the interest of Mrs. Morgan have been
28 met. I further submit to you that Mrs. Morgan has been exercising her rights and has been

1 corresponding with the operator, Escambia Asset Company, seeking accounting information
2 relative to the forced pooled interest and the payout of that interest. That information has been
3 supplied to her by Escambia Asset Company in a spreadsheet. I have had conversations with Mr.
4 Morgan about this. I have never talked to Mrs. Morgan. The company has provided them with
5 accountings for the payout as they were requested to do and the well is approaching a pay-out
6 status. As of November of 2007, the latest report, the well lacks about \$21,000 paying out, that
7 is the penalty having been recovered. So, the accountings have been made to Mrs. Morgan on
8 her interest as the costs are taxed against that interest under the authority of this Board order.
9 Mr. Brooker saw his error in omitting the notice in his letter and he sent that subsequent 18 days
10 in advance or 17 days in advance of the hearing, if you will. Under our rules that is adequate.
11 Furthermore, the time for rehearing passed without an application for rehearing of this Board.
12 The time for appeal passed without an application for or without filing a request for a rehearing.
13 Therefore, I submit to you that the petition of Elaine Morgan is due to be dismissed.

14 CHMN. MCCORQUODALE: Let me ask you a question, Mr. Watson. You made
15 reference to these notices of the payout going to Mrs. Morgan. When did those begin? Do you
16 have that record?

17 MR. WATSON: I have the last one that was sent. Upon her request we started sending
18 those, suffice to say, for several months. I don't have the exact date. Upon her request those
19 accountings were forwarded.

20 CHMN. MCCORQUODALE: When was the last one sent, November 2007?

21 MR. WATSON: The last one was sent in April 2008 for a period that ended in
22 November of 2007.

23 CHMN. MCCORQUODALE: Okay. Were any sent for any periods prior to November
24 2007?

25 MR. WATSON: Yes sir.

26 CHMN. MCCORQUODALE: Do you have any of those dates?

27 MR. WATSON: I have reference here that on April 24, 2007, to the fact that those
28 accountings were being made. That's as far back as I have in this file, Mr. Chairman.

1 CHMN. MCCORQUODALE: Is that a notice that was sent to Mrs. Morgan?

2 MR. WATSON: That's an accounting report that was sent to her.

3 CHMN. MCCORQUODALE: That's what I meant. The reference that you made to
4 April 24, 2007, was something regarding the accounting that was, in fact, sent to Mrs. Morgan?

5 MR. WATSON: Yes.

6 CHMN. MCCORQUODALE: Mr. King.

7 MR. KING: Mr. Chairman and members of the Board, there is no question that the
8 appeal time and the rehearing time has passed. That's not even an issue. The question is, can
9 this Board do anything at this point on the petition as far as whether it should be dismissed or
10 not. I think we are kind of getting into the merits too, so we may go on and do that. I concur
11 with Mr. Watson in asking that the prior hearing petition be included. We have also prefiled an
12 affidavit of Mrs. Morgan with the petition. We ask that that be admitted.

13 CHMN. MCCORQUODALE: We will admit all of the items to which both of you have
14 referred.

15 (Whereupon, the affidavit was received in evidence:
16 hearing related to Order No. 2005-80 was incorporated
17 by reference)

18 MR. KING: The petition was filed by Travelers at the time. Travelers filed in those
19 exhibits a green card as return receipt certified mail where Mrs. Morgan was sent a letter. That
20 letter is also attached to our petition. The letter does not, as Mr. Watson said, contain all the
21 requirements of the Alabama Code. It does provide three opportunities for her to participate by
22 either leasing, becoming a working interest owner and paying certain other things but what it
23 does not provide in that letter is a notice which is required under 9-17-13 of the Alabama Code,
24 before you can get risk compensation that the landowner be given actual notice. The Code
25 specifically says actual notice, not the normal publication notice and not an assumed notice from
26 the regulations that we mailed a letter and we think she got it type notice. The only reference
27 that might have given her notice that they were going to request risk compensation was that in
28 the notice that was published in the paper. It did say they were asking for risk compensation. I

1 would note for the Board and I think you are aware of this; Escambia County has three local
2 papers. The Tri-City Ledger is the one that is normally used for publication because it is the
3 largest but you are talking about the Brewton Standard, The Atmore Advance and the Tri City
4 Ledger. Nobody in Escambia County reads all those papers. Mrs. Morgan specifically states in
5 her affidavit she did not get notice before the hearing. After the appeal time had run and the
6 rehearing time had run they found out that risk compensation had been approved.

7 CHMN. MCCORQUODALE: When was that, Mr. King?

8 MR. KING: We don't have an exact date.

9 CHMN. MCCORQUODALE: The closest you can come.

10 MR. KING: It was approximately within six months after the hearing. Mr. Morgan
11 telephoned the Board and spoke to Mr. Rogers. When they started getting pay stubs there were
12 some questions about it. He called and asked, would you look and see if they are suppose to be
13 charging some costs. I think Mr. Rogers at that time had looked it up and told him that there was
14 risk compensation.

15 CHMN. MCCORQUODALE: Just ballpark figures, we are talking about some time
16 between late November or early December of 2005 and February or March of 2006.

17 MR. KING: Probably early 2006 I would say. After that I would submit that Mr.
18 Morgan has had a lot of contact with the Board and with Travelers or Escambia Asset attempting
19 to find out what was being charged, why it was being charged and what he could do about that.
20 There has been substantial delay before this was filed but as you can see from the petition the
21 only thing that is at issue in the petition is not the force pooling, none of the issues that would
22 actually affect operations. It is only how much they are entitled to charge these people. They
23 have not finished charging them and are still charging them to this date. There is clearly a reason
24 that the Board should still act, even if the delay may prevent prefiling action. They are still
25 taking out risk compensation. This is not something that is over. This is an ongoing Board
26 order. Today, and I think Mr. Watson offered this, we were given this letter when Mr. Brooker,
27 in essence, admits that he did not send the notice, if the Board will look at that. On the third
28 page there is a certified mail receipt where they paid for certified mail. Their records show they

1 did. There is no green card. There is no receipt of that showing Mrs. Morgan would or would
2 not have gotten it. I don't think the Morgan's or anyone here would fault the Board for entering
3 the order. The order was entered based on an affidavit from Travelers that they had complied
4 and submitted a green card and said we gave them everything. Mr. Brooker is not here to
5 explain but I think his letter clearly shows that he, through oversight or some reason, did not
6 provide that notice. It would have been better obviously if it had been in the letter itself. That's
7 a better practice. If he had at least included the petition in the letter then there may have been the
8 actual notice that they said they gave. Whether the Board can take action or not, I think it is
9 clearly in this Board's authority to take action. The best analogy of this would be in essence a
10 Rule 60-B motion for Circuit Court. You can't appeal after a certain time either but if there is an
11 order that is entered through any kind--I'm not saying this in the tort sense, but any kind of fault
12 on the court and this information provided to the court---

13 CHMN. MCCORQUODALE: It scares us to death when we have to file one of those.

14 MR. KING: Exactly. Like I say, there is no question there has been a delay. We would
15 take the position that this Board should go back. The law is clear. The Statute is clear. The
16 regulations can't change that. Common practice can't change that, that she was required to have
17 actual notice before they could ask this Board and get an order allowing them to impose. I mean,
18 they are going to be entitled to get her share of the cost anyway. What they asked for and got
19 was the right to charge a 150 percent surcharge. That's the only thing they wouldn't get to do. It
20 is clear the Code wasn't met. At the very least from the date of the filing of this petition forward
21 they should not be allowed to do that. We would argue that they shouldn't be allowed to profit
22 from misinforming the Board about what notice they did give.

23 CHMN. MCCORQUODALE: I'm just curious about the answer to this and frankly,
24 gentlemen, I think we have just tried this sort of. I will assume that Mr. and Mrs. Morgan would
25 testify to exactly what you have just told us, Mr. King.

1 MR. KING: Yes. I would make a proffer to that testimony. They are willing to testify if
2 the Board wants to hear it but I think the issues are pretty clear cut.

3 CHMN. MCCORQUODALE: Right. Why did Mr. and Mrs. Morgan wait if they
4 learned about it in early 2006? Why did they wait two years after that to then file this petition?

5 MR. KING: A couple of reasons I would submit, no disrespect intended, they are not
6 sophisticated people who deal with lawyers on a regular basis. They have tried to handle this
7 themselves. Mr. Morgan has made numerous contacts with this Board, the staff at the Board,
8 with the companies, with Mr. Watson and other people to just basically get information. I've got
9 copies where the Board has been helpful and provided him with statutes. He didn't have statutes.
10 He got the statutes and started reading through them on what was required, whether it was a
11 proper order. When he finally got to a point where he figured out that this was the only option
12 he had, that's when he came in and we filed this petition. Like I say, we are not trying to excuse
13 the delay. It was a long delay.

14 CHMN. MCCORQUODALE: I'm not trying to cut Mr. and Mrs. Morgan off. If you
15 want to put them under oath and let them tell us that, I'm fine with it.

16 MR. KING: I think they are satisfied with the presentation of what their testimony would
17 be.

18 CHMN. MCCORQUODALE: I just want to make sure that they are satisfied because
19 folks take their time and drive up here. It's a long way.

20 MR. KING: No. I know Mrs. Morgan would appreciate not having to testify. She is a
21 little nervous about this.

22 CHMN. MCCORQUODALE: I don't ever want to cut anybody off without their
23 opportunity to be heard.

24 MR. KING: No sir, Mr. Chairman.

25 MR. DAMPIER: Mr. King and Mr. Watson, I have a couple of questions. One, Mr.
26 Watson, Mr. King points out there is not a green card attached to this letter dated July 1, 2005.
27 Did you ask Mr. Brooker's office if they had a copy of the green card?

1 MR. WATSON: I asked them to send me the entire file. This is what I was sent. I
2 would note for you that the green card that was admitted before the hearing was signed, I mean,
3 the green card was returned signed.

4 MR. DAMPIER: Is that the green card related to this letter or to the other letter?

5 MR. WATSON: That's the green card related to the force pooling item in 2005.

6 MR. DAMPIER: I'm just referring to this letter dated July 1.

7 MR. WATSON: I have handed you everything that was sent to me from Mr. Brooker's
8 office.

9 MS. PRITCHETT: Mr. Watson, on previous occasions you have submitted to this Board
10 a print out from the U.S. Postal Service Website when you did not receive the green card
11 indicating that mail had indeed been delivered and the green card just had not been returned. Did
12 you check the U.S. Postal Service Website for this green card?

13 MR. WATSON: Do you think that I would not have? I did. They have expunged that
14 year from their records. I checked it this morning. There is nothing showing up on that number
15 in the U.S. Postal tracking system.

16 MS. PRITCHETT: Is there an indication on their Website that mail that far back would
17 not be recorded or is that an indication that---

18 MR. WATSON: I didn't ask my paralegal that question. She simply took this and ran it
19 and said that there was nothing on that number. That is my conclusion, that they must not keep
20 them back to 2005.

21 MS. PRITCHETT: Well, that is one logical assumption. The other logical assumption is
22 that it was never delivered.

23 MR. WATSON: Well yes, I guess that is true. You know, Mrs. Morgan is here. She can
24 testify as to whether she got the letter or not. Would you stipulate that she got the letter, Mr.
25 King?

26 MR. KING: No, I mean, she stands by her affidavit that she filed that she did not get the
27 second letter. Now, the first letter with the three options she did get. The second letter that
28 contained the notice and would have had the notice of the risk compensation, she did not get.

1 MR. WATSON: I would note for the record that there was no return of this letter to Mr.
2 Brooker's firm in his file.

3 MR. KING: I don't mean to belabor this point. I would note for the Board that this
4 petition was actually at a second hearing. From reviewing the record it appears that Travelers
5 had appeared once before this Board where they said we sent out a bunch of green cards and they
6 didn't have a response from everyone. This Board made them come back again because they
7 had not gotten responses from--there was actually an oil company that had not responded, a Mr.
8 Knapp and Mrs. Morgan. All had not leased or were participating and they were trying to force
9 pool all them at the first point. Between that first hearing and the second hearing everybody
10 except Mrs. Morgan consented. There were some issues before with whether certified mail got
11 to people in this case, in this petition.

12 MR. DAMPIER: I have a couple more questions. One of the issues that the Board is
13 looking at, and it is obvious from both your statements today, is the statute of limitations and
14 things like that. I have a recollection of a case, the Stryker case, years ago and I'm not sure
15 when that was filed or what the proceedings were but I remember the essential holding was that
16 the Alabama Supreme Court said that you have got to exhaust administrative remedies and you
17 have got to go back before the Oil and Gas Board but I'm not sure if that had to do with I guess
18 whether somebody was inside or outside a unit.

19 MR. WATSON: That's right.

20 MR. DAMPIER: The question is should the statute of limitations of the Alabama Code
21 apply to this hearing? I know Mr. King has referred to this kind of like a Rule 60-B motion or is
22 this kind of like you first have to come to the Oil and Gas Board on any matter or is Stryker to be
23 narrowly interpreted and just on that one matter you have to come back before the Board?

24 MR. WATSON: I think Stryker is to be broadly interpreted.

25 MR. DAMPER: So then Mr. King would be right in coming back before this Board and
26 exhausting administrative remedies regardless of a statute of limitations or a thing like that?

1 MR. WATSON: Oh no, I didn't say that but I said Stryker requires you to come before
2 the Board. I'm not addressing the statute of limitations. I don't think it circumvents the statute
3 of limitations. I think that is out there for a reason.

4 MR. DAMPIER: But the point is like with Stryker somebody could request a unit
5 reformation and it may be years later outside a statute before somebody would have evidence to
6 know that the unit needs to be reformed. I guess it would be more than two years after a date of
7 a hearing here.

8 MR. WATSON: That procedure, Mr. Dampier, would certainly fall in a different line in
9 my view. It has been a while since I read the Phillips vs. Stryker but there was a situation that
10 the facts were so particular in a unitized area, I would not want to generalize that to spill over
11 into this situation.

12 MR. DAMPIER: That was one of my questions before, whether we should generalize
13 that decision or not?

14 MR. WATSON: No, not that I now understand your question I do not think so.

15 CHMN. MCCORQUODALE: Again, on that same line on the Stryker case, you were
16 involved in that weren't you, Mr. Watson?

17 MR. WATSON: I was on the sideline in that. I was not involved in the trial.

18 CHMN. MCCORQUODALE: So if we follow that line of reasoning then Mr. and Mrs.
19 Morgan, represented by Mr. King, would necessarily need to come to this Board to seek a
20 remedy. Whether this Board could give it to them or not for the passage of time before they
21 could then--I don't know if the statutes have run on that either. I'm not suggesting that that is
22 what they are doing at all, so don't misunderstand, but before they could then go to the Circuit
23 Court say in Escambia County this would enable Mr. King to say to Judge Rice or whoever is
24 down there now, well we exhausted our administrative remedy, we went back to the Board. In
25 the event that they do not get any remedy, I'm not saying they will or won't get any remedy from
26 the Board, I think that's what you are talking about.

27 MR. WATSON: That's my understanding of the law.

28 MR. DAMPIER: My next question, Mr. Watson, if you know, and Mr. King I'm going

1 to give you an opportunity to respond to both of these but since we are on this side of the table
2 now I'll just go ahead and let him speak, has anybody else not received? Have you had any other
3 complaints about not receiving green cards or anything? I don't know how many people were
4 force pooled who may be complaining now. It may only be a handful.

5 MR. WATSON: We are only down to one, Mrs. Morgan.

6 MR. DAMPIER: So is there any other indication of people not receiving signed green
7 cards coming back?

8 MR. WATSON: No sir.

9 MR. DAMPIER: Not that that necessarily matters under the statute.

10 CHMN. MCCORQUODALE: I'm going to ask a question that Mr. Metcalfe would have
11 asked if he were sitting here. How good is this well? How much money are we talking about?

12 MR. WATSON: This is a good well, Mr. Chairman. This well in October generated
13 total revenues of one-half million dollars.

14 MR. DAMPIER: Mr. Watson, how does a company apply this risk comp fee? If a well
15 cost a million dollars, do they then charge \$1.5 million so the royalty owner gets charged a total
16 of \$2.5 million? Is that how it works?

17 MR. WATSON: The penalty winds up being 100 percent recovery under the force
18 pooling without risk comp, add the 150 and it's a 250 percent penalty before they are back in.
19 Of course, they get their 3/16 royalty from date of first production.

20 MR. DAMPIER: After it is paid out do they get 8/8's?

21 MR. WATSON: Yes sir, they wait till they get the other 13/16 because they have been
22 getting the 3/16, so they get the remainder. Then they have to pay their pro rata share of the
23 operating costs. They then become a working interest owner. They become liable for any
24 problems with the well. If the well has to be reworked, they have to pay their share of those
25 costs.

26 CHMN. MCCORQUODALE: Their share or the 150 percent?

27 MR. WATSON: Their share. They have paid out. The penalty is over.

28 CHMN. MCCORQUODALE: Right.

1 MR. WATSON: If there is a personal injury on the site and the operator gets sued, they
2 are up for their pro rata share of that. They become just like an oil company after payout.

3 CHMN. MCCORQUODALE: Mr. Metcalfe always wanted to know about the money.

4 MR. WATSON: We started out with a little under \$100,000 and we are down to about
5 \$21,000 reaching payout

6 CHMN. MCCORQUODALE: Does anybody have anything else to say?

7 MR. ROGERS: For the record we would like to incorporate the record from Docket No.
8 7-11-05-19 that resulted in Order No. 2005-80.

9 CHMN. MCCORQUODALE: Request granted.

10 (Whereupon, the record of Docket No. 7-11-05-19
11 was incorporated by reference)

12 MR. ROGERS: Just to clarify, we have admitted the affidavit of Mrs. Morgan which was
13 notarized on February 12, 2008. We have admitted the letter of Norton Brooker dated July 1,
14 2005, and the affidavit of Mr. Brooker dated July 7, 2005.

15 CHMN. MCCORQUODALE: All of those things are made a part of the record.

16 (Whereupon, the exhibits were received in evidence)

17 MS. ARNOLD: Mr. Chairman, Jim Sledge and I would also like on behalf of Travelers
18 to have our letter of support of Tom Watson's motion as well as to express our support of
19 everything he said here today admitted to the record, please.

20 CHMN. MCCORQUODALE: Admitted.

21 (Whereupon, the letter was received in evidence)

22 CHMN. MCCORQUODALE: Does anyone have anything else, Mr. King, Mr. Watson,
23 Ms. Arnold?

24 MR. DAMPIER: Mr. Chairman, I move that the Board take this matter under
25 advisement.

26 MS. PRITCHETT: Second.

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

28 (All Board members voted "aye")

1 CHMN. MCCORQUODALE: "Ayes" have it. Thank you very much.

2 MR. ROGERS: The next item is Item 15, Docket No. 4-14-08-4, petition by El Paso E &
3 P Company Limited Partnership, a petition for reformation by El Paso.

4 MS. ARNOLD: Foster Arnold for the petitioner. Docket No. 4-14-08-4 is a petition by
5 El Paso E & P Company, L.P. requesting reformation of the unit for the Simmons 03-11-548
6 well, Permit No. 15539-C, from an original 40-acre unit consisting of the Northeast Quarter of
7 the Southwest Quarter of Section 3, Township 17 South, Range 8 West, Walker County,
8 Alabama, in the White Oak Creek Coal Degasification Field to a revised 80-acre unit consisting
9 of the Northeast Quarter of the Southwest Quarter and the Southeast Quarter of the Northwest
10 Quarter of said Section 3. We have prefiled my affidavit of notice stating that notice was given
11 to all mineral owners, overriding royalty interest owners and working interest owners in the
12 original and revised unit. We would request that that affidavit of notice be admitted to the
13 record, please.

14 CHMN. MCCORQUODALE: Admitted.

15 (Whereupon, the affidavit was received in evidence)

16 MS. ARNOLD: Since the filing of this petition, we have received a number of consents
17 and I have those consents with me today. I would like to hand them up and have them admitted
18 but for the record I would just like to read those names off, please.

19 CHMN. MCCORQUODALE: Fine, do that. They will be admitted.

20 MS. ARNOLD: The first consents are from Simmons Group Ltd., the Jeanne G. Wiggins
21 Revocable Trust; Sarah Woolfolk Wiggins; William D. Jackson; Irene Cooke; John Graves
22 Cooke, III; Lide Taylor Cooke Anderson; Barbara Joy Scott Joyce, Michael Long; Janice M.
23 Collins; George A. Long; Norris E. Long and CMV Joint Venture. We have two owners; one is
24 a mineral owner, William Parker Scott, Jr., and then GeoMet, Inc. who owns an interest in the
25 unit. They have not consented but I have no indication from either of those owners that they
26 pose any objection to the petition. The Simmons Group, Ltd., the consent that is on the top of
27 that stack that I have just handed up for the record, is the landowner who currently owns the
28 interest in the original unit. His interest is essentially being diluted by the reformation to the 80-

1 acre unit, so I think that it is significant that they have consented in this matter.

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

3 MS. ARNOLD: I have with me today two witnesses. The first is Terry Wagstaff who is
4 a petroleum engineer for El Paso. Mr. Wagstaff has previously testified before the Board in
5 matters of petroleum engineering. His statement of qualifications is on record from a matter a
6 few years back. I would ask that Mr. Wagstaff be recognized as an expert qualified to testify in
7 petroleum engineering matters. If the Board needs me to, however, I will take you through his
8 qualifications.

9 CHMN. MCCORQUODALE: He is so recognized.

10 MS. ARNOLD: I also have with me today Chris Pettus, a landman employed by El Paso.
11 Mr. Pettus has testified before this Board in matters of mineral ownership. I would ask that Mr.
12 Pettus also be recognized as an expert qualified to testify in this matter.

13 CHMN. MCCORQUODALE: He is so recognized.

14 MS. ARNOLD: I would like to have both of them sworn in, please.

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

16 MR. PETTUS: Chris Pettus or A.C.G. Pettus, Sr., Lafayette, Louisiana.

17 MR. WAGSTAFF: Terry Wagstaff, Houston, Texas.

18 (Witness were sworn by Mr. Rogers)

19 CHRIS PETTUS

20 Appearing as a witness on behalf of Petitioner, El Paso E & P Company, L.P., testified as
21 follows:

22 DIRECT EXAMINATION

23 Questions by Ms. Arnold:

24 Q. Chris, I'm going to go through the land ownership first. You are familiar with the
25 petition filed in this matter?

26 A. Yes.

27 Q. You have just listened to the description that I have given the Board of the original unit
28 and the revised unit, correct?

1 A. Yes I have.

2 Q. Is the ownership in the original unit common to the ownership in the revised unit?

3 A. No.

4 Q. Therefore, it is diverse.

5 A. It is diverse.

6 Q. Who are the owners of the mineral overriding royalty interest and working interest in the
7 original unit only?

8 A. The Simmons Group, GeoMet, Inc., CMV Joint Venture and El Paso.

9 Q. Who will be the owners of the mineral overriding royalty and working interest in the
10 revised unit, if you would read those in, please?

11 A. The Simmons Group, their interest is just diluted; Jeanne G. Wiggins through Trustee and
12 the Revocable Trust; Sarah Woolfolk Wiggins, and a list of individuals: Irene Cooke,
13 John Graves Cooke, III; Lide Taylor Cooke Anderson; William D. Jackson; William
14 Parker Scott, Jr.; Barbara Joy Scott Joyce; Michael Long, Janice M. Collins; John A.
15 Long and again, GeoMet, Inc., CMV Joint Venture and El Paso.

16 Q. Mr. Pettus, you mentioned John A. Long. I believe you meant George A. Long. Is that
17 correct?

18 A. Yes I'm sorry.

19 Q. I think we omitted Norris E. Long. Is that correct?

20 A. There is a Norris E. Long.

21 Q. Now for clarification, in the 40-acre unit that is being added to the original unit, namely
22 the Southeast Quarter of the Northwest Quarter, we have a dispute as to the mineral
23 ownership. Correct?

24 A. That is correct.

25 Q. That is a dispute between Jeanne Wiggins Trust and Sarah Woolfolk Wiggins or in the
26 alternative the Cooke's, the Anderson's, the Jackson's, the Scott's, etc. Correct?

27 A. All the Cooke heirs.

28 Q. All the Cooke heirs. That interest, once this unit is reformed, the 40-acre interest

1 comprised of the Southeast Quarter of the Northwest Quarter would have to be escrowed
2 and interplead into the Circuit Court of Walker County for an adjudication of that
3 interest, correct?

4 A. That is correct.

5 TERRY WAGSTAFF

6 Appearing as a witness on behalf of Petitioner, El Paso E & P Company, L.P., testified as
7 follows:

8 DIRECT EXAMINATION

9 Questions by Ms. Arnold:

10 Q. Mr. Wagstaff, El Paso originally developed the Simmons 03-11-548 well located on a 40-
11 acre unit that I have previously described, correct?

12 A. Yes.

13 Q. When was that well permitted?

14 A. January 25th of this year.

15 Q. When was it drilled?

16 A. January 30, 2008.

17 Q. So it is a very new well.

18 A. Yes.

19 Q. El Paso is still the operator of that well?

20 A. Yes.

21 Q. After analyzing reserve and production data from the existing well, has El Paso
22 determined that it is technically and economically feasible to reform the original unit as
23 that term is defined for the Board today?

24 A. Yes.

25 Q. Exhibit 1 which we have prefiled with the Board, and I might note that Exhibit 1 is going
26 to need to be Exhibit 2 today, is a revised plat showing the original unit and the revised
27 unit for this well and the well and its location with respect to the existing unit lines and
28 the revised unit lines. Correct?

1 A. Yes, it shows the proposed unit reformation.

2 Q. We would like to have that Exhibit 2 admitted to the record.

3 CHMN. MCCORQUODALE: Admitted.

4 (Whereupon, the exhibit was received in evidence)

5 Q. We have also prefiled an Exhibit 1 which I have here today. That merely shows the
6 position of the existing unit as reformed that is the subject matter of this reformation with
7 regard to the surrounding wells of El Paso to show that they are filing this petition to
8 make this particular unit consistent with most of their surrounding wells. I would like to
9 have that exhibit admitted to the record today, please.

10 CHMN. MCCORQUODALE: Admitted.

11 (Whereupon, the exhibit was received in evidence)

12 Q. In your opinion within the area of the original and revised unit, Mr. Wagstaff, are the
13 characteristics of the Pottsville Coal Interval such that a well on 80-acre spacing will
14 efficiently and economically recover the recoverable hydrocarbons within this revised
15 unit?

16 A. Yes.

17 Q. Will the granting of the above petition to reform this unit from the original unit to the
18 revised unit thus protect the coequal and correlative rights of all owners in the Pottsville
19 Coal Interval in the original and revised unit by preventing waste, promoting full
20 development of natural resources therein avoiding the drilling of unnecessary wells and
21 making this unit consistent with El Paso's spacing for its drilling program and avoid
22 unnecessary surface disturbances?

23 A. Yes.

24 MS. ARNOLD: I tender the witness for further examination from the staff, actually both
25 witnesses.

26 CHMN. MCCORQUODALE: Are there questions?

27 MS. ARNOLD: I would ask that this petition be granted.

28 MR. DAMPIER: Mr. Chairman, I move that the petition is granted.

1 MRS. PRITCHETT: Second.

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

3 (All Board members voted "aye")

4 CHMN. MCCORQUODALE: "Ayes" have it.

5 MR. ROGERS: The next item is Item 16, Docket No. 4-14-08-5, petition by El Paso.

6 MS. ARNOLD: Foster Arnold for the petitioner. Docket No. 4-14-08-5 is a petition by
7 El Paso E & P Company, L.P. requesting force pooling, without risk compensation, of all tracts
8 and interests in an 80-acre drilling unit for the proposed Wiggins 3-07-581 Well comprised of
9 the Southwest Quarter of the Northeast Quarter and the Northwest Quarter of the Southeast
10 Quarter of Section 3, Township 17 South, Range 8 West, Walker County, Alabama, in the White
11 Oak Creek Coal Degasification Field. We have no notice affidavit today for me to admit
12 because the persons being force pooled have been unable to be located as Mr. Pettus' testimony
13 will reflect in a moment. I have with me today Mr. Pettus who has just been sworn in. I will
14 remind him that he is still under oath.

15 CHRIS PETTUS

16 Appearing as a witness on behalf of Petitioner, El Paso E & P Company, L.P., testified as
17 follows:

18 DIRECT EXAMINATION

19 Questions by Ms. Arnold:

20 Q. Chris, you prepared a landman's statement regarding the title to this property, to the 40-
21 acre tract where we have unlocated and unconsenting persons. That affidavit also
22 addresses the due diligent efforts that have been made by you on behalf of El Paso along
23 with your staff in trying to locate these persons. Is that correct?

24 A. That is correct.

25 MS. ARNOLD: At this time I would like to hand numerous copies of that affidavit up to
26 the record. Mr. Chairman, it is a lengthy affidavit. I know that the staff has had the opportunity
27 to read it. I will be glad to go into whatever level of detail the staff wants with regard to the
28 information contained therein through Mr. Pettus testimony. Should we take you?

1 CHMN. MCCORQUODALE: Just one moment. It would not be necessary to do that
2 based on the fact that the staff has had a chance to review it and is satisfied with the contents of
3 it.

4 Q. Mr. Pettus, you prepared this landman's statement?

5 A. Yes I did.

6 Q. You again generally testify to the information today contained in the landman's
7 statement, correct?

8 A. Yes I do.

9 CHMN. MCCORQUODALE: For what it is worth, Ms. Arnold, Mr. Rogers just told me
10 that it was excellent.

11 MS. ARNOLD: Thank you. I unfortunately can't take credit myself for that. Mr. Pettus
12 can. He works hard to try and find these people. In fact, I asked him the other day had he done
13 anything to find them since the affidavit was prepared and he said they continue to look for them.

14 CHMN. MCCORQUODALE: Thank you.

15 MS. ARNOLD: Because these people have not been able to be located, I will read their
16 names into the record. They are John W. Landen. They are his wife, Nancy Landen, and their
17 daughter, Luizer or Elizer or Louisa Taylor. As stated in our petition which we would obviously
18 like to be made a part of the record, their names are listed on Exhibit A and the various names
19 which we feel that they might have gone by. Because we could not locate them we would
20 request that the newspaper notice that was run in the newspaper of general circulation in Walker
21 County serve as due process and notice in this matter.

22 CHMN. MCCORQUODALE: That request is granted

23 Q. Mr. Pettus, in your opinion has El Paso, based on the information contained in this
24 landman's statement, made good faith, reasonable, due diligent efforts to locate the
25 parties whose names are listed in Exhibit A to the petition filed in this matter?

26 A. Yes.

27 Q. Once the interest is force pooled and the well drilled, the royalty on this particular 40 acre
28 tract, namely the Northwest of the Southeast Quarter of said Section 3, will have to be

1 escrowed and actually interplead into the Circuit Court of Walker County for an
2 adjudication of the ownership of the interest there.

3 A Yes, between the Wiggins and the Cooke heirs.

4 Q. In referring to that Mr. Pettus refers to the fact that the necessity to locate these Landen
5 people arose from the fact that they appear to have been divested of their interest by a
6 mineral only owner unknown tax sale which I could not certify the title to. So, they are
7 protective leases they would have otherwise taken from the Landen's had they been able
8 to find them. That interest will be adjudicated between the Landen's, if they are able to
9 be found, and the Wiggins but nevertheless that interest will be made a part of the Circuit
10 Court in a pleader action eventually. Will the granting in your opinion of this petition
11 prevent waste and protect the coequal and correlative rights of the owners in the unit?

12 A. Yes it will.

13 MS. ARNOLD: I tender the witness to the Board for any questions that you may have.

14 MR. ROGERS: Ms. Arnold, normally in the order we state the potential area that is
15 covered. This is 40 acres so it would be 40 acres of the 80.

16 MS. ARNOLD: Forty acres of the 80, right.

17 MR. ROGERS: If you would, state that in your order.

18 MS. ARNOLD: I will, yes sir.

19 CHMN. MCCORQUODALE: Are there any other questions?

20 MRS. PRITCHETT: Mr. Pettus and Ms. Arnold, as you know we have been fairly
21 stringent on parties who claim they are unable to find land owners so we certainly appreciate
22 your efforts here and commend you for this landman's statement and the affidavit. In fact, we
23 would encourage everyone, all petitioners coming before this Board who have these types of
24 issues to do this. This is fantastic.

CHRIS PETTUS

EXAMINATION BY BOARD/STAFF

Questions by Mrs. Pritchett:

Q. Mr. Pettus, can you very briefly tell us what has been done since the date of this affidavit to locate these owners?

A. It's odd because these particular owners have come up in other titles. Because of that and because there is just so much vast information out there, I have an ongoing situation where there are two and three other people who continually check certain areas every week. I check Ancestry.com continually for any possible updates, any additional information, and nothing has been found there. We continually search the records in different counties but there is an ongoing effort to continually go back to the libraries and search records. There is so much voluminous information out there. We have just really spent an awful lot of time going through it but if the same people are going to be involved every time something comes up we can take it a little bit further every time and that is what we are doing.

Q. As he says, this is not the first tract that this interest has come up on for El Paso. Unfortunately, we are in a situation where the patentee, Mr. Landen, essentially went missing after he took the interest in the 1800's. Despite their very, very focused and diligent efforts to try and locate them they suspect that his only daughter lived with his surviving wife but she never married and had any children so they just appear to have simply dropped off the map, for lack of a better term, although they remain cognizant and continue to look for them because they know they are eventually going to have to escrow the money and interplead it into court. There will have to be the same due diligent efforts demonstrated to a Circuit Court Judge.

MRS. PRITCHETT: Thank you.

MR. MASINGILL: Ms. Arnold, we just noticed on the OGB-1 and OGB-2 filed with the permit application there is a typo in the well name. It has the Wiggins 03-04-581. It should be 07. It is on the OGB-1 and the OGB-2.

1 MS. ARNOLD: I will get with their local permitting people and get them to correct that
2 immediately this week.

3 CHMN. MCCORQUODALE: If we have not done so, the affidavit of admitted. Are
4 there other questions?

5 (Whereupon, the affidavit was received in evidence)

6 MRS. PRITCHETT: Mr. Chairman, I move that the petition be granted.

7 MR. DAMPIER: Second.

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

9 (All Board members voted "aye")

10 CHMN. MCCORQUODALE: "Ayes" have it.

11 MR. ROGERS: The next item is Item 17, Docket No. 4-14-08-6, petition by Land and
12 Natural Resource Development, Inc. Anything more on that, Mr. Watson?

13 MR. WATSON: Continue that to the next meeting, Mr. Chairman.

14 CHMN. MCCORQUODALE: Is there any objection? Hearing none, that matter is
15 continued until the next regular meeting of the Board.

16 MR. ROGERS: The next item is Item 24. Yes sir?

17 MR. PEARSON: The witness is here for the El Paso contested item and the El Paso
18 witnesses. This is their last item before the Board if we could take it up now. It was the second
19 one up and he is here now. However y'all want to do it.

20 CHMN. MCCORQUODALE: We are going to take the item that was called. That's
21 going to be real short.

22 MR. ROGERS: The next item is Item 24, Docket No. 2-6-08-6A, petition by Jabsco Oil
23 Operating, LLC. I'll summarize that. After the last hearing the Board submitted questions to the
24 petitioner and one of the responses was that the petitioner stated that there had been an owner
25 that was identified but needed to be notified of the hearing. Since that time petitioner has mailed
26 notice of the hearing to that nonconsenting owner. After a time period passes I think the staff is
27 ready to make a recommendation to the Board. Unless you have other thoughts, Mr. Watson, we
28 would request that matter be taken under advisement.

1 MR. WATSON: I have nothing further on that.

2 MR. DAMPIER: Mr. Chairman, I move that we take that matter under advisement.

3 MRS. PRITCHETT: Second.

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

5 (All Board members voted "aye")

6 MR. ROGERS: The next related items are Items 25, Docket Nos. 2-6-08-13A, petition
7 by Hughes Eastern Corporation; Item 26, Docket No. 2-6-08-14, petition by Hughes Eastern
8 Corporation and Item 27, Docket No. 2-6-08-15, petition by Hughes Eastern Corporation. Do
9 you want to summarize that Mr. Watson or should we?

10 MR. WATSON: Mr. Chairman, after hearing testimony and evidence from Hughes
11 Eastern Corporation in the dockets that Mr. Rogers has just called, all of which related to
12 redetermination, I have complied with or my client has complied with your order, Order No.
13 2008-27, and has recalculated the tract participations for each tract in the unit in the Southeast
14 Bluff Upper Carter Oil Unit, Fayette County, Alabama, to give a pore volume credit and
15 wellbore credit to each tract in that unit. I have submitted an affidavit of testimony in support of
16 those recalculations. Attached to that affidavit of Mr. Emil Pawlik who testified at the hearing
17 are the recalculated tract participation factors using all available wellbore credits per the original
18 formula in that unit. I would submit that affidavit and ask that you incorporate that into the
19 record of this hearing.

20 CHMN. MCCORQUODALE: Admitted.

21 (Whereupon, the affidavit with attachments
22 were received in evidence)

23 MR. WATSON: In addition, your order added 20 acres to the oil unit and those
24 calculations take into effect that additional 20 acres. I would ask that you grant this petition now
25 that the petitioner has complied with your directive and recalculated tract participations and
26 make your order and the redeterminations effective at 7:00 a.m. on May 1, 2008.

27 CHMN. MCCORQUODALE: Are there any questions for Mr. Watson?

1 MR. ROGERS: We would like to incorporate the record if there is any question from the
2 ruling of the prior Board meeting. Mr. Masingill has that order number.

3 MR. MASINGILL: It would be the record that resulted in the issuance of Order No.
4 2008-27.

5 CHMN. MCCORQUODALE: That request is granted.

6 (Whereupon, the record related to Order No.
7 2008-27 was incorporated by reference)

8 CHMN. MCCORQUODALE: Do I hear a motion on Items 25, 26 and 27?

9 MRS. PRITCHETT: Mr. Chairman, I move that the consolidated petitions be granted.

10 MR. DAMPIER: Second.

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

12 (All Board members voted "aye")

13 CHMN. MCCORQUODALE: "Ayes" have it.

14 MR. ROGERS: That brings us back to Item 6, Docket No. 3-12-08-17, petition by Saga
15 Petroleum Limited Liability Company of Colorado.

16 MR. SLEDGE: Mr. Chairman, I'm Jim Sledge representing the petitioner. I have two
17 witnesses that need to be sworn and I think Mr. Pearson has some witnesses as well.

18 CHMN. MCCORQUODALE: Let me ask a question here as just a threshold question to
19 get to where I think we may be. You have handed up a substantial booklet of exhibits and you
20 have witnesses and Mr. Pearson has witnesses. Don't the field rules allow as a matter of right a
21 reformation from an 80 to a 40 or a 40 to an 80?

22 MR. SLEDGE: The field rules provide for 40- or 80-acre spacing. That is one of my
23 exhibits actually.

24 CHMN. MCCORQUODALE: Do we in these coalbed situations on reformations
25 normally conduct hearings like these suggest that we are about to conduct?

26 MR. SLEDGE: No sir. Normally what we would do is prove to you the ownership and
27 show you that there would not be rights disturbed by reducing the size of the unit in order to
28 permit the drilling of another well. That was our original presentation prior to the opposition.

1 CHMN. MCCORQUODALE: I guess that would take me to Mr. Pearson to say, on what
2 basis under these field rules do you have a right to contest this?

3 MR. PEARSON: The field rules provide the initial formation of the unit as a drilling unit
4 or a production unit as either a 40 or an 80. The field rules do not provide for reformation of a
5 unit. In fact, the Coalbed Methane Rules and Regulations dealing with procedure that this Board
6 has promulgated under its authority specifically says you've got to come back before the Board
7 and you have to make a petition to reform any unit. In addition to that there is a requirement
8 under those rules and regulations, Rule 400-7, that you are required to notify every operator in
9 the field. Obviously, those rules and regulations then presuppose that you are notifying people
10 who are outside the unit that is being reformed. Had this well been permitted as a 40 we
11 wouldn't be sitting here. It has been permitted as an 80. The drainage unit then is assumed
12 under the definitions of the State of Alabama and this Board, the drainage unit is 80 acres. That
13 is the area that can economically and efficiently be drained by one well. When they moved to
14 reform the unit and have two 40-acre units---our position here is not that anything that they are
15 doing inside that unit effects negatively anybody that is in that 80-acre unit. Our position is that
16 it is negatively effecting and it is an abuse of the correlative rights of El Paso which is an
17 offsetting unit to these 80 acres. We will demonstrate through our testimony, through Mr.
18 Wagstaff's testimony who testified a few minutes ago as a petroleum engineer, that the drainage
19 pattern in this particular fault block for the Pottsville Interval in the Deerlick Creek Field is
20 already being drained by the wells that are there and that this would be an unnecessary well. The
21 drilling of this well would then be an abuse of the correlative rights of El Paso which corners on
22 this unit to the northwest. They are going to be drilled a whole 40 closer to us. We have no
23 opportunity to protect ourselves from that drainage. We already have a coalbed methane well in
24 the 40 that is the closest to it on 80-acre spacing. We could drill an uneconomic well further
25 west but that doesn't help anybody. So, we feel like it would not be a protection of our coequal
26 and correlative rights. It would not be in the public interest in this particular situation to grant
27 this reformation. El Paso's position, and they have put an exhibit in which has already been
28 marked and prefiled, their position is not that they oppose every single reformation from an 80

1 down to a 40. They don't do that. They just think that it needs to be looked at because drainage
2 units have been established under the rules and they need to look at it and see if the drainage is
3 really draining that 80 or if you need another well.

4 CHMN. MCCORQUODALE: So if Saga had originally drilled the south half of this as a
5 40 and then you came back and proposed drilling this north half as another 40, creating two wells
6 in that 80, would El Paso object to that?

7 MR. PEARSON: Well, I'm sure they would object to it but it couldn't be on the basis
8 that we are here today objecting to it. We might have to come in as an operator in the field and
9 ask for an amendment to the Special Field Rules or something along those lines.

10 CHMN. MCCORQUODALE: Which has not been done?

11 MR. PEARSON: No it has not.

12 CHMN. MCCORQUODALE: That is not what you are asking for.

13 MR. PEARSON: No sir, we are not asking that.

14 CHMN. MCCORQUODALE: You are just saying you don't want them to do by
15 reformation what they would have had the right to do under the field rules with two different
16 wells. Isn't that right?

17 MR. PEARSON: Well, I don't express it in the same way you did. Just to the south of
18 this reformation there is a No. 50 Well that was an unopposed item where Saga reformed an 80
19 to two 40's and they proposed to drill a No. 67 well. We looked at that and we did not object to
20 that and we have scientific reasons why we did not object to that. We feel like that well perhaps
21 will be effective to help drain that particular area but we definitely and Mr. Wagstaff will testify
22 here today that the drainage patterns that are established in this closed fault block and for this
23 common pool, this reservoir, the Pottsville, is being efficiently drained and that we will be
24 negatively effected by this other well being drilled, our drainage pattern, and we can't protect
25 ourselves.

26 MR. DAMPIER: Mr. Pearson, if I understand your argument then it is relative to
27 whether they initially drilled a 40 or 80. If they had initially drilled a 40 in the unit that they now
28 want to reform, you wouldn't have an argument here today. Is that your position?

1 MR. PEARSON: Well, the field rules for Deerlick Creek, Mr. Dampier, provide that you
2 can permit a well and drill it on a 40 and produce it on a 40. You can also permit it and drill it on
3 an 80 and produce it on an 80. Once that is done, a drainage unit under the Board's rules is then
4 established for that unit, be it a 40 or be it an 80. A drainage unit has been established here for
5 80 acres. When we are going to change that drainage unit then I think the burden of proof shifts
6 to Saga to demonstrate to you that that one well in the 80 that they want to bring down to a 40
7 and drill another well that that is not an unnecessary well. That well cannot efficiently and
8 economically drain that unit.

9 MR. DAMPIER: Let me ask you this. Did El Paso drill the well that is adjacent; did
10 they drill it before or after Saga originally drilled that initial well?

11 MR. PEARSON: I'm not sure whether even Saga drilled it as a 2003 well. I'm not sure
12 whether Saga drilled it or acquired it.

13 MR. WAGSTAFF: It was a CDX well.

14 CHMN. MCCORQUODALE: Which one came first?

15 MR. PEARSON: The 224 Well.

16 MR. WAGSTAFF: The 224 Well was drilled after the 49 Well.

17 MR. DAMPIER: I'm sorry.

18 MR. WAGSTAFF: The 224 Well, the Drummond 32-01-224, began producing in 2004.
19 The West 33-12-49 began producing in 2003.

20 MR. DAMPIER: So what you want this Board to hear basically is whether Saga is
21 currently efficiently draining that 80 or not. Is that what this is about?

22 MR. PEARSON: Yes, Mr. Dampier. We realize as we sit here that this is sort of a case
23 of first impression. We understand that. We feel like and let me express. There is not going to
24 be testimony here today about this other than me sitting here saying it. There are a lot of
25 operators in this Black Warrior Basin coalbed methane. Saga is one of them and they are a good
26 operator as is El Paso. There are different factors that drive the drilling of these wells. Those
27 factors aren't always known to everybody but sometimes there are incentives for operators to
28 drill. Bottom line is if we get right down to it, we need orderly development and we need to

1 prevent the drilling of unnecessary wells. That is what is in the public interest and that is all we
2 are trying to do is show that in this case the drainage would effect us and that we do not have an
3 opportunity to protect ourselves in this case and not to be construed over all of the reformation
4 cases that will be presented, that this petition would be due to be denied for that reason.

5 CHMN. MCCORQUODALE: Does El Paso have any fear that if we start this process
6 that we are opening a can of worms that is going to impede that flexibility that has existed in this
7 coalbed situation? If we start this and we start having to prove these various issues on any
8 reformations out there and take away any flexibility which we think these field rules, this
9 development for about 20 years has provided a lot of flexibility. Do you fear that we are going
10 to stagnant that in some way by these procedures?

11 MR. PEARSON: Mr. McCorquodale, I hope that we don't do anything that would be
12 considered impeding anything. I do think in this situation, regardless of how the Board rules, I
13 think that the Board needs to consider this position because I think it is going to come up again,
14 no matter how you look at it, it is going to come up again. When there are uneconomic wells
15 that are being proposed or unnecessary wells that are being proposed, sometimes they don't
16 affect anybody but the operator and the working interest in that well. Nobody is going to sit here
17 and worry about that. The royalty owners here are not going to be negatively effected in the unit.
18 They would be positively affected but our royalty owners, our royalty owners to the northeast of
19 this in the offsetting well, will be negatively affected because we can't protect them. We can't
20 drill another well and protect them. So, we need to look at it or we need to come up with some
21 sort of way that we can consider it. I know that there is legislation that is being proposed in
22 Montgomery where this infield drilling might instead of reforming the unit just allow extra wells
23 to be drilled in an existing unit without reforming it. I do think this needs to be heard and said.
24 Now, the merits of it I'm sure Saga has got a position and certainly we have a position on the
25 merits of it that I would ask you to hear but opening a can of worms, I'm not sure that we are not.
26 I hope that we are not.

27 CHMN. MCCORQUODALE: Does anybody else have any questions?

1 MR. MASINGILL: Mr. Pearson, has El Paso in the past petitioned the Board for
2 reformation of petitions either from 80 to 40 or 40 to 80?

3 MR. PEARSON: Mr. Masingill, this is my first time that I have represented El Paso
4 before the Board. Typically they are represented by the firm across the table from us but they
5 have a conflict so I'm not familiar with their history but in speaking with the witnesses and
6 becoming familiar with El Paso, they operate some 1,250 wells in the Black Warrior Basin,
7 perhaps more, that is a round number. For the most part what I have seen is they like to try to
8 develop on 80's. I'm not saying they don't have any 40's because I honestly don't know the
9 answer. I know that earlier this morning they petitioned to reform a 40 to an 80. Foster Arnold
10 was representing them in that petition and the testimony that Mr. Wagstaff gave in that particular
11 reformation is the kind of testimony that he will give again, that that particular well comports
12 with the rules and the regulations and the laws of the State of Alabama and that one well will
13 efficiently and economically drain the 80-acre unit. Now, I'm interested to hear what Saga is
14 going to say about the drainage units that will be established by their two wells. I don't know
15 because there is no technical exhibit that was filed by Saga---

16 MR. SLEDGE: Mr. Chairman, I've been sitting very quietly while Greg puts his whole
17 case on. You haven't even heard my case. I think that I've got to object because Greg has now
18 gone way beyond answering Mr. Masingill's question.

19 CHMN. MCCORQUODALE: I was going to ask if you would like to respond to our
20 questions that we have asked of Mr. Pearson and the concerns that we have expressed.

21 MR. SLEDGE: We are very concerned about an operator who has no interest in the unit
22 and, in fact, no interest per its own exhibits in a unit that would be drained by the well that we
23 are proposing, coming in here and telling the Board that we should not follow the flexible pattern
24 of drilling that has been used at Deerlick Creek over the last 20 years. You have just said my
25 argument. We have the consent of the landowners. I've got the consents here, the originals, to
26 enter into the record to this reformation, all of whom support the concept of an additional well.
27 We are prepared to offer testimony that the existing 80-acre unit would not be drained by the
28 existing well and therefore we need to split it and drill another one. We are spending our money

1 to do this. There is no spook that is putting money into this deal. It is our money. We have
2 made an investment decision. We had it evaluated by our outside petroleum engineering firm
3 and we booked it and we want to drill it. We've got a vested right in these leases. The field
4 rules have historically given us this right and the pattern of the Board acting on reformation
5 petitions in the past has been that, additional wells can be drilled as needed. We are prepared to
6 show that it is needed.

7 MR. DAMPIER: One last question. Mr. Pearson, we have really not gotten into the
8 merits which are the legal arguments but I'm curious to know, is it your position that Saga is
9 currently economically and efficiently producing 80 acres?

10 MR. PEARSON: Mr. Dampier, I have no facts yet or evidence that would demonstrate to
11 me anything about the economics of Saga's wells.

12 MR. DAMPIER: Is it producing efficiently, the 80 then? Your point is they don't need
13 another well in the---

14 MR. PEARSON: Yes. The economics of it, I don't know. I know about how much a
15 coalbed methane well cost to drill and complete.

16 MR. DAMPIER: Saga's point is they need another well there to fully produce that 80.

17 MR. PEARSON: Correct. I understand that will be their rebuttal or surrebuttal position
18 to our rebuttal. They did not present any exhibits to demonstrate that with their petition.

19 MR. SLEDGE: That presentation that we made in support of our original petition is in
20 keeping with the kind of presentation that is made to the Board. The engineer states the
21 conclusion and that is what we did. He is here today and he can talk about his numbers.

22 MR. DAMPIER: Mr. Pearson, let me be clear where I'm going with this. It seems to me
23 that if your position is that Saga can do what they are doing with the one well they have in the 80
24 then it seems to me they may be concerned that El Paso is draining some from that 80 now that is
25 not going to their royalty owners. That's what we mean by opening a can of worms. If you
26 contend that they are going to drain from you then you may be draining from them now. So, we
27 get into this balancing act which becomes very difficult.

28 MR. PEARSON: I understand.

1 MR. MASINGILL: I just wanted to follow up, Mr. Pearson, on what I was asking a
2 minute ago related to reformation petitions by El Paso. I don't know that you really stated
3 whether or not they had petitioned for reformations. I think they have. I think the record will
4 show that they have reformed wells for both 40 to 80 and 80 to 40. I guess my question is, in
5 any of those reformation petitions that they have filed through the years, have they ever
6 presented information like they are presenting in this case showing drainage radius and putting
7 on evidence as to drainage?

8 MR. PEARSON: Jay, I don't have actual knowledge but I would suppose that they
9 didn't. I watched them make their presentation with Foster Arnold earlier. I would tell you that
10 part of the evidentiary presentation that Ms. Arnold put on was to ask the petroleum engineer
11 witness about the drainage unit and would the one well when you reform from a 40 to an 80
12 efficiently, economically and effectively drain the unit. So, it was more of a conclusionary
13 expert opinion and I call that evidence. It is not the type of exhibit that I am putting on today or
14 attempting to.

15 MR. MASINGILL: Exactly. I heard that testimony today. What I don't recall is in past
16 hearings hearing that same kind of testimony. I did hear it today but I don't recall hearing it at
17 past hearings. I may have and I may be wrong about that but that was kind of my point.

18 MR. PEARSON: I don't disagree, Jay. I will be honest with you. I knew that coming in
19 here today with this particular rebuttal or opposition position was going to probably evoke the
20 response that we got. I know that the only opportunity that this Board would take to even
21 consider this would be if we could present this testimony. Truthfully, it could get hairy on this
22 and just like y'all said, open a can of worms. I will be happy to take a little break and we can
23 discuss it further or y'all can tell us what you want us to do now.

24 CHMN. MCCORQUODALE: We are going to take about a five to ten minute recess
25 right now anyway. If you and Mr. Sledge want to discuss that, we would encourage you to do
26 so.

27 (Whereupon, the hearing was in recess for eight minutes)

1 CHMN. MCCORQUODALE: Let the record reflect that the State Oil and Gas Board is
2 back in session. Do you gentlemen have a settlement to report to the Board?

3 MR. SLEDGE: No sir.

4 CHMN. MCCORQUODALE: Okay. The Board continues to have a concern about the
5 direction that we might be going with coalbed methane fields and wells based on what we
6 anticipate as being presented today, that is issues of drainage regarding this reformation.
7 Frankly, the Board feels like this is a change from the patterns that have been established for
8 coalbed and that this is a change that we need to take a hard look at before we just embark on it.
9 I'm not saying we are not going to embark on it and the Board is not going to pass judgment on
10 that today but I think, the Board thinks, I don't think individually, but the Board thinks that
11 drainage issues like the one that we would litigate today where coalbed is concerned ought not to
12 be entered into unless we hear from other folks in this industry and in this business and within
13 this association regarding their thoughts about whether we start approaching these things this
14 way because it is going to be a change if we do this. I'm not saying we won't do it but it will be
15 a change. This is not business as usual where coalbed methane issues are concerned. For that
16 reason, and we will have a motion in a moment, this Board is going to continue this matter until
17 the next regular meeting of the Board. Mr. Rogers is going to notify the Association. He's
18 going to notify those folks that practice before this Board and those folks that have an interest in
19 coalbed methane and invite comments, briefs, letters, whatever form they want to take to tell us
20 whether or not you think this is a dangerous precedent for us to set in this area. We are not a
21 court of public opinion. That doesn't necessarily mean that what everybody says is what we will
22 do but I do think it is important for everybody to weigh in on this because it is going to affect El
23 Paso down the road and it is going to affect everybody else down the road. Before we do that we
24 don't need to just go out here and do it lightly. We need to do it with everybody's eyes wide
25 open and that is the intention of this Board today. Do I hear a motion?

26 MR. DAMPIER: Mr. Chairman, I make a motion to that effect.

27 MRS. PRITCHETT: Second.

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

1 (All Board members voted "aye")

2 CHMN. MCCORQUODALE: "Ayes" have it. This matter will be on the docket at the
3 next regular meeting of the Board. You will be notified ahead of time about whether, and I think
4 this will be fair, or not you need to bring your witnesses and be prepared to put on a case. Do
5 you guys agree with that?

6 MR. PEARSON: Yes sir, I do.

7 CHMN. MCCORQUODALE: I don't think you need to bring folks in here and go to that
8 expense if this Board is going to come to a conclusion that here is our opinion about how we
9 ought to approach these things. What I just said to you may not be correct according to the
10 administrative law, so if somebody wants to file something and get me reversed or corrected on
11 that, then have at it.

12 MR. PEARSON: For the record, El Paso does not object to the continuance and thinks it
13 is a wise move.

14 CHMN. MCCORQUODALE: Thanks. Mr. Rogers, anything else?

15 MR. ROGERS: That's all the items set for hearing today.

16 CHMN. MCCORQUODALE: The Board stands adjourned.

17 (Whereupon, the hearing was adjourned at 11:58 a.m.)

April 16, 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 Wednesday, April 16, 2008, in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, I reported the proceedings before the State Oil and Gas Board in Regular Session; that the foregoing 56 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