

May 22, 2008

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EXHIBITS

<u>EXHIBIT NO. (ITEM NO.)</u>	<u>TITLE (TESTIMONY OF)</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Board Exhibit	Posting of Special meeting on Website of Secretary of State	7	7
Board Exhibit	Posting of Emergency meeting on Website of Secretary of State	7	7
Board Exhibit 1	Hearing Officer report on Emergency Hearing of May 12, 2008	8	8
Exhibit 2	Hearing Officer report on hearing of May 12 and May 13, 2008, excluding Items 5, 26,27, 28 & 29	9	9

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EXHIBITS  
(Incorporated by Reference)

<u>DESCRIPTION</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Testimony and affidavit related to Docket No. 5-12-08-6	14 & 15	14 & 15

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

May 22, 2008

Testimony and proceedings before the State Oil and Gas Board in Special 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 22<sup>nd</sup> day of May, 2008.

BOARD

Mr. James H. Griggs ..... Chairman  
Mr. Charles E. Pearson ..... Member  
Ms. Rebecca Wright Pritchett ..... Member

STAFF

Mr. Berry H. (Nick) Tew, Jr. .... Supervisor and Secretary  
Mr. Marvin Rogers ..... Attorney  
Dr. David E. Bolin ..... Deputy Director  
Mr. Jay H. Masingill ..... Assistant Supervisor  
Mr. Kirk McQuillan ..... Engineer  
Mr. Bob Roark ..... Geologist

APPEARANCES

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NAME	REPRESENTING
1. Foster Arnold Tuscaloosa, AL	Rosen Harwood
2. Sherrie Griffith Tuscaloosa, AL	Meagler Oil & Gas
3. Tom Watson Tuscaloosa, AL	
4. B.D. Lott Tuscaloosa, AL	Meagler Oil & Gas
5. Doug Tucker Tuscaloosa, AL	-----
6. Debra R. Walker Tuscaloosa, AL	-----
7. Johnnie Pearson Tuscaloosa, AL	-----
8. Steve Hutchings Mobile, AL	HighMount Black Warrior Basin, Inc.
9. Ben Byerly Birmingham, AL	Energen Resources Corp.
10. Ron Tisdale Birmingham, AL	Energy Resources Corp.
11. M. Oswalt Tuscaloosa, AL	-----

May 22, 2008

1 (The hearing was convened at 1:30 p.m. on  
2 Thursday, May 22, 2008, at Tuscaloosa, Alabama.)  
3  
4

5 DR. TEW: I will now call this meeting of the State Oil and Gas Board to order. Ladies  
6 and gentlemen, I would like to take this opportunity to introduce to you two new members of the  
7 State Oil and Gas Board of Alabama who were appointed to membership by Governor Bob Riley  
8 on Friday, May 9, 2008. These two new members are James (Jim) Griggs of Fairhope and  
9 Charles (Ward) Pearson of Tuscaloosa. Many of you know these fine gentlemen and have had  
10 opportunity to work with them in various capacities over the years. Mr. Griggs has had a  
11 distinguished career as Director of the State Lands Division at the Alabama Department of  
12 Conservation and Natural Resources and, in fact, was a member of the staff of the Geological  
13 Survey and State Oil and Gas Board of Alabama in the mid-1970's. He also had a private law  
14 practice in Mobile during the 1980's that specialized in oil and gas and real estate property  
15 litigation. As Jim said to me, he is now coming back full circle, back home here to the agency as  
16 a member of the State Oil and Gas Board. It is my pleasure to welcome him back. Mr. Pearson  
17 is a prominent attorney with a practice here in Tuscaloosa where he is President of the Pearson  
18 Law Firm. His areas of practice are oil and gas law, environmental law and natural resources  
19 law. Ward also has served an adjunct professor of oil and gas law at the University Of Alabama  
20 School Of Law since 1993. Ward has shared with me his enthusiasm for undertaking the work  
21 of the State Oil and Gas Board. It is my pleasure to welcome Mr. Pearson to the Board. Of  
22 course, we look forward to the continued service of Ms. Rebecca Wright Pritchett who will  
23 continue her term of appointment to the Board. We appreciate her time and dedication to the  
24 State and to this Board. At this time I will ask Mr. Rogers, counsel for the State Oil and Gas  
25 Board, to administer the oath of office to Mr. Griggs and Mr. Pearson.

26 MR. ROGERS: Mr. Griggs, will you raise your right hand and repeat after me? I, James  
27 H. (Jim) Griggs;

28 MR. GRIGGS: I, James H. (Jim) Griggs;

29 MR. ROGERS: Do solemnly swear;

1 MR. GRIGGS: Do solemnly swear;

2 MR. ROGERS: That I will support the Constitution of the United States;

3 MR. GRIGGS: That I will support the Constitution of the United States;

4 MR. ROGERS: And the Constitution of the State of Alabama;

5 MR. GRIGGS: And the Constitution of the State of Alabama;

6 MR. ROGERS: So long as I continue a citizen thereof;

7 MR. GRIGGS: So long as I continue a citizen thereof;

8 MR. ROGERS: That I will faithfully and honestly discharge;

9 MR. GRIGGS: That I will faithfully and honestly discharge;

10 MR. ROGERS: The duties of the office;

11 MR. GRIGGS: The duties of the office;

12 MR. ROGERS: Upon which I am about to enter;

13 MR. GRIGGS: Upon which I am about to enter;

14 MR. ROGERS: To the best of my ability;

15 MR. GRIGGS: To the best of my ability;

16 MR. ROGERS: So help me God.

17 MR. GRIGGS: So help me God.

18 MR. ROGERS: Congratulations.

19 MR. ROGERS: Mr. Pearson, will you raise your right hand and repeat after me? I,

20 Charles E. (Ward) Pearson;

21 MR. PEARSON: I Charles E. (Ward) Pearson;

22 MR. ROGERS: Do solemnly swear;

23 MR. PEARSON: Do solemnly swear;

24 MR. ROGERS: That I will support the Constitution of the United States;

25 MR. PEARSON: That I will support the Constitution of the United States;

26 MR. ROGERS: And the Constitution of the State of Alabama;

27 MR. PEARSON: And the Constitution of the State of Alabama;

28 MR. ROGERS: So long as I continue a citizen thereof;

1 MR. PEARSON: So long as I continue a citizen thereof;

2 MR. ROGERS: That I will faithfully and honestly discharge;

3 MR. PEARSON: That I will faithfully and honestly discharge;

4 MR. ROGERS: The duties of the office;

5 MR. PEARSON: The duties of the office;

6 MR. ROGERS: Upon which I am about to enter;

7 MR. PEARSON: Upon which I am about to enter;

8 MR. ROGERS: To the best of my ability;

9 MR. PEARSON: To the best of my ability;

10 MR. ROGERS: So help me God.

11 MR. PEARSON: So help me God.

12 MR. ROGERS: Congratulations.

13 DR. TEW: Would you all join me in welcoming the new members of the State Oil and  
14 Gas Board of Alabama.

15 (Applause)

16 DR. TEW: Mr. Griggs, Mr. Pearson, do you have any comments you would like to make  
17 at this time?

18 MR. GRIGGS: Dr. Tew, I would like to say that it is a humbling honor to have been  
19 appointed to this Board. I very much look forward to working with many friends who I worked  
20 with back in the 1970's and the early 1980's at the Oil and Gas Board and to continue a working  
21 relationship with all the friends I have who are lawyers and landmen in the industry and others  
22 who are involved in the development of Alabama's oil and gas resources. Thank you.

23 MR. PEARSON: Dr. Tew, I appreciate the welcome here today. I want to point out to  
24 everybody that is present how much of both an honor and a responsibility that I take this  
25 appointment. We have some big shoes to fill. I had the privilege of practicing in front of Gaines  
26 McCorquodale for a number of years and he represents the best of leadership of this Board. I  
27 think we in Alabama should be greatly thankful for the capability of this Oil and Gas Board staff.  
28 I look forward to working with each of you in the future. Thank you, Dr. Tew.

1 DR. TEW: Thank you very much. The next order of business is the election of the  
2 Chairman of the State Oil and Gas Board. I will call for nominations for Chair at this time.

3 MR. PEARSON: I nominate Jim Griggs to be Chairman.

4 MS. PRITCHETT: Second.

5 MR. PEARSON: All in favor.

6 (Board members Pearson and Pritchett voted "aye")

7 DR. TEW: I am pleased to introduce the new Chairman of the State Oil and Gas Board  
8 of Alabama, Mr. Jim Griggs. Chairman Griggs, at this time it is my pleasure to turn the meeting  
9 over to you.

10 CHMN. GRIGGS: Thank you, Dr. Tew. I guess it is appropriate at this time that we  
11 elect a Vice-Chairman of the State Oil and Gas Board to serve in the absence of the Chairman.  
12 Do I hear any nominations for Vice-Chairman of the Board?

13 MS. PRITCHETT: Mr. Griggs, I move that Ward Pearson be elected as Vice-Chairman.

14 CHMN. GRIGGS: We have a nomination of Ward Pearson as Vice-Chairman. I would  
15 second that nomination and call for a vote. All in favor say "aye."

16 (Board members Pritchett and Griggs voted "aye")

17 CHMN. GRIGGS: Congratulations, Mr. Pearson. Before getting into today's docket I  
18 would like to announce to everyone that the next regular meeting of the State Oil and Gas Board  
19 is scheduled for June 23, 2008, at the Five Rivers Delta Center in Spanish Fort, Alabama. We  
20 will have a special recognition of our two distinguished outgoing Board members, Mr. Gaines  
21 McCorquodale and Mr. Stephen Dampier. These gentlemen gave many, many years of  
22 dedicated and admirable service to the State of Alabama as members of this Board and in the  
23 case of Mr. McCorquodale, this Board's Chairman for many, many years. Additionally, owing  
24 to Gaines length of service on the Board he moves into the status of member emeritus of the  
25 State Oil and Gas Board. The Board and staff and indeed I think I can speak on behalf of all the  
26 citizens of Alabama owe these men a debt of gratitude. It is only appropriate that the Board  
27 formally recognize their service at that time. We will do that at the June meeting and it is our  
28 hope that these gentlemen as well as each of you can join us at that time whether you have items

1 coming before this Board or not. With that, we will move on. Mr. Rogers, do you have  
2 recommendations for this Board?

3 MR. ROGERS: Yes sir. I have a written report of the item heard by the Hearing Officer  
4 and the staff at the emergency Board meeting on Monday, May 12, 2008. Copies of that report  
5 are available for members of the public to review and study. I would recommend that the Board  
6 approve that Hearing Officer report.

7 CHMN. GRIGGS: Before we get to that report, Mr. Rogers, has this meeting been duly  
8 noticed, just for the record?

9 MR. ROGERS: Yes sir. Notice of this hearing has been provided and published in  
10 accordance with the Alabama law. Further, we would request that the Chairman admit into the  
11 record the publication of this notice under the Alabama Open Meetings Act which is published  
12 through the Alabama Secretary of State's Office. One is on the emergency hearing and one is on  
13 a special called meeting. I request that those publications be placed in the record.

14 CHMN. GRIGGS: Both of those are admitted.

15 (Whereupon, notice of emergency meeting and special  
16 meeting through Secretary of State's office was  
17 received in evidence)

18 MR. ROGERS: Now, I will offer that Hearing Officer report.

19 CHMN. GRIGGS: Do we have minutes of the previous meetings that we want to get into  
20 the record at this point? Dr. Tew, do you have those?

21 DR. TEW: I do. The staff would recommend approval of the minutes of the following  
22 meetings: March 12, 2008, Hearing Officer meeting; March 14, 2008, Regular Board meeting;  
23 March 14, 2008, Emergency Board meeting; April 14, 2008, Hearing Officer meeting; April 16,  
24 2008, Regular Board meeting and April 25, 2008, Emergency Hearing Officer meeting.

25 MS. PRITCHETT: Mr. Chairman, I move that the minutes be approved.

26 MR. PEARSON: Second.

27 CHMN. GRIGGS: We have a motion and a second. All in favor say "aye."

28 (All Board members voted "aye")

1 CHMN. GRIGGS: The "ayes" have it. Mr. Rogers, if we could hear the Hearing  
2 Officer's report.

3 MR. ROGERS: Thank you, sir. I have a written report of the item heard by the Hearing  
4 Officer and the staff at the emergency meeting on Monday, May 12, 2008. Copies of that report  
5 are available for members of the public to review and study. I would recommend that report be  
6 adopted by the Board.

7 CHMN. GRIGGS: Do I hear a motion on adopting the report on the emergency order,  
8 Docket No. 5-12-08-17?

9 MS. PRITCHETT: Mr. Chairman, I move that the Hearing Officer's report be adopted.

10 MR. PEARSON: Second.

11 CHMN. GRIGGS: We have a motion and a second. All in favor signify by saying  
12 "aye."

13 (All Board members voted "aye")

14 CHMN. GRIGGS: Any opposed by no. The "ayes" have it. The Hearing Officer's  
15 report is adopted.

16 (Whereupon, the Hearing Officer report for the  
17 emergency hearing of May 12, 2008, was  
18 received in evidence)

19 MR. ROGERS: Mr. Chairman, I have another written report of the items heard by the  
20 Hearing Officer and the staff at the Board meeting on Monday, May 12, 2008, and Tuesday, May  
21 13, 2008. Copies of that report are available for members of the public to review and study. I  
22 recommend that report be adopted by the Board.

23 CHMN. GRIGGS: Thank you, Mr. Rogers. That report consists of 29 items. I would  
24 like to separate that report and entertain a motion to adopt all of the items except the following  
25 item numbers. We are not considering at this point Items 5, 26, 27, 28 and 29. Do I hear a  
26 motion to adopt those items excepting the ones that I just noted?

27 MS. PRITCHETT: Mr. Chairman, I move that the Hearing Officer recommendations  
28 regarding those items be accepted.

1 MR. PEARSON: Second.

2 CHMN. GRIGGS: We have a motion and a second. All in favor signify by saying  
3 "aye."

4 (All Board members voted "aye")

5 CHMN. GRIGGS: All opposed by no. Hearing none, the Hearing Officer's report is  
6 adopted and accepted.

7 (Whereupon, the Hearing Officer report for  
8 May 12 & 13, 2008, excluding Items 5, 26, 27,  
9 28 & 29 were received in evidence)

10 CHMN. GRIGGS: On that report with regard to Item 5, Item 26, and Item 27, we will  
11 consider those.

12 MR. PEARSON: Mr. Chairman, if I may speak briefly?

13 CHMN. GRIGGS: Yes.

14 MR. PEARSON: On Item 5 which is Docket No. 3-12-08-17, Item 26 which is Docket  
15 No. 4-25-06-34 and Item 27 which is Docket No. 1-31-07-8A, I am going to respectively recuse  
16 myself. These petitions involve a family member as one of the attorneys and I have removed  
17 myself from any consideration of the materials and have not participated in any deliberations.

18 CHMN. GRIGGS: Thank you, Mr. Pearson. Having made that statement, do I hear a  
19 motion to adopt those three items, Docket Nos. 5, 26 and 27?

20 MS. PRITCHETT: So move.

21 CHMN. GRIGGS: We have a motion and I will second that motion. All in favor signify  
22 by saying "aye."

23 (Board members Griggs and Pritchett voted "aye")

24 CHMN. GRIGGS: Motion carries. The reports on those three items are adopted and are  
25 incorporated into the record. The two remaining items on the Hearing Officer's report are Items  
26 No. 28 and 29. I would entertain a motion relating to those items.

27 MS. PRITCHETT: Mr. Chairman, on Item No. 28 which is Docket No. 10-3-07-12 and  
28 Item No. 29 which is Docket No. 12-12-07-39, out of an abundance of caution I am going to

1 recuse myself from this vote. At this particular point we do not know whether U.S. Steel still  
2 owns an interest in these wells. U.S. Steel is an active client of mine, so out of an abundance of  
3 caution I have not participated in deliberations and will not vote on this matter.

4 CHMN. GRIGGS: Duly noted, Ms. Pritchett. Do I have a motion for adoption of the  
5 recommendations of the Hearing Officer on these two items?

6 MR. PEARSON: Mr. Chairman, I move that the recommendation of the Hearing Officer  
7 and the record of the Hearing Officer be adopted with regard to Items 28 & 29 which are Docket  
8 Nos. 10-3-07-12 and 12-12-07-39.

9 CHMN. GRIGGS: We have a motion and I would second that motion. All in favor say  
10 "aye."

11 (Board members Griggs and Pearson voted "aye")

12 CHMN. GRIGGS: "Ayes" have it. Those two items are adopted and incorporated into  
13 the record. Thank you, Mr. Rogers. We will now move along to the regular docket for this  
14 meeting. I ask Mr. Rogers to call that docket.

15 MR. ROGERS: Yes sir. The following items are set for hearing today. I will call them  
16 by item just for clarification. Item 1 is Docket No. 3-12-08-17, petition by Saga Petroleum  
17 Limited Liability Company of Colorado; Item 2 is Docket No. 5-12-08-6, petition by HighMount  
18 Black Warrior Basin, LLC; Item 3 is Docket No. 5-12-08-12A, petition by Southview Operating,  
19 LLC; Item 4 is Docket No. 4-25-06-34, a Motion by the Board relating to operator Lower 15 Oil  
20 Corporation; Item 5 is Docket No. 1-31-07-8A, a Motion for Rehearing by Lower 15 Oil  
21 Corporation and Item 6 is Docket No. 4-14-08-1, petition by Elaine P. Morgan.

22 CHMN. GRIGGS: Would you go ahead and sound the docket for the emergency Board  
23 meeting items as well, Mr. Rogers?

24 MR. ROGERS: Yes sir. We have emergency petitions by Energen Resources  
25 Corporation. The first emergency petition is Item 1, Docket No. 5-15-08-1B, emergency petition  
26 by Energen Resources Corporation. The second emergency petition is Item 2, Docket No. 5-15-  
27 08-2B, emergency petition by Energen Resources Corporation.

1 CHMN. GRIGGS: Thank you, Mr. Rogers. If you will indulge me I would like to take  
2 these items out of order if we can. I would like to call Item No. 4 first, Docket No. 4-25-06-34, a  
3 Motion by the State Oil and Gas Board requesting operator Lower 15 Oil Corporation to show  
4 cause why certain wells located in Gilberttown should not be ordered plugged and abandoned.  
5 Do I hear a motion on that item?

6 MR. PEARSON: Mr. Chairman, just for the record, I am going to say again that this is  
7 one of the items as to which I recuse myself.

8 CHMN. GRIGGS: Thank you, Mr. Pearson. Do I hear a motion?

9 MS. PRITCHETT: Mr. Chairman, I move that this item be continued to a Board meeting  
10 to be held on June 23, 2008, at 10:00 a.m. at the Five Rivers Delta Center in Spanish Fort,  
11 Alabama, at which time this matter will be heard.

12 CHMN. GRIGGS: We have a motion to continue this item. I'll second that motion. All  
13 in favor say "aye."

14 (Board members Griggs and Pritchett voted "aye")

15 CHMN. GRIGGS: "Ayes" have it. Moving along to Item 5, Docket No. 1-31-07-8A, a  
16 motion for Rehearing by Lower 15 Oil Corporation. Do I hear a motion on that docket number?

17 MR. PEARSON: Mr. Chairman, again this is one of the items as to which I will recuse  
18 myself.

19 CHMN. GRIGGS: Thank you, Mr. Pearson. Is there a motion?

20 MS. PRITCHETT: Mr. Chairman, I move that this item be continued to the Board  
21 meeting on June 23<sup>rd</sup> at the Five Rivers Delta Center.

22 CHMN. GRIGGS: We have a motion and I'll second that motion. All in favor say  
23 "aye."

24 (Board members Griggs and Pritchett voted "aye")

25 CHMN. GRIGGS: That item is continued. We expect those items to be heard at that  
26 meeting, both Item No. 4 and Item No.5. Item No. 6, Docket No. 4-14-08-1, is a petition by  
27 Elaine P. Morgan. That was an item that was previously continued to this Board meeting today.  
28 Do I have a motion on that?

1 MS. PRITCHETT: Mr. Chairman, I move that the item be continued to the June 23<sup>rd</sup>  
2 Board meeting at Five Rivers Delta Center in Spanish Fort.

3 MR. PEARSON: Second.

4 CHMN. GRIGGS: We have a motion and a second. All in favor say "aye."

5 (All Board members voted "aye")

6 CHMN. GRIGGS: "Ayes" have it. That item is continued. What we will try to do is  
7 those items that will be continued, we will try to cover those first as a matter of routine so that  
8 the folks who are involved who do not want to stay for the entire hearing it will accommodate  
9 them. If you would continue to call the remainder of the docket, Mr. Rogers.

10 MR. ROGERS: Yes sir. That brings us to Item 1, Docket No. 3-12-08-17, petition by  
11 Saga Petroleum Limited Liability of Colorado.

12 MR. PEARSON: Mr. Chairman, just for the record, this is one of the items as to which I  
13 recuse myself.

14 CHMN. GRIGGS: Thank you, Mr. Pearson. If you will indulge me since I don't know  
15 all of the lawyers, please identify yourself. I know Mr. McCorquodale from his 33 years of  
16 experience on this Board knew everyone who ever came in this room but if you will indulge me  
17 for a meeting or so we will be acquainted with all those who I don't know.

18 MS. ARNOLD: Foster Arnold on behalf of the petitioner. I would like to not only for  
19 myself but on behalf of Jim Sledge and Seth Newton and the Firm of Rosen Harwood, welcome  
20 Mr. Griggs and Mr. Pearson to the Board and say that we look forward to practicing before you  
21 as well as before Ms. Pritchett in years to come.

22 CHMN. GRIGGS: Thank you Ms. Arnold.

23 MS ARNOLD: This is a petition by Saga Petroleum Limited Liability of Colorado  
24 requesting reformation of a unit for the West 33-12-49 well, Permit No. 12840-C, from an  
25 original 80-acre unit consisting of the Northwest Quarter of the Southwest Quarter and the  
26 Southwest Quarter of the Northwest Quarter of Section 33, Township 19 South, Range 9 West,  
27 Tuscaloosa County, in the Deerlick Creek Coal Degasification Field to a revised 40-acre unit  
28 consisting of the Northwest Quarter of the Southwest Quarter of said Section 33. Petitioner does

1 plan to drill an additional well in the 40 acres to be deleted from the original unit, namely the  
2 Southwest Quarter of the Northwest Quarter of said Section 33. I will refer to that as the  
3 additional unit. Let me apologize here. I actually don't have my witness here today, David  
4 Petty, who testified before the Hearing Officer about a week and a half ago. This morning was  
5 the first time I got in touch with him. He is recovering from a stomach virus. I don't think we  
6 want him here. Nevertheless, his testimony was entered into the record and I will be glad to go  
7 over the general points that he entered into the record, if that is necessary. I will take guidance  
8 from the Board on that.

9 CHMN. GRIGGS: Ms. Arnold, that won't be necessary. He has already presented  
10 evidence before the Hearing Officer and we take due note of that evidence.

11 MS. ARNOLD: I am available to answer any questions the Board has. I would note that  
12 we sent notice of this matter to all the unit owners in both the original unit and the revised unit. I  
13 would like to address the ownership. I know that might be a matter of some concern for the  
14 Board. This is not an area of common ownership totally. We have one mineral owner which is  
15 Wesley West Minerals, Ltd. They are the only actual mineral owner in the unit, so they are the  
16 only royalty owner. Their interest will not be affected by the reformation. Saga Petroleum  
17 Corp., which is obviously in some way related to the petitioner here, is a working interest owner  
18 of 74 percent in the unit. Their unit interest is not affected by the reformation either. We do  
19 have two interests that are affected by the reformation of the unit. Those interests are owned by  
20 PGP Gas Supply Pool No. 1, LLC and PGP Gas Supply Pool No. 2, LLC. PGP Gas Supply Pool  
21 No. 1, LLC owns a 36 percent interest in the original unit but when it is reformed down to the 40  
22 on the new unit PGP Gas Supply No. 2, LLC will come in and share that 36 percent working  
23 interest with them. They have all consented to the matter. They are very knowledgeable unit  
24 owners in the case. They do understand the implications as to the unit reformation and have  
25 consented. Those consents were entered into the record before the Hearing Officer.

26 CHMN. GRIGGS: Ms. Arnold, is there any other evidence that you wish to submit to  
27 supplement the earlier record?

28 MS. ARNOLD: No sir, not beyond what was testified to by David Petty as to the

1 reformation merits.

2 CHMN. GRIGGS: Thank you. Are there any questions from the Board members? Any  
3 questions from the staff? Do I hear a motion?

4 MS. PRITCHETT: Mr. Chairman, given that all the effected owners have given their  
5 consent, I move that we grant the petition.

6 CHMN. GRIGGS: We have a motion to grant the petition. I will second that motion.  
7 All in favor say "aye."

8 (Board members Griggs and Pritchett voted "aye")

9 CHMN. GRIGGS: "Ayes" have it. That petition is granted.

10 MS. ARNOLD: Thank you.

11 MR. ROGERS: Mr. Chairman and members of the Board, the next item is Item 2,  
12 Docket No. 5-12-08-6, petition by HighMount Black Warrior Basin, LLC.

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

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

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

17 (Witness was sworn by Mr. Rogers)

18 CHMN. GRIGGS: Please proceed, Mr. Watson.

19 MR. WATSON: Mr. Chairman, I too welcome you and Mr. Pearson to this august body  
20 with a long history of service to this State. I look forward to working with each of you and Ms.  
21 Pritchett as she continues her duties. We have a lot of work in front of us. We are at a historic  
22 time in this Board's practice and in fact in the country with oil prices where they are and the  
23 activity level where it is, not where we would like to see it. We will face many challenges  
24 together and I look forward to working through those with you.

25 CHMN. GRIGGS: Thank you, Mr. Watson.

26 MR. WATSON: Mr. Chairman, first of all I would like to incorporate into the record of  
27 this hearing the testimony that was given in regard to this matter at the Hearing Officer meeting.

28 CHMN. GRIGGS: That will be incorporated.

1 CHMN. GRIGGS: That will be incorporated.

2 (Whereupon, testimony related to Docket No.  
3 5-12-08-6 was incorporated by reference)

4 MR. WATSON: Note that we had prefiled an affidavit of notice in this request by  
5 HighMount Black Warrior Basin asking the Board to reform an 80-acre unit consisting of the  
6 North Half of the Southeast Quarter of Section 1, Township 18 South, Range 10 West,  
7 Tuscaloosa County, Alabama, in the Blue Creek Coal Degasification Field to a 40-acre unit  
8 consisting of the Northwest Quarter of the Southeast Quarter of said Section 1 for the purpose of  
9 drilling a new well.

10 CHMN. GRIGGS: That affidavit of notice is admitted, Mr. Watson.

11 (Whereupon, the affidavit related to Docket No.  
12 5-12-08-6 was incorporated by reference)

13 STEVE HUTCHINGS

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

16 DIRECT EXAMINATION

17 Questions by Mr. Watson:

18 Q. Mr. Hutchings, you have appeared before this Board and have on file an affidavit of your  
19 qualifications as a petroleum land man. Are you familiar with the ownership in the 80-  
20 acre unit that I have just described?

21 A. Yes sir.

22 MR. WATSON: Mr. Chairman, in deference to your new position on the Board, if you  
23 would like for Mr. Hutchings to briefly give you his qualifications?

24 CHMN. GRIGGS: Mr. Watson that will not be necessary. If he is pre-qualified for the  
25 Board he will be so recognized as an expert.

26 Q. Mr. Hutchings, tell us about the ownership in this 80-acre unit and your attempts to  
27 secure the consent of the party that owns the interest in this unit.

28 A. The 80-acre unit is owned by the Rice Marital Trust from Tuscaloosa. On or about

1 February 21<sup>st</sup> of this year I mailed out a package with an original and copy of a consent  
2 letter. I talked four or five times over the next two and a half months with Mr. Bill Rice  
3 about this. We reformed a well if you will remember last year that included the Rice  
4 Marital Trust under Order No. 2007-65, the Rice 1-15-695 Well. Mr. Rice was fully  
5 aware of our plans and in fact we were taking the 80-acre unit to a 40-acre unit and  
6 drilling an additional well on his minerals. As of today we still do not have the consent  
7 letter. On May 9<sup>th</sup>, the Friday before the Special Hearing Officer meeting, I hand-  
8 delivered another consent letter to his office, making one more attempt to obtain that  
9 consent before the Hearing Officer meeting. I was unsuccessful. At your direction, on  
10 Tuesday of this week we called his house and left messages at his office. He finally  
11 responded at about 6:45 a.m. this morning. He is out of town and he basically said we  
12 will get the letter. It has not been a high priority of his to sign the consent.

13 Q. In fact, in the previous reformation on the Rice property we did receive a letter of consent  
14 that we sent over to the Board for its information some two months after.

15 A. Yes. It was at least a month or two months after the order was granted. I expect that we  
16 will receive the letter but I cannot advise with any degree of certainty if that will be next  
17 week or next month.

18 Q. Would the Board's granting of this petition adversely affect the Rice Family Trust?

19 A. No sir.

20 Q. Would it, in fact, benefit the Rice Family Trust?

21 A. We certainly hope so.

22 Q. What evidence do you have of prior benefits obtained by this family from the reformation  
23 of units and the drilling of a second well?

24 A. I have reviewed production records as well as the oil deck records from HighMount. I  
25 will just say their income has gone up.

26 Q. It would be safe to say their income increased rather dramatically, wouldn't it, from the  
27 drilling of another well? That's my term, rather dramatically, it has increased.

28 A. Right.

1 Is that right?

2 A. That is correct.

3 Q. You have made every reasonable attempt to have him sign this consent before this  
4 hearing today in keeping with the Board's practice but given the fact that this is a  
5 common ownership in this marital trust we are not asking someone to consent to be  
6 removed from the unit, are we?

7 A. No sir.

8 Q. We are simply asking for permission to drill another well to increase the income to this  
9 family trust. Is that right?

10 A. Correct.

11 Q. Would the granting of this petition protect correlative rights and promote the orderly  
12 development of these coalbed methane resources?

13 A. Yes sir.

14 MR. WATSON: I tender my witness to you for any questions you have.

15 CHMN. GRIGGS: Thank you, Mr. Watson. Do we have any questions by the Board  
16 members?

17 MR. PEARSON: Mr. Hutchings, do I understand correctly by your affidavit that has  
18 been filed in this matter that notice has been properly given to the outstanding owners in the  
19 existing 80-acre unit?

20 MR. WATSON: I filed that affidavit, Mr. Pearson, the affidavit of notice. I can answer  
21 that question. It has been given. Notice has been given in accordance with the rules and  
22 regulations of the Board.

23 MR. PEARSON: Would that include the owners in the original 80-acre unit?

24 MR. WATSON: Yes, they are all the same.

25 MR. HUTCHINGS: The Rice Marital Trust is the only owner in the original 80-acre  
26 unit. They will be the only owner in the 40 and the new 40.

STEVE HUTCHINGS

EXAMINATION BY BOARD/STAFF

Questions by Mr. Pearson:

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3  
4 Q. Let me ask this follow-up question then. In the course of reformation petitions we are all  
5 aware that in a few months I don't think this will be an issue again because of the new  
6 law that has been signed into law by the Governor; however, at this time the Board's  
7 concern would be where you do not have 100 percent voluntary consent for the  
8 reformation, but that it is common ownership. I'm not sure that that phrase has been  
9 particularly defined before and so I want to do so for you before I ask this question.  
10 What we mean by common ownership between the original unit and the reformed unit is  
11 that the revenues in the reformed unit will be paid to the same people and the same  
12 percentages. Is that correct that this is common ownership in this situation?

13 A. Yes sir.

14 MR. PEARSON: I have no further questions, Mr. Chairman.

15 CHMN. GRIGGS: Ms. Pritchett, any questions?

16 MS. PRITCHETT: No sir.

17 CHMN. GRIGGS: Any questions from the staff?

18 MS. PRITCHETT: Mr. Chairman, I move that we grant the petition.

19 CHMN. GRIGGS: Motion to grant the petition, Item No. 2. Do I hear a second?

20 MR. PEARSON: Second.

21 CHMN. GRIGGS: We have a motion and a second. Is there any discussion? Hearing no  
22 discussion, I'll call the question. All in favor say "aye."

23 (All Board members voted "aye")

24 CHMN. GRIGGS: Any opposed, no. The "ayes" have it. The petition is granted.

25 Thank you, Mr. Watson. Thank you, Mr. Hutchings.

26 MR. WATSON: Thank you for that definition.

27 MR. ROGERS: Mr. Chairman and members of the Board, the next item is Item 3,  
28 Docket No. 5-12-08-12A, petition by SouthView Operating, LLC.

1 MR. WATSON: Mr. Chairman, all interests in this unit has been leased. I would ask  
2 that you dismiss this item without prejudice.

3 MS. PRITCHETT: Mr. Chairman, I move that the item be dismissed without prejudice.

4 MR. PEARSON: Second.

5 CHMN. GRIGGS: We have a motion and a second. All in favor say "aye."

6 (All Board members voted "aye")

7 CHMN. GRIGGS: The item is dismissed without prejudice with leave to refile.

8 MR. ROGERS: Mr. Chairman that is the end of the regular docket.

9 MR. GRIGGS: I would entertain a motion to adjourn.

10 MS. PRITCHETT: So move.

11 MR. PEARSON: Second.

12 CHMN. GRIGGS: We are adjourned. Thank you all.

13 (Whereupon, the hearing was adjourned at 2:00 p.m.)

May 22, 2008

REPORTER'S CERTIFICATE

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STATE OF ALABAMA

COUNTY OF TUSCALOOSA

I, Rickey Estes, Hearing Reporter in and for the State of Alabama, do hereby certify that on Thursday, May 22, 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 Special Session; that the foregoing 19 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