

June 16, 2008

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[Signature]
8/28/08

June 16, 2008

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Board Exhibit	Proofs of Publication Docket No. 5-12-08-13 Docket No. 6-16-08-1 Docket No. 6-16-08-2 Docket No. 6-16-08-3 Docket No. 6-16-08-4 Docket No. 6-16-08-5 Docket No. 6-16-08-6 Docket No. 6-16-08-7 Docket No. 6-16-08-8 Docket No. 6-16-08-9 Docket No. 6-16-08-10 Docket No. 6-16-08-11 Docket No. 6-16-08-12 Docket No. 6-16-08-13 Docket No. 6-16-08-14 Docket No. 6-16-08-15 Docket No. 6-16-08-16 Docket No. 6-16-08-17 Docket No. 6-16-08-18 Docket No. 6-16-08-19 Docket No. 6-16-08-20	23	23
Board Exhibit	Postings of June 16 & 23, 2008, Board meetings on Website of Secretary of State	23	23
Board Exhibit	Hearing Officer Order	23	23
Exhibit A (Item 9)	Affidavit of notice (William T. Watson)	25	25
Exhibit 1 (Item 9)	Structure map, Millerella marker, North Kennedy Field (David Higginbotham)	28	28

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EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 2 (Item 9)	Isopach map, Lewis Sand Gas, North Kennedy Field (David Higginbotham)	28	28
Exhibit 3 (Item 9)	Type log, Lewis sand, Miller 30-14 No. 1 Well, North Kennedy Field (David Higginbotham)	28	28
Exhibit 4 (Item 9)	Isopach map, Millerella Sand Gas, North Kennedy Field (David Higginbotham)	28	28
Exhibit 5 (Item 9)	Type log, Millerella sand, Miller 30-14 No. 1 Well, North Kennedy Field (David Higginbotham)	28	28
Exhibit 6 (Item 9)	Form OGB-9, Miller 30-14 No. 1, Millerella sand, North Kennedy Field (David Higginbotham)	28	28
Exhibit 7 (Item 9)	Form OGB-9, Miller 30-14 No. 1, Lewis sand, North Kennedy Field (David Higginbotham)	28	28
Exhibit A (Item 13)	Affidavit of notice (William T. Watson)	29	29

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EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 1 (Item 13)	Structure map, top Benton sand, Star Gas Field (David Higginbotham)	31	32
Exhibit 2 (Item 13)	Isopach map, Benton sand, Star Gas Field (David Higginbotham)	31	32
Exhibit 3 (Item 13)	Type log, Benton sand, James M. Cole 17-12 No. 1, Star Gas Field (David Higginbotham)	31	32
Exhibit 4 (Item 13)	Form OGB-9, James M. Cole 17-12 No. 1, Benton sand, Star Gas Field (David Higginbotham)	31	32
Exhibit A (Item 18)	Affidavit of notice (William T. Watson)	33	33
Exhibit 1 (Item 18)	Amended affidavit of testimony (J. Bradley Jeffreys)	33	33
Exhibit 2 (Item 18)	Second amended affidavit of testimony (J. Bradley Jeffreys)	(Second amended affidavit was received on 6/17/08)	
Exhibit A (Item 21)	Affidavit of notice (William T. Watson)	35	35

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EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 1 (Item 21 & 22)	Field boundary map, between Brookwood Coal Degas. Field & Oak Grove Coal Degas. Field, proposed area deleted from Brookwood (Eric Hutchens)	37	37
Exhibit B (Item 22)	Affidavit of notice (William T. Watson)	35	35
Exhibit 1 (Items 21 & 22)	Field boundary map, between Brookwood Coal Degas. Field & Oak Grove Coal Degas. Field, proposed area added to Brookwood (Eric Hutchens)	37	37
Exhibit 2 (Items 21, 22)	Location plat, Field boundary change Between Brookwood Coal Degas Field & Oak Grove Coal Degas. Field (Eric Hutchens)	37	37
Exhibit A (Item 24)	Affidavit of notice (William T. Watson)	55	55
Exhibit A (Item 25)	Affidavit of notice (William T. Watson)	55	55
Exhibit A (Item 26)	Affidavit of notice (William T. Watson)	55	55
Exhibit A (Item 27)	Affidavit of notice (William T. Watson)	55	55
Exhibit A (Item 28)	Affidavit of notice (William T. Watson)	55	55

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EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit A (Item 29)	Affidavit of notice (William T. Watson)	55	55
Exhibit A (Item 30)	Affidavit of notice (William T. Watson)	55	55
Exhibit A (Item 31)	Affidavit of notice (William T. Watson)	55	55
Exhibit 1 (Item 24)	Map of proposed field limits and area of interest, Wattsville Coal Degasl Field (Jesse Ellard)	55	55
Exhibit 2 (Item 24)	Type log, Sloss 31-10-003, Wattsville Coal Degas. Field (Jesse Ellard)	55	55
Exhibit 3 (Item 24)	Type log, Wattsville Coal Degas. Field (Jesse Ellard)	55	55
Exhibit 4 (Item 24)	Geologic map, Coal City and Fairview SubBasins, Wattsville Coal Degas. Field (Jesse Ellard)	55	55
Exhibit 5 (Item 24)	Structure map, top Chapman Coal, Wattsville Coal Degas. Field (Jesse Ellard)	55	55

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EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 6 (Item 24)	Isopach map, Lower Chapman - Gann Coal, Wattsville Coal Degas. Field (Jesse Ellard)	55	55
Exhibit 7 (Item 24)	Cross sections, NE-SW and NW-SE, Wattsville Coal Degas. Field (Jesse Ellard)	55	55
Exhibit 8 (Item 24)	Well design and and completion schematic, Sloss 31-10-003, Wattsville Coal Degas. Field (Jesse Ellard)	55	55
Exhibit 9 (Item 24)	Form OGB-9, Sloss 31-10-003, Wattsville Coal Degas. Field (R.G. Sanders)	55	55
Exhibit 1 (Item 25)	Cedar Hill Landfill plan with well location for Sloss 31-08-001, Wattsville Coal Degas. Field (Ed Lasseter)	55	55
Exhibit 2 (Item 25)	Form OGB-1, Sloss 31-08-001, Wattsville Coal Degas. Field (Ed Lasseter)	55	55
Exhibit 3 (Item 25)	5/30/08 letter to Board (Ed Lasseter)	55	55

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EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 4 (Item 25)	Area photo of well sites, Wattsville Coal Degas. Field (Ed Lasseter)	55	55
Exhibit 1 (Item 27)	Well location plat, Sloss 31-14-007, Wattsville Coal Degas. Field (Ed Lasseter)	55	55
Exhibit 2 (Item 27)	5/29/08 letter to G. Allen Morris, Regions Bank, (William T. Watson)	55	55
Exhibit 3 (Item 28)	Well location plat, Sloss 06-02-006, Wattsville Coal Degas. Field (Ed Lasseter)	55	55
Exhibit 4 (Item 28)	5/29/08 letter to G. Allen Morris, Regions Bank, (William T. Watson)	55	55
Exhibit 5 (Item 29)	Well location plat, Sloss 31-10-003, Wattsville Coal Degas. Field (Ed Lasseter)	55	55
Exhibit 6 (Item 29)	5/29/08 letter to G. Allen Morris, Regions Bank, (William T. Watson)	55	55
Exhibit 7 (Item 30)	Well location plat, Sloss 31-16-005, Wattsville Coal Degas. Field (Ed Lasseter)	55	55

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EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 8 (Item 30)	5/29/08 letter to G. Allen Morris, Regions Bank, (William T. Watson)	55	55

June 16, 2008

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

June 16, 2008

Testimony and proceedings before a Hearing Officer in Regular Session in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, pursuant to adjournment, on this the 16th day of June, 2008.

BEFORE

Mr. Marvin Rogers..... Attorney

STAFF

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

Dr. David E. Bolin Deputy Director

Mr. Jay H. Masingill Assistant Supervisor

Mr. Butch Gregory Engineer

Mr. Tom Sexton Geologist

Mr. Randy Oglesby Geologist

Mr. Kirk McQuillan Engineer

June 16, 2008

APPEARANCES

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NAME	REPRESENTING
1. Eric Hutchens McCalla, AL	Black Warrior Methane Corp.
2. David Higginbotham Tuscaloosa, AL	Sundown Energy, LP/ Land & Natural Resource Development, Inc.
3. R.G. Sanders Tuscaloosa, AL	Petronova, LLC
4. Foster Arnold Tuscaloosa, AL	---

June 16, 2008

(The hearing was convened at 10:00 a.m. on
Monday, June 16, 2008, at Tuscaloosa, Alabama.)

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

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

AGENDA
STATE OIL AND GAS BOARD OF ALABAMA
BOARD MEETING
JUNE 16 & 23, 2008

The State Oil and Gas Board of Alabama will hold its regular hearing at
10:00 a.m. on Monday, June 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, and at 10:00 a.m. on Monday,
June 23, 2008, at the Five Rivers ~ Alabama's Delta Resource Center,
30945 Five Rivers Boulevard, Spanish Fort, Alabama, to consider among
other items 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.

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

2 Continued petition by SUNDOWN ENERGY, L.P., a foreign limited
3 partnership authorized to do and doing business in the State of Alabama,
4 requesting the State Oil and Gas Board to enter an order approving an
5 exceptional location for the Weyerhaeuser 36-12 No. 1 Well, Permit No.
6 15312, on a proposed reformed 320-acre production unit consisting of the
7 South Half of Section 36, Township 16 South, Range 16 West, Lamar
8 County, Alabama, in the McGee Lake Field, as an exception to Rule 3(b)
9 of the Special Field Rules for said Field which requires that wells be
10 located at least 660 feet from every exterior boundary of the drilling unit.
11 The location of the referenced well on said proposed reformed 320-acre
12 unit is 910 feet from the North line and 330 feet from the West line of said
13 320-acre unit and, as such, will be an exception to said Rule 3(b).

14
15 This petition is filed as a companion to a petition bearing Docket No. 9-5-
16 07-05 requesting approval of the reformation of a 40-acre wildcat drilling
17 unit for the referenced well to a 320-acre production unit in the McGee
18 Lake Field.

19
20 3. DOCKET NO. 3-12-08-5

21 Continued petition by WHITE TAIL EXPLORATION, L.L.C., an Alabama
22 limited liability company, requesting the State Oil and Gas Board to enter an
23 order extending the temporarily abandoned status for the William Smith 9-2
24 #1 Well, Permit No. 12180, located on a 40-acre wildcat drilling unit
25 consisting of West Half of the Northwest Quarter of the Northeast Quarter
26 and the East Half of the Northeast Quarter of the Northwest Quarter of
27 Section 9, Township 23 North, Range 14 East, Chilton County, Alabama, in
28 accordance with Rule 400-1-4-.17(1) of the State Oil and Gas Board of
29 Alabama Administrative Code.

30
31 4. DOCKET NO. 3-12-08-14

32 Continued petition by SAGA PETROLEUM LIMITED LIABILITY
33 COMPANY OF COLORADO, a Colorado limited liability company,
34 authorized to do and doing business in the State of Alabama, requesting
35 the State Oil and Gas Board to enter an order reforming the unit for the
36 CLC 24-5-18, Permit No. 11864-C, from an 80-acre unit consisting of the
37 West Half of the Northwest Quarter of Section 24, Township 19 South,
38 Range 9 West, Tuscaloosa County, Alabama in the Deerlick Creek Coal
39 Degasification Field, to an 40-acre unit consisting of the Southwest
40 Quarter of the Northwest Quarter of Section 24, Township 19 South,
41 Range 9 West, Tuscaloosa County, Alabama, in the Deerlick Creek Coal

1 Degasification Field. Although Petitioner requests the Board to eliminate
2 certain lands from the present spacing unit, Petitioner proposes to drill
3 another coalbed methane well in the lands proposed to be eliminated from
4 the current unit by formation of an additional 40 acre unit comprised of
5 the Northwest Quarter of the Northwest Quarter of said Section 24,
6 Township 19 South, Range 9 West, Tuscaloosa County, Alabama.
7

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

9 Continued petition by SAGA PETROLEUM LIMITED LIABILITY
10 COMPANY OF COLORADO, a Colorado limited liability company,
11 authorized to do and doing business in the State of Alabama, requesting
12 the State Oil and Gas Board to enter an order reforming the unit for the
13 RGGGS 30-16-59, Permit No. 13953-C, from an 80-acre unit consisting of
14 the East Half of the Southeast Quarter of Section 30, Township 19 South,
15 Range 5 West, Jefferson County, Alabama in the Oak Grove Coal
16 Degasification Field, to an 40-acre unit consisting of the Southeast Quarter
17 of the Southeast Quarter of Section 30, Township 19 South, Range 5
18 West, Jefferson County, Alabama, in the Oak Grove Coal Degasification
19 Field. Although Petitioner requests the Board to eliminate certain lands
20 from the present spacing unit, Petitioner proposes to drill another coalbed
21 methane well in the lands proposed to be eliminated from the current unit
22 by formation of an additional 40 acre unit comprised of the Northeast
23 Quarter of the Southeast Quarter of said Section 30, Township 19 South,
24 Range 5 West, Jefferson County, Alabama.
25

26 6. DOCKET NO. 4-14-08-1

27 Petition by ELAINE P. MORGAN to alter/amend or vacate that portion of
28 Order No. 2005-80 granting force pooling, with imposition of risk
29 compensation, all tracts and interests in hydrocarbons produced from the
30 Smackover Formation in the Shiver 6-14 No. 1 Well drilled on a 640-acre
31 unit consisting of all of Section 6, Township 1 North, Range 7 East, Big
32 Escambia Creek Field, Escambia County, Alabama. Petitioner further
33 requests that such Order be altered amended and/or vacated to the extent
34 that no risk compensation fee may be charged against the interest of the
35 non-consenting owner, Elaine P. Morgan.
36

37 7. DOCKET NO. 4-14-08-2

38 Continued petition by SUNDOWN ENERGY, L.P., a foreign limited
39 partnership authorized to do and doing business in the State of Alabama,
40 requesting the State Oil and Gas Board to enter an order amending Rule 1
41 of the Special Field Rules for the Christian Chapel Gas Field to add the

1 West Half of Section 12, Township 16 South, Range 15 West, Lamar
2 County, Alabama, to the field limits of said Field.

3
4 Petitioner is also requesting that the production unit for the J.W. Newman
5 et al 12-13 #1 Well, Permit No. 11607-A, be made permanent.

6
7 8. DOCKET NO. 4-14-08-7

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

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

30
31 9. DOCKET NO. 4-14-08-8B

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

1 The Lewis Sand Gas Pool in the proposed North Kennedy Field should be
2 defined as those strata productive of hydrocarbons in the interval between
3 4,898 feet and 4,922 feet in the Miller #30-14 No. 1 Well, Permit No. 4392-
4 A, located on a 320-acre unit consisting of the South Half of Section 30,
5 Township 16 South, Range 14 West, Lamar County, Alabama, in the
6 proposed North Kennedy Field, as indicated on the Array Resistivity Log of
7 the said well.
8

9 The Millerella Sand Gas Pool in the proposed North Kennedy Field should
10 be defined as those strata productive of hydrocarbons in the interval between
11 4,359 feet and 4,369 feet in the Miller #30-14 No. 1 Well, Permit No. 4392-
12 A, located on the above-described 320-acre unit.
13

14 Petitioner is requesting well spacing of 320 acres, commingling of
15 production from the Millerella and Lewis Sand Gas Pools, and is also
16 requesting the establishment of the permanent production unit as described
17 above for the Miller #30-14 No. 1 Well and the establishment of allowables
18 for said field.
19

20 10. DOCKET NO. 5-12-08-3

21 Petition by GEOMET, INC., a Delaware corporation, requesting the State
22 Oil and Gas Board to enter an order approving a 160-acre wildcat drilling
23 unit consisting of the Southwest Quarter of Section 5, Township 12 South,
24 Range 3 West, Cullman County, Alabama, for the drilling of a horizontal
25 well, in accordance with Rule 400-1-2-.02(2)(b) of the State Oil and Gas
26 Board of Alabama Administrative Code which provides that a well may be
27 drilled on a drilling unit consisting of a governmental quarter section
28 containing approximately 160 acres.
29

30 This petition is filed as a companion to a petition bearing Docket No. 5-
31 12-08-4 requesting approval of an exceptional location for the referenced
32 horizontal well on the proposed 160-acre wildcat drilling unit and a
33 petition bearing Docket No. 5-12-08-5 requesting an exception to Rule
34 400-1-4-.09(2)(c) pertaining to the setting and cementing of production
35 casing.
36

37 11. DOCKET NO. 5-12-08-4

38 Petition by GEOMET INC., a Delaware corporation, requesting the State
39 Oil and Gas Board to enter an order approving an exceptional location for
40 a horizontal well to be drilled on a 160-acre wildcat drilling unit consisting
41 of the Southwest Quarter of Section 5, Township 12 South, Range 3 West,

1 Cullman County, Alabama, at a location no closer than 330 feet from
2 every exterior boundary of the 160-acre wildcat drilling unit, as an
3 exception to Rule 400-1-2-.02(2)(b) of the State Oil and Gas Board of
4 Alabama Administrative Code which requires that wells be drilled at least
5 660 feet from every exterior boundary of the drilling unit. Petitioner
6 proposes to drill a vertical well into the Chattanooga Shale, evaluate the
7 formation, and drill horizontally in the Chattanooga Shale such that the
8 horizontal well will be no closer than 330 feet from every exterior
9 boundary of the drilling unit, and, as such, will be an exception to said
10 Rule.

11
12 The petition is filed as a companion to a petition bearing Docket No. 5-12-
13 08-3 requesting approval of a 160-acre wildcat drilling unit and a petition
14 bearing Docket No. 5-12-08-5 requesting an exception to Rule 400-1-4-
15 .09(2)(c) pertaining to the setting and cementing of production casing.

16
17 12. DOCKET NO. 5-12-08-5

18 Petition by GEOMET, INC., a Delaware corporation, requesting the State
19 Oil and Gas Board to enter an order approving an exception to Rule 400-
20 1-4-.09(2)(c) of the State Oil and Gas Board of Alabama Administrative
21 Code pertaining to the requirements for setting and cementing production
22 casing for a well to be drilled horizontally on a 160-acre wildcat drilling
23 unit consisting of the Southwest Quarter of Section 5, Township 12 South,
24 Range 3 West, Cullman County, Alabama.

25
26 This petition is filed as a companion to a petition bearing Docket No. 5-
27 12-08-3 requesting approval of the above-described 160-acre wildcat
28 drilling unit and a petition bearing Docket No. 5-12-08-4 requesting
29 approval of an exceptional location for a well to be drilled horizontally on
30 the proposed 160-acre wildcat drilling unit.

31
32 13. DOCKET NO. 5-12-08-7

33 Petition by SUNDOWN ENERGY, L.P., a foreign limited partnership
34 authorized to do and doing business in the State of Alabama, requesting
35 the State Oil and Gas Board to amend Rule 2 of the Special Field Rules for
36 the Star Gas Field, Lamar County, Alabama, to add the Benton Sand Gas
37 Pool, to be construed to mean those strata of the Benton Sand productive of
38 hydrocarbons in the interval between 3,393 feet and 3,402 feet in the James
39 M. Cole 17-12 #1 Well, Permit No. 2870-A, located 1,995 feet from the
40 South line and 735 feet from the West line of Section 17, Township 16
41 South, Range 15 West, Lamar County, Alabama, as indicated on the Array

Induction Log of said well, and including those strata productive of hydrocarbons which can be correlated therewith.

14. DOCKET NO. 5-12-08-13

Petition by DURANGO OPERATING, LLC, a Mississippi limited liability company, authorized to do business in the State of Alabama, requesting the State Oil and Gas Board to enter an order classifying the following wells all located in the Foshee Field, Escambia County, Alabama, as temporarily abandoned for a period of one (1) year:

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>
5213	A.T.I.C. 34-9 #1	S34, T2N-R8E
5335	Culpepper 34-7 #1	S34, T2N-R8E
5167	A.T.I.C. 35-13 #2	S35, T2N-R8E
5062-A	A.T.I.C. 35-14 #1	S35, T2N-R8E

Said wells are temporarily abandoned. Petitioner is requesting the Board to classify said wells as temporarily abandoned for a period of one (1) year in accordance with Rule 400-1-4-.17 of the State Oil and Gas Board of Alabama Administrative Code because all of the wells have future utility in Durango Operating, LLC's operations in Foshee Field, Escambia County, Alabama and should not be plugged.

15. DOCKET NO. . 5-12-08-14

Petition by DURANGO OPERATING, LLC, a Mississippi limited liability company, authorized to do business in the State of Alabama, requesting the State Oil and Gas Board to enter an order classifying the Cedar Creek Land and Timber Co. 12-9 #1, Permit # 8685, located in Section 12, Township 1 North, Range 8 East in Osaka Field, Escambia County, Alabama, as temporarily abandoned for a period of one (1) year:

Said well is temporarily abandoned. Petitioner is requesting the Board to classify said well as temporarily abandoned for a period of one (1) year in accordance with Rule 400-1-4-.17 of the State Oil and Gas Board of Alabama Administrative Code because said well has future utility in Durango Operating, LLC's operations in Osaka Field, Escambia County, Alabama and should not be plugged.

16. DOCKET NO. 5-12-08-15

Petition by DURANGO OPERATING, LLC, a Mississippi limited liability company, authorized to do business in the State of Alabama, requesting the State Oil and Gas Board to enter an order classifying the R. E. Loper et al 12-11 #1, Permit # 2885, located in Section 12, Township 1 North, Range 8 East in Pollard Field, Escambia County, Alabama, as temporarily abandoned for a period of one (1) year:

Said well is temporarily abandoned. Petitioner is requesting the Board to classify said well as temporarily abandoned for a period of one (1) year in accordance with Rule 400-1-4-.17 of the State Oil and Gas Board of Alabama Administrative Code because said well has future utility in Durango Operating, LLC's operations in Pollard Field, Escambia County, Alabama and should not be plugged.

17. DOCKET NO. 5-12-08-16

Petition by DURANGO OPERATING, LLC, a Mississippi limited liability company, authorized to do business in the State of Alabama, requesting the State Oil and Gas Board to enter an order classifying the following wells all located in West Foshee Field, Escambia County, Alabama, as temporarily abandoned for a period of one (1) year:

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>
5475	A.T.I.C. 33-7 #3	S33, T2N-R8E
5359	A.T.I.C. 33-8 #1	S33, T2N-R8E
5528	A.T.I.C. Container 33-3 #1	S33, T2N-R8E

Said wells are temporarily abandoned. Petitioner is requesting the Board to classify said wells as temporarily abandoned for a period of one (1) year in accordance with Rule 400- 1-4-.17 of the State Oil and Gas Board of Alabama Administrative Code because all of the wells have future utility in Durango Operating, LLC's operations in West Foshee Field, Escambia County, Alabama

18. DOCKET NO. 6-16-08-1

Petition by MIDROC OPERATING COMPANY, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling, without the imposition of a risk compensation penalty, all tracts and interests in hydrocarbons produced in a well to be drilled on a 160-acre wildcat drilling

1 unit consisting of the Northeast Quarter of Section 27, Township 4 North,
2 Range 13 East, Conecuh County, Alabama.
3

4 This Petition is in accordance with Section 9-17-13, Code of Alabama
5 (1975), as amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of
6 Alabama Administrative Code.
7

8 19. DOCKET NO. 6-16-08-2

9 Petition by ENERGEN RESOURCES CORPORATION, an Alabama
10 corporation, requesting the State Oil and Gas Board to enter an order
11 approving an exceptional 320-acre wildcat drilling unit for the proposed
12 Lamb 1-3 No. 1 Well consisting of the North Half of Section 1, Township
13 23 North, Range 3 East, Greene County, Alabama, as an exception to Rule
14 400-1-2-.02(2)(a) of the State Oil and Gas Board of Alabama
15 Administrative Code, which provides that a well may be drilled on a
16 drilling unit consisting of a governmental quarter-quarter section
17 consisting of approximately 40 acres.
18

19 This petition is filed as a companion to a petition bearing Docket No. 6-
20 16-08-3 requesting forced pooling, without imposition of a risk
21 compensation penalty.
22

23 20. DOCKET NO. 6-16-08-3

24 Petition by ENERGEN RESOURCES CORPORATION, an Alabama
25 corporation, requesting the State Oil and Gas Board to enter an order force
26 pooling, without the imposition of a risk compensation penalty, all tracts
27 and interests in hydrocarbons produced in the proposed Lamb 1-3 No. 1
28 Well to be drilled on an exceptional 320-acre wildcat drilling unit
29 consisting of the North Half of Section 1, Township 23 North, Range 3
30 East, Greene County, Alabama.
31

32 This Petition is in accordance with Section 9-17-13, Code of Alabama
33 (1975), as amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of
34 Alabama Administrative Code.
35

36 This petition is filed as a companion to a petition bearing Docket No. 6-
37 16-08-2 requesting approval of the above-described exceptional 320-acre
38 wildcat drilling unit for the referenced well.

1 21. DOCKET NO. 6-16-08-4

2 Petition by BLACK WARRIOR METHANE CORP., an Alabama
3 corporation, requesting the State Oil and Gas Board to enter an order
4 amending Rule 2 of the Special Field Rules for the Oak Grove Coal
5 Degasification Field, Jefferson and Tuscaloosa Counties, Alabama, to
6 delete the East Half and the Southwest Quarter of Section 22, Township
7 19 South, Range 8 West, Tuscaloosa County, Alabama, from the field
8 limits.
9

10 22. DOCKET NO. 6-16-08-5

11 Petition by BLACK WARRIOR METHANE CORP., an Alabama
12 corporation, requesting the State Oil and Gas Board to enter an order
13 amending Rule 2 of the Special Field Rules for the Brookwood Coal
14 Degasification Field, Jefferson and Tuscaloosa Counties, Alabama, to add
15 the East Half and the Southwest Quarter of Section 22, Township 19
16 South, Range 8 West, Tuscaloosa County, Alabama, to the field limits.
17

18 23. DOCKET NO. 6-16-08-6

19 Petition by SHELL OFFSHORE INC. ("Shell") a corporation authorized
20 to do and doing business in the State of Alabama and Devon Energy
21 Production Company, L.P. ("Devon"), an Oklahoma limited partnership,
22 requesting the State Oil and Gas Board to grant approval of the
23 commingling of State and federal natural gas streams. Devon is the
24 operator of Mobile Area Block 826 OCS G-26176 Well Number 001,
25 from which federal gas resources will be commingled with State gas
26 resources originating from Shell's Fairway Field, Mobile County,
27 Alabama. The point the commingling will occur will be the Mobile Bay
28 Platform 113A, downstream of Shell's Fairway Field gas allocation meter.
29 Petitioners aver that the processing of the federal gas resources will not
30 change or affect Shell's current State allocation and reporting
31 methodology. The jurisdiction and authority of the Oil and Gas Board is
32 provided in Section 9-17-1, et seq., Code of Alabama (1975) as amended.
33

34 24. DOCKET NO. 6-16-08-7

35 Petition by PETRONOVA, LLC, an Alabama limited liability company,
36 requesting the State Oil and Gas Board to enter an order establishing a new
37 coal degasification field in St. Clair County, Alabama, to be named the
38 Wattsville Coal Degasification Field, or such other name as the Board deems
39 proper, and to adopt Special Field Rules therefor. The proposed field, as
40 underlain by the Pottsville Coal Interval, consists of the following described

1 parcels lying in St. Clair County, Alabama, and contains 3,840 acres more or
2 less:

3
4 Township 15 South, Range 4 East
5 All of Sections 29, 31 and 32
6

7 Township 16 South, Range 3 East
8 All of Sections 1 and 12
9

10 Township 16 South, Range 4 East
11 All of Section 6
12

13 The productive interval for the Wattsville Coal Degasification Field is
14 defined by the Sloss 31-10-003 Well, Permit No. 15625-C, as those strata
15 containing occluded gas correlative to the coalbeds encountered in the
16 interval between 460 feet and 1,210 feet in said well, as indicated on the
17 High Resolution Density Log of said well, and all zones in communication
18 therewith and all productive extensions thereof. Petitioner is requesting
19 variable spacing for coal degasification wells of approximately 40
20 contiguous acres consisting of a governmental quarter-quarter section or
21 approximately 80 contiguous acres consisting of two adjacent governmental
22 quarter-quarter sections so as to provide for maximum efficient recovery of
23 the occluded natural gas. Petitioner is also requesting the establishment of
24 allowables for said field.
25

26 25. DOCKET NO. 6-16-08-8

27 Petition by PETRONOVA, LLC, an Alabama limited liability company,
28 requesting the State Oil and Gas Board to enter an order approving an
29 exceptional 80-acre wildcat drilling unit for the proposed Sloss 31-08-001
30 Well consisting of the South Half of the Northeast Quarter of Section 31,
31 Township 15 South, Range 4 East, St. Clair County, Alabama, as an
32 exception to Rule 400-3-2-.02(2)(a) of the State Oil and Gas Board of
33 Alabama Administrative Code, which requires that wells be drilled on a
34 governmental quarter-quarter section containing approximately 40 acres.
35

36 This petition is filed as a companion to a petition bearing Docket No. 6-16-
37 08-9 requesting approval of an exceptional location for the referenced well
38 on the proposed exceptional 80-acre wildcat drilling unit.

1 26. DOCKET NO. 6-16-08-9

2 Petition by PETRONOVA, LLC, an Alabama limited liability company,
3 requesting the State Oil and Gas Board to enter an order approving an
4 exceptional location for the proposed Sloss 31-08-001 Well, to be drilled
5 on a proposed exceptional 80-acre wildcat drilling unit consisting of the
6 South Half of the Northeast Quarter of Section 31, Township 15 South,
7 Range 4 East, St. Clair County, Alabama, as an exception to Rule 400-3-2-
8 .02(2)(a) of the State Oil and Gas Board of Alabama Administrative Code
9 which requires that wells be drilled at least 330 feet from every exterior
10 boundary of the drilling unit. The proposed location for the referenced
11 well is 213 feet from the North line and 470 feet from the East line of said
12 80-acre unit, and as such, is an exception to said Rule.
13

14 The petition is filed as a companion to a petition bearing Docket No. 6-16-
15 08-8 requesting approval of an exceptional 80-acre wildcat drilling unit for
16 the referenced well.
17

18 27. DOCKET NO. 6-16-08-10

19 Petition by PETRONOVA, LLC, an Alabama limited liability company,
20 requesting the State Oil and Gas Board to enter an order reforming the unit
21 for the Sloss 31-14-007 Well, Permit No. 15434-C, from a 40-acre wildcat
22 drilling unit consisting of the Southeast Quarter of the Southwest Quarter
23 of Section 31, Township 15 South, Range 4 East, St. Clair County,
24 Alabama, to an 80-acre unit consisting of the South Half of the Southwest
25 Quarter of said Section 31.
26

27 28. DOCKET NO. 6-16-08-11

28 Petition by PETRONOVA, LLC, an Alabama limited liability company,
29 requesting the State Oil and Gas Board to enter an order reforming the unit
30 for the Sloss 06-02-006 Well, Permit No. 15435-C, from a 40-acre wildcat
31 drilling unit consisting of the Northwest Quarter of the Northeast Quarter
32 of Section 6, Township 16 South, Range 4 East, St. Clair County,
33 Alabama, to an 80-acre unit consisting of the North Half of the Northeast
34 Quarter of said Section 6.
35

36 29. DOCKET NO. 6-16-08-12

37 Petition by PETRONOVA, LLC, an Alabama limited liability company,
38 requesting the State Oil and Gas Board to enter an order reforming the unit
39 for the Sloss 31-10-003 Well, Permit No. 15625-C, from a 40-acre wildcat
40 drilling unit consisting of the Northwest Quarter of the Southeast Quarter
41 of Section 31, Township 15 South, Range 4 East, St. Clair County,

Alabama, to an 80-acre unit consisting of the North Half of the Southeast Quarter of said Section 31.

30. DOCKET NO. 6-16-08-13

Petition by PETRONOVA, LLC, an Alabama limited liability company, requesting the State Oil and Gas Board to enter an order reforming the unit for the Sloss 31-16-005 Well, Permit No. 15629-C, from a 40-acre wildcat drilling unit consisting of the Southeast Quarter of the Southeast Quarter of Section 31, Township 15 South, Range 4 East, St. Clair County, Alabama, to an 80-acre unit consisting of the South Half of the Southeast Quarter of said Section 31.

31. DOCKET NO. 6-16-08-14

Petition by PETRONOVA, LLC, an Alabama limited liability company, requesting the State Oil and Gas Board to enter an order approving an exceptional location for the proposed Sloss 31-08-001 Well, to be drilled on a 40-acre wildcat drilling unit consisting of the Southeast Quarter of the Northeast Quarter of Section 31, Township 15 South, Range 4 East, St. Clair County, Alabama, as an exception to Rule 400-3-2-.02(2)(a) of the State Oil and Gas Board of Alabama Administrative Code which requires that wells be drilled at least 330 feet from every exterior boundary of the drilling unit. The proposed location for the referenced well is 213 feet from the North line and 470 feet from the East line of said 40-acre wildcat drilling unit, and as such, is an exception to said Rule.

32. DOCKET NO. 6-16-08-15

Petition by ENERGEN RESOURCES CORPORATION, an Alabama corporation, requesting the State Oil and Gas Board to enter an order approving exceptions to provisions contained in Rules 400-1-4-.09(2)(c) and 400-1-6-.01 of the State Oil and Gas Board of Alabama Administrative Code pertaining to the requirements for setting and cementing production casing and production of flowing wells through tubing anchored by a packer for the proposed Lamb 1-3 No. 1 Well, to be drilled on a 320-acre wildcat drilling unit consisting of the North Half of Section 1, Township 23 North, Range 3 East, Greene County, Alabama.

33. DOCKET NO. 6-16-08-16

Petition by BENJAMIN V. COODY, d/b/a Pete's Pumping Service, requesting the State Oil and Gas Board to enter an order force pooling, without the imposition of a risk compensation penalty, all tracts and interests in hydrocarbons produced from the Eula Jones #1 Well, Permit

1 No. 1288, located on a 40-acre unit consisting of the Northeast Quarter of
2 the Southwest Quarter of Section 2, Township 10 North, Range 3 West,
3 Choctaw County, Alabama, in the Gilbertown Oil Field.

4
5 This Petition is in accordance with Section 9-17-13, Code of Alabama
6 (1975), as amended, and Rule 400-7-2-.01 of the State Oil and Gas Board
7 of Alabama Administrative Code.

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

14
15 34. DOCKET NO. 6-16-08-17

16 Petition by EL PASO E & P COMPANY, L.P., a Delaware limited
17 partnership, authorized to do and doing business in the State of Alabama,
18 requesting the State Oil & Gas Board of Alabama to enter an order force
19 pooling, without risk compensation, all tracts and interests in coalbed
20 methane produced from the Pottsville formation in an 80 acre drilling unit
21 for the proposed Wood 13-15-330 Well, having a unit consisting of all of
22 the West Half of the Southeast Quarter, Section 13, Township 19 South,
23 Range 10 West, Tuscaloosa County, Alabama in the Blue 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
26 the State Oil and Gas Board of Alabama Administrative Code.

27
28 35. DOCKET NO. 6-16-08-18

29 Petition by EL PASO E & P COMPANY, L.P., a Delaware limited
30 partnership, authorized to do and doing business in the State of Alabama,
31 requesting the State Oil & Gas Board of Alabama to enter an order force
32 pooling with risk compensation, all tracts and interests in coalbed methane
33 produced from the Pottsville formation in an 80 acre drilling unit for the
34 proposed Lee 26-03-197 Well, having a unit consisting of all of the East
35 Half of the Northwest Quarter, Section 26, Township 18 South, Range 10
36 West, Tuscaloosa County, Alabama, in the Blue Creek Coal
37 Degasification Field. This petition is in accordance with Section 9-17-13,
38 ALABAMA CODE (1975), as amended, and Rules 400-7-1 and 400-7-2 of
39 the State Oil and Gas Board of Alabama Administrative Code.

1 36. DOCKET NO. 6-16-08-19

2 Petition by EL PASO E & P COMPANY, L.P., a Delaware limited
3 partnership, authorized to do and doing business in the State of Alabama,
4 requesting the State Oil & Gas Board of Alabama to enter an order force
5 pooling with risk compensation, all tracts and interests in coalbed methane
6 produced from the Pottsville formation in a 40 acre drilling unit for the
7 proposed Lee 26-05-340 Well, having a unit consisting of all of the
8 Southwest Quarter of the Northwest Quarter, Section 26, Township 18
9 South, Range 10 West, Tuscaloosa County, Alabama, in the Blue Creek
10 Coal Degasification Field. This petition is in accordance with Section
11 9-17-13, ALABAMA CODE (1975), as amended, and Rules 400-7-1 and
12 400-7-2 of the State Oil and Gas Board of Alabama Administrative Code.
13

14 37. DOCKET NO. 6-16-08-20

15 Petition by SKLAR EXPLORATION COMPANY, LLC, a Louisiana
16 limited liability company authorized to do and doing business in the State
17 of Alabama, requesting that the State Oil and Gas Board of Alabama (the
18 "Board") enter an order approving an exceptional bottom hole location for
19 a sidetrack of the Craft-Ralls 4-2 No. 1 well, Permit No. 15614-B, on a
20 wildcat 160-acre unit consisting of the Northeast Quarter of Section 4,
21 Township 4 North, Range 13 East, Conecuh County, Alabama. The
22 original bottom hole location of said well is at a regular location in Section
23 4, but Petitioner desires to sidetrack said well to a bottom hole location
24 that is located no closer than 370 feet from the North line and 330 from
25 the west line of the unit. Said bottom hole location is an exception to Rule
26 400-1-2-.02(2)(b) of the State Oil and Gas Board of Alabama
27 Administrative Code. This petition is filed pursuant to Ala. Code Sections
28 9-17-1, et seq. (and, in particular, Section 9-17-12, as amended) and Rules
29 400-1, et seq. (and, in particular, Rule 400-7-1-.04) of the State Oil and
30 Gas Board of Alabama Administrative Code. Petitioner previously filed a
31 petition bearing Docket No. 4-25-08-1 with the Board requesting that the
32 relief sought in this petition be granted on an emergency basis and that
33 petition was granted by the Board on April 25, 2008, in Order No. E-2008-
34 65. Petitioner filed a second petition bearing Docket No. 5-12-08-17 with
35 the Board requesting that the relief sought in this petition be granted on an
36 emergency basis and that petition was granted by the Board on May 22,
37 2008, in Order No. E-2008-78.
38

39 38. DOCKET NO. 4-25-06-34

40 Continued MOTION BY THE STATE OIL AND GAS BOARD OF
41 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

39. 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.

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

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

Baldwin County Wells

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

Covington County Wells

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

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

Conecuh County Well

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
12049-BD.	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.

41. DOCKET NO. 12-12-07-39

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

Baldwin County Wells

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

Covington County Wells

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
6239	Paramount-Jeffers 17-9 #1	S17, T1N, R14E	West Falco
8788	Paramount-Federal 16-14 #1	S16, T1N, R14E	West Falco
9950-	Paramount- Federal 21-1 #1	S21, T1N, R14E	West Falco
	SWD-91-12		
10489	Smak-Dixon 31-6 #1	S31, T3N, R15E	Pleasant Home
10632	Smak-Dixon 31-11 #1	S31, T3N, R15E	Pleasant Home
10735-B	Smak-Dixon 31-10 #1	S31, T3N, R15E	Pleasant Home
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-BD.	W. McMillan 31-15#1	S31, T4N, R10E	Juniper Creek

Mobile County Well

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

Walker County Well

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

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

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

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

1 MR. ROGERS: The Hearing's Reporter has received and compiled the proofs of
2 publication for the items appearing on the docket for the first time. These proofs of publication
3 for the items on the June 16 & 23, 2008, docket are admitted into the record.

4 (Whereupon, proofs of publication were received in evidence)

5 MR. ROGERS: Furthermore, copies of the information posted on the Website of the
6 Secretary of State announcing these two meetings of the State Oil and Gas Board on June 16 &
7 23, 2008, are also admitted into the record.

8 (Whereupon, posting of meetings on Website of Secretary
9 of State were received in evidence)

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

13 (Whereupon, the Order was received in evidence)

14 MR. ROGERS: The procedure for this meeting is as follows. The Hearing Officer and
15 the staff will hear the uncontested items on the docket today and certain other items. The State
16 Oil and Gas Board will hear the recommendations of the Hearing Officer, contested items and
17 certain other items beginning at 10:00 a.m. on Monday, June 23, 2008, at Five Rivers ~
18 Alabama's Delta Resource Center. That address is 30945 Five Rivers Boulevard, Spanish Fort,
19 Alabama. I will recommend that the following petitions be continued: Item 1, Docket No. 9-5-
20 07-5, petition by Sundown Energy, LP; Item 2, Docket No. 9-5-07-6, petition by Sundown; Item
21 4, Docket No. 3-12-08-14, petition by Saga Petroleum LLC of Colorado; Item 5, Docket No. 3-
22 12-08-16, petition by Saga; Item 7, Docket No. 4-14-08-2, petition by Sundown Energy, LP;
23 Item 8, Docket No. 4-14-08-7, petition by Land and Natural Resource Development, Inc.; Item
24 10, Docket No. 5-12-08-3, petition by GeoMet, Inc.; Item 11, Docket No. 5-12-08-4, petition by
25 GeoMet; Item 12, Docket No. 5-12-08-5, petition by GeoMet and Item 35, Docket No. 6-16-08-
26 18, petition by El Paso E&P Company, LP. I will recommend that the following petitions be
27 continued with the stipulation that the temporarily abandoned status be extended to the next
28 regularly scheduled meeting of the Board. Item 3, Docket No. 3-12-08-5, petition by White Tail

1 Exploration LLC; Item 14, Docket No. 5-12-08-13, petition by Durango Operating, LLC; Item
2 15, Docket No. 5-12-08-14, petition by Durango; Item 16, Docket No. 5-12-08-15, petition by
3 Durango and Item 17, Docket No. 5-12-08-16, petition by Durango. I will recommend that the
4 following petitions be dismissed without prejudice: Item 34, Docket No. 6-16-08-17, petition by
5 El Paso E&P Company, LP; Item 36, Docket No. 6-16-08-19, petition by El Paso; Item 40,
6 Docket No. 10-3-07-12, a Motion by the Board relating to Energy Recovery Group and Item 41,
7 Docket No. 12-12-07-39, a Motion by the Board relating to Energy Recovery Group. The
8 following matters are set for hearing by the Board at the hearing on June 23th: Item 6, Docket
9 No. 4-14-08-1, petition by Elaine P. Morgan; Item 19, Docket No. 6-16-08-2, petition by
10 Energen Resources Corporation; Item 20, Docket No. 6-16-08-3, petition by Energen; Item 23,
11 Docket No. 6-16-08-6, petition by Shell Offshore, Inc. and Devon Energy Production Company,
12 L.P.; Item 32, Docket No. 6-16-08-15, petition by Energen Resources; Item 33, Docket No. 6-
13 16-08-16, petition by Benjamin V. Coody d/b/a/ Pete's Pumping Service; Item 37, Docket No. 6-
14 16-08-20, petition by Sklar Exploration Company, LLC; Item 38, Docket No. 4-25-06-34, a
15 Motion by the State Oil and Gas Board relating to operator Lower 15 Oil Corporation and Item
16 39, Docket No. 1-31-07-8A, a Motion for Rehearing by Lower 15 Oil Corporation. Are there
17 any comments or corrections on those recommendations?

18 MR. WATSON: Can I come back to Item 8, Mr. Rogers?

19 MR. ROGERS: Yes sir.

20 MR. WATSON: My witness, Mr. Higginbotham, has a commitment at the next regular
21 hearing of this Board, two commitments in fact, a World Series baseball tournament but more
22 importantly, or maybe not, a paid for out-of-state trip at that time. Would it be possible for you
23 to recommend to the Board that this item be set down for a Special Hearing Officer meeting
24 prior to the next regular hearing of the Board?

25 MR. ROGERS: We will have to discuss that with the Board.

26 DR. TEW: If you could send us a letter of request requesting that, Mr. Watson, please?

27 MR. WATSON: I'll do that.

28 DR. TEW: We will discuss it with the Board.

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1 MR. ROGERS: Any other comments on these recommendations? The first item for
2 hearing today is Item 9, Docket No. 4-14-08-8B, petition by Sundown Energy, LP.

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

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

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

7 (Witness was sworn by Mr. Rogers)

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

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

11 (Whereupon, the affidavit was received in evidence)

12 MR. WATSON: This is a petition by Sundown Energy requesting the Board to enter an
13 order establishing a new gas field in Lamar County, Alabama, to be known as the North
14 Kennedy Field or such other name as the Board deems appropriate. Mr. Higginbotham, are you
15 familiar with this petition?

16 MR. HIGGINBOTHAM: Yes I am.

17 MR. WATSON: Have you prepared exhibits in support of this petition?

18 MR. HIGGINBOTHAM: Yes I have.

19 MR. WATSON: Do you have on file an affidavit of your qualifications as a petroleum
20 geologist?

21 MR. HIGGINBOTHAM: Yes I do.

22 MR. WATSON: I tender him as an expert witness for giving testimony, Mr. Rogers.

23 MR. ROGERS: He is so recognized.

24 DAVID HIGGINBOTHAM

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

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DIRECT EXAMINATION

Questions by Mr. Watson:

Q. Mr. Higginbotham, take the exhibits that I have handed up to the Board starting with your Exhibit No. 1 and describe the information shown on that exhibit.

A. Exhibit No. 1 is a structure contour map on top of the Millerella marker. The contour interval is 50 feet and the scale is 1-inch equals 500 feet. The one well that is located on this map is Permit No. 4392-A. This well was a re-entry of a well that Terra Resources drilled about 25 years ago that Sundown re-entered and completed as a gas well. This map illustrates that the top of the Millerella marker in Permit No. 4392-A is at a subsea depth of -3812. This illustrates that the structural dip is to the southwest. The feature is bounded on the northeast by a down-to-the-northeast normal fault and is bounded on the southwest by a down-to-the northeast normal fault.

Q. Mr. Higginbotham, this structure map appears to be a photo shot of a larger map. Is it true that you have an area structure map from which you prepared this exhibit?

A. Yes that is correct.

Q. How long have you been mapping in this particular area in the Black Warrior Basin?

A. Since 1983.

Q. So you have taken from your area structure map information and this is a fair and accurate representation of that structure as you have it depicted area-wide?

A. That is correct.

Q. Go to your next exhibit, Mr. Higginbotham, Exhibit No. 2. Tell us what this exhibit is and describe the information shown on it, please sir.

A. Exhibit No. 2 is a gross isopach map of the Lewis Gas Sand, the productive formation in Permit No. 4392-A. The contour interval is ten feet and the scale is 1-inch equals 500 feet. The well in question was completed in the Lewis Gas Sand. This map illustrates that the Lewis has 24 feet of gross sand in the wellbore. The contour interval is ten feet. As Mr. Watson said previously, this map incorporates geology outside this mapped area. This map is a zoomed-in shot of the area in question.

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1 Q. Is the depiction on this map, the gross isopach as shown on this map, an accurate
2 representation based on your area-wide mapping and isopach maps?

3 A. Yes it is.

4 Q. Let's go to your third exhibit, Mr. Higginbotham, the type log on the Miller 30-14 No. 1
5 Well. Describe the new gas pool that we are asking the Board to establish in this new
6 field.

7 A. This new gas pool is in the Lewis sand formation. This exhibit illustrates that the base of
8 the Lewis sand is at a measured depth of 4,922. The top of the sand is at a measured
9 depth of 4,898. This sand illustrates that it is about 24 feet in gross thickness. The
10 reason that this sand was not completed back when the well was drilled 25 years or so
11 ago was because the well did not exhibit microlog separation and gas effect that are
12 typical signatures of gas producing zones in this area.

13 Q. Your Exhibit No. 4. Tell us what the exhibit is and describe the information shown there,
14 please sir.

15 A. Exhibit No. 4 is a gross isopach map of the Millerella sand. The contour interval is ten
16 feet and the scale is 1-inch equals 500 feet. Again, this map incorporates geology outside
17 the mapped area.

18 Q. So in this new field we are suggesting to the Board based on this information that we
19 have both the Lewis and the Millerella sands. Is that right?

20 A. Yes sir.

21 Q. Your Exhibit 5 then is a type log for the Millerella sand. Is that correct?

22 A. That's correct.

23 Q. Describe the Millerella sand or describe the information shown on this type log, please
24 sir.

25 A. This type log illustrates that the top of the Millerella sand is at a measured depth of 4,359
26 and the base of the Millerella sand is at a measured depth of 4,369. The Millerella
27 marker, the mapping horizon, is shown higher up at a measured depth of 4,305.

28 Q. All right.

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1 A. This is a resistivity log.

2 Q. Mr. Higginbotham, having encountered these two pools in this well the next two exhibits,
3 Exhibits 6 and 7, are OGB-9's for the two zones. Is that right?

4 A. That's correct.

5 Q. Start with Exhibit 6 and tell us what this well tested in the Millerella.

6 A. Exhibit No. 6 is the OGB-9 for the Millerella Sand Gas Pool. This zone tested 92 Mcf
7 gas a day on a 20/64-inch choke.

8 Q. What about the Lewis which is the OGB-9, Exhibit No. 7? What did it test?

9 A. The Lewis sand tested 325 Mcf gas per day on a 14/64-inch choke.

10 Q. We have suggested to the Board the adoption of Special Field Rules for the development
11 of these two new gas pools which you have defined by way of your type log. We are
12 asking that the North Kennedy Field be the South Half of Section 30, Township 16
13 South, Range 14 West, Lamar County, as underlain by those sands. Is that correct?

14 A. That is correct.

15 Q. We are asking for spacing of wells to be governmental half sections with 660 foot
16 setbacks from every exterior boundary of the drilling unit?

17 A. Yes sir.

18 Q. Are these Special Field Rules the typical Special Field Rules that this Board has approved
19 for gas fields in the Black Warrior Basin?

20 A. Yes it is.

21 MR. WATSON: Mr. Rogers, I would ask that you receive into the record of this hearing
22 Exhibits 1 through 7 to the testimony of Mr. Higginbotham.

23 MR. ROGERS: The exhibits are admitted.

24 (Whereupon, the exhibits were received in evidence)

25 Q. Mr. Higginbotham, would the granting of this petition establishing this new field, the
26 North Kennedy Field in Lamar County, Alabama, promote orderly development, prevent
27 waste and protect correlative rights?

28 A. Yes it will.

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1 MR. WATSON: I tender Mr. Higginbotham to you, Mr. Rogers, and the staff for any
2 questions you have.

3 MR. ROGERS: Any questions from the staff?

4 DAVID HIGGINBOTHAM

5 EXAMINATION BY BOARD/STAFF

6 Questions by Mr. Masingill:

7 Q. Mr. Higginbotham, on the OGB-9 for the Lewis zone you filed a corrected perforation
8 interval. Is that correct?

9 A. I believe so. That is correct.

10 Q. If you could follow up on the OGB-6 and OGB-7 that are filed and file a corrected OGB-
11 6 and OGB-7 we would appreciate it. That way all the records would be consistent on
12 the Lewis perforated interval.

13 MR. WATSON: We will stipulate that will be done before your hearing on Monday, Mr.
14 Masingill. I was going to ask that after your question.

15 MR. MASINGILL: Thank you.

16 MR. ROGERS: Any other questions? Anything else, Mr. Watson?

17 MR. WATSON: That's all on that item.

18 MR. ROGERS: The staff will review the evidence and make a recommendation to the
19 Board. The next item is Item 13, Docket No. 5-12-08-7, petition by Sundown Energy, LP.

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

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

23 (Whereupon, the affidavit was received in evidence)

24 MR. WATSON: This is a petition by Sundown Energy asking the Board to amend Rule
25 2 of the Special Field Rules for the Star Field to add a new gas pool in that field that was
26 encountered in the James M. Cole 17-12 No. 1 Well, the new sand to be the Benton sand. You
27 are familiar with this petition to amend the Special Field Rules at the Star Field, are you not, Mr.
28 Higginbotham?

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1 MR. HIGGINBOTHAM: Yes I am.

2 MR. WATSON: Have you prepared exhibits in support of this request to amend the
3 Special Field Rules?

4 MR. HIGGINBOTHAM: Yes I have.

5 MR. WATSON: Are you familiar with the geology in the area of the Star Field?

6 MR. HIGGINBOTHAM: Yes sir.

7 MR. WATSON: Have you mapped in this area over a considerable period of time?

8 MR. HIGGINBOTHAM: Yes sir.

9 MR. WATSON: I tender him as an expert for giving testimony on this item and would
10 remind him that he is under oath, Mr. Rogers.

11 MR. ROGERS: He is accepted as an expert.

12 DAVID HIGGINBOTHAM

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

14 DIRECT EXAMINATION

15 Questions by Mr. Watson:

16 Q. Mr. Higginbotham, turn in our packet of exhibits to your first exhibit, Exhibit No. 1.
17 Describe the information shown on that exhibit, please sir.

18 A. Exhibit No. 1 is a structure contour map on top of the Benton sand in Star Field. The
19 contour interval is 25 feet and the scale is 1-inch equals 500 feet. The well in question is
20 Permit No. 2670-A. This is a re-entry of a plugged and abandoned well drilled by
21 Anderman back in the 1970's. This structure map illustrates that the top of the Benton
22 Gas Sand is at a subsea depth of -3014.

23 Q. Again I ask this question; this is a tone down version of your area-wide structure map for
24 this area and would include the Benton sand. Is that right?

25 A. Yes sir that is correct.

26 Q. Go to your Exhibit No. 2, Mr. Higginbotham. Tell us what the exhibit is and describe the
27 information on it.

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- 1 A. Exhibit No. 2 is a gross isopach map of the Benton sand in Star Field in this particular
2 area. The contour interval is 25 feet. The well in question, Permit No. 2870-A, had nine
3 feet of Benton sand that the well was completed in.
- 4 Q. Does the structure dictate the orientation of this isopach?
- 5 A. No. The structure seems to be unrelated to the isopach of this sand. This is just a stray
6 Benton Gas Sand that you don't really see anywhere else out there.
- 7 Q. All right. Let's look at that stray sand in your third exhibit which is a type log for the
8 Benton sand. Describe that sand for us and how we propose to have it included in the
9 Special Field Rules.
- 10 A. This exhibit is a type log of the Benton Gas Sand. It illustrates that the measured depth is
11 at 3,393 feet. The top of the Benton sand and the base of the Benton sand is at a
12 measured depth of 3,402 feet. This is a resistivity log. This resistivity log illustrates that
13 the Benton Gas Sand has got around 160 or 170 ohms of resistivity.
- 14 Q. This is the log on the James M. Cole 17-12 No. 1 well?
- 15 A. Yes sir, that's correct.
- 16 Q. As you know we have to test the sand before we can put it into the field. I assume this
17 Benton sand has been tested and is evidenced in your Exhibit No. 4. Is that right?
- 18 A. Yes sir. This is an OGB-9 on the Cole well in the Benton sand.
- 19 Q. What did it test?
- 20 A. This well tested 283 Mcf gas a day on a 12/64-inch choke with 400 pounds flowing
21 pressure. The test date was March 23, 2008. It was a 24-hour test.
- 22 Q. My birthday. That's got to be a good well. Mr. Higginbotham, the Star Field currently
23 has defined in it the Chandler, the Upper Nason, the Lower Nason, the Lewis, the Carter,
24 the Millerella, the Fayette and the Devonion gas pools. Now we propose to add the
25 Benton Sand Gas Pool. Is that right?
- 26 A. That's correct.
- 27 MR. WATSON: Mr. Rogers, I would ask that you receive into the record of this hearing
28 Exhibits 1 through 4 to the testimony of Mr. Higginbotham.

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1 MR. ROGERS: The exhibits are admitted.

2 (Whereupon, the exhibits were received in evidence)

3 Q. Mr. Higginbotham, would the addition of this Benton sand promote orderly development
4 in the Star Field by allowing this sand to be completed in accordance with the existing
5 Special Field Rules?

6 A. Yes sir, it would.

7 Q. Would correlative rights of all parties be protected and waste prevented?

8 A. Yes it would.

9 MR. WATSON: I tender Mr. Higginbotham to you for any questions you have on this
10 item, Mr. Rogers.

11 MR. ROGERS: Are there any questions from the staff?

12 DAVID HIGGINBOTHAM

13 EXAMINATION BY BOARD/STAFF

14 Questions by Dr. Tew:

15 Q. Mr. Higginbotham, your isopach map shows this sand body occupying a good portion of
16 the stand-up half section unit there. What other data other than this one wellbore do you
17 have to draw the configuration of that sand body?

18 A. Dr. Tew, there is absolutely no data. This is pure interpretation. The area of this sand
19 could be 20 acres. It could be 300 acres. The Star Field has been out there in Lamar
20 County since the 1970's and nobody has ever completed anything in this particular sand.
21 This is just a pure interpretation. The Benton sand however often times tends to be
22 oriented in a north-south direction. In other areas where you do have more control it does
23 appear to be going in a north-south direction. That is why I simply took the pattern
24 where you do have good control over the Benton sand and just superimposed that pattern
25 on this one wellbore where you have no other control.

26 Q. But you do have other sand bodies in the vicinity that you can use as analog to come up
27 with this orientation more or less then?

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1 A. Yes sir. This is a very legitimate interpretation based on the pattern of the Benton sand in
2 areas where you do have good control.

3 DR. TEW: Thank you.

4 MR. ROGERS: Anything else, Mr. Watson?

5 MR. WATSON: That's all we have, Mr. Rogers.

6 MR. ROGERS: We will review the evidence and make a recommendation to the Board.
7 The next item is Item 18, Docket No. 6-16-08-1, petition by Midroc Operating Company.

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

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

11 (Whereupon, the affidavit was received in evidence)

12 MR. WATSON: This is a petition by Midroc Operating Company requesting the Board
13 to enter an order force pooling, without the imposition of the risk compensation fee, all tracts and
14 interests in the Lewis Estate 27-7 well to be drilled on a 160-acre wildcat drilling unit consisting
15 of the Northeast Quarter of Section 27, Township 4 North, Range 13 East, Conecuh County,
16 Alabama. As of the filing of this petition as amended, there were currently 12.33 net mineral
17 acres outstanding or approximately 7.706 percent of the unit that has not yet agreed to
18 participate. I have filed an amended affidavit of testimony from Bradley Jeffreys, a land man for
19 Midroc Operating Company, stating that all of the interest except these 12.33 net mineral acres
20 have either agreed to or volunteered to participate in the drilling of this well that represents 7.706
21 percent of the unit. As of the filing of this petition, Mr. Rogers, there were eleven people who
22 had not yet agreed to lease or participate in the drilling of this well. I have prefiled an affidavit
23 of qualifications of Mr. Bradley Jeffreys and would make note of that. I would ask that you
24 receive into the record of this hearing the original amended affidavit of testimony in support of
25 this force pooling without risk compensation.

26 MR. ROGERS: The affidavit is admitted.

27 (Whereupon, the affidavit was received in evidence)

1 MR. WATSON: I would state for the record, Mr. Rogers, that some of these parties are
2 continuing to turn in leases as of this morning. As I was leaving the office the number is now
3 down to nine parties. I will reflect that in the proposed order to the Board.

4 MR. ROGERS: If we have the affidavit that says 13, isn't that a bit awkward to have the
5 order say something different.

6 MR. WATSON: Well, that's fine. You can leave it at 13. The title opinion is going to
7 reflect it.

8 MR. ROGERS: You could file another affidavit, Mr. Watson. We could leave the record
9 open as of whenever you sign it but I think the order ought to state what is in the record.

10 MR. WATSON: We can do that.

11 MR. ROGERS: Why don't you file another one then, Tom, and we will leave the record
12 open for that. The order will state that. You say it's going to eleven or nine?

13 MR. WATSON: It's going to be nine now, two additional parties have signed over the
14 weekend. I don't have anything in my hand but an e-mail to that effect.

15 MR. ROGERS: Do you know how many acres that would represent?

16 MR. WATSON: It's going to be 11--it comes down from 12 to right at 10 acres, Mr.
17 Rogers.

18 MR. ROGERS: Okay. If you will, put the details of that in the affidavit.

19 MR. WATSON: I will do that and have Mr. Jeffreys sign a new affidavit.

20 MR. ROGERS: This one is admitted but we will leave the record open for another
21 affidavit to be submitted updating us at whatever point you want to.

22 MR. WATSON: All right sir.

23 MR. ROGERS: Anything else, Mr. Watson?

24 MR. WATSON: That's all on that item.

25 MR. ROGERS: We will review the evidence and make a recommendation to the Board.
26 The next item is Item 21, Docket No. 6-16-08-4, petition by Black Warrior Methane
27 Corporation.

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

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

2 MR. HUTCHENS: Eric Hutchens, McCalla, Alabama.

3 (Witness was sworn by Mr. Rogers)

4 MR. WATSON: Mr. Rogers, can we consolidate Docket Nos. 6-16-08-4 and 6-16-08-5
5 for hearing purposes, please?

6 MR. ROGERS: Those items are related and those items are consolidated.

7 MR. WATSON: I have prefiled affidavits of notice in these matters and would ask that
8 those two affidavits of notice be admitted into the record.

9 MR. ROGERS: The affidavits are admitted.

10 (Whereupon, the affidavits were received in evidence)

11 MR. WATSON: Mr. Rogers and members of the staff, we are asking the Board to amend
12 Rule 2 of the Special Field Rules for the Oak Grove Coal Degasification Field and also to amend
13 Rule 2 of the Special Field Rules for the Brookwood Coal Degasification Field to delete portions
14 from Oak Grove and add those portions into the Brookwood Coal Degasification Field. Mr.
15 Hutchens, you have appeared before this Board and have on file your affidavit of qualifications.
16 Is that right?

17 MR. HUTCHENS: Yes I have.

18 MR. WATSON: Are you familiar with these consolidated petitions where we are asking
19 the Board to delete from Oak Grove and add parcels to the Brookwood Coal Degasification
20 Field?

21 MR. HUTCHENS: Yes.

22 MR. WATSON: Have you prepared exhibits in support of these consolidated petitions?

23 MR. HUTCHENS: Yes.

24 MR. WATSON: I tender Mr. Hutchens as an expert for giving testimony in these items,
25 Mr. Rogers.

26 MR. ROGERS: He is so recognized.

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ERIC HUTCHENS

Appearing as a witness on behalf of Petitioner, Black Warrior Methane Corporation,
testified as follows:

DIRECT EXAMINATION

Questions by Mr. Watson:

Q. The first item is to delete from the Oak Grove Coal Degasification Field the East Half and the Southwest Quarter of Section 22, Township 19 South, Range 8 West, Tuscaloosa County. Is that shown on your first exhibit that we have handed up with that docket number on it, 6-16-08-4, Mr. Hutchens?

A. Yes it is. It is shown as the red area up in the northwestern corner of the map.

Q. As that currently sits in the Oak Grove Field, is it not completely surrounded by lands that are in the Brookwood Coal Degasification Field?

A. Yes. It is island acreage with the Oak Grove Field in the middle of the Brookwood Field.

Q. Well, island acreage is a legal term that the Board understands. Let's not use that term. Let's call it an appendage of the Oak Grove Field that got stuck in or left in Brookwood. Is that a fair statement?

A. That's a fair statement.

Q. Now, the next exhibits that you have here is a repeat of the same exhibit for the deletion from Oak Grove to add this same parcel into Brookwood. Is that right?

A. That is correct.

Q. The second page of the exhibit for this docket number, 6-16-08-5, is a blown-up section of that part of Section 22 that I have just described. Is that right?

A. That's correct.

Q. What else is shown on that exhibit, Mr. Hutchens?

A. The actual wells in the section and the mine works for Jim Walter Resources mining the area.

Q. What mine is this?

A. This would be Mine No. 4.

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1 Q. Okay. So these railroad track designs here are underground works for Mine No. 4. Is it
2 your testimony to the Board that this parcel of land would best be suited to be included in
3 the Brookwood Coal Degasification Field and if that is your testimony, why is that so?

4 A. Yes it is my testimony. It would make things easier in drilling gob wells for the mine.
5 We have had problems over the years associated with this acreage where there would be
6 confusion as to why this acreage is in the Oak Grove Field as opposed to the Brookwood
7 Field. We just want to fix that so it makes things easier to drill gob wells for the mine.

8 Q. Also it makes it easier I suppose to keep up with the gas production from that area and
9 putting it in that field that is involved in this underground mine?

10 A. Yes.

11 Q. The Oak Grove Field does not overlay any part of the No. 4 underground mine. Is that
12 right? Does the Oak Grove Special Field Rules overlay any part of the area that is being
13 underground mined by Mine No. 4?

14 A. It might.

15 Q. It might in the northern part?

16 A. Yes.

17 Q. But in this area, this would close in the area to make it all contiguous in Brookwood?

18 A. Exactly.

19 Q. Would the deletion from Oak Grove and the addition to Brookwood provide for orderly
20 development of the coalbed methane gas resources in this area?

21 A. Yes.

22 MR. WATSON: Mr. Rogers, I would ask you to accept into the record the exhibits filed
23 by Mr. Hutchens for these two docket items.

24 MR. ROGERS: The exhibits are admitted.

25 (Whereupon, the exhibits were received in evidence)

26 Q. Also I'm assuming, Mr. Hutchens, that the approval of these, the deletion and the
27 inclusion, would prevent waste and protect correlative rights?

28 A. Yes.

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1 MR. WATSON: I tender Mr. Hutchens to you for any questions you have on either of
2 these items, Mr. Rogers.

3 MR. ROGERS: Any questions from the staff? The staff has no questions. We will
4 review the evidence and make a recommendation to the Board.

5 MR. WATSON: Thank you.

6 MR. ROGERS: That brings us to Item 24 and the following items. Item 24 is Docket
7 No. 6-16-08-7, petition by Petronova, LLC and other related items, Item 25, Docket No. 6-16-
8 08-8; Item 26, Docket No. 6-16-08-9; Item 27, Docket No. 6-16-08-10; Item 28, Docket No. 6-
9 16-08-11; Item 29, Docket No. 6-16-08-12; Item 30, Docket No. 6-16-08-13 and Item 31,
10 Docket No. 6-16-08-14, all petitions by Petronova, LLC.

11 MR. WATSON: Mr. Rogers, while I get these exhibits passed out would you please
12 swear in my three witnesses?

13 MR. ROGERS: Will you gentlemen state your names and addresses?

14 MR. LASSETER: Ed Lasseter, Tuscaloosa, Alabama.

15 MR. ELLARD: Jesse Ellard, Tuscaloosa, Alabama.

16 MR. SANDERS: R.G. Sanders, Tuscaloosa, Alabama.

17 (Witnesses were sworn by Mr. Rogers)

18 MR. WATSON: Let me explain procedurally, Mr. Rogers, how we would like to handle
19 these multiple docket items that are on your agenda today.

20 MR. ROGERS: All right.

21 MR. WATSON: I have to trace just a little bit of history to do that. These consolidated
22 petitions are designed to establish a new coal degasification field in St. Clair County. We are
23 proposing that this field be named the Wattsville Coal Degasification Field. At its inception or at
24 the inception of our preparation for this hearing, we did not yet have an OGB-9 or a first test but
25 we had an ongoing operational plan that required a continuation of those operations such that I
26 have on your docket today a request for a 40-acre wildcat drilling unit. I have on your docket
27 today a request for an exceptional 80-acre wildcat drilling unit with a request for an exceptional
28 location on that 80-acre wildcat drilling unit. We now have an OGB-9 test on one of our wells

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1 which meets the qualifications for establishing Special Field Rules. If these Special Field Rules
2 are recommended by you to the Board and subsequently adopted by the Board we will not need
3 to have action on the request for the 40-acre wildcat, nor the 80-acre exception to the 40-acre
4 wildcat rule, nor the exceptional location for that well on the 80-acre unit. We would want to
5 dismiss those without prejudice and have the Board act on the petition for Special Field Rules
6 and for the four units we propose to reform from 40-acre to 80-acre units in accordance with
7 those Special Field Rules. Today I would like to go through the testimony on all these items, not
8 knowing what action you might recommend to the Board and not knowing what the Board may
9 do with that recommendation but you can make in your review and the staff's review a
10 recommendation to eliminate the three items that I have just referred to if, in fact, you
11 recommend to the Board the approval of the Special Field Rules and the reformation of the units
12 in accordance with those rules.

13 MR. MASINGILL: Could you clarify which docket numbers those were?

14 MR. WATSON: I have no idea but I will look it up right quick.

15 MR. MASINGILL: I think that would make it clear.

16 MR. WATSON: Yes I have that. I am just going from memory. I will do that, Mr.
17 Masingill. Items 8, 9 and 14, Mr. Lasseter says.

18 MR. MASINGILL: Not Items 8, 9 and 14. It would be docket numbers.

19 MR. WATSON: Docket No. 6-16-08-8, 6-16-08-9 and 6-16-08-14.

20 MR. MASINGILL: Thank you, Mr. Watson.

21 MR. ROGERS: Tom, let's take a brief recess.

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

23 MR. ROGERS: We're back on the record. Please proceed, Mr. Watson.

24 MR. WATSON: At the outset before we start going through the exhibits, Mr. Lasseter, I
25 think it would be helpful before you go over to the podium or to the easel to tell Mr. Rogers and
26 members of the staff what your relationship is with Petronova, LLC, the petitioner, and what the
27 company proposes to do, then you can use your exhibits over here in the Wattsville area.

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1 MR. LASSETER: I am the Executive Manager of Petronova and I handle the day-to-day
2 business affairs.

3 MR. WATSON: You are also an attorney, are you not?

4 MR. LASSETER: I am indeed.

5 MR. WATSON: All right. I submit that he is qualified to describe this project to you in
6 an overview, Mr. Rogers. Mr. Lasseter and I will go through the unit reformation after the
7 technical exhibits are presented by Mr. Ellard and Mr. Sanders.

8 MR. ROGERS: All right.

9 ED LASSETER

10 Appearing as a witness on behalf of Petitioner, Petronova, LLC, testified as follows:

11 DIRECT EXAMINATION

12 Questions by Mr. Watson:

13 Q. All right, Ed, speak into that microphone. I don't have a pointer.

14 A. Exhibit No. 1 is intended to show the location of our proposed field in Alabama. The
15 boundaries here show our lease position which is in yellow with the red boundary, the
16 proposed field limits which are in green and then what we view as the general geologic
17 limits which Jesse will testify as prospective for development. Our attention was drawn
18 to this area by two reports, the Bureau of Mines Technical Paper 719 and the GSA
19 Bulletin 61, done back in the 1940's. If memory serves me, there were 24 core holes
20 drilled all throughout this basin which delineated the coals. We have had numerous
21 conversations with Allen Morris who is the Minerals Manager for Regions Bank
22 encouraging us to come in and develop the area. We looked at the data that had been
23 gained from the Jenco wells. We had anecdotal information from people familiar with
24 the two wells that were completed in that field that indicated some merit. We had Steve
25 Lambert and Chuck Boyer with Schlumberger do an evaluation of the data that existed
26 early in 2007 before we drilled our wells. We came up with a plan to test this with a four
27 to five well pilot project and then develop it commercially to the extent that it was
28 deemed feasible as we stepped out from our test program. Our test wells are in Section

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1 31. We have drilled four. The fifth well that would be part of our pilot project is the one
2 which is subject to the pending petitions for exceptional locations. That's our No. 1 well.
3 We have a water disposal permit, an NPDES permit. We have not installed the facilities
4 for that. Short term, method of disposing of produced water will be via an agreement
5 with Energen Resources to haul the water to one of their facilities and dispose of it under
6 what is called the State Indirect Discharge Permit. We estimate on 80-acre spacing if we
7 develop within the area defined by the Coal City Thrust Fault and the 500 foot contour of
8 the Gann seam that we can get 80 to 81 units on 80-acre spacing. From our four-well
9 pilot project it appears that we have a commercial project and we would step out to the
10 northeast and to the southwest of Section 31 in our further development.

11 MR. WATSON: Okay. Thank you Mr. Lasseter. Now, we have reduced the exhibits to
12 booklet size for your convenience and have handed those up to you. My first witness out of the
13 booklet of exhibits will be Jesse Ellard. In keeping with Chairman Griggs suggestion I am going
14 to ask Mr. Ellard who has appeared before you on numerous occasions to briefly give Mr.
15 Rogers and the staff a summary of your background in geology.

16 MR. ELLARD: I graduated from Mississippi State back in the early days. I have worked
17 at the Survey and worked a little bit with the Oil and Gas Board. I've done a little independent
18 work and I've also worked for some small independents along the way. I worked in coalbed
19 methane for a little while and now I'm unemployed and trying to get a project going.

20 MR. WATSON: All right. So you have prepared some geological exhibits today in
21 support of---

22 DR. TEW: Excuse me, Mr. Watson. Mr. Ellard enlighten us, how early was the early
23 days?

24 MR. ELLARD: Nick, I graduated in 1963.

25 DR. TEW: Thank you, sir.

26 MR. WATSON: Now, you have prepared some geological exhibits in support of the
27 petition to establish the Wattsville Coal Degasification Field, Mr. Ellard?

28 MR. ELLARD: Yes sir I did.

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1 MR. WATSON: I tender Mr. Ellard as an expert geologist for giving testimony in this
2 item.

3 MR. ROGERS: He is so recognized.

4 JESSE ELLARD

5 Appearing as a witness on behalf of Petitioner, Petronova, LLC, testified as follows:

6 DIRECT EXAMINATION

7 Questions by Mr. Watson:

8 Q. Turn in the booklet of exhibits to Exhibit No. 1. Orient the staff on this exhibit and go
9 through the information shown on here, please sir.

10 A. Exhibit 1 is a partial of the--is the northern part of the Coosa Coal Basin. Petronova's
11 proposed field is located in the Coosa Coal Field of St. Clair County in the northeast part
12 of Alabama. It is about 30 miles east of Birmingham. The proposed field is within a
13 structurally deformed asymmetrical syncline. It is bounded on the southeast by the Coal
14 City Thrust Fault. In later mapping it is the Eden Thrust Fault limited on the northwest
15 by the up-dip shallowing of subsurface target coals. Just in reference in doing these
16 coals, we went to our references by the Alabama Geological Survey of 1912, the Coosa
17 Coal Basin, those reports as mentioned by Mr. Lasseter, and also the recently published
18 surface maps of the Ragland and Wattsville quadrangles. Those were very instrumental
19 in understanding the coal geology of this part of the Coosa Basin. There is a recent
20 Survey publication that has identified by surface mapping of the individual coals. We
21 used all of this in Petronova's development of coalbed methane in the Coosa Coal Basin.

22 Q. In the upper left-hand corner of this exhibit you are showing an entire map of the State of
23 Alabama and you are spotting this Wattsville area. Is that right?

24 A. That's correct.

25 Q. Also on this map, Mr. Ellard, am I correct in saying that there is a sales pipeline that runs
26 through this proposed area?

27 A. Yes it is. There is a very accommodating north-south pipeline. It's operated by El Paso
28 and is very convenient to where our most recent four-well development is.

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1 Q. You are showing our proposed field area outlined in green superimposed over the total
2 lease area, the yellow area outlined in red. Is that right?

3 A. It is a six section staggered position that accommodates the leases and also
4 accommodates the mentioned structural parameters or limits on this basin.

5 Q. I think that the legal description as we propose in our Special Field Rules would say that
6 we have 3,840 acres in this proposed Wattsville Coal Degasification Field. Would you
7 agree with that?

8 A. That's correct.

9 Q. Also in this area in addition to the publications that you mentioned, the Bureau of Mines
10 publication and the Geological Survey publication for data gathering, isn't there a core
11 hole that is in this area that you looked at as a part of this overall review?

12 A. Yes there is. It was drilled in 1968; I think was when it was. It was drilled for the
13 understanding of the Jenco area which is Section 1 of 16 South and 3 East. I don't know
14 exactly when that well was drilled or that core hole. Maybe it was 1987.

15 Q. I think it was 1997, Mr. Ellard.

16 A. 97, okay.

17 Q. In 1997 River Gas Corporation drilled a core hole in the middle of your field. You have
18 had a chance to look at that information, have you not?

19 A. I have.

20 Q. Let's turn to your Exhibit No. 2, Mr. Ellard. This is a type log that defines the coal
21 within the gas pool that we are asking the Board to establish. Is that right?

22 A. That's correct.

23 Q. Would you describe that type log for us?

24 A. This is an electric log in the Sloss 31-10-003 from bottom-to-top. The prospective coals
25 for degasification are the Lower Chapman, the Chapman, the New, the Fairview, the
26 Higginbotham, the Gann and the Brown. These individual coal ventures are geologically
27 identified on the gamma ray density open-hole electric log. Also included on the exhibit
28 is a composite---I'll just stop right there.

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1 Q. Yes sir, the composite is not on this exhibit. We are asking then that the gas pool be
2 defined based on this type log from 460 feet to 1,250 feet in this particular well. This is
3 the type log for the Sloss 31-10-003 Well. Is that right?

4 A. That's correct.

5 G. 1,210, Mr. Lasseter said I said 1,250. So we are from 460 feet to 1,210 feet as defined on
6 this log. Is that right?

7 A. That's correct.

8 Q. Let's go to your third exhibit, please, sir. This exhibit takes each of these coal seams as I
9 appreciate it and makes them clearer to define. I'll ask you to go through this exhibit
10 with the staff.

11 A. This log, as opposed to the 5-inch log which we previously looked at, is a 20-inch log. It
12 is expanded into one foot increments. A broad point to be made is that there may be two
13 target coals, the Chapman and the Fairview. Those are the ones that have actually stood
14 out in our testing. The benches are based on their extensive presence in the Petronova
15 development of Section 31 and Section 1. The individual benches starting from the
16 bottom and working up on the type log again are the Lower Chapman, the Chapman, the
17 New, the Fairview, the Higginbotham, the Gann and the Brown. The density scale begins
18 in the left tract--I apologize, the density scale is in the right tract. On the left-hand side of
19 the right tract is a 1.0 grams per CC. On the far right of that tract in the right-hand side is
20 the 3.0 grams per CC. I might just say to the Board that most coal thickness is measured
21 or taken at the 2.0 grams per CC line and the thicknesses that I will talk about on the
22 isopach map are taken from those 2.0 grams per CC line. So, really what it is saying, this
23 is just a detailed log, an expanded log, and it is for identification of measurement of coal.

24 Q. Now let's go to your Exhibit No. 4. This is a busy exhibit that has the composite log that
25 you were talking about a while ago as well as a cross section. I'll ask you to go through
26 and describe this exhibit, Mr. Ellard.

27 A. This is an excellent geologic report. It was done for the Bureau of Mines. I did not have
28 anything to do with this. It studies the surface and the subsurface coal from Ragland

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1 southwest through Wattsville to near Tanyard in St. Clair County. It gives the controls
2 on the various coals in the subsurface. It outlines various target coals in the Coosa Basin.
3 The most obvious controls on this map here are to the southwest, the Eden Thrust Fault.
4 It shows the up-dip outcrop limits of the various coals. The light contours are the outcrop
5 limits or the outcropping of the various coals as they come to the surface. Also, I would
6 like to point out an insert cross section which we have termed as B-B'.

7 Q. That's shown on your map, the B-B' line is shown on the map.

8 A. It gives a schematic of the coal occurrences as they dip into the flow of the syncline. The
9 deeper buried coals of the cross section are the targeted coals for degasification.
10 Petronova plans to target completion for coals as seen on the composite log that we just
11 viewed which are from the Lower Chapman to the Brown.

12 Q. You have superimposed on this map the four wells that were drilled in 2008 by Petronova
13 as well as the wells that were drilled in 1989 by Jenco. Is that correct?

14 A. That's correct.

15 Q. All right sir.

16 A. Let me clarify this, Tom. The column log to the left shows coals as reported in this
17 Bureau of Mines report. As you see, above the Brown there is a Bibby and a Broken
18 Arrow. We may get into those in later drilling on down to the southwest. Also, the
19 Martin which is down below the Lower Chapman, we have not seen that in any of the
20 exploration wells, the logs that we have drilled, but it may be a target later on.

21 Q. If either of those shallower coals or the deeper coals become a target for development,
22 Petronova would come back to the Board and ask that the Special Field Rules be
23 amended to add those coal seams. Is that right, Mr. Ellard?

24 A. Correct.

25 Q. Let's go to your Exhibit No. 5, Mr. Ellard. This is a structure map on top of the
26 Chapman Coal bench. I would ask you to describe this geological structure as depicted
27 on this map.

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- 1 A. The exploration drilling by Jenco was attempted in Section 1 and Section 12 of 16 South
2 and 3 East. Petronova has exploration drilling in Section 31 and Section 6 of 15 and 16
3 South, 4 East. The compilation of subsea elevations of the top of the Chapman Coal
4 Bench for the Jenco and the Petronova drills are shown in this Exhibit 5. The map
5 structure follows the configuration of a synclinal feature which parallels the Eden trust
6 fault with the stratigraphy plunging southwest. The coal depth will come deeper into the
7 southwest. Limits on the development of coal degasification remain generally defined in
8 the southeast-to-northwest direction and questions remain as to the extent of the
9 developmental limits in the northeast or the actual directions northeast-to-southwest.
10 Two positions of the short cross section, A-A', are southeast-to-southwest. That would
11 be a dip section. No wait a minute--southeast-to-southwest would be a strike section of
12 the syncline and northwest-to-southeast, the term C-C', would be a dip direction section
13 which is perpendicular to the syncline. These cross sections will be seen on Exhibit 7.
- 14 Q. Let's go to Exhibit No. 6. Exhibit 6 is a cumulative coal isopach on the Lower Chapman
15 through the Gann. Describe that exhibit, Mr. Ellard.
- 16 A. Thickness for the isopach mapping is for all the benches from the Lower Chapman to the
17 Gann. That is for the Jenco and the Petronova exploration wells. The termination of coal
18 thickness as stated before is from the gamma ray density open hole log taken at 2.0 grams
19 per CC. For comparison the Jenco log did not have the 20-inch expanded log section so
20 the measurements are from the 5-inch logs on the Jenco wells. The thickness values as
21 measured are posted beside each well location. Thicknesses measured range from 4.6
22 feet to 15.2 feet. Generally the thickest coal occurs in the Petronova developments and
23 that is what was termed in the 40's as the Fairview SubBasin.
- 24 Q. All right sir. Let's look at that line of cross section that you referred to which is Exhibit
25 7. Describe that for us. There are two cross sections on this Exhibit 7, A-A' that you
26 referred to and C-C'.
- 27 A. There are two cross sections to pick, a strike section from northeast-to-southwest, A-A',
28 and a dip section from northwest-to-southeast, C-C'. Both cross sections track the

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1 Fairview, New and the Chapman coals. Tracking across the strike section southwest
2 from the Petronova well, the Sloss 31-10-003, Permit No. 15625, to the southwest the
3 line of coals move across several down-to-the-southwest and apparently normal faults. It
4 moves into the Jenco 01-06-07 Well, Permit No. 7270-C. Previous studies put the Jenco
5 permit across the fault system and into a separate SubBasin. This SubBasin is called the
6 Coal City SubBasin as opposed to the Fairview SubBasin. The dip section which is
7 northwest-to-southeast tracts southeastward down the apparent fault limb--apparent limb
8 of the Coosa syncline. This control has not as yet allowed the structural determining of
9 the flow of the Coosa syncline but we can see there could be some more development in
10 this direction to the southeast for future wells.

11 Q. All right, Mr. Ellard. You have gone back in and used the available information and
12 described a pretty complex geological picture of this particular coal basin. It appears to
13 me that you have a lot of definitive information. Is it your testimony then based on your
14 information from the geology that this area is suitable for the development of coal
15 degasification wells?

16 A. Yes it is. We realize this area is a complex setting for coalbed methane but we have
17 some positive test results from the Phase 1 drilling.

18 Q. Even though we have some faulting in this area, is it your testimony that these coals that
19 you have described in the type log and possibly others shallower and others deeper
20 extend throughout the course of what we are proposing for this Wattsville Coal
21 Degasification Field?

22 A. With what we are seeing now we certainly hope it will extend. We have another phase
23 that is proposed and we will develop from there.

24 Q. Do the current proposed limits to the Wattsville Coal Field contain the coal seams that
25 you have described in your type log?

26 A. Yes they do.

27 MR. WATSON: My next witness is Mr. R.G. Sanders. We are going to talk to you now,
28 Mr. Rogers and members of the staff, about the well construction in the Wattsville Coal

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1 Degasification Field area that we are proposing to you and tell you about our test. Mr. Sanders,
2 you prepared exhibits in support of these Special Field Rules, the establishment of these Special
3 Field Rules, did you not?

4 MR. SANDERS: Yes I did.

5 MR. WATSON: You have been in the field and you are familiar with the well
6 construction and the well tests associated with production in this field?

7 MR. SANDERS: I am.

8 MR. WATSON: You have on file an affidavit of your qualifications as a petroleum
9 engineer. Is that correct?

10 MR. SANDERS: Yes, that's correct.

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

12 MR. ROGERS: He is so recognized.

13 R. G. SANDERS

14 Appearing as a witness on behalf of Petitioner, Petronova, LLC, testified as follows:

15 DIRECT EXAMINATION

16 Questions by Mr. Watson:

17 Q. Mr. Sanders, look at Exhibit No. 8 in the booklet. Describe the information shown on
18 this exhibit.

19 A. This is a typical well design and completion schematic of the wells in the field. This
20 happens to be the Sloss 31-10-003, Permit No. 15625-C. It shows the construction of the
21 well. It has 7-inch surface casing set at 331 feet and it was cemented back to the surface.
22 The pipe was tested to 300 pounds. The long string is 4 ½-inch casing. In this particular
23 case it was set at 1,376 feet and tested to 1,450 pounds. It also was cemented back to the
24 surface. In our completion schematic here we indicate that there are three coal zones to
25 be fraced. Starting at the lower we call it the Chapman Coal Group in the lower part of
26 the well. It represents the Upper and Lower Chapman. The perforated depths are shown
27 to the right. The zones were fraced with 50,000 pounds approximately of 12/20 sand.
28 The well construction consists of balls and baffles. The baffle was set above the Upper

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1 and Lower Chapman. In this schematic it is shown at 1,003 feet. The New Coal Group's
2 perforated interval is 946-954. It was perforated and fraced using 30,000 pounds of
3 12/20 sand. These were nitrogen foam frac completions. It was isolated with a baffle set
4 at 793 feet. The Fairview group which consists of the Fairview coal at the bottom, the
5 Higginbotham in the middle and the Gann at the top, those perforated intervals are shown
6 on the schematic. It was fraced with 50,000 pounds of 12/20 sand. The total frac job
7 amounted to 130,000 pounds of sand. Again, they were nitrogen foam fracs. After the
8 frac job is complete the balls and baffles are drilled out and then rods, tubing and a pump
9 are installed. The pump is installed into the rat-hole section of the well which is below
10 the lower zones to evacuate water that accumulates in the hole. Coalbed methane is
11 produced up the annulus between the tubing and the 4 ½-inch casing. Water is directed
12 to disposal and gas at this point is being tested and flared. Our pipeline connection to El
13 Paso is estimated to be six to eight months from today, according to the information we
14 have at this point. As we develop information on the wells and test them, once we are
15 satisfied that they are cleaned up and producing they will be closed in and we will await a
16 pipeline connection to produce them.

17 Q. All right Mr. Sanders. As we look at this exhibit I think we have a correction on the
18 surface casing. It should be 331 feet. Some of the booklets may have 311 feet. Is that
19 right? Surface casing was set to 331 feet?

20 A. Yes, that's correct. I said that in my testimony. It also shows that it was cemented from
21 331 feet to surface. So, that was a typo and I did it.

22 Q. What about the New Coal Group? As I listen to your testimony I heard you say 946 to
23 954. I see on my exhibit I have 948. Is it 946?

24 A. 948 to 954.

25 Q. You just misspoke. Okay. So, 948 is the correct number. Mr. Sanders, have you tested a
26 well in the proposed Wattsville Coal Degasification Field?

27 A. Yes we have. We tested the well that the schematic is made of here. It's the Sloss 31-10-
28 003, Permit No. 15625-C. An OGB-9 was filed on June 6th and it indicated that in a 24-

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1 hour test the well made 66 Mcf/d. That is producing against twelve pounds of back
2 pressure. It was produced on a 14/64-inch positive choke. Our back pressure casing
3 pressure on the choke was 50 pounds. The well was pumping. It was making three
4 barrels of water. We have a gas analysis attached to the OGB-9 which indicated that the
5 well was producing 85.98 percent methane and .12 percent ethane. Carbon dioxide was
6 .27, oxygen was .17 and nitrogen was 13.46, indicating that the well was not completely
7 cleaned up from the frac job. The overall methane and ethane production would have
8 been 57 Mcf. We consider that to be a credible test for these coal seams for this stage of
9 development and dewatering. Our expectations would be greater than this at some point
10 in the future but for us it was a definitive test and we have accepted this as being
11 adequate for development.

12 Q. This is our Exhibit 9 in the booklet of exhibits. In addition to this OGB-9, Mr. Sanders,
13 have you witnessed gas production from any of the other three wells that Petronova has
14 completed in the area?

15 A. All the other wells are producing with a flare at this point. We have pumping units on
16 one other well. The pumping units on the next two are set today. Both of those wells
17 after flowback were producing gas that would burn a flare.

18 Q. All right sir.

19 MR. WATSON: Now let's come back to Mr. Lasseter and talk about a couple of these
20 items, three of these items that we may dismiss.

21 ED LASSETER

22 Appearing as a witness on behalf of Petitioner, Petronova, LLC, testified as follows:

23 DIRECT EXAMINATION

24 Questions by Mr. Watson:

25 Q. In the back of your booklet behind the blue page you will find the same exhibit that is up
26 on the easel in front of you here. Mr. Lasseter, would you tell Mr. Rogers and the staff
27 why it is necessary or why it may be necessary to have our proposed well, the 31-08-001,
28 drilled at an exceptional location?

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1 A. Administratively, we were looking at doing a five-well pilot project. As Mr. Watson has
2 pointed out, when we filed our petition for Special Field Rules we did not at that time
3 have an OGB-9 to support it. So, in order for us to get this well drilled under the
4 established 330 foot setbacks it would have to be an exceptional location. The
5 fundamental reason for an exceptional location is our negotiations with the surface owner
6 who is Veolia Corporation. They operate sanitary landfills throughout the world. They
7 are a French company with US headquarters in Milwaukee. The existing landfill
8 operation is shown on the schematic in dark gray. Let me show you both exhibits
9 simultaneously. Exhibit No. 4 is an aerial photograph. You can see the existing landfill
10 operation here in white.

11 MR. MASINGILL: Mr. Lassiter, would you speak into the microphone? We can't pick
12 you up.

13 A. You can't pick me up? Reminds me of my days as a rock singer. Those were long ago
14 also, Dr. Tew. The area in gray is the area active now and it again is shown as light on
15 the aerial photograph. The plan that Veolia has once they have finished in the active area
16 is to begin moving west. We have been negotiating with them since March of last year.
17 The initial outcome of those negotiations were these four locations for the wells that we
18 have already drilled. The biggest problem was the No. 3 well. It had been located over
19 here prior to getting into negotiations with Veolia. After negotiations we agreed to move
20 it. We were still discussing what to do with the No. 1 Well. Their suggestion was that
21 we move that also to the west. If you remember from Exhibit No. 4 which was taken
22 from Figure 22 in the Bureau of Mines Technical Paper 719, the coals dip up quite a bit
23 here. We were unwilling to move the No. 1 well to the west. It has taken us some time
24 to work out an agreeable location with Veolia. They wanted that location to be outside of
25 their footprint which is shown here in the cross hatched proposed Cedar Hill Landfill
26 expansion. In order to get it outside of that footprint we had to get inside the 330 foot
27 setback for a standard 40-acre wildcat well. That's the reason administratively and
28 contractually for our proposal to the Board for an exceptional location on that well. We

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1 have an exhibit, I believe it is Exhibit 2, from Balch & Bingham, the attorneys for Veolia,
2 stating that this petition of ours and the proposed location is the result of negotiations
3 with them and it satisfies basically their interest and will avoid a conflict with their
4 expanded landfill. By the way, the landfill will expand directly over the No. 3 location
5 but we put that about 40 years out. So, at that point the commercial life of that well may
6 be at an end whereas the No. 3 Well where it was on the east-west line--remember that
7 we were not going to move it any further west--they would encounter that well maybe
8 within 20 years as they move to the west. We are unwilling to take the risk of putting
9 that well in the way of the landfill, assuming that it would have played out in 20 years.

10 MR. WATSON: Mr. Rogers, I had prefiled that letter from Balch & Bingham from Craig
11 Williams who indicated that they did not have an objection to this exception should we have to
12 go that route. I have an extra copy of that letter.

13 DR. TEW: We had received that letter as well.

14 MR. WATSON: All right sir. An additional exhibit in this packet for an exceptional
15 location was the OGB-1 showing the plat and the proposed exception that Mr. Lasseter has just
16 described to you.

17 Q. Mr. Lasseter, again not to beat this one down, this was all as an alternative to the Special
18 Field Rules so that you could continue your development and proceed with the drilling of
19 this well at the exceptional location on a wildcat basis, right?

20 A. That's correct.

21 Q. Once approved, the Special Field Rules, and we will get a feeling for that at the end of
22 this presentation, then we could dismiss these three items without prejudice. Is that right?

23 A. That's correct.

24 Q. That leaves us to talk about the reformation of these 40-acre units to 80-acre units. In the
25 petitions, Mr. Rogers, I have noted that the ownership is common in these 40 and 80
26 acres. What I would like to do now, I have coupled in a booklet here the four units that
27 we want to reform. I would like to go through those please.

28 MR. ROGERS: All right.

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1 Q. Mr. Lasseter, the first 40-acre unit that we propose to reform is for the Sloss 31-14-007
2 well, Permit No. 15434-C. Tell us what unit that is on now and what you propose to
3 reform that to under these Special Field Rules.

4 A. As permitted and drilled that well is in the Southeast of the Southwest of Section 31, in
5 15 South, 4 East. We would propose to reform it as a lay-down 80 in the South Half of
6 the Southwest of 31.

7 Q. The next page in this booklet is a letter from me to Allen Morris with Regions Bank. On
8 the second page of my letter there is a signature by Allen Morris where he agrees and
9 consents to this reformation. Is that correct?

10 A. That's correct.

11 Q. Dated June 3, 2008. The next reformation is for the Sloss 06-02-006 well. Describe
12 those 40 acres and the 80 acres that you propose.

13 A. That well as originally permitted and drilled is in the Northwest of the Northeast of
14 Section 6, 16 South, 4 East. We would propose to make it a lay down 80 in the North
15 Half of the Northeast of Section 6.

16 Q. Again my letter of May 29th to Mr. Morris requesting his consent. I see that he has
17 consented to that on June 3, 2008. Is that correct?

18 A. That's correct.

19 Q. The third 40-acre unit is for the Sloss 31-10-003 well. Describe those 40 acres and the 80
20 acres that you propose to reform it to.

21 A. That well as originally permitted and drilled is in the Northwest of the Southeast of
22 Section 31, 15 South, 4 East. We would propose to reform that to a lay down 80 in the
23 North Half of the Southeast of Section 31.

24 Q. Again my letter of May 29th to Mr. Morris with the Regions Bank, Natural Resources
25 Department, asking for his consent. He signed that consent letter on June 3, 2008. Is that
26 correct?

27 A. That's correct.

28 Q. The final unit is for the Sloss 31-16-005 well?

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1 A. Correct.

2 Q. Describe the 40-acre unit and the 80-acre unit that you propose to reform that to.

3 A. That well as originally permitted and drilled is in the Southeast of the Southeast of
4 Section 31, 15 South, 4 East. We would propose to have that well reformed to a lay-
5 down 80 in the South Half of the Southeast of Section 31.

6 Q. Finally my letter to Mr. Morris at the Regions Bank dated May 29th and his consent is
7 indicated on that letter dated June 3, 2008. Is that correct?

8 A. That's correct.

9 Q. In fact, you have worked very closely with the bank's trust department in proposing this
10 development from the outset; have you not, Mr. Lasseter?

11 A. We have.

12 Q. They are in support of this as evidenced by these letters and you are keeping them
13 informed of your progress, are you not?

14 A. That's correct.

15 MR. WATSON: Now, let me ask each of my three witnesses, starting with you, Mr.
16 Lasseter, if the granting of these consolidated petitions for the Special Field Rules and the
17 reformation of these 40-acre units to 80-acre units, will that promote orderly development of
18 these coal seams as you have depicted them to exist in the proposed Wattsville Coal
19 Degasification Field?

20 MR. LASSETER: Yes it will.

21 MR. WATSON: Would it protect the correlative rights of all the owners in the proposed
22 units and in the proposed field?

23 MR. LASSETER: Yes it will.

24 MR. WATSON: Mr. Ellard, I ask you the same questions. Would your responses be the
25 same?

26 MR. ELLARD: My response is the same.

27 MR. WATSON: Mr. Sanders?

28 MR. SANDERS: Yes.

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1 MR. WATSON: Mr. Rogers, I'm going to tender my witnesses to you and members of
2 the staff for any questions you have on any of these items and then we will address them
3 procedurally.

4 MR. ROGERS: All right. I don't know if we admitted all these affidavits of notice. The
5 affidavits of notice relating to all these reformatations, I assume they need to be admitted?

6 MR. WATSON: Yes, let's admit all of those, the affidavits of notice, and the letters of
7 consent.

8 MR. ROGERS: The affidavits of notice are admitted and the letters of consent and all
9 the prefiled exhibits are admitted.

10 (Whereupon, the affidavits, letters and exhibits
11 were received in evidence)

12 MR. WATSON: I tender my witnesses for questions.

13 MR. MASINGILL: Mr. Watson, I'm not sure who this should go to.

14 JESSE ELLARD

15 EXAMINATION BY BOARD/STAFF

16 Questions by Mr. Masingill:

17 Q. On Exhibit No. 2, the type log, where you went through the various coal groups, in your
18 Special Field Rules what are you proposing the defined interval be and what is it called?
19 Could one of your witnesses recap that?

20 MR. WATSON: Let me recap it from the petition and then Mr. Ellard can address it.
21 The Pottsville coal interval in the proposed Wattsville Coal Degasification Field is what we are
22 asking the Board to set up in these Special Field Rules. Mr. Ellard, look at your Exhibit 2 and
23 define those intervals for Mr. Masingill.

24 A. We are proposing to commingle the gas from the stimulated zones from the Lower
25 Chapman to the Gann.

26 Q. Mr. Ellard, really the question I have is you are asking that you include the coals from the
27 Brown down to the Lower Chapman but in your Special Field Rules you are asking that
28 the pool be the Pottsville Coal Interval. Is that correct?

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1 A. Yes.

2 Q. As defined from what depths? That's what I was asking.

3 A. From 1,210 to 460 in Permit No. 15625-C, the Sloss 31-10-003.

4 Q. Okay. That's what I was looking for. In your proposed Special Field Rules for your
5 setback distance, what are you proposing to the Board?

6 MR. WATSON: Let me ask Mr. Lasseter to look at the Special Field Rules and describe
7 those field rules. For the record, these area typical coalbed degasification rules with some minor
8 exceptions.

9 ED LASSITER

10 DIRECT EXAMINATION

11 Questions by Mr. Watson:

12 Q. Mr. Lasseter, if you would, look at Rule 4 here. His question is the setbacks. If I'm
13 correct that would be 150 feet from every exterior boundary of the drilling unit and at
14 least 300 feet from every other coal degasification well and 300 feet from every exterior
15 boundary of the field. Is that correct?

16 A. That's correct.

17 MR. MASINGILL: I just wanted that in the record. Thank you.

18 DR. TEW: Mr. Watson, it appears to us as a staff based on our evaluation so far that
19 everything is in order here and that it would be our recommendation to the Board that the
20 petition be granted to establish the field. Procedurally, if you would like to dispose of those
21 matters that would not have to be taken care of under that scenario, that might be the easiest way
22 for us to proceed here.

23 MR. WATSON: We certainly will do that, Dr. Tew. You understand why we did that. I
24 would make the request that these items on my docket sheet as being Docket Nos. 6-16-08-8, 6-
25 16-08-9 and 6-16-08 14 be dismissed without prejudice.

26 MR. ROGERS: All right. We understand that and we concur that that would be the
27 proper way to handle it.

28 MR. WATSON: All right sir.

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1 DR. TEW: I would like to say that certainly this is a very exciting development here and
2 it looks like all of the data so far is optimistic. We wish you the very best of luck to see this
3 resource developed up there. It is very comforting to know that Mr. Lasseter has a fall back
4 position to be a rock star in case things don't work out here.

5 MR. LASSETER: It is a comfort to me also, Dr. Tew.

6 MR. WATSON: Let me lay a few credits to the rock star's other credentials, Dr. Tew.
7 He has described to you in his testimony a long negotiation with this Veolia Landfill which
8 serves several surrounding communities. It is highly politicized. All those accommodations
9 have been made with that group, not only the company, but with the political structure that is
10 involved in that, such that it has not had to come before this Board. I think he is to be
11 commended for that and I commend him for that.

12 DR. TEW: We appreciate those efforts as well.

13 MR. WATSON: That's all we have, Mr. Rogers.

14 MR. ROGERS: By the way, we welcome Ms. Nina Lasseter. We're glad to have her
15 with us. Mr. Sanders, would you sign one of these exhibits with your name on it. All the
16 exhibits as we stated are admitted. Anything else, Mr. Watson?

17 MR. WATSON: That's all, Mr. Rogers.

18 MR. ROGERS: We will review the evidence and make a recommendation to the Board
19 as we have discussed. The hearing is adjourned.

20 (Whereupon, the hearing was adjourned at 11:34 a.m.)

REPORTER'S CERTIFICATE

STATE OF ALABAMA

COUNTY OF TUSCALOOSA

I, Rickey Estes, Hearing Reporter in and for the State of Alabama, do hereby certify that on Monday, June 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 a Hearing Officer in Regular Session; that the foregoing 57 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