

December 11, 2008

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Board Exhibit	Hearing Officer Report	17	17
Exhibit A (Item 5)	Affidavit of notice (William T. Watson)	19	19
Exhibit B (Item 5)	Affidavit of testimony (Gordon Powell)	20	20
Exhibit C (Item 5)	12/10/08 letter to Board (M. Barnett Lawley)	20	20
Exhibit A (Item 17)	11/25/08 letter to Board (John F. DeBuys, Jr.)	23	23
Exhibit 1 (Item 18)	11/10/08 letter to David Daniel & William Utsey with attached green card (S. Marvin Rogers)	26	26
Exhibit 2 (Item 18)	11/12/08 letter to Steve Scruggs (S. Marvin Rogers)	26	26
Exhibit 3 (Item 18)	11/20/08 letter to Board (William L. Utsey)	26	26
Exhibit 4 (Item 18)	12/10/08 e-mail to Board with a summary of Daybreak's commitments (Ben Anderson)	25	25

*JHG*  
*2/4/2009*

December 11, 2008

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

December 11, 2008

Testimony and proceedings before the State Oil and Gas Board in Regular Session in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, pursuant to adjournment, on this the 11<sup>th</sup> day of December, 2008.

BEFORE

Mr. James H. Griggs ..... Chairman

Mr. Charles E. Pearson ..... Member

STAFF

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

Mr. Marvin Rogers..... Attorney

Dr. David E. Bolin ..... Deputy Director

Mr. Jay H. Masingill ..... Assistant Supervisor

Mr. Richard Raymond ..... Assistant Supervisor

Mr. Kirk McQuillan ..... Geologist

Mr. Douglas Hall ..... Geologist

Mr. Bob Roark ..... Geologist

APPEARANCES

1  
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15

NAME		REPRESENTING
1.	Tom Watson Tuscaloosa, AL	Escambia Operating Co., LLC/ Delphi Oil, Inc.
2.	Charles M. Coleman Tuscaloosa, AL	Tecton Energy, LLC
3.	Bob Land Tuscaloosa, AL	Cedarhill Operating Co., L.L.C.
4.	Bennett Anderson Orem, UT	Daybreak Oil & Gas, Inc.

(The hearing was convened at 10:06 a.m. on  
Thursday, December 11, 2008, at Tuscaloosa, Alabama.)

MR. GRIGGS: Let the record reflect that the State Oil and Gas Board is now in session.  
Dr. Tew, have the items for the December 9 and 11, 2008, meeting of this Board been properly  
noticed?

DR. TEW: Chairman Griggs and Mr. Pearson, the items for the December 9 and 11,  
2008, meeting have been properly noticed.

MR. GRIGGS: Let the record reflect that Mrs. Pritchett is not present at this meeting.  
She is entertaining herself at the Houston Airport. Apparently, she is locked in with ice and  
snow and was not able to make the meeting today but she is expected back to Alabama tonight.  
Dr. Tew, do you have anything further right now?

DR. TEW: Yes sir, Mr. Chairman, if you would allow me for a moment here. As many  
here know we have two important members of this staff who will be retiring come the end of the  
year, Mr. Richard Raymond and Mr. Doug Hall. At this time I would like to spread upon the  
minutes of this meeting Resolutions honoring these gentlemen and their retirement because they  
are going to be very much missed by this Board and staff. If I could do that please sir.

MR. GRIGGS: Proceed.

*Geological Survey of Alabama and  
State Oil & Gas Board of Alabama*

*Resolution*

**KNOW ALL MEN BY THESE PRESENTS:**

**WHEREAS**, Douglas R. Hall has faithfully served the State of Alabama and the  
Geological Survey of Alabama and the State Oil and Gas Board of Alabama since  
October of 1980 in various capacities including Geologist and Oil and Gas Board  
Manager; and

1       WHEREAS, Douglas R. Hall has served under the direction of four State  
2 Geologists, namely Thomas J. Joiner, Ernest A. Mancini, Donald F. Oltz, and Berry H.  
3 (Nick) Tew, Jr., and under two acting State Geologists, namely Richard N. Raymond  
4 and James D. (Danny) Moore; and

5       WHEREAS, Douglas R. Hall has made significant and meaningful contributions to  
6 the characterization, development, and protection of the water, mineral, energy, and  
7 other natural resources of the State of Alabama; and

8       WHEREAS, Douglas R. Hall has distinguished himself during his tenure through  
9 demonstrated leadership, technical expertise, valued insight and wisdom, as well as  
10 devotion to these agencies; and

11       WHEREAS, Douglas R. Hall has been a reliable and trusted friend and associate to  
12 his many colleagues, both within the agencies and without; and

13       WHEREAS, Douglas R. Hall has conducted himself with the highest standards of  
14 professionalism and ethics, lending credit to himself, his profession, these agencies, and  
15 the State of Alabama;

16       NOW, THEREFORE, BE IT RESOLVED BY THE GEOLOGICAL SURVEY OF ALABAMA AND  
17 STATE OIL AND GAS BOARD OF ALABAMA, that Berry H. (Nick) Tew, Jr., State Geologist  
18 and Oil and Board Supervisor, James H. (Jim) Griggs, Chairman of the Board, Charles E.  
19 (Ward) Pearson, Member of the Board, and Rebecca Wright Pritchett, Member of the  
20 Board, express the gratitude and appreciation of the Geological Survey of Alabama, the  
21 State Oil and Gas Board of Alabama, and the people of Alabama to Douglas R. Hall for  
22 his twenty-eight years of dedicated service to the State of Alabama by incorporating this  
23 Resolution into the official minutes of the hearings of the State Oil and Gas Board.

Dated this 11th day of December, 2008.

**GEOLOGICAL SURVEY OF ALABAMA**  
**STATE OIL AND GAS BOARD OF**  
**ALABAMA**



By: \_\_\_\_\_

Berry H. (Nick) Tew, Jr., State Geologist  
and Oil and Gas Supervisor

By: \_\_\_\_\_

James H. (Jim) Griggs, Chairman

Attest:

By: \_\_\_\_\_  
Charles E. (Ward) Pearson, Member

S. Marvin Rogers, Counsel

By: \_\_\_\_\_  
Rebecca Wright Pritchett, Member

DR. TEW: Doug, congratulations and thanks. We will present this to you when we get it signed.

MR. HALL: Thank you.

DR. TEW: Now, another Resolution, Mr. Chairman.

*Geological Survey of Alabama and  
State Oil & Gas Board of Alabama  
Resolution*

**KNOW ALL MEN BY THESE PRESENTS:**

**WHEREAS**, Richard N. Raymond has faithfully served the State of Alabama and the Geological Survey of Alabama and the State Oil and Gas Board of Alabama since February of 1972 in various capacities including Engineer, Geologist, Oil and Gas Board Manager, Assistant State Geologist, and Acting State Geologist; and

**WHEREAS**, Richard N. Raymond has served under the direction of five State Geologists, namely Philip E. LaMoreaux, Thomas J. Joiner, Ernest A. Mancini, Donald F. Oltz, and Berry H. (Nick) Tew, Jr., and under an acting State Geologist, namely James D. (Danny) Moore; and

**WHEREAS**, Richard N. Raymond has made significant and meaningful contributions to the characterization, development, and protection of the water, mineral, energy, and other natural resources of the State of Alabama; and

**WHEREAS**, Richard N. Raymond has distinguished himself during his tenure through demonstrated leadership, technical expertise, valued insight and wisdom, as well as devotion to these agencies; and



1 MR. PEARSON: Mr. Chairman, I move that we adopt both Resolutions for Mr. Hall and  
2 Mr. Raymond.

3 MR. GRIGGS: Motion to adopt the Resolutions. I second the motion. All in favor say  
4 "aye."

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

6 MR. GRIGGS: "Ayes" have it. The Resolutions are adopted.

7 (Whereupon, the Resolutions were adopted by the Board)

8 MR. GRIGGS: Mr. Raymond.

9 MR. RAYMOND: Now I know why I'm tired, 36 years. I have been here over half my  
10 life and over half the time that the Board has been in existence since 1945. Mr. Supervisor, I  
11 appreciate the Resolution, the Board members also. I would like to thank the current and the  
12 past Board members and its staff for the many challenges and opportunities that I have had  
13 during my almost 37 years. If I had stayed until February I would have had 37 years. I would  
14 like to particularly thank Nick and Dave. For the past two years my assignment for this period of  
15 time has been right on with finishing up my career here. It has been a fun-filled rewarding  
16 journey, both professionally and personally that I will always remember. I appreciate it. Thank  
17 you very much.

18 MR. PEARSON: Mr. Chairman, if I might say something too. Richard and Doug both, I  
19 would like to extend my personal thanks and gratitude for all these years. I began practicing in  
20 1982 and effectively grew up in oil and gas with you guys here. I can just say unequivocally that  
21 you have exhibited the highest level of professionalism for a very lengthy time and have given  
22 just wonderfully dedicated service to the State of Alabama. We are all going to miss you.

23 MR. GRIGGS: Thank you. There is no question that the State of Alabama owes a great  
24 debt of gratitude to both these men for their unselfish service to the state. Certainly this has been  
25 a passion for them. It has not just been a job. We are a much better state because of the  
26 activities of these two men. Dr. Tew, have you prepared a docket for this current meeting?



1 DR. TEW: The staff has prepared a docket for the Board's December 9 & 11, 2008,  
2 meeting. That docket was admitted into the record at the Hearing Officer meeting on December  
3 9<sup>th</sup>.

4  
5 AGENDA  
6 STATE OIL AND GAS BOARD OF ALABAMA  
7 BOARD MEETING  
8 DECEMBER 9 & 11, 2008  
9

10 The State Oil and Gas Board of Alabama will hold its regular hearing at  
11 10:00 a.m. on Tuesday, December 9, 2008, and Thursday, December 11,  
12 2008, in the Board Room of the State Oil and Gas Board, Walter B. Jones  
13 Hall, University of Alabama Campus, 420 Hackberry Lane, Tuscaloosa,  
14 Alabama, to consider the following items:

15  
16 1. DOCKET NO. 9-30-08-6

17 Continued petition by SHELL OFFSHORE INC. ("Shell") a corporation  
18 authorized to do and doing business in the State of Alabama. Shell is  
19 requesting the State Oil and Gas Board to approve modification of Shell's  
20 Production, Allocation and Reporting methodology for Shell's Fairway  
21 Field, Mobile County, Alabama to be consistent with the Department of  
22 Conservation's agreed upon measurement, allocation and reporting  
23 methodology. The allocation procedure balances the production volumes  
24 from the Fairway Field (State Leases 531, 532) with the volumes of  
25 products sold or consumed within the Yellowhammer Plant and Fairway  
26 Field. The jurisdiction and authority of the Oil and Gas Board is provided  
27 in Section 9-17-1, et seq., Code of Alabama (1975) as amended.  
28

29 2. DOCKET NO. 11-4-08-1

30 Petition by WINN EXPLORATION CO., INC., a foreign corporation  
31 authorized to do and doing business in the State of Alabama, requesting  
32 the State Oil and Gas Board of Alabama to enter an order amending Rule  
33 1 of the Special Field Rules for the Baileys Creek Field, Monroe County,  
34 Alabama, to include the East Half of the Northeast Quarter of Section 35,  
35 Township 5 North, Range 5 East, amending Rule 3 of those Special Field  
36 Rules to allow for spacing of wells on units consisting of 160 contiguous  
37 acres and amending Rule 7 of those Special Field Rules in order to  
38 establish permanent allowables for each well in the field and approving  
39 the drilling unit of the Winn Exploration Co., Inc. Craft-Noble 35-1 No. 1

1 Well, Permit No. 15396, consisting of the Northeast Quarter of said  
2 Section 35 as the permanent production unit for the said Well.  
3

4 3. DOCKET NO. 11-4-08-2

5 Petition by SPOONER PETROLEUM COMPANY, a foreign corporation  
6 authorized to do and doing business in the State of Alabama, requesting  
7 the State Oil and Gas Board of Alabama to enter an Order amending Rule  
8 2 of the Special Field Rules for the East Lambeth Church Field, Escambia  
9 County, Alabama, to add and define the Cogle Sand Oil Pool for said  
10 Field and to approve the permanent production unit for the Powell-Rabon  
11 3-11 No. 1 Well, Permit No. 15711-AB.  
12

13 Petitioner requests that the Cogle Sand Oil Pool in the East Lambeth Church  
14 Field be defined as that interval of the Cogle Sand productive of  
15 hydrocarbons between the interval of 6550 feet and 6570 feet TVD (6576  
16 feet and 6598 feet MD) as indicated on the High Definition Induction Log  
17 for the Powell-Rabon 3-11 No. 1 Well, Permit No. 15711-AB, and all  
18 zones in communication therewith and all productive extensions thereof.  
19 Said pool constitutes a separate and distinct oil producing pool in said Field,  
20 separate and distinct from all other producing pools therein.  
21

22 Petitioner also requests that the drilling unit for the Powell-Rabon 3-11 No. 1  
23 Well, Permit No. 15711-AB, consisting of the East Half of the Northwest  
24 Quarter of the Southwest Quarter and the West Half of the Northeast Quarter  
25 of the Southwest Quarter of Section 3, Township 1 North, Range 8 East,  
26 Escambia County, Alabama, be approved as the permanent production unit  
27 for said well.  
28

29 4. DOCKET NO. 11-4-08-6

30 Continued petition by ESCAMBIA OPERATING CO., LLC, (Escambia)  
31 a foreign limited liability company, authorized to do and doing business in  
32 the State of Alabama, requesting the State Oil and Gas Board to review  
33 Escambia's amount of surety as ordered by the Board in Order No. 2007-  
34 152 issued on November 9, 2007, for operating numerous wells, two  
35 plants and associated production facilities and gathering lines located in  
36 the following fields: Big Escambia Creek; Flomaton; Fanny Church; West  
37 Appleton; Northwest Smiths Church; and South Burnt Corn Creek, all  
38 located in Escambia County; and the North Choctaw Ridge Field located  
39 in Choctaw County. In said Order No. 2007-152, the Board ordered  
40 Escambia's blanket bond to be in the amount of \$2.5 million.

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

2 Continued petition by DELPHI OIL, INC., a foreign corporation  
3 authorized to do and doing business in the State of Alabama, requesting  
4 the State Oil and Gas Board to enter an order force pooling, without the  
5 imposition of a risk compensation penalty, all tracts and interests in  
6 hydrocarbons produced in the 9216 JV-P Jordan 33-8 #1 Well, Permit No.  
7 10600, located on a 160-acre unit consisting of the Northeast Quarter of  
8 Section 33, Township 6 North, Range 7 East, Monroe County, Alabama,  
9 in the North Excel Field.

10  
11 This well was permitted on August 2, 1994, and drilled by BTA Oil  
12 Producers, and on January 10, 2001, Canecutter Production, Inc., became  
13 the operator of said well. On September 2, 2008, Delphi Oil, Inc., became  
14 the operator of the 9216 JV-P Jordan 33-8 #1 Well and said company is  
15 currently attempting to restore the mechanical integrity of the well in an  
16 effort to put it back on production and will plug and abandon the well if  
17 the mechanical integrity cannot be restored.

18  
19 This Petition is in accordance with Section 9-17-13, Code of Alabama  
20 (1975), as amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of  
21 Alabama Administrative Code.

22  
23 6. DOCKET NO. 12-9-08-1

24 Petition by MIDROC OPERATING COMPANY, a foreign corporation  
25 authorized to do and doing business in the State of Alabama, requesting  
26 the State Oil and Gas Board to enter an order force pooling, without the  
27 imposition of a risk compensation penalty, all tracts and interests in  
28 hydrocarbons produced in a well to be drilled on a 160-acre drilling unit  
29 consisting of the Northwest Quarter of Section 9, Township 4 North,  
30 Range 13 East, Conecuh County, Alabama, which is a productive  
31 extension of the Little Cedar Creek Field.

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

36  
37 7. DOCKET NO. 12-9-08-2

38 Petition by MIDROC OPERATING COMPANY, a foreign corporation  
39 authorized to do and doing business in the State of Alabama, requesting  
40 the State Oil and Gas Board to enter an order force pooling, without the  
41 imposition of a risk compensation penalty, all tracts and interests in

1 hydrocarbons produced in a well to be drilled on a 160-acre wildcat drilling  
2 unit consisting of the Northeast Quarter of Section 9, Township 4 North,  
3 Range 13 East, Conecuh County, Alabama.  
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 of  
7 Alabama Administrative Code.  
8

9 8. DOCKET NO. 12-9-08-3

10 Petition by ENERGEN RESOURCES CORPORATION, an Alabama  
11 corporation, requesting the State Oil and Gas Board to enter an order  
12 amending Rule 4 of the Special Field Rules for Peterson Coal  
13 Degasification Field, Tuscaloosa County, Alabama, to allow a second well  
14 to be drilled and produced within 80-acre drainage or production units in  
15 the Field, in accordance with the provisions of Section 9-17-12b of the  
16 Code of Alabama (1975), as amended.  
17

18 9. DOCKET NO. 12-9-08-4

19 Petition by ENERGEN RESOURCES CORPORATION, an Alabama  
20 corporation, requesting the State Oil and Gas Board to enter an order  
21 amending Rule 4 of the Special Field Rules for the Oak Grove Coal  
22 Degasification Field, Tuscaloosa and Jefferson Counties, Alabama, to  
23 allow a second well to be drilled and produced within 80-acre drainage or  
24 production units in the Field, in accordance with the provisions of Section  
25 9-17-12b of the Code of Alabama (1975), as amended.  
26

27 10. DOCKET NO. 12-9-08-5

28 Petition by ENERGEN RESOURCES CORPORATION, an Alabama  
29 corporation, requesting the State Oil and Gas Board to enter an order  
30 amending Rule 4 of the Special Field Rules for Cedar Cove Coal  
31 Degasification Field, Tuscaloosa County, Alabama, to allow a second well  
32 to be drilled and produced within 80-acre drainage or production units in  
33 the Field, in accordance with the provisions of Section 9-17-12b of the  
34 Code of Alabama (1975), as amended.  
35

36 11. DOCKET NO. 12-9-08-6

37 Petition by ENERGEN RESOURCES CORPORATION, an Alabama  
38 corporation, requesting the State Oil and Gas Board to enter an order  
39 amending Rule 4 of the Special Field Rules for Holt Coal Degasification  
40 Field, Tuscaloosa County, Alabama, to allow a second well to be drilled  
41 and produced within 80-acre drainage or production units in the Field, in

1 accordance with the provisions of Section 9-17-12b of the Code of  
2 Alabama (1975), as amended.  
3

4 12. DOCKET NO. 12-9-08-7

5 Petition by PETRONOVA, LLC, an Alabama limited liability company,  
6 requesting the State Oil and Gas Board to enter an order reforming the unit  
7 for the Sloss 06-02-006 Well, Permit No. 15435-C, from an 80-acre  
8 production unit consisting of the North Half of the Northeast Quarter of  
9 Section 6, Township 16 South, Range 4 East, St. Clair County, Alabama,  
10 in the Wattsville Coal Degasification Field, to an 80-acre production unit  
11 consisting of the West Half of the Northeast Quarter of said Section 6.  
12

13 That in Order No. 2008-94 issued on June 23, 2008, the Board reformed  
14 the 40-acre wildcat drilling unit for the referenced well consisting of the  
15 Northwest Quarter of the Northeast Quarter of said Section 6 to the  
16 existing 80-acre production unit.  
17

18 13. DOCKET NO. 12-9-08-8

19 Petition by HIGHMOUNT BLACK WARRIOR BASIN LLC, a foreign  
20 limited liability company, authorized to do and doing business in the State  
21 of Alabama, requesting the State Oil and Gas Board to enter an order  
22 amending Rule 4A of the Special Field Rules for Blue Creek Coal  
23 Degasification Field, Tuscaloosa and Fayette Counties, Alabama, to allow  
24 a second well to be drilled and produced within 80-acre drainage or  
25 production units in the Field, in accordance with the provisions of Section  
26 9-17-12b of the Code of Alabama (1975), as amended.  
27

28 14. DOCKET NO. 12-9-08-9

29 Petition by COLUMBIA PETROLEUM LLC, a foreign limited liability  
30 company authorized to do and doing business in the State of Alabama,  
31 requesting the State Oil and Gas Board to enter an order approving the  
32 exceptional bottom hole location of the Nick Ross 24-11 #2 Well, Permit  
33 No. 15852, as an exception to Rule 3(b) the Special Field Rules of the  
34 Little Cedar Creek Field. Said well was drilled on a 160 acre drilling unit  
35 consisting of the Southwest Quarter of Section 24, Township 4 North,  
36 Range 12 East, Conecuh County, Alabama, at a surface location 678 feet  
37 from the North line of said 160 acre drilling unit, but said well drifted such  
38 that the bottom hole location is 653 feet from the North line of said 160  
39 acre unit, and as such, is an exception to said Rule.

Rule 3(b) of the Special Field Rules of the Little Cedar Creek Field requires that wells be drilled at least 660 feet from every exterior boundary of the drilling unit, but the bottom hole location of the referenced well, being 653 feet from the North line of said 160 acre drilling unit, is an exception to said Rule.

15. DOCKET NO. 12-9-08-10

Petition by BLACK WARRIOR METHANE CORP., an Alabama corporation, and ENERGEN RESOURCES CORPORATION, an Alabama corporation, requesting the State Oil and Gas Board to enter an order amending Rule 4A of the Special Field Rules for Brookwood Coal Degasification Field, Tuscaloosa and Jefferson Counties, Alabama, to allow a second well to be drilled and produced within 80-acre drainage or production units in the Field, in accordance with the provisions of Section 9-17-12b of the *Code of Alabama* (1975), as amended.

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

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

East Gilbertown Eutaw Unit Wells & Tank Batteries

<u>Permit No.</u> (Tank Battery No.)	<u>Well Name</u> (Tank Battery)	<u>Location</u>
1280	Mattie Clark #1	S1, T10N, R3W
1293	C. F. Stewart Heirs #1	S1, T10N, R3W

(1293 TB)	(C. F. Stewart Heirs #1)	S1, T10N, R3W
1338	Mattie Clark #3	S1, T10N, R3W
10416	Mattie E. Clark #1-6	S1, T10N, R3W
(1343 TB)	(Abston Jones 1-6)	S1, T10N, R3W

Other Well

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

Plugged and Abandoned well (well site not restored)

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

## 17. DOCKET NO. 8-2-07-7

Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA requesting Operator, Cedarhill Operating Co., L.L.C., to show cause why the following abandoned wells located in the Gilbertown Field and Bucatunna Creek Field in 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.

Gilbertown Field Wells and Tank Batteries

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>
<u>(Tank Battery No.)</u>	<u>(Tank Battery)</u>	
11476	Boney 33-8 #1	S33, T11N, R4W
(11476 TB)	(Boney 33-8 #1)	S33, T11N, R4W
3038	Bonner Merritt #35-5	S35, T11N, R5W
3078	Davis #34-8	S34, T11N, R5W
3470	Merritt #34-1	S34, T11N, R5W
4241	Land et al 34-2 #2	S34, T11N, R5W
(3038 TB)	(Bonner Merritt #35-5)	S34, T11N, R5W
11464	Merritt 35-4 #1	S35, T11N, R5W
(11464 TB)	(Merritt 35-4 #1)	S35, T11N, R5W
2862-AB	Land Brothers 36-5 #2	S36, T11N, R5W

2930-AB	Land 36-6 #1	S36, T11N, R5W
13646-BH	Davis 35-7 #1	S35, T11N, R5W
13755-BH	Triad 36-7 #1	S36, T11N, R5W
(2862-AB TB)	(Land Brothers 36-5 #2)	S36, T11N, R5W

Bucatanuna Creek Underground Injection Control Well

2753-B-SWD-80-1	Johnson 14-14#1	S14, T11N, R5W
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18. DOCKET NO. 8-26-08-25

Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA requesting Operator, Daybreak Oil and Gas, Inc., to show cause why the following abandoned wells located in the Gilberttown Field in 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.

Gilberttown Field Wells (non-unitized) grouped by wells that produce to a common Tank Battery

<u>Permit No.</u> <u>(Tank Battery No.)</u>	<u>Well Name</u> <u>(Tank Battery)</u>	<u>Location</u>
190	A. M. Mosley #1	S3, T10N, R3W
1052	Leo Stewart	S2, T10N, R3W
3102	Stewart #3-9	S3, T10N, R3W
3094	Long #5-5	S5, T10N, R3W
4231	Kingree #5-12	S5, T10N, R3W
(102 TB)	(Carolyn Moseley #1)	S5, T10N, R3W
271	F. A. Adams et al #1	S6, T10N, R3W
(258 TB)	(Cooper Wigham # 1)	S6, T10N, R3W
3469	Smith Trice #34-10	S34, T11N, R4W
(3469 TB)	(Smith Trice #34-10)	S34, T11N, R4W



Gilbertown Field Well (non-unitized) with no tanks or salt water disposal well

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>
3096	Steve Scruggs #32-10	S32, T11N, R4W

Gilbertown Field Wells in the Gilberttown (Eutaw Sand) Unit grouped by wells that produce to a common Tank Battery and a former water injection well

129	F. M. Mosley #1	S3, T10N, R3W
1367	Rex Alman #4	S4, T10N, R3W
113	Johnson Unit #1	S4, T10N, R3W
131-A	E. A. Rentz #2	S4, T10N, R3W
136 (former injection well)	F. M. Johnson 4-7 #2	S4, T10N, R3W

19. DOCKET NO. 6-16-08-16B

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

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

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

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

1 aware that a petition may be set for hearing on the first day or second day  
2 of the hearing or may be continued to another hearing at a later date. We  
3 suggest, therefore, that prior to the hearing, interested parties contact the  
4 Board to determine the status of a particular petition. For additional  
5 information, you may contact the State Oil and Gas Board, P. O Box  
6 869999, Tuscaloosa, Alabama 35486-6999, Telephone Number 205/349-  
7 2852, Fax Number 205/349-2861, or by email at petitions@ogb.state.al.us.  
8

9 DR. TEW: Marvin Rogers, acting as Hearing Officer, and the staff heard various items at  
10 the Hearing Officer meeting on December 9, 2008. At this time Mr. Rogers will make his report  
11 to the Board.

12 MR. ROGERS: Mr. Chairman and Mr. Pearson, I have a written report of the items  
13 heard by the Hearing Officer and the staff on Tuesday, December 9, 2008. Copies of that report  
14 are available for members of the public to review and study. I am submitting this Hearing  
15 Officer report to the Board for approval and would recommend that this Hearing Officer report  
16 be approved by the Board.

17 MR. GRIGGS: Is there a motion to approve the Hearing Officer's report and to admit the  
18 report to the record?

19 MR. PEARSON: Mr. Chairman, I move that we admit the Hearing Officer report to the  
20 record and that we adopt and approve the recommendations of the Hearing Officer.

21 MR. GRIGGS: We have a motion. I second the motion. All in favor say "aye."

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

23 MR. GRIGGS: "Ayes" have it.

24 (Whereupon, the Hearing Officer report was  
25 received in evidence)

26 DR. TEW: Mr. Chairman and Mr. Pearson, the staff would recommend approval of the  
27 minutes of the following meetings: September 30, 2008, Hearing Officer meeting; October 2,  
28 2008, Regular Board meeting; November 4, 2008, Hearing Officer meeting and November 6,  
29 2008, Regular Board meeting.

30 MR. PEARSON: Mr. Chairman, I move that we approve those minutes.

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1 MR. GRIGGS: I have a motion to approve the minutes. I second the motion. All in  
2 favor say "aye."

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

4 MR. GRIGGS: "Ayes" have it. Those minutes are approved.

5 DR. TEW: The staff has prepared an agenda of the items to be heard by the Board today.  
6 Mr. Rogers, will you call the first item?

7 MR. ROGERS: The first item is Item 4, Docket No. 11-4-08-6, petition by Escambia  
8 Operating Company, LLC.

9 MR. GRIGGS: Mr. Watson.

10 MR. WATSON: Thank you, Mr. Chairman. I am here representing Escambia Operating,  
11 LLC. I have filed a petition to ask the Board for review of the performance bond for this  
12 company that was required by Board Order 2007-152 on November 9, 2007, where a \$2.5  
13 million bond was required to be posted. That bond has been posted. Escambia Operating  
14 Company is involved in wells in Big Escambia Creek, Fanny Church and Flomaton. They have  
15 approximately 33 producing wells, two H<sub>2</sub>S treating facilities and a gas processing plant down  
16 there. We are not going to submit any evidence today to ask that that bond be reviewed. We are  
17 satisfied to leave that bond posted at that amount at this time. I think it should be noted for the  
18 record that Escambia Operating has come in and taken over these fields from prior operators and  
19 they are diligently working to keep these fields on production and so therefore I have submitted  
20 an order that simply says that we would recommend to the Board that the \$2.5 million bond be  
21 left in place to cover Escambia Operating operations in Alabama.

22 MR. GRIGGS: Dr. Tew, do you or the staff have any questions of Mr. Watson?

23 DR. TEW: No sir I don't. I don't think we do.

24 MR. GRIGGS: Mr. Pearson?

25 MR. PEARSON: I move that we approve the \$2.5 million bond for another year and  
26 order that the matter again be review by the Board in one year.

27 MR. GRIGGS: I have a motion and I second the motion. All in favor say "aye."

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

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1 MR. GRIGGS: "Ayes" have it. The petition is granted.

2 MR. ROGERS: The next item, Mr. Chairman and Mr. Pearson, is Item 5, Docket No.  
3 11-4-08-12A, petition by Delphi Oil, Inc.

4 MR. GRIGGS: Mr. Watson, this is a petition which you have filed and it involves an  
5 interest of the State of Alabama. As you are aware, I am an employee of the State of Alabama  
6 until the end of this month. This petition was continued at the last meeting with an agreement  
7 that it would be heard at this meeting. As I noted earlier, Mrs. Pritchett is not present today.  
8 That's unavoidable but she is not present today. This motion will either need to be continued or  
9 in the event that your client, Delphi, has no objection to my hearing this petition, it can be heard  
10 today.

11 MR. WATSON: My client has no objection to your hearing this matter.

12 MR. GRIGGS: Okay. You may proceed, Mr. Watson.

13 MR. WATSON: I have prefiled an affidavit of notice in this matter and would ask that it  
14 be admitted into the record.

15 MR. GRIGGS: It is admitted, Mr. Watson.

16 (Whereupon, the affidavit was receive in evidence)

17 MR. WATSON: This is a request by Delphi Oil to force pool, without imposition of the  
18 risk compensation fee, tracts and interests under a well called the 9216 JV-P Jordan 33-8 No. 1  
19 Well, Permit No. 10600. That well is located on a 160-acre unit consisting of the Northeast  
20 Quarter of Section 33, Township 6 North, Range 7 East, Monroe County, Alabama, in the North  
21 Excel Field. I have an affidavit of testimony from the land man for Delphi, Mr. Gordon Powell.  
22 I would like to hand that up and then I have some comments about it please. I had prefiled the  
23 original copy of this affidavit in support and these are copies of the affidavit. In exercising its  
24 diligent search of the record in acquiring this property, Delphi noted that there was .53 net  
25 mineral acres or approximately .33125 percent of the unit consisting of creek bottoms that was  
26 not leased and we brought that to the attention of the State Lands Division and have worked out  
27 some problems with that. My client, Delphi, is trying to get this Jordan well back on production.  
28 It has not been producing for some time. They want to put equipment back on it and try to bring

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1 this North Excel Field back into production. We have, as I have stated, .53 net mineral acres  
2 outstanding. Mr. Powell's affidavit supports the fact that that is the amount and that the operator  
3 owns all the interest other than this in this 160-acre unit. I would ask that you make Mr.  
4 Powell's affidavit of testimony in support of this petition a part of the record.

5 MR. GRIGGS: It is admitted and made a part of the record, Mr. Watson.

6 (Whereupon, the affidavit was received in evidence)

7 MR. WATSON: You have also received from the Commissioner of Conservation and  
8 Natural Resources a letter to Dr. Tew where the state would agree to this force pooling subject to  
9 two conditions. My client has received a copy of that letter and is in agreement to accept those  
10 two conditions. I have so incorporated those conditions in the proposed order and I'm sure that  
11 you will make Commissioner Lawley's letter a part of the record of this hearing.

12 MR. GRIGGS: Yes, it is admitted Mr. Watson.

13 (Whereupon, the letter was received in evidence)

14 MR. WATSON: With that, I would ask the Board to approve this petition force pooling  
15 without the risk compensation penalty and without any charges being imposed against the state's  
16 interest, either pre- or post production costs so that the state's interest will be free of all cost.  
17 That is stipulated in the order. I would ask that you approve the order with those stipulations.  
18 I'll answer any questions that you have.

19 MR. GRIGGS: Dr. Tew, do you have any questions or does the staff have any questions?

20 DR. TEW: No sir, the staff has no questions Mr. Chairman.

21 MR. GRIGGS: Mr. Pearson, any questions?

22 MR. PEARSON: I have no questions.

23 MR. GRIGGS: Do I hear a motion?

24 MR. PEARSON: I move that we grant the petition upon the conditions as outlined by  
25 Mr. Watson.

26 MR. GRIGGS: We have a motion in this case. I will second the motion. All in favor  
27 say "aye."

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

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1 MR. GRIGGS: "Ayes" have it. Your motion is granted Mr. Watson.

2 MR. WATSON: Thank you sir.

3 MR. ROGERS: Mr. Chairman and Mr. Pearson, the next item is Item 17, Docket No. 8-  
4 2-07-7, a Motion by the State Oil and Gas Board of Alabama requesting operator, Cedarhill  
5 Operating Company, L.L.C., to show cause why certain abandoned wells located in the  
6 Gilbertown Field and Bucatunna Creek Field in Choctaw County, Alabama, should not be  
7 ordered plugged and abandoned and the well sites and associated tank batteries restored in  
8 accordance with the regulations of the state.

9 MR. LAND: I'm Robert Land representing Cedarhill Operating Company.

10 MR. DE BUYS: I'm John De Buys representing HensOil.

11 MR. GRIGGS: Either of you guys, are you going to present testimony or are you just  
12 representing HensOil, Mr. De Buys?

13 MR. DE BUYS: I don't know whether it's testimony but I have written a letter making  
14 known my request on behalf of HensOil for a continuance that is set forth in fairly specific terms  
15 in my letter that I would like to go over if I need to go over and answer any questions if I might.

16 MR. GRIGGS: The staff may have some questions before we get into that. If either of  
17 you are going to present testimony, perhaps you should be sworn at this point. If both of you  
18 will stand. Mr. Rogers.

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

20 MR. DE BUYS: John De Buys, 501 Pine Ridge Trail, Birmingham, Alabama.

21 MR. LAND: Robert Land, Tuscaloosa, Alabama.

22 (Witnesses were sworn by Mr. Rogers)

23 MR. GRIGGS: Before you proceed on this, the Board members had some questions. We  
24 don't intend to hear this petition afresh from scratch because we are very familiar with it and  
25 have heard some of these items before but there were some questions that we had asked that you  
26 respond to, if you will, before you proceed. Dr. Tew, do you have questions or the staff?

27 DR. TEW: No sir.

28 MR. GRIGGS: Mr. Pearson?

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1 MR. PEARSON: I do. Mr. De Buys, in your representation of HensOil was HensOil  
2 previously represented by Foster Arnold at the last time we met?

3 MR. DE BUYS: Yes sir and because of potential conflict of interest she had to withdraw.

4 MR. PEARSON: You are aware that HensOil at the last time we met had requested this  
5 matter essentially be continued over to this hearing date?

6 MR. DE BUYS: Yes sir. I have been able to read all of the history before you all and I  
7 am fairly familiar with it. I haven't looked at it in the last three weeks but I have read all the  
8 history of all the testimony and all of what is going on.

9 MR. PEARSON: I've got some questions as to the ownership and operatorship before  
10 we go any further. These questions are directed to either or both of you. Mr. Land, could you  
11 tell us for the record what is the interest of Cedarhill in regard to these wells and tank batteries?

12 MR. LAND: We are a contract operator of these wells. We do not have any working  
13 interest in the wells. We are simply a contract operator for HensOil and one other party I think  
14 that has a minor interest.

15 MR. PEARSON: Okay. Mr. De Buys, what is the nature of HensOil's interest in this  
16 matter?

17 MR. DE BUYS: HensOil acquired its interest through a farm-out agreement and as that  
18 has an interest in a substantial part. I think it is in the 80 percentile of leases, a percent interest in  
19 the leases of the land that were originally--I believe it is 2004 that the original leases were done.

20 MR. PEARSON: Okay. Under the farm-out agreement that you are referring to, is there  
21 a back-in interest by any other working interest owner?

22 MR. DE BUYS: You know, I knew I needed Foster Arnold here to answer that. I really  
23 can't answer when you say a back-in interest.

24 MR. PEARSON: What I'm interested in and the question is directed to either one of you.  
25 Is there any other working interest owner that would presently have an interest besides HensOil?

26 MR. DE BUYS: I do not think so.

27 MR. PEARSON: As far as future possibility of a back-in interest under payout or any  
28 other terms of a farm out?

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1 MR. LAND: There is a provision of a back-in interest but I do not foresee it ever coming  
2 about.

3 MR. PEARSON: We have reviewed this matter at length, Mr. De Buys. Obviously this  
4 matter has been on the docket for quite a while. It was originally put on the docket in August of  
5 2007. The new tenure of the Board has heard it and gone through the matters and we are aware  
6 of your current request for an extension of time. Mr. Chairman, I have a recommendation if  
7 there are no further questions by the staff.

8 MR. GRIGGS: Any questions from the staff at all? Mr. Pearson.

9 MR. PEARSON: Mr. Chairman, I would move in regard to this matter that the Board  
10 order that the Davis 35-7 No. 1 Well and the Triad 36-7 No. 1 Well either be placed on  
11 production or else plugged and abandoned and the well sites restored by June 30, 2009. I would  
12 further recommend and move that the order include the condition that if the Davis and Triad  
13 wells are plugged and abandoned, then the operator should also properly abandon and restore the  
14 site of the associated Land Brothers 36-5 No. 2 tank battery that services these two wells by June  
15 30, 2009.

16 MR. GRIGGS: We have a motion as stated. I'll second the motion. All in favor say  
17 "aye."

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

19 MR. GRIGGS: "Ayes" have it. The motion is carried.

20 MR. PEARSON: I would also like to ask that this letter dated November 25, 2008, that  
21 was written to the State Oil and Gas Board the attention of Mr. Rogers by Mr. De Buys be  
22 admitted into the record. Mr. De Buys, do you have any objection?

23 MR. DE BUYS: No objection, Mr. Pearson.

24 MR. GRIGGS: The letter is admitted into the record.

25 (Whereupon, the letter was received in evidence)

26 MR. PEARSON: That's all we have on that matter.

27 MR. GRIGGS: Thank you.



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1 MR. ROGERS: The next item is Item 18, Docket No. 8-26-08-25, a Motion by the Board  
2 requesting operator, Daybreak Oil and Gas, Inc., to show cause why certain abandoned wells  
3 located in the Gilbertown Field in Choctaw County, Alabama, should not be ordered plugged and  
4 abandoned in accordance with the Board's rules and regulations and the wells sites and  
5 associated tank battery sites restored in accordance with the Board's regulations.

6 MR. ANDERSON: Hello, gentlemen. Jay, did you make copies of this handout for  
7 people?

8 MR. GRIGGS: Could I ask you to be sworn first and then we will receive that?

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

10 MR. ANDERSON: Bennett Anderson, Orem, Utah.

11 (Witness was sworn by Mr. Rogers)

12 MR. GRIGGS: Proceed, Mr. Anderson.

13 MR. ANDERSON: Excuse me. Does everyone have a copy of this written outline about  
14 each one of the wells?

15 MR. GRIGGS: We do, Mr. Anderson.

16 MR. ANDERSON: Okay.

17 MR. GRIGGS: Mr. Anderson, we will admit that into the record if you are requesting us  
18 to do that.

19 MR. ANDERSON: Yes, please.

20 MR. GRIGGS: Would you identify what it is, please?

21 MR. ANDERSON: This is a written statement of Daybreak Oil and Gas plans for each  
22 of the wells that we have been ordered to assess for production or plugging and abandonment by  
23 the Oil and Gas Board.

24 MR. GRIGGS: Did you prepare it or was it prepared under your supervision?

25 MR. ANDERSON: I helped prepare it so it was prepared by myself.

26 MR. GRIGGS: Yes sir. Explain exactly what this is even though it is in the record.

27 MR. ANDERSON: This is a summarization of Daybreak Oil and Gas as operator and/or  
28 our owner/partner commitments to resolve each one of these wells, either to productivity or to

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1 plugging and abandonment and our reasoning behind each of those decisions as we have it today.  
2 We have tried to clarify that on paper where we are at with each one of these wells.

3 MR. GRIGGS: We will admit that to the record.

4 (Whereupon, the exhibit was received in evidence)

5 MR. GRIGGS: We are very familiar from your previous testimony at a previous Board  
6 meeting. As I understand it this was prepared at the request of the Oil and Gas Board to give us  
7 a plan for addressing some of these issues. We won't go through each of these issues in the great  
8 detail that we did at the last Board meeting but I would ask the staff if they have any questions.  
9 Dr. Tew, do you or the staff have any questions?

10 DR. TEW: No sir.

11 MR. GRIGGS: Mr. Pearson, do you have any questions?

12 MR. PEARSON: I do. Just for clarification of the record, Mr. Anderson, this listing  
13 schedule that you have just had admitted into the record, is it the exact same as the schedule that  
14 you e-mailed to Jay Masingill on December 10, 2008?

15 MR. ANDERSON: Yes. This is the same list that we were given by the state minus the  
16 F.A. Adams well and associated tank battery which was plugged and the sites remediated this  
17 summer and fall.

18 MR. PEARSON: Mr. Anderson, as you know we have reviewed this matter at length  
19 before. The Board and staff have discussed that prior information and details and we have  
20 looked at this schedule. Mr. Chairman, I have a recommendation and motion in regard to this  
21 item.

22 MR. GRIGGS: Proceed, Mr. Pearson.

23 MR. PEARSON: First of all, I would move that we enter an interim order in regard to  
24 this matter that requires that the Steve Scruggs No. 32-10 well be plugged and abandoned and  
25 the site restored by March 31, 2009. With regard to the remaining wells and tank batteries that  
26 are associated with those wells that are included in the schedule and included in our motion, I  
27 would also recommend that the interim order include a requirement that after the plugging of the  
28 Scruggs No. 32-10 well by March 31, 2009, that thereafter the operator proceed to either plug

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1 and abandon or to place on production one well from this list every 90 days. If a well has an  
2 associated tank battery with it where the operator has chosen to plug and abandon and restore  
3 that well site then the order would also include any associated tank battery that is limited and  
4 specific to that particular well that has been plugged. Meaning that after the plugging of the  
5 Scruggs 32-10 well that the interim order would require the operator to put on production one  
6 well every 90 days or plug one well every 90 days until the entire list of wells subject to the  
7 motion is addressed. I would then move, Mr. Chairman, that this matter generally be continued  
8 to the May 7, 2009, meeting. If by that date the Scruggs 32-10 well and its associated site has  
9 been properly plugged and abandoned and restored to the satisfaction of the staff, Mr. Anderson,  
10 there would be no need for you to reappear at the May 7<sup>th</sup> meeting.

11 MR. GRIGGS: I have a motion as stated by Mr. Pearson. I second the motion. All in  
12 favor say "aye."

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

14 MR. GRIGGS: The "ayes" have it. The motion is granted.

15 MR. ROGERS: Mr. Griggs, in connection with this matter I recommend that we admit  
16 into the record a letter where I wrote Mr. Utsey and Mr. David Daniel and Mr. Steve Scruggs  
17 and then the correspondence from Mr. Utsey.

18 MR. GRIGGS: How many?

19 MR. ROGERS: Those are three different items.

20 MR. GRIGGS: Those three different items are admitted into the record.

21 (Whereupon, the letters were received in evidence)

22 MR. PEARSON: I have nothing further, Mr. Chairman.

23 MR. GRIGGS: Dr. Tew, is there anything further?

24 DR. TEW: No sir, the staff has nothing else today.

25 MR. GRIGGS: Mr. Pearson, anything further?

26 MR. PEARSON: I have nothing further.

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

28 MR. PEARSON: I move that we adjourn.

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1 MR. GRIGGS: Motion seconded. The State Oil and Gas Board is adjourned.

2 DR. TEW: Mr. Anderson has a question.

3 MR. GRIGGS: Mr. Anderson.

4 MR. ANDERSON: We could have visited about this for 20 minutes but really I believe  
5 what you have ordered is doable by the partners. I think it needs to be done. That is a fairly  
6 reasonable pace for these gentlemen to move at. We are moving forward. I think your letter to  
7 Mr. Utsey helped because when I talked to him on the phone he was very cooperative. He  
8 wasn't playing any games. There was no chain-jerking of me as operator in a bad position. He  
9 just said you can do it and I said when because I don't want to come in when you are hunting.  
10 He was just concerned about maybe try to pick a dry time when we wouldn't make as many ruts  
11 that we would have to remediate later.

12 MR. GRIGGS: Mr. Anderson, we likewise appreciate your willingness to work with us  
13 on this. We are just trying to take an action to protect these resources. We realize that you have  
14 been in a tough position in some cases but nonetheless, we must take action as a Board to protect  
15 these resources. We are trying to be very reasonable in working with you in this situation and  
16 for that reason we realize that it is something of a burden for you to travel great distances at each  
17 of these meetings but we will continue to carry this motion on our docket until all this action is  
18 taken. We will try to work with you and in the event the specified actions are not taken then you  
19 would need to appear before the Board but as long as those actions are taken you would not need  
20 to return. This item will be carried on our docket until it is completed.

21 MR. ANDERSON: I will remain in communication with all or some of you. Of course  
22 your state field people will also be able to represent what we are getting done. We are moving  
23 forward. We have made plans now to plug the Steve Scruggs. All the partners are aware that the  
24 cash call is coming for that. Also, we are taking care of the Kingree, Long and the associated  
25 tank battery. We are working on that and I am pushing my partners saying that you are either  
26 going to produce it or you are plugging it and there is no in between.

27 MR. GRIGGS: We appreciate your willingness to work with us.

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1 DR. TEW: Mr. Anderson, it would be very good as you reach each milestone here to  
2 write a letter to me as Supervisor that can go into this record, this docket file, stating what has  
3 been done and what has been accomplished at each of those milestones. In other words, when  
4 the Scruggs well is completely plugged and abandoned to the field agent's satisfaction, a letter  
5 from you to me stating that would be helpful and at each of those milestone after that.

6 MR. ANDERSON: Thank you. I will do that.

7 MR. MASINGILL: One last thing I would like to mention. We really appreciate the  
8 attitude that you have come into this with in a very difficult situation. I just wanted to mention,  
9 just continue on that clean-up schedule which we were handling separate from the Board process  
10 at three wells or sites a month. I assume you are still doing that as well?

11 MR. ANDERSON: Yes. Actually, during this last month we didn't get anything done in  
12 that regard. It wasn't necessarily for any other reason but that my engineer, Bobby Greer, who  
13 you will notice is not with me today, is stuck on a workover and with all the things that I have  
14 had him doing we got sidetracked, but, yes, we want to have the sites look like a professional is  
15 operating them.

16 MR. MASINGILL: Okay, thank you.

17 (Whereupon, the hearing was recessed at 10:38 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 Thursday, December 11, 2008, in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, I reported the proceedings before the State Oil and Gas Board in Regular Session; that the foregoing 28 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