

December 8, 2009

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1. Ryan O'Connor	18-19 21-25	--- ---	--- ---
2. Rupert Bodden	19-21	---	---
3. Ken Hanby	27-29 30-32	--- ---	--- ---

~~JHS~~
2/11/10

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Board Exhibit	Proofs of Publication Docket No. 12-8-09-01 Docket No. 12-8-09-02 Docket No. 12-8-09-03 Docket No. 12-8-09-04 Docket No. 12-8-09-05 Docket No. 12-8-09-06 Docket No. 12-8-09-07 Docket No. 12-8-09-08	15	15
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Board Exhibit	Hearing Officer Order	16	16
Exhibit 1 (Item 17)	Geologic cross section location, Short Creek Coal Degasification Field (Rupert Bodden)	25	25
Exhibit 2 (Item 17)	Cross section A-A', Short Creek Coal Degasification Field (Rupert Bodden)	25	25
Exhibit 3 (Item 17)	Location of wells used in production rate comparison, Short Creek Coal Degasification Field (Ryan O'Connor)	25	25
Exhibit 4 (Item 17)	Production rate comparison, Wells: CLC 33-06-175 and CLC 33-11-292 Short Creek Coal Degasification Field (Ryan O'Connor)	25	25

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EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 5 (Item 17)	Production rate comparison, Wells: CLC 15-04-46 and CLC 09-16-03, Short Creek Coal Degasification Field (Ryan O'Connor)	25	25
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Exhibit 8 (Item 17)	Affidavit of notice (Foster C. Arnold)	17	17
Exhibit 1 (Item 18)	Well location plat, Cedar Creek Land & Timber 23-3, Sec. 23, T5N, R13E, Conecuh County (Ken Hanby)	29	29
Exhibit 2 (Item 18)	Array induction sonic log, Cedar Creek Land & Timber 23-3, Sec. 23, T5N, R13E, Conecuh County (Ken Hanby)	29	29

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EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 3 (Item 18)	Form OGB-9, Cedar Creek Land & Timber 23-3, Sec. 23, T5N, R13E, Conecuh County (Ken Hanby)	29	29
Exhibit 4 (Item 18)	Production profile graph, Cedar Creek Land & Timber 23-3, Sec. 23, T5N, R13E, Conecuh County (Ken Hanby)	29	29
Exhibit 5 (Item 18)	Directional survey, Cedar Creek Land & Timber 23-3, Sec. 23, T5N, R13E, Conecuh County (Ken Hanby)	29	29
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Exhibit 8 (Item 18)	Affidavit of notice (William T. Watson)	26	26

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EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 1 (Item 19)	Well location plat, Cedar Creek Land & Timber 14-14, Sec. 14, T5N, R13E, Conecuh County (Ken Hanby)	32	32
Exhibit 2 (Item 19)	Array resistivity array log, Cedar Creek Land & Timber 14-14, Sec. 14, T5N, R13E, Conecuh County (Ken Hanby)	32	32
Exhibit 3 (Item 19)	Form OGB-9, Cedar Creek Land & Timber 14-14, Sec. 14, T5N, R13E, Conecuh County (Ken Hanby)	32	32
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Exhibit 6 (Item 19)	Directional survey data, Cedar Creek Land & Timber 14-14, Sec. 14, T5N, R13E, Conecuh County (Ken Hanby)	32	32
Exhibit 7 (Item 19)	Form OGB-9, Cedar Creek Land & Timber 14-14, Sec. 14, T5N, R13E, Conecuh County (Ken Hanby)	32	32
Exhibit 8 (Item 19)	Affidavit of notice (William T. Watson)	30	30

December 8, 2009

EXHIBITS
(Incorporated by Reference)

<u>DESCRIPTION</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Petitions with accompanying docket numbers of various infield drilling amendments within the Black Warrior Basin	20	21

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

December 8, 2009

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 8th day of December, 2009.

BEFORE

Mr. Marvin Rogers..... Attorney

STAFF

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

Dr. David E. Bolin Deputy Director

Mr. Jay H. MasingillAssistant Supervisor

Mr. Randy Oglesby..... Geologist

Mr. Jacques Chasse..... Geologist

December 8, 2009

APPEARANCES

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NAME	REPRESENTING
1. Tom Watson Tuscaloosa, AL	Midroc Operating Company
2. Foster Arnold Tuscaloosa, AL	El Paso E&P Company, L.P.
3. Ryan O'Connor Houston, TC	El Paso E&P Company, L.P.
4. W. Rupert Bodden Houston, TX	El Paso E&P Company, L.P.
5. Ken Hanby Tuscaloosa, AL	Midroc Operating Company

(The hearing was convened at 10:16 a.m. on
Tuesday, December 8, 2009, at Tuscaloosa, Alabama.)

MR. ROGERS: This hearing is in session. Dr. Tew, have the items for the December 8 and December 10, 2009, hearing been properly noticed?

DR. TEW: The items for the December 8 and December 10, 2009, hearing have been properly noticed and the docket is due to be admitted into the record.

AGENDA
STATE OIL AND GAS BOARD OF ALABAMA
BOARD MEETING
DECEMBER 8 & 10, 2009

The State Oil and Gas Board of Alabama will hold its regular hearing at 10:00 a.m. on Tuesday, December 8, 2009, and Thursday, December 10, 2009, in the Board Room of the State Oil and Gas Board, Walter B. Jones Hall, University of Alabama Campus, 420 Hackberry Lane, Tuscaloosa, Alabama, to consider among other items the following items.

1. DOCKET NO. 2-2-09-12

Continued petition by SPINDLETOP OIL & GAS CO., 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 extending the temporarily abandoned status of the Robertson 20-12 #1 Well, Permit No. 3227, located in Lamar County, Alabama, in the Fernbank Gas Field, in accordance with Rule 400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative Code. Said well has previously been granted temporarily abandoned status and said status has expired.

Petitioner requests that the Board grant a one year extension of the temporarily abandoned status of the referenced well because said well has future utility and should not be plugged.

2. DOCKET NO. 3-24-09-01

Continued 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 extending the temporarily abandoned status for the following wells all located in the Foshee Field, Escambia County, Alabama, 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	Section 34, T2N-R8E
5335	Culpepper 34-7 #1	Section 34, T2N-R8E
5167	A.T.I.C. 35-13 #2	Section 35, T2N-R8E
5062	A.T.I.C. 35-14 #1	Section 35, 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.

3. DOCKET NO. 3-24-09-02

Continued 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 extending the temporarily abandoned status for 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, 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.

4. DOCKET NO. 3-24-09-03

Continued 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 extending the temporarily abandoned status for 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, 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.

5. DOCKET NO. 3-24-09-04

Continued 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 extending the temporarily abandoned status for the following wells all located in West Foshee Field, Escambia County, Alabama, 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	Section 33, T2N-R8E
5359	A.T.I.C. 33-8 #1	Section 33, T2N-R8E
5528	A.T.I.C. Container 33-3 #1	Section 33, 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 and should not be plugged.

6. DOCKET NO. 3-24-09-10A

Continued amended petition by PALMER PETROLEUM, INC., 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, with a risk compensation penalty, all tracts and interests in hydrocarbons produced from the Smackover Formation in Petitioner's proposed Grantham-Bass 14-10 No. 1 Well to be drilled on a 160-acre wildcat unit consisting of the Southeast Quarter of Section 14, Township 4 North, Range 14 East, Covington County, Alabama.

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.

7. DOCKET NO. 7-23-09-05

Continued petition by LAND AND NATURAL RESOURCE DEVELOPMENT, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order extending the temporarily abandoned status of the Roy J. Smith et al 6-10 #1A Well, Permit No. 2355-B, located in the Chunchula Unit in Section 6, Township 1 South, Range 1 West, Mobile County, Alabama, for one year, in accordance with Rule 400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative Code because said well has future utility and should not be plugged.

1 8. DOCKET NO. 7-23-09-06B

2 Continued amended petition by LAND AND NATURAL RESOURCE
3 DEVELOPMENT, INC., an Alabama corporation, requesting the State Oil and
4 Gas Board to enter an order extending the temporarily abandoned status of the
5 Winters 19-4 #1 Well, Permit No. 4765-A-1, located on a 320-acre drilling unit in
6 the Coal Fire Creek Field consisting of the North Half of Section 19, Township 18
7 South, Range 14 West, Pickens County, Alabama, for one year, in accordance with
8 Rule 400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative
9 Code because said well has future utility and should not be plugged.

10
11 9. DOCKET NO. 7-23-09-07

12 Continued petition by LAND AND NATURAL RESOURCE DEVELOPMENT,
13 INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an
14 order extending the temporarily abandoned status of the R.J. Newman et al 21-11 #1
15 Well, Permit No. 4412-A, located in the Turnerville Field on a 160-acre drilling unit
16 consisting of the Southwest Quarter of Section 21, Township 1 South, Range 1
17 West, Mobile County, Alabama, for one year, in accordance with Rule 400-1-4-
18 .17(1) of the State Oil and Gas Board of Alabama Administrative Code because said
19 well has future utility and should not be plugged.

20
21 10. DOCKET NO. 9-8-09-02

22 Continued petition by BLACK WARRIOR METHANE CORP., an Alabama
23 corporation, requesting the State Oil and Gas Board to enter an order force
24 pooling, without the imposition of a risk compensation penalty, all tracts and
25 interests in hydrocarbons produced in the Westervelt 17-08-572 Well to be drilled on
26 a 40-acre unit consisting of the Southeast Quarter of the Northeast Quarter of
27 Section 17, Township 20 South, Range 8 West, Tuscaloosa County, Alabama, in
28 the Brookwood Coal Degasification Field.

29
30 This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as
31 amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama
32 Administrative Code.

33
34 11. DOCKET NO. 9-8-09-05A

35 Continued amended petition by HIGHMOUNT BLACK WARRIOR BASIN
36 LLC, a foreign limited liability company, authorized to do and doing business in
37 the State of Alabama, requesting the State Oil and Gas Board, pursuant to Rule 400-
38 1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative Code, to enter
39 an order extending the temporarily abandoned status for the following wells located
40 in St. Clair County, Alabama, in the Big Canoe Creek Field, for a period of one (1)
41 year:

WELL NAMEPERMIT NO.LOCATION

Bjornson 32-16-07	14620	S32-T13S-R5E
Sloss, et al 35-13-09	14621	S35-T13S-R4E
West 35-08-05	15268	S35-T13S-R4E

Petitioner requests that the Board grant a one year extension of the temporarily abandoned status of the referenced wells because said wells have future utility and should not be plugged.

12. DOCKET NO. 9-8-09-07

Continued petition by ESCAMBIA OPERATING CO., LLC, a foreign limited liability company, requesting the State Oil and Gas Board to enter an order extending the temporarily abandoned status for the Powell Gas Unit 19-4 #1 Well, Permit No. 2991, located on a 640-acre unit consisting of Section 19, Township 1 North, Range 9 East, Escambia County, Alabama, in the Flomaton Field, for a period of one (1) year, in accordance with Rule 400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative Code.

Petitioner has previously been granted temporarily abandoned status for the referenced well and requests that the Board grant a one year extension of such status because said well has future utility and should not be plugged.

13. DOCKET NO. 9-25-09-01

Continued petition by EL PASO E&P COMPANY, L.P., a Delaware limited partnership, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order pursuant to Section 9-17-1 through 9-17-33 and 9-17-80 through 9-17-88, Code of Alabama (1975) establishing a partial field-wide Unit, to be known as Unit I of the Blue Creek Coal Degasification Field, Tuscaloosa County, Alabama. The Board in Order No. 2009-67 dated September 10, 2009, approved a plan of unitization for Unit I of the Blue Creek Coal Degasification Field for the purpose of initiating injection of carbon dioxide into coal seams for the purpose of conducting experimental procedures to (1) examine the effect of injected carbon dioxide on coalbed methane gas; (2) determine the ability of coal seams to adsorb the carbon dioxide; and (3) consider the possibilities of enhanced coalbed methane gas recovery and permanent storage of carbon dioxide in coal seams. These experimental procedures are to be conducted as a field test of geologic carbon storage and enhanced resource recovery that is sponsored by the U. S. Department of Energy through the Southeastern Regional Carbon Sequestration Partnership. The proposed Unit shall consist of the hereinafter described "Unit Area" in said field, and shall require the operation of said

1 Unit Area as a single Unit for enhanced recovery in order to avoid the drilling of
2 unnecessary wells, increase the efficiency of operations and improve the ultimate
3 recovery of occluded natural gas from the Unitized Formation, as hereinafter
4 defined, and avoid waste. The "Unitized Formation" is to be designated as the
5 Pottsville Coal Interval and is defined as the productive coal seams found between
6 the depths of 368 feet and 3,790 feet below ground surface of the CLC 10-08-51
7 Well, Permit No. 12778-C, located 621 feet FEL and 1,457 feet FNL of Section
8 10, Township 19 South, Range 9 West, Tuscaloosa County, Alabama, as indicated
9 on the electric log and core from said well, and all zones in communication
10 therewith and all productive extensions thereof.

11
12 Petitioner further seeks approval of the ratification of the Unit Agreement, in
13 accordance with Section 9-17-84, Code of Alabama (1975), and approval of the
14 amendments to the Special Field Rules for the Blue Creek Coal Degasification Field,
15 Tuscaloosa and Fayette Counties, Alabama, in order to conform to the provisions of
16 the aforementioned Unit Agreement and Unit Operating Agreement.

17
18 Petition further seeks entry of an order unitizing, pooling and integrating the Unit
19 Area, as underlain by the above defined unitized formation so as to require all
20 owners or claimants of royalty, overriding royalty, mineral and leasehold interests
21 within the Unit Area to unitize, pool and integrate their interests and develop their
22 lands or interests as a Unit, and designating El Paso E&P Company, L.P. as operator
23 of the Unit Area in accordance with the laws of Alabama. The proposed Unit Area,
24 to be designated Unit I of the Blue Creek Coal Degasification Field, consisting of 80
25 acres, more or less, as described as follows:

26
27 The following lands lying and being in Tuscaloosa County, Alabama in the Blue
28 Creek Coal Degasification Field:

29
30 Section 17, Township 18 South, Range 9 West
31 North Half of the Southeast Quarter
32

33 14. DOCKET NO. 10-27-09-02

34 Continued petition by STETSON PETROLEUM CORP., a foreign corporation,
35 authorized to do and doing business in the State of Alabama, requesting the State
36 Oil and Gas Board of Alabama to enter an order extending the temporarily
37 abandoned status of the Scott Paper Co. 25-14 No. 1 Well, Permit No. 6303,
38 located on a 160-acre unit consisting of the West Half of the Southeast Quarter
39 and the East Half of the Southwest Quarter of Section 25, Township 4 North,
40 Range 7 East, Conecuh County, Alabama in the Northeast Barnett Field, for one
41 year, in accordance with Rule 400-1-4-.17(1) of the State Oil and Gas Board of

1 Alabama Administrative Code. Said Well has future utility to the operations of
2 Stetson Petroleum Corp. and should not be plugged.
3

4 15. DOCKET NO. 10-27-09-08

5 Continued petition by LAND AND NATURAL RESOURCE DEVELOPMENT,
6 INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an
7 order approving a 320-acre drilling unit for Petitioner's proposed Benton 25-1 No.
8 1 Well consisting of the Northeast Quarter of Section 25, Township 15 South,
9 Range 15 West and the Northwest Quarter of Section 30, Township 15 South,
10 Range 14 West, Lamar County, Alabama, as a productive extension of the Hells
11 Creek Field, as an exception to Rule 3(a) of the Special Field Rules for said Field
12 which states that a well shall be drilled on a drilling unit consisting of a
13 governmental half section. The proposed Benton 25-1 No. 1 Well is located in
14 the Northeast Quarter of said Section 25. The Northeast Quarter of said Section
15 25 is within the Hells Creek Field and the Northwest Quarter of said Section 30 is
16 adjacent to the Hells Creek Field.
17

18 This petition is filed as a companion to a petition bearing Docket No. 10-27-09-09
19 requesting the forced pooling, with imposition of the risk compensation fee, of all
20 tracts and interests in hydrocarbons produced from the Carter Sand in the
21 referenced well.
22

23 16. DOCKET NO. 10-27-09-09A

24 Continued amended petition by LAND AND NATURAL RESOURCE
25 DEVELOPMENT, INC., an Alabama corporation, requesting the State Oil and
26 Gas Board to enter an order force pooling, with a risk compensation penalty, all
27 tracts and interests in hydrocarbons produced from the Lewis Sand in Petitioner's
28 proposed Benton 25-1 No. 1 Well to be drilled on a 320-acre drilling unit consisting
29 of the Northeast Quarter of Section 25, Township 15 South, Range 15 West and
30 the Northwest Quarter of Section 30, Township 15 South, Range 14 West, as a
31 productive extension of the Hells Creek Field, Lamar County, Alabama. The
32 proposed Benton 25-1 No. 1 Well is located in the Northeast Quarter of said
33 Section 25. The Northeast Quarter of said Section 25 is within the Hells Creek
34 Field and the Northwest Quarter of said Section 30 is adjacent to the Hells Creek
35 Field.
36

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

1 This petition is filed as a companion to a petition bearing Docket No. 10-27-09-08
2 requesting the Board to enter an order approving said 320-acre drilling unit for
3 said well.
4

5 17. DOCKET NO. 12-8-09-01

6 Petition by EL PASO E&P COMPANY, L.P., a Delaware limited partnership,
7 authorized to do and doing business in the State of Alabama, requesting the State
8 Oil and Gas Board to enter an order amending Rule 4 of the Special Field Rules
9 for Short Creek Coal Degasification Field, Jefferson and Walker Counties,
10 Alabama to allow a second well to be drilled and produced within 80-acre
11 drainage or production units in the Field, in accordance with the provisions of
12 Section 9-17-12b of the Code of Alabama (1975), as amended.
13

14 18. DOCKET NO. 12-8-09-02

15 Petition by MIDROC OPERATING COMPANY, a foreign corporation,
16 authorized to do and doing business in the State of Alabama, requesting the State
17 Oil and Gas Board to enter an order approving the exceptional bottom hole
18 location of the Cedar Creek Land & Timber 23-3 Well, Permit No. 16053, as an
19 exception to Rule 400-1-2-.02(2)(b) of the State Oil and Gas Board of Alabama
20 Administrative Code. Said well was drilled on a 160-acre wildcat drilling unit
21 consisting of the Northwest Quarter of Section 23, Township 5 North, Range 13
22 East, Conecuh County, Alabama, at a surface location 1,209 feet from the North
23 line and 698 feet from the East line of said 160-acre wildcat drilling unit, but said
24 well drifted such that the bottom hole location at the base of the Smackover
25 Formation is 1,370 feet from the North line and 562 feet from the East line of said
26 160-acre wildcat drilling unit.
27

28 Rule 400-1-2-.02(2)(b) requires that wells be located at least 660 feet from every
29 exterior boundary of the drilling unit, but the bottom hole location of the
30 referenced well at the base of the Smackover Formation, being 1,370 feet from
31 the North line and 562 feet from the East line of said 160-acre unit, is an
32 exception to said Rule.
33

34 19. DOCKET NO. 12-8-09-03

35 Petition by MIDROC OPERATING COMPANY, a foreign corporation,
36 authorized to do and doing business in the State of Alabama, requesting the State
37 Oil and Gas Board to enter an order approving the exceptional bottom hole
38 location of the Cedar Creek Land & Timber 14-14 Well, Permit No. 16091, as an
39 exception to Rule 400-1-2-.02(2)(b) of the State Oil and Gas Board of Alabama
40 Administrative Code. Said well was drilled on a 160-acre wildcat drilling unit
41 consisting of the Southwest Quarter of Section 14, Township 5 North, Range 13

1 East, Conecuh County, Alabama, at a surface location 665 feet from the South
2 line and 1,008 feet from the East line of said 160-acre wildcat drilling unit, but
3 said well drifted such that the bottom hole location at the base of the Smackover
4 Formation is 585 feet from the South line and 747 feet from the East line of said
5 160-acre wildcat drilling unit.

6
7 Rule 400-1-2-.02(2)(b) requires that wells be located at least 660 feet from every
8 exterior boundary of the drilling unit, but the bottom hole location of the
9 referenced well at the base of the Smackover Formation, being 585 feet from the
10 South line and 747 feet from the East line of said 160-acre unit, is an exception to
11 said Rule.

12
13 20. DOCKET NO. 12-8-09-04

14 Petition by MIDROC OPERATING COMPANY, a foreign corporation,
15 authorized to do and doing business in the State of Alabama, requesting the State
16 Oil and Gas Board to enter an order force pooling, without the imposition of a risk
17 compensation penalty, all tracts and interests in hydrocarbons produced from the
18 Smackover Formation in Petitioner's proposed Sanders 23-16 Well to be drilled on a
19 160-acre drilling unit consisting of the South Half of the Southeast Quarter of
20 Section 23 and the North Half of the Northeast Quarter of Section 26, all in
21 Township 4 North, Range 12 East, Conecuh County, Alabama, as a productive
22 extension of the Little Cedar Creek Field.

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

27
28 This petition is filed as a companion to a petition bearing Docket No. 12-8-09-05
29 requesting the Board to enter an order approving the hereinabove described 160-
30 acre drilling unit for the Sanders 23-16 Well as a productive extension of the
31 Little Cedar Creek Field.

32
33 21. DOCKET NO. 12-8-09-05

34 Petition by MIDROC OPERATING COMPANY, a foreign corporation,
35 authorized to do and doing business in the State of Alabama, requesting the State
36 Oil and Gas Board to enter an order approving a 160-acre drilling unit for the
37 Sanders 23-16 Well consisting of the South Half of the Southeast Quarter of
38 Section 23 and the North Half of the Northeast Quarter of Section 26, all in
39 Township 4 North, Range 12 East, Conecuh County, Alabama, as a productive
40 extension of the Little Cedar Creek Field, in accordance with Rule 3(a) of the
41 Special Field Rules for said Field which provides that a well may be drilled on a

1 drilling unit designated by the operator in the permit application and subject to the
2 approval of the Oil and Gas Supervisor, which shall contain approximately 160
3 contiguous acres upon which no other drilling or producible well is located in the
4 Smackover Oil Pool.

5
6 This petition is filed as a companion to a petition bearing Docket No. 12-8-09-04
7 requesting the forced pooling, without imposition of the risk compensation fee, of
8 all tracts and interests in hydrocarbons produced from the Smackover Formation
9 in the referenced well.

10
11 22. DOCKET NO. 12-8-09-06

12 Petition by SAGA PETROLEUM LIMITED LIABILITY COMPANY OF
13 COLORADO, a foreign limited partnership, authorized to do and doing business
14 in the State of Alabama, requesting the State Oil and Gas Board to enter an order
15 establishing a new gas field in Pickens County, Alabama, to be named the Burdine
16 Creek Field, or such other name as the Board deems proper, and to adopt Special
17 Field Rules therefor. The proposed field, as underlain by the Pottsville A Gas Sand
18 Interval shall consist of the East Half of Section 2, Township 19 South, Range 16
19 West, Pickens County, Alabama.

20
21 The Pottsville A Gas Sand Interval should be defined as that interval of the Pottsville
22 Formation productive of hydrocarbons between 5,060 feet measured depth and
23 5,088 feet measured depth, as indicated on the Gamma Ray Log of the McShan 2-1-
24 1 Well, Permit No. 15796, located in the East Half of Section 2, Township 19 South,
25 Range 16 West, Pickens County, Alabama. Petitioner is requesting well spacing of
26 320 contiguous acres, and is also requesting the establishment of allowables for said
27 field.

28
29 Petitioner is also requesting that the 320-acre unit consisting of the East Half of
30 Section 2, Township 19 South, Range 16 West, Pickens County, Alabama, be
31 approved as the permanent production unit for the McShan 2-1-1 Well.

32
33 23. DOCKET NO. 12-8-09-07

34 Petition by LAND AND NATURAL RESOURCE DEVELOPMENT, INC., an
35 Alabama corporation, requesting that the State Oil and Gas Board of Alabama
36 enter an order (a) force pooling without risk compensation all tracts and interests
37 in the Southwest Quarter of Section 21, Township 1 South, Range 1 West, Mobile
38 County, Alabama, for the purpose of re-entering the R.J. Newman 21-11 No. 1
39 well (Permit No. 4412-A), Turnerville Field, to test the Smackover and Norphlet
40 formations, (b) requiring all owners of tracts and interests in said unit (both
41 present and future) to develop their tracts and interests as a unit, and (c)

appointing Petitioner as the operator of said unit. This petition is filed pursuant to Ala. Code Sections 9-17-1, et seq. (and, in particular, Section 9-17-13, as amended) and Rules 400-1, et seq. (and, in particular, Rule 400-7-2 and Rule 400-7-1) of the State Oil and Gas Board of Alabama Administrative Code.

24. DOCKET NO. 7-23-09-12

Continued MOTION BY THE STATE OIL AND GAS BOARD for Operator Holland Operating Company, Inc., to show cause why the wells located in the Moundville Coal Degasification Field, Hale County, Alabama listed hereinbelow should not be ordered plugged and abandoned in accordance with Rule 400-3-4-.14 of the State Oil and Gas Board of Alabama Administrative Code relating to Plugging and Abandonment of Wells. Further, as a part of this Motion by the Board, the operator shall show cause why equipment, pipelines, and other facilities associated with these wells, including but not limited to natural gas pipelines, compressor stations, "tin" horns, pipeline risers, and water gathering lines should not be removed, cleaned up, or dismantled and all sites restored in accordance with the Board's rules and regulations.

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>
14811-C	Tubbs 10-5	Sec. 10, Township 23 North, Range 5 East
14812-C	Stephenson 10-4	Sec. 10, Township 23 North, Range 5 East
14813-C	Tubbs 9-8-1	Sec. 9, Township 23 North, Range 5 East
14814-C	Tubbs 9-1 No. 2	Sec. 9, Township 23 North, Range 5 East
14887-C	Tubbs 9-1 No. 3	Sec. 9, Township 23 North, Range 5 East

The Board may, as a part of this Motion, order that surety holding surety bonds on these wells pay the proceeds of the well bonds to the Board so that the Board's staff may plug and abandon the wells and restore the well sites and dismantle, remove and restore all associated sites.

Further, as a part of this Motion, the Board may order that a portion of the monies in the Alabama Coalbed Methane Gas Plugging Fund be collected by the Board pursuant to Section 9-17-133 et. seq. of the Code of Alabama (1975).

Failure of the operator to comply with the Board's rules, regulations, and orders may result in the Board issuing fines or taking other sanctions against operator, Holland Operating Company, Inc.

25. DOCKET NO. 12-8-09-08

MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA for (1) De Soto Oil & Gas, Inc. to show cause why it should not be found in violation of

Rule 400-1-2-.01 of the State Oil and Gas Board of Alabama Administrative Code relating to the filing of Affidavit of Ownership or Control (Form OGB-2) whereby the applicant to drill a well verifies that he owns or has control of 100% of the drilling rights in a unit; and (2) De Soto Oil Properties, LLC to show cause why it should not be found in violation of Rule 400-1-2-.05 of the State Oil and Gas Board of Alabama Administrative Code relating to Change of Operator whereby the new operator states that the new operator has ownership or control of one hundred percent (100%) of the rights to drill and produce with respect to oil and gas underlying the lands comprising the unit assigned to the well or wells for which a change of operator is requested.

Operator De Soto Oil & Gas, Inc. operates the Godwin 14-3 No. 1 Well, Permit No. 15687-B, the well having been drilled on a 640-acre unit consisting of Section 14, Township 1 North, Range 7 East, Escambia County, Alabama. The operator filed the Affidavit of Ownership or Control (OGB-2), which is the subject of this Motion for the Godwin 14-3 No. 1 Well. De Soto Oil Properties, LLC, filed an Application for Change of Operator for the Godwin 14-3 No. 1 Well.

Section 9-17-32 of the Code of Alabama (1975) provides: Any person who knowingly and willfully violates any provision of this article, or any rule, regulation or order of the board made under this article shall, in the event a penalty for such violation is not otherwise provided for in this article, be subject to a fine not to exceed \$10,000.00 a day for each and every day of such violation and for each and every act of violation.

If the Board determines its statutes or regulations have been violated, the Board is authorized under the Oil and Gas Conservation Laws, Section 9-17-1 et seq. of the Code of Alabama (1975), to issue a fine under Section 9-17-32 or to issue other sanctions.

26. DOCKET NO. 12-8-09-09

MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA to amend the *State Oil and Gas Board of Alabama Administrative Code* to make the Board's regulations consistent with recent amendments to the Alabama Oil and Gas Laws in Act. No. 2008-450 addressing drilling and drainage and production units. Under this Motion, the following regulations of the Board are proposed to be amended:

Onshore Lands Operations—Rule 400-1-1-.01, Applicability; Rule 400-1-1-.05, Definitions; 400-1-2-.01, Well Permit; Rule 400-1-2-.02, Spacing of Wells; Rule 400-1-5-.09, Permissible Tolerance in Production Volumes Allowed for Oil

1 Wells; Rule 400-1-5-.10, Permissible Tolerance in Production Volumes Allowed
2 for Gas Wells.

3
4 **Submerged Offshore Lands Operations**—Rule 400-2-1-.05, Definitions; Rule
5 400-2-2-.01, Well Permit; Rule 400-2-2-.02, Spacing of Wells; Rule 400-2-5-.09,
6 Permissible Tolerance in Production Volumes Allowed for Oil Wells; Rule 400-2-
7 5-.10, Permissible Tolerance in Production Volumes Allowed for Gas Wells.

8 **Coalbed Methane Gas Operations**—Rule 400-3-1-.05, Definitions; Rule 400-3-
9 2-.01, Well Permit; Rule 400-3-2-.02, Spacing of Wells.

10 **Practice and Procedure**—Rule 400-7-1-.11, Notice.

11 **Forced Integration or Forced Pooling**—Rule 400-7-2-.01, Forced Integration or
12 Forced Pooling.

13 The jurisdiction and authority of the Board are set forth in the Alabama Oil and
14 Gas Conservation statutes, Sections 9-17-1, et seq. of the *Code of Alabama*
15 (1975), as amended.

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

28
29 MR. ROGERS: The Hearings Reporter has received and compiled the proofs of
30 publication for the items appearing on the docket for the first time. These proofs of publication
31 for the items on the December 8 and 10, 2009, docket are admitted into the record.

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

33 MR. ROGERS: Furthermore, copies of the information posted on the Website of the
34 Secretary of State announcing these two meetings of the State Oil and Gas Board on December 8

1 and 10, 2009, and a confirmation of successful postings by the Secretary of State are also
2 admitted into the record.

3 (Whereupon, posting on Secretary of State Website
4 were received in evidence)

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

8 (Whereupon, the Order was received in evidence)

9 MR. ROGERS: The procedure for the meeting is as follows. The Hearing Officer and
10 the staff will hear the uncontested items on the docket today and certain other items. The State
11 Oil and Gas Board will hear the recommendations of the Hearing Officer, contested items and
12 certain other items beginning at 10:00 a.m. on Thursday, December 10, 2009, here at the office
13 of the State Oil and Gas Board in Tuscaloosa. I will make the following recommendations. I
14 recommend that the following petitions be continued: Item 6, Docket No. 3-24-09-10A, petition
15 by Palmer Petroleum, Inc.; Item 10, Docket No. 9-8-09-02, petition by Black Warrior Methane
16 Corporation; Item 13, Docket No. 9-25-09-01, petition by El Paso E&P Company, Limited
17 Partnership; Item 20, Docket No. 12-8-09-04A, petition by Midroc Operating Company; Item 21,
18 Docket No. 12-8-09-05, petition by Midroc Operating Company; Item 23, Docket No. 12-08-09-
19 07, petition by Land and Natural Resource Development, Inc.; Item 24, Docket No. 7-23-09-12,
20 a Motion by the Board and Item 26, Docket No. 12-8-09-09, Motion by the Board. Item 1,
21 Docket No. 2-2-09-12, is a petition by Spindletop Oil and Gas Company. I will recommend that
22 petition be continued with the stipulation that the temporary abandoned status for the well be
23 extended to the next meeting of the Board after March 31, 2010. I will recommend that the
24 following petitions be continued with the stipulation that the temporary abandoned status be
25 extended to the next regularly scheduled meeting of the Board. Item 2, Docket No. 3-24-09-01,
26 petition by Durango Operating LLC; Item 3, Docket No. 3-24-09-02, petition by Durango
27 Operating, LLC; Item 4, Docket No. 3-24-09-03, petition by Durango Operating, LLC; Item 5,
28 Docket No. 3-24-09-04, petition by Durango Operating, LLC; Item 7, Docket No. 7-23-09-05,

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1 petition by Land and Natural Resource Development, Inc.; Item 8, Docket No. 7-23-09-06B,
2 petition by Land and Natural Resource Development, Inc.; Item 9, Docket No. 7-23-09-07,
3 petition by Land and Natural Resource Development, Inc.; Item 11, Docket No. 9-8-09-05A,
4 petition by HighMount Black Warrior Basin, LLC; Item 12, Docket No. 9-8-09-07, petition by
5 Escambia Operating Company, LLC and Item 14, Docket No. 10-27-09-02, petition by Stetson
6 Petroleum Corporation. The following items are set for hearing by the Board at the hearing on
7 Thursday: Item 15, Docket No. 10-27-09-08, petition by Land and Natural Resource
8 Development, Inc.; Item 16, Docket No. 10-27-09-09A, petition by Land and Natural Resource
9 Development, Inc.; Item 22, Docket No. 12-8-09-06B, petition by Saga Petroleum LLC of
10 Colorado and Item 25, Docket No. 12-8-09-08, a Motion by the Board for De Soto Oil and Gas,
11 Inc. to show cause why it should not be found in violation of certain rules and De Soto Oil
12 Properties, LLC to show cause why it should not be found in violation. Are there any
13 corrections, changes or comments on those recommendations? That brings us to the first item
14 today, Item 17, Docket No. 12-8-09-01, petition by El Paso E&P Company, L.P.

15 MS. ARNOLD: Foster Arnold for the petitioner. This is a petition by El Paso E&P
16 Company, L.P. requesting that the Board enter an order amending Rule 4 of the Special Field
17 Rules for Short Creek Coal Degasification Field, Walker and Jefferson Counties, Alabama, to
18 allow a second well to be drilled and produced within 80-acre drainage or production units in the
19 field in accordance with the provisions of Section 9-17-12B of the Code of Alabama 1975 as
20 amended. As to this docket number the Petitioner has prefiled my affidavit of notice showing
21 that there were no other operators other than El Paso of producing and active wells in Short
22 Creek to be given notice of this matter by first class mail. We would note that the matter was
23 obviously published in the newspaper of general circulation in each county. I would ask that my
24 affidavit of notice be admitted to the record, please.

25 MR. ROGERS: It is admitted.

26 (Whereupon, the affidavit was received in evidence)

27 MS. ARNOLD: I have two witnesses with me today, Rupert Bodden and Ryan
28 O'Connor. I would like for them both to stand and be sworn in, please.

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

2 MR. O'CONNOR: Ryan O'Connor, 4 Buell Court, Houston, Texas.

3 MR. BODDEN: Rupert Bodden, 31 West Cottage Green Street, Spring, Texas.

4 (Witnesses were sworn by Mr. Rogers)

5 MS. ARNOLD: Rupert Bodden has previously testified before the Board in matters of
6 geology. Ryan O'Connor has previously been recognized and is an expert in petroleum
7 engineering under Docket No. 9-8-09-08E, in which he had testified by affidavit but in
8 conjunction with that matter his affidavit of qualifications was accepted by the Board and he was
9 recognized as an expert in petroleum engineering. I would like for the purpose of this petition
10 for Mr. Bodden and Mr. O'Connor to be recognized as experts in their respective fields.

11 MR. ROGERS: They are so recognized.

12 RYAN O'CONNOR

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

15 DIRECT EXAMINATION

16 Questions by Ms. Arnold:

17 Q. Ryan, you are familiar with the petition in this docket number which I have filed on
18 behalf of El Paso?

19 A. Yes.

20 Q. At the outset of the hearing of this matter would you state in general El Paso's position in
21 this petition requesting amendment of Rule 4 of the Special Field Rules for Short Creek
22 to allow infield drilling?

23 A. Yes I will. As the Board is aware, El Paso E&P has drilled and completed many wells in
24 coal seams within the Pottsville formation throughout the Short Creek Coal
25 Degasification Field. We have evidence and testimony to present to the Board today that
26 will prove that the coal seams are relatively uniform throughout the Short Creek Coal
27 Degasification Field although net thicknesses and gas contents may vary slightly from
28 one location to the next. Evidence from the submitted exhibits will show that an existing

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1 40-acre unit well within an adjacent 40-acre unit drilled a short time later does not show
2 negative impact on the original well. El Paso is ready to move forward with a 2010
3 drilling program that will utilize the proposed amended Special Field Rules for Short
4 Creek. This amendment will open future potential infield locations that will increase
5 production to Short Creek Coal Degasification Field. The decision of when and where to
6 drill the next well will be determined by the operator. The operator will make these
7 decisions based on a number of factors.

8 MS. ARNOLD: Let's move on to the evidence which will support the merits of this
9 petition. I would note for the Board that as with previous amendments of Rule 4 to the Special
10 Field Rules for some of the other fields in the Black Warrior Basin, the language we are
11 proposing to add to Rule 4 is the following: "A second well may be drilled and produced within
12 an established 80-acre production unit upon the approval of the Supervisor." At this point I
13 would like to turn to the testimony of Mr. Bodden.

14 RUPERT BODDEN

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

17 DIRECT EXAMINATION

18 Questions by Ms. Arnold:

19 Q Mr. Bodden, were Exhibits 1 and 2 either prepared by you or under your supervision?

20 A. Yes they were.

21 Q. Explain to the Board what Exhibit 1 is, please.

22 A. Exhibit 1 is a map of Short Creek Field, the boundary of the field being shown in red. It
23 shows the location of a cross section which is going to be in Exhibit 2 running from the
24 western part of the field at point A over to the northeast corner of the field at A'.

25 Q. For the record, if you would just identify either the cores and/or wells that were used for
26 that cross section, their names.

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1 A. Yes. The first well at point A is a corehole that El Paso drilled, SC Core 10, then
2 proceeding to SC Core 9, then to a well, Permit No. 12080-C, on to Permit No. 13407-C,
3 then to Permit No. 13329-C, and then to Permit No. 15548-C.

4 Q. Let's move on to Exhibit 2. Can you explain to the Board what is demonstrated by
5 Exhibit 2?

6 A. Exhibit 2 is a stratigraphic cross section, the location of which was just shown in Exhibit
7 1 running from the coreholes and through the wells just mentioned. The datum for the
8 cross section is the top of the Mary Lee seam. We are planning on producing coalbed
9 methane primarily from the Mary Lee and Black Creek coal groups. The Pratt group we
10 have no plans to complete at this time. In most places it is too shallow to be a suitable
11 target for coalbed methane.

12 Q. What does this exhibit demonstrate about the continuity of the coal seams within the
13 Pottsville across Short Creek?

14 A. This cross section demonstrates that the coal groups are continuous across the field. The
15 only places where you would not have some of these coal groups would be either where a
16 normal fault would have removed sections or in the vicinity of the Sequatchie anticline
17 along the crest of it which is shown in a curve gridline back in Exhibit 1. The coals of
18 the Pratt group are removed along the crest there.

19 Q. Otherwise within the field the continuity of the Pottsville would be there, correct?

20 A. That's correct.

21 Q. My preliminary conversations with the Board with regard to this docket number indicate
22 that the Board has noted for me that general testimony regarding the geology of the Black
23 Warrior Basin was presented at the January 2009 hearing in conjunction with various
24 infield drilling amendments which were approved within the Black Warrior Basin. Those
25 petitions were the following: Docket No. 12-9-08-3, petition by Energen Resources
26 Corporation for Peterson; Docket No. 12-9-08-4, petition by Energen Resources
27 Corporation for Oak Grove; Docket No. 12-9-08-5, petition by Energen Resources
28 Corporation for Cedar Cove; Docket No. 12-9-08-6, petition by Energen Resources

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1 Corporation for Holt; Docket No. 12-9-08-8, petition by HighMount Black Warrior Basin
2 LLC for Blue Creek and Docket No. 12-9-08-10, petition by Black Warrior Methane
3 Corporation and Energen Resources Corporation for Brookwood. While El Paso's
4 experts cannot testify as to the contents of another expert witnesses exhibits the Board
5 certainly has the discretion to incorporate by reference all such relevant matters from
6 prior docket numbers as to which they have indicated that they would like for us to do.
7 El Paso poses no objection to this.

8 MR. ROGERS: So you want us to incorporate those records?

9 MS. ARNOLD: We are consenting to the request by the Board that those records be
10 incorporated into the record.

11 MR. ROGERS: Those are incorporated into this record.

12 (Whereupon, the above mentioned petitions with
13 accompanying docket numbers of various infield drilling
14 amendments within the Black Warrior Basin were
15 incorporated by reference)

16 Q. Rupert, based on the data that El Paso has presented today, what is El Paso's position in
17 summary with regard to continuity of the coal seams in Short Creek and to the Basin?

18 A. We believe that the coal seams are continuous, consistent with what I just spoke about,
19 faulting and erosion in certain areas.

20 MS. ARNOLD: Let me move on to Ryan O'Connor's testimony.

21 RYAN O'CONNOR

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

24 DIRECT EXAMINATION

25 Questions by Ms. Arnold:

26 Q. Ryan, were Exhibits 3 through 7 prepared by you or under your direct supervision?

27 A. Yes they were.

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1 Q. Ryan, let me reiterate something that you mentioned in your opening. You mentioned as
2 a part of your opening statement that testimony would be given that two 40-acre units
3 drilled adjacent to one another with a period of time between the drilling of both wells,
4 that such adjacent 40-acre drilled wells provide the same data as an 80-acre drilled well
5 that has been reformed to allow the drilling of a second well.

6 A. Yes, that's correct.

7 Q. The data from either being relevant. Is that correct?

8 A. Yes, that's correct.

9 Q. We note for the Board that the well doesn't "know whether it was drilled on an 80 that
10 has been reformed or whether it was drilled on two adjacent 40's." Correct?

11 A. Correct.

12 Q. Let me get you to generally describe what is going to be seen in total on Exhibits 3
13 through 7 and then we will move on specifically to each.

14 A. We will start with Exhibit 3. It's a map that identifies the location of the following
15 exhibits which are production rate comparisons. The search criteria for these
16 comparisons are that they are within adjacent 40-acre spots and that the first production
17 date, there is a time lapse between them.

18 Q. Exhibit 3 specifically demonstrates what?

19 A. This identifies the geographical location of them. You can see in Exhibits 4 through 7
20 four pairs of wells.

21 Q. Move on to Exhibit 4, please.

22 A. Exhibit 4 is the first of the production rate comparisons. You will see on the Y axis is gas
23 and water rate. On the X axis is time. You will see here that the older well, the CLC 33-
24 06-175, began in the year 2002. Later on a second well in an adjacent 40-acre spot was
25 drilled, the CLC 33-11-292. What is important here is you see that when the second well
26 comes on it comes on at a higher rate and at no detriment to the older well's decline rate.

27 Q. Exhibit 5.

1 A. In Exhibit 5 you see a similar comparison where the added well actually increases the
2 production of the older well by helping dewater.

3 Q. Would you note the names of the original well and the latter well drilled?

4 A. The original well is the CLC 15-04-46. The latter well is the CLC 09-16-03.

5 Q. Roughly how long was it between the drilling of the first well and the drilling of the
6 second well?

7 A. It was roughly two years afterwards.

8 Q. Exhibit 6.

9 A. Exhibit 6, similarly you will see much later you have a secondary well, the older well
10 being the CLC 10-04-05, the latter well being the CLC 09-08-282.

11 Q. How did the second well impact the first based on the data you have thus far?

12 A. The decline rate went from negative to positive and the rate started increasing for the
13 older well.

14 Q. Roughly how long between the drilling of these two wells was there?

15 A. Approximately two to three years.

16 Q. Exhibit 7.

17 A. Exhibit 7 is a similar exhibit as the previous. This one has a shorter time difference,
18 about a year. This one illustrates that even after approximately three to four years of
19 production the decline rate still is positive and has no detriment to the older well, the
20 CLC 11-02-12.

21 Q. The second well being named?

22 A. The CLC 02-14-229.

23 Q. Ryan, what is your opinion regarding the impact that these second wells generally had on
24 the first wells described in Exhibits 4 through 7?

25 A. Generally the impact is we haven't seen evidence that it negatively impacts the wells and
26 that often it has positive results on the wells and increases the production rate.

27 Q. Therefore, in your opinion how does the drilling of the second well ultimately impact the
28 overall production from the unit based on this data?

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1 A. Based on this data it is evident that it increases the production.

2 Q. What is your conclusion with regard to the impact that the drilling of the second well
3 based on this data can have on the total duration of production from the unit?

4 A. Based on this data and extrapolations thereof using decline curve analysis, it is evident
5 that it increases the life of the unit.

6 Q. Therefore, if the goal is to increase the overall production from the 80-acre tract then can
7 one conclude that the drilling of each of these second wells was not an "unnecessary
8 well?"

9 A. Correct.

10 Q. Mr. O'Connor, have you reviewed the infield drilling amendment statute?

11 A. Yes I have.

12 Q. Has your testimony along with that of Mr. Bodden established all the requirements of the
13 statute?

14 A. Yes it has.

15 Q. Under an infield drill how would the owners of the unit share in the production from the
16 second well?

17 A. It would be similar to as if it were an 80-acre well.

18 Q. So they would share in production from both the original well and the infield and the
19 same percentages. Is that correct?

20 A. Correct.

21 Q. So where the operator can as a prudent operate determine that it is the appropriate time
22 and place to drill an infield well, would the drilling of that second well greatly benefit the
23 royalty owners in the unit?

24 A. Yes it would.

25 Q. We have again mentioned in conjunction with this a determination by a prudent operator.
26 I want to circle back around to a statement you made in your opening. You mentioned
27 some factors that might be considered by an operator in deciding whether to drill an
28 infield well. Would you list some of those factors that can be considered by an operator?

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1 A. Basically one big factor is geology, if there is enough coal there and enough gas there,
2 infrastructure, the ability to sell the gas, get it to a market in a cheap fashion, and the
3 bottom line is economics.

4 Q. As well as some others. Is that correct?

5 A. Correct.

6 Q. Are these factors that a prudent operator takes into account in deciding whether to drill an
7 original well on a 40 or an 80-acre unit?

8 A. Yes.

9 Q. So would these factors be considered upon petitioning the Supervisor for an infield
10 drilling petition on a second well in the event that this petition is approved?

11 A. Yes, it would be considered.

12 MS. ARNOLD: I would ask that the Board admit to the record Exhibits 1 through 7,
13 please.

14 MR. ROGERS: The exhibits are admitted.

15 (Whereupon, the exhibits were received in evidence)

16 MS. ARNOLD: Let me conclude by asking both of my witnesses if they have each
17 reviewed the Special Field Rules for the Short Creek Coal Degasification Field?

18 MR. BODDEN: Yes I have.

19 MR. O'CONNOR: Yes I have.

20 MS. ARNOLD: Have you reviewed the language of the amendment to Rule 4 that is the
21 subject of El Paso's petition today?

22 MR. BODDEN: Yes I have.

23 MR. O'CONNOR: Yes I have.

24 MS. ARNOLD: In each of your opinion's based on the evidence presented here today by
25 you, Mr. Bodden, and by you, Mr. O'Connor, will the amendment of the rule for the Special
26 Field Rules for the Short Creek Coal Degasification Field allowing a second well to be drilled in
27 an 80-acre unit pursuant to the aforementioned statute prevent waste, result in increasing the

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1 recovery of coalbed methane, promote orderly development of Alabama's coalbed methane
2 resources and protect the correlative rights of all owners?

3 MR. BODDEN: Yes it will.

4 MS. ARNOLD: Mr. O'Connor?

5 MR. O'CONNOR: Yes.

6 MS. ARNOLD: I tender the witnesses for questions by the Board.

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

9 MS. ARNOLD: Thank you.

10 MR. ROGERS: The next item is Item 18, Docket No. 12-8-09-02, petition by Midroc
11 Operating Company.

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

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

15 MR. HANBY: Ken Hanby, 4904 Lakeview Estates Drive, Northport, AL.

16 (Witness was sworn by Mr. Rogers)

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

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

20 (Whereupon, the affidavit was received in evidence)

21 MR. WATSON: This is a petition by Midroc Operating Company asking the Board to
22 approve an exceptional bottom hole location for a well drilled on a 160-acre wildcat drilling unit
23 in Conecuh County, namely the Cedar Creek Land and Timber 23-3 well. This well as the
24 testimony will show was not intentionally deviated but this exceptional location is a result of a
25 natural drift. My witness, Ken Hanby, has appeared before you and has on file an affidavit of his
26 qualifications as a petroleum engineer. Mr. Hanby, you are familiar with the drilling of this
27 wildcat well and your firm is associated with and represents Midroc in its operations in Conecuh
28 County. Is that a fair statement?

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1 MR. HANBY: That is correct.

2 MR. WATSON: To what extent have you been involved in this particular well?

3 MR. HANBY: We have been involved since initial drilling with following and reviewing
4 everything that was conducted from the well's spudding through completion and the completion
5 operations as well as filing all the air permit forms for their air permits for the production from
6 this well.

7 MR. WATSON: These exhibits that I have handed up today, a majority of those were
8 prepared by Jerry Elgin. You are going to testify to those exhibits. You have been through those
9 exhibits and your testimony then is based on your personal knowledge of the information
10 contained in these exhibits?

11 MR. HANBY: That is correct and personal communication with Jerry Elgin.

12 MR. WATSON: I tender Mr. Hanby as an expert witness for giving testimony in this
13 item, Mr. Rogers.

14 MR. ROGERS: He is so recognized.

15 KEN HANBY

16 Appearing as a witness on behalf of Petitioner, Midroc Operating Company, testified as
17 follows:

18 DIRECT EXAMINATION

19 Questions by Mr. Watson:

20 Q. Let's look at our first exhibit which is a surveyor's plat. We are stating in our petition
21 that this exceptional location is 1,370 feet from the North line and 562 feet from the East
22 line of a 160-acre unit and that is at the bottom of the Smackover formation. Is that what
23 is shown on this first exhibit?

24 A. That is correct as well as the surface location, the top of the Smackover and the bottom
25 hole location.

26 Q. Look at Exhibit No. 2, Mr. Hanby. Tell us what that is and what is shown on that exhibit,
27 please.

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- 1 A. Exhibit No. 2, the first page is the heading from the array induction sonic log on the
2 Cedar Creek Land and Timber 23-3. The second page is a 1-inch log that shows the
3 interpretation of the top of the Smackover. It shows the perforated intervals and the base
4 of the Smackover formation in this well.
- 5 Q. Exhibit No. 3.
- 6 A. Exhibit No. 3 is a copy of the form OGB-9 filed on the Cedar Creek Land and Timber
7 23-3 well. This was from the initial test on October 7th reflecting a production rate of 468
8 barrels of oil, 418 Mcf of gas with a flowing tubing pressure of 1,400 pounds. This was
9 43 degrees API stock tank oil.
- 10 Q. Exhibit No. 4.
- 11 A. Exhibit No. 4 is the daily production of barrels of oil per day. Oil is shown in green. The
12 gas in MCF per day is shown in red. This covers the production period from the first of
13 October, about the 4th of October through the middle of November when this exhibit was
14 filed.
- 15 Q. Exhibit No. 5.
- 16 A. Exhibit No. 5 is a copy of the directional survey. The directional survey was run after the
17 well was drilled. There are three pages shown here. The third page is there to be used to
18 prepare Exhibit No. 6. The last two data points are the two that are used on Exhibit No. 6
19 and shows the computation of the bottom hole location at the various points, top of the
20 Smackover, top of the perforated interval, base of the Smackover and the bottom hole
21 location. The survey has determined using the minimum curvature procedure, which is
22 the common practice for directional surveys, that the base of the Smackover formation is
23 at 1,370 feet from the North line and 562 feet from the East line of the Northwest Quarter
24 of Section 23.
- 25 Q. That would be the closest distance to any of the exterior boundaries of the 160-acre unit.
26 Is that correct?
- 27 A. That is correct.
- 28 Q. The last exhibit.

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1 A. The last exhibit is another copy of form OGB-9 which just includes the second page
2 which was left off the earlier Exhibit 3 which was of the form OGB-9. The reason it was
3 added, the second page was not included and it has all the initial test production that was
4 conducted in August and October of 2009 on this well.

5 Q. Was I correct in stating, Mr. Hanby, that this well drifted and was not intentionally
6 deviated?

7 A. That is correct.

8 Q. At the exceptional location that we have just described, Mr. Hanby, will this well in your
9 opinion prevent waste and protect correlative rights of the owners in the 160-acre unit?

10 A. In my opinion it will, yes sir.

11 MR. WATSON: Mr. Rogers, I ask that you receive into the record today Exhibits 1
12 through 7 to the testimony of Mr. Hanby.

13 MR. ROGERS: The exhibits are admitted.

14 (Whereupon, the exhibits were received in evidence)

15 MR. WATSON: I tender him to you for any questions you have on this well.

16 MR. MASINGILL: You've got an exhibit taped over Exhibit 1. It does not have an
17 exhibit number. Is that a replacement exhibit for Exhibit 1?

18 MR. WATSON: Yes. It is a replacement exhibit for Exhibit 1.

19 MR. MASINGILL: Really this second page that it is taped over shouldn't really be in the
20 exhibit booklet. It's not correct? Is that right?

21 MR. WATSON: That's correct.

22 MR. MASINGILL: Then we should get rid of that because if that tape came unloose it
23 could be confusing.

24 MR. WATSON: I just couldn't take that spiral apart. Thank you for doing that.

25 MR. ROGERS: This exhibit needs to be signed then, if you will do that, Mr. Hanby, the
26 new Exhibit 1. Those exhibits are admitted. Do we have any questions from the staff? The staff
27 has no questions. We will review the evidence and make a recommendation to the Board.

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1 Thank you, Mr. Watson. That brings us to Item 19, Docket No. 12-8-09-03, petition by Midroc
2 Operating Company.

3 MR. WATSON: I would remind Mr. Hanby that he remains under oath. Mr. Hanby, are
4 you familiar with the Cedar Creek Land and Timber 14-14 well and were your statements about
5 the 23-3 well about your involvement, your firm's involvement with that well the same as it
6 would be for the Cedar Creek Land and Timber 14-14?

7 MR. HANBY: That is correct with the addition that the production data, I actually
8 prepared that exhibit myself.

9 MR. WATSON: I tender him as an expert for giving testimony in this item, Mr. Rogers.

10 MR. ROGERS: He is so recognized.

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

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

14 (Whereupon, the affidavit was received in evidence)

15 KEN HANBY

16 Appearing as a witness on behalf of Petitioner, Midroc Operating Company, testified as
17 follows:

18 DIRECT EXAMINATION

19 Questions by Mr. Watson:

20 Q. This is a request by Midroc Operating Company asking the Board to approve an
21 exceptional bottom hole location for the Cedar Creek Land and Timber 14-14 well which
22 is also a wildcat drilling unit of 160 acres. At the base of the Smackover formation this
23 well is 585 feet from the South line and 747 feet from the East line of the 160-acre unit
24 which is the Southwest Quarter of Section 14, Township 5 North, Range 13 East in
25 Conecuh County. Mr. Hanby, take our exhibits starting with Exhibit No. 1 and tell us
26 what is shown on that plat.

27 A. On this plat for the Cedar Creek Land and Timber 14-14 well is the surface location.
28 Also shown on the plat is the top of Smackover and the bottom hole location with the

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1 insert giving the details that also show the relationship between the top of Smackover, the
2 base of Smackover and the bottom hole location.

3 Q. The bottom hole location at the base of the Smackover is as I have read, 585 feet from the
4 South line and 747 feet from the East line of that 160?

5 A. That is correct.

6 Q. Go to Exhibit No. 2, Mr. Hanby.

7 A. Exhibit No. 2 is a copy of the heading for the array induction sonic log run on the Cedar
8 Creek Land and Timber 14-14 No. 1 Well. The second page provides the interpretation
9 on the log of the top of Smackover. The perforations are shown and the base of
10 Smackover in this well is also shown.

11 Q. Exhibit No. 3.

12 A. Exhibit No. 3 is a kind of a blank copy of form OGB-9 which was filed at the time of the
13 filing of these exhibits. It has been added to as Exhibit 7 which is the copy of the OGB-9
14 after the well was tested.

15 Q. Let's slip over to that exhibit and get that information in the record at this point.

16 A. This well, the 14-14, was tested on November 20, 2009, and produced at a rate of 482
17 barrels of oil per day, 401 Mcf of gas per day with a flowing tubing pressure of 1,230
18 psig and has an API gravity of 48 degrees.

19 Q. Your next exhibit, Exhibit No. 4, is a production curve. This is the one that you have
20 updated. The one that is in the booklet was before the OGB-9 and the testing. Let me
21 hand up now the exhibit that you prepared. This is an update of Exhibit 4 in the booklet.
22 MR. ROGERS: We'll call it Exhibit 4A.

23 MR. WATSON: All right sir.

24 Q. Mr. Hanby, tell us what is shown on Exhibit 4A.

25 A. On this exhibit is the daily production on the Cedar Creek Land and Timber 14-14
26 showing the oil in barrels of oil per day in green, the gas in red in Mcf per day and
27 showing the production which began on November 18th and goes through November 30th.

28 Q. The next exhibit, Exhibit No. 5.

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1 A. This is a copy of the directional survey on the 14-14 well. It has three pages. Once again
2 we used the last two data points from this well on the third page of 10,136 feet and
3 10,166 feet and the accompanying data to develop Exhibit 6 which shows the bottom
4 hole location and distances from the south line and east line at the top of Smackover, top
5 of perforated interval, base of Smackover and bottom hole location. At the base of the
6 Smackover formation the location is 585 feet from the South line and 747 feet from the
7 East line of a 160-acre unit which is the Southwest Quarter of Section 14.

8 Q. Mr. Hanby, completed as it is at an exceptional location will this well when produced
9 protect the correlative rights and avoid waste as those terms are defined in the Oil and
10 Gas Statute?

11 A. In my opinion it would, yes.

12 MR. WATSON: Mr. Rogers, I ask that you receive into the record of this hearing
13 Exhibits 1 through 7 to the testimony of Mr. Hanby.

14 MR. ROGERS: The exhibits are admitted. We will also label the other exhibit as
15 Exhibit 4A, that production exhibit.

16 (Whereupon, the exhibits were received in evidence)

17 MR. WATSON: I tender the witness for any questions you have.

18 MR. ROGERS: Any questions from the staff? The staff has no questions. I believe that
19 first exhibit, the plat, needs to be signed.

20 MR. WATSON: We'll sign that.

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

22 MR. WATSON: That's all.

23 MR. ROGERS: We will review the evidence and make a recommendation to the Board.
24 Thank you. The hearing is adjourned.

25 (Whereupon, the hearing was adjourned at 10:54 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 Tuesday, December 8, 2009, 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 32 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