


August 31, 2010

INDEX

	DIRECT RE-DIRECT	CROSS/ RE-CROSS	EXAM. BY BOARD/STAFF
1. Bob Wood	17-20	---	20, 22
2. Tony Stuart	24-27	---	---
3. R. G. Sanders	27-29	---	---

  
10/28/2010

Maurin Ryan  
10/28/10

## EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Board Exhibit	Proofs of Publication Docket No. 8-31-10-02 Docket No. 8-31-10-03 Docket No. 8-31-10-04 Docket No. 8-31-10-05 Docket No. 8-31-10-06 Docket No. 8-31-10-07 Docket No. 8-31-10-08 Docket No. 8-31-10-09 Docket No. 7-20-10-07	12	13
Board Exhibit	Postings and confirmation of August 31 & September 2, 2010, Board meetings on Website of Secretary of State	12	13
Board Exhibit	Hearing Officer Order	13	13
Exhibit A (Item 5)	Affidavit of testimony (Cory J. Ezelle)	15	15
Exhibit 1 (Item 5)	Structure map, top of Smackover, Little Cedar Creek Field (Cory J. Ezelle)	15	15
Exhibit 2 (Item 5)	Type log, Craft-Ralls 33-7, Little Cedar Creek Field (Cory J. Ezelle)	15	15
Exhibit 3 (Item 5)	Type log, Craft-Ralls 33-15, Little Cedar Creek Field (Cory J. Ezelle)	15	15

## EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 4 (Item 5)	Cross section A-A', Little Cedar Creek Field (Cory J. Ezelle)	15	15
Exhibit 5 (Item 5)	Form OGB-9, Craft-Ralls 33-7 #1, Craft-Ralls 33-15 #1, Little Cedar Creek Field (Cory J. Ezelle)	15	15
Exhibit 1 (Items 8 & 9)	Area map of coalbed methane developments (Robert Wood)	20	20
Exhibit 2 (Items 8 & 9)	Structure trend map, top of Pratt, Blue Creek expansion (Robert Wood)	20	20
Exhibit 3 (Items 8 & 9)	Total coal thickness, Pratt through Black Creek, Blue Creek expansion (Robert Wood)	20	20
Exhibit 4 (Items 8 & 9)	Cross section A-A', Blue Creek expansion (Robert Wood)	20	20
Exhibit 5 (Items 8 & 9)	Affidavit of notice (William T. Watson)	16	16

## EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 1 (Item 15)	Location map, Black Stone 15-14, S/2 of SW/4 Sec. 15, T3N, R5E, N/2 of NW/4 Sec. 22, T3N, R5E, Escambia County (Tony Stuart)	26	26
Exhibit 2 (Item 15)	Well location map, Black Stone 15-14, S/2 of SW/4 Sec. 15, T3N, R5E, N/2 of NW/4 Sec. 22, T3N, R5E, Escambia County (Tony Stuart)	26	26
Exhibit 3 (Item 15)	Cross section A-A', S/2 of SW/4 Sec. 15, T3N, R5E, N/2 of NW/4 Sec. 22, T3N, R5E, Escambia County (Tony Stuart)	26	26
Exhibit 4 (Item 15)	Seismic structure map, S/2 of SW/4 Sec. 15, T3N, R5E, N/2 of NW/4 Sec. 22, T3N, R5E, Escambia County (Tony Stuart)	26	26
Exhibit 5 (Item 15)	Seismic line, S/2 of SW/4 Sec. 15, T3N, R5E, N/2 of NW/4 Sec. 22, T3N, R5E, Escambia County (Tony Stuart)	26	26
Exhibit 6 (Item 15)	Affidavit of notice (John Foster Tyra)	26	26

## EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 1 (Item 16)	8/20/2010 letter to Board (John K. Haddock)	28	29
Exhibit 2 (Item 16)	7/8/2010 letter to Edna T. Martin (R.G. Sanders)	28	29
Exhibit 3 (Item 16)	6/11/2010 letter to M.E. Tubbs (R.G. Sanders)	28	29
Exhibit 4 (Item 16)	Map showing the location of tin horns and surface equipment, Moundville Coal Degas. Field (R.G. Sanders)	28	29

August 31, 2010

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

August 31, 2010

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 31<sup>st</sup> day of August, 2010.

BEFORE

Mr. Marvin Rogers..... Attorney

STAFF

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

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

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

Mr. Kirk McQuillan ..... Geologist

Mr. Butch Gregory ..... Engineer

Mr. Randy Oglesby ..... Geologist

Mr. Bob Roark ..... Geologist

APPEARANCES

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30

NAME	REPRESENTING
1. Tom Watson Tuscaloosa, AL	Walter Black Warrior Basin LLC
2. R.G. Sanders Tuscaloosa, AL	Holland Operating Co., Inc.
3. Tony Stuart Hattiesburg, MS	Venture Oil & Gas, Inc.
4. John Tyra Tuscaloosa, AL	Venture Oil & Gas, Inc.
5. Charles M. Coleman Tuscaloosa, AL	Sklar Exploration Co., LLC
6. Bob Wood Tuscaloosa, AL	Walter Black Warrior Basin LLC
7. Mark Scogin Tuscaloosa, AL	Columbia Petroleum, LLC
8. Tony Hubbard Tuscaloosa, AL	Lewis, Smyth, Winters
9. James Todd Tuscaloosa, AL	Hawkeye Oil & Gas

(The hearing was convened at 10:05 a.m. on  
Tuesday, August 31, 2010, at Tuscaloosa, Alabama.)

MR. ROGERS: This hearing is in session. Dr. Tew, have the items for the August 31 and  
September 2, 2010, meeting been properly noticed?

DR. TEW: The items for the August 31 and September 2, 2010, docket 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  
AUGUST 31 & SEPTEMBER 2, 2010

The State Oil and Gas Board of Alabama will hold its regular hearing at  
10:00 a.m. on Tuesday, August 31, 2010, and Thursday, September 2,  
2010 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 petition:

1. 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.

2. DOCKET NO. 2-9-10-01A

Continued amended petition by COLUMBIA PETROLEUM, LLC, a  
Mississippi limited liability company, authorized to do and doing business in  
the State of Alabama, requesting the State Oil and Gas Board of Alabama to



1 enter an order force pooling, with the imposition of a risk compensation fee,  
2 all tracts and interests in hydrocarbons produced from the Smackover  
3 Formation in a well to be drilled on a proposed 160-acre drilling unit  
4 consisting of the South Half of the Southeast Quarter of Section 23, and the  
5 North Half of the Northeast Quarter of Section 26, all in Township 4 North,  
6 Range 12 East, Conecuh County, Alabama, as a productive extension of the  
7 Little Cedar Creek Field.  
8

9 This petition is filed as a companion petition to the petition bearing Docket  
10 No. 2-9-10-02 requesting the approval of a 160-acre drilling unit as a  
11 productive extension of the Little Cedar Creek Field.  
12

13 3. DOCKET NO. 2-9-10-02A

14 Continued amended petition by COLUMBIA PETROLEUM, LLC, a  
15 Mississippi limited liability company, authorized to do and doing business in  
16 the State of Alabama, requesting the State Oil and Gas Board of Alabama to  
17 enter an order approving a 160-acre drilling unit for the proposed Sanders  
18 23-16 Well consisting of the South Half of the Southeast Quarter of Section  
19 23, and the North Half of the Northeast Quarter of Section 26, all in  
20 Township 4 North, Range 12 East, Conecuh County, Alabama, as a  
21 productive extension of the Little Cedar Creek Field, in accordance with  
22 Rule 3(a) of the Special Field Rules for said field.  
23

24 This petition is filed as a companion petition to the petition bearing Docket  
25 No. 2-9-10-01 requesting the force pooling, with the imposition of a risk  
26 compensation fee, of all tracts and interests in hydrocarbons produced  
27 from the Smackover Formation in the proposed Sanders 23-16 Well.  
28

29 4. DOCKET NO. 2-9-10-20

30 Continued petition by ENERGEN RESOURCES CORPORATION, an  
31 Alabama corporation, requesting the State Oil and Gas Board to enter an  
32 order extending the temporarily abandoned status of the Williams 29-12-101  
33 Well, Permit No. 14313, located on a 40-acre wildcat drilling unit consisting  
34 of the Northwest Quarter of the Southwest Quarter of Section 29, Township  
35 14 South, Range 3 East, St. Clair County, Alabama, in accordance with Rule  
36 400-1-4-.17 (1) of the *State Oil and Gas Board of Alabama Administrative*  
37 *Code*.  
38

39 Said well was previously granted temporarily abandoned status and  
40 Petitioner requests that the Board grant a one year extension of said status  
41 because said well has future utility and should not be plugged.

1 5. DOCKET NO. 3-23-10-13

2 Continued petition by SKLAR EXPLORATION COMPANY, LLC, a  
3 Louisiana limited liability company authorized to do and doing business in  
4 the State of Alabama, requesting the State Oil and Gas Board of Alabama  
5 to enter an order amending Rule 1 of the Special Field Rules for the Little  
6 Cedar Creek Field to add the following described parcels to the field limits  
7 of said field: the Northeast Quarter and the Southeast Quarter of Section  
8 33, Township 5 North, Range 13 East, Conecuh County, Alabama. This  
9 petition is filed pursuant to Ala. Code Sections 9-17-1, *et seq.* and Rules  
10 400-1, *et seq.* of the *State Oil and Gas Board of Alabama Administrative*  
11 *Code.*  
12

13 6. DOCKET NO. 7-20-10-03

14 Continued petition by FAIRWAYS EXPLORATION & PRODUCTION,  
15 LLC, a Delaware limited liability company, authorized to do and doing  
16 business in the State of Alabama, requesting the State Oil & Gas Board of  
17 Alabama to enter an order force pooling without risk compensation, all  
18 tracts and interests in hydrocarbons produced in a 160 acre drilling unit for  
19 the proposed Morgan 13-5 #1 Well, a wildcat well, having a unit  
20 consisting of all of the Northwest Quarter, Section 13, Township 5 North,  
21 Range 13 East, Conecuh County, Alabama. This petition is in accordance  
22 with Section 9-17-13, *ALABAMA CODE* (1975), as amended, and Rules  
23 400-7-1 and 400-7-2 of the *State Oil and Gas Board of Alabama*  
24 *Administrative Code.*  
25

26 7. DOCKET NO. 8-31-10-01

27 Petition by DURANGO OPERATING, LLC, a Mississippi limited liability  
28 company, authorized to do and doing business in the State of Alabama,  
29 requesting the State Oil and Gas Board to enter an order approving an  
30 exception to Rule 400-4-2-.01(2) of the *State Oil and Gas Board*  
31 *Administrative Code* in order to convert the R. E. Loper et al 12-11 #1  
32 well, Permit #2885, located in Section 12, Township 1 North, Range 8  
33 East, Escambia County, Alabama, in the Pollard Field, from a temporarily  
34 abandoned producing well into a Class II salt water injection well for the  
35 disposal of produced water in the Pollard Field. Rule 400-4-2-.01(2)  
36 prohibits the injection of water into a formation that may damage oil, gas  
37 or other minerals, and petitioner proposes to dispose of produced water in  
38 the Eutaw Formation which has been pressure depleted and is incapable of  
39 producing hydrocarbons in commercial quantities.

1 8. DOCKET NO. 8-31-10-02

2 Petition by WALTER BLACK WARRIOR BASIN LLC, a foreign limited  
3 liability company, authorized to do and doing business in the State of  
4 Alabama, requesting the State Oil and Gas Board to enter an order dissolving  
5 the Wolf Creek Coal Degasification Field, Tuscaloosa County, Alabama.  
6 Said Field consists of that area underlain by the Pottsville Coal Interval  
7 described as Sections 25, 26, 35 and 36, all in Township 18 South, Range 11  
8 West, Tuscaloosa County, Alabama, and was established by Board Order  
9 No. 90-50 issued on March 2, 1990, upon petition by GLG Energy, L.P.

10  
11 9. DOCKET NO. 8-31-10-03

12 Petition by WALTER BLACK WARRIOR BASIN LLC, a foreign limited  
13 liability company, authorized to do and doing business in the State of  
14 Alabama, requesting the State Oil and Gas Board to enter an order  
15 amending Rule 2 of the Special Field Rules for Blue Creek Coal  
16 Degasification Field, Tuscaloosa and Fayette Counties, Alabama, to add  
17 Sections 1 through 36, Township 18 South, Range 11 West; Sections 1  
18 through 18, Township 19 South, Range 11 West; Sections 7 through 10  
19 and Sections 15 through 18, Township 19 South, Range 10 West,  
20 Tuscaloosa County, Alabama, to the Field limits of said Field.

21  
22 10. DOCKET NO. 8-31-10-04

23 Petition by GEOMET, INC., a Delaware corporation, authorized to do and  
24 doing business in the State of Alabama, requesting the State Oil and Gas  
25 Board to enter an order approving an exception to Rule 400-4-2-.01(2) of  
26 the *State Oil and Gas Board of Alabama Administrative Code* in order to  
27 convert the Wittmeier 30-03-02 Well, Permit No. 15436, located on a 40-  
28 acre wildcat unit consisting of the Northeast Quarter of the Northwest  
29 Quarter of Section 30, Township 12 South, Range 1 East, Blount County,  
30 Alabama, from a producing well to a Class II water injection well for the  
31 disposal of produced water from the Chattanooga Shale from the  
32 Wittmeier 19-15-01 Well, Permit No. 15386, Fallin 30-07-03 Well, Permit  
33 No. 15609-BH, and Brittan 20-06-06 Well, Permit No. 15735-BH, back  
34 into the Chattanooga Shale. Said Rule 400-4-2-.01(2) prohibits the  
35 injection of water into a formation that may damage oil, gas or other  
36 minerals, and Petitioner alleges that the proposal to dispose of produced  
37 water back into the same formation from which it was produced, namely  
38 the Chattanooga Shale, will not damage the occluded hydrocarbons in said  
39 Chattanooga Shale. Petitioner is requesting said exception to Rule 400-4-  
40 2-.01(2) in order to conduct a 2-year study to determine if it is feasible to

1 produce shale gas from the Chattanooga Shale from the aforementioned  
2 wells in Blount County, Alabama.  
3

4 11. DOCKET NO. 8-31-10-05

5 Petition by EXXON MOBIL CORPORATION, a foreign corporation  
6 authorized to do and doing business in the State of Alabama, requesting the  
7 State Oil and Gas Board to enter an order approving the revised allocation  
8 and metering procedures as a result of Board Order 2009-54, dated July 24,  
9 2009, that approved plans for consolidation of the Mary Ann Plant and the  
10 823 Plant with Petitioner's Onshore Treating Facility for production from its  
11 offshore wells located in the following Fields and Units: Bon Secour Bay  
12 Unit, Bon Secour Bay Field-Lower Mobile Bay Area, Baldwin and Mobile  
13 Counties, Alabama; Northwest Gulf Unit, Northwest Gulf Field-Mobile  
14 Area, Mobile County, Alabama; North Central Gulf (Norphlet) Field Unit  
15 and Tract 114 (Norphlet) Unit, North Central Gulf Field-Mobile Area,  
16 Mobile and Baldwin Counties, Alabama; Lower Mobile Bay-Mary Ann  
17 Field (Norphlet) Unit, Lower Mobile Bay-Mary Ann Field, Baldwin and  
18 Mobile Counties, Alabama; Aloe Bay (Norphlet) Field Unit, Aloe Bay Field,  
19 Mobile County, Alabama; South Pelican Island Field, Mobile County,  
20 Alabama; and the 823 and 869 OCS Units, all in accordance with the *State  
21 Oil and Gas Board of Alabama Administrative Code* and Section 9-17-1 *et  
22 seq. of the Code of Alabama* (1975).  
23

24 12. DOCKET NO. 8-31-10-06

25 Petition by FAIRWAYS EXPLORATION & PRODUCTION, LLC, a  
26 Delaware limited liability company, authorized to do and doing business  
27 in the State of Alabama, requesting the State Oil & Gas Board of Alabama  
28 to enter an order force pooling without risk compensation, all tracts and  
29 interests in hydrocarbons produced in a 160 acre drilling unit for the  
30 proposed Morgan 13-5 #1 Well, a wildcat well, having a unit consisting of  
31 all of the Northwest Quarter, Section 13, Township 5 North, Range 13  
32 East, Conecuh County, Alabama. This petition is in accordance with  
33 Section 9-17-13, *ALABAMA CODE* (1975), as amended, and Rules 400-7-1  
34 and 400-7-2 of the *State Oil and Gas Board of Alabama Administrative  
35 Code*.  
36

37 13. DOCKET NO. 8-31-10-07

38 Petition by VENTURE OIL & GAS, INC., a foreign corporation  
39 authorized to do and doing business in the State of Alabama, requesting  
40 the State Oil and Gas Board of Alabama to enter an Order (i) establishing  
41 a new oil field in Escambia County, Alabama, to be named the South

1 Huxford Field, or such other name as the Board deems proper, and to  
 2 adopt Special Field Rules therefore, (ii) establishing spacing for the  
 3 proposed field, (iii) establishing allowables for the proposed field and (iv)  
 4 approving production units for two wells in the proposed field.. The  
 5 proposed field, as underlain by the Smackover Oil Pool, is to consist of the  
 6 South Half of the Southeast Quarter of Section 35, Township 3 North,  
 7 Range 6 East, the North Half of the Northeast Quarter and the Northwest  
 8 Quarter of Section 2, Township 2 North, Range 6 East and the South Half  
 9 of the Northeast Quarter and the North Half of the Southeast Quarter of  
 10 Section 3, Township 2 North, Range 6 East, Escambia County, Alabama.

11  
 12 The Smackover Oil Pool for the proposed field is to be defined as those  
 13 strata productive of hydrocarbons between the interval of 15,090 feet  
 14 (MD) and 15,387 feet (MD) as indicated on the Ray Induction Log for the  
 15 Fountain Farm 2-2 No. 1 Well, Permit No. 16186, and all zones in  
 16 communication therewith and all productive extensions thereof.

17  
 18 Petitioner requests well spacing of 160 acres and also requests the  
 19 establishment of allowables of 500 barrels of oil per day for said field.  
 20 Additionally, Petitioner requests that the drilling unit for the Fountain  
 21 Farm 2-2 No. 1 Well, Permit No. 16186, consisting of the South Half of  
 22 the Southeast Quarter of Section 35, Township 3 North, Range 6 East and  
 23 the North Half of the Northeast Quarter of Section 2, Township 2 North,  
 24 Range 6 East and the drilling unit for the Fountain Farm 2-4 No. 1 Well,  
 25 Permit No. 16050, consisting of the Northwest Quarter of Section 2,  
 26 Township 2 North, Range 6 East be approved as the production units for  
 27 the respective Wells.

28  
 29 14. DOCKET NO. 8-31-10-08

30 Petition by AMERICAN MIDSTREAM (MISSISSIPPI), LLC., a  
 31 Delaware Limited Liability Company, qualified to do and doing business  
 32 in the State of Alabama, requesting the State Oil and Gas Board of  
 33 Alabama, pursuant to Rule 400-1-7-01 of the *State Oil and Gas Board of*  
 34 *Alabama Administrative Code*, to approve a modification to its  
 35 construction and operation plan for its Atmore Gas Treatment Plant  
 36 located in the Northwest Quarter of Section 2, Township 2 North, Range  
 37 16 East, Escambia County, Alabama. Because of the high hydrogen  
 38 sulfide content of gas in wells in the vicinity of its Atmore Gas Treatment  
 39 Plant, it may be necessary for the Petitioner to add a process for the  
 40 treatment of that gas prior to the gas entering its Plant and it may be  
 41 necessary to add an additional process on the outlet side of the Plant to

further clean the gas prior to its leaving the Plant. The current construction and operation plan for the Atmore Gas Treatment Plant was approved by the Board on March 25, 2010, pursuant to Order No. 2010-34.

15. DOCKET NO. 8-31-10-09

Petition by VENTURE OIL & GAS, INC., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama to enter an order approving a 160-acre drilling unit for the proposed Black Stone 15-14 No. 1 Well to consist of the South Half of the Southwest Quarter of Section 15, Township 3 North, Range 5 East and the North Half of the Northwest Quarter of Section 22, Township 3 North, Range 5 East, Escambia County, Alabama to be drilled as a wildcat well. The proposed drilling unit is an exception to Rule 400-1-2-.02(2)(b) of the *State Oil and Gas Board of Alabama Administrative Code*, which requires that wells be located on units consisting of a governmental quarter section containing approximately 160 contiguous acres.

16. 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, T23N, R5E
14812-C	Stephenson 10-4	Sec. 10, T23N, R5E
14813-C	Tubbs 9-8-1	Sec. 9, T23N, R5E
14814-C	Tubbs 9-1 No. 2	Sec. 9, T23N, R5E
14887-C	Tubbs 9-1 No. 3	Sec. 9, T23N, R5E

1 The Board may, as a part of this Motion, order that surety holding surety  
2 bonds on these wells pay the proceeds of the well bonds to the Board so  
3 that the Board's staff may plug and abandon the wells and restore the well  
4 sites and dismantle, remove and restore all associated sites.  
5

6 Further, as a part of this Motion, the Board may order that a portion of the  
7 monies in the Alabama Coalbed Methane Gas Plugging Fund be collected  
8 by the Board pursuant to Section 9-17-133 et. seq. of the *Code of Alabama*  
9 (1975).  
10

11 Failure of the operator to comply with the Board's rules, regulations, and  
12 orders may result in the Board issuing fines or taking other sanctions  
13 against operator, Holland Operating Company, Inc.  
14

15 17. DOCKET NO. 3-23-10-21A

16 Continued amended MOTION BY THE STATE OIL AND GAS BOARD  
17 OF ALABAMA to amend Rule 400-1-2-.05, Rule 400-2-2-.05 and Rule  
18 400-3-2-.05 of the *State Oil and Gas Board of Alabama Administrative*  
19 *Code* relating to change of operator to provide that within 60 days of the  
20 effective date of any agreement causing a change of operator, the new  
21 operator must submit the Application for Change of Operator. Further,  
22 under the proposed rule, the new operator shall attest that it has ownership  
23 or control of one hundred percent (100%) of the rights to drill and produce  
24 in the unit. Further, under the proposed rule, the Board may delay the  
25 time period for filing the application for an additional period of time. The  
26 State Oil and Gas Board of Alabama was established pursuant to Alabama  
27 Oil and Gas Conservation Laws as set forth in the Section 9-17-1 et seq. of  
28 the *Code of Alabama* (1975).  
29

30 18. DOCKET NO. 7-20-10-07

31 Continued MOTION BY THE STATE OIL AND GAS BOARD OF  
32 ALABAMA requesting Operator, S. Lavon Evans, Jr. Operating Co., Inc.,  
33 to show cause why the following wells located in Tuscaloosa, Lamar,  
34 Pickens, and Jefferson Counties, Alabama, and described hereinbelow  
35 should not be ordered plugged and abandoned in accordance with Rule  
36 400-1-4-.14 of the *State Oil and Gas Board of Alabama Administrative*  
37 *Code* relating to Plugging and Abandonment of Wells and the well sites  
38 and associated tank battery sites restored in accordance with Rule 400-1-4-  
39 .16 of the *State Oil and Gas Board of Alabama Administrative Code*  
40 relating to Restoration of Location.

The Board may consider, as a part of this Motion, that the proceeds from the surety bond be utilized to plug and abandon wells and restore well sites.

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, S. Lavon Evans, Jr. Operating Co., Inc.

County Line Field

<u>Permit No</u>	<u>Well Name</u>	<u>Location</u>	<u>County</u>
11797	Holliman 36-10 #1	S36, T17S, R14W	Lamar
11865	Williamson 1-1 #1	S1, T18S, R14W	Pickens

Asbury Church Field

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>County</u>
12974	Weyerhaeuser 33-15 #1	S33, T16S, R16W	Lamar
12975	Weyerhaeuser 4-1 #1	S4, T17S, R16W	Lamar
13260	Weyerhaeuser 3-7 #1	S3, T17S, R16W	Lamar

SE Watson Creek Field

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>County</u>
12548	Collins 12-11 #1	S12, T15S, R15W	Lamar
12919	Gearn 14-1 #1	S14, T15S, R15W	Lamar

Wiley Dome Field

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>County</u>
9986-A	Holman 34-10 #1	S34, T17S, R9W	Tuscaloosa
13041	Holman 35-6 #1	S35, T17S, R9W	Tuscaloosa
13042	Shepherd 35-16 #1	S35, T17S, R9W	Tuscaloosa
13310-BH	Holman 34-10 #2	S34, T17S, R9W	Tuscaloosa
13311	Alawest 34-13 #1	S34, T17S, R9W	Tuscaloosa
13905	Earnest 26-14 #1	S26, T17S, R9W	Tuscaloosa



Wildcat Wells

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>County</u>
13133	Earnest 26-15 #1	S26, T17S, R9W	Tuscaloosa
13307	Christian 3-8 #1	S3, T18S, R9W	Tuscaloosa
13384	Champion	S35, T17S, R9W	Tuscaloosa
	International 35-13 #1		
13387	Alawest 2-3 #1	S2, T18S, R9W	Tuscaloosa
13388	Bane 36-14 #1	S36, T17S, R9W	Tuscaloosa
13680	Bolton 1-4 #1A	S1, T18S, R9W	Tuscaloosa
13710	Champion	S3, T18S, R9W	Tuscaloosa
	International 3-10 #1		
13711	Alawest 1-12 #2	S1, T18S, R9W	Tuscaloosa
13640	Gartman 2-4 #1	S2, T17S, R16W	Lamar
13389	U.S. Steel	S21, T19S, R5W	Jefferson
	Corporation 21-13 #1		

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

MR. ROGERS: The Hearings Reporter has received and compiled the proofs of publication for the items appearing on the docket for the first time. These proofs of publication for the items on the August 31 and September 2, 2010, docket are admitted into the record. Furthermore, copies of the information posted on the website of the Secretary of State announcing these two meetings of the State Oil and Gas Board on August 31 and September 2, 2010, and a confirmation of successful postings from the Secretary of State are also admitted into the record.

(Whereupon, proofs of publication and  
Secretary of State postings and confirmations  
were received in evidence)

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

(Whereupon, the Order was received in evidence)

MR. ROGERS: The procedure for this meeting is as follows: The Hearing Officer and  
the staff will hear the uncontested items on the docket today and certain other items. The State  
Oil and Gas Board will hear the recommendations of the Hearing Officer, contested items, and  
certain other items beginning at 10:00 a.m. on Thursday, September 2, 2010, at the office of the  
State Oil and Gas Board in Tuscaloosa, Alabama. I will recommend that the following petitions  
be continued: Item 2, Docket No. 2-9-10-01A, petition by Columbia Petroleum, LLC.; Item 3,  
Docket No. 2-9-10-02A, petition by Columbia Petroleum, LLC.; Item 7, Docket No. 8-31-10-01,  
petition by Durango Operating, LLC; Item 12, Docket No. 8-31-10-06, petition by Fairways  
Exploration and Production, L.L.C.; Item 13, Docket No. 8-31-10-07, petition by Venture Oil &  
Gas, Inc.; Item 14, Docket No. 8-31-10-08, petition by American Midstream (Mississippi), LLC  
and Item 17, Docket No. 3-23-10-21A, Motion by the Board. I will recommend that the  
following petition be continued with the stipulation that the temporarily abandoned status be  
extended to the October 26 and 28, 2010, Board meeting: That is Item 1, Docket No. 3-24-09-  
03, petition by Durango Operating, LLC. I will recommend that the following petitions be  
dismissed without prejudice: Item 4, Docket No. 2-9-10-20, petition by Energen Resources  
Corporation and Item 6, Docket No. 7-20-10-03B, petition by Fairways Exploration and  
Production, L.L.C. The following items are set for hearing by the Board at the hearing on  
Thursday: Item 10, Docket No. 8-31-10-04A, petition by Geomet, Inc.; Item 11, Docket No. 8-  
31-10-05, petition by Exxon Mobil Corporation and Item 18, Docket No. 7-20-10-07, Motion by  
the Board requesting operator S. Lavon Evans, Jr. Operating Company, Inc. to show cause why  
certain wells should not be ordered plugged. That brings us to the first item, Item 5, Docket No.

August 31, 2010

1 3-23-10-13, petition by Sklar Exploration Company, LLC. I want to make one comment and we  
2 are going to have more to say about his departure, Jay's departure, on Thursday. As we were  
3 reading through this, Jay, I was just thinking that when we created this whole Hearing Officer  
4 concept you and I especially went through all of this and worked out these details on how we  
5 could do it. So much of what we do up here Jay had a big hand in. This is just one of the many  
6 things I wanted to mention, what a professional job he has always done. Thank you, Jay. Item  
7 5, Docket No. 3-23-10-13, petition by Sklar Exploration Company, LLC.

8 MR. COLEMAN: Mr. Rogers, I'm Mike Coleman for Sklar Exploration Company,  
9 LLC. This is a continued petition by my client, a Louisiana limited liability company authorized  
10 to do and doing business in the State of Alabama, requesting that the State Oil and Gas Board of  
11 Alabama enter an order amending Rule 1 of the Special Field Rules for the Little Cedar Creek  
12 Field to add the following described parcels to the field limits of said field. That would be the  
13 Northeast Quarter and the Southeast Quarter of Section 33, Township 5 North, Range 13 East in  
14 Conecuh County, Alabama. This petition was filed pursuant to *Alabama Code* Sections 9-17-1  
15 *et seq.* and Rules 400-1 *et seq.* of the *State Oil and Gas Board of Alabama Administrative Code*.  
16 Just as a matter of procedure, Mr. Rogers, it is my understanding that through error and/or  
17 oversight the notices did not go out to the other operators in the field which would be Midroc  
18 Operating Company and Columbia Petroleum LLC. The attorneys for both of those companies  
19 are here today, Mr. Watson and Mr. Scogin, who I have had discussions with. It is my  
20 understanding that they have graciously agreed to waive the notice requirement, if you would  
21 care for them to address that.

22 MR. ROGERS: If they would address the Hearing Officer and the staff. Your statement  
23 is, Mr. Coleman, you have reviewed the records and the well files. The two other operators in  
24 the Little Cedar Creek Field are Columbia and Midroc.

25 MR. COLEMAN: I have not reviewed it for this particular matter but I have in the past.  
26 That is my understanding of the two operators. I have handled another matter for Sklar.

27 MR. ROGERS: I believe that is accurate. Mr. Scogin.

August 31, 2010

1 MR. SCOGIN: Mr. Rogers, Mark Scogin representing Columbia Petroleum. I have been  
2 in contact with Columbia about this matter and they waive any of the notice requirements and  
3 consent to the petition.

4 MR. ROGERS: All right. Mr. Watson, you represent Midroc?

5 MR. WATSON: Midroc has actual notice of this item and has no objection to it being  
6 heard.

7 MR. ROGERS: Thank you.

8 MR. COLEMAN: Thank you very much. Mr. Rogers, this matter has been submitted by  
9 petition and also by the original affidavit of Cory J. Ezelle who is the Vice-President and  
10 Exploration Manager for Sklar. That affidavit, I would ask that it be made a part of the record.  
11 Additionally, I have the original exhibits which have been signed by Mr. Ezelle in support of the  
12 petition which I would also like to be made a part of the record.

13 MR. ROGERS: Okay. We have the original affidavit of Mr. Ezelle and that is admitted  
14 into the record. These exhibits are in essence attachments to the affidavit and are referred to in  
15 the affidavit I believe. Those exhibits are admitted.

16 (Whereupon, the affidavit and exhibits were  
17 received in evidence)

18 MR. COLEMAN: We would just submit this petition with the affidavit and the exhibits  
19 to the Board.

20 MR. ROGERS: Just state briefly, Mr. Coleman, what is the request here, what is the  
21 petition. I understand it is to amend the field rules to add certain lands. Is that right?

22 MR. COLEMAN: That's correct, to add the Northeast Quarter and the Southeast Quarter  
23 of Section 33. There are currently wells in each of those two quarter sections that have been  
24 permitted by the Oil and Gas Board. It is the opinion of Mr. Ezelle that the field limits should be  
25 expanded to incorporate these two 160-acre drilling units.

26 MR. ROGERS: Any questions from the staff? The staff has no questions. Anything  
27 else, Mr. Coleman?

28 MR. COLEMAN: No sir.

August 31, 2010

1 MR. ROGERS: We will review the evidence and make a recommendation n to the  
2 Board. The next item is Item 8, Docket No. 8-31-10-02A, petition by Walter Black Warrior  
3 Basin, LLC.

4 MR. WATSON: Mr. Rogers, can we consolidate Items 8 and 9 for the purpose of taking  
5 testimony, please?

6 MR. ROGERS: That request is granted. Items 8 and 9 are consolidated for hearing  
7 purposes.

8 MR. WATSON: Mr. Rogers, I have prefiled an affidavit of notice for the item to expand  
9 the Blue Creek Field. The item that we will discuss to dissolve the Wolf Creek Field was by  
10 publication. I ask that the affidavit of notice be admitted into the record.

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

12 (Whereupon, the affidavit was received in evidence)

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

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

15 MR. WOOD: Robert Wood, Tuscaloosa, Alabama.

16 (Witness was sworn by Mr. Rogers)

17 MR. WATSON: Mr. Rogers, in Docket No. 8-31-10-02A, an amended petition, we are  
18 asking the Board to enter an order dissolving the Wolf Creek Coal Degasification Field that was  
19 established by Board Order 90-50 on March 2, 1990. All the wells of which there were five in  
20 the Wolf Creek Field have been plugged and abandoned. There is no further development  
21 planned for Wolf Creek. In our second petition that has been consolidated for hearing purposes  
22 here today Warrior [sic] Black Warrior Basin LLC is proposing to add to the Blue Creek Field  
23 the original area of Wolf Creek and additional areas. We are prepared to develop those areas as  
24 a part of the Blue Creek Coal Degasification, so in the consolidated petitions we are asking to  
25 dissolve Wolf Creek and to amend Blue Creek to add additional areas. Mr. Wood, you have  
26 appeared before this Board on numerous occasions and have on file an affidavit of your  
27 qualifications as a petroleum geologist. Is that correct?

28 MR. WOOD: That is correct.

August 31, 2010

1 MR. WATSON: Have you prepared exhibits in support of the petition to dissolve and the  
2 petition to amend the Blue Creek Coal Degasification Field, to dissolve Wolf Creek and to  
3 expand Blue Creek?

4 MR. WOOD: Yes I have.

5 MR. WATSON: I tender him as an expert petroleum geologist for giving testimony in  
6 this item, Mr. Rogers.

7 MR. ROGERS: He is so recognized.

8 ROBERT WOOD

9 Appearing as a witness on behalf of Petitioner, Walter Black Warrior Basin LLC,  
10 testified as follows:

11 DIRECT EXAMINATION

12 Questions by Mr. Watson:

13 Q. We have handed up to you a booklet of exhibits prepared by Mr. Wood. Mr. Wood, if  
14 you would, please, turn to your Exhibit No. 1 and tell Mr. Rogers and the staff what is  
15 shown there, please, sir.

16 A. Exhibit No. 1 is an area map showing a portion of north Tuscaloosa County, southwest  
17 Fayette County and southeast Walker County. The county lines are shown highlighted  
18 with the blue dashed line. This map covers considerable areas. These fields are quite  
19 large. This shows township and ranges and the townships are each labeled. It also shows  
20 highlighted in blue the area of the Blue Creek Field as it exists today. Today we are  
21 proposing to expand that field by adding the area that is shown highlighted in yellow.  
22 When we expand that, that will encompass an area that was formally designated as the  
23 Wolf Creek Coal Degasification Field, all the wells that have been drilled and plugged  
24 and abandoned in that field, a very small field. Since they are plugged and since it would  
25 facilitate operations by an operator operating coalbed methane wells across this area, we  
26 have asked today for the Board to dissolve the Wolf Creek Field and encompass into the  
27 Blue Creek Field the area shown highlighted in yellow. I also show on this exhibit the  
28 other coalbed degasification fields that are in the area. They are in different colors of

August 31, 2010

1 gray. I would also point out there are some conventional gas fields in the area of 18  
2 South, 11 West and 18 South, 12 West. Those are not shown on this exhibit. I do show  
3 the location of a cross section which is the last exhibit that we are going to discuss today.

4 Q. For the record, Mr. Rogers, what we are asking to dissolve that was originally in the Wolf  
5 Creek Coal Degasification Field would be all of Sections 25, 26, 35 and 36, Township 18  
6 South, Range 11 West in Tuscaloosa County. Then we are proposing in our amendment  
7 to Rule 2 of the Blue Creek Coal Degasification Field to add Sections 1 through 36 of  
8 Township 18 South, Range 11 West; Sections 1 through 18 of Township 19 South, Range  
9 11 West; Sections 7 through 10 and Sections 15 through 18 of Township 19 South, Range  
10 10 West, all in Tuscaloosa County, Alabama, as underlain by the Pottsville Formation.  
11 Mr. Wood, turn to your second exhibit and tell us what is shown on that exhibit.

12 A. Exhibit No. 2 is a structure trend map based on the top of the Pratt seam. The Pratt seam  
13 is the uppermost seam in the Pratt group. It is one of the shallower horizons that are  
14 being developed in this area. There was more control for the Pratt. Since there are  
15 literally hundreds of wells on this map and it would be exhaustive with posting all of the  
16 control, I have only posted a portion of that. What I am depicting here as this covers a  
17 very broad area is a structure trend map. We really consider the faults here dashed as  
18 being fault trends as opposed to actual fault cuts on many of these. The datum for  
19 contouring the map is shown highlighted in gold. The contour interval is 50 feet.  
20 Generally this area is most of the Blue Creek area. This portion of the Warrior Basin has  
21 southwest dip which is interrupted periodically by down-to-the northeast faulting. We  
22 are on the west flank of Wiley Dome. This shows that the stratum is contiguous and very  
23 similar in the Blue Creek Field. The area shown highlighted in yellow which we are  
24 proposing to expand the Blue Creek Field to encompass is the same structural trend, the  
25 same geology, as other parts of the Blue Creek Field.

26 Q. So your testimony is this is all part of the same formation currently in the Blue Creek  
27 Field. Let's go to your Exhibit 3 now and talk about the thickness of this coal, please.

August 31, 2010

- 1 A. Exhibit 3 is an isopach map of the total coal thickness of the Pratt through the Black  
2 Creek seams, the Black Creek group actually. The operators in this field are developing  
3 generally the Cobb through the Black Creek. The Cobb seam is not included in this  
4 isopach. It is sporadic and there are areas where the Cobb is too shallow to complete, so  
5 it is not included in this isopach. This is the primary thickness of the three groups that  
6 are being developed. We have areas of thick coal. They extend from the northwest into  
7 the area of the expansion. There will be some areas where the coal is thinner but the  
8 operator believes that they can develop these resources based on these coal thicknesses in  
9 today's economics.
- 10 Q. Your cross section, Exhibit 4.
- 11 A. The cross section, Exhibit 4, extends from the east-northeast on the right to the west-  
12 southwest on the left. This is a stratigraphic cross section. The datum for this cross  
13 section for each of the coal groups is the seam marked in red. The uppermost seam is the  
14 Cobb that is shown in here. The Pratt group is shown underlain that followed by the  
15 Mary Lee group. The datum is the top of the Mary Lee seam for that and for the Black  
16 Creek group the top of the main Black Creek seam which is really the Jefferson that is  
17 shown here highlighted in red also. There are other coal seams that are above and below  
18 this but this shows the stratigraphy across this portion of Tuscaloosa County. The area to  
19 be expanded includes the same seams that are contiguous across the area and they are a  
20 part of the Blue Creek development.
- 21 Q. Mr. Wood, has Warrior [sic] Black Warrior drilled wells in the area that we are proposing  
22 to add?
- 23 A. Has who?
- 24 Q. Has Warrior [sic] Black Warrior drilled wells, our petitioner?
- 25 A. Yeah, Walter Energy of Black Warrior Basin. Yes they have. They have some core  
26 holes in the area. They have yet to drill any production wells because we need to expand  
27 the field for contiguous development. Expansion of the field will not only allow for ease  
28 of operations with respect to regulatory compliance and reporting and that type of thing



August 31, 2010

1 but also it will prevent inconsistencies with respect to distances off of unit lines with  
2 respect to field limits, that the fields have a different spacing for wells offset exterior  
3 boundaries of a field. This will allow orderly continuous development across this portion  
4 of the Black Warrior Basin.

5 MR. WATSON: Mr. Rogers, I would ask that you receive into the record of this hearing  
6 today Exhibits 1 through 4 to the testimony of Mr. Wood.

7 MR. ROGERS: The exhibits are admitted.

8 (Whereupon, the exhibits were received in evidence)

9 MR. ROGERS: Any questions from the staff?

10 MR. ROARK: Yes, I've got one question for Mr. Wood.

11 ROBERT WOOD

12 EXAMINATION BY BOARD/STAFF

13 Questions by Mr. Roark:

14 Q. On your Exhibit No. 3, the total coal thickness map, this particular well is not in the  
15 immediate group that are being dissolved from Wolf Creek and added to Blue Creek but  
16 if you go to the west in Section 20 of Township 18 South, 10 West, there is a well there  
17 that you are showing with 15.8 feet of thickness. It appears, according to your isopach  
18 map, that that well should be on the other side of the 15-foot contour line.

19 A. You are correct. I think I would need to add a contour. I'll be glad to mark one on the  
20 exhibit, that is the one that is signed there.

21 Q. I would just ask that you would show what you think that actually is in there and how that  
22 should be in there.

23 A. I believe in drafting a line was omitted because we are going from a thin to the east and  
24 then to a thin to the west. It would have to be two 15-foot contours so I will place one  
25 between that 15.8 and the point of control in the extreme northwest of the area to be  
26 added, the 7 foot as shown in Section 6.

27 Q. All right.

August 31, 2010

1 MR. WATSON: Mr. Wood, if the Board sees fit to approve this expansion would this  
2 prevent waste and protect correlative rights and promote orderly development in the Blue Creek  
3 Coal Degasification Field?

4 MR. WOOD: Yes it will.

5 MR. ROGERS: On that issue, Mr. Wood, maybe the easiest thing would be just to leave  
6 the record open and prepare another exhibit and submit it. Would that be all right?

7 MR. WOOD: It would be fine but I can mark it. I have already marked mine, so either  
8 way.

9 MR. ROGERS: That's fine. You can do it now or we can give you the exhibit and you  
10 can come back. We can take a brief recess or however you want to do it.

11 MR. WOOD: I can do it right now.

12 MR. ROGERS: We have some more questions when you get through with that. Take  
13 your time Mr. Wood. That's pretty quick. I have a question. Is this right, that to grant this  
14 petition will have some administrative benefit to Walter Black Warrior Basin. Is that right, Mr.  
15 Watson?

16 MR. WATSON: Yes, administrative benefit to Black Warrior--Warrior [sic] Black  
17 Warrior Basin, I'll get it right in a minute, and also to the staff in processing these applications as  
18 this field develops to the west.

19 MR. ROGERS: Could you just briefly state what the benefits are to Walter?

20 MR. WATSON: Well, if we had to maintain the Wolf Creek Field as an entity then  
21 every new well we permitted would have to stay away from that area. It would have to be Blue  
22 Creek just in the nomenclature. It would have to be correct. We would submit permits in that  
23 area in the old Wolf Creek Field. We would have to show that is a Wolf Creek well and not a  
24 Blue Creek well. They are all producing from the same formation. It is just going to cause a  
25 bureaucratic maze on our side to have to run and lend itself to errors in the permitting process  
26 that Jacques would have to go through and our people.

27 MR. ROGERS: All right. Mr. McQuillan.

August 31, 2010

ROBERT WOOD

## EXAMINATION BY BOARD/STAFF

Questions by Mr. McQuillan:

Q. Mr. Wood, besides the administrative benefit is there an operational benefit to dissolving this field as well and could you briefly describe that?

A. Yes. In my direct testimony I mentioned the fact of well spacing. The wells would have to have a further stand back away from the field limits, both interior to Wolf Creek and on the exterior side on the Blue Creek side. All of the gas lines and water lines and the facilities are common. The water that is being transported from this area, that would be the Wolf Creek Field using the Blue Creek facilities, is collected and moved to the northeast through the main part of the formerly Conoco Phillips, HighMount and now Walter Energy facilities. It would be a clerical nightmare trying to keep all of those separate. It is the same common production. It would make it very difficult to keep up with what came from which field and which area. Of course, the gas is all metered to the well but they would be sharing facilities. I believe that one reason that this area has not been developed in the past is not because of the coal or the gas content of the coal but its remote location with respect to water production and handling and disposal. It is the migration of the development coming from the east to the northeast that is going to allow this area to be developed because it is using the infrastructure that has been built and has been expanded that will allow this to produce. It would be very difficult to keep this separate and distinct and we just see really no reason to do so.

MR. WATSON: In addition, Mr. McQuillan, the set backs required by a separate field within a field would leave areas or strips of areas that could not be developed because of the set back unless you came to the Board and asked for exceptional locations. So, basically you would be causing strips of property to be outside the area of potential development.

MR. MCQUILLAN: Thank you.

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

MR. WATSON: That's all.

August 31, 2010

1 MR. ROGERS: The exhibits are admitted with the change that Mr. Wood made. The  
2 affidavit of notice of admitted. The staff will review the evidence and make a recommendation  
3 to the Board.

4 MR. ROGERS: The next item then is Item 15, Docket No. 8-31-10-09B, petition by  
5 Venture Oil and Gas, Inc.

6 MR. TYRA: Mr. Rogers, I have one witness to be sworn, please.

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

8 MR. STUART: My name is Tony Stuart. I live in Hattiesburg, Mississippi.

9 (Witness was sworn by Mr. Rogers)

10 MR. TYRA: Mr. Rogers, I'm John Tyra here on behalf of Venture Oil and Gas, Inc. We  
11 have filed a request that this Board enter an order approving a 160-acre drilling unit in Escambia  
12 County, Alabama. It is the proposed Black Stone 15-4 No. 1 Well. The unit that we are  
13 requesting is to consist of the South Half of the Southwest Quarter of Section 15, Township 3  
14 North, Range 5 East and the North Half of the Northwest Quarter of Section 22, Township 3  
15 North, Range 5 East. Therefore, it would be an exception to Rule 400-1-2-.02(2)(b) of the  
16 Administrative Code. I have one witness, as I have said, Mr. Tony Stuart, who has testified  
17 before this Board on other occasions as a petroleum geologist. Mr. Stuart, is your resume and  
18 vita on file with this Board?

19 MR. STUART: Yes sir, it is.

20 MR. TYRA: I will also ask you if you prepared or had prepared the exhibits in support  
21 of the petition for this matter.

22 MR. STUART: Yes sir.

23 MR. TYRA: I would ask that Mr. Stuart be recognized as an expert petroleum geologist  
24 for this matter, please.

25 MR. ROGERS: He is so recognized.

August 31, 2010

TONY STUART

Appearing as a witness on behalf of Petitioner, Venture Oil and Gas, Inc., testified as follows:

DIRECT EXAMINATIONQuestions by Mr. Tyra:

Q. Mr. Stuart, if you would, turn to your exhibit booklet that we have filed in support of the petition and explain what Exhibit No. 1 shows.

A. Exhibit 1 is a base map of the area of concern in northern Escambia County. It shows the location of the well in the middle which is indicated by the little red--it is actually a well symbol with directional traces there. We have had to move this surface location for topographic reasons a couple hundred feet. That is our well that we are planning to drill. I show cross section line A-A' showing the nearest offset wells and the stratigraphy in the area. To correct Mr. Tyra, this is the 15-14 instead of the 15-4.

Q. Thank you.

A. That is Exhibit 1.

Q. What does your Exhibit 2 show?

A. Exhibit 2 is the surveyor's plat of the area showing our proposed surface location which is to the south and the deviation which is approximately 200 feet to the north. We are asking for this exceptional unit because we are dealing with a very tight structural crest here. It would be an extreme--if we made the unit in the northwest quarter of the section it would be an extreme exceptional location because we only have 40 feet from the southern boundary of the unit.

Q. So if it was the entire southwest quarter which would be your normal unit in this matter you are saying it would be an extreme location to that south line because it is so close to it?

A. Yes sir, 39.83 feet.

Q. Your Exhibit 3.

August 31, 2010

1 A. Exhibit 3 is the cross section referred to on the location map. It is oriented basically from  
2 west to east. It shows on the left-hand log the Skelly International Paper Company No. 1,  
3 our proposed location in the middle with the projected tops and the Shell Alger Tenants  
4 well on the right-hand side. It also indicates the top of the Smackover where we expect  
5 to encounter it in the well that we are drilling and it reflects our seismic interpretation that  
6 this is a separate structure from the surrounding wells.

7 Q. So your testimony is that it is separate and apart from the IP well and the Alger Tenants  
8 well. Is that correct?

9 A. Yes.

10 Q. Based upon the seismic information that you have.

11 A. That's correct.

12 Q. Your Exhibit 4 is the seismic structure map, is it not?

13 A. Yes. This is the seismic structure map. It is a little small map because there are some  
14 other structural features in the immediate vicinity that we need to keep confidential right  
15 now. This is the crest of a little bit of a structure here that is only 30 acres in size. That  
16 is why it is such a tight location and it is so critical that we penetrate the crest of it which  
17 is what we have been doing in the previous wells we have drilled here. We try to tightly  
18 control these bottom hole locations and put them on the peak of this structure. If this is  
19 successful then we have some other plans in this area. The structural closure is only  
20 about 30 acres. This map is a time structure map. I project the top of the Smackover  
21 formation to come in--it should be around 14,830 subsurface TVD. The subsurface true  
22 vertical depth should be about 14,830 feet.

23 Q. So is it your testimony that the proposed location is the optimum geologic location for  
24 this well?

25 A. Yes sir.

26 Q. Your final exhibit is Exhibit 5.

27 A. Yes. This is a seismic line that goes west to east, west is on the left and east is on the  
28 right, through the area that shows our separation, our little small closure and our

August 31, 2010

1 separation from the north with a structural roll or from the east with a structural roll. The  
2 northern structure also rolls over to the spill point.

3 MR. TYRA: I would ask that Exhibits 1 through 5 to the testimony of Mr. Stuart be  
4 made a part of the record at this time.

5 MR. ROGERS: The exhibits are admitted.

6 (Whereupon, the exhibits were received in evidence)

7 MR. TYRA: I will submit Mr. Stuart to the staff for any questions that you may have.

8 MR. ROGERS: Mr. Tyra, did you request this affidavit to be admitted?

9 MR. TYRA: The affidavit of notice?

10 MR. ROGERS: Yes.

11 MR. TYRA: That is on my list and I will do that right now. I have filed an affidavit of  
12 notice if you would make that a part of the record as well.

13 MR. ROGERS: It is admitted. You state in here that you notified the parties in the unit.  
14 Didn't you have an area larger than that that you notified too?

15 MR. TYRA: Actually I did. The well, if it were on a normal geological--not geological  
16 but a governmental quarter section it would be the entire Southwest Quarter of 15, so I notified  
17 all those parties. As it turns out the parties throughout the entire unit and the enlarged unit are all  
18 the same parties. It is common ownership.

19 MR. ROGERS: So you have notified the parties in all the southwest quarter of that  
20 section?

21 MR. TYRA: That's correct.

22 MR. ROGERS: And in the proposed unit?

23 MR. TYRA: That's correct.

24 MR. ROGERS: The affidavit is admitted.

25 (Whereupon, the affidavit was received in evidence)

26 MR. ROGERS: Any questions from the staff? We have no questions. Anything further,  
27 Mr. Tyra?

1 Q. I will ask you two final questions, Mr. Stuart. In your opinion would the granting of the  
2 petition prevent waste?

3 A. Yes sir.

4 Q. Would it also protect correlative rights?

5 A. Yes.

6 MR. TYRA: We submit this matter on the basis of the evidence and testimony and the  
7 exhibits.

8 MR. ROGERS: Thank you. We will review the evidence and make a recommendation  
9 to the Board.

10 MR. TYRA: Thank you.

11 MR. ROGERS: That brings us to Item 16 which is a Motion by the State Oil and Gas  
12 Board relating to Holland Operating Company, Inc. This is a motion for Holland Operating  
13 Company, Inc. to address wells at Moundville in Hale County. Mr. Sanders, Mr. Jerry Sanders.  
14 Do you need to testify, Jerry? Should I put you under oath?

15 MR. SANDERS: Yes.

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

17 MR. SANDERS: R.G. Sanders

18 MR. ROGERS: Your address?

19 MR. SANDERS: Tuscaloosa, Alabama.

20 (Witness was sworn by Mr. Rogers)

21 MR. SANDERS: I'm here today to give you a progress report on the plugging of the  
22 Holland Operating Company wells in Moundville. All five wells have been plugged. The OGB-  
23 11 has been filed. I have two letters from landowners that pertain to the clean up of the sites.  
24 Mr. Tubbs who has four wells on his property down there has asked the Board to allow the  
25 electric power lines, gates, roads and locations to be left on his property for his use. We have  
26 plugged all four of those wells. The power lines have been left on the Tubbs 1-2, the Tubbs 1-3  
27 and the Tubbs 9-8. The power lines on the Tubbs 10-5 have been removed. There is a 400-  
28 barrel green tank, fiberglass tank left on the Tubbs 10-5 location that belongs to Madison



August 31, 2010

1 Machine. Madison is working with us to get that removed and so far it has not been. I talked to  
2 him this morning and he is to be down there this week trying to get that moved off location.  
3 There is a problem with it. Because it is a permitted load there are some power lines in the area  
4 that are too low. The tank laying horizontal is too high to get under some of those lines so he has  
5 got to coordinate that with the power company to get out of there. He tells me that he will have  
6 it done this week if at all possible. That has not been done, so that is one location that still has  
7 the green tank. The green tank was put on location to store water and it never was used. It was  
8 never hooked up. It never did belong to Holland. It belonged to Madison Machine. The other  
9 letter that I have is a letter signed by Ms. Edna T. Martin that requests that the Oil and Gas Board  
10 allow the chain link fence and the concrete slabs be left on Compressor Station 19 at the  
11 Moundville Field. As of this date all five wells have been plugged. The compressor station has  
12 been cleaned up and all the surface equipment removed. The chain link fence has remained and  
13 also the concrete slabs. Within the gathering system which has been designated Moundville  
14 Gathering System No. 1 that originally contained some 43 tin horns, all of those have been  
15 removed and all surface facilities have been removed. I've got a work map if y'all are interested  
16 in it just showing where those tin horns were and a cross mark showing that they have been  
17 removed and signed by the contractor. If you would like that it be admitted I will and also the  
18 copies of these letters.

19 MR. ROGERS: Yes sir that would be fine.

20 MR. SANDERS: The water pond which is a part of the operations down there is still in  
21 place and John Haddock has submitted a letter to y'all about the status of that, I believe.

22 MR. ROGERS: We have that letter.

23 MR. SANDERS: That's my testimony.

24 MR. ROGERS: If you will hand those up, Mr. Sanders, we will put those in the record.  
25 We have this letter from John Haddock to Jay Massengale about the water treatment facility and  
26 that will be admitted into the record. We have this letter from Ms. Martin, I suppose, who has  
27 consented to allowing this equipment to stay on her land. We have this other letter from Mr.  
28 Tubbs, the same type letter. Those are admitted into the record. Those will be Exhibits 1, 2 and

August 31, 2010

1 3. Then we have the map that shows the location of tin horns and surface equipment that have  
2 been removed, that have been cleaned up.

3 MR. SANDERS: Yes.

4 MR. ROGERS: All right. All those items are admitted into the record.

5 (Whereupon, the letters and maps were received in evidence)

6 MR. ROGERS: Any questions from the staff?

7 DR. TEW: Mr. Sanders, I believe you had signed these earlier. Why don't you sign  
8 these as an original signature too and we will make them exhibits?

9 MR. ROGERS: Yes we will make those exhibits. Mr. Masingill.

10 MR. MASINGILL: Mr. Sanders, while Mr. Rogers and I were talking you said there was  
11 something additional that you still were waiting to do. What I really wanted to ask is has  
12 everything in the Moundville MVD #1 area that is subject to this motion, what is remaining to be  
13 done? You said you have all the tin horns and I assume all the risers and all above ground  
14 structures except for what you alluded to with the fence exception with the landowner and the  
15 slabs, other than those slabs and fences is there anything else down there above ground?

16 MR. SANDERS: No. Everything is cleaned up.

17 MR. MASINGILL: You think it is totally cleaned up. There was something you said  
18 that you needed to do and I missed that.

19 MR. SANDERS: The fiberglass tank on the Tubbs 10-5 is still on location. That tank  
20 belongs to Madison Machine and they are taking care of moving it.

21 MR. MASINGILL: So that will be done. The only thing really after that is done that will  
22 be remaining is the ADEM permitted treatment facility. Mr. Haddock is waiting on ADEM  
23 approval. That is kind of where we are with that.

24 MR. SANDERS: That's correct.

25 MR. MASINGILL: Okay. Thank you.

26 MR. SANDERS: Do we keep the docket item on the docket, Mr. Rogers? Can it be  
27 dismissed?

28 MR. ROGERS: We'll consider that.

1 DR. TEW: I just wanted to say that this has been kind of an outstanding issue out there  
2 for a while. We appreciate the cooperation in getting it to this point of conclusion, Mr. Sanders.

3 MR. ROGERS: Thank you, Mr. Sanders. We will review the evidence and make a  
4 recommendation to the Board on what action the Board should take. That's all the items.  
5 Anything else for today? The hearing is adjourned.

6 (Whereupon, the hearing was adjourned at 10:46 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, August 31, 2010, 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 30 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