STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

February 18, 2011

Testimony and proceedings before the State Oil and Gas Board in Regular Session in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, pursuant to adjournment, on this 18th day of February, 2011.

ORIGINAL

BOARD

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

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

Mr. M. Barnett Lawley.....Member

STAFF

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

Mr. Marvin Rogers.....attorney

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

Mr. Kirk McQuillan.....Technical Operations Coordinator

Mr. Butch Gregory.....Engineer

3/31/2011

I N D E X

OFFERED

1	the affidavits of Robert Wood and Clay Dickinson	129
2	were received (Items 5, 6, 7, 14, 15 & 16)	
3		
4	RECEIVED	
5	Exhibits 1-4 were received (Item 15)	19
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9	Exhibit 7 was received (Item 23)	42
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12	Opposition Exhibits 1A and 1B were received (Item	101
13	19)	
14	Opposition Exhibits 1-3 were received (Item 19)	109
15	three previously filed affidavits were received	125
16	(Items 5, 6, 7, 14, 15 & 16)	
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CHAIRMAN GRIGGS: Let the record reflect the State Oil and Gas Board is now in session. First of all, let me welcome all the folks who are here today. And let me also say that it's with great pleasure that I announce that we have a new board member, Barnett Lawley. Many of you know Barnett individually. You probably know him if you have had any connection with conservation in Alabama in the last 25 or 30 years.

Mr. Lawley is intimately aware of the oil and gas business. He was an oil and gasoline distributor in Northeast Alabama. He founded a company there that he managed and ran until his first retirement.

Mr. Lawley then was drafted as Commissioner of Conservation. He served eight years as commissioner, and he's now in his second retirement. I suppose that he is out looking for a job so he can get a third retirement. But in the interim, we are delighted to have Mr. Lawley as a member of the State Oil and Gas Board.

And at this time, I would ask Mr. Rogers to administer the oath to Mr. Lawley.

MR. ROGERS: Mr. Lawley, if you would stand and raise your right hand, I have a question for you:
Mr. Lawley, do you solemnly swear that you will support the Constitution of the United States and the Constitution of the State of Alabama so long as you continue a citizen

thereof, and do you swear that you will faithfully and honestly discharge the duties of the office upon which you are about to enter upon -- upon which you are about to enter to the best of your ability so help you God?

MR. LAWLEY: I do.

MR. ROGERS: Thank you. Congratulations.

MR. LAWLEY: Thank you.

CHAIRMAN GRIGGS: Congratulations, Mr. Lawley. I neglected to say that as conservation commissioner Mr. Lawley served as chairman of the Alabama Forever Wild Board of Trustees for a period of eight years.

We are also honored to have with us today former State Oil and Gas Board member Rebecca Pritchett, who also served as a member of the Forever Wild Land Trust. And Rebecca has been the -- intimately involved with conservation as well. She was President of the Alabama Wild Life Federation. She served admirably on this Board for in excess of six years, seven years, and we would like to take this opportunity to honor Rebecca for her service to the State of Alabama.

Rebecca, are you here? I don't see you. Oh, you are behind the column.

MS. PRITCHETT: I'm behind the column.

CHAIRMAN GRIGGS: Dr. Tew, I call on you to talk a little bit about -- since Rebecca had predated some of our

service on the Board, if you could just mention a bit about Ms. Pritchett's service while she has been on the Oil and Gas Board.

DR. TEW: Certainly, Mr. Chairman. Ms. Pritchett has been an excellent member of this State Oil and Gas Board, has served with distinction in the years that she has been on the Board, has been very attentive to the duties of this office and we could not have asked for someone better to have served with us during that time period. I can speak on behalf of the staff to say that we certainly enjoyed working with Rebecca over these years and wish her the best with everything.

CHAIRMAN GRIGGS: Mr. Pearson?

MR. PEARSON: Yes, Mr. Chairman, I would like to introduce a resolution honoring Rebecca Pritchett for her service to the Board and to the State of Alabama. And, Dr. Tew, if you would read our resolution, I would appreciate it.

DR. TEW: Certainly, Mr. Pearson, I would be glad to.

"The State Oil and Gas Board of Alabama, Resolution, know all men by these presents: Whereas, Rebecca Wright Pritchett, has faithfully served the State of Alabama and the State Oil and Gas Board of Alabama since 2003 as a member of the Board; and whereas, in 2003 Rebecca

Wright Pritchett made history by becoming the first female appointed as a member of the State Oil and Gas Board of Alabama; and whereas, Rebecca Wright Pritchett has provided valuable leadership and guidance throughout her term of service by actively applying her keen legal insight, intelligence, and perspective to the decision-making process of the Board; and whereas, during her seven years as a member of the Board, Rebecca Wright Pritchett has contributed greatly to the Board's reputation for honesty, fairness, and integrity through her high moral character, wisdom, and dedication to the principles set forth in the original legislative mandates to the Board; and whereas, during her seven years -- during the seven years that Rebecca Wright Pritchett served as a member of the Board, drilling permits were issued for approximately 3,300 wells, 29 fields were established, more than 53 million barrels of oil and condensate were produced and nearly 2.1 trillion cubic feet of natural gas were produced; and whereas, during the tenure of Rebecca Wright Pritchett as a member of the Board, Alabama continued its progress as a significant oil and natural gas producing state through the discovery and development of new reserves and the establishment of new producing fields; and whereas, Rebecca Wright Pritchett has a distinguished record of public service to the State of Alabama, its citizens, and the enterprise of oil and natural

gas exploration and development in Alabama; whereas, the wit, intelligence and companionship of Rebecca Wright Pritchett will be missed by all involved in the development of Alabama's oil and gas resources and her advice, service, and friendship will always be appreciated by the staff of the State Oil and Gas Board.

Now, therefore, be it resolved by the State Oil and Gas Board of Alabama, that we, the undersigned, hereby commend Rebecca Wright Pritchett, who will long be remembered for outstanding service to the State of Alabama as a member of the State Oil and Gas Board of Alabama, and for distinguished service of Alabama's oil and gas enterprise; and further, we wish her continuing success in all future pursuits and endeavors.

MR. PEARSON: Mr. Chairman, I move we adopt the resolution.

CHAIRMAN GRIGGS: I have a motion to adopt the resolution. Is there a second?

MR. LAWLEY: Second the motion.

CHAIRMAN GRIGGS: All in favor say "aye."

MR. PEARSON: Aye.

CHAIRMAN GRIGGS: Ayes have it. The motion of the resolution is adopted.

(Chairman Griggs presenting Ms. Pritchett with the resolution.)

CHAIRMAN GRIGGS: Rebecca, it's my great pleasure to present this resolution to you for your service on the State Oil and Gas Board and for your sage advice to young Board members. (Applause.) And I would also like to present to you as a token of our appreciation a set of bookends that represent some of the fine work of not only the Oil and Gas Board, but the Alabama Geological Survey as well.

MS. PRITCHETT: Thank you, Mr. Griggs.

CHAIRMAN GRIGGS: You are delightful. Thank you very much. (Applause.)

Dr. Tew?

DR. TEW: Yes, sir, Mr. Chairman, one of the things that I would like to do today in way of recognition, after 29 years of service, Robert M. "Bob" Mink, Deputy Director of the Geological Survey of Alabama is retiring. He will be retiring at the end of the month. Many of you know Bob. Bob is sitting right back there. Bob, if you would stand, please.

As many of you know, Bob also worked for the State Oil and Gas Board for several years prior to moving to the Survey. Bob's oil and gas research and the other activities have been significant and his contributions have, without a doubt, led to an increase in the oil and gas activity and production in the state of Alabama.

The Board and staff wanted to recognize Bob today on the record, thank him for his many years of service and wish him the very best as he moves into retirement. His contributions have certainly had a very strong impact on the state of Alabama and led to the development of the state.

Mr. Chairman, please let the record reflect our congratulations to Bob as he moves into retirement.

CHAIRMAN GRIGGS: Certainly. Bob, all the Board members certainly appreciate all that you have done for us, whether you actually worked for the Board or whether you were working for the geological survey, it has made our job much easier, your interpretations and your assistance. And also, we would like to thank you for your efforts on behalf of the conservation in your years of service here. Thank you.

MR. MINK: It's been an honor and a pleasure. Thank you. (Applause.)

CHAIRMAN GRIGGS: Next, as a matter of housekeeping, I would like to note this Board meeting was originally noticed to be held on February the 10th. As many of you know, February 10th, Tuscaloosa, Alabama experienced snow, and for that reason, we postponed the meeting, and it was so noticed on the Secretary of State's website for today, February the 18th.

We would just like to get that into the record

so that if anyone is looking at why we are meeting on the 18th, they understand that it's a postponement of the February 10th meeting.

Let me also note for all of those who are present that our next meeting will be on March 31st. The Board meeting, the initial hearing will be here in Tuscaloosa, but the second day the Board meeting will be on March 31st at the Choctaw County Courthouse in Butler, Alabama.

We have made an effort and are making an effort to move the Oil and Gas Board meetings around the state so we give everyone more of an opportunity to attend the meetings and to understand the workings of the State Oil and Gas Board.

Having attended to those housekeeping items, Dr. Tew, this meeting has been properly noticed. Has the staff prepared a docket for today's meeting?

DR. TEW: The staff has prepared a docket for the Board's February 8 and February 10th, 2011 meeting and that docket was admitted into the record at the Hearing Officers' meeting on February 8th, 2011.

The staff would recommend approval of the minutes of the following meetings: December 7, 2010, Hearing Officer meeting; December 9, 2010, regular Board meeting; December 9, 2010, emergency meeting; January 12,

2011, emergency meeting; and February 10, 2011, regular Board meeting.

CHAIRMAN GRIGGS: Is there a motion to approve the minutes of the five meetings that Dr. Tew just indicated?

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

CHAIRMAN GRIGGS: I have a motion to adopt the minutes. Is there a second?

MR. LAWLEY: I second that.

CHAIRMAN GRIGGS: Seconded by Mr. Lawley. All in favor say "aye."

MR. PEARSON: Aye.

CHAIRMAN GRIGGS: Ayes have it. Those minutes are adopted and approved.

DR. TEW: Members of the Board, the staff has prepared an agenda of items to be heard by the Board today.

Mr. Rogers, at this time will you call the first item, please?

CHAIRMAN GRIGGS: Mr. Rogers, if I can interrupt you before you call the item, let me note that on today's docket there are a number of items that are somewhat related, but that may not be consolidated for the hearing. So what we would like to do is to sound the docket a little bit out of order and try to dispose of those items that tend

to be shorter. So if you will, Mr. Rogers, call item -- start with Item 15.

MR. ROGERS: All right. The first item, Mr. Chairman, and members of the Board is Item 15, Docket No. 02-08-11-08, petition by Sklar Exploration Company, LLC.

MR. COLEMAN: If it may please the Board, my name is Mike Coleman, I'm an attorney for Sklar Exploration Company, LLC. This is Docket No. 02-08-11-08. This is a petition by my client requesting that the State Oil and Gas Board of Alabama enter an order force pooling, with a risk compensation fee, all tracts and interests in the Southeast Quarter of Section 32, Township 6 North, Range 14 East, Covington County, Alabama, as a 160-acre wildcat unit for the purpose of drilling a well to test formations down to and including the Smackover and Norphlet formation; second, requiring all owners of tracts and interests in said unit to develop their tracts and interests as a unit; and, third, appointing petitioner as the operator of said unit.

This petition is filed pursuant to Alabama Code Section 9-17-1, et seq., and in particular, Section 9-17-13, as amended, and Rules 400-1, et seq., and in particular, Rule 400-7-1 et seq. of the State Oil and Gas Board of Alabama Administrative Code.

There is a lengthy submission that is in the file, Mr. Chairman. There are -- there was a petition and

it has been amended, and there are a series of affidavits, two from landmen, one from an attorney, Ben Ford, with Armbrecht Jackson in Mobile, and then some affidavits in support of the amended petition. And we would submit that to the Board for its consideration based on what has been filed.

CHAIRMAN GRIGGS: Mr. Coleman, do you have any witnesses or is that --

MR. COLEMAN: No, Mr. Chairman, that's all. We are simply submitting it on affidavits. The testimony is in the file and the matter should have been properly noticed.

MR. ROGERS: You might state if you could, Mr. Coleman, what is the outstanding interest at the same time as of the current date.

MR. COLEMAN: Sure. This has sort of been an ongoing process. At current, Mr. Rogers, there appears to be about 3.143125 percent that is outstanding. Part of this involves some trusts and there are some difficulties in trying to ascertain who the trustee is. There is some ongoing efforts to lease this acreage, and then there is one individual. It may ultimately be leased at some point down the road, but there is some legal impediments right now to getting the leases because of the trust situation. So there is in excess of 96 percent that is under control by Sklar. The total acreage is about 5.029 net mineral acres that is

currently not under lease.

MR. PEARSON: Mr. Coleman, if I could ask you a question. Who -- what is the entity that owns the outstanding interest that you are wanting to force pool.

MR. COLEMAN: There is -- J. P. Morgan is trustee of that certain trust created under last will and testament of Edith Foshee Fisher as one of the parties. Another one is that certain trust created under the last will and testament of Mary Mercedes Gover. And then there is an individual, Christopher James Gover. And I believe, Mr. Pearson, in one of the affidavits there is some explanation concerning the nature of the trust and some of the difficulties that have been associated with that.

MR. PEARSON: And it's Mary Mercer.

MR. COLEMAN: Mary Mercedes Gover. It's a testamentary trust under her will as part of the matter is 3.127 percent. And then J. P. Morgan is trustee of a trust, another testamentary trustee Edith Foshee Fisher, which is .014 percent, and then there is an individual, Christopher James Gover, .002125 percent.

MR. PEARSON: And I assume the affidavits that we have on record show that J. P. Morgan, trustee, and Christopher James, individual, have been properly noticed.

MR. COLEMAN: Yes, sir. And also, they will show that efforts have been made to tender leases to those

individuals or to those entities upon commercially reasonable terms and so forth.

MR. PEARSON: How did you handle the notice to the offer of negotiations and right to participate with respect to the Mary Mercedes Gover trust?

MR. COLEMAN: I would have to defer to the affidavit which is quite lengthy. I'm kind of standing in today for somebody. And I'll be happy to look at that. It is in the affidavit, though, that sets that out. My understanding was that this could be submitted on the affidavits today. I will be happy to look at that, Mr. Pearson.

MR. PEARSON: Which affidavit has that in it.

MR. COLEMAN: I would think Benjamin Ford would be the one.

CHAIRMAN GRIGGS: Mr. Coleman, just so we are here on the record, how many affidavits are you submitting for inclusion into the record, and can you describe each of those affidavits?

MR. COLEMAN: Yes, sir, Mr. Chairman. There are two affidavits from landmen that are in there, and then there is an affidavit from Benjamin Ford, who is an attorney with Armbrecht Jackson, who was actually handling this. There are some earlier affidavits that were filed prior to the amended petition. It's actually two current affidavits

of two landmen that are in there and one of Attorney Ford.

CHAIRMAN GRIGGS: So are you requesting the Board to admit those two affidavits?

MR. COLEMAN: Three affidavits.

CHAIRMAN GRIGGS: Three affidavits, being the affidavit of -- again, if you would repeat who the three affidavits are.

MR. COLEMAN: If I might look at the file just a second.

CHAIRMAN GRIGGS: Certainly.

MR. COLEMAN: I'm sorry. It's a very lengthy submission.

(Reviewing documents.)

CHAIRMAN GRIGGS: Mr. Coleman, if you would take those three affidavits and mark them as Exhibits 1, 2 and 3.

(Reviewing documents.)

MR. COLEMAN: Okay.

CHAIRMAN GRIGGS: If you could get the microphone, Mr. Coleman, our reporter is having difficulty.

MR. COLEMAN: I have marked these exhibits as requested and I will identify them for the record.

CHAIRMAN GRIGGS: Okay.

MR. COLEMAN: Exhibit Number 1 is the second affidavit of Jay Marshall Jones, III, who is a landman.

CHAIRMAN GRIGGS: Okay.

MR. COLEMAN: Exhibit Number 2 is the affidavit of Kelly L. Baker, also serving in the land role. Exhibit Number 3 is the affidavit of Benjamin Y. Ford concerning the notice that Mr. Pearson asked about. Exhibit Number 4 is the third affidavit of Benjamin Y. Ford in support of the amended petition which was taking some of the people out of the original petition after their interests had been acquired.

CHAIRMAN GRIGGS: And you are asking that those four affidavits be admitted into evidence?

MR. COLEMAN: Yes, Mr. Chairman.

(Whereupon, Exhibits 1-4 were offered into evidence.)

CHAIRMAN GRIGGS: They are admitted.

(Whereupon, Exhibits 1-4 were received into evidence.)

CHAIRMAN GRIGGS: Mr. Pearson?

MR. PEARSON: Mr. Coleman, can you explain for the record a little bit more the situation with where it stands as to whether or not there is a clear designated trustee for the Mary Mercedes Gover trust.

CHAIRMAN GRIGGS: Get the mike or the standing mike, either one.

MR. PEARSON: And, Mike, let me explain what the issue is. It doesn't appear from the affidavits initially

that there is any issue on that. The affidavit simply identifies the trustee. I understood your introductory comments to suggest that there was either no trustee or a dispute over the trustee, and that is what I am asking you to clarify.

MR. COLEMAN: There are two actual trusts that are involved in this situation. And in one of the affidavits, it mentions that there is a situation going about whether the trustee really is the trustee, as I understand it. There is some kind of legal proceedings going on. But my understanding was the proper notice was given as required, but I will have to take a moment and look back through.

MR. PEARSON: And, again, for your benefit, what my question is is if there is some dispute as to the trustee, then we need to know about that because we would need to understand the impact of that on whether proper notice could be given, because if there is not a standing trustee that is recognized, then it would be impossible to comply with the notice requirements necessary for the risk comp. That is what our concern is.

MR. COLEMAN: Yes, sir, I understand. I believe that the answer is addressed in here, though. I think that all of the entities have probably been properly noticed, but I apologize for not having that information right before me.

CHAIRMAN GRIGGS: Any questions by the staff?

MR. ROGERS: I have one question. My question is: From my understanding, they were going to have the green cards to present into the record, but I didn't see those. Do you know, Mr. Coleman?

MR. COLEMAN: I do not have those. I know a Federal Express package was supposed to arrive yesterday with some of the information, but I don't know if green cards were there, but I will certainly get that and get it filed.

CHAIRMAN GRIGGS: Mr. Pearson?

MR. PEARSON: Mr. Chairman, I move we take this matter under advisement for the purposes of ensuring that we have proper notice to the parties.

CHAIRMAN GRIGGS: I have a motion. Is there a second?

MR. LAWLEY: Second.

CHAIRMAN GRIGGS: Seconded by Mr. Lawley. All in favor say "aye."

MR. PEARSON: Aye.

CHAIRMAN GRIGGS: Ayes have it. This matter is taken under advertisement.

MR. ROGERS: The next item that we will take up is Item 23, Docket No. 02-08-11-16, petition by Fletcher Petroleum Corporation.

CHAIRMAN GRIGGS: Mr. Coleman, you represent Fletcher Petroleum in this petition.

And you are Mr. Upton?

MR. UPTON: Mark Upton.

CHAIRMAN GRIGGS: Mark Upton. And, Mr. Upton, do you represent Ms. Ruby Williams Jackson; is that your client?

MR. UPTON: No. LaRuby May and her grandmother, who is the actual owner of the property. LaRuby May has a power of attorney over all of her grandmother's affairs.

CHAIRMAN GRIGGS: Okay. Thank you.

Mr. Coleman, would you like to swear your witness?

MR. COLEMAN: Yes, Mr. Chairman. I have one witness who is Ken Hanby.

MR. ROGERS: Would you state your name and address?

MR. HANBY: Ken Hanby. And I live in Northport, 4904 Lake View Estates Drive in Northport.

KEN HANBY,

having been first duly sworn, was examined and testified as follows:

CHAIRMAN GRIGGS: If you could gives us an introductory statement, Mr. Coleman.

MR. COLEMAN: Yes, Mr. Chairman. My name is

Mike Coleman. I'm representing Fletcher Petroleum Corporation in connection with Docket No. 02-08-11-16. This is a petition by Fletcher Petroleum Corporation for an order approving exceptional bottom hole location for its Amos 36-3 well, Permit No. 16376, which was drilled on a wildcat unit consisting of the Northwest Quarter of Section 36, Township 4 North, Range 12 East in Conecuh County, Alabama. The bottom hole of the well was located approximately between 585 feet from the North line and 738 feet from the East line of the unit.

We have been here twice before on emergency petitions on this matter, both of which have been approved by the Board. And today, we are here on a permanent petition which has been filed. Just due to the timing of the way things played out, we had to file two emergency petitions. The well is a good well and we are here today to present testimony concerning this petition.

I would ask the Board to incorporate the record from the two prior hearings that we have had in this matter, all the exhibits and the testimony connected therewith. Additionally, I have filed -- or the notice that was published in the newspaper has been filed with the Board and properly done, I believe.

In accordance with the Rules of the Board, I have notified the only operator of a cornering unit that may

be producing from the same pool. It may not be, but out of caution, we notified Midroc Operating Company, and with a copy to their attorney, Mr. Watson. They are the operator of the Kendall 25-15 well, which is close to the Amos well. I would like to introduce the green card into the record, if I could, of the notice to Midroc.

CHAIRMAN GRIGGS: Mr. Upton, would you like --

MR. UPTON: I have no objection to it.

CHAIRMAN GRIGGS: It is admitted into the record.

(Whereupon, the green card was received into evidence.)

CHAIRMAN GRIGGS: Mr. Upton, as you heard, there have been a couple of other hearings, emergency hearings. And I realize that you were not at those earlier hearings, but do you have any objection to our incorporating the record and the exhibits that were earlier presented?

MR. UPTON: No, sir.

CHAIRMAN GRIGGS: Okay. They are admitted into the record, Mr. Coleman.

(Whereupon, earlier record and earlier exhibits were received into evidence.)

MR. COLEMAN: Mr. Chairman, if I might approach, I do have a copy of the exhibits for the Board and staff. (Passes out documents.)

CHAIRMAN GRIGGS: Proceed, Mr. Coleman.

MR. COLEMAN: Thank you, Mr. Chairman.

DIRECT EXAMINATION BY MR. COLEMAN:

Q. Would you state your name for the record, please?

A. Ken Hanby.

Q. And what is your occupation, Mr. Hanby?

A. I'm a petroleum engineer and president of Tom Joiner and Associates.

Q. Do you have a letter on file as to your qualifications as a petroleum engineer?

A. Yes, sir, I do.

Q. Have you testified before this Board on numerous occasions regarding petroleum engineering matters?

A. Yes, sir.

Q. Have you had occasion to do certain work for Fletcher Petroleum Corporation in connection with this petition?

A. Yes, sir, I have.

Q. And as a part of that work that you have done, have you prepared certain exhibits in connection with this matter?

A. Yes, sir. I have prepared the exhibits in the booklet.

Q. And you have previously testified at the first emergency hearing about those exhibits?

A. That is correct, yes, sir.

Q. Okay. Is there any change that has occurred in any of the exhibits as far as your testimony previously?

A. No, sir.

Q. Okay. I would like you, if you would, to turn your attention to the exhibits and let you basically go through each of these and kind of explain to the Board what we have, starting with Exhibit Number 1.

A. Okay. Exhibit Number 1 --

CHAIRMAN GRIGGS: Excuse me a minute. Mr. Coleman, let's qualify Mr. Hanby, first, if we can into the record.

MR. COLEMAN: I'm sorry, I move to have him recognized as a --

CHAIRMAN GRIGGS: Mr. Upton?

MR. UPTON: No objection.

CHAIRMAN GRIGGS: Thank you. Mr. Hanby is recognized as an expert petroleum engineer.

MR. COLEMAN: Thank you, Mr. Chairman.

CHAIRMAN GRIGGS: Thank you. Proceed.

Q. (BY MR. COLEMAN:) If you could identify Exhibit Number 1?

A. Exhibit Number 1 is a copy of the well plat that was submitted with the original application. The well is drilled with the unit, the Northwest Quarter of Section 36. And prior to the drilling of this well, it was determined that

the Northeastern Quarter of this 160-acre unit was the optimum location for a well to be drilled.

And with knowledge and common experiences in drilling in this area, wells do tend to walk, and many walk in a northeasterly direction. So Fletcher, in establishing the exact location, surface location, the well was moved to provide a buffer zone, if you will, to allow some walking during the natural drilling of this well. And the well was located at 750 feet from the North line and 740 feet from the East line of the 160-acre unit. The well was drilled to a TD of 11,968 feet.

Q. And the well was drilled at its correct surface location; is that right?

A. That is correct.

Q. Okay. And there was some room left in case the well did walk as to the actual permitting and the surface location?

A. Yes, sir. It wasn't permitted at the spacing minimum distance of 660 feet from the North line and 660 feet from the East line of the unit.

Q. As a wildcat well?

A. That is correct, sir.

Q. If you would look at Exhibit Number 2 and identify that for the Board, please.

A. All right. This is a copy of certain data extracted

from the daily drilling report which is maintained at the well, and it is what is used by the drilling superintendents as they are drilling the well. The first column gives the depth at which this data is collected, and the second column is a survey. This is during the drilling of the well. After a certain number of joints are drilled, a Totco survey is conducted to determine the angle at the bottom hole location, and that is shown in the second column.

Two other important aspects of the drilling operation are the weight on bit and the rotation, and these are shown at each of those depths at those particular times.

You will notice that the surveyed angle starts off, you know, very low, .18 degrees, and then it's less and then it gets up a little bit to .17 and then .22 and .75 and then .30 and .13. This is typical of a drill bit that typically corkscrews as it is drilling. These directions could be all in one direction or it could be in various directions, and these are monitored and watched.

And you will notice when we reached the depth of 7923, we saw basically the first large angle greater than a degree, which is one of the things you look for, 2.03 degrees. But then the very next survey was .83 degrees, once again indicating kind of a corkscrew effect. But then as they continue drilling to 8777 and 9219, the angles for two consecutive measurements were up greater than one degree

and 1.99 and then to 2.39. And at that time, the decision was made to try to attempt to cut back on the deviated angle.

At this time, we were still beyond the 660 foot, but there is three basic things an operator can do in controlling the natural deviation, and one of those is the bottom hole assembly. This is where you have your stabilizer and you have your collars and it's a pendulum effect as you are drilling (indicating) that affects the deviation, the natural deviation as that bit is digging into the formations.

And at a depth of 9534, Fletcher changed the bottom hole assembly to add two collars, which were very dense, very strong, heavy weight, very hard-to-bend devices that helped this pendulum effect by extending it, and they also removed one stabilizer.

Also, and the other two things that are done in controlling the deviation or the natural drifting of the well is a weight on bit. And you will see that after this point, they reduced the normal weight on bit, although there was a few places it goes up, because it has to get through a real hard streak. And then the other is rotation. You can see that all of those were attempted in this well to reduce naturally this deviation that was occurring. And, of course, when you run your survey, you don't know what direction. That is just an angle. That angle can be in one specific and all adds.

And like I said earlier, if you take each of these angles as they were drilling and add them in one direction, by the time we reached the 9,000 foot, it would be approaching -- it was at 700 and something feet still from the -- or excuse me, 670 something feet in the calculation of where that bit was.

And as you can see, the last Totco survey measured was at 10,572 feet and it was reduced down to 1.59 degrees.

Q. Do you have an opinion about whether or not the actions taken by Fletcher in connection with the drilling of this well were proven and reasonable given the testimony that you have just stated?

A. Yes, sir, I have an opinion.

Q. Okay. And what is that opinion?

A. That opinion is that they followed the normal, prudent operations of a drilling company drilling a well to minimize the deviation that was being indicated by the angle of the Totco surveys during the drilling.

Q. Do you have any experience with any other drilling into the Smackover formation in Conecuh County, Alabama near the Little Cedar Creek Field and the areas around that?

A. Yes, sir, I studied many records on that.

Q. Are you aware that there have been other wells drilled that had exceptional bottom hole locations?

A. Yes, sir.
Q. Okay. That is not uncommon in this area, is it?
A. No, sir.
Q. Okay. If you would look at Exhibit Number 3.
A. Okay. Exhibit Number 3 is a copy of the directional survey that was conducted on this well, down toward the total depth, which provides not only the angle, but it also gives the direction, and this is what we use to actually calculate where the hole extends all the way from surface down to the last surveys.

The first is a plot of that and you can see from the red line over on the right that this well started and actually went South a little ways and then swung around and then headed to a Northwest direction and then a North. And after the attempts were made to control the deviation, it would swing back to the East and actually was less than a foot off in a Northeast/West direction when they reached TD.

I'm not going to go through all of the data. This gives the data with an interval that is very close. I will ask you to turn over to the Page 5 of this data. And about midway through the page, you will see the depth in the first column. And in the second column, it's got the actual degreed angle which is measured by the gyroscope that is run in the well, plus it gives the other data that is used to determine exactly the angle of that deviation.

And following that down, you will see that is the point where we started making our efforts to reduce the angle and control it. And as you can see, as you go down that page, it continuously starts reducing. The bottom of the page is less than a one degree. And then on Page 6, which is the final three measurements, the angle of the bottom of the well got down to .58, .4 and .7 degrees. So Fletcher's attempts at controlling the deviation was very successful.

Q. Okay. Is it common for wells to walk up-dip in this area?

A. Yes, sir. This is true in not just this area, but in drilling generally the bit will walk up-dip normally, it's not absolute, but normally a well will walk up-dip as it naturally drills and the rotation of the bit on the different formations. And then their actual dip, as it is dipping up, the bit will tend to climb up that dip.

Q. Now, I want to ask you: Based on the testimony that you have just given concerning the data, is it your opinion that the actions taken by Fletcher were reasonable and appropriate under the circumstances?

A. Yes, sir.

Q. I will ask you to look at Exhibit Number 4. Identify that, please.

A. All right. Exhibit Number 4 is a plat prepared by

the surveying company. And I have just taken their plat -- Southern Services did the survey plat from the bottom hole survey information. And this is a plat showing the location of this wellbore at the top of the Smackover pay. This would be the survey that is not at the bottom hole, but actually at the pay in the well, and it is 595 feet from the North line and 741 feet from the East line of the 160-acre unit.

And the base of the pay, which is 28 feet below that is actually also 595 feet from the North line. So the entire pay in this well is 595 feet from the North line of the Northwest Quarter of Section 36.

Q. But the total depth of the well is at 585, correct?

A. The TD of the well is at 585.

Q. Okay. At that particular location at 585 at the TD of the well, the porosity does not indicate production capability?

A. That is correct.

Q. If you will look at Exhibit 4A, which you have prepared, and identify that.

A. Yes, sir. Exhibit 4A is basically identical to Exhibit 4 except that I have added into the illustration the point at which is 660 feet from the North line, which would be the minimum spacing distance from a unit boundary that this exception is being requested today from 660. And the oil -- top of the Smackover oil is actually 595 feet from the

North line.

Q. All right, sir. And if you would identify Exhibit Number 5, please.

A. Exhibit Number 5 is a copy of the electrical logs that were conducted on this well, a portion of that log. And what I have shown in here is the top of the Smackover, which is the 11,672 feet. Of course, that is the footage at which we calculated the distance from the North line of 595 feet. The base of the porosity is shown at 11,700 feet. And from there on down, the porosity in this well is not sufficient to contain hydrocarbons and would not be in any way contributing to the production from this well, nor are there any plans to attempt any completion down in this bottom part of the well.

Q. All right, sir. If you would look finally at Exhibit Number 6 and identify that for the Board.

A. Exhibit Number 6 is the survey plat, once again conducted by Engineering Services, that shows the bottom hole location of 585 feet which is at the TD of 11,968 feet.

Q. All right, sir. Do you have an opinion that the granting of this petition would prevent waste as that term is defined by the laws of the State of Alabama and protect the correlative and co-equal rights of interest owners in this unit?

A. Yes, it will.

Q. Okay.

MR. COLEMAN: No further questions at this point, Mr. Chairman.

CHAIRMAN GRIGGS: Mr. Hanby, I just had one question. As I recall, your testimony was that the well was -- I believe you said bottom hole of the well was 585 feet from the line, but this exhibit shows 595, I think, if my eyes serve me correctly.

THE WITNESS: The Exhibit Number 6 shows 585 feet, which is at the bottom of the well at 11,968.

CHAIRMAN GRIGGS: I have it, thank you.

Mr. Upton, did you get a copy of this exhibit?

MR. UPTON: I did.

CHAIRMAN GRIGGS: You did?

MR. UPTON: Yes, sir.

CHAIRMAN GRIGGS: Okay. Mr. Upton, do you have any questions of this witness?

MR. UPTON: Just a few, please, sir.

CHAIRMAN GRIGGS: Proceed, Mr. Upton.

CROSS-EXAMINATION BY MR. UPTON:

Q. Mr. Hanby, have you seen a reservoir study or a reservoir survey on this well?

A. I have not seen a reservoir study, but I am not sure what -- when you say "reservoir study" -- I haven't seen any studies on this well other than what has been presented in

here, the directional survey and the drilling report.
Q. You haven't seen any study that would show us the amount of drainage, if any, that would be occurring from adjoining properties?
A. I haven't seen any study, no, sir.
Q. You agree with me, don't you, that there can be drainage from adjoining properties when a violation of the setback line occurs as it did here?
A. If in a reservoir --
MR. COLEMAN: Excuse me, I'm trying to be lenient here, but I would object to the form of the question for the record, but proceed.
CHAIRMAN GRIGGS: Proceed, Mr. Upton.
A. Would you restate your question?
Q. (BY MR. UPTON:) Sure. Will you agree with me that where a violation of a permit and a violation of the setback line set by the Administrative Code occurs, there can be drainage of minerals, oil and gas from adjoining properties?
A. I don't know that I understand your term "violation of the setback." This well was drilled in the normal procedures and it came up as an exceptional location, but it didn't violate normal drilling. That is why we are here is to get an exception to this, which is common.
Q. Right. The permit, though, said that the well needed to be 750 feet from the North line, didn't it?

A. The surface location is at that point, that is correct.

Q. Right. But as far as the bottom hole, it is not 750 feet from the adjoining line, is it?

A. That is typically what happens. No well is right exactly at the surface location. That is the surface location. We drilled 11,968 feet. That is over two miles.

Q. If you knew there was going to be a deviation, why didn't you back the well up -- why didn't you move it further South because you knew there was going to be a deviation because, as you said, there always is?

A. We did. The minimum spacing is 660 feet. That was my testimony early on is that before this well was located as a surface location, it was moved back to 740 feet and 750 feet to allow for a normal deviation that does occur in these wells. That is exactly what Fletcher did.

Q. Let me make sure I understand something. As far as this bottom hole is concerned, is it to the North, to the Northwest or to the Northeast of the surface location?

A. It is to the North and slightly less than a foot East or West.

MR. UPTON: May I approach the witness?

CHAIRMAN GRIGGS: Certainly.

Q. (BY MR. UPTON:) If you would, look at this map with me, please, sir. As I understand your testimony, the Amos

well is drilled in Section what; what is it, 36?
A. Yes, sir. It's in Section 36.
Q. Correct. You see the highlighted portion in Section 25 with a notation of R. J.?
A. Yes, sir.
Q. That is my client's property. How could we ensure that there is no drainage that is occurring from your well off of her property?
A. Well, it can be drilled in that quarter-section of Section 25.
Q. And if we don't have a well drilled in Section 25, then natural resources can be taken right out from under her property by the Amos well; isn't that correct?
A. I have not seen any indication that that property is actually underlaid by hydrocarbons, so I can't answer that question from the standpoint there is no data up there at this moment.
Q. Have you seen any geologic studies of what is South of the Amos well as it relates to hydrocarbons?
A. I have not seen geologic studies.
Q. So you haven't reviewed any geological studies to determine whether there are hydrocarbons either North or South of this well, you just know that it is a productive well at the location where it is drilled?
A. I know there is a productive well there. I also know

there is a productive well that has been drilled in Section 25 in the South -- that would be in the Southeast -- excuse me, Southwest Quarter -- no, I was right to start with, Southeast Quarter of Section 25 that is productive of hydrocarbons, and that is in Section 25.

Q. Let me make sure that I understand. There are two wells notated on that map that I handed you that say "permitted wells." Is one of those the one you are referring to?

A. One of those is and it's a drilled well.

Q. Which one is that?

A. That is the Kendall 25-15.

Q. So that is the one that is in 25 and it's producing?

A. Yes, sir.

Q. And when did it start producing?

A. They started testing it a few days ago.

Q. So it hasn't actually started into production yet, has it?

A. It's in production right now. It's not continuous, but it's just being tested as originally tested.

Q. Tell me the status of the Amos well at this point. Is it ready to start online production?

A. The Amos well is producing.

Q. And when did it first start producing?

A. I don't know the exact date, several weeks ago.

Q. So several weeks ago, before this exception was granted, that well started producing?
A. No, sir, that is not correct. Before that well started producing, the exception was granted.
Q. Okay.
A. It was granted back in December.
Q. On an emergency basis?
A. Yes, sir.
Q. And now we are here on the permanent basis, correct?
A. That is correct.
Q. And so your testimony is that for the last couple of weeks there has been oil coming out of the ground and that well has been producing?
A. That well has been producing.

MR. UPTON: Okay. Nothing further.

REDIRECT EXAMINATION BY MR. COLEMAN:

Q. That well has been producing pursuant to the second emergency order; is that correct?
A. Yes, sir.
Q. And the initial order?
A. Yes, sir.

MR. COLEMAN: Okay.

CHAIRMAN GRIGGS: Mr. Coleman, these exhibits that you handed up, are they identical to the ones

previously entered into the record?

MR. COLEMAN: Yes, Mr. Chairman.

CHAIRMAN GRIGGS: Would you like to enter these just as a matter of course?

MR. COLEMAN: I would, Mr. Chairman. And also I had one other matter, if I could. I have -- perhaps for the Board's consideration. I would ask the Board to take notice of exceptional bottom hole locations that have been granted in the Little Cedar Creek Field area. This well is not a productive extension of the Little Cedar Creek Field, but it's very close, and would simply ask -- I have gone through and looked at the order numbers. There are eleven such order numbers that I have been able to locate where exceptional bottom hole locations have been granted. I have a document I'll call a "supplemental filing" that I would like to give to Mr. Rogers. If Mr. Upton has no objection, I have a copy for him, which simply compiles these orders and purports to show the variances from each of those locations that were granted.

CHAIRMAN GRIGGS: Okay. Before we do that, let me do a little housekeeping here. Mr. Upton, Mr. Coleman indicated that these Exhibits 1, 2, 3, 4, 4A, 5 and 6 had already been admitted into the record and you had no objection to that.

MR. UPTON: That is correct.

CHAIRMAN GRIGGS: You have no objection to these being admitted into the record?

MR. UPTON: No, sir.

CHAIRMAN GRIGGS: Okay. With regard to the information, Mr. Upton, that you presented, can we mark that Exhibit Number 7?

MR. UPTON: Yes, sir, and I move that into evidence at this point.

(Whereupon, Exhibit 7 was offered into evidence.)

CHAIRMAN GRIGGS: Mr. Coleman, do you have any objection to Exhibit 7 being admitted?

MR. COLEMAN: No, Mr. Chairman.

CHAIRMAN GRIGGS: Okay. It's admitted into the evidence.

(Whereupon, Exhibit 7 was received into evidence.)

MR. UPTON: Mr. Chairman, assuming that the order numbers as stated by Mr. Coleman are correct, I have no objection to his supplemental filing.

MR. COLEMAN: I have a couple of copies.

CHAIRMAN GRIGGS: Mr. Upton, have you seen this?

MR. UPTON: Yes, sir, I have.

CHAIRMAN GRIGGS: Have you got a copy?

MR. UPTON: Yes, sir.

CHAIRMAN GRIGGS: Would you like this to be treated as an exhibit, Mr. Coleman?

MR. COLEMAN: That would be fine.

CHAIRMAN GRIGGS: Okay. We would make that Exhibit Number 8.

(Whereupon, Exhibit 8 was offered into evidence.)

MR. COLEMAN: Mr. Chairman, I just have a couple of other questions for my witness.

CHAIRMAN GRIGGS: And Exhibit Number 8 is admitted into the record.

(Whereupon, Exhibit 8 was received into evidence.)

CHAIRMAN GRIGGS: Go ahead, Mr. Coleman.

Q. (BY MR. COLEMAN:) Mr. Hanby, are you familiar with the Kendall 25-15 well that Mr. Upton and you were discussing a moment ago?

A. Yes, sir.

Q. And do you have some information as to whether or not that well is up-dip of the current well that we are here about today, the Amos 36-3?

A. Yes, sir, I do. The Kendall 25-15 well drilled in the upper Smackover is structurally high to the Amos 36-3 well, the top of the Smackover, at minus 11397 feet is 58 feet high to the Amos 36-3 well.

An issue with any well in an oil well is that once you penetrate the formation as you move up-dip from that well in an undersaturated oil well, that well will not drain attic oil.

Up to the North in the Kendall 25-15 well, we are 58 feet high to the Amos 36-3 well. The thickness of the Smackover pay is only 28 feet. The initial testing on the Kendall 25-15 well, even though it is 58 feet structurally high, is producing significant amounts of water. And the operator has reported to the Board in Mobile that they do not consider that water coming from a mechanical problem such as a channel.

The Amos 36-3 well is producing water-free and we are down-dip 58 feet from that well. I haven't seen a study, but that data, coupled with the structural high to not be able to drain attic oil, indicates the real possibility that as you move North, there is some type of separation and a fault could be the answer to that.

I haven't placed a fault, nor do I know that the fault is there, but that suggests that there could be a fault separating the area North of the Amos 36-3 well.

Q. And, again, the Kendall 25-15 is higher structurally of the Smackover than the Amos 36-3, correct?

A. That is correct.

Q. And is it normal in a situation like that for

drainage to occur down-dip to up-dip or up-dip to down-dip?

A. You drain down-dip oil at your top. You do not drain up-dip oil in a oil reservoir unless there is some sort of alternate energy like a gas cap, which an undersaturated oil reservoir doesn't have a gas cap, or you inject gas in the top to push the oil down.

Q. All right, sir. Thank you.

MR. COLEMAN: That is all I have, Mr. Chairman.

CHAIRMAN GRIGGS: Mr. Upton, do you have anything further?

MR. UPTON: May it please, Mr. Chairman.

RECROSS-EXAMINATION BY MR. UPTON:

Q. Mr. Hanby, let me make sure I understand something. Are you saying that 25-15 is a producing well or it's pumping water right now?

A. It's producing hydrocarbons with water.

Q. If you had to give us an estimate at this point, is the better well the Kendall 25-15 or the Amos well that we are here to talk about today, as far as producing hydrocarbons?

A. I don't have an opinion. There hasn't been enough time to evaluate the production from the Kendall 25-15.

Q. Yes, sir. And as far as this fault that you talked about, that is simply speculation on your part, isn't it?

A. It is taking the information that I have at this time and addressing the exceptional location and your questions about alluding to drainage from an area there is no well located on.

Q. Well, let me make sure I understand something. As far as the presence or absence of a fault, since you haven't looked at the geological studies, you can't testify to this Board that one exists, can you?

A. No, sir, I did not. I made it very clear that I have not seen anything that indicated there was or acknowledged there was. I said "this data," when you look at the data, it's one of the things that could be the reason this up-dip well is producing water.

MR. UPTON: Thank you, Mr. Hanby. Fair enough.

CHAIRMAN GRIGGS: Mr. Coleman, anything further?

MR. COLEMAN: No, sir, Mr. Chairman.

CHAIRMAN GRIGGS: Dr. Tew, any questions by you or the staff? Dr. Bolin?

DR. BOLIN: Mr. Chairman, the staff doesn't have any questions but we would request that the Board incorporate the records for the Amos 36-3 well, Permit 16276 that are on file here with the Board.

CHAIRMAN GRIGGS: Mr. Coleman, any objection?

MR. COLEMAN: No objection.

CHAIRMAN GRIGGS: Mr. Upton?

MR. UPTON: No objection.

CHAIRMAN GRIGGS: They are incorporated.

(Whereupon, the records for the Amos well were incorporated into the record.)

MR. PEARSON: Mr. Hanby, your primary testimony here today is not that there is some separation between where this exceptional well location is and the area to the Northeast?

MR. HANBY: No, sir, I'm not suggesting that.

MR. PEARSON: And the information that you have got on the water production, is that anecdotal; I mean, is that documented in any way?

MR. HANBY: That was what was reported and was in the ongoing activity with the Oil and Gas Board, the report from the operator as to their operations and that was reported to the Mobile office and that was given to me by Ralph Hellmich of the Mobile office.

MR. PEARSON: A copy of the report was?

MR. HANBY: No, sir, it was verbal over the telephone.

MR. PEARSON: But your primary position here today is simply that this is just a 75-foot exception; is that correct?

MR. HANBY: That is correct, at the bottom hole. It's a 65-foot exception at the top of the Smackover. And

the Smackover information we have to the North is up-structure 58 feet high to the Amos 36-3 well.

MR. PEARSON: Mr. Coleman, on the listing of orders that have granted exceptions before, do you know which one of these orders involved exceptions that were granted before the well was drilled and which were exceptions granted after the well was drilled?

MR. COLEMAN: I can gather that information, I believe. As far as I know, they were all granted prior to the drilling of this well, and I could be wrong. I mean, they have numbers, the year prefaced that is on there.

In addition, Mr. Pearson, there are actually two matters that were heard by Mr. Rogers I believe on this docket involving Midroc exceptional well locations, which I assume have been approved today by the action of the Board, and the variance on those two distances are greater than what we are asking for, I believe. But as far as I know, they were all before the drilling of this well.

MR. PEARSON: Mr. Upton, do you by any chance have a calculation of the distance from the Southeast corner of your client's property to this exceptional location?

MR. UPTON: No, sir, I do not.

MR. PEARSON: What I am getting at is do you have any idea that you can testify to on the effect that this exception would have in terms of the actual distance

between this exceptional well location and your client's property?

MR. UPTON: No.

MR. PEARSON: Thank you. I don't have anything further.

CHAIRMAN GRIGGS: Anything further or the committee will be adjourned?

MR. UPTON: No, sir.

CHAIRMAN GRIGGS: Is there a motion?

MR. PEARSON: Mr. Chairman, I move that we grant the petition requesting an exceptional location.

CHAIRMAN GRIGGS: I have a motion as stated. Is there a second?

MR. LAWLEY: Second.

CHAIRMAN GRIGGS: All in favor say "aye."

MR. PEARSON: Aye.

CHAIRMAN GRIGGS: Ayes have it. The petition is granted.

MR. COLEMAN: Thank you, Mr. Chairman.

MR. UPTON: Thank you, Mr. Chairman. Mr. Chairman, since that was the only matter that we had, may we be excused?

CHAIRMAN GRIGGS: Yes, sir. Thank you for your appearance.

MR. ROGERS: Mr. Chairman, the next item the

Board will hear is Item 19, Docket No. 02-08-11-12A, petition by Renaissance Petroleum Company, LLC.

CHAIRMAN GRIGGS: We will proceed.

Mr. Turner, let me say it's an honor to have you appear before the Board today.

MR. E. TURNER: Thank you, sir. I appreciate that.

CHAIRMAN GRIGGS: Mr. Turner, you represent Renaissance Petroleum?

MR. E. TURNER: My son will be handling the hearing, Halron Turner.

CHAIRMAN GRIGGS: Okay. And, Mr. Watson, you are sitting on the other side today for this petition.

MR. WATSON: I don't know if I can practice from this side, Mr. Chairman, but I'll do my best.

CHAIRMAN GRIGGS: All right. You represent Mr. Jerry Kelly, Sr.; is that correct?

MR. WATSON: Yes, sir, and his family.

CHAIRMAN GRIGGS: Okay. Mr. Turner, would you state your petition and what you intend to submit to the Board today?

MR. H. TURNER: Yes, sir, Mr. Chairman. Ed Turner and Hal Turner for the petitioner or proponent, Renaissance Petroleum Company. This will be Docket No. 02-08-11-12. It is a petition to establish a new oil field

to be known as the East Wallace Field in Escambia County, Alabama; also adopting Special Field Rules for the field as set forth in the Exhibit A attached to the original petition; establishing the Northwest Quarter of Section 17 and the Northeast Quarter of Section 18, Township 3 North, Range 9 East, Escambia County, Alabama is the field limits for the field; and further establishing the Northwest Quarter of Section 17 as the production unit for the Craft-Blackstone 17-5 No. 1 well, Permit No. 16176; and the Northeast Quarter of Section 18 as the production unit for the Craft-Huxford 18-2 No. 1 well, Permit No. 16323-B.

CHAIRMAN GRIGGS: Mr. Turner, if you could pull the microphone closer to you and speak --

MR. TURNER: I apologize. I could also speak up, if you want me to.

We have two live witnesses to call, Mr. David McCaleb, a geologist, and Mr. James Lee, a petroleum engineer. And we understand the petition is opposed by Mr. Jerry Kelly, I believe, who is represented by Mr. Watson. We also understand that he has at least one live witness to call.

CHAIRMAN GRIGGS: Your witnesses' names again were?

MR. TURNER: The first witness would be David McCaleb, M-C-C-A-L-E-B. The second witness, Mr. James Lee.

CHAIRMAN GRIGGS: Would you like to swear the witnesses now, Mr. Rogers?

MR. H. TURNER: That would be fine.

MR. ROGERS: Gentlemen, stand and state your names and address. Yes, sir, Mr. McCaleb.

MR. MCCALEB: My name is David McCaleb, and my address is 1507 Forest Brook, Sugarland, Texas.

MR. ROGERS: All right. You, Sir?

MR. LEE: My name is James Lee. My address is 5404 Rebecca Boulevard in Kinner, Louisiana. 70065 zip code.

MR. ROGERS: Thank you. If you gentlemen will raise your right hand.

DAVID MCCALEB AND JAMES LEE,

having been first duly sworn, were examined and testified as follows:

MR. ROGERS: Thank you.

MR. H. TURNER: Before I begin questioning the witnesses, may I approach and hand out exhibits?

CHAIRMAN GRIGGS: Certainly. Do you have a copy for Mr. Watson?

MR. H. TURNER: He's got a copy. He told me he had a copy. Do you have a copy?

MR. WATSON: Yes, unless you have changed

anything.

CHAIRMAN GRIGGS: Proceed, Mr. Turner.

MR. H. TURNER: Thank you, Mr. Chairman.

DIRECT EXAMINATION BY MR. H. TURNER:

Q. State your full name for the record, Mr. McCaleb.

A. My name is David McCaleb.

CHAIRMAN GRIGGS: Would you pull the microphone up closer, Mr. McCaleb?

A. My name is David McCaleb.

Q. And, Mr. McCaleb, state your age and where you reside.

A. I'm 53 years old and I reside in Sugarland, Texas.

Q. Okay. And are you currently employed?

A. I'm an employee of Renaissance Petroleum.

Q. That would be the petitioner or proponent in this proceeding; is that correct?

A. That is correct.

Q. What is your occupation or profession?

DR. TEW: Excuse me, you-all are going to have to speak up a little bit and move the mike a little bit closer.

Q. What is your occupation or profession?

A. I'm a geologist.

Q. And how long have you been a practicing geologist?

A. 32 years.
Q. Okay. And briefly describe your educational background in geology.
A. I have a bachelor's degree from the University of South Western Louisiana in Lafayette, Louisiana. And I have worked for various oil companies, Gulf Oil Corporation, Freeport McMoRan, Pacific Enterprises, and currently working for Renaissance Petroleum.
Q. And prior to today's hearing, have you submitted a detailed resume to the Board?
A. Yes, I have.
Q. And did that resume contain your qualifications as a geologist?
A. Yes, it did.
MR. H. TURNER: Mr. Chairman, at this time we would tender Mr. McCaleb as an expert in geology.
CHAIRMAN GRIGGS: Mr. Watson, any objection?
MR. WATSON: No objection.
CHAIRMAN GRIGGS: He is recognized as an expert geologist. Would you like to incorporate his affidavit into the record?
MR. TURNER: Yes, I would.
CHAIRMAN GRIGGS: Okay, it's incorporated.
(Whereupon the affidavit of David McCaleb was incorporated into the record.)

Q. (BY MR. H. TURNER:) Mr. McCaleb, you testified earlier you were an employee of Renaissance Petroleum Company; is that correct?
A. That is correct.
Q. Would you tell the Board briefly what involvement you have had with respect to the two wells at issue in this proceeding?
A. I have been the geologist that has worked on this project from the beginning in developing the project, and I have been on the wells and through the logging and drilling of all of the wells so I'm involved with it from the start.
Q. Okay. And last year sometime did Renaissance Petroleum Company drill and complete a well in the Northwest Quarter of Section 17, Township 3 North, Range 9 East in Escambia County, Alabama?
A. Yes, we did.
Q. And is that the well we have been referring to, or that has been referred to in this proceeding as the Craft-Blackstone 17-5 No. 1 well?
A. Yes.
Q. Okay. Following that well, did Renaissance drill a second well located in the Northeast Quarter of Section 18, Township 3 North, Range 9 East in Escambia County, Alabama?
A. Yes, we did.
Q. And is that the well referred to in these proceedings

as the Craft-Huxford 18-2 No. 1 well?
A. Yes, it is.
Q. And is the Craft-Blackstone well located in the governmental quarter section that is the Northwest Quarter of Section 17?
A. Yes, that is where it is located.
Q. And is the Craft-Huxford well located in the Northeast Quarter that is the governmental quarter of Section 18?
A. Yes.
Q. And from what geological formation are those wells producing?
A. Smackover formation.
Q. Would you look at your exhibit booklet, please, sir?
A. Yes.
Q. Exhibit Number 1, would you tell the Board what that exhibit is?
A. Exhibit Number 1 is a location map that shows the location of the proposed East Wallace Field and it also shows the surrounding fields, main fields. The well is located in Northern Escambia County.
Q. And does that area map, Proponent's Exhibit 1, fairly and accurately depict the East Wallace Field as it relates to other producing oil fields in the area?
A. Yes, it does.

MR. H. TURNER: Mr. Chairman, we would move to admit Exhibit 1 into evidence.

(Whereupon, Exhibit 1 was offered into evidence.)

CHAIRMAN GRIGGS: Do you want to do these individually or would you like to cover them --

MR. TURNER: However the Chairman would prefer.

MR. WATSON: Let's hear them all and do it at the end.

CHAIRMAN GRIGGS: Okay. And you will have an opportunity to review them and then we will admit them all.

MR. WATSON: All right.

Q. (BY MR. H. TURNER:) Would you move, Mr. McCaleb, to Proponent's Exhibit 2, and would you tell the Board what that exhibit is, please, sir?

A. Yeah. This Exhibit Number 2 is a structure map drawn on the -- and subsea depth drawn on the top of the Smackover formation. It shows the surface and bottom hole location of both the Blackstone and Huxford wells. It also shows the two 160-acre units. And it also shows in dash line the requested field limits.

In addition to that, it shows the -- a dash and dotted line on there that is the lowest known oil as established in the Craft-Blackstone well at 13,119 feet.

Q. And does this map show the structure formation of the

Smackover oil pool located in these two quarter sections?
A. Yes, it does.
Q. And that would be the line designated how?
A. The lowest known oil is the dashed and dotted line as depicted on the -- in the legend.
Q. Move to Exhibit 3, please, sir. And tell the Board what Exhibit 3 is.
A. Exhibit 3 is a well log run in the Craft-Blackstone 17-5 on completion of drilling, and it shows the -- it's a portion of the log across the Smackover formation. It shows the top of the Smackover oil pool as requested at 13,053 feet subsea and the lowest known oil at 13,119 feet subsea.
Q. And this particular log, Exhibit Number 3, was a log taken from or run from the plat, the Craft-Blackstone well; is that correct?
A. Yes. This is the log from the Craft-Blackstone 17-5 well. It's a Schlumberger induction quad-combo log.
Q. Move if you will, Mr. McCaleb, to Proponent's Exhibit Number 4.
A. Exhibit Number 4 is a cross-section that runs from West to East across the crest of the feature, and it shows the Craft-Huxford 18-2 located on the East side of the structure, and it also shows the Craft-Blackstone 17-5 located on the -- excuse me, the Craft-Blackstone on the East side and the Huxford 18-2 on the West side. And it's just

simply a cross-section that shows the correlation of the two well logs, and that the Smackover formation is continuous across the area and correlative between the two wells.

Q. And it takes the Smackover formation across both wellbores; is that correct?

A. That is correct. Also on that is the -- it shows the lowest known oil 13,119, as defined in the Blackstone well.

Q. Mr. McCaleb, would you look at Exhibit 5 and explain to the Board what that is, please?

A. Exhibit Number 5 is the survey unit plat done by a certified engineering firm that shows the surface and bottom hole location of the Craft -- I'm sorry, the Craft-Blackstone 17-5 well.

Q. And as depicted on that map, is the well site for the Craft-Blackstone well more than 660 feet away from the exterior boundary of that quarter section?

A. Yes, it is.

Q. And is the bottom hole of that same well, as depicted on this exhibit, more than 660 feet away from the exterior boundaries of that quarter section?

A. Yes, it is.

Q. If you will look at Exhibit Number 6, could you tell the Board what that exhibit is, please, sir, what it demonstrates?

A. This is a certified unit plat for the Craft-Huxford

well and drawn by our certified civil engineer.
Q. And, Mr. McCaleb, as depicted on this exhibit, is the well site location for the Craft-Huxford well more than 660 feet from the exterior boundaries of that quarter section?
A. Yes, it is.
Q. And is the bottom hole of that well, as depicted on this exhibit, also more than 660 feet from the exterior boundaries of that quarter section?
A. Yes, it is.
MR. H. TURNER: Mr. Chairman, these are all the exhibits. I'm not completely through with the testimony, but all the exhibits I have for this witness. Would you like for me to offer them now or wait?
CHAIRMAN GRIGGS: Let's just hold those for right now. Mr. Watson, do you have any questions?
MR. H. TURNER: I have some other questions.
CHAIRMAN GRIGGS: I'm sorry, okay. Proceed.
Q. (BY MR. H. TURNER:) What are the two principal hydrocarbons being produced by these two wells, Mr. McCaleb?
A. Oil and natural gas.
Q. And of those two, which is the well producing the most of?
A. Oil.
Q. Okay. And so, in your opinion, would this be an oil well?

A. Yes.
Q. And it is producing from the Smackover pool?
A. Yes, that is correct.
Q. Both wells?
A. Both wells are producing from the Smackover oil pool.
Q. Is the Smackover oil pool from which both these wells are producing, is it contained within the proposed field limits of these two quarter sections?
A. Yes, it is.
Q. And is the Smackover oil pool, as it exists in the proposed field, a separate and distinct oil producing pool in this proposed field?
A. Yes.
Q. And for purposes of the record, I know it's in the exhibits, how would that Smackover oil pool be defined in your professional opinion? Is that interval of productive hydrocarbons between what distances?
A. The definition of the Smackover oil pool is from the Craft-Blackstone 17-5 between 13,410 feet measured, 13,053 feet subsea, and the base at 13,476 feet measured depth and 13,119 feet subsea.
Q. And you are reading from or looking at Exhibit Number 3; is that correct?
A. Yes, and that information is shown on Exhibit Number 3.

Q. In your professional opinion, what would the appropriate spacing for wells in this particular proposed field be, sir?
A. 160 acres.
Q. With 660 feet setbacks?
A. Yes, sir.
Q. And do both of these wells meet those requirements?
A. Yes, they do.
Q. And in your professional opinion, would those well spacing requirements effectively drain the two production units and prevent drilling of unnecessary wells?
A. Yes, they will.
Q. In your professional opinion, if the petition is granted by the Board as requested, would that prevent waste and protect the correlative and co-equal rights of all the mineral owners in this area?
A. Yes, it would.

MR. H. TURNER: We don't have any further questions of this witness.

CHAIRMAN GRIGGS: Mr. Watson, any questions of this witness?

MR. WATSON: I would like to pass until he finishes his complete case.

CHAIRMAN GRIGGS: Okay. Proceed, Mr. Turner.

MR. H. TURNER: Mr. Chairman, would it be

appropriate for my witnesses to change chairs?

CHAIRMAN GRIGGS: It certainly would. And if you will, please pull the microphones up closely. It makes it very difficult for our hearing reporter.

DIRECT EXAMINATION BY MR. H. TURNER:

Q. State your name for the record, please, sir.

A. My name is James Lee.

Q. Mr. Lee, state your age and residence address for the record.

A. My age is 53 years old. My address is 5404 Rebecca Boulevard in Kenner, Louisiana.

Q. And, Mr. Lee, are you currently employed?

A. Yes, I am.

Q. For whom do you work?

A. Renaissance Petroleum.

Q. In what capacity do you work for Renaissance Petroleum Company?

A. I serve as the petroleum engineer for the company.

Q. And in that capacity have you worked on this proposed field and the wells that have been drilled in it?

A. Yes, sir.

Q. Would you briefly give your educational background?

A. I have a degree in civil engineering from Tulane University. I graduated in 1975 -- I'm sorry, 1978. I

graduated from Tulane, worked for Exxon for three years, and then worked for McMoRan Oil & Gas for 20 years, and then worked for a company called NCX Corporation for nine years, and now I'm currently employed with Renaissance Petroleum.

Q. How long have you worked as a petroleum engineer?

A. I have worked as a petroleum engineer for 33 years.

Q. And prior to today, have you submitted a resume detailing your qualifications to the Board?

A. Yes, sir, I have.

MR. H. TURNER: At this time, Mr. Chairman, we would tender Mr. Lee as an expert of petroleum engineering.

CHAIRMAN GRIGGS: Mr. Watson, any objection?

MR. WATSON: No, sir.

CHAIRMAN GRIGGS: He is recognized as an expert petroleum engineer and we will incorporate his resume into the record.

(Whereupon, the resume of James Lee was incorporated into the record.)

Q. (BY MR. H. TURNER:) Mr. Lee, again, would you tell the Board briefly your involvement in this particular project?

A. I'm involved in the -- looking at the production tests, doing production reserves, and evaluating the wells' performance.

Q. Have you been involved with these two particular

wells, the Craft-Blackstone well and the Craft-Huxford well?
A. Yes, I have been involved for Renaissance when these wells were spudded and watched their drilling completion and current testing and production.
Q. Would you look at your exhibit book, please, sir?
A. Okay.
Q. What is Exhibit Number 7?
A. Exhibit Number 7 is form OGB-9. It's the first production test for the Craft-Blackstone well, 17-5. This test is the test that is reported to the State of Alabama indicating the productivity of either well in its initial test.
Q. And that is a document that is already on file with the Board; is that correct?
A. That is correct.
Q. And it briefly demonstrates what?
A. Basically, we took a test initially on the well of May 6, 2010 indicating the well is the oil well flowing 541 barrels of oil per day and 521 Mcfs per day.
Q. The next exhibit, Number 8, would you tell the Board what that is, please, sir?
A. Exhibit 6 is -- I'm sorry, 8.
Q. The previous Exhibit Number 7 was for what well, the Craft-Blackstone well?
A. Correct.

Q. Okay. Move to Exhibit 8, please, sir.
A. Exhibit 8 is a tabulation or a weekly production from the Craft-Blackstone 17-5 and basically it just basically reports tabularly all the production that has come out of the well.
Q. And on that particular exhibit, what is the gas to oil ratio of this particular well as revealed by that test?
A. Well, the gas/oil ratio changes with production. And the last test that is reported is January 16th, 2011. For that one-day week, it was -- the GOR was 1206.
Q. For those of us who don't understand, what does that mean?
A. Gas/oil ratio is just a ratio of the gas production compared to the oil. It's in units of cubic feet per barrel.
Q. And this particular test, Exhibit Number 8 or exhibit -- not test, but summary, would be applicable to the Craft-Blackstone well; is that correct?
A. That is correct.
Q. Move to Exhibit 9, please, sir, and tell the Board what that is.
A. Exhibit 9 is the form OGB-9 form for the Craft-Huxford 18-2 well. It's also the first test that was reported for the well. And that test, it was taken during a 72-hour flow test from a period of September 18 through September 20 of 2010. And the oil rate for the Craft-Huxford

18-2 well was 465 barrels of oil per day and 537 Mcfs.

Q. So this particular document, like the previous exhibit, shows the oil and gas ratio being produced from the Craft-Huxford well; is that correct?

A. That is correct. In the test, it was 1155 GOR.

Q. Your next exhibit, Number 10, does that exhibit apply to the Craft-Huxford well?

A. Exhibit 10 is our tabulation of the production from the Craft-Huxford well from the Craft-Huxford 18-2 well since its initial production. And the last test or production was on January 16, 2011 showing a GOR of 1455.

Q. Let's skip for a moment, Mr. Lee, Exhibit 11 and look at Exhibits 12 and 13, and would you tell the Board what those are, please, sir?

A. Exhibits 12 and 13 --

Q. And 12 would apply to the Craft-Blackstone and 13 would apply to the Craft-Huxford?

A. That is correct, sir.

Q. Tell us what those are.

A. These are reports that we contracted FESCO, Limited. They are a petroleum engineering company that basically takes oil and gas samples and do simulation analysis to a PVT analysis on oil that we captured and the gas from the two wells.

Q. And these tests show a ratio of oil to gas from

production on both wells; is that correct?
A. Correct. Both wells had the initial GORs during the test for the samples, were 878 GOR for the Craft-Blackstone and 1,028 -- excuse me, 1,078 for the Craft-Huxford well.
Q. And as the petroleum engineer responsible for this project, did you prepare a summary of those two laboratory analyses?
A. Yes, I did.
Q. And would that be Exhibit Number 11?
A. That is correct.
Q. And what was your conclusion in your summary with respect to these two lab analyses about these two wells?
A. Based on the analysis from FESCO, Limited, my conclusion is that this was an oil reservoir that is undersaturated.
Q. Would you tell the Board in your professional opinion what the production allowables for these two wells should be?
A. They should be 500 barrels of oil per day per well.
Q. And are both wells capable of effectively producing 500 barrels of oil per day?
A. Yes. They are both capable of producing 500 barrels of oil per day.
Q. And would that production allowable for oil promote the development of this proposed field and prevent damage to the reservoir in your professional opinion?

A. Yes.

Q. And would the petition as filed by Renaissance Petroleum Company, if granted by this Board, in your opinion, prevent waste in this field and protect the correlative and co-equal rights of all of the mineral owners?

A. Yes, it would.

MR. H. TURNER: Mr. Chairman, at this time we have no further questions of the witnesses. And at this time we would move all of the proponent's exhibits into evidence, 1 through 13.

CHAIRMAN GRIGGS: Mr. Turner, before we do that, you may want to go back and readdress your Exhibits 7 through 11. It appears those exhibits were prepared by Mr. McCaleb. There probably needs to be some testimony by your witness Mr. Lee.

MR. H. TURNER: Okay. 7 through 11 are the ones the Chairman has concern about?

CHAIRMAN GRIGGS: Yes. It indicates that those exhibits were prepared by Mr. McCaleb, and there has to be some connection with Mr. Lee's testifying about those exhibits since he did not prepare them.

MR. H. TURNER: Okay. Well, I will need to go back to my other witness to do that. Would that be all right with the Chairman?

CHAIRMAN GRIGGS: Yes, that is fine if you want

to do that or if you want to indicate -- however you want to do it.

MR. H. TURNER: If you will remain seated, Mr. McCaleb.

CHAIRMAN GRIGGS: He does need the microphone.

MR. MCCALEB: Let me see the book to see what you are talking about.

DIRECT EXAMINATION BY MR. H. TURNER, CONTINUING:

Q. Mr. McCaleb, did you prepare Exhibits 7 through 13, proponent's exhibits that were placed in this compilation of exhibits for the petition?

A. (Reviewing documents.) Exhibits 7 through 10 are simply copies that I made of the OGB forms. And then also Exhibit Number 8 is a copy of the production that came from our production accounting department. Exhibit Number 9 also is a copy of the OGB form. And Exhibit Number 10, again, is the production data that we got from our production accounting department at Renaissance.

CHAIRMAN GRIGGS: Is your answer in the affirmative that you did prepare these exhibits?

MR. MCCALEB: Yes, sir, I did.

MR. H. TURNER: With the exception of Number 11, which you would have prepared; is that correct, Mr. Lee, the summary of the oil/gas analysis?

MR. LEE: Yes, I did.

MR. H. TURNER: And collectively do all of those exhibits accurately depict or describe the information contained in the exhibits?

MR. MCCALEB: Yes, they do.

CHAIRMAN GRIGGS: Mr. Turner, those exhibits are not signed, the originals are not signed and they need to be signed for incorporating.

MR. H. TURNER: Can we do that at the conclusion of the hearing?

CHAIRMAN GRIGGS: You can do that subsequently. At this point, Mr. Watson, have you reviewed these exhibits, do you have any objections to any of them before you question the witnesses?

MR. WATSON: No, sir. With that correction, I understand now that Mr. Lee is responsible for Exhibit Number 11 and Mr. McCaleb for the others.

CHAIRMAN GRIGGS: No objection to those being entered into evidence?

MR. WATSON: No objection.

MR. H. TURNER: And, Mr. Chairman, we will sign those before the conclusion of the hearing or I will have the witnesses do that.

CHAIRMAN GRIGGS: The originals will be entered into evidence, Mr. Turner.

MR. H. TURNER: And in addition to that, Mr. Chairman, we would also like to offer into evidence the Board's well files for both of these wells, the Craft-Blackstone and the Craft-Huxford well.

CHAIRMAN GRIGGS: Any objection?

MR. WATSON: No objection.

CHAIRMAN GRIGGS: Those will be admitted into evidence.

(Whereupon, Exhibits 1-13 were received into evidence.)

MR. H. TURNER: Give me just a second, Mr. Chairman.

(Brief pause.)

MR. H. TURNER: That is all we have at this time, Mr. Chairman.

CHAIRMAN GRIGGS: Mr. Watson, questions of these witnesses.

MR. WATSON: Mr. McCaleb first, please.

MR. H. TURNER: Do you want him to change seats?

MR. WATSON: No, no, that is fine.

CHAIRMAN GRIGGS: Make sure you have the microphone in font of you, Mr. McCaleb.

MR. MCCALEB: Yes, sir.

CROSS-EXAMINATION BY MR. WATSON:

Q. Look at Exhibit Number 1, Mr. McCaleb, and tell us what evidence you have to support a separation between the West Appleton Field and the production you propose for the East Wallace Oil Field.

A. The evidence for separation between the East Wallace and the West Wallace is simply water levels. The West Appleton structure is a higher structure and has a known water level from logs and it's different than ours at the proposed East Wallace Field.

MR. H. TURNER: Mr. Watson, Mr. Chairman, one minute before he proceeds any further. I apologize, we should have done this before you asked your first question. We wanted to put an objection on the record to the opposition being presented by Mr. Kelly. As we understand their position, they are asking the Board to basically shift this entire unit, basically ten acres to the North, which we do not believe is appropriate under the law or the Board regulations.

Procedurally and both substantively what should be required is a second petition filed later by Mr. Kelly asking the Board to add on under the add-on Statute 9-17-12(b) if he indeed can show, which would be his burden of proof that there is productive acreage under his property which is to the North of these two sections, so we object to this opposition.

CHAIRMAN GRIGGS: Your objection is noted. We will proceed at this point --

MR. H. TURNER: I apologize.

CHAIRMAN GRIGGS: -- and rule on the objection later.

Q. (BY MR. WATSON:) Is it true, Mr. McCaleb, that in the first permit application for your well in the Form OGB-1 you noted on that permit application that this well, which will be the 17-5, was a West Appleton field/wildcat?

A. I'm not familiar with that work, how it was designated on that particular form.

Q. Look at your Exhibit Number 2, Mr. McCaleb.

A. Yes, sir.

Q. You testified as to this lowest known oil at minus 13119. I'll represent to you that my client owns property in the South half of the Southwest Quarter of Section 8, all right, sir?

A. Okay.

Q. How far is your lowest known oil from the South half of the Southwest Quarter of Section 8?

A. In feet, I don't know. You would just have to measure it. I don't have a scale with me.

Q. There is a scale on this exhibit that you prepared, Mr. McCaleb. Would you have an estimated guess as to how far that might be?

A. I would say that it's several hundred feet.
Q. Several hundred feet. If I told you I put a scale on your scale and measured that and it was 75 feet, would that be more accurate?
A. It could be. I didn't do the measurement, you did, so maybe it is.
Q. Is the scale on the map Exhibit 2 correct?
A. Yes, the scale is correct.
Q. All right, sir. You state on the face of your Exhibit Number 2, Mr. McCaleb, that the structure map is based on 3D seismic; correct?
A. That is correct.
Q. Why did you elect not to file any seismic in support of this structure map?
A. The seismic data, as far as I know, is proprietary data and wasn't required. We prepared this exhibit and submitted it for review and were advised that this was the information that we -- was required.
Q. Who advised you of that?
A. My attorney.
Q. All right. Are you aware that seismic information is routinely presented when fields are established before this Board?
A. I'm not aware of that, no.
Q. Are you aware that the Board has a rule based on the

submission of seismic information, that it can be kept confidential and not available for public review upon your company's request?

A. Yes, I'm aware of it.

Q. So you didn't -- you didn't consider filing any 3D, and you didn't consider if you did file that, asking that it be kept confidential, right?

A. We didn't submit 3D data for the application here, no. The answer is no, we did not submit it.

Q. So the only data points that anyone can review relative to your Exhibit 2 to substantiate your interpretation of the two wells are the data collected from those wells; is that right?

A. The two data points that you have there, there are two subsurface data points and then there is also the -- our interpretation of the 3D seismic survey that is represented on this map.

Q. Is it correct to say, Mr. McCaleb, that the seismic time has to be converted to depth using velocity information matched from or compared to a nearby well drilled and logged to the Smackover or Norphlet?

A. Yes, that is how you would normally convert time data to depth.

Q. So neither I nor the Board knows from this Exhibit Number 2 what you used for that conversion, do we?

A. Well, I'll tell you what we used. I mean, we used the well, you know, the information from the well that we drilled here. And from that well, we established the time/depth relationship and converted the math, so --

Q. That would be the 17-5 well was your velocity control?

A. The 17-5, yes.

Q. And looking at this structure as you have drawn it, Mr. McCaleb, can you assure us without filing any seismic information that the velocity gradient -- that a velocity gradient is not occurring over this proposed field?

A. Well, we have two control points and we feel like we have an accurate representation of the structure, so, you know, it's an interpretation, and we have done, we think, a good job of it, the best we can.

Q. Is it possible for a velocity gradient to vary between the two wells?

A. Certainly, it's possible, yes.

Q. You have depicted the limits of this reservoir as the lowest known oil at minus 13119. Do you have any calculation to present to this Board on water saturation that was used in determining that lowest known oil?

A. No.

Q. Mr. McCaleb, is there a spill point for this reservoir that you have depicted on Exhibit 2?

A. The spill point for the structure is somewhere between 13,200 and 13,250 feet.
Q. So that would open the spill point and structure to the North, would it not?
A. The spill point for the structure is to the North, yes.
Q. And in -- the up-dip Smackover trend in Alabama, is it normal for a Smackover reservoir to fill to the spill point?
A. I don't know the answer to that.
Q. If I took your Exhibit Number 2, Mr. McCaleb, and without having an opportunity to look at any seismic, how do you map all of this area South of your lowest known oil but within these two proposed 160-acre production units, what control did you have to draw that particular structure?
A. We had time control from the seismic data.
Q. Again, which we don't have here to review?
A. No. We have already said that we didn't submit any seismic data.
Q. If I were to color the area inside these two opposed 160-acre production units to demonstrate the unproductive area in those two 160-acre units, how much of that area would be colored, say, yellow, if I used that color?
A. I have no idea.
Q. Mr. McCaleb, can't you look at your map and tell me

and the members of this Board roughly how many productive acres you have out of these 320 acres for these two production units? I'm not asking for anything precise. I'm asking for your best judgment.

A. I would say somewhere around half of it.

Q. Half. This spill point that opens to the North, if the Smackover pool is filled as a normal Smackover trend pool, wouldn't there be contribution of these two wellbores from the North?

A. I don't know what being filled like a normal Smackover pool would be. Can you be more specific about what you are saying?

Q. If the Smackover structure has a spill point, I submit to you that the upper Smackover trend in Alabama in Smackover wells are usually filled to the spill point. If that is the case, and accept that as the proposition, would there be contribution to these wellbores from the hydrocarbons in that spill point to the North within those contours that you have just suggested that spill point exists?

A. I don't have any evidence that we have hydrocarbons any lower than 13,119 feet, which is the way we depict it. If someone has evidence to that effect, maybe we should be more direct.

Q. I have taken the yellow highlighter, Mr. McCaleb, and

with the Chairman's permission, I would like to hand you Exhibit Number 2, and I have colored in beyond the 13,119 feet in the color yellow those areas that are shown on your map to be nonproductive.

MR. WATSON: May I do that, Mr. Chairman?

CHAIRMAN GRIGGS: Yes, Mr. Watson.

Q. (BY MR. WATSON:) So I'll just ask this one more time. With the addition of color on your Exhibit Number 2 --

MR. WATSON: And, Mr. Chairman, we can mark that as opposition Exhibit Number -- let's do an Opposition Exhibit Number 1A, please.

CHAIRMAN GRIGGS: It's marked as Exhibit 1A, Opposition Exhibit 1A.

Q. (BY MR. WATSON:) Would you still say that about half of these 160-acre units are underlain by productive hydrocarbons?

A. It's -- I'm looking for a planimeter number. I actually have a planimeter number somewhere. Hang on. James is looking to see if he can find the planimeter number.

Q. All right, sir.

A. I think right now the proven area is 116 acres.

Q. 116 out of the total 320, correct?

A. That is correct.

Q. That is about third, right?

A. About a third.

Q. All right, sir. Now, let's look at your Exhibit Number 2. Have you or anyone in your company made any reserve calculations for the two wells? Have you?

A. I haven't, no.

Q. Has anyone in your company made a reserve calculation, to your knowledge?

A. No.

Q. So you have a new discovery here in Alabama and you have invested a lot of money in that, but you don't have any idea what the reserves might be in those wells? And I'm not asking you to give a number, I'm just asking if you made a reserve calculation.

A. I mean we have made some guesstimates of it, but nothing formal, no.

Q. When you made those guesstimates, Mr. McCaleb, did you use the lowest known oil depth as a boundary, or would you have used the lowest known oil depth as a boundary, or would you have reached out to that spill point in making those reserve calculations? In other words, would you have made a conservative estimate or would you have made a liberal estimate of your reserves?

A. I would have made a conservative one because that is the area that is proven.

Q. So the lowest known oil would have been your cutoff for any reserve calculations?

A. Yes.
Q. What is the oil column in that reservoir, according to your Exhibit 2, Mr. McCaleb?
A. It looks like it's 66 feet of column.
Q. And tell us again, if you have not already, what this lowest known oil is based upon.
A. It's based on the fact that the formation gets tight and nonproductive below that point.
Q. As a petroleum geologist, Mr. McCaleb, do you believe that the lowest known oil as shown on your Exhibit 2 is the true productive reservoir limit for this field?
A. It's the productive limit that we know of and can prove right now, yes.
Q. Did you file or did Renaissance file any core information for either of these wells?
A. I think the core information has been filed. I'm not -- I don't know that for a fact, but there were conventional cores taken on the well.
Q. Why did you choose not to bring that core information to the hearing today?
A. I didn't make a conscious effort to do that. I didn't think it was necessary.
Q. Have you made any water saturation calculations for either of these wells?
A. No, I haven't.

Q. Was either of these wells perforated deep enough to encounter this lowest known oil that you have depicted at minus 13119?

A. No, they were not.

Q. If you have as you state, core data, are there methods to project the water level based on capillary pressure data from core measurements?

A. Are there methods for that?

Q. Yes, sir.

A. I don't know. I'm not a petroleum engineer, so I don't project water levels from capillary pressures.

Q. All right, sir. At 18-2 well appears from the log -- and let's look over, if you would, please, let's flip over to your Exhibit Number 4. The 18-2 well appears from the log that you are showing on here to be tight from the lowest known oil depth to the base of the well; would you agree with that statement?

A. I agree with that.

Q. If so, would you also agree that no water level can be seen in the 18-2 well?

A. We don't have a water level established in the Smackover oil pool on either well.

Q. In any of your exhibits have you presented any information about a free water level in either well?

A. No.

Q. Now, staying with your Exhibit Number 4 for a minute, I'll call your attention to the 18-2 well on the left side. You have got the lowest known oil 13,119 feet.

A. The reservoir lowest known oil is 13,119 feet, and that level is established in the Blackstone well. If you use the Huxford well, you are going to come up with a number that is higher than that, so we are going to actually make the area that we have depicted on the map smaller.

Q. And I'm sticking with the 18-2 well now just for a minute, Mr. McCaleb. Did you add the Kelly Bushing to that 13119 in order to come up with that lowest known oil as you have depicted it with a dark line on the 18-2 well; does that include the Kelly Bushing Measurement or not?

A. All of the depths that we have used have been corrected for directional deviation and for elevational corrections and they are all subsea depths, so they have all been corrected.

Q. What is the Kelly Bushing in the -- for the rig that drilled the 18-2, what distance would you have to add to that subsea distance, subsea depth?

A. I don't remember. That information is on the well log -- on the well log header. I don't happen to have that information in my possession right now.

Q. Let's just talk about the procedure in drawing this lowest known oil on this 18-2 well. You have by some design

depicted that as the lowest known oil. But in making that calculation it demonstrated on the log, in determining the footage to show that mark on this log, do you or do you not have to account for the Kelly Bushing?

A. Yes, you do.

Q. And did you?

A. Yes, absolutely. I accounted for the Kelly Bushing elevation and for the directional deviation in the well.

Q. Well, when I add the Kelly Bushing of 353 as recorded on some of the forms or 356 as corrected on some of the other Board forms, I would have shown that lowest known oil at either minus 13,472 or minus 14,475 in the 18-2 well. Would that be wrong?

A. At 13,400 feet, yes, it would have been wrong. The subsea depth is 13,119 feet.

CHAIRMAN GRIGGS: Mr. Watson would you draw the microphone closer, please, sir?

Q. (BY MR. WATSON:) So I take it from there that the Kelly Bushing Measurement was incorporated in your lowest known oil as shown on this 18-2 well?

A. We are not using the lowest known oil in the 18-2 well. We are using the lowest known oil from the Blackstone 17-5.

Q. Yes, sir.

A. We didn't use the 18-2 in the calculation. The 18-2

well is high to the 17-5 well. And so if you use the lowest known oil from the 18-2 well, it's going to be higher than 13,119 feet. The lowest known oil from the reservoir is established in the 17-5 well.

Q. What is the TVD depth of the lowest known oil in the 18-2 well, Mr. McCaleb? Maybe that is why I am confusing you. I'm looking for the TVD depth of the lowest known oil in the 18-2 No. 1 well.

A. It's about 13,455 feet.

Q. All right. So in determining TVD, that is when you use the Kelly Bushing Measurement, right?

A. The TVD log that you are looking at has been corrected for directional deviation. And from this log, you have to subtract the Kelly Bushing elevation in order to get subsea depths.

Q. All right, sir. Look two feet above your lowest known oil in the 17-5 well. Did you determine the water saturation at that level, Mr. McCaleb?

A. We have a conventional core across that interval and it's oil productive, highly oil saturated.

Q. But my question was: Did you determine the water saturation two feet above that lowest known oil?

A. We did not. There is an issue there, a little bit of an issue with the log because we did lose some drilling fluids in that, so the resistivities are lower than normal.

If you did a log calculation, you would get a pretty high water saturation. We think it's productive and we have included it in the reservoir.

Q. I have shown you Opposition Exhibit 1A, which is your Exhibit 2, and I'm going to flip back to that just a minute. What did you use as a net pay cutoff for the Smackover reservoir as you have depicted it on your Exhibit 2, Mr. McCaleb?

A. The net pay would be, you know, you would probably want to get something over about six percent porosity, something like that.

Q. My question is: What did you use in making this map?

A. What net pay?

Q. My question was: What did you use as a net pay cutoff for your Smackover reservoir that you show on Exhibit Number 2?

A. Well, there is 66 feet of gross and there is something like 41 or 42 feet of net reservoir in that 66 feet.

Q. So you use six percent of better porosity. Did you have a permeability cutoff for determining your net pay?

A. No, we did not because most of the -- you know, most of the interval in there is productive with the exception of a few feet.

Q. I noticed from Exhibit 2 and the insert from Exhibit

Number 4, Mr. McCaleb, that you have three highs depicted on Exhibit 2 and on the insert from Exhibit Number 4; is that correct?

A. That is correct. There are three individual higher spots on it, on the overall structure.

Q. And one of those higher spots straddles, if you will, Sections 17 and 18, Northwest of 17 and Northeast of 18?

A. That is correct.

Q. And I've represented to you that my client owns property in the South half of the Southwest Quarter of Section 8 close to that middle high. Would you agree to that based on my representation as to where my client owns land?

A. Yes. You said he owns land in Section 8.

Q. Yes, South half of the Southwest Quarter. Now, in drawing your line of cross-section on Exhibit Number 4, Mr. McCaleb, why did you run your line A - A' up through that high that straddles Section 17 and 18?

A. So that the cross-section would be continuous across the crest of the feature and across the productive area that we are depicting here.

Q. But what control did you have to run the line through that high that straddles Sections 17 and 18?

A. Well, I didn't have any control. It's a cross-section. You don't need control to make a

cross-section. We have two wells in the cross-section, so it's a cross-section across the crest of the feature.

Q. And why didn't you run your line of cross-section through the two wells as a straight line?

A. Because we would have had -- it would have looked like it was two separate features, and we have one, it's one overall feature here with separate lines on it. So we ran the cross-section down the crest of the feature. I mean, that is pretty self-evident on the map.

Q. Would you have contoured your productive area of this reservoir, as you call it, exactly like you have if you had run that line of cross-section from the 18-2 well to the 17-5 well?

A. The way I have contoured the map has nothing to do with the way I ran the cross-section. They are two different things, I mean --

Q. Oh, I understand that.

A. Yeah.

Q. But -- all right. So with the three highs that you have just agreed to me exist, you are saying that this is all one reservoir?

A. It's one reservoir, that is what we have depicted on the cross-section and on the maps. And, you know, the reason that we ran the cross-section down the crest of the feature is you have the correlative nature of the formations here.

Q. Have you presented anything, Mr. McCaleb, to show anything that the lowest known oil that you depicted on this map is common to both wells? Have you presented any evidence to show that the lowest known oil is common to both of your wells?

A. I know that the lowest known oil -- we have proven lowest known oil on the 17- -- in the Blackstone well. And then we have oil in the Huxford well, and the oil in the Huxford well is at a higher elevation than it is in the Blackstone well, so both of the wells are productive and --

Q. I'm not disputing that. I would agree with you that both of the wells are productive. My question was: Have you presented anything to this Board in evidence to say or to show that the lowest known oil is common to both of these wells?

A. Nothing other than the car -- the map, the evidence that we have presented. I mean it's -- we know that we have oil proven down to 13,119 feet, as we have shown, and that elevation covers -- those elevation bracket covers the production in the Huxford well. So we have no reason to believe that it's not common. I mean, I guess, I'm trying to figure out what it is you are getting at, but we feel like they are both productive wells.

Q. I don't want to put words in your mouth but as you started to answer that question you said "car" "car." Did

you mean cartoon?

A. No, I didn't mean cartoon at all, sir.

Q. Now, we do use cartographic?

A. I started out saying craft is what I meant to say, but I didn't want to say the whole thing. But, no, I didn't mean cartoon, sorry.

Q. And that is not a bad term. Sometimes we use cartoons to make a simple point.

A. Well, that is not a cartoon.

Q. I had questions for you that relate to petroleum engineering, but now maybe I can direct those questions to Mr. Lee. And if I can just --

MR. WATSON: Because of the confusion in preparing for this, Mr. Chairman, based on the indications when we prepared these exhibits, I may need to go back to Mr. McCaleb. Can I now go to Mr. Lee?

CHAIRMAN GRIGGS: Yes.

CROSS-EXAMINATION BY MR. WATSON OF JAMES LEE:

Q. Mr. Lee, is it significant that the GOR for the 17-5 well is 878 standard cubic feet per separated barrel with a bubble point being observed at 3656 psig and 255 degrees whereas the GOR for the 18-2 well was 1078 standard cubic feet per separated barrel or 1128 standard cubic feet for stock tank barrel with a bubble point observed at 3779 psig

at 255 degrees? That is a difference of 123 psig. Is that significant in evaluating whether or not these are in a common reservoir?

A. No, they are not. It's not uncommon to have different bubble points.

Q. And what about the recovery rates, Mr. Lee? The bubble points granted are different. But what about the recovery rates based on that bubble point, is that significant?

A. Excuse me, recovery rates of --

Q. The recovery rates as stated in the PVT of 967 versus 1,128. Those are the GOR numbers. The standard -- there is a rate of recovery based on that PVT. And I'm asking you -- I think I'm informing you that there is a difference. And I'm asking you is that significant when trying to determine whether or not these two wells are in a common reservoir?

A. It's not uncommon to have different GORs because, first of all, those two were taken at different times. And so the GOR will change in the wellbore as well as the reservoir.

Q. Mr. Lee, as a petroleum engineer did you calculate any water saturations for these wells?

A. I have not.

Q. Exhibit 7 shows an oil gravity for the 17-5 of 45.3, a specific gravity of 0.758 and 300 parts per million H2S.

And your Exhibit Number 9 or Renaissance Exhibit Number 9 shows oil gravity of 41.7, the specific gravity of the gas at 0.817 and 40 parts per million H2S. If these wells were in a common reservoir, wouldn't you expect these numbers to be closer?

A. They were basically taken at two different times, sir, so I can't answer that.

Q. You can't answer whether or not they are in the same reservoir or not, based just on that information?

A. You can't judge -- you can't make that assumption.

Q. All right. Let's look at Exhibit Number 12, if you can address that. This is the FESCO PVT. And Exhibit 13 is the FESCO PVT for the 18-2. The first thing I noticed in looking at these two reports from FESCO, Mr. Lee, was that the report on the 17-5 well on Page 2 of Exhibit 12 stopped the analysis at the Tridecanes, that is the last entry on Page 2 of Exhibit 12. When I look at Page 2 of Exhibit 13, I have analysis for eight more canes. Do you see that?

A. Yes, I do.

Q. Why is that?

A. I don't know. It was done -- these results -- studies were done by FESCO and these are the reports that they presented.

Q. Well, now, again still looking at the FESCO report, looking at the mole percent or H2S and nitrogen, carbon

dioxide, and methane as well as benzene, I see differences, I won't label them significant, but I see differences in the mole percentage between those two wells for those components that I have just outlined. Is that indicative of a common reservoir?

A. I can't make the definition. It's typical that you would see differences in the two wells.

Q. All right, sir. Look back, if you would, just a minute, Mr. Lee -- or if Mr. McCaleb could be the one to answer this question, if you would pass the mike to him, but let's look at your Exhibit Number 5.

MR. H. TURNER: Which witness?

MR. WATSON: I'll take Mr. McCaleb on this.

EXAMINATION BY MR. WATSON, CONTINUING OF DAVID MCCALEB:

Q. Exhibit 5, which is the surveyor's plat at 17-5 well.

A. Okay, yes. That is the survey plat that had been prepared by the civil engineer for the well.

Q. When I look at the location of the bottom hole, the arrow pointing to the bottom hole, the longitude and latitude, and when I look at this circular insert bottom hole location and look at the longitude and latitude, they are not the same. Is there an explanation for that?

A. Let me see your glasses just a minute.

MR. H. TURNER: Mr. Watson, you are asking him

to compare the insert at the bottom, the circular, with the one at the top, right?

MR. WATSON: Yes, sir.

A. (Reviewing document.) I'm not familiar with the insert. But the numbers at the -- they are actually shown in the 160, show the service in the bottom hole location, I believe, are the numbers that we used for the -- you know, actually ended up being drilled out.

Q. (BY MR. WATSON:) All right, sir. Let me go back just a minute to my old Kelly Bushing, no relationship to my client, Mr. Kelly, but in determining -- and I am probably confusing you, and I am trying to get TVD depths. I noticed in a filing by John Elixon, E-L-I-X-O-N, when he filed an OGB-8 on the Huxford 18-2, he made a pencil correction on the Kelly Bushing from what was reported 352.5 to 355.9. Can I show you that?

A. Sure. (Reviewing document.) Okay.

Q. My question, Mr. McCaleb, is: Why was that correction made?

A. I assume that it was made because that was the Kelly Bushing elevation that was surveyed from the bore, you know.

MR. WATSON: Do you have any objection if I offer these?

MR. H. TURNER: It's already in the Board file. We have no objection.

MR. WATSON: Mr. Chairman, I would offer this as Opposition Exhibit 1B.

(Whereupon, Opposition Exhibit 1B was offered into evidence.)

CHAIRMAN GRIGGS: I'll mark that. Mr. Turner, neither of these have been admitted into evidence at this point. We are just marking them.

MR. H. TURNER: Yes, sir.

Q. (BY MR. WATSON:) I'm going to ask you first, Mr. McCaleb, and then we can pass the microphone to Mr. Lee and I'm looking at Exhibit 2.

MR. H. TURNER: Our Exhibit 2?

MR. WATSON: Your Exhibit 2.

Q. (BY MR. WATSON:) Is it your testimony, Mr. McCaleb, that neither of these wells will drain any hydrocarbons from an area beyond the proposed 160-acre production units shown on this Exhibit 2; Mr. McCaleb, is that your testimony?

A. I didn't testify to that, no.

Q. Then I ask that to you as a question. Will either of these wells drain -- drain hydrocarbons from outside the proposed 160-acre production units depicted on the map that you prepared as Exhibit Number 2 -- and my question will be more specific as I restate it: Will they not drain any hydrocarbons from the North, North of your proposed production unit line?

A. It's our opinion that the well is going to drain the area that we have depicted as the productive area on the structure map.

Q. And because you have presented nothing that I, nor this Board, can look at nor cross-examine as to how that map was made, that is just your geological opinion, correct?

A. That is our opinion and interpretation.

EXAMINATION BY MR. WATSON, CONTINUING OF JAMES LEE:

Q. Mr. Lee, if you will look at Mr. McCaleb's Exhibit Number 2, I will direct the same question to you. Will either of these wells drain hydrocarbons from the North within the area that we discussed as a spill point?

A. I can't answer that question, sir. It's too early to say without production.

Q. But, Mr. Lee, you are producing excess of a hundred thousand barrels of oil and you are here today asking this Board to establish a unit, and if the Board establishes this unit, my client won't have a chance to get any compensation for any drainage beyond this unit, you are asking them -- you are not asking them to wait and you do more production, you are asking them to set these units today.

A. No, sir.

MR. H. TURNER: Objection, argumentative. Have you got a question or you want to argue?

CHAIRMAN GRIGGS: Sustained.

Q. (BY MR. WATSON:) My question was: Will either of these wells drill hydrocarbons -- I mean produce hydrocarbons or drain hydrocarbons from the area North of your proposed 160-acre production units?

A. We have the productive limits to the lowest known oil and that is our predicted reservoir, sir.

MR. WATSON: I have no further questions of either of these witnesses.

MR. H. TURNER: Hold on, Mr. Chairman.

MR. E. TURNER: Mr. Chairman, before we rest our case, I would like to make a request to this Board. As you have heard these two wells that we have asked to form a field, it produces oil and natural gas. During the period of test period, the staff has permitted us to flare or vent the gas from both of these wells.

They first approved a 500 barrel-a-day allowable or test allowable. And then some 30, 45, maybe 60 days thereafter they reduced that allowable on the 17-5 well to 250 barrels a day.

As the Board knows, if you permit a daily allowable of 500 barrels a day or 250 barrels a day and you produce these wells, there is going to be a certain amount of gas that is going to be produced depending on the daily allowable.

Now, and what we are requesting the Board to do, and if they approve our petition establishing a Special Field Rule, that the Board would permit us to continue to flare the gas or until such time as we can construct and get into operation a gas processing facility for these two wells and for that particular area.

Now, I understand it has been some time since we discovered -- since we made the 17-5 well. We have been working diligently trying to find a site location on which to -- we have made the decision to put in a gas processing facility. We have been working diligently to try to find a buyer and purchase a location for the oil -- the gas facility. We have worked with the forestry department to try to buy some land from them, ten acres, and had an agreement with them. And when we checked the title, we found out that they could not convey the property. So we have been searching since that time for a location for the plant site.

We now have, at least an agreement, I understand from Mr. Watson, that he and Mr. Connie Armbrecht have been working on an agreement to sell a ten-acre site from Mr. Kelly to Renaissance on which to put the plant location. However, I have also talked to the engineers and we are prepared to make -- offer testimony on their behalf that they have almost completed or have done a significant

amount of work on the engineering and design of the gas processing plant, and that their estimate now is that we should have a gas processing facility constructed and in operation within six to nine months.

And so we are asking the Board to permit us to continue to flare the gas from these two wells until we have our facility in place and in operation. Thank you.

CHAIRMAN GRIGGS: Thank you, Mr. Turner. That issue, of course, has come up before the Board. The staff has discussed that, the allowables, and that is an issue that we will want to proceed and discuss with you during the course of this somewhat lengthy hearing, but we will cover it. We will cover those issues.

MR. E. TURNER: I understand.

CHAIRMAN GRIGGS: Mr. Watson, you have nothing further of either of those witnesses; is that correct?

MR. WATSON: No, but I have my case.

CHAIRMAN GRIGGS: You have a case.

MR. WATSON: While that is fresh on the Board's mind, what Mr. Turner just said about producing, and everything he said is accurate. But at the conclusion of my hearing presentation, I'm going to ask the Board to escrow production royalties during any additional production until final production units are established. I have no objection to what they are needing to do to produce wells.

CHAIRMAN GRIGGS: Mr. Turner, did you have any objection to Mr. Watson's Opposition Exhibits 1A and 1B?

MR. H. TURNER: No, Mr. Chairman.

CHAIRMAN GRIGGS: Mr. Watson, are you asking --

MR. WATSON: I ask that those be included in the record, yes, sir.

CHAIRMAN GRIGGS: Those are admitted and included into the record.

(Whereupon, Opposition Exhibits 1A and 1B were received into evidence.)

CHAIRMAN GRIGGS: Mr. Watson, is there any way you can streamline to some degree your -- we are probably not going to break for lunch, so if there is some way you can streamline your case, that would be helpful.

MR. WATSON: I brought mine and I can eat between answers.

CHAIRMAN GRIGGS: Proceed, Mr. Watson.

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

MR. ROGERS: State your name and address, sir.

MR. HAYNES: My name is Charles D. Haynes, 2349 Sunset Drive, Guntersville, Alabama.

CHARLES D. HAYNES,

having been first duly sworn, was examined and testified

as follows:

DIRECT EXAMINATION BY MR. WATSON:

Q. Dr. Haynes, you have appeared before this Board on numerous occasions and have on file an affidavit of your qualifications as a petroleum engineer; is that correct?

A. That is correct.

Q. And you are appearing here today on behalf of Jerry Kelly and his family concerning the Renaissance petitions asking for the establishment of the new field?

A. That is correct.

Q. Have you prepared exhibits in support of Mr. Kelly's position relative to the Renaissance request?

A. Two of three that were offered.

Q. All right, sir. The third exhibit that we are offering is from the Board's website; is that correct?

A. That is correct.

MR. WATSON: I tender Dr. Haynes as an expert petroleum engineer for giving testimony in this hearing, Mr. Chairman.

CHAIRMAN GRIGGS: Any objection, Mr. Turner, to Mr. Haynes being recognized as a petroleum engineer?

MR. E. TURNER: Certainly not, I have been knowing him 30 years. I have no problem with his qualifications whatsoever.

MR. WATSON: I'm going to ask Dr. Haynes now -- and to respect the Chairman's request to -- rather than interrupting him with questions, I'm going to let him summarize his professional opinion and testimony relative to the exhibits that I have handed up, Mr. Chairman.

Q. (BY MR. WATSON:) And, Dr. Haynes, I don't usually like to turn a witness loose without a rifle, but I'm going to turn you loose.

A. You are on record by having said that on my behalf in the past. I will attempt to be brief. Mr. Watson asked me to look at this and give him some observations, and I have done that, and in the process have made Exhibit 1 and 2. And Exhibit 3 is from the Oil and Gas Board's website.

Some of this will be repetitive, I regret, but I feel that I should cover them because they are the observed observations that I had when I reviewed the exhibits that were presented today by Renaissance.

As has been said, the structure maps as shown on Exhibit 2 were prepared using 3D seismic data, but such data are not presented with the exhibit. I did look at some other Smackover fields nearby the Wallace Field in particular and saw that it was supported by seismic information. So I was wondering why it wasn't done here with the confidentiality situation. And the fact that you might see a derivative from that seismic information has been submitted to the Board in

the form of a structural contour map.

In dealing with seismic, I'll have to tell you that I'm not up to the minute on it, but I have done my share over time, it sometimes leads to slightly different results, depending on what velocities you use and even what your temperament for the day might have been. I am saying that these types of variations in interpretation could lead to different contour maps and perhaps subsequent field boundaries.

Regarding the LKO or lowest known oil, it's been established at -13,119 feet or subsea, encompassing the two referenced wells. When you look at the LKO, contour and its placement in these fields, it looks sort of strangely coincident as it goes up to the North and then tries to run parallel to the Section line before going back down again.

Again, I respect the work that has been done by Renaissance experts, but this is just sort of a strange appearing contour.

And since it goes so close to the Section line, an LKO contour very close to the line, such as the one displayed, might unduly prevent an adjacent mineral owner from participating in the proceeds from the field, even if he is entitled to do so.

It might also eliminate the adjoining ownership from ever knowing if their mineral rights would become

fruitful, as a separation along the Section line might condemn the mineral rights in Section 7 or 8 from further exploration.

In this context, waste may occur as a result of such property condemnation or drainage across ownership boundaries.

Back to Exhibit 2, it shows that there is an opening in the contours around 13,250 feet, and we have covered that, leading to the possible migration of reservoir fluids to the North.

Although this contour structure is lower than the interpreted LKO elevation, even a slightly different interpretation of the LKO could show that oil and gas have migrated out of the structure in Section 17 and 18 to the North across the section boundary, and that Section 7 and 8 might contain these migrated fluids. If so, the mineral owners in Section 7 and 8 are entitled to be in the proposed field.

The Southern areas shown in Exhibit 1 are the proposed field boundaries, both in Section 17 and 18, appear to contain nonproductive acreage as shown by the deeper structural contours of the South. Why then are these areas included within the proposed field limits and areas in the Southernmost portion of the Sections 7 and 8 not included even though they are equal to or structurally higher than the

contours in the Southern part of the proposed field?

I also had a comment about the Section A - A'. I understand the liberties taken here in running it across a crest. If you connect one well to the other, you will see a dip between the two. This immediately gives rise to the possibility of having two separate structures.

Q. (BY MR. WATSON:) And you are referring to the line of cross-section in Exhibit 4?

A. Exhibit 4, excuse me. It's in Exhibit 4. It's just an observation. An argument can be made that the two wells shown in Exhibit 2 are not sharing the same pool. A different seismic data interpretation might lead to the conclusion there are two or three separate structures, all of which may be oriented more South in Sections 17 and 18, rather than the one structure shown, and may extend into Sections 7 and 8.

For example, the LKO elevation in the 18-2 well is about 20 feet below porosity, and this well is structurally higher than the 17-5, has produced a higher water cut fluid to date just based on production tests. The differences in API gravity, gas analysis, hydrogen sulfide content and GOR values for the two wells as shown in the various exhibits submitted. They also would be indicators that there are two or more separate reservoirs.

This is an observation about trying to fit the

field within Section 17 and 18. I have been around 40 odd years or more, closer to 50, and I have seen over time that there seems to be a historical tendency to allow oil and gas fields in the governmental sections and quarter sections in Alabama primarily in wildcat areas. If this tendency had anything to do with the alignment of the proposed boundaries of these Wallace fields, such alignment in this area may be short lived.

The nearby Permit 16413-B proposed for drilling in the near future is located in the Southwest Quarter of Section 18 and will have its drilling unit split between Sections 13 and 18.

Q. Now, that is on the Board's website map, Exhibit Number 3; is that right?

A. Yes, sir. I draw your attention to the lower left-hand corner of that exhibit.

A successful completion of this well might have its production unit and field boundary contained in as many as four governmental sections. Again, an observation.

With the omission of seismic data from the exhibits supporting the proposed East Wallace Field boundary and the possibility of productive areas in Sections 7 and 8, it appears that a more equitable field boundary would locate the North boundary line of the field 660 feet North of the proposed boundary as seen in our Exhibits 1 and 2. Such

relocation as shown as the dashed red lines balances the contour that we see in the seismic interpretation as shown, and would encompass the potentially productive Southern areas of the Sections 7 and 8 and eliminate the down structure areas in the Southern portion of the proposed field. That concludes my statement.

Q. All right. Dr. Haynes, so what you are saying is with the inability on behalf of our client to, if you will, check and verify this inter -- this map that was based on seismic that we do not have, that to protect the equities, to avoid drainage, to protect correlative rights, based on the structure that has been presented by Renaissance, that the more equitable production units would include a 660-foot shift to the North, leaving the unit still on 160 acres; is that your testimony?

A. That is my testimony. This is a unique situation where you have an LKO less than 100 feet as measured from a Section line. I don't know if you can even use a scalpel to try to carve this out. But to me, in my observation, it is just so close that it's a possibility that the correlative rights of those owners in Sections 7 and 8 could be compromised.

MR. WATSON: Mr. Chairman, I would offer into evidence Exhibits 1, 2 and 3 from the testimony of Dr. Haynes.

(Whereupon, Opposition Exhibits 1-3 were offered into evidence.)

CHAIRMAN GRIGGS: Mr. Turner, any opposition to these exhibits?

MR. E. TURNER: No, sir.

CHAIRMAN GRIGGS: And the previous ones that were entered, Mr. Watson, were Exhibits 1A and 1B.

MR. WATSON: And the reason I did that is because this first one is 1.

CHAIRMAN GRIGGS: We will admit Opposition Exhibits 1, 2 and 3 into evidence.

(Whereupon, Opposition Exhibits 1-3 were received into evidence.)

MR. WATSON: I tender my witness for any cross-examination Mr. Turner has.

CHAIRMAN GRIGGS: Mr. Turner.

CROSS-EXAMINATION BY MR. E. TURNER:

Q. Mr. Charlie?

A. Uh-huh.

Q. What data did you examine?

A. Your data.

Q. Examined our data?

A. I examined your data. I did -- well, I looked at some other things that I got from Mr. Watson, the Wallace

Field, the supporting information given when that field was formed, but basically looked at your exhibits.

Q. Now, let me see if I'm clear on -- the sum and substance as I understand your testimony, Mr. Charlie, is that you don't disagree, you don't say that the opinion expressed by Mr. David McCaleb is wrong; if I understand what you testified to, and you correct me if I am wrong, your testimony is that on the basis of the data that you have examined, that there could be another interpretation, another opinion rendered interpreting the data or the seismic; is that correct?

A. If I understand what you are saying. The strict interpretation of the data presented at Renaissance would then what -- I'm sorry, Mr. Turner, I lost that in the middle.

Q. Okay.

A. I'm sorry.

Q. Let me see if I can rephrase it, rephrase my question.

A. All right.

Q. You are not telling this Board that the interpretation made by Renaissance of that seismic is wrong, are you?

A. I have no knowledge if it's correct.

Q. All right. And as I understand, the substance of

your testimony is that from the review of the data that you had available to you, there could be an opinion expressed as to the interpretation of the seismic different than Mr. McCaleb had made; is that correct?

A. Well, just having gone through this drill for quite a few decades, I can see there is a lot of slippage in the interpretation of seismic and that there could be other structures here using the same information. These different structures might affect the location of the field boundary. That is just exactly where I am going.

MR. E. TURNER: I understand. I think that is all I have.

MR. WATSON: One question on redirect, Mr. Chairman.

REDIRECT EXAMINATION BY MR. WATSON:

Q. Dr. Haynes, is it a problem if you don't have anything to verify this drawing of this structure, so if we had that, we would have more comments in it; isn't that the problem?

A. Well, that is correct.

MR. WATSON: That is all.

CHAIRMAN GRIGGS: Thank you, Mr. Watson. Mr. Turner, anything further in this connection? We obviously would like to hear some testimony regarding the

gas plant.

MR. E. TURNER: The gas plant?

CHAIRMAN GRIGGS: Yes.

MR. E. TURNER: All right, sir.

CHAIRMAN GRIGGS: Do you have an expert?

MR. E. TURNER: We don't have anything further in connection with our petition to establish Special Field Rules for East Wallace Field.

MR. H. TURNER: Do you want us, Mr. Chairman, to put on that testimony on gas now?

CHAIRMAN GRIGGS: Why don't you so we can just wrap this entire thing up, if it's not going to be very long.

MR. E. TURNER: Do you want to proceed?

CHAIRMAN GRIGGS: If you would proceed with the testimony regarding the gas plant, regarding the flaring and property acquisition. Do you have a witness who will present data? You summarized it, Mr. Turner, earlier.

MR. E. TURNER: Yes, sir. We will call Mr. Lee. We are going to call Mr. Lee first and then we will use him.

MR. WATSON: Mr. Chairman, this is still part of an ongoing petition, we are not hearing a new petition --

CHAIRMAN GRIGGS: It's part of the ongoing petition, Mr. Watson, yes. As you are aware, oil has been produced from both of these wells. There is a considerable

amount of gas that is naturally produced in connection with the oil. It's the Board's understanding that that gas is sour gas, which requires a treatment plant, and the Board is just concerned about the timing of the construction of the treatment plant.

MR. WATSON: Thank you for the clarification.

DIRECT EXAMINATION BY MR. E. TURNER:

Q. Mr. Lee, are you familiar with what efforts Renaissance has made in acquiring a site to build a gas processing plant?

A. Yes, I am, sir.

CHAIRMAN GRIGGS: Mr. Turner, could you speak into the mike.

Q. Did you hear the question?

A. Yes, sir.

Q. Okay. Would you go ahead and answer it for us, please?

A. I am familiar with the time and effort that we at Renaissance made to secure a surface site for the gas plant, yes, sir.

Q. Did Renaissance immediately start trying to locate a plant after oil and gas were discovered in the 17-5 well?

A. Yes, sir.

Q. And have they been diligently pursuing that effort?

A. Yes, sir, they have.
Q. All right. And, to your knowledge, have they made some oral agreement or contact with Mr. Kelly for the purchase of a site?
A. Yes, sir, we have.
Q. And is that what you understand, that that is in the hands of the attorney at this time?
A. That is correct, sir.
Q. All right. Now, has any engineering been done in connection with the type and capacity of the plant?
A. Yes, sir. We have been studying that since the wells were drilled.
Q. And who has done that?
A. Internal engineers as well as external engineers at Ankor, who has now taken over.
Q. Mr. Engle has now taken over the project of engineering the plant site and the construction?
A. Yes, sir.
MR. E. TURNER: All right. That is all I have of him.
CHAIRMAN GRIGGS: The time frame, estimated time frame?
MR. E. TURNER: I'm going to prove that by Mr. Engle, but he has not been sworn nor qualified.
CHAIRMAN GRIGGS: Would you swear him in and

qualify him?

MR. ROGERS: Sir, would you stand and state your name and address?

MR. ENGLE: William Engle, 134 Ayshire Court, Slidell, Louisiana 70461.

WILLIAM ENGLE,

having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION BY MR. E. TURNER:

Q. State your name, please, sir.

A. William Engle.

Q. And where do you live, Mr. Engle?

A. Slidell, Louisiana.

Q. And how old are you?

A. 62.

Q. Are you presently employed?

A. Yes, sir.

Q. And by whom?

A. Ankor Energy.

Q. All right. In what capacity?

A. Reservoir engineer and project leader of this project.

Q. All right. In connection with your employment with

Ankor Energy, have you been assigned any duties in connection with the construction and operation of the gas processing facility at the -- in Escambia County at the East Appleton -- West Appleton Field --

A. Yes.

Q. -- East Appleton Field, I believe it is.

A. Yes, it is.

Q. Tell the Court what you have been asked to do.

A. Since assuming this role, we have been working very diligently to work through the engineering, look at various options, and we are pursuing it as aggressively as we can and hopefully moving into the contractual discussions with a potential provider, and we expect to have a plant on site and operating within six to nine months.

Q. And is it the intention to build and construct a gas processing facility to handle the gas at the West -- I mean the East Wallace Field, I'm sorry?

A. Yes, sir, it is.

MR. E. TURNER: That is all we have.

CHAIRMAN GRIGGS: Mr. Turner, you are requesting that we recognize Mr. Engle as an expert reservoir engineer?

MR. E. TURNER: Yes, sir.

CHAIRMAN GRIGGS: Any objection, Mr. Watson?

MR. WATSON: No, sir.

CHAIRMAN GRIGGS: He is so recognized.

Mr. Watson, any questions of this witness?

CROSS-EXAMINATION BY MR. WATSON:

Q. Mr. Engle, what will be the capacity of the plant that you plan to construct?

A. That is currently under design. We envision it being perhaps four million a day with expansion capacity, if it's warranted.

Q. And what is the current gas production from these two wells?

A. At the current curtailed rate, it's probably in the range of the rate of 8 to 900 Mc -- Mcf a day.

Q. And it would be double that if the allowable went to 500?

A. Yes, sir.

MR. WATSON: Thank you.

CHAIRMAN GRIGGS: Anything further?

MR. E. TURNER: That is all we have.

CHAIRMAN GRIGGS: Anything further, Mr. Watson?

MR. WATSON: No, sir.

CHAIRMAN GRIGGS: Dr. Tew, the staff has a question.

EXAMINATION BY MR. MCQUILLAN OF MR. MCCALEB:

Q. Mr. McCaleb?

A. Yes, sir.
Q. In Exhibit 3, your type log, could you describe what kind of log that is, please?
A. Exhibit 3 is -- it's an open hole Schlumberger well log that is a -- what they refer to as a quad-combo log. It has SP, gamma ray, resistivity, density neutron, sonic log five inch per hundred.
Q. Okay. And the interval was defined using all those curves?
A. Yes, sir.
Q. Thank you, sir. Also, in Exhibit 2?
A. Exhibit 2, okay.
Q. Your structure map states that it's based on 3D seismic?
A. Yes, sir.
Q. Is it correct to assume then that your 3D seismic points, your grid cover the whole map area?
A. Yes, sir, it does. It covers a much larger area than is presented on here. So all the data that was used to construct this map was full-fold data.
Q. And your grid spacing, you have noted that a half mile?
A. I'm sorry, the --
Q. Your grid spacing?
A. Oh, the bin spacing?

Q. The bin spacing?
A. It's 110 feet by 110 feet.
Q. Okay.
A. Yeah, it's --
Q. Thank you.
A. -- a tightly spaced grid.
Q. In Exhibit 4, would you mind briefly describing the curves on each of those logs?
A. Sure. The two logs that are shown there are the Craft-Huxford 18-2 and the Craft-Blackstone 17-5, and these are just simply -- the Craft-Huxford 18-2, it's the one-inch scale TVD log that has a gamma curve, a spontaneous potential curve, and a resistivity curve on it. The other curves that -- the porosity curves that are on the five-inch log have been left off of this log.
Q. Gamma ray in green D?
A. Yeah, the gamma ray is green and the SP curve is red and then the resistivity curves are blue and red on the right-hand side of the log.

And then the other log is the Craft-Blackstone 17-5 and it's essentially the same log in black and white. You have a gamma ray curve, an SP curve, and a resistivity curve there.

Q. Thank you.

MR. MCQUILLAN: One other question for

Mr. Watson. Your Opposition Exhibit Number 1B, that was the OGB-8 that you submitted, did you state that you took that off of our records or out of our records, either Web file or Internet?

MR. WATSON: Yes.

MR. MCQUILLAN: Let the record show that from time to time our reviewing staff will pencil in corrections or numbers that are inconsistent with other forms. For example, we have a mud log that shows one KB. The geophysical logs may show a different KB, and so sometimes our staff will pencil in something showing those inconsistencies.

MR. WATSON: That had the employee's name signed indicating that he made those changes. I'm aware of what you are talking about.

MR. MCQUILLAN: Okay. Thank you for that clarification.

CHAIRMAN GRIGGS: Anything further from the staff? Anything further, Dr. Tew?

DR. TEW: No, sir.

CHAIRMAN GRIGGS: Either Board member? Is there a motion on this petition, Item Number 19?

MR. PEARSON: Mr. Chairman, I move that we grant the petition for Item 19 with the condition that the petitioner return in six months to give us the status on the

construction of the treatment facility that you have discussed here today.

The allowables that you are requesting in your petition are 500 barrels; is that correct?

MR. E. TURNER: That is right.

MR. H. TURNER: Yes, sir.

MR. PEARSON: By granting this petition, the allowables for both wells will go to 500 barrels a day.

CHAIRMAN GRIGGS: And we have a motion as stated. Is there a second?

MR. LAWLEY: Second.

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

MR. PEARSON: Aye.

CHAIRMAN GRIGGS: Ayes have it, the petition is granted.

MR. ROGERS: Mr. Chairman, these exhibits need to be signed.

MR. E. TURNER: We will get them signed.

MR. H. TURNER: Any book is fine.

MR. ROGERS: All right. The next item we will hear is Item No. 5, Docket No. 12-7-10-14A, petition by Venture Oil & Gas, Incorporated and related items with that, which are Items 6, Docket No. 12-7-10-15A and 7, Docket No. 12-7-10-16A. That is 5, 6 and 7, petition by Venture Oil &

Gas, Incorporated.

CHAIRMAN GRIGGS: What we would like to do is hear these.

And, Mr. Watson, you have a petition that is entitled Number 25, I believe, your Item Number 25, Mr. Watson, will be heard immediately following the hearing of these consolidated petitions since they are related. And I'm aware that you represent opposition to Items 5 and the consolidated petitions with that.

MR. TYRA: Mr. Chairman, I'm John Tyra here on behalf of Venture Oil & Gas, Inc. We would request for hearing purposes that our Dockets 12-7-10-14, 15 and 16 be consolidated.

CHAIRMAN GRIGGS: They will be consolidated for purposes of the hearing, Mr. Tyra.

MR. TYRA: And it may be more convenient as well if Mr. Watson's docket is consolidated, if he would like to consent to it.

CHAIRMAN GRIGGS: I think we will hear those separately.

MR. TYRA: All right. Docket No. 12-7-10-14 is a petition to establish a new gas field in Escambia County, Alabama, to be known as the Jack Springs Field. That petition also requests this Board to establish spacing for the productive well in that field and allowables for the

field. And the Special Field Rules proposed to find the Smackover gas pool.

Docket 12-7-10-15 is a request for a 480-acre production unit to be established for the Blackstone 4-4 No. 1 well to consist of the Northwest Quarter of Section 4, the Northeast Quarter of Section 5, Township 2 North, Range 5 East, and the South half of the Southeast Quarter of Section 32, and the South half of the Southwest Quarter of Section 33, Township 3 North, Range 5 East, all in Escambia County, Alabama.

The Blackstone 4-4 well was originally drilled on a 160-acre unit consisting of the Northwest Quarter of Section 4.

And finally, our Docket No. 12-7-10-15 concerns the pooling without the imposition of risk compensation penalty of certain interest or certain interests in the proposed field.

We have previously filed with all three of these dockets an affidavit of confidentiality from Mr. Robert T. Wood as a consulting geologist for Venture. Mr. Wood prepared geological exhibits for this matter, and Exhibits 5 through 10 are based upon seismic data. These exhibits were filed separate and apart from the other exhibits because they contain confidential seismic information.

While we will offer testimony based on these exhibits and have made them available to the staff for review, we will make them available for the interested parties today. We request that this Board determine that the information on those exhibits are proprietary and confidential and not available for public disclosure pursuant to Section 41-22-12 of the Alabama Code.

MR. ROGERS: Mr. Chairman, that affidavit is in order and based on that affidavit, we would recommend and propose the exhibits be determined to be proprietary and confidential.

CHAIRMAN GRIGGS: Mr. Watson, do you or Mr. Coleman have any objection to the confidentiality of this seismic information, which you will be allowed to see?

MR. COLEMAN: I have no objection.

MR. WATSON: No objection.

CHAIRMAN GRIGGS: And this seismic information that you have requested to be confidential will remain confidential.

MR. TYRA: Thank you.

CHAIRMAN GRIGGS: Before you proceed, let me just recognize the parties. There are two parties at least in opposition to this petition.

Mr. Watson, I understand you represented Josalyn Barnett and the others; is that correct?

MR. WATSON: I represent Josalyn Barnett and her family, yes.

CHAIRMAN GRIGGS: And, Mr. Coleman, it's my understanding you represent Ms. Peggy Akins Helton; is that correct?

MR. COLEMAN: That is correct.

CHAIRMAN GRIGGS: Any other parties introduced in this particular petition?

(No response.)

MR. TYRA: Mr. Chairman, I'm going to pass out the exhibits now, please.

(Passing out exhibits.)

MR. TYRA: As you can see, our exhibits are in two booklets, the normal exhibits, and then the confidential exhibits are in a separate booklet, which at the close of the hearing, I will collect back up with your permission. I have previously filed affidavits of notice for all three matters and request that they be made a part of the record at this time, please.

(Whereupon, the prior affidavits of notice were offered into evidence.)

CHAIRMAN GRIGGS: They are admitted into the record.

(Whereupon, the three previously filed affidavits were received into the record.)

MR. TYRA: Thank you. I have also previously submitted a letter of January 17th, 2011 from Mr. Wood to Tom Watson addressing certain issues that he had raised in a letter to me. I would ask that that letter be made a part of the record and we have copies for all the parties and the Board and staff, if you are interested in us passing that out as well.

CHAIRMAN GRIGGS: Any objection, Mr. Watson, or Mr. Coleman?

(No response.)

CHAIRMAN GRIGGS: It's admitted to the record.

(Whereupon, the letter of 1/17/11 was admitted into the record.)

MR. TYRA: Finally, I have submitted a letter to Mr. Rogers at his request concerning the ownership of certain interests in the North half of the Northeast Quarter of Section 32, and I would ask that that be made a part of the record as well.

CHAIRMAN GRIGGS: Any objections?

MR. COLEMAN: No objection.

MR. WATSON: What was that area, John?

CHAIRMAN GRIGGS: What was the date of that letter, John?

MR. TYRA: It was a letter of February 2nd, 2011 concerning open interest in the North half of the Northeast

Quarter of Section 32.

MR. WATSON: That is not in your proposal, is it?

MR. TYRA: No, it is not. Mr. Rogers asked for me to address --

MR. WATSON: No objection.

CHAIRMAN GRIGGS: It's admitted.

(Whereupon, the letter of 2/2/11 was admitted into the record.)

MR. TYRA: I have two witnesses to be sworn in, please.

MR. ROGERS: State your name and address.

MR. WOOD: Robert Wood, Tuscaloosa, Alabama.

MR. ROGERS: You, Sir?

MR. DICKINSON: Clay Dickinson, Chelsea, Alabama.

ROBERT WOOD AND CLAY DICKINSON,

having been first duly sworn, were examined and testified as follows:

MR. ROGERS: Thank you.

DIRECT EXAMINATION BY MR. TYRA:

Q. Mr. Wood, I'll start with you. Have you previously testified before this Board?

A. Yes, I have.
Q. And your qualifications are on file, are they not?
A. They are.
Q. And that is as a petroleum geologist; is that correct?
A. That is correct.
Q. Are you familiar with the petitions that we filed in this matter, and have you prepared or had prepared exhibits in support of that petition or those petitions?
A. I am familiar with the petitions and I have prepared exhibits and those are here today to be presented.
Q. All right, sir.

DIRECT EXAMINATION BY MR. TYRA:
Q. Now, Mr. Dickinson you have testified before this Board as well, have you not?
A. I have.
Q. And you are testifying today or offering testimony today as a petroleum landman; is that correct?
A. That is correct.
Q. Your affidavit of qualifications is on file, and, in fact, you have updated that as of today; is that correct?
A. That is correct.
Q. And you are familiar with the allegations in the petitions and will offer testimony as to the land matters; is

that correct?

A. That is correct.

MR. TYRA: I would ask that Mr. Wood be recognized as an expert petroleum geologist and Mr. Dickinson recognized as an expert petroleum landman.

CHAIRMAN GRIGGS: Any objections, gentlemen?

MR. COLEMAN: I have no objection.

MR. WATSON: No objection.

CHAIRMAN GRIGGS: They are so admitted. And their affidavits are admitted into the record and they are recognized as -- Mr. Wood as an expert petroleum geologist, and Mr. Dickinson as an expert petroleum landman.

MR. TYRA: That is correct.

CHAIRMAN GRIGGS: They are so recognized.

MR. TYRA: Thank you.

(Whereupon, the affidavits of Robert Wood and Clay Dickinson were received into the record.)

DIRECT EXAMINATION BY MR. TYRA, CONTINUING OF ROBERT WOOD:

Q. Mr. Wood, I'll ask you to turn to the exhibit booklet and ask you if you have prepared Exhibit 1 or had it prepared, and if you will, how -- or please describe what is shown there, please.

A. Yes, sir. Exhibit Number 1 is a simple location map that shows the location of this discovery well in the

proposed new field in Escambia County. The proposed Jack Springs Field is located in the Northwestern portion of Escambia County in South Alabama. You can see on this exhibit the proximity of other wells, all shown as dry holes that have been drilled in the area around this discovery well.

Q. All right, sir. What does your Exhibit 2 show?

A. Exhibit Number 2 is an area map of the proposed field, the discovery well, and the immediate surrounding area. The discovery well which is the Venture Oil & Gas Blackstone 4-4 No. 1 well, State Permit No. 16158. It's shown with a red circle. It was drilled on a 160-acre drilling unit, consists of the Northwest Quarter of Section 4, Township 2 North, Range 5 East in Escambia County, and that well was drilled and found gas in the Smackover.

And today, we are proposing to establish a field, field rules for this new discovery well as well as reform the 160-acre drilling unit to a 480-acre production unit. That would be the area that is shown with the green line. And the proposed field limits are contiguous with that, and that would be the red and yellow dash line.

And the areas to be included in the 480-acre unit, in addition to the Northwest Quarter of Section 4, also includes the South half of the Southwest Quarter of Section 33 and the South half of the Southeast Quarter of Section 32,

Township 3 North, Range 5 East, and then also to include the Northeast Quarter of Section 5.

Q. Thank you. What does your Exhibit 3 show?

A. Exhibit Number 3 is a structure map on top of the Smackover formation. This is the map showing the discovery well in the same location as before. The scale has changed a little bit where this -- this enlargement. And the datum for this map is the top of the Smackover formation, and that includes the subsea true vertical depth with a correction for some deviation of the wellbore in this well, and also the 3D seismic survey that Venture procured and is the reason this discovery was able to be found.

We are showing on this exhibit the structure. It's an elongate anticline from the Northwest to the Southeast and you can see that it dips in all directions. This is another of the Smackover fields where the Smackover is draped over a basement of structural highs and it forms an anticline and the gas is accumulated in that anticlinal structure. The contour interval is 25 feet. And you can see the relative subtle dip of this structural feature for this discovery.

Also, on this exhibit, it shows the next exhibit which is cross-section A - A'. It shows the location of that going from A' to the Southwest -- I mean A to the Southeast and A' to the Northeast.

Q. Let's look at that cross-section, please, your Exhibit 4.

A. The left portion of this exhibit is to the Southwest, that is A to A'. It extends through two wells. The line dog-legs are -- is its course across the structure so as to go through the spill point or the lowest portion, the portion of the seam of the two wells.

Venture drilled the Floyd 35-5 well to the --

Q. 34?

A. I'm sorry, the 34-5 No. 1 well that is on the right. That well resulted in a dry hole. It's not because the seismic did not do a good job of delineating the structure, the reservoir quality was not developed there. Actually, that structure was high and pronounced and the portion of the Smackover that would be productive was absent at that location.

The discovery well for the proposed Jack Springs Field is on the left, and that is the Blackstone 4-4 well. The top of the Smackover is aligned in red. Other correlation points are also shown in various colors. And this well encountered a gas/water contact that occurs at a subsea value of 15,198 feet and it shows that the gas is accumulated and trapped in this structural feature.

This is different than the preceding item where there was a lowest known oil. This is not a lowest known

gas. This is a gas/water contact. From the upper porous section of the Smackover all the way to the gas/water contact, it is porous and permeable throughout that interval and so there is no guessing about where the down-dip productive limit is. It's a good gas/water contact that occurs in this well as shown on this exhibit.

Q. Good. If you would then, we will turn to our confidential exhibits, the first one being confidential Exhibit 5.

A. Exhibit Number 5 is the structure map of this area that was on the exhibit that was shown just a few minutes ago. Superimposed along with that is the seismic control. The area that Venture has drilled is an area that is covered by a large, 3D seismic survey. The lines and traces of that survey are shown with the brown numbers. It lays out a grid pattern. The lines run North/South and you can see the numbers across the bottom. And the traces would run East/West, and those are denoted over on the left-hand portion of the exhibit.

With a 3D seismic survey, a seismic line or a seismic section can be procured from any location in there of any orientation. And you can see by the lines that are designated as ARB meaning arbitrary, that they could be extracted from the database in any arbitrary orientation that I have labeled and identified on this Exhibit 5, of seismic

lines, which are subject to the next section. So it's shown in the purple text and purple lines as the structure will be depicted in confirming that the map is according to the data.

I also call your attention to the first exhibit which is ARB1 and it basically parallels the previous exhibit, the cross-section, and is meant to show the seismic control for that interval.

Q. All right, sir. Turn to your Exhibit 6.

A. Exhibit Number 6 is a seismic section for an ARB line one, the Southwest is to the left and the Northeast is to the right. The Floyd 34-5 is the well that is shown on the right. The discovery well is the Blackstone 4-4 that is on the left. And if you notice across the top of this panel, you see the numbers that occur there, those are the lines and traces, lines on top, traces are on the bottom. And those positions denote the same horizontal positions on the control map which is the preceding exhibit for this, and each of the sections that I have.

If you notice the Smackover, which is labeled in blue, this line depicts limits at the top of the Smackover as it is interpreted, and you can see that that has -- crosses this area and occurs in some anticlines and synclines. The anticlines are the areas, of course, where we drilled for -- in search of oil and gas. And the synclines in this position, particularly the one just to the right of the 4-4

well tract, would be where the spill point occurs, and that is the spill point of this reservoir.

The gas/water contact occurs in the top of the Smackover and the productive limits to the Northwest -- I'm sorry, to the Northeast of the -- or the newly discovered pool occurs at line 1116.5 and trace 1167, and to the Southwest it occurs at line 1101 to trace 1158. So this shows the seismic section in relation to the nearest offset well.

Q. Thank you. And your Exhibit Number 7, please?

A. Exhibit Number 7 is the similar panel. This is a little bit more of a close-up ARB line two, and this one is the one that does not extend through the discovery well. This is a line that crosses the structure to the Northwest of the discovery well. And you can see the sharp anticlinal structure, and, of course, that map is part of the reservoir.

Q. Thank you. And your Exhibit 8, sir?

A. Exhibit Number 8 is ARB line three. This is an East/West trending ARB line. It occurs at trace 1165. And the discovery well and everything is depicted as being the same. The reservoir exists between line -- to the West of 1094, and to the East it goes to 1118. And I would note that the unit line to the East occurs at 11,000 -- I'm sorry, 1123, which is almost to the very end of this seismic section, but it's beyond the terminus of the reservoir.

Q. What does your Exhibit 9 show?
A. Exhibit Number 9 is ARB line four which is a line that runs from the Northwest to the Southeast. It sort of runs diagonal down the field. You can see that the structure is displayed on this seismic section as being much more broad and subtle because it's not crossing the short axis of the anticline. And it shows the same thing in our control points on the previous seismic survey.
Q. And the last of these exhibits, Number 10?
A. Exhibit Number 10 is ARB line five and it is North/South seismic section from the 3D survey. Everything is the same except the orientation. This occurs at line 1105. The terminus of the reservoir to the North occurs at trace 1172 and to the South at 1155.5.
Q. Thank you. Returning to the other exhibit book, let's look at your type log on Exhibit 11, please.
A. Exhibit Number 11 is our type log. This is the proposed Jack Springs Field using the platform express array induction, lithology density, compensated neutron, gamma ray and SP log. And we are proposing today to define the Smackover gas pool which is occurring at the top of the Smackover formation which occurs a measured depth of 15,472 feet measured depth to the base of the Smackover at 15,750 feet measured depth.
The top of the porosity Smackover which was used

for other computations and all, this occurs about five feet below the top of the Smackover where the porosity increases and -- but once that -- porosity at the top of the Smackover porosity, that porosity doesn't diminish or drop below our cutoff. There is no low proven gas or anything. It is high quality Smackover carbonate reservoir from the top of porosity down to below the gas water contact.

Q. What does your Exhibit 12 show?

A. Exhibit number 12 is an Isopach map for the Smackover gas pool. It shows all common accumulations of gas in this newly discovered pool. It's based on the gas/ water contact that is occurring on the structure map and everything that correlates therewith out to the intersection of that gas/water contact with the top of the Smackover. And there is 57 feet of net pay based on a six percent porosity cutoff from a log computation. The contour interval for this is 25 feet. These contours basically follow the structure because it is -- there is no porosity cutoffs or nothing that was netted out of the intervals, so everything that is above the gas/water contact is all reservoir.

Q. Okay, sir. You are showing that the existing drilling unit boundary is the Northwest Quarter of Section 4, that is a 160-unit; is that correct?

A. That is correct. It's shown with purple dash or blue dash line.

Q. So was this drilling unit -- was this well drilled in accordance with Rule 400-1-2.02(2)(b)?
A. Yes, it was.
Q. And will that one well, in your opinion, efficiently and economically drain the entire productive formation that you have identified?
A. Yes, sir. It's a good quality Smackover reservoir, there are no faults and no barriers, there are no indications of anything that would separate the productive area in the East from the West, and there is no boundary, it's all a common pool and it will be drained by that one well.
Q. The Rule that I mentioned earlier, 400-1-2.02, it allows for different size drilling units, does it not?
A. That is right. An operator can permit a well on a 40-acre, 160 or 640-acre drilling unit in Southwest Alabama.
Q. So that is drilling units; is that correct?
A. That is drilling units, yes, sir.
Q. Are there production units in Alabama of gas less than 640 acres?
A. Yes, there are. So there are, by my count, in Southwest Alabama in Smackover reservoirs, there are six fields that the Board has established spacing less than 640-acre spacing, anywhere from 160- to 320-acre spacing for gas fields in Southwest Alabama.
Q. Okay. Thank you. Let's turn to your Exhibit 13.

A. Exhibit Number 13 is a copy of the form that was submitted, filed and submitted to the Oil and Gas Board for Venture on this new discovery well. It's State form OGB-9. It shows that's the Blackstone 4-4 well was tested on May 20th, 2010 and tested at a rate of over 1300 Mcf per day and 460 barrels of condensate. This is a gas reservoir and it shows that it has a very good prolific productive rate as one would expect from looking at the logs of this well.

Q. All right, sir. Your Exhibit 14?

A. Exhibit Number 14 is a copy of a portion of the PVT study report. It shows that this discovery well was tested on May 24th, 2010. If you look at the bottom, it shows that the reservoir fluid type is an undersaturated gas. It's producing with a -- has a dew point that is substantially less than the reservoir pressure, and it is a bona fide gas well.

Q. All right. Your last exhibit is Exhibit 16?

A. No, 15.

Q. I'm sorry, I skipped one. Go through the production log, please.

A. 15 shows the production test information for a relatively short duration test that occurred in May and June of last year. It shows that the well came on and was producing a little over a million a day, but it -- after it stabilized, it had stabilized flow. They were working with

some chokes and changing some things out. And it shows that it has a substantial production rate of both gas and condensate.

Q. All right, sir. Now, let's turn to that Exhibit 16.

A. Now, Exhibit 16 is a copy of the survey plat that was prepared by an engineering service out of Mobile. It shows a reduced size copy of that plat. And as we asked them to prepare the exhibit to show the new proposed production unit, it shows the existing 160-acre unit in the location of the Blackstone 4-4 well at its proper location, and it shows the areas to be added and create the production unit, which includes the South half of the Southwest Quarter of 33, the South half of the Southeast Quarter of 32, and the Northeast/Northwest quarters of Sections 5 and 6 respectively.

Q. 5 and 4, right?

A. 5 and 4, I'm sorry.

Q. Would the granting of the petitions that establish this field and establish the production unit for the Blackstone 4-4 well, in your opinion, prevent waste and protect correlative rights of the owners of the producing pool as well as avoid the drilling of unnecessary wells?

A. Yes, it will.

Q. All right, sir. If you would, pass your microphone down to Mr. Dickinson.

DIRECT EXAMINATION BY MR. TYRA, CONTINUING OF CLAY DICKINSON:

Q. And let's turn to Exhibit Number 17, Mr. Dickinson. This is a lease map of the area; is that correct?

A. Correct.

Q. And there are two tracts, as I understand, that are not completely leased; is that correct?

A. Correct.

Q. What are those two tracts, please, sir?

A. Tract number 32.21 located in the Southwest Quarter of the Southeast Quarter of Section 32, and that is in 3 North, 5 East. And also tract number 5.04 located in the Southeast of the Northeast of the Section 5 to North 5 East.

Q. All right, sir. Let's start with the 32.21. Would you tell the Board and staff who owns that tract, a mineral interest in that tract?

A. Terry and Melissa Sims.

Q. And how much interest do they own that is outstanding at this point?

A. 25 percent of 6/10ths of an acre, which equates to .15 net acres.

Q. What percentage is that of the entire unit, sir?

A. 3/100ths of one percent.

Q. All right, sir. Have you personally contacted Mr. and Mrs. Sims and offered to lease their interest on the same

terms and provisions as the other owners in that tract and other owners in this area?

A. Yes, I have. They were originally contacted by a prior landman that worked for Venture named Steve Murray, and he is unavailable to testify. And they -- when they asked me to come testify, I personally made a follow-up phone call and inquired as if his mind had changed, and it had not.

Q. Did he basically say that their interest is so small that they just didn't even want to deal with it?

A. That is correct.

Q. All right, sir. But you did offer them the same amount as everyone else who has signed a lease in that area?

A. That is correct.

Q. Let's talk about the 5.04 down in Section 5. Who owns a mineral interest that is unleased in that tract?

A. The heir of Jimmy Snow.

Q. All right, sir. And how much interest is outstanding that Mr. Snow owned, please?

A. 5.56 percent of 40 acres, which equates to 2.2 net acres.

Q. And what is that percentage of the proposed 480?

A. 46/100ths of one percent.

Q. All right, sir. So a little less than a half of a percent?

A. Correct.

Q. What is the last known address of Mr. Jimmy Snow?
A. The last address I could find on him was 303 West Brunson Street in Enterprise, Alabama.
Q. And you have actually been to that address, have you not?
A. I have.
Q. All right, sir. Mr. Snow is now deceased; is that correct?
A. Correct.
Q. All right, sir. If you would, tell the Board the efforts to find his heir.
A. Well, first of all, I'll describe efforts by Steve Murray, the prior landman, and I'll follow up with kind of my own personal work that I did on it.

CHAIRMAN GRIGGS: If you will, sir, give us the basis for your describing his efforts. Did you speak with him?

THE WITNESS: Yes, I did. I spoke with Steve at length about this and he shared with me his efforts and his notes and whatnot. He made quite an extensive effort, you know, at the time they leased all these people and subsequent to locating --

CHAIRMAN GRIGGS: You may proceed. I just wanted to know the basis of your testimony.

THE WITNESS: Right.

A. But anyway, so Steve made -- he made an effort to locate this heir to Jimmy Snow. And the other family members had told him that he moved out. You know, these relatives were in Escambia County. It originated as a severed mineral interest back in the '50s, there was nine children involved. And one of the siblings moved out into Coffee County and they kind of lost track of him, he was kind of an outsider, whatnot, but they knew that this Jimmy Snow had a child, but didn't know the name and whatnot. So they just -- he had divorced right after the child was born type thing, but anyway the -- Mr. Snow, he lived over, when he died, in Coffee County. So that is where ultimately, you know, the effort was made to try to locate these people or this person.

Q. Was Mr. Murray able to find an obituary, actually two obituaries concerning Jimmy Snow; is that correct?

A. He was.

Q. The first one just gave name and the date of his death and said that the arrangements would be later announced; is that correct?

A. Correct.

Q. And the second one indicated that he had a survivor, and the only survivor that was listed was his sister, Trell Prater; is that correct?

A. That is correct.

Q. Was Ms. Prater contacted?

A. Yes, she was.
Q. Or her husband was; is that correct?
A. Right. She was deceased when he found her and found out that she was survived by her husband.
Q. So he inquired of the husband concerning this daughter of Jimmy Snow, and what did the husband of Trell Prater tell you about that?
A. Mr. Prater was aware that Jimmy had a daughter, but it was kind of the same story as the other members and family, they did not remember the name of the little child and knew that she had reached adulthood and moved out of state, and they just lost contact with her.

And he -- after his wife died, he got an address book -- he really made an effort to try to find her. He went through her address book, looked up all kind of names and whatnot and so Mr. Prater was unsuccessful as well in locating this daughter of Jimmy Snow.

Q. All right. Now, tell your efforts and what you did.
A. Well, when the weather -- when the snow came or whatever and they delayed the hearing, it gave me some personal time myself to go down to Coffee County. So I went down there and spent a couple of days and really did a lot of searching the public records. As many of you are aware, Coffee County has two courthouses, one in Enterprise and one in Elba. And the one in Elba has been flooded three times,

so you are kind of limited as to the quality of the records there.

But just a long story short on all this, through a series of a lot of digging in the courthouse -- I was actually in John's office yesterday -- through a bunch of contacts I had made and whatnot, we have located that -- I located that heir. She is down in Florida. I talked to her last night.

Q. Did you make a page-by-page examination of the marriage records and find where Jimmy Snow and the mother of the daughter were married; is that correct?

A. Right, right. What I did, I found Jimmy Snow's wife, it has her maiden name on the marriage certificate and so I used that information since I wasn't -- I was not getting any help from the Snow side of the family, I found out her maiden name, and I just started looking at every marriage certificate with that same maiden name and looking for common parents on there, and ultimately that is what led me to it.

Q. And then sitting in my office yesterday at 3:00 you received a phone call from an aunt who had her name and her phone number. Have you since talked to her?

A. I talked to the actual daughter, Dawn is her name, Jimmy's only daughter, only child, and talked to her last night and explained what was going on and what her interest derived and whatnot, and so I told her we had a hearing

today. So obviously on the time of the situation, we don't have -- didn't have time to secure a lease, but I did talk to her last night.

Q. And did she give you an indication as to whether she is favorable or unfavorable to --

A. She seemed very receptive to what I discussed with her. I told her I would be mailing her a proposal. And so, you know, I feel confident that she will probably accept the offer of Venture to lease the interest.

Q. And what is her name, please?

A. Her name is -- let's see. (Reviewing document.)

Q. While he is looking for that, an interesting story is that her mother took her away from the father when she was four years old, she is now 46. And when he called her, she was celebrating her 46th birthday, so he was able to give her a birthday present from her father by telling her she had a mineral interest.

CHAIRMAN GRIGGS: We sort of have some preliminary questions here based on the testimony.

MR. TYRA: Yes, sir.

CHAIRMAN GRIGGS: Mr. Pearson?

MR. PEARSON: You located an heir by name and you know where she is and she is clearly a mineral interest owner; is that right.

MR. DICKINSON: That is correct.

MR. PEARSON: How should we respond on the notice because we now know the heir and she hasn't had notice and you don't have a waiver, so --

MR. TYRA: That is correct. We could take this under advertisement and wait for us to get the lease back or a waiver from her.

MR. PEARSON: Well, I mean, at issue from our point of view is the due process thing of her having an opportunity to be here --

MR. TYRA: Right.

MR. PEARSON: -- and with all that is being testified to and going on.

Mr. Watson, do you have a counterpetition on a different unit that encompasses the same acreage?

MR. WATSON: I have a petition for a counter unit. I have no idea where this acreage is that they are just now describing and say they just now found.

MR. PEARSON: But aren't I correct that the acreage you are describing is within the counterpetition unit of Mr. Watson and also within --

MR. TYRA: Yes.

MR. PEARSON: -- the opposition unit?

MR. TYRA: Yes.

MR. COLEMAN: Yes.

MR. PEARSON: Mr. Watson or Coleman, did

y'all -- I know the answer to this, we need it on the record. Did either one of y'all locate this heir or notify this heir of the proceedings today?

MR. WATSON: I did not.

MR. COLEMAN: I did not either.

MR. TYRA: We have notice through publication, but -- because we didn't know her name, but --

CHAIRMAN GRIGGS: Now you do.

MR. PEARSON: I don't think under --

MR. TYRA: It would have been better if we had not found her yesterday afternoon.

MR. PEARSON: I think under our seminal case, I don't think notice by publication will be sufficient now that we know the address and know where she is.

MR. ROGERS: And, of course, under the Rule on notice, 400-7-1.11, requires first class notice to nonconsenting owners.

MR. TYRA: Right.

MR. PEARSON: But this is the case that changed it all in '83 --

MR. TYRA: No, sir, that is correct, so --

MR. PEARSON: -- ownership and they didn't notify. We need to take a recess.

CHAIRMAN GRIGGS: Okay. It's a quarter of 2:00, let's take a 10-minute recess.

MR. TYRA: Can we call her now and see if we can get her on the phone?

CHAIRMAN GRIGGS: I don't think that will meet the Board requirements.

(Recess taken.)

CHAIRMAN GRIGGS: It's 1:55. Let the record reflect that the State Oil and Gas Board is back in session.

Mr. Pearson, you had a question in connection with these items.

MR. PEARSON: Mr. Tyra and Mr. Watson and Mr. Coleman, what the issue is is, of course, the due process notice issue. And what we are kind of constrained by here, although we all probably realize the practical outcome of this lady being notified and most likely you will obtain some type of agreement, our job is to ensure her due process and have a right to notice. And we are going by Walker versus Cleary Petroleum.

I want to commend Mr. Dickinson for the work that y'all did in investigating and continuing to do that to try to notify her, although in this particular situation, it worked against your interests. What needs to occur is she needs to have proper notice under the Rule and then she can either come or not or work an agreement or not out with whoever.

If not this side, Mr. Watson, then that would

apply -- I would assume that would be the same issue within the unit that it appears that your Item Number 25 is proposing and Mr. Coleman's opposition, a proposed unit. So this matter needs to be resolved on the notice issue, and I would encourage particularly Mr. Watson and Mr. Coleman to look at this issue of notice within the units you are proposing to make sure that we don't have a notice problem next time on at least an outstanding interest issue.

For that reason, Mr. Chairman, I'm going to move that we continue these items to the next hearing of the Board.

CHAIRMAN GRIGGS: Items 5 --

MR. PEARSON: Items 5, 6, 7 and 25.

CHAIRMAN GRIGGS: Okay. I have a motion.

MR. LAWLEY: Second.

CHAIRMAN GRIGGS: Motion and second. All in favor say "aye."

CHAIRMAN PEARSON: Aye.

MR. LAWLEY: Aye.

CHAIRMAN GRIGGS: Ayes have it. These items are continued until the Board meeting on March 31st, I believe it is in Butler, Alabama.

MR. WATSON: Mr. Chairman, I have a question when you are ready.

CHAIRMAN GRIGGS: Yes, sir, Mr. Watson.

MR. WATSON: Is this well producing?

MR. TYRA: It is not.

MR. WATSON: Not producing.

CHAIRMAN GRIGGS: We regret, particularly since there are so many parties here, that we have to continue this, but we don't -- we feel we don't have a legal option other than to continue until that hearing.

MR. TYRA: May I get the exhibits, the confidential exhibits?

CHAIRMAN GRIGGS: There is a stack here.

MR. TYRA: Thank you.

CHAIRMAN GRIGGS: Mr. Tyra, at the next Board meeting, we will just begin from the beginning, how is that?

MR. TYRA: Okay, sir.

MR. ROGERS: Mr. Chairman, Item 15, Docket No. 02-08-11-08 is a petition by Sklar Exploration Company and Mr. Coleman represents.

CHAIRMAN GRIGGS: Mr. Coleman is out of the room right now.

MR. ROGERS: Do you want me to go to another one or do you want me to wait on him?

CHAIRMAN GRIGGS: Call the other item.

MR. ROGERS: The next item in are the motions by the Board. That is Item 26, Docket No. 08-26-08-25A, motion by the State Oil and Gas Board requesting operator, Block T

Operating, LLC, show cause why certain abandoned wells located in Gilbertown Field in Choctaw County, Alabama should not be ordered plugged and abandoned.

This matter has been subject to certain orders for some time and it's my understanding that Ms. Arnold is here on behalf of Block T.

MS. ARNOLD: I am.

MR. ROGERS: She was going to make a brief report and then we were going to request and recommend it be continued to Choctaw County.

CHAIRMAN GRIGGS: Ms. Arnold, do you want to make the report today or do you want to make the report in Choctaw County when we continue it there?

MS. ARNOLD: My clients are planning to be present in Choctaw County. Marvin thought it would be an opportune time to have them be down there since that is the county where they are actually addressing the wells. I have a report, both written and I am prepared to summarize it. I defer to your discretion on how to handle it. I do have something to hand up into the record today that will suffice as a report. Whether you want me to take you through it in summary or not, I will leave that up to you.

CHAIRMAN GRIGGS: Why don't we expedite this by admitting your report -- if there is no objection, admitting your report into the record, that way we will have a written

report. And then in Choctaw County, we will take your oral report and talk to the witnesses.

MS. ARNOLD: And by that time, they will have addressed their obligation for this quarter that we are currently in, so that seems ideal to me.

CHAIRMAN GRIGGS: Okay, that is fine. If you will submit your report as Exhibit 1.

MS. ARNOLD: Actually, Mr. Chairman, the latest exhibit from the hearing where we appeared in October was labeled Exhibit 2, I believe I determined in checking with Rhianna; therefore, we have labeled this exhibit -- I take that -- yes, as Exhibit 3. That is the rework plan with their priorities on it. And then the actual written report is Exhibit 4, and it has two attachments as 4A and 4B of prior correspondence since the last meeting with the Board.

CHAIRMAN GRIGGS: Okay, very good. Exhibits 3, 4, A and 4B are admitted -- 4, 4A and 4B are admitted into the record as attached to the petition.

MS. ARNOLD: 3, 4, 4A and 4B. And let me apologize, Mr. Trosclair didn't realize he needed to sign 3 for me. It is not an original signature, but I commit to entering an original signature on 3 into the record with Marvin in the next several days.

CHAIRMAN GRIGGS: That will be fine. Thank you, Ms. Arnold.

(Whereupon, Exhibits 3, 4, 4A and 4B were received into evidence.)

MR. PEARSON: I move that we continue this item to the meeting in Choctaw County.

MR. LAWLEY: Second.

CHAIRMAN GRIGGS: I have a motion to continue and a second. All in favor say "aye."

MR. PEARSON: Aye.

CHAIRMAN GRIGGS: Ayes have it and it is continued.

MR. ROGERS: The next item in is Item 27, Docket No. 07-23-09-12, a motion by the State Oil and Gas Board for operator Holland Operating Company, Incorporated to show cause why certain wells located in the Moundville Coal Degasification Field should not be ordered plugged and abandoned. I understand that Mr. Haddock is here to address the Board on the cleanup and restoration work.

MR. HADDOCK: Yes.

CHAIRMAN GRIGGS: Mr. Haddock, state your name for the record. And, first of all, you need to be sworn.

MR. ROGERS: Stand and state your name and address.

MR. HADDOCK: John Haddock, Northport, Alabama.

JOHN HADDOCK,

having been first duly sworn, was examined and testified as follows:

CHAIRMAN GRIGGS: Mr. Haddock, if you would briefly give us a rundown of what has been done in connection with this docket.

MR. HADDOCK: Okay.

CHAIRMAN GRIGGS: I stress the word "brief."

MR. HADDOCK: Okay. Jerry Sanders with Land and Natural Resource Development could not be here, but he asked that I enter a letter from him stating that the wells have been plugged and abandoned.

CHAIRMAN GRIGGS: We will admit this letter as Exhibit 1.

(Whereupon, Exhibit 1 was received into evidence.)

CHAIRMAN GRIGGS: Continue.

MR. HADDOCK: Regarding the closure of the cut-off lakes, wastewater treatment facility, we are oh, 90 percent complete with the closure. We are still doing grade work, and we have discharged all the water and stabilized the residual solids in the facility and should be finished in the next couple of weeks.

CHAIRMAN GRIGGS: A hundred percent of the work?

MR. HADDOCK: I think we will be finished with a hundred percent in the next couple of weeks.

CHAIRMAN GRIGGS: Anything further?

MR. HADDOCK: That is it.

CHAIRMAN GRIGGS: Anything further?

MR. HADDOCK: That is all I have.

CHAIRMAN GRIGGS: Okay. Mr. Pearson?

MR. PEARSON: Mr. Haddock, is there any reason y'all can't give a written report on the final status in the next few weeks.

MR. HADDOCK: I can give you one.

MR. PEARSON: Okay. Mr. Chairman, I move that this item be continued until the August hearing of the Board with the directive that we receive a written report in the next three weeks on the final status.

MR. HADDOCK: I will do that.

MR. LAWLEY: Second.

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

MR. PEARSON: Aye.

CHAIRMAN GRIGGS: Ayes have it.

MR. HADDOCK: Thank you.

DR. TEW: Is Mr. Coleman still around?

MR. HUBBARD : He's still here. He's trying to get some information from Connie Armbrecht right now. Let me get him.

MR. COLEMAN: Can we be off the record just a

second?

CHAIRMAN GRIGGS: Yes.

(Off-the-record discussion.)

CHAIRMAN GRIGGS: We will go back on the record. Mr. Rogers, if you would call Item 15 again.

MR. ROGERS: Item 15, Docket No. 02-08-11-08, petition by Sklar Exploration Company, LLC.

MR. PEARSON: Mr. Chairman, I have a motion. I move that we take this matter under advertisement with the stipulation that we leave the record open for the petitioner to submit whatever further affidavits or materials or information are necessary with respect to this item.

MR. LAWLEY: Second.

CHAIRMAN GRIGGS: Is there a time period?

MR. PEARSON: Leave the record open for ten days.

CHAIRMAN GRIGGS: Okay. We have a motion as stated and --

MR. LAWLEY: Second.

CHAIRMAN GRIGGS: Second. All in favor say "aye."

MR. PEARSON: Aye.

CHAIRMAN GRIGGS: Ayes have it.

MR. COLEMAN: Thank you, Mr. Chairman.

MR. ROGERS: No further items, Mr. Chairman, and

members of the Board.

CHAIRMAN GRIGGS: Anything further to come before the Board?

DR. TEW: No, sir.

CHAIRMAN GRIGGS: Nothing from the Board members. Thank you all for coming. Is there a motion to adjourn?

MR. LAWLEY: Yes, there is.

CHAIRMAN GRIGGS: Mr. Lawley moves for adjournment. Is there a second?

DR. TEW: I second.

(Whereupon, the hearing was adjourned.)

C E R T I F I C A T E

STATE OF ALABAMA)
JEFFERSON COUNTY)

I hereby certify that the above and foregoing proceedings were taken down by me in stenotypy, and the questions and answers thereto were reduced to typewriting under my supervision, and that the foregoing represents a true and correct transcript of the proceedings given by said witness upon said hearing.

I further certify that I am neither of counsel nor of kin to the parties to the action, nor am I in anywise interested in the result of said cause.

/s/ Teresa Turquitt Davis
TERESA TURQUITT DAVIS, CCR, RPR
CCR #162, Expires 09/30/11
Commissioner for the
State of Alabama at Large
My Commission Expires: 12/03/12