

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

February 8, 2011

ORIGINAL

Testimony and proceedings before a Hearing Officer in  
Regular Session in the Board Room of the State Oil and Gas  
Board Building, University of Alabama Campus, Tuscaloosa,  
Alabama, pursuant to adjournment, on this 8th day of  
February, 2011.

BEFORE

Mr. Marvin Rogers.....Attorney

STAFF

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

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

Mr. Kirk McQuillan....Technical Operations Coordinator

Mr. Butch Gregory.....Engineer

Mr. Randy Oglesby.....Geologist

Mr. Elbert Patterson.....Engineer

*[Handwritten signature]*  
3/31/2011  
MR

1 I N D E X

2 Witness:

3 KEN HANBY (Item 1)

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5 CROSS-EXAMINATION BY MR. MCQUILLAN 15

6 DAVID HIGGINGBOTHAM (Item 9)

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8 EXAMINATION BY DR. BOLIN 24

9 DAVID CATE (Item 10)

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1                   MR. ROGERS: This hearing is in session. I want  
2                   to announce that we -- the board members have decided to  
3                   have the next hearing of the Board, which will be the 31st  
4                   of March at the Choctaw County Courthouse in Butler, and  
5                   that is in consideration of the development there and in  
6                   consideration of the fact that the first oil well was  
7                   drilled in Choctaw County and our board members have said  
8                   that from time to time they want to have meetings in other  
9                   towns so -- in other counties, so we have arranged to have  
10                  the meeting at 10:00 on Thursday, March 31st, at the Choctaw  
11                  County Courthouse in Butler.

12                 A lot of you are familiar with that. I see  
13                  Mr. Clark, he has probably been down there many times. And  
14                  the hearing officer meeting will be here, though, on the  
15                  Tuesday before that, which will be March 29th.

16                 Dr. Tew, have the items for the February 8th  
17                  and February the 10, 2011 meeting been properly noticed?

18                 DR. TEW: The items on February the 8th and  
19                  February 10th, 2011 docket have been properly noticed and  
20                  the docket is due to be admitted into the record.

21                 MR. ROGERS: The hearings reporter has received  
22                  and compiled the proofs of publication for the items  
23                  appearing on the docket for the first time. These proofs of  
24                  publication for the items on the February 8th and  
25                  February 10, 2011 docket are admitted into the record.

1                   (Whereupon, February 8 and 10, 2011 docket was  
2                   admitted into evidence.)

3                   MR. ROGERS: Furthermore, copies of the  
4                   information posted on the website of the Secretary of State  
5                   announcing these two meetings of the State Oil and Gas Board  
6                   on February 8 and February 10, 2011, and a confirmation of  
7                   successful postings from the Secretary of State is also  
8                   admitted into the record.

9                   I have an order of the State Oil and Gas Board  
10                  appointing me as hearing officer to conduct this hearing on  
11                  behalf of the Board. The order will be made a part of the  
12                  record at this time.

13                  (Whereupon, the proofs of publication and Order  
14                  were admitted into evidence.)

15                  MR. ROGERS: The procedure for the meeting is as  
16                  follows: The hearing officer and the staff will hear the  
17                  uncontested items on the docket today and certain other  
18                  items.

19                  The State Oil and Gas Board will hear the  
20                  recommendations of the hearing officer, contested items and  
21                  certain other items beginning at 10:00 a.m. on Thursday,  
22                  February 10, 2011 at the -- here in the office of the State  
23                  Oil and Gas Board in Tuscaloosa.

24                  I will recommend that the following petitions  
25                  be continued: Item 2, Docket No. 10-26-10-10, petition by

1 Land and Natural Resource Development; Item 3, Docket No.  
2 10-26-10-11, petition by Land and Natural Resource  
3 Development; Item 28, Docket No. 10-26-10-14, a motion by  
4 the Board; and Item 29, Docket No. 02-08-11-19, a motion by  
5 the Board.

6 Those two motions are motions to amend rules of  
7 the Board and you can get copies of those particular  
8 proposed regulations from the staff, if you would like to  
9 review those prior to the hearing.

10 The following items are set for hearing by the  
11 State Oil and Gas Board at the meeting on Thursday: Item 5,  
12 Docket No. 12-7-10-14A, petition by Venture Oil and Gas,  
13 Incorporated; Item 6, Docket No. 12-7-1-15A, petition by  
14 Venture; Item 7, Docket No. 12-7-10-16A, petition by  
15 Venture; Item 15, Docket No. 02-08-11-08, petition by Sklar  
16 Exploration Company, LLC; Item 19, Docket No. 02-08-11-12,  
17 petition by Renaissance Petroleum; Item 23, Docket No.  
18 02-08-11-16, petition by Fletcher Petroleum.

19 I will note that another item we had on the  
20 Board's docket is going to be continued and that will be  
21 Item 24, 02-08-11-17, petition by Fairways Exploration, so  
22 that petition is continued.

23 Also set for the hearing on Thursday is a  
24 petition by Josalyn Barnett and others, docket number --  
25 Item 25, Docket No. 02-08-11-18A; and two motions by the



1 Board, those motions are Item 26, Docket No. 08-26-08-25A,  
2 and Item 27, Docket No. 07-23-9-12.

3 The remaining items are set for hearing today  
4 by the hearing officer. Do we have any comments or changes,  
5 any comments on those recommendations?

6 (No response.)

7 MR. ROGERS: All right. The first item is Item  
8 1, Docket No. 9-8-09-07A, petition by Escambia Operating  
9 Company.

10 MR. WATSON: Mr. Rogers, I will have one  
11 witness. I would like to have him sworn in, please, sir.

12 MR. ROGERS: State your name and address.

13 THE WITNESS: Ken Hanby, Northport, Alabama.

14

15 KEN HANBY,

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

18

19 MR. WATSON: Mr. Rogers, this is a petition by  
20 Escambia Operating Company asking the Board to enter an  
21 order extending the temporary abandonment status of Powell  
22 Gas Unit 19-4 well located in the Flomaton Field, Escambia  
23 County, Alabama.

24 MR. ROGERS: Let me interrupt you, Tom. We have  
25 with us a hearings reporter who is going to transcribe all

1 of the hearings, a new development in the hearings of the  
2 Oil and Gas Board. Nice to have you with us.

3 THE REPORTER: Thank you.

4 MR. ROGERS: And what we would like to do,  
5 Mr. Watson, in every petition, so that she will get to know  
6 the attorneys, we would appreciate it if you would just  
7 identify yourself at the beginning of each petition,  
8 Mr. Watson and all the other attorneys.

9 MR. WATSON: I will be glad to do that.

10 MR. ROGERS: If you will do that, Mr. Watson.

11 MR. WATSON: My name is Tom Watson representing  
12 Escambia Operating Company, the petitioner in this matter.

13 MR. ROGERS: Thank you.

14 MR. WATSON: I would like to qualify my witness,  
15 Mr. Rogers, Ken Hanby, who has appeared before you and has  
16 on file with you an affidavit of his qualifications as a  
17 petroleum engineer.

18

19 DIRECT EXAMINATION BY MR. WATSON:

20 Q. Mr. Hanby, are you familiar with the petition that I  
21 have just sounded to be heard this morning relating to the  
22 Powell Gas Unit 19-4 well?

23 A. Yes, sir, I am.

24 Q. And are you familiar with the questionnaire that this  
25 Board has requested be filled out relating to this well?

1 A. Yes, sir.

2 Q. I take it.

3 MR. WATSON: I tender Mr. Hanby as an expert  
4 witness for giving testimony on this item, Mr. Rogers.

5 MR. ROGERS: So recognized.

6 MR. WATSON: I have handed up to you,  
7 Mr. Rogers, and to -- or Randy, the questionnaire prepared  
8 by Escambia Operating.

9 Q. (BY MR. WATSON:) Mr. Hanby, tell us briefly what is  
10 the status of this well and why Escambia Operating would like  
11 the temporary abandonment status extended for an additional  
12 year.

13 A. The Powell 19-4 No. 1 well, Permit Number 2991,  
14 commenced production in 1980. And in 2004, actually  
15 September of 2004, after the well had been shut in before the  
16 Ivan hurricane, they were unable to bring the well back onto  
17 production, and jetting operations and others were performed  
18 and were unsuccessful in bringing it back on production.  
19 Last year, a work-over was conducted on the well to replace  
20 the tubing and restore production. And upon entering that  
21 well and working for the work-over attempts, they found that  
22 there was a casing collapse at 15,130 feet.

23 We have an Exhibit 1, which is the schematic  
24 showing the current status of the well. When they went in  
25 the well and found the collapsed casing, they had cut the

1 tubing off at 15,194 feet and --

2 MR. ROGERS: Excuse me, Mr. Watson. We have the  
3 questionnaire, but I don't know if we have the exhibits.

4 MR. WATSON: It's attached to the questionnaire.

5 MR. ROGERS: The exhibits are attached?

6 MR. WATSON: Yeah, the one exhibit is attached,  
7 the schematic. That is what Mr. Hanby is describing.

8 A. And this schematic shows the construction of the  
9 well, the casing that is in place, the cement that was placed  
10 in the well during the completion.

11 And following that work-over, they ended it and  
12 were unable to restore production with that collapsed casing.  
13 They hung a kill line 2 and 7/8s inch tubing to 10,104 feet.  
14 And the plans for this well are to either decide to re-enter  
15 it and set a cement plug and permanently plug off the  
16 Smackover perforations, which are shown on the schematic, and  
17 shown also by the depth 15,440 feet and 15,479 feet, and to  
18 sidetrack the well to attempt another completion in the  
19 Norphlet in the Flomaton Field.

20 And in lieu of that, if they decide not to take  
21 that approach to reestablish production in this section, they  
22 will consider re-completing this well as a saltwater disposal  
23 well. And it's anticipated that during this year that  
24 decision will be made and those work-overs attempted or the  
25 well will be plugged and abandoned permanently during the

1 year 2011.

2 Q. (BY MR. WATSON:) So, Mr. Hanby, your testimony is  
3 this well does have future utility in that it could be either  
4 re-completed or it could be used as a saltwater disposal  
5 well?

6 A. That is correct.

7 Q. And it would be premature to have that well plugged  
8 at this time until those decisions are made by Escambia  
9 Operating Company?

10 A. That is correct, and if they make that decision to  
11 attempt that re-completion or conversion.

12 Q. All right. And if all those fail, then they plan to  
13 plug this well in the year -- this year, 2011?

14 A. That is correct. And in the well is two percent KCl,  
15 the pressures are monitored. As of Friday, we sent an agent  
16 by there to look at the well and there was zero pressure on  
17 the casing, zero pressure on the tubing, and it has a daily  
18 visit by an employee of Escambia Operating Company or a  
19 pumper working for them.

20 The two percent KCl gives a bottom hole pressure  
21 of 7,012 psi from hydrostatic hit from the fluid. The actual  
22 initial pressure in the Flomaton Field was 7,725 psi and over  
23 258 billion feet of gas has been produced from that reservoir  
24 to date.

25 Q. So is it your testimony that this well is in a safe

1 condition as it sits there today?

2 A. Yes, sir. And in addition, there are H2S monitors  
3 there that send a continuous signal to the Flomaton plant in  
4 the event any H2S was detected.

5 MR. WATSON: So, Mr. Rogers, I would ask that  
6 you receive this Exhibit 1 which consists of the  
7 questionnaire that the Board asked to be filled out, along  
8 with the attached schematic, ask that you receive that into  
9 the record of this hearing today.

10 (Whereupon, Exhibit 1 was offered for into  
11 evidence.)

12 MR. ROGERS: The exhibits are admitted.

13 (Whereupon, Exhibit 1 was admitted into  
14 evidence.)

15 Q. (BY MR. WATSON:) And, Mr. Hanby, would the granting  
16 of the extension of the temporary abandonment status for one  
17 year promote orderly development, prevent waste and protect  
18 correlative rights?

19 A. Yes, sir, it would.

20 MR. WATSON: I tender Mr. Hanby to you,  
21 Mr. Rogers, and members of the staff, if you have any  
22 questions on this item.

23 MR. ROGERS: Any questions from the staff?

24

25

1 CROSS-EXAMINATION BY MR. MCQUILLAN:

2 Q. Mr. Hanby, in the Exhibit 1 there, it states there  
3 requesting shut-in status, the petition is requesting TA  
4 status?

5 A. Excuse me?

6 Q. In Exhibit 1 here that you submitted, it states that  
7 you are requesting shut-in status?

8 A. Yes, sir.

9 Q. But just for clarification, you are just requesting  
10 temporary abandonment status, right?

11 MR. WATSON: That is correct.

12 MR. ROGERS: The petition asked for temporary  
13 abandonment status so we assume that is just an error.

14 MR. WATSON: Yes.

15 MR. ROGERS: Okay. Anything else, Kirk?

16 MR. MCQUILLAN: No.

17 MR. ROGERS: Anything else from the staff?

18 (No response.)

19 MR. ROGERS: We have another copy that wasn't  
20 signed, like this one is signed (indicating). This is the  
21 one that was stamped in, so if you will sign this exhibit,  
22 Mr. Hanby.

23 MR. Hanby: Sure.

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

25 MR. WATSON: That is all.

1                   MR. ROGERS: The staff will review the evidence  
2 and make a recommendation to the Board.

3                   The next item then is Item 4, Docket No.  
4 12-7-10-03B, petition by Hughes Eastern Corporation.

5                   MR. WATSON: Are you ready?

6                   MR. ROGERS: If you will introduce yourself, I  
7 suppose, Mr. Watson.

8                   MR. WATSON: Again, Tom Watson representing  
9 Hughes Eastern Corporation. I prefiled an Affidavit of  
10 Notice and an Amended Affidavit of Notice in this item,  
11 Mr. Rogers. I would like those Affidavits of Notice  
12 admitted into the record.

13                  MR. ROGERS: The notice and amended Affidavit of  
14 Notice are admitted.

15                  (Whereupon, the notice and Affidavit of Notice  
16 were admitted into evidence.)

17                  MR. WATSON: This is a petition by Hughes  
18 Eastern Corporation asking the Board to amend Rule 2 of the  
19 Special Field Rules for the Molloy Gas Field in Lamar  
20 County, Alabama, to add the Chandler Sand Gas Pool to the  
21 field as a result of the re-completion of the Richards 33-11  
22 No. 1 well, and we are asking that you approve the 320-acre  
23 unit consisting of the West Half of Section 33, Township 15  
24 South, Range 16 West, Lamar County, Alabama for this  
25 Richards 33-11 No. 1 well as a production unit for this well



1 in this field.

2 I have prefiled an affidavit of testimony of  
3 Emil Pawlik, along with exhibits in support of that  
4 affidavit of testimony. Mr. Pawlik has appeared before this  
5 Board, has on file with you an affidavit of his  
6 qualifications as a petroleum engineer. The affidavit  
7 speaks to the issues that I have just described in this  
8 petition. The exhibits support that as evidence, and I  
9 would ask that you receive into the record of this hearing  
10 the revised affidavit of testimony of Mr. Pawlik, along with  
11 the exhibits attached thereto.

12 MR. ROGERS: The affidavit of Mr. Pawlik called  
13 Revised Affidavit of Testimony is admitted into the record.  
14 The exhibits are admitted into the record, and I have  
15 already admitted the Affidavits of Notice.

16 (Whereupon, revised affidavit and exhibits were  
17 admitted into evidence.)

18 MR. WATSON: And that is all I have on this  
19 matter, Mr. Rogers, and ask that you make a recommendation  
20 to the Board based on the evidence presented.

21 MR. ROGERS: All right. Does the staff have any  
22 questions?

23 (No response.)

24 MR. ROGERS: The staff will review the evidence  
25 and make a recommendation to the Board.

1 MR. WATSON: Thank you.

2 MR. ROGERS: The next item in is Item 8, Docket  
3 No. 02-08-11-01, petition by Bay Gas Storage Company.

4 Mr. Coleman, if you would state your name and  
5 address for the record.

6 MR. COLEMAN: Yes, I'm Mike Coleman of  
7 Tuscaloosa, Alabama, representing the petitioner in this  
8 matter.

9 I have no witnesses. This has been submitted  
10 by affidavit for the Board's consideration. But just  
11 basically, the petitioner is the operator of the Bay Gas  
12 Salt Dome Gas Storage Facility, number four in McIntosh,  
13 which is located in the Southwest quarter of the Southwest  
14 quarter of Section 37, Township 4 North, Range 1 East,  
15 Washington County, Alabama, which includes a buffer zone  
16 extending into the Northwest quarter of Section 29, Township  
17 3 North, Range 1 East in said county.

18 The Bay Gas Salt Dome Gas Storage Facility,  
19 number four in McIntosh, was heretofore established and  
20 approved by the Board in Order No. 2007-64, and petitioner  
21 was appointed as the operator of the facility by that order.

22 The Special Gas Storage Rules for the facility  
23 were amended by Order No. 2010-57. And essentially Rule 1  
24 of the Special Gas Storage Rules as amended for the facility  
25 contains in subparagraph B2 thereof a description of the

1 cavity site for said facility. Immediately below the  
2 description, there is a provision dealing with amending this  
3 particular rule if the cavity, as actually constructed, and  
4 so forth deviates from the original plan, and that is  
5 apparently what has happened here.

6 So prior to injection of gas into the storage  
7 cavity, an affidavit has been filed with the supervisor  
8 pursuant to this rule, Mr. Rogers, and also at the request  
9 of the supervisor, so this petition and the affidavit have  
10 been submitted for consideration by the Board in that  
11 regard. So it's essentially seeking an amendment of the  
12 Special Gas Storage Rules for this facility to be consistent  
13 with the correction description.

14 MR. ROGERS: All right. Would you review the  
15 exhibits, Mr. Coleman? I believe we have three exhibits, an  
16 affidavit and three exhibits; is that correct?

17 MR. COLEMAN: If I might see those, I am  
18 standing in for someone and I don't actually have that  
19 exhibit.

20 MR. ROGERS: I'll just state what we have. The  
21 affidavit executed by Maurice Gilbert, and then we have  
22 three exhibits attached. I'll leave it at that.

23 MR. COLEMAN: I would ask that that affidavit  
24 and those exhibits be admitted into the record.

25 (Whereupon, affidavit and exhibits were offered

1           was marked for identification.)

2                   MR. ROGERS: Those items are admitted into the  
3           record.

4                   (Whereupon, the affidavit and exhibits were  
5           admitted into evidence.)

6                   MR. COLEMAN: That is all I have, Mr. Rogers, if  
7           you will just submit it to the Board on that basis.

8                   MR. ROGERS: Any questions from the staff?

9                   (No response.)

10                  MR. ROGERS: No questions from the staff. We  
11           will review the evidence and make a recommendation to the  
12           Board. Thank you.

13                  MR. COLEMAN: Thank you.

14                  MR. ROGERS: The next item in is Item 9, Docket  
15           No. 02-08-11-02, petition by Land and Natural Resource  
16           Development.

17                  MR. WATSON: Again, I'm Tom Watson representing  
18           Land and Natural Resource Development. I have one witness  
19           and would like to have him sworn.

20                  MR. ROGERS: Stand and state your name and  
21           address.

22                  THE WITNESS: David Higgingsbotham, Tuscaloosa,  
23           Alabama.

24

25                           DAVID HIGGINGBOTHAM,

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

3

4                       MR. ROGERS:   Thank you.

5                       MR. WATSON:   Mr. Rogers, I have prefiled an  
6       Affidavit of Notice in this matter.   I would like to admit  
7       it into the record, please.

8                       MR. ROGERS:   The Affidavit of Notice is  
9       admitted.

10                      MR. WATSON:   This is a request by Land and  
11       Natural Resource Development, Incorporated asking the Board  
12       to enter an order amending Rule 1 of the Special Field Rules  
13       for the Hells Creek Field, Lamar County, Alabama,  
14       particularly to amend that rule by adding additional lands  
15       to the field limits; namely, the Northwest Corner of Section  
16       30, Township 15 South, Range 14 West, Lamar County, Alabama.

17

18       DIRECT EXAMINATION BY MR. WATSON:

19           Q.        Mr. Higgingbotham, you are familiar with this  
20       petition?

21           A.        Yes, sir.

22           Q.        Have you prepared exhibits in support of this  
23       petition?

24           A.        Yes, sir.

25           Q.        Do you have on file with this Board an affidavit of

1 your qualifications as a petroleum geologist?

2 A. Yes, sir.

3 MR. WATSON: I tender Mr. Higgingbotham as an  
4 expert witness for giving testimony on this item, Mr.  
5 Rogers.

6 MR. ROGERS: He is so recognized.

7 Q. (BY MR. WATSON:) If you would, Mr. Higgingbotham,  
8 turn to the packet of exhibits I have passed out, the Exhibit  
9 Number 1, and tell us what that exhibit is and describe the  
10 information shown on it, please, sir.

11 A. Exhibit Number 1 is an Isopach map of Lewis Gas Pay.  
12 The contour interval is 10 feet. It is superimposed on a  
13 structure contour map on top of the Tuscumbia limestone. The  
14 contour interval is 50 feet. Outlined in blue is the  
15 existing Hells Creek Field. Outlined in green dash is the  
16 existing production -- or the production unit for the  
17 proposed well, Benton well. And outlined in orange is the  
18 proposed addition to the Hells Creek Field.

19 This map illustrates that the Land Inc. Benton  
20 well was drilled in the Northwest quarter of Section -- or  
21 Northeast Corner of Section 25. The wells on the map are  
22 graphically illustrated in the next exhibit by cross-section  
23 A - A', which is shown here. This is a dry hole over in  
24 Section 24 that had zero feet of Lewis sand. There was a  
25 well in Section 25, the Wheeler-Boyett, Permit No. 2741, that

1        had 30 feet of sand and it had gas on the water in top of the  
2        Lewis sand. And then there is a well in Section 30, the TXO  
3        Pennington 30-5 that had gas on water in the Lewis sand. And  
4        then there is a well to the north in Section 19, the Glasgow  
5        19-13, Permit No. 2877, that had zero feet of sand. And Land  
6        Inc. drilled in between the two wells. It had drilled north  
7        of the wells that had gas on water and south of the wells  
8        that had no sand, and made a productive well in the Northeast  
9        quarter. And Land Inc. proposes to extend the Hells Creek  
10       Field boundary to the east as is outlined in the area in  
11       orange.

12       Q.        All right. Let's go to Exhibit Number 2, that line  
13       of cross-section that you depict on your Exhibit 1 and  
14       describe that for us, please, sir.

15       A.        Exhibit Number 2 is the line of cross-section that I  
16       referred to previously in Exhibit Number 1. It graphically  
17       illustrates the stratigraphic structural nature of the gas  
18       trap for the Benton 25-1 well to the Northwest of Lawrence  
19       24-14 well, encountered zero feet of Lewis sand over to the  
20       south, the Wheeler-Boyett, and to the east, the Pennington 13  
21       had Lewis sand, but it had gas on top of water. Land, Inc.  
22       drilled the Benton well in between the other wells, came in  
23       structurally high with 12 feet of Lewis gas sand.

24       Q.        All right, sir. Now, on OGB-9, your Exhibit Number  
25       3, tell Mr. Rogers and staff the results of that well's first

1 test.

2 A. Exhibit Number 3 is an OGB-9 form, the test date was  
3 September 7th, 2010. The well was tested. The Lewis sand  
4 was tested for 24 hours and the well flowed at a rate of  
5 700,000 cubic feet of gas of day on a 14/64 choke.

6 Q. All right, sir. Mr. Higgingbotham, would the  
7 amendment adding the Northwest quarter of Section 30,  
8 Township 15 South, Range 14 West, Lamar County, Alabama, to  
9 the Hells Creek Field promote orderly development, prevent  
10 waste and protect correlative rights?

11 A. Yes, it would.

12 MR. WATSON: Mr. Rogers, I would ask that you  
13 receive into the record of this hearing Exhibits 1 through 3  
14 to the testimony of Mr. Higgingbotham.

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

17 MR. ROGERS: The exhibits are admitted.

18 (Whereupon, Exhibits 1-3 were admitted into  
19 evidence.)

20 MR. WATSON: I tender the witness for you and  
21 members of the staff for any questions you may have.

22 MR. ROGERS: Dr. Bolin?

23

24

25 EXAMINATION BY DR. BOLIN:



1 Q. Mr. Higgingbotham, on your Exhibit 1 --

2 A. Yes, sir.

3 Q. -- down in the lower left-hand corner, it gives some  
4 reference to a base map and it references Sylacauga West.  
5 That would appear to be wrong geographically regarding where  
6 the field is located. And can that be corrected?

7 A. Yes, sir, absolutely.

8 Q. Okay. But it should not change anything in regard to  
9 the sections and the township and ranges, should it?

10 A. Oh, not at all.

11 DR. BOLIN: Okay. Thank you.

12 MR. ROGERS: All right. We will leave the  
13 record open then, Mr. Watson, and your client can submit  
14 that anytime and we will accept that into the record.

15 MR. WATSON: All right.

16 MR. ROGERS: Just try to do it as soon as  
17 possible and get it done by Thursday.

18 MR. WATSON: All right. We can do that.

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

20 MR. WATSON: That is all.

21 MR. ROGERS: The staff will review the evidence  
22 and make a recommendation to the Board. Thank you.

23 The next item in is Item 10, Docket No.

24 02-08-11-03B, petition by Pruet Production Company.

25 MR. WATSON: Mr. Rogers, again, I'm Tom Watson

1           representing the Pruet Production Company and I have two  
2           witnesses that I would like to have sworn in, please, sir.

3                   MR. ROGERS: All right. You gentlemen state  
4           your names and addresses.

5                   THE WITNESS: David Cate, Brandon, Mississippi.

6                   THE WITNESS: David Hilton, Jackson,  
7           Mississippi.

8  
9                               DAVID CATE,  
10          having been first duly sworn, was examined and testified  
11          as follows:

12  
13                   MR. WATSON: I have prefiled an Affidavit of  
14          Notice in this matter, Mr. Rogers, and ask that it be  
15          admitted into the record, along with your letter to me dated  
16          January 14th relative to notice.

17                   MR. ROGERS: The Affidavit of Notice of  
18          Mr. Watson is admitted, and the letter, my letter to  
19          Mr. Watson dated January 14th, that letter is admitted as  
20          well.

21                   MR. WATSON: This is a petition by Pruet  
22          Production Company asking the Board to enter an order  
23          establishing a new oil field in Escambia County to be known  
24          as the West Robinson Creek Field or such other name as the  
25          Board deems appropriate. We are asking that the Board

1           promulgate Special Field Rules for this new field. And  
2           finally, we are asking the Board to establish a permanent  
3           production unit for the Chunn 12-10, No. 1 well, located in  
4           the proposed field.

5                       My first witness for Pruet is Dave Cate, who is  
6           a petroleum geologist.

7

8       DIRECT EXAMINATION BY MR. WATSON:

9           Q.       Mr. Cate, you are familiar with this petition, and  
10          have you prepared exhibits in support of the establishment of  
11          this new oil field in Escambia County?

12          A.       I have.

13          Q.       And do you have on file with this Board an affidavit  
14          of your qualifications as a petroleum geologist?

15          A.       I do.

16                   MR. WATSON: I tender Mr. Cate as an expert  
17          witness for giving testimony in this item, Mr. Rogers.

18                   MR. ROGERS: He is so recognized.

19                   MR. WATSON: I have handed up to you and the  
20          members of staff a booklet of exhibits prepared by Pruet,  
21          and I would ask that you turn to Exhibit Number 1.

22          Q.       (BY MR. WATSON:) And, Mr. Cate, would you describe  
23          what is shown on that exhibit, please, sir?

24          A.       Exhibit Number 1 is a surveyor's plat showing the  
25          location of the Pruet Production Company No. 1 Chunn 12-10

1 well in a 160-acre drilling unit that is comprised of the  
2 East half of the Southwest quarter and the West half of the  
3 Southeast quarter, Section 12, Township 3 North, Range 6  
4 East, Escambia County, Alabama. Both the surface and bottom  
5 hole locations for the Chunn 12-10 well are shown. The  
6 bottom hole location is 839 feet from the East line of the  
7 unit, 1,011 feet from the North line of the unit, and as such  
8 is a regular location within that 160-acre unit.

9 We are proposing today that that drilling unit  
10 be converted to the 160-acre production unit for the Chunn  
11 12-10 well.

12 Q. All right, sir. And you have correctly stated that  
13 the location of the bottom hole of this well complies with  
14 the proposed Special Field Rules that we have submitted for  
15 the West Robinson Creek Field so it is a legal location; is  
16 that correct?

17 A. That is correct.

18 Q. Turn, if you would, now, to Exhibit Number 2 and tell  
19 Mr. Rogers and the staff what that exhibit is and describe  
20 the information shown on it, Mr. Cate.

21 A. Exhibit Number 2 is a structure map contoured on top  
22 of the Smackover formation. It shows the previous described  
23 drilling unit in dashed green outline. This map was made  
24 from a subsurface information obtained from the Chunn well  
25 and the Pruet No. 1 Morris 1-15 well to the North in Section

1 One, which was a dry hole. It's also prepared based on 3-D  
2 seismic data that we have in our files, and the map conforms  
3 somewhat to that 3-D seismic interpretation.

4 The Chunn structure is a map line of closure  
5 contained entirely within the 160-acre unit. The green dash  
6 line is our proposed 160-acre production unit. It's also the  
7 limits for the proposed West Robinson Creek Field. Two  
8 arbitrary seismic lines are shown and these will be discussed  
9 on the following exhibits.

10 Q. You are also showing an oil/water contact at  
11 -14,091 feet?

12 A. Yes.

13 Q. All right. Let's turn to your Exhibit Number 3 which  
14 is the first of the arbitrary seismic lines. And describe  
15 this north/south arb line, please, sir.

16 A. Exhibit Number 3 is the north/south arbitrary seismic  
17 line taken from the 3-D seismic database which shows a  
18 relative location of the Pruet No. 1 Chunn 12-10 well and the  
19 dry hole No. 1 Morris 1-15 well.

20 The top of the Smackover is shown by the light  
21 blue pic and it shows that the Chunn 12-10 well was drilled  
22 on the crest of the productive structure with -- which has  
23 north/south reversal as obvious from this seismic line.

24 The Chunn 12-10 well is separated by a synclinal  
25 area from the higher but dry No. 1 Morris 1-15 well. The two

1 vertical green lines are the limit lines for the proposed  
2 West Robinson Creek Field.

3 Q. All right, sir. Go to your Exhibit Number 4, Mr.  
4 Cate.

5 A. Exhibit Number 4 is the east/west arbitrary seismic  
6 line taken from the same database. It shows the location of  
7 the Pruet No. 1 Chunn 12-10 well on the crest of the  
8 productive structure. Again, the top of the Smackover is  
9 depicted by the light blue line. Obvious east to west  
10 reversal is shown by this line. And, again, the vertical  
11 green lines represent the West Robinson Creek Field limits as  
12 proposed today.

13 Q. All right, sir. So to sum up your testimony thus  
14 far, you have the two points of well control and the two  
15 arbitrary seismic lines that have allowed you to depict this  
16 structure for the Chunn well as you have shown it on your  
17 Exhibit Number 2; is that correct?

18 A. That is correct.

19 Q. All right, sir. Let's now type the Smackover Oil  
20 Pool that we are asking the Board to include in these field  
21 rules, and you have done that on your Exhibit 5, so turn to  
22 that exhibit and describe the oil pool we are asking to be  
23 set up in this new field.

24 A. Exhibit Number 5 is the Type Log, which is the Pruet,  
25 Chunn 12-10 well. This is the array induction

1 density/neutron log of Schlumberger. The top of the  
2 Smackover is depicted at 14,464 feet. The base of the  
3 Smackover is depicted at 14,895 feet. That interval is what  
4 we are proposing to be the Smackover oil pool for this field.  
5 The well is currently producing from a lower -- a portion of  
6 the lower Smackover at 14,747 to 762 feet. That interval was  
7 completed flowing 276.6 barrels of oil a day, 100 Mcf gas a  
8 day, zero water. It was on a 13/64th-inch choke, 711 pounds,  
9 with a gas/oil ratio of 362 to 1.

10 After this lower interval depletes, the well  
11 will then be completed in the upper or very top of the  
12 Smackover as shown on the Type Log.

13 Q. All right, sir.

14 MR. WATSON: Next witness is David Hilton. If  
15 you would pass the mike down to David, please.

16  
17 DAVID HILTON,  
18 having been first duly sworn, was examined and testified  
19 as follows:

20  
21 DIRECT EXAMINATION BY MR. WATSON:

22 Q. Mr. Hilton, you have appeared before this Board and  
23 have on file an affidavit of your qualifications as a  
24 petroleum engineer; is that correct?

25 A. That is correct.

1 Q. Have you prepared exhibits in support of establishing  
2 this new field?

3 A. Yes, I have.

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

7 MR. ROGERS: He is so recognized.

8 Q. Let's turn in the booklet of exhibits, Mr. Hilton, to  
9 your Exhibit Number 6 and describe what is shown on that  
10 exhibit, please, sir.

11 A. Exhibit Number 6, page one, is a directional plot of  
12 the wellbore from Chunn 12-10. The well was originally  
13 permitted and intended to be drilled as a vertical well.  
14 During the drilling of the well, the wellpath took a  
15 Southwest turn to kind of almost a due South turn and was  
16 getting away from our primary objective and through the -- we  
17 ask the Board for permission to intentionally deviate the  
18 well back to a normal path, which is depicted as a blue  
19 circle in there referenced as Target, that was a target just  
20 to turn the well around. The red line is the actual path of  
21 the wellbore after the directional tools were picked up and  
22 we made a hard 180-degree turn to try to get back up into the  
23 Northwest quarter. The actual wellbore stopped at the  
24 Southeast quadrant of that target circle.

25 Q. All right, sir. On Page 2 of that Exhibit Number 6?



1           A.           Page 2 is the last page of the data from the complete  
2           directional survey. The full directional survey is on file  
3           with the Board. This Page 2 gives us the bottom hole  
4           location, the final bottom hole location at a measured depth  
5           of 14,450 feet as being 81.9 feet North of the original  
6           surface location and 118 feet East of the surface location.

7           Q.           And that is depicted on Mr. Cate's Exhibit Number 1,  
8           the surveyor's plat, that bottom hole location; is that  
9           right?

10          A.           Yes, sir.

11          Q.           All right. Let's turn to the next exhibit, Exhibit  
12          Number 7, the OGB-9. Tell us about the test on this well,  
13          Mr. Hilton.

14          A.           Exhibit 7, Page 1 and Page 2 is the first production  
15          report, Form OGB-9, for the initial test of Chunn 12-10. The  
16          well was initially tested as Mr. Cate previously testified at  
17          a rate of 276.6 barrels of oil a day, 100 Mcf of gas, on a  
18          13/64th adjustable choke, 711 psi flowing tubing pressure.

19          Q.           All right, sir. Exhibit 8 now is a report from  
20          FESCO, Limited on the nature of the hydrocarbons in the  
21          reservoir. Summarize that report for us, please, sir.

22          A.           Exhibit 8 is the cover letter and initial data from  
23          the PVT data analysis that was performed on the Chunn 12-10.  
24          This was a recombination analysis. Separator liquid samples  
25          and separator gas samples were taken and recombined in

1 reservoir conditions to determine the reservoir fluid phase.

2 The lower -- in the bottom paragraph on Page 1  
3 of the letter, the bubble point pressure was observed to be  
4 from FESCO Labs at 1660 psig at a temperature of 270 degrees  
5 Fahrenheit. 270 degrees Fahrenheit is the reservoir  
6 temperature for the Chunn 12-10.

7 Q. And the nature of the hydrocarbons in the reservoir?

8 A. The -- any bottom hole pressure greater than 1660 psi  
9 would yield that we have an undersaturated oil phase in the  
10 reservoir.

11 Q. And this complete is filed routinely with the Board's  
12 staff; is that right?

13 A. That is correct.

14 Q. The complete report?

15 A. That is correct.

16 Q. All right. Go to your Exhibit Number 9, Mr. Hilton.

17 A. Exhibit 9 is the static -- 24-hour static bottom hole  
18 pressure survey performed on the Chunn 12-10 during the  
19 initial -- following the initial 72-hour flow period. The  
20 bottom hole pressure was measured with two bottom hole  
21 digital gauges, one gauge -- two gauges were used for quality  
22 control. Each -- one gauge measured 6290 psi. The other  
23 gauge measured 6300 psi, both well above the bubble point,  
24 which indicates the fluids phase in the reservoir to be an  
25 undersaturated oil.

1 Q. All right, sir. Your next exhibit?

2 A. Exhibit Number 10 is a daily production graph of  
3 production from the Chunn 12-10 since it was placed on  
4 production. The flowing tubing pressure is depicted in the  
5 green. Purple is the barrels of oil per day. The blue is  
6 the Mcf of gas per day. And the well has not made any water  
7 to date.

8 Q. All right, sir.

9 A. To date, we have produced over 17,000 barrels of oil  
10 from this reservoir.

11 Q. And your Exhibit Number 11 is a tabular summary of  
12 that production?

13 A. That is correct.

14 Q. Would this correspond with the graph shown on Exhibit  
15 Number 10?

16 A. Yes. It was included to support the graph.

17 Q. All right, sir.

18 MR. WATSON: Mr. Rogers, I would ask that you  
19 receive into the record these hearing Exhibits 1 through 11  
20 and the testimony of Mr. Cate and Mr. Hilton.

21 (Whereupon, Exhibits 1-11 were offered into  
22 evidence.)

23 MR. ROGERS: The exhibits are admitted.

24 (Whereupon, Exhibits 1-11 were admitted into  
25 evidence.)

1 Q. I'll ask both of you gentlemen starting first with  
2 you, Mr. Cate, if the Board approves this petition and  
3 establishes a new oil field as we have requested of West  
4 Robinson Creek Field and promulgates Special Field Rules and  
5 declares the Chunn 12-10, 160-acre unit that you described as  
6 a production unit for this new field, will that promote  
7 orderly development in the area, prevent waste and protect  
8 correlative rights, Mr. Cate?

9 A. Yes, it would.

10 Q. Mr. Hilton?

11 A. Yes, it would.

12 MR. WATSON: I tender these witnesses to you,  
13 Mr. Rogers, and members of the staff for any questions you  
14 have.

15 MR. ROGERS: Any questions from the staff?

16 DR. TEW: No questions.

17 MR. ROGERS: The staff will review the evidence  
18 and make a recommendation to the Board.

19 MR. WATSON: Thank you.

20 MR. ROGERS: The next item in is Item 11, Docket  
21 No. 02-08-11-04A, petition by Pruet Production Company.

22 MR. WATSON: Again, I'm Tom Watson representing  
23 Pruet Production Company and I have two additional  
24 witnesses. I'll remind Mr. Cate and Mr. Hilton that they  
25 are under oath with your permission, Mr. Rogers.

1 MR. ROGERS: Yes, sir.

2 MR. WATSON: I have two new witnesses. I would  
3 like to have them sworn in.

4 MR. ROGERS: State your name and address.

5 THE WITNESS: Matt James, Jackson, Mississippi.

6 MR. ROGERS: You, sir?

7 THE WITNESS: Zachary Hare, Grove Hill, Alabama.

8

9 MATT JAMES AND ZACHARY HARE,

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

12 MR. WATSON: Mr. Rogers, let's, for purposes of  
13 the hearing, consolidate Items 11 through 14.

14 MR. ROGERS: The request is granted.

15 MR. WATSON: I have prefiled Affidavits of  
16 Notice in these consolidated items and ask that those  
17 Affidavits of Notice be admitted into the record.

18 (Whereupon, the affidavits of notice were  
19 offered as evidence.)

20 In these consolidated items, Mr. Rogers, we are  
21 asking the Board to establish a new oil field in Monroe  
22 County to be named the Excel Field.

23 We are asking you to reform the Shumack  
24 3-7 unit from a 40-acre wildcat drilling unit to 160-acre  
25 production unit in this proposed field.

1                   We are asking that the Board force pool,  
2                   without imposition of the risk compensation penalty, tracts  
3                   and interests in the proposed 160-acre unit. And then we  
4                   are asking the Board to approve an exceptional location for  
5                   the Shumack 3-7 as it is reformed in this proposed Excel  
6                   Field.

7                   MR. ROGERS: Mr. Watson, the Affidavits of  
8                   Notice are admitted.

9                   (Whereupon, the Affidavits of Notice were  
10                  admitted into evidence.)

11                  MR. WATSON: All right.

12                  MR. ROGERS: Go ahead. You may proceed.

13  
14                   DAVID CATE,  
15                  having been previously duly sworn, was examined and  
16                  testified as follows:

17  
18                  DIRECT EXAMINATION BY MR. WATSON:

19                  Q.       Mr. Cate, have you prepared exhibits in support of  
20                           these consolidated petitions that I have just described?

21                  A.       I have.

22                  MR. WATSON: And, Mr. Rogers, having prepared  
23                           exhibits and having testified and having on file an  
24                           affidavit of his qualifications as a petroleum geologist, I  
25                           tender him as an expert witness for giving testimony and

1 relating to the proposed Excel Field.

2 MR. ROGERS: He is so recognized.

3 Q. (BY MR. WATSON:) All right. Mr. Cate, would you  
4 please turn in the booklet of exhibits to the first exhibit  
5 and describe what is shown on that exhibit, please, sir.

6 A. Exhibit Number 1 is a surveyor's plat showing the  
7 proposed Excel Field limits that we are bringing here today.  
8 That is outlined in red. And the areas composed -- comprised  
9 of the Northwest quarter of Section 2, all of Section 3, and  
10 all of Section 4 of the Township 5 North, Range 7 East,  
11 Monroe County, Alabama.

12 Q. All right, sir. And your Exhibit Number 2?

13 A. Exhibit Number 2 -- 2-A, actually, is the surveyor's  
14 plat showing the location of the Pruet Production Company No.  
15 1 Simpson 4-9 well. That well is contained in a 160-acre  
16 drilling unit comprised of the Southeast quarter of Section  
17 4, Township 5 North, Range 7 East.

18 The Simpson 4-9 location is a regular location  
19 in that -- within that area, and we are recommending today  
20 that that drilling unit be converted to 160-acre production  
21 unit.

22 Q. All right. Now, let's go to Exhibit 2-B. This is  
23 the 40-acre wildcat we are asking the Board to reform to  
24 160-acre production unit?

25 A. That is, again, the surveyor's plat showing the

1 location of the Pruet Production Company's No. 1 Shumack 3-7  
2 well. Currently, this well is contained in a 40-acre  
3 drilling unit composed of the Southwest quarter of the  
4 Northeast quarter of Section 3, Township 5 North, Range 7  
5 East, Escambia County. Both the surface --

6 Q. That is Monroe County.

7 A. Monroe County.

8 Q. We skipped counties here.

9 A. Okay. Both the surface and the bottom hole locations  
10 are shown on this surveyor's plat. The bottom hole location  
11 is 638 feet from the west line of the 40-acre unit and  
12 492 feet from the south line of the 40-acre unit. That would  
13 be a regular location within the 40-acre unit, but it would  
14 be an exceptional location in the proposed production unit,  
15 consisting of the Northeast quarter of Section 3. So the  
16 location, as approved in that unit, would be an exception.

17 Q. And that is because in our proposed Special Field  
18 Rules for the Excel Field we are suggesting that all wells be  
19 located -- and that is Rule 3 -- be located at least 660 feet  
20 from every exterior boundary of the unit; is that correct?

21 A. That is correct.

22 Q. All right, sir. Let's go to your next exhibit now,  
23 this is Exhibit Number 3, Mr. Cate. Tell us what the exhibit  
24 is and then describe the information shown on it, please,  
25 sir.



1           A.           Exhibit Number 3 is a structure map contoured on top  
2           of the Smackover formation on 100-foot contour intervals. It  
3           shows the previously discussed units in 2-A and 2-B exhibits.  
4           It also shows our proposed field limits outlined in yellow.  
5           The structure in this field is south dipping. We have an  
6           oil/water contact on the south side at -12,186 and the field  
7           is contained, as we map it now, is contained entirely within  
8           those units.

9           Q.           And contained completely within the proposed field  
10          limit outline?

11          A.           Field limit, yes, uh-huh.

12          Q.           All right, sir. You are showing additional wells  
13          other than the subject wells of this hearing that have been  
14          drilled in the proposed field area, and I'm assuming that  
15          those wells were used as control points for your mapping?

16          A.           We used those control points, all four well control  
17          points, plus we have knowledge of, but no possession of, a  
18          3-D survey that was shot across this area, and it also covers  
19          a much larger area. We were able to review the 3-D seismic  
20          and determine that it's of good quality and reliable for  
21          mapping. And our structure map on Exhibit 3 therefore  
22          reflects both the subsurface control and the 3-D seismic  
23          data.

24          Q.           Very good. All right, sir. Turn to your Exhibit  
25          Number 4 and let's describe for Mr. Rogers and the staff the

1 proposed Smackover Oil Pool for the Excel Field.

2 A. Exhibit Number 4 is the Type Log and it comes from  
3 the No. 1 Simpson 4-9 well. This is Schlumberger's Platform  
4 Express log. It shows the top of the Smackover at  
5 12,414 feet, the base of the Smackover at 12,622 feet. That  
6 interval is what we propose to be the Smackover Oil Pool for  
7 the Excel Field.

8 This well was completed in the middle portion of  
9 the Smackover as shown in green at 12,498 to 536 feet. That  
10 interval flowed 184.2 barrels of oil per day, 166.2 Mcf of  
11 gas per day, 8.1 barrels of water on a 10/64ths-inch choke,  
12 843 pounds, and the gravity was 40.4 degrees.

13 Q. All right, sir. Now, your Exhibit 5 is a  
14 cross-section. Describe that outline of cross-section for us  
15 and tell us what is shown on this exhibit.

16 A. Exhibit Number 5 is the east/west cross-section that  
17 was shown previously. The Pruet Production Company No. 1  
18 Simpson 4-9 well is on the left side or west side. The No. 1  
19 Shumack 3-7 well is on the right side or the east side.

20 This cross-section shows the formational  
21 boundaries from the Haynesville, Buckner, Smackover, and into  
22 the Paleozoic basement. It also shaded in green the current  
23 productive interval that is correlative in both wells. The  
24 perforated intervals are so noted on the depth track of each  
25 log.

1 Q. All right, sir. Is it your testimony, Mr. Cate, that  
2 both these wells are completed in a common Smackover oil  
3 pool?

4 A. In my opinion, they are.

5 Q. All right, sir.

6 MR. WATSON: My next witness, Mr. Hilton, has on  
7 file an affidavit of his qualifications as a petroleum  
8 engineer, previously testified before the Board.

9

10 DAVID HILTON,  
11 having been previously duly sworn, was examined and  
12 testified as follows:

13

14 DIRECT EXAMINATION BY MR. WATSON:

15 Q. Mr. Hilton, are you familiar with the consolidated  
16 items that we are hearing today, and have you prepared  
17 exhibits in support of establishing the Excel Field,  
18 reforming the unit, asking for the exceptional location?

19 A. Yes.

20 MR. WATSON: And I tender him as an expert for  
21 giving testimony on this item, Mr. Rogers.

22 MR. ROGERS: He is so recognized.

23 Q. (BY MR. WATSON:) Start then with your Exhibit Number  
24 6, Mr. Hilton, and tell us what is shown there.

25 A. Exhibit 6 is the final gyro directional survey for

1 the No. 1 Simpson 4-9. This exhibit shows that the bottom  
2 hole location is .33 feet from north of the surface location  
3 and .47 feet west of the surface location. This directional  
4 survey is in support of the plat previously testified to by  
5 Mr. Cate on the producing unit for -- producing plat for the  
6 Simpson 4-9.

7 Q. Putting the bottom hole location 492 feet from the  
8 south line and 630 feet --

9 A. No, sir.

10 Q. Not 630 -- I'm looking at the wrong plat.

11 A. Exhibit 2-A.

12 Q. 2-A.

13 A. Which would be 660 feet from the --

14 Q. Okay. What is that location based on Mr. Cate's  
15 plat? I turned to the wrong one.

16 A. It's 660 feet from the east line and 660 feet from  
17 the north line of the Southeast quarter of Section 4.

18 Q. All right, sir.

19 A. Would be the location.

20 Q. All right, sir. Let's go to your next exhibit,  
21 Mr. Hilton, your OGB-9.

22 A. Well, the next exhibit is Exhibit 7, which is the  
23 directional, the same gyro directional survey for the Shumack  
24 3-7. This directional survey is supplied to support the  
25 bottom hole location as depicted on Mr. Cate's Exhibit 2-B

1           for the -- showing the bottom hole location being 62 feet  
2           north and 88 feet east of the service location.

3           Q.           That is the one I was trying to direct your attention  
4           to first.

5           A.           Yes, sir.

6           Q.           All right, sir. And your next exhibit, Mr. Hilton?

7           A.           Exhibit A, Page 1 and 2 is the first report -- first  
8           production report OGB-9 for the Simpson 4-9 No. 1, the  
9           discovery well for the field. It shows an initial production  
10          rate of 184.2 barrels of oil a day, 166.2 Mcf of gas, on  
11          10/64ths adjustable choke, with 843 psi flowing tubing  
12          pressure.

13          Q.           All right, sir. Exhibit 9?

14          A.           Exhibit 9 is the first production report, OGB-9 for  
15          the No. 1 Shumack 3-7, shows an initial test rate of 293.4  
16          barrels of oil per day, 322 Mcf of gas, on a 13/64th choke,  
17          with 1,028 psi flowing tubing pressure.

18          Q.           All right, sir. And now your Exhibit Number 10, the  
19          FESCO report?

20          A.           During the initial -- following the initial test or  
21          during the initial 72-hour production test on the No. 1  
22          Simpson 4-9, separator gas and liquid samples were taken for  
23          recombination PVT analysis. This was performed by FESCO  
24          Labs. Exhibit Number 10, pages 1 and 2, is the cover letter  
25          for the full PVT report, which is on file with the Board.

1                   This PVT analysis determined that the bubble  
2 point pressure for this reservoir was 3525 psig with a  
3 reservoir temperature of 230 degrees Fahrenheit.

4                   Again, this would -- any pressure that -- of the  
5 reservoir above this 3525 psi would be an undersaturated oil  
6 phase in the reservoir.

7           Q.       All right, sir. Exhibit Number 11?

8           A.       Exhibit 11 is a 24-hour static bottom hole pressure  
9 measurement for the Simpson 4-9 conducted at the end of the  
10 initial 72-hour production test. Again, two gauges were used  
11 for quality control. One gauge measured 4489 psi. The other  
12 one was 4470 psi. These pressures were above the bubble  
13 point. The pressure is determined in the PVT analysis and  
14 therefore is an undersaturated oil phase in the reservoir.

15          Q.       All right, sir. Exhibit 12?

16          A.       Exhibit 12 is the 24-hour static bottom hole pressure  
17 measured at the end of the initial flow period on the Shumack  
18 3-7 No. 1. The 24-hour shut-in pressure was measured to be  
19 5,431 psi, which is, again, higher than the bubble point  
20 pressure, so therefore it's an undersaturated oil phase in  
21 the reservoir.

22          Q.       All right. Now, let's talk about the production, and  
23 that is on your Exhibit 13 of the Simpson?

24          A.       Yes, sir. Exhibit 13 is the daily production graph  
25 for the Simpson 4-9. The tubing pressure is depicted green

1 by the green line. The oil is by the purple line, and gas is  
2 by the blue line, and water by the orange. The well was  
3 initially flowing. It was placed on pump in late May of  
4 2010. The pressure is shown as 3800 pounds, plus or minus.  
5 At that point, the flowing -- it's actually placed on  
6 hydraulic jet pump, which is just the surface pump pressure.

7 To date, the well has produced 10,387 barrels of  
8 oil, 5,000 Mcf gas, and a little over 7700 barrels of water.  
9 It is currently producing at a rate of around 23 barrels of  
10 oil a day, less than 5 Mcf of gas, and 38 barrels of water a  
11 day.

12 Q. All right. Let's look at the production on the  
13 Shumack 3-7, Exhibit Number 14.

14 A. Shumack Exhibit Number 14 is a daily production graph  
15 for the production of the Shumack 3-7. The Shumack 3-7 is  
16 flowing and is currently flowing. The flowing tubing through  
17 them as depicted by the green line, the oil production by the  
18 purple, and the gas is depicted in blue. The well does not  
19 make any water at this time. The Shumack is -- has currently  
20 made over 10,800 barrels of oil, right at 15,000 Mcf of gas.  
21 And at the time of this graph, was producing a little over  
22 200 barrels of oil, 280 Mcf. The production rate is  
23 currently, as of this morning's report, has dropped into the  
24 mid 100s.

25 Q. All right, sir. And your Exhibit 15, Mr. Hilton, is

1 a tabular depiction of that production that is shown on your  
2 production graph?

3 A. That is correct. Exhibit 15 is the tabular data for  
4 the Simpson 4-9 in support of that graph. And Exhibit 16 is  
5 the tabular data for the Shumack 3-7 in support of that  
6 graph.

7 Q. All right, sir.

8 MR. WATSON: Now, Mr. Rogers, the final item for  
9 Pruet Production Company is a forced pooling application,  
10 without the imposition of a risk compensation fee, for the  
11 Shumack 3-7 well. It's permit 16340. It's on the 160 --  
12 proposed 160-acre production unit consisting of the  
13 Northwest quarter of Section 3, Township 5 North, Range 7  
14 East, Monroe County, Alabama. This is a unit we are  
15 reforming from 40 to 160. And there is outstanding unleased  
16 interest in this proposed 160-acre production unit and the  
17 number that is 1.32 net mineral acres or approximately  
18 0.825 percent of the unit, the owners of those interests  
19 have not yet volunteered to integrate, pool or lease their  
20 interest.

21 I have two landmen that I need to qualify.  
22 Neither have appeared before this Board, and both have had  
23 contact with these owners that have been identified by title  
24 research of Mike Estep. And my first witness is Zach Hare.

25



1 DIRECT EXAMINATION BY MR. WATSON:

2 Q. Mr. Hare, would you briefly give Mr. Rogers and  
3 members of the staff your educational background and your  
4 experience, please, sir?

5 A. Graduate of Auburn University. I work for Pruet  
6 Production currently. I am a area timber man of -- for  
7 Pruet.

8 Q. And are you a member of any professional association  
9 of landmen?

10 A. AAPL, American Association For Petroleum Landmen, and  
11 the MAPL, Mississippi Association of Petroleum Landmen.

12 Q. And have you been involved in attempting to secure  
13 leases from the people that we are about to identify for this  
14 proposed Shumack 160-acre unit?

15 A. Yes, sir.

16 MR. WATSON: Our other land witness is Matthew  
17 R. James.

18

19 DIRECT EXAMINATION BY MR. WATSON:

20 Q. Mr. James, give Mr. Rogers and the staff a brief  
21 summary of your educational background and your work  
22 experience.

23 A. Graduated from Southern Methodist University in 1999,  
24 also got my MBA there in 2004. Previously worked for Frost  
25 Bank in Dallas, Texas. And I have worked for Pruet Oil

1 Company for the last three years and have been a landman.

2 Q. And are you familiar with and have you been involved  
3 in attempting to secure leases from the unleased parties that  
4 we are about to identify in this 160-acre unit?

5 A. Yes.

6 MR. WATSON: I tender Mr. Hare and Mr. James as  
7 expert petroleum landmen for giving testimony in this item,  
8 Mr. Rogers.

9 MR. ROGERS: They are recognized as petroleum  
10 landmen.

11 Q. (BY MR. WATSON:) Let's first state for the record  
12 that we have four identified owners who have not yet leased  
13 their tracts or interest; is that correct, Mr. Hare and Mr.  
14 James?

15 A. (BY MR. HARE:) Yes.

16 A. (BY MR. JAMES:) Yes.

17 Q. I would like to start with the first individual that  
18 you gentlemen have been trying to get a lease from, and that  
19 is Freddy M. Folks. And, Mr. James, I would like for you to  
20 tell Mr. Rogers and the members of the staff what efforts you  
21 have made to get a lease from Mr. Freddy M. Folks of Mexica,  
22 Alabama.

23 A. On July 29th of 2010, after a couple of months of  
24 trying to locate his residence, we located where he did live.  
25 And we went to his house, knocked on his door, told him who

1           we were, what we were doing, and he said he was aware that we  
2           were leasing in the area, he was aware of his mineral  
3           interests, but he had no interest in leasing. We then  
4           offered him a hundred dollar lease bonus with a 3/16th  
5           royalty with a three-year lease. He let us know that we were  
6           wasting our time. He said he didn't have enough land that it  
7           would make any difference to him, that it wouldn't be  
8           beneficial and he had no interest in leasing. And he also  
9           let us know that he had another mineral interests in another  
10          county that he had leased and that he was drawing royalties  
11          from, but he was not interested in leasing this mineral  
12          interest.

13         Q.           And I'm showing his net mineral interest to be 0.16  
14          net mineral acres; is that what you understand?

15         A.           That is correct.

16         Q.           So is it your testimony to this Board that you made a  
17          good faith effort to lease Mr. Folks?

18         A.           Yes, sir.

19         Q.           And is it also your testimony that he is a  
20          knowledgeable landowner and knew what you were proposing and  
21          refused to lease?

22         A.           Yes, sir.

23         Q.           Next is Ginger Lumpkin from Panola, Texas.

24

25

1 DIRECT EXAMINATION BY MR. WATSON, CONTINUING:

2 Q. Mr. Hare, do you want to tell us about your efforts  
3 to get a lease from Ginger Lumpkin?

4 A. Yes, sir. Ms. Lumpkin is one of six heirs to Julia  
5 B. Flowers. There were four heirs local. We went and talked  
6 to one heir. She gave us a phone number and an address. The  
7 phone number was not any good, we could not contact her via  
8 the phone. So I mailed a lease to her to Panola, Texas.

9 After that, we did acquire a good phone number.  
10 I called her. She did obtain the lease. She looked through  
11 it. And I mailed the lease on February 22nd. I spoke to her  
12 a week later. She did receive it. She said that she just  
13 had been busy, had not had time to read the lease, talk about  
14 the lease. She was going to discuss it with her family. So  
15 I told her if she had any questions or any comments, she had  
16 my phone number, she had my e-mail address, she could contact  
17 me, it was no problem.

18 I made several phone calls later, I did not  
19 speak with her. On July 22nd, I did talk to her again. She  
20 stated she had been busy, had not had time to look at it. I  
21 told her that we had four family members signed up that if  
22 she needed any questions, they could answer them, I could  
23 answer them, it was no problem. She said she would try to  
24 get it back in the mail as soon as possible.

25 Again, I talked to her on August 16 after I did

1 not receive the lease. She again said she was busy, she  
2 would try to talk to her family about it. I did not receive  
3 the lease. And the last conversation on January 31st, I did  
4 talk to her. She said that she would try to get it back in  
5 the mail and try to talk to her family about it, and that was  
6 the last conversation.

7 Q. Have you received that lease from Ms. Lumpkin?

8 A. I have not.

9 Q. If you receive that lease from Ms. Lumpkin after this  
10 Board takes action, assuming it will take action on our  
11 application, and she signs a lease, will Pruet treat her as a  
12 leased party or a nonleased party?

13 A. A leased party.

14 Q. All right. So she has really plenty of time if she  
15 wants to return the lease and have her interest carried, but  
16 since she has been -- your first contact was February of  
17 2010, right?

18 A. Yes, sir, February 22nd.

19 Q. And nothing has come in the mail and she has been  
20 very busy, so we are asking the Board to force pool her  
21 interest.

22 The next lady who owns an interest -- and let me  
23 say this for the record. Ginger Lumpkin owns 0.06 net  
24 mineral acres; is that right, Mr. Hare?

25 A. That is correct.

1 Q. The next lady that we have identified and has not  
2 leased, Jeannie Mastres, also owns 0.06 net mineral acres; is  
3 that correct?

4 A. That is correct.

5 Q. Let's tell Mr. Rogers what you have done to try to  
6 get a lease from Ms. Jeannie Mastress and tell us where she  
7 lives?

8 A. Ms. Mastress is one of six heirs of Julia B. Flowers.  
9 We obtained an e-mail address and a mailing address from one  
10 of the local heirs. The e-mail address was invalid, could  
11 not get anything through e-mail, so I finally just mailed a  
12 contact letter to France. It was just an address I had that  
13 they had given me. I mailed it. It did get to her. She  
14 actually sent me an e-mail back that started the  
15 correspondence via the e-mail only. The first e-mail said  
16 she received my letter and would like to hear more about the  
17 lease. The second e-mail I sent her -- the first e-mail I  
18 sent her back was it was good to hear from her, I gave her  
19 her net acres, which was .06, I gave her a list of all the  
20 family members that owned under that tract, and I actually  
21 told her who we had received leases from in her family. And  
22 the terms were -- I told her I would send her a \$50 bonus  
23 payment for signing the lease, 3/16th royalty, and a hundred  
24 dollars per net acre on a two-year extension.

25 I also told her I would reimburse her for any

1 notary fees or any expenses she incurred in getting the lease  
2 signed. She e-mailed me back, said she would like to have a  
3 rough estimate of the royalties she could expect to receive.  
4 I told her that would depend on a number of factors. I told  
5 her \$5 a month possibly. She sent me an e-mail back, she  
6 said that considering the level of royalties and the risk of  
7 depreciation, she would ask for a bonus of \$1,500, the  
8 property had been appraised for 22,000 and the damage would  
9 take 50 years to pay for a loss.

10 So I talked to my broker and he said we could  
11 not pay that at this time, so I sent her an e-mail back  
12 relaying that information. And then I sent her another  
13 e-mail asking for a phone number where I could contact her  
14 and explain further of what we was trying to accomplish, and  
15 I've never heard from her, never received a correspondence.

16 Q. And her address is 9 Rue Renè Cassin 11400  
17 Castelnau-dary, France; is that correct?

18 A. That is correct.

19 Q. I butchered that, but that is somewhere in the range  
20 of reasonableness.

21 So you feel like that you had a full disclosure  
22 with her, she had ample opportunity to ask you any questions;  
23 is it fair to say that her demands for a lease were --  
24 exceeded Pruet's ability to pay based on what she wanted?

25 A. Yes, sir.

1 Q. The last person on the list of unleased owners is  
2 Ronald Earl Rigsby, he lives down at Excel, Alabama. And am  
3 I correct in stating that he owns 1.04 net mineral acres?

4 A. Yes, sir.

5 Q. All right. Let's talk about Mr. Rigsby. And I think  
6 both you and Mr. James have had contact with Mr. Rigsby, and  
7 I would like to start with the history of contacts by a prior  
8 broker with Mr. Rigsby and the fact that he did lease at one  
9 point in time, Mr. Hare.

10 A. During a period at work, I came across a lease that  
11 Mr. Jeff Miller had signed with Mr. Rigsby.

12 Q. Who is Jeff Miller?

13 A. He is the one who signed the lease on August 21,  
14 2000 -- or he had approached Mr. Rigsby or signed the lease  
15 on August 21st, 2008.

16 Q. So a landman approached Rigsby in 2008 for a lease.  
17 Mr. Rigsby signed that lease in 2008?

18 A. That is correct.

19 Q. And now you are looking at curative matters and now  
20 go on and tell Mr. Rogers what you found when that lease was  
21 examined.

22 A. It was a homestead and his wife did not sign the  
23 lease. So I approached him with the -- and being unaware of  
24 the prior -- I was aware of the prior lease, but I did not  
25 know the terms except for the lease I had. So I approached



1 him with a new lease with 3/16th royalty, \$100 bonus money  
2 and two-year extension for \$100.

3 And when I arrived at the house, talked to him,  
4 I showed him the lease, showed him where the royalty was at.  
5 He said that they had received 5/16th royalty and a \$300  
6 bonus payment and no extension of two years.

7 Q. And that was the 2008 lease he was talking about?

8 A. Yes, sir.

9 Q. Okay. Was that, in fact, a true statement by  
10 Mr. Rigsby?

11 A. No, sir. Well, at that time I did not know.

12 Q. All right, sir. But you have later found out that  
13 Mr. Rigsby was not truthful about what he had done, at least  
14 for the royalty?

15 A. Yes, sir.

16 Q. All right. Go ahead.

17 A. I told him I could not offer any more at that time  
18 and so I left. I talked to my broker, made a follow-up  
19 appointment with Mr. and Mrs. Rigsby. At that time I offered  
20 them \$300 bonus for a three-year lease with a 1/5th royalty.  
21 They kept referring to 5/16ths that they were given earlier.  
22 So I then went up to 1/4th royalty, \$300 signing bonus with  
23 no extension. And, again, they turned that down.

24 Q. Were you still hearing about the 5/16ths royalty that  
25 they had been given in that first lease that was no good

1           because the wife didn't sign?

2           A.           Yes, sir.

3           Q.           Did you talk to that broker and ask him whether or  
4           not he offered them a 5/16ths royalty?

5           A.           Yes, sir.

6           Q.           Do you have a copy of that lease that he signed?

7           A.           I do.

8           Q.           Does it say 5/16ths?

9           A.           It says 3/16ths.

10          Q.           But Mr. Rigsby insisted that he wanted a higher bonus  
11          than you were offering?

12          A.           Yes, sir.

13

14          DIRECT EXAMINATION BY MR. WATSON, CONTINUING:

15          Q.           Mr. James, did you have any contact with the  
16          Rigsby's?

17          A.           Yes. On July the 21st, 2010, I called Mr. Rigsby to  
18          try to set up a meeting. He told me I could come by that  
19          evening at 8:00, but that he was going to tell me that he  
20          needed 5/16ths royalty as well.

21                       I went and met with he and his wife and offered  
22          them \$300 an acre with a quarter royalty for a one-year  
23          lease, which he declined. I then upped the offer to \$500 an  
24          acre for a quarter royalty for a one-year lease. He declined  
25          that. He said he would do \$500 an acre with a quarter

1 royalty for a six-month lease.

2 I didn't have the authority to do that, so I  
3 stepped out and called Billy White with Pruet and spoke with  
4 him. He let me know that six months might be too short, so  
5 to try to get nine months. I came back in and offered  
6 Mr. Rigsby \$500 an acre per quarter royalty for a nine-month  
7 lease, which he declined, and I did lower it and offer him  
8 the six months that he requested.

9 At that point, he said he would put the decision  
10 in his wife's hands. And she said that the 5/16ths was  
11 important to them and they would need that. So at that  
12 point, I left their house.

13 Q. So both you gentlemen feel like that you had ample  
14 opportunity to discuss on terms that, at least Pruet  
15 considered reasonable, opportunities for these folks to  
16 lease, they understood what you were asking them to do, you  
17 understood their counter and you could not reach an  
18 agreement; is that right?

19 A. Yes, sir.

20 Q. Is that right, Mr. Hare?

21 A. (BY MR. HARE:) Correct.

22 Q. So with these parties that we are asking the Board to  
23 force pool without the imposition of risk compensation  
24 penalty, Freddy Folks, Ginger Lumpkin, Jeannie Mastress, and  
25 Ronald Earl Rigsby and his wife, was it your testimony to

1 Mr. Rogers and this staff that you have made a diligent  
2 effort to consummate a lease agreement with those parties  
3 that I have just named and you have been unsuccessful in  
4 doing so? Mr. James?

5 A. (BY MR. JAMES:) Yes.

6 Q. Mr. Hare?

7 A. (BY MR. HARE:) Yes.

8 Q. I will ask all of my witnesses if the granting of  
9 these consolidated petitions establishing this new Excel  
10 field, reforming the 40-acre unit to 160-acre production  
11 unit, naming a production unit for the second well and force  
12 pooling these outstanding tracts and interests, will, in your  
13 opinion, promote orderly development, prevent waste and  
14 protect correlative rights, Mr. Cate?

15 A. (BY MR. CATE:) In my opinion, it would.

16 Q. Mr. Hilton?

17 A. (BY MR. HILTON:) Yes, in my opinion, it would.

18 Q. Mr. James?

19 A. (BY MR. JAMES:) In my opinion, it would.

20 Q. And Mr. Hare?

21 A. (BY MR. HARE:) In my opinion, it would.

22 MR. WATSON: If I didn't introduce these  
23 exhibits into the record, I do so now, Mr. Rogers.

24 MR. ROGERS: The exhibits are admitted.

25 MR. WATSON: And I tender these witnesses for

1           any questions you have of any of them.

2                   MR. ROGERS:  Any questions?

3                   DR. BOLIN:  The staff has no questions.

4                   MR. ROGERS:  I'll add one comment, and that is  
5           that we appreciate -- the Board and staff appreciate the  
6           work that the landmen like you, Mr. James and Mr. Hare, do  
7           because sometimes we have to deal with issues, Mr. Watson  
8           knows this well, where parties claim that they didn't find  
9           people or didn't make a diligent effort to find people, and  
10          then that puts the Board in a position of having to  
11          determine whether a diligent effort was made.  And that is  
12          important because if you don't find these people, then they  
13          may not ever receive any revenue from the well and then  
14          basically the due process is potentially violated and so we  
15          deal with those issues a lot.

16                   It is obvious that Pruet has hired landmen,  
17          they take that seriously and made this extra effort to find  
18          these people, and we were commenting on here that we  
19          appreciate that work and we know it took a lot of work to  
20          find and to locate all these people.  Thank you.

21                   MR. WATSON:  Thank you, Mr. Rogers.

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

23                   MR. WATSON:  That is all on these items.

24                   MR. ROGERS:  The hearing officer and staff will  
25          review the evidence and make a recommendation to the Board.

1                   The next item in is Item 16, Docket No.  
2           02-08-11-09B, a petition by Midroc Operating Company.

3 MR. WATSON: I am Tom Watson for Midroc  
4 Operating Company and I have one witness. I would like to  
5 have him sworn in, please.

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

8 THE WITNESS: Jerry Elgin, Shreveport,  
9 Louisiana.

11 JERRY ELGIN,  
12 having been first duly sworn, was examined and testified  
13 as follows:

14 MR. ROGERS: Thank you.

15 MR. WATSON: Mr. Rogers, this is a petition by  
16 Midroc Operating Company, an amended petition asking the  
17 Board to approve exceptional bottom hole location for the  
18 Cedar Creek Land & Timber 13-12 sidetrack on a 160-acre  
19 production unit, Smackover oil pool in the Little Cedar  
20 Creek Field, Conecuh County, Alabama. This item comes to  
21 you on publication on -- just a minute. I have an Affidavit  
22 of Notice on this item, I would like to have it admitted  
23 into the record.

24 MR. ROGERS: The affidavit is admitted.

25 (Whereupon, the Affidavit of Notice was

1 admitted into evidence.)

2 MR. WATSON: I have my witness Jerry Elgin who  
3 has appeared before you on numerous occasions as a petroleum  
4 engineer.

5

6 DIRECT EXAMINATION BY MR. WATSON:

7 Q. Mr. Elgin, are you familiar with the petition I have  
8 just called here relating to exceptional location on Cedar  
9 Creek Land & Timber 13-12 sidetrack?

10 A. Yes, I am.

11 Q. And have you prepared exhibits in support of asking  
12 the Board to grant an exception for that well?

13 A. Yes, sir, I have.

14 MR. WATSON: I tender Mr. Elgin as an expert  
15 witness, Mr. Rogers.

16 MR. ROGERS: He is recognized as an expert.

17 Q. (BY MR. WATSON:) I have handed up your exhibits to  
18 Mr. Rogers and staff. If you would, Mr. Elgin, let's look at  
19 your first exhibit and tell Mr. Rogers and staff what is  
20 shown there, please.

21 A. Exhibit 1 is a surveyor's plat of the Cedar Creek  
22 Land & Timber 13-12 sidetrack. It's Permit No. 16175-B-1.  
23 This well was originally drilled as the Cedar Creek Land &  
24 Timber 13-13 well, which was Permit No. 16175-B. The Cedar  
25 Creek Land & Timber 13-13 encountered the Smackover

1 formation; however, upon completion, it produced water. We  
2 put it on a pump and tested it for a period of approximately  
3 two months, and it continued to produce around 4 or  
4 500 barrels of water per day on a pump.

5 The decision was made to sidetrack the 13-13 to  
6 the 13-12, hence the ST designation, and to -- with a target  
7 at the base of the Smackover formation of 660 feet from the  
8 North and 660 feet from the West line of the Southwest  
9 quarter of Section 13.

10 During drilling operations, the well  
11 inadvertently deviated and it wound up at a point 628 feet  
12 from the North line; however, it was 664 feet from the West  
13 line of that Southwest quarter Section 13.

14 Q. And that is a true bottom hole well. Look on that  
15 exhibit and tell us in the little insert there the distances  
16 to the nearest unit boundary for the Smackover oil pool as  
17 defined in Little Cedar Creek?

18 A. The inset is -- shows where the well encountered the  
19 top of the Smackover formation, which was 661 feet from the  
20 North line and 665 feet from the West line of the 160-acre  
21 unit.

22 Q. And that is a productive interval that we will be  
23 producing, but we are required by this Board to ask for an  
24 exception for the closest point to all the exterior  
25 boundaries, and that is what you have just described, 628



1 from the North boundary of that unit, correct?

2 A. That is correct.

3 Q. All right. Your Exhibit Number 2, Mr. Elgin?

4 A. Exhibit Number 2 is a section of the open hole log  
5 that was run on the well on November 25th of 2010. The  
6 second page of Exhibit 2 shows the section of the log showing  
7 the top of the Smackover formation at 10,167 feet, and the  
8 base of the Smackover formation at 10,262 feet, and the  
9 perforated interval at 10,216 to 10,234 feet.

10 Q. And your Exhibit Number 3?

11 A. Exhibit Number 3 is the OGB-9, which was filed on  
12 this well reflecting a test that was conducted on  
13 December 20th of 2010 in which the well produced 349 barrels  
14 of oil, 315 Mcf of gas, with 240 pounds of flowing tubing  
15 pressure on a 30/64ths-inch choke.

16 Subsequent to filing this form, we discovered  
17 that the final flowing tubing pressure had not been included  
18 on the original form, and so I have with me a revised form to  
19 file with the Board.

20 Q. All right, sir. And your Exhibit Number 4?

21 A. Exhibit Number 4 is the directional survey, which was  
22 done by Multi-Shot Directional Services. It reflects the  
23 true bottom hole location at the various depths. This survey  
24 was conducted all the way to the top of the Smackover  
25 formation, at which point we pulled out of the hole and ran

1 conventional coring tools in the hole.

2 Q. And Exhibit Number 5?

3 A. Exhibit Number 5 is the interpolation based upon the  
4 Multi-Shot survey showing the true bottom hole location at  
5 various points, including the top of the Smackover, the  
6 perforated interval, and the base of the Smackover formation.  
7 I might point out that the theoretical distance from unit  
8 lines assumes that it is a regular section due North-South  
9 East-West lines, 5,280 foot section; however, Section 13 is  
10 an irregular section which causes a difference between what  
11 is reflected on the surveyor's plat and what is reflected on  
12 Exhibit 5.

13 Q. All right, sir.

14 MR. WATSON: Mr. Rogers, I would ask that you  
15 would admit into the record Exhibits 1 through 5 to the  
16 testimony of Mr. Elgin.

17 (Whereupon, Exhibits 1-5 were offered into  
18 evidence.)

19 MR. ROGERS: The exhibits are admitted.

20 (Whereupon, Exhibits 1-5 were admitted into  
21 evidence.)

22 Q. (BY MR. WATSON:) And the OGB-9 with the flowing  
23 tubing pressure, with your permission, have you sent that on  
24 in to the Board?

25 A. I have it with me.

1 Q. Okay. We will file that for your records to show  
2 that tubing pressure.

3 Mr. Elgin, if the Board sees fit to grant this  
4 petition for this exceptional location for the Cedar Creek  
5 Land & Timber 13-12 sidetrack, will correlative rights be  
6 protected, waste prevented and orderly development promoted?

7 A. Yes, it will.

8 MR. WATSON: I tender Mr. Elgin to the members  
9 of the staff and you, Mr. Rogers, for any questions on this  
10 item.

11 MR. ROGERS: Any questions from the staff?

12 DR. BOLIN: No questions from the staff.

13 MR. ROGERS: The staff will review the evidence  
14 and make a recommendation to the Board.

15 The next item in is Item 17, Docket No.  
16 02-08-11-10A, petition by Midroc.

17 MR. WATSON: This item comes to you on  
18 publication notice, Mr. Rogers, and is a petition by Midroc  
19 Operating Company asking for an exceptional bottom hole of  
20 the Cedar Creek Land & Timber 14-15 well in the Little Cedar  
21 Creek Field in Conecuh County, Alabama.

22

23 DIRECT EXAMINATION BY MR. WATSON:

24 Q. I will remind my witness that he remains under oath  
25 with your permission. And would ask you, Mr. Elgin, are you

1 familiar with this well and its location and the fact that we  
2 have an exceptional location, and have you prepared exhibits  
3 in support of asking this Board to approve this exceptional  
4 location for the Cedar Creek Land & Timber 14-15 well?

5 A. Yes, I am, and yes, I have.

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

8 MR. ROGERS: He is so recognized.

9 Q. (BY MR. WATSON:) All right. Let's look at your  
10 first exhibit, Mr. Elgin, please, sir, your plat. Describe  
11 what is shown on there relating to this 14-15 well.

12 A. Exhibit 1 is a surveyor's plat which shows the  
13 surface location and the true bottom hole location for the  
14 Cedar Creek Land & Timber 14-15, Permit No. 16237. This well  
15 was originally drilled as a vertical well; however, it did  
16 inadvertently drift to the Southeast, placing the bottom hole  
17 location 417 feet from the South line and 1,241 feet from the  
18 East line of the Southeast quarter of that section.

19 Q. I want you to tell Mr. Rogers and members of the  
20 staff, Mr. Elgin, if you would, about what you expected this  
21 well to do based on the prior experience in the field, and at  
22 what point in the process did you discover that this well is  
23 drifting to an exceptional location?

24 A. Generally speaking, the wells will tend to drift  
25 updip in the formation. So we have really anticipated the

1 well drifting to the North, Northeast, which is the general  
2 direction of dip.

3 We also -- we ran the survey, the drop  
4 gyroscopic survey, which is in a later exhibit, at the top of  
5 the Smackover formation, and this was the first point at  
6 which we realized that it had drifted the opposite direction  
7 of what we anticipated.

8 Q. All right, sir. Your Exhibit Number 2?

9 A. Exhibit Number 2 is a section of the open hole log on  
10 the Cedar Creek Land & Timber 14-15 well which was run on  
11 May 14th of 2010. It shows the top of the Smackover  
12 formation at 10,186 feet, the base of the Smackover formation  
13 at 10,282 feet, and the perforations in the interval 10,222  
14 to 10,266 feet.

15 Q. All right, sir. And Exhibit 3?

16 A. Exhibit 3 is the OGB-9 which was filed on this well.  
17 It was -- reflects the test date of July 10th of 2010, at  
18 which time the well was flowing at a rate of 431 barrels of  
19 oil a day, 382 Mcf gas per day, with 450 pounds of flowing  
20 tubing pressure on a 25/64ths choke.

21 Q. Exhibit 4 is a graph of your production?

22 A. Exhibit 4 is indeed a production profile on the well  
23 reflecting production from the test which was conducted in  
24 early July of 2010 through the date of which this exhibit was  
25 prepared, which was on -- actually, the latest production we

1        had when it was prepared, which was in early December of  
2        2010. You can see that the well at that point was flowing  
3        around 300 barrels of oil per day and around 260 Mcf of gas  
4        per day.

5        Q.        All right, sir. Exhibit 5?

6        A.        Exhibit 5 is a drop gyroscopic survey that was run by  
7        Scientific Drilling showing the true bottom hole location at  
8        various points down to the top of the Smackover at which  
9        point we picked up conventional coring tools.

10       Q.       And your final Exhibit Number 6?

11       A.       Final Exhibit Number 6 is the interpolated bottom  
12       hole location at various points, the top of the Smackover,  
13       the perforated interval, and also the base of the Smackover  
14       formation. Again, the theoretical distance from the unit  
15       lines assumes a regular section, and Section 14 is close, but  
16       not an exact regular location.

17       Q.       This well, looking back at your first exhibit,  
18       drifted to the South, Southeast and you anticipate this well  
19       would also drift normally to the North?

20       A.       This well should have drifted to the North,  
21       Northwest, which would be updip. That is what we  
22       anticipated. We did run a pack bottom hole assembly in it  
23       with stabilizers near the bit at 30, 60, and 90 intervals,  
24       trying to keep it as straight as possible, but it did  
25       inadvertently drift.

1 Q. I notice on your first exhibit, though, it is covered  
2 up by our Docket No. indicator there, that the offset well or  
3 the nearest well with this exceptional location appears to be  
4 a Cedar Creek Land & Timber 23-2 well; is that correct?

5 A. That is correct.

6 Q. So it's common ownership across that boundary to the  
7 best of your knowledge, or at least it appears to be based on  
8 the name of the well?

9 A. To the best of my knowledge, yes.

10 Q. All right, sir.

11 MR. WATSON: Mr. Rogers, I would ask that you  
12 receive into the record of this hearing Exhibits 1 through 6  
13 for the testimony of Mr. Elgin.

14 (Whereupon, Exhibits 1-6 were offered into  
15 evidence.)

16 MR. ROGERS: The exhibits are admitted.

17 (Whereupon, Exhibits 1-6 were admitted into  
18 evidence.)

19 Q. (BY MR. WATSON:) Mr. Elgin, would the granting of  
20 this petition approving this exceptional bottom hole location  
21 for the Cedar Creek Land & Timber 14-15 well prevent waste,  
22 protect correlative rights and promote orderly development?

23 A. Yes, it will.

24 MR. WATSON: I tender him to you, Mr. Rogers,  
25 and members of the staff for any questions you have.

1 DR. BOLIN: We have no questions.

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

5 Then the next item is Item 18, Docket No.  
6 02-08-11-11A, petition by Midroc.

7  
8 MR. WATSON: Again, Tom Watson for Midroc  
9 Operating Company. And, Mr. Rogers, this item comes to you  
10 on publication notice where we are asking the Board to  
11 approve an exceptional bottom hole location for the Mary  
12 Mack 30-14 well on a 160-acre wildcat drilling unit in the  
13 Norphlet formation in Conecuh County, Alabama.

14 My witness Jerry Elgin is under oath.

15

16 DIRECT EXAMINATION BY MR. WATSON:

17 Q. I remind you, Mr. Elgin, you are under oath for  
18 giving testimony in this item. Have you prepared exhibits in  
19 support of the exceptional location request for Mary Mack  
20 30-14 well?

21 A. Yes, I have.

22 MR. WATSON: I tender him as an expert for  
23 giving testimony on this item, Mr. Rogers.

24 MR. ROGERS: He is so recognized.

25 Q. (BY MR. WATSON:) Let's look at your first exhibit.



1 Describe what is shown on that exhibit, Mr. Elgin.

2 A. Exhibit 1 is a copy of the surveyor's plat that shows  
3 the surface location of the Mary Mack 30-14, which is Permit  
4 No. 16398 and shows the true bottom hole location of the  
5 well. This well was drilled as a vertical well. Again, we  
6 would expect the well to walk -- to deviate to the Northwest  
7 at this location or Northeast, excuse me, at this location.  
8 However, it went the total opposite direction and deviated  
9 Southwest. This was, again, an unintentional deviation.

10 Q. And what is the distances of that bottom hole  
11 location?

12 A. At the true bottom hole location we are 522 feet from  
13 the South line and 1,399 feet from the West line of the  
14 section.

15 Q. Now, this being a wildcat -- still 160-acre wildcat  
16 drilling units require 660 feet from every exterior boundary;  
17 is that correct?

18 A. That is correct.

19 Q. Rule 400-1-2-.02(2)(b) of the Oil and Gas Board  
20 Administrative Code, and that is the -- we are asking for an  
21 exception of that statewide spacing rule, correct?

22 A. That is correct.

23 Q. All right. Let's look at your next exhibit, Exhibit  
24 Number 2.

25 A. Exhibit Number 2 is a section of the open hole log on

1 the Mary Mack 30-14 which was run on December 19th of 2010.  
2 It shows the top of the Smackover formation at 11,573 feet,  
3 the base of the Smackover formation, which is also the top of  
4 the Norphlet formation at 11,769 feet. And this well is  
5 perforated currently in a Norphlet formation at 11,770 to  
6 11,790 feet.

7 Q. Tell Mr. Rogers and members of the staff what  
8 Midroc's plans are for this well, Mr. Elgin.

9 A. Upon approval of the Board, we would like to continue  
10 testing the Norphlet for a brief period of time in order to  
11 run another bottom hole pressure survey and determine the  
12 volumetrics that are involved. And then at that point, we  
13 intend to set a temporary plug and complete the well in the  
14 top of the Smackover formation.

15 Q. And as completed in the top of the Smackover  
16 formation, would it then be a Little Cedar Creek well?

17 A. It would be an extension of Little Cedar Creek field.

18 Q. So if that Smackover is completed, then we would have  
19 to come back to the Board and put this unit in the field  
20 limits of Little Cedar Creek; is that right?

21 A. That is correct.

22 Q. All right. And you stopped testing this Norphlet  
23 pending this hearing because of the wildcat nature and the  
24 Staff's direction that it not be tested until this  
25 exceptional bottom hole location is approved; is that right?

1 A. That is correct.

2 Q. Let's look at your Exhibit Number 3, Mr. Elgin.

3 A. Exhibit Number 3 is OGB-9, which was filed on the  
4 Norphlet test. The test was conducted on January 10th of  
5 2011 at which time the well was flowing at a rate of  
6 159 barrels of oil per bay and 620 Mcf gas per day, with  
7 1,700 psi flowing tubing pressure on a 10/64ths choke.

8 Q. All right, sir. And your next exhibit, Number 4?

9 A. Exhibit 4 is the drop gyroscopic survey which was run  
10 by Scientific Drilling on December 16th of 2010 showing the  
11 true bottom hole location at various points along the  
12 wellpath.

13 Q. All right, sir. And finally your Exhibit Number 5?

14 A. Exhibit 5 is the interpolated bottom hole location  
15 based upon that gyroscopic survey. I might point out that we  
16 ran the gyroscopic survey just prior to picking up  
17 conventional coring tools at the top of the Smackover  
18 formation. And this Exhibit 5 gives the true bottom hole  
19 location at various points, including the top of the  
20 Smackover, the base of the Smackover, the top of the  
21 Norphlet, and the bottom hole location. Section 30 is  
22 relatively regular and so the theoretical corresponds closely  
23 with what is reflected on the surveyor's plat.

24 Q. All right. Mr. Elgin, when you drill these wells in  
25 the area of Little Cedar Creek, you always drill them to the

1 Norphlet or the basement, do you not?

2 A. That is correct.

3 Q. And when you drilled this well to the Norphlet and  
4 encountered production, and that is the information you have  
5 presented here today, do you have a wildcat producer in the  
6 Norphlet formation?

7 A. That is correct.

8 Q. All right. All right, sir. And we will have to  
9 address the status of that well, but you have just testified  
10 that you are going to set a plug and go up and complete the  
11 Smackover. So at some point in time before this well is  
12 produced without interruption, we will have to address its  
13 productive status with this Board; you understand that?

14 A. Yes, I do.

15 Q. All right.

16 MR. WATSON: Mr. Rogers, I would ask that you  
17 receive into the record the hearing Exhibits 1 through 5 and  
18 the testimony of Mr. Elgin.

19 (Whereupon, Exhibits 1-5 were offered into  
20 evidence.)

21 MR. ROGERS: The exhibits are admitted.

22 (Whereupon, Exhibits 1-5 were admitted into  
23 evidence.)

24 Q. (BY MR. WATSON:) Would the granting of this petition  
25 approving this exceptional bottom hole location, Mr. Elgin,

1           prevent waste, protect correlative rights and avoid  
2           unnecessary drilling?

3           A.           Yes, it will.

4                       MR. WATSON: I tender Mr. Elgin to you,  
5           Mr. Rogers, and members of the staff for any questions you  
6           have.

7                       MR. ROGERS: Questions from the staff?

8                       DR. BOLIN: Mr. Rogers, I have a question.

9

10          EXAMINATION BY DR. BOLIN:

11           Q.           Mr. Elgin, looking at your Exhibit 5 and  
12           understanding your testimony that you do plan to at some  
13           future date test the Smackover, from your Exhibit 5, I gather  
14           that that re-completion, if it occurs, would be at a lesser  
15           of an exception than it is in the Norphlet; is that correct?

16           A.           That is correct.

17           Q.           So the approval today of that exception would cover  
18           any test in the Smackover?

19           A.           That would be our hope, yes.

20                       DR. BOLIN: Okay.

21                       MR. WATSON: Thank you.

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

23                       MR. WATSON: That is all we have, Mr. Rogers.

24                       MR. ROGERS: The staff will review the evidence  
25           and make a recommendation to the Board.

1 MR. WATSON: Thank you.

2 MR. ROGERS: The next petition in is Item 20,  
3 Docket No. 02-08-11-13, petition by Hillwood Energy Alabama.

4 MR. DONALD: Mr. Rogers, I'm John Donald and I'm  
5 here on behalf of Hillwood Energy Alabama, L.P.

6 MR. ROGERS: All right.

7 MR. DONALD: I have prefiled an Affidavit of  
8 Notice in this matter and would like to have it admitted  
9 into the record.

10 MR. ROGERS: The Affidavit of Notice is  
11 admitted.

12 (Whereupon, the Affidavit of Notice was  
13 admitted into the record.)

14 MR. DONALD: Mr. Rogers, I have two witnesses  
15 and I would ask that they be sworn in, please.

16 MR. ROGERS: You gentlemen state your names and  
17 addresses, please, sir.

18 THE WITNESS: Byron Keith Shirley, Hazel, Texas.

19 MR. ROGERS: All right. You, sir?

20 THE WITNESS: James Kramer, Frisco, Texas.

21

22 B. KEITH SHIRLEY AND JAMES KRAMER,  
23 having been first duly sworn, were examined and testified  
24 as follows:

25 MR. DONALD: Mr. Rogers, this is a request by

1 Hillwood Energy to enter an order approving a 289-acre  
2 wildcat drilling unit for the proposed Caldwell 19-15 No. 1  
3 sidetrack well.

4 The Board in a previous order 2010-41 approved  
5 a 572.7-acre exceptional unit for the proposed vertical  
6 Caldwell 19-16, later amended to the Caldwell 15 No. 1, and  
7 proposed lateral Caldwell 19-15, No. 1A.

8 In the course of our testimony today, we will  
9 tell you why we are asking you to allow Hillwood to proceed  
10 under a new order. Our testimony will show today that upon  
11 drilling and evaluation of the Caldwell 19-15 No. 1 vertical  
12 well and additional seismic acquiring in this area, that to  
13 drill the proposed lateral in the Northwest direction would  
14 not be at the optimum geological position.

15 We are now proposing to drill the lateral well  
16 in a Northeast direction as well as proposing an exceptional  
17 289-acre wildcat drilling unit.

18 With that introduction, my first witness, Keith  
19 Shirley, is appearing for the first time before you.  
20 Mr. Shirley, who is a petroleum geologist, has on file an  
21 affidavit of his qualifications, but I would ask him to give  
22 you his educational background, work experience and his  
23 position with Hillwood Energy.

24 MR. SHIRLEY: I graduated from Sul Ross State  
25 University in 1981, joined a couple of small companies

1 drilling wells in the Fort Worth Basin. Seven years or so  
2 afterwards, I became a consulting geologist and consulted  
3 for roughly a decade before I joined Winchester Production.  
4 As a consultant, I had been involved in the early shale  
5 plays: the New Albany, Barnett, and a little bit of Antrim,  
6 and so I had quite a bit of shale experience.

7 When I joined Winchester, the horizontal play  
8 and Barnett had just begun. So I joined Winchester as their  
9 geologic manager. Winchester, which was a subsidiary of  
10 Progress Energy, then sold. Progress sold Winchester to  
11 Encana USA. And Encana USA took over the Barnett shale play  
12 with their position they acquired from Winchester. I stayed  
13 with Encana.

14 I worked for Encana for roughly three years,  
15 left Encana to work for Encore Production out of Ft. Worth.  
16 Encore was developing projects in West Texas, so I went with  
17 those folks. And Encore has subsequently sold to Denbury.  
18 I did not wish to make the transition to Denbury, and at  
19 that time I joined Hillwood, where I am now.

20

21 DIRECT EXAMINATION BY MR. DONALD:

22 Q. Mr. Shirley, are you familiar with the request that  
23 has been made today in this petition seeking approval of the  
24 289-acre wildcat drilling unit, as I have described?

25 A. Yes, I am.



1           Q.           And, Mr. Shirley, did you prepare or have prepared  
2           under your supervision and control the geological exhibits in  
3           support of the request which I have described today for the  
4           approval of the 289-acre wildcat drilling unit as an  
5           exception to the Board's statewide rules?

6           A.           Yes.

7                       MR. DONALD:   Mr. Rogers, I tender him as an  
8           expert for giving testimony in this matter.

9                       MR. ROGERS:   He is so recognized.

10          Q.           (BY MR. DONALD:)   Mr. Shirley, before we discuss  
11          these exhibits which I have handed up to the staff today,  
12          would you please give Mr. Rogers and the staff an update on  
13          the vertical well, the Caldwell 19-15 No. 1 which has been  
14          drilled and its status?

15          A.           That well was spudded on August 16th of 2010 and  
16          drilled to a TD of 9,530 feet measured depth.   Ran open hole  
17          logs, an extensive set of open hole logs; set, 7-inch, 26  
18          pound P-110-casing.   The well was cemented to TD and the rig  
19          was released October 4th, 2010.

20                       Since then, we have been analyzing the data we  
21          acquired.   We ran two cores on this well, two 120-foot cores.  
22          We have those cores being -- currently still being analyzed  
23          by the Gas Research Institute Consortium, and they are doing  
24          an exhaustive study on these cores, including XRD, TOC  
25          analysis, gas isotope analysis, everything you can imagine is

1           being done on these cores currently.

2                       Also, while we were drilling the wells, we took  
3           samples. Of the samples, we had XRD run, TOC, adsorbed gas,  
4           and free gas on our samples. From our sample analysis, we  
5           were able to determine the more organic portions in this  
6           wellbore.

7                       We have also had our seismic reprocessed and  
8           reanalyzed. And just recently, we have done a DFIT Test to  
9           try to determine frac gradient in this rock. So in  
10          anticipation of drilling it horizontally fracing the well.  
11          That is where we stand.

12          Q.           Now, Mr. Shirley, getting to the exhibits, I will ask  
13          you to turn to Exhibit Number 1 and point out what is  
14          important on this exhibit, please.

15          A.           Exhibit Number 1 shows where we are in the state of  
16          Alabama on the surface geologically where we reside -- we are  
17          sitting on top of recent and Mesozoic sediments which overlie  
18          the Paleozoic sediments, which we are targeting for this  
19          well.

20          Q.           This next exhibit, Exhibit Number 2 is OGB-1B, a  
21          permit application for the proposed sidetrack well. Please  
22          tell Mr. Rogers and the staff why you have included the  
23          OGB-1B in your exhibit booklet.

24          A.           This exhibit, especially in the remarks section,  
25          shows -- mentions exactly where we would like to put the

1 bottom hole location of this well. Currently, the surface  
2 hole location is in the Southeast quarter of the section and  
3 we would like to drill North, Northeastward as close as  
4 possible to the Northeast corner of the section.

5 Q. Now, Exhibit Number 3 is the location plat. Please  
6 tell Mr. Rogers and the staff what is shown on this exhibit.

7 A. Just as the previous exhibit shows, it has --  
8 doesn't -- it states this exhibit actually shows the surface  
9 hole location and the direction and bottom hole location we  
10 would like to have approval for.

11 Again, our previous bottom hole location was the  
12 Northwest portion of the section drilling in a Northwesterly  
13 direction. This bottom hole shows the Northeast section, the  
14 corner of the section, and this is the orientation we would  
15 like to obtain.

16 Q. Now, your next exhibit, Exhibit Number 4 depicts a  
17 proposed wellbore path with an inset structure map. I  
18 understand that you have provided the staff, at their  
19 request, an enlargement of this exhibit, which is included in  
20 the exhibit booklets which we have submitted today. Please  
21 describe to Mr. Rogers and the staff the importance of this  
22 exhibit.

23 A. This exhibit is quite important. It's a montage  
24 first showing our vertical wellbore that we have drilled, a  
25 portion of the vertical wellbore of the Caldwell 19-15 No. 1.

1       And in this portion of the wellbore, it shows the two cores  
2       where we obtained these cores, one around 7330, the other  
3       around 8200 and the plugs we were taking from that core. It  
4       also shows total gas we received during drilling. It shows  
5       TOC content by weight of the cuttings, that is cuttings TOC.  
6       Also, it shows Delta T from our sonic log and density  
7       porosity from our bulk density log, the target we would like  
8       to horizontally drill. And our proposed wellbore path is  
9       also shown, which is a reddish brown line and you can see the  
10      curve and how it lands between the two green lines. The two  
11      green lines mark the top and base of the Devonian organic  
12      section we would like to target. It's roughly 300-feet  
13      thick. We would like to stay within this target as much as  
14      possible. There are some waves in this proposed trajectory  
15      of this zone and that is basically to illustrate the amount  
16      of -- I guess variation we expect.

17               We expect 70, 80-foot variations from what we  
18      really drill. And as we encounter this zone, we are going to  
19      monitor this zone and try to stay within the center of the  
20      zone as much as possible without exceeding two and a half  
21      degrees upward.

22               The map inset you see is the structure map on  
23      top of the middle Devonian shale top, which is the top of our  
24      target. And as you will see from the map, the structure is  
25      to the East, Southeast and those are on 50-foot contours. So

1       with the original bottom hole location that we applied for,  
2       we would have been drilling updip 7, 800 feet, and that is at  
3       a 12 to 13-degree angle, which is not sustainable.

4               We did not expect our dips to be that high, but  
5       with our XRFI data we acquired from the vertical well, plus  
6       our processed and reprocessed seismic, these dips are real.

7               On this inset, I show the actual XRFI Azimuth  
8       with dip direction and the dip angle which is 20 degrees in  
9       the East or East Southeast direction. Also, at the top of  
10      that inset, it shows the XRFI measured induced fracture  
11      directions and their Azimuth, which is roughly 75 degrees.  
12      This is in contrast of what we expected.

13              We expected our induced and natural fractures  
14      would have been Northeast Southwest. What we will see in the  
15      next exhibit, XRFI, the actual natural fracture directions  
16      Northwest to Southeast, just opposite of what we expected.  
17      And then the induced fracture direction of what we expect to  
18      cause when we frac the well is the Azimuth of 90 to  
19      120 degrees.

20              So the new bottom hole location would allow us  
21      to maximize the fracs and maximize the wellbore production  
22      with -- by drilling perpendicular to induced fracture  
23      direction or as much as we possibly can while remaining as  
24      flat as possible.

25              As I said, 12, 13 degrees is not sustainable,

1 but zero to 2 and a half degrees is. And that also turns out  
2 to be the primary direction we would want to go.

3 Now, why were we wrong? Well, we were just  
4 wrong. We have actual data rather than projected data since  
5 we have drilled the vertical well, and that is what the XRMI  
6 has given us.

7 Q. And that leads you to your final exhibit, Exhibit  
8 Number 5, which is the XRMI?

9 A. That is correct.

10 Q. And please tell Mr. Rogers and the staff about this  
11 exhibit.

12 A. This is a piece of the portion of the XRMI. The XRMI  
13 was run from the bottom hole depth to the top of the surface  
14 casing -- through the base of the surface casing. And this  
15 interval that we are looking at is within our target. This  
16 is nearly the center of our target, what we would actually  
17 like to drill into. And what this shows is the tadpoles  
18 indicate an Easterly dip at roughly 20 degrees, somewhere  
19 between 15 and 30, somewhere in that area, for an average  
20 20 degrees to the East, shows conductive fractures oriented  
21 North/West, South/East; resistive fractures, again,  
22 North/West, South/East which would have been our original  
23 Azimuth of our wellbore path.

24 It shows a fault going roughly east and west.  
25 And finally, and most importantly, the induced fractures

1           which are near east and west -- actually, the induced  
2           fracture was like 75 degrees Azimuth just as I had shown on a  
3           previous exhibit. And, again, what we would like to do is  
4           drill as perpendicular as possible to the induced fracture  
5           direction while remaining as flat as possible.

6                       MR. DONALD: Mr. Rogers, I'm now going to call  
7           Jim Kramer as my witness.

8  
9       DIRECT EXAMINATION BY MR. DONALD:

10          Q.       Mr. Kramer, have you previously testified before the  
11       Board and do you have on file an affidavit of your  
12       qualifications as a petroleum engineer?

13          A.       Yes, I do.

14                   MR. DONALD: Mr. Kramer is going to be  
15       testifying as to the next three exhibits, which have to do  
16       with the drilling procedure for the lateral well and the  
17       wellbore diagram. I tender him as an expert for giving  
18       testimony, Mr. Rogers.

19                   MR. ROGERS: He is so recognized.

20                   MR. DONALD: Thank you.

21          Q.       (BY MR. DONALD:) Mr. Kramer, referring to Exhibits  
22       6, 7 and 8, were these exhibits prepared by you or under your  
23       supervision and control?

24          A.       Yes, they were.

25          Q.       Mr. Kramer, please tell Mr. Rogers and the staff

1       about Exhibit Number 6 which is the proposed drilling  
2       procedure summary for the lateral sidetrack well.

3       A.       Yes.   Exhibit 6 is an outline of the drilling  
4       procedure for the proposed sidetrack.  It consists of some  
5       pre-planning or pre-sidetrack work to determine final  
6       targeting depths within the Devonian target, as well as  
7       running the bond log to evaluate the top of cement in the  
8       vertical hole, as has been previously noted that the vertical  
9       wellbore was left in the condition of a 7-inch casing run and  
10      cemented and the well temporarily left in that position  
11      awaiting the sidetrack.

12               We have actually run the bond log and confirmed  
13      the top of cement at 5800 feet.

14               The next part of the procedure is the sidetrack  
15      itself.  The main parts of it are to execute a casing exit  
16      using a whipstock system.  Once we mill a window in the  
17      7-inch casing, we will drill a 6-1/8th-inch borehole curve  
18      and lateral to the Devonian target.

19               The proposed Azimuth direction is 16 degrees as  
20      shown on the plat to the Northeast corner.  This proposed  
21      direction allows us to drill a planned vertical section of  
22      3875 feet.  Once we drill the lateral, we will run a  
23      4-and-a-half-inch production liner and hang that off with a  
24      liner system in the vertical part of the 7-inch casing.  The  
25      top of the liner will be tied back within a few hundred feet



1 of the actual window. The top of that liner will actually be  
2 sealed. Not only will the 4-and-a-half-inch casing be  
3 cemented in place, but there will be a liner top packer so  
4 there will be a seal on top of the liner.

5 Basically, that leaves the wellbore in position  
6 for the completion of -- the subsequent completion operation.

7 Q. Your next exhibit, Exhibit Number 7 is the wellbore  
8 diagram. You finished that one, right?

9 Okay. Number 8 is the directional drilling plan  
10 for the proposed well. Please tell Mr. Rogers and the staff  
11 what is shown on this exhibit.

12 A. Exhibit 8 is the directional drilling plan for the  
13 proposed well. As we have noted, the curve on the right  
14 shows the aerial plan view, shows the relationship of the  
15 wellbore to the section corner to drill to the Northeast 660  
16 offset corner.

17 As I stated earlier, that allows us 3875-foot  
18 proposed vertical section with a net lateral length of around  
19 3250 feet.

20 The lateral inclination in the plan is in the  
21 92-degree range. A couple of things that are important, as  
22 we showed on the direction, we are going to be drilling along  
23 strike to minimize the impact of formation dip. 92-degree  
24 range is feasible for not only the drilling, but also getting  
25 a liner on bottom with a well of this length. Drilling in

1 the proposed direction also allows -- there is going to be  
2 some variance to what we actually find. We start to see  
3 mechanical limits of getting liners on bottom and actually  
4 even in the drilling phase when you start to exceed in the 93  
5 to 94-degree range consistently.

6 So the proposed direction hopefully allows us an  
7 ability to drill the entire lateral and get the liner on  
8 bottom and still have some variance to what we actually find  
9 in dip.

10 That is it.

11 MR. DONALD: Mr. Rogers, I would ask that you  
12 receive into the record at this hearing Exhibits 1 through 8  
13 as to the testimony of Mr. Shirley and Mr. Kramer.

14 (Whereupon, Exhibits 1-8 were offered into  
15 evidence.)

16 MR. ROGERS: The exhibits are admitted.

17 (Whereupon, Exhibits 1-8 were admitted into  
18 evidence.)

19 Q. (BY MR. DONALD:) I'll ask both of my witnesses now:  
20 Would the granting of this petition for an exceptional 289  
21 wildcat drilling unit promote orderly development, prevent  
22 waste and protect correlative rights, Mr. Shirley?

23 A. (BY MR. SHIRLEY:) Yes.

24 Q. Mr. Kramer?

25 A. (BY MR. KRAMER:) Yes, sir.

1 Q. Will it maximize the opportunity to produce  
2 hydrocarbon resources from these Paleozoic shales,  
3 Mr. Shirley?

4 A. (BY MR. SHIRLEY:) Yes, it would.

5 Q. Mr. Kramer?

6 A. (BY MR. KRAMER:) Yes, it would.

7 Q. Would the granting of this petition prevent the  
8 drilling of unnecessary wells, Mr. Shirley?

9 A. (BY MR. SHIRLEY:) Yes.

10 Q. Mr. Kramer?

11 A. (BY MR. KRAMER:) Yes.

12 MR. DONALD: Mr. Rogers, I tender both of these  
13 witnesses to you and the staff for any questions you might  
14 have.

15 MR. ROGERS: Any questions from the staff?

16 DR. BOLIN: No questions.

17 MR. ROGERS: The staff will review the evidence  
18 and make a recommendation to the Board.

19 MR. DONALD: Thank you.

20 MR. ROGERS: Thank you, Mr. Donald.

21 All right. The next item then is Item 21,  
22 Docket No. 02-08-11-14, petition by Spooner Petroleum  
23 Company, Incorporated.

24 MR. TYRA: Mr. Rogers, I'm John Tyra, here on  
25 behalf of Spooner Petroleum Company, and I have two

1 witnesses to be sworn in, please.

2 MR. ROGERS: You gentlemen stand and state your  
3 names and addresses.

4 THE WITNESS: Les Aultman, Clinton, Mississippi.

5 THE WITNESS: Ken Magee, Ridgeland, Mississippi.

6

7 LES AULTMAN AND KEN MAGEE,  
8 having been first duly sworn, were examined and testified  
9 as follows:

10 MR. TYRA: Mr. Rogers, to start, I would like to  
11 consolidate Items 21 and 22.

12 MR. ROGERS: That request is granted.

13 MR. TYRA: Thank you. My two witnesses, the  
14 first one being Lester Aultman, has testified as a petroleum  
15 geologist before this Board on a number of occasions and has  
16 his resume on file with the Board.

17 MR. TYRA: I'll ask you, Les, if you will get  
18 that microphone, did you prepare exhibits in support of  
19 these petitions?

20 MR. AULTMAN: Yes, I did.

21 MR. TYRA: And I would ask that he be recognized  
22 at this time as an expert petroleum geologist.

23 MR. ROGERS: He is so recognized.

24 MR. TYRA: And Mr. Ken Magee has testified on  
25 many occasions before this board as an engineer. I will ask

1           you if you have prepared exhibits in support of this  
2           petition as well?

3                       MR. MAGEE:   I have.

4                       MR. TYRA:   I ask that he be admitted or  
5           recognized as an expert as well.

6                       MR. ROGERS:   He is so recognized.

7                       MR. TYRA:   What we are proposing to do here is  
8           requesting the Oil and Gas Board to enter an order amending  
9           Rules 2 and 3 of the Special Field Rules for the East  
10          Lambeth Church Field.   We would like to add and define the  
11          Washita-Fredericksburg 7300 Sand Oil Pool and provide for  
12          well spacing for that pool.

13                      In our companion petition, we have also asked  
14          that the 40-acre drilling unit for the Chavers 3-11 No. 1 be  
15          approved as a 40-acre production unit for that well.   The  
16          description of that well -- or the unit rather is the South  
17          half of the Northeast quarter of the Southwest quarter and  
18          the North half of the Southeast quarter of the Southwest  
19          quarter of Section 3, Township 2 North, Range 8 East,  
20          Escambia County, Alabama.

21                      This is the same unit that we have previously  
22          drilled and was the discovery well for the  
23          Washita-Fredericksburg 7500-foot Sand Oil Pool.

24

25

1 DIRECT EXAMINATION BY MR. TYRA:

2 Q. Mr. Aultman, I'll turn to you first and ask you if  
3 you would to turn to Exhibit 1, and ask you if you prepared  
4 that and if you have or caused it to be prepared, if you will  
5 explain what it shows, please?

6 A. Okay. This is a map on --

7 Q. I'm sorry?

8 A. I'm sorry. Yes. This is a proposed unit, Wash Fred  
9 unit. And then also you will see on here, the existing  
10 units.

11 Q. So the Wash Fred unit is the one that is in red.  
12 It's a little hard to tell because we have overlapping units,  
13 as you can see. But it's the Wash Fred unit, this 40-acre  
14 unit in red, which consists of the acreage that I have just  
15 described; is that correct?

16 A. That is correct.

17 Q. That would be the South half of the Northeast quarter  
18 of the Southwest quarter and the North half of the Southeast  
19 quarter of the Southwest quarter, Section 3, Township 1  
20 North, Range 8 East?

21 A. That is correct.

22 Q. All right. It also shows, does it not, the  
23 Powell-Rabon well, which would be the one in orange -- well,  
24 actually it's a yellowish color?

25 A. Yeah.

1 Q. And that is for the Cogle Sand Unit; is that correct?

2 A. That is correct.

3 Q. It also shows the Pilot Sand Unit, which was the  
4 Chavers 3-14 well; is that correct?

5 A. That is correct.

6 Q. And also the Blackstone 3-15 well, which is the  
7 purple 40-acre unit that you are currently drilling or I  
8 think you have actually just finished drilling?

9 A. Yes, sir.

10 Q. All right, sir. If you would, turn to your second  
11 exhibit. What does this show, please, sir?

12 A. Okay. This is structure map on top of the  
13 7300-foot -- yeah, 7300-foot sand showing the unit and the  
14 faulting in here.

15 Q. All right, sir. And the proposed unit is the  
16 orange --

17 A. Yes.

18 Q. -- dotted line?

19 A. That is correct.

20 Q. The well itself is the one circled in green; is that  
21 correct?

22 A. That is correct.

23 Q. All right, sir. And what does the -7024 right above  
24 the Spooner, what is that?

25 A. All right. That is the structure on the top of the

1 sand.

2 Q. All right, sir. So is that the subsea depth?

3 A. That is correct, sir.

4 Q. And right above that is the 40-foot/-6294. What does  
5 that refer to?

6 A. That is a 40-foot fault that you see in green across  
7 there and that is denoting that 40-foot fault.

8 Q. Okay, sir.

9 A. Cutting the well.

10 Q. And then if you would turn to your Type Log,  
11 Exhibit 3, and explain what that is.

12 A. Okay. Here we have a Type Log showing the various  
13 producing units in the well. And then you see up at -- right  
14 above 7300, the sand that we are talking about, this little  
15 thin sand.

16 Q. What is the productive interval that is reflected  
17 there?

18 A. Well, it's like 7280 to 85.

19 Q. So it would be 7280 feet to 7285 feet, about a 5-foot  
20 interval?

21 A. Yeah.

22 Q. Briefly, if you would, also explain, we have the  
23 Washita-Fredericksburg 7500 sand there?

24 A. Yeah.

25 Q. Is that sand still productive?



1 A. Yes.

2 Q. Is it productive in this well at this time?

3 A. No.

4 Q. So it has watered out; is that correct?

5 A. Yeah.

6 Q. All right, sir.

7

8 DIRECT EXAMINATION BY MR. TYRA:

9 Q. We will turn now to our Exhibit 4. And, Mr. Magee, I  
10 understand that you will be testifying as to this. What does  
11 this show, please?

12 A. Exhibit 4 is OGB Form 7. It shows the completion  
13 record for this well. And at the bottom of the page, it  
14 shows where we perforated the 7300-foot sand from 7280 to  
15 7285, six shots a foot. Immediately above that, it shows the  
16 initial completion from 7505 to 08 that watered out, and we  
17 set a cast iron bridge plug above that zone and completed it  
18 to the 7300-foot sand.

19 Q. Okay, sir. And this document has been filed with the  
20 Board previously, correct?

21 A. It has.

22 Q. What about your next Exhibit 5, your OGB-9?

23 A. It shows a test on the completion of the 7300-foot  
24 sand, shows an oil test rate of 137 barrels per day, 16 Mcf  
25 gas per day with no water on a 6/64th positive choke, with a

1       flowing tubing pressure of 730 psig. That calculates to a  
2       gas/oil ratio of 116 to 1.

3       Q.       Okay, sir. Your Exhibit 6 is your gradient summary;  
4       is that correct?

5       A.       It is the initial bottom hole pressure survey we did  
6       about a week after the initial completion. It shows a bottom  
7       hole pressure at 7282, which is mid perms of 3243 psi. That  
8       indicates a normal bottom hole pressure of -- in this sand.

9       Q.       All right, sir. And your Exhibit 7?

10      A.       Exhibit 7 is several pages. In fact, I just realized  
11      that the first page, first and second page are identical,  
12      they are both production from September of 2010.

13      Q.       Yes, sir.

14      A.       In the middle of the page is -- above September 1st  
15      through about the 13th is when we were producing the  
16      7500-foot sand, as it watered out. It was producing  
17      98-and-a-half percent water. And we re-completed and from  
18      September 16th and later is the production from the 7300-foot  
19      sand. And it started off flowing at about 137 to 40 barrels  
20      a day on a 6/64ths. And then the production actually  
21      increased and has held about a 160 to a 170 barrels a day  
22      through January of this year.

23      Q.       All right, sir.

24                   MR. TYRA: Mr. Rogers, I would ask that these  
25      exhibits to the testimony of these two gentlemen be admitted

1 to the record as well as my prefiled notice as to both of  
2 these matters, please.

3 (Whereupon, Exhibits 1-7 were offered into  
4 evidence.)

5 MR. ROGERS: Yes, sir. Your hearing exhibits  
6 and your Affidavit of Notice, Mr. Tyra, is admitted. And  
7 also, I'll admit the letter I wrote to you dated January 18.

8 (Whereupon, Exhibits 1-7, Affidavit of Notice,  
9 and 1/18 letter were admitted into evidence.)

10 MR. TYRA: Thank you.

11 MR. ROGERS: Requiring that you notify all of  
12 the owners in the Southwest quarter of Section 3. So my  
13 letter to you is admitted, your affidavit is admitted, and  
14 the other exhibits are admitted.

15 MR. TYRA: Thank you.

16 Q. (BY MR. TYRA:) Mr. Aultman, I'll ask you first, in  
17 your opinion, would the granting of this petition  
18 establishing this 7300 sand or defining it and approving the  
19 production unit for the Chavers 3-11 well in the 7300 sand  
20 prevent waste, protect coequal and correlative rights and  
21 prevent the drilling of unnecessary wells?

22 A. Yes.

23 Q. Mr. Magee, I would ask you that same question. Will  
24 the granting of petition as to those matters prevent waste,  
25 protect coequal and correlative rights and prevent drilling

1 of unnecessary wells?

2 A. It would.

3 MR. TYRA: I will tender the witness for any  
4 questions that the staff may have.

5 MR. ROGERS: Any questions?

6 DR. BOLIN: No questions.

7 MR. ROGERS: The staff has no questions.

8 Anything else, Mr. Tyra?

9 MR. TYRA: That is it. Thank you.

10 MR. ROGERS: We will review the evidence and  
11 make a recommendation to the Board.

12 MR. TYRA: Thank you.

13 MR. ROGERS: Thank you. Anything else for the  
14 hearing?

15 (No response.)

16 MR. ROGERS: The hearing is adjourned.

17 END OF PROCEEDINGS

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## 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.

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