

1 STATE OIL AND GAS BOARD OF ALABAMA

2 Tuscaloosa, Alabama

3 May 10, 2012

4 Testimony and proceedings before the State Oil and
5 Gas Board in Regular Session in the Board Room of the
6 State Oil and Gas Board Building, University of Alabama
7 Campus, Tuscaloosa, Alabama, pursuant to adjournment, on
8 this 10th day of May, 2012.

9 BOARD

10 Mr. James "Jim" Griggs.....Chairman

11 Mr. Charles "Ward" Pearson.....Member

12 Mr. Barnett Lawley.....Member

13

14 STAFF

ORIGINAL

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

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

18 Mr. Kirk A. McQuillan..Geologic Evaluations Manager

19 Mr. Butch Gregory.....Engineering Evaluations Manager

20 Mr. Jacques Chasse.....Geologist

21 Mr. Elbert Patterson.....Geologist

22 Mr. Bob Roark.....Geologist

23 Mr. Randy Oglesby.....Geologist

24 Mr. S. Marvin Rogers.....Attorney

25 Ms. Katie Henson.....Student Aide

JB 6/20/12

MR
6/20/12

1 STATE OIL AND GAS BOARD OF ALABAMA

2 Tuscaloosa, Alabama

3 May 10, 2012

4 Testimony and proceedings before the State Oil and
5 Gas Board in Regular Session in the Board Room of the
6 State Oil and Gas Board Building, University of Alabama
7 Campus, Tuscaloosa, Alabama, pursuant to adjournment, on
8 this 10th day of May, 2012.

9 BOARD

10 Mr. James "Jim" Griggs.....Chairman

11 Mr. Charles "Ward" Pearson.....Member

12 Mr. Barnett Lawley.....Member

13

14 STAFF

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

16 Supervisor

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

18 Mr. Kirk A. McQuillan..Geologic Evaluations Manager

19 Mr. Butch Gregory.....Engineering Evaluations Manager

20 Mr. Jacques Chasse.....Geologist

21 Mr. Elbert Patterson.....Geologist

22 Mr. Bob Roark.....Geologist

23 Mr. Randy Oglesby.....Geologist

24 Mr. S. Marvin Rogers.....Attorney

25 Ms. Katie Henson.....Student Aide

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

I N D E X

INDEX OF EXAMINATION

Page:

WITNESS:

Harry Spooner

(ITEM 19) DIRECT EXAMINATION BY MR. TYRA 16

EXHIBITS OFFERED

Page:

Hearing Officer report was offered 4

(Item 19) pre-filed Affidavit of Notice was 15

offered

EXHIBITS RECEIVED

Hearing Officer report was received 4

(Item 12) Exhibits 1 and 2 were received 10

(Item 12) Exhibit 3 was received 12

(Item 12) Exhibit 4 was received 12

(Item 19) Affidavit of Notice was received 15

1 CHAIRMAN GRIGGS: Let the record reflect the
2 State Oil and Gas Board is now in session. Dr. Tew, have
3 the items for this meeting been properly noticed?

4 DR. TEW: Chairman Griggs, Mr. Pearson,
5 Mr. Lawley, the items have been properly noticed. The Staff
6 prepared a docket for the Board's May 8 and May 10, 2012
7 meeting, and that docket was admitted into the record at the
8 Hearing Officer meeting on May 8, 2012.

9 Mr. Marvin Rogers, acting as Hearing Officer,
10 and the Staff heard various items at the Hearing Officer
11 meeting on May the 8th, and at this time Mr. Rogers will
12 make his report to the Board.

13 MR. ROGERS: Chairman Griggs, Mr. Pearson and
14 Mr. Lawley, I have a written report of the items heard by
15 the Hearing Officer and the Staff on Tuesday, May 8, 2012.
16 Copies of that report are available for members of the
17 public to review and study. I submit this Hearing Officer
18 report to the Board for approval.

19 CHAIRMAN GRIGGS: Is there a motion?

20 MR. PEARSON: Yes. I move that we approve the
21 Hearing Officer report and the recommendations therein.

22 MR. LAWLEY: Second.

23 CHAIRMAN GRIGGS: Got a motion and a second.
24 All in favor, say "aye."

25 MR. PEARSON: Aye.

1 MR. LAWLEY: Aye.

2 CHAIRMAN GRIGGS: Ayes have it. The Hearing
3 Officer report is approved and the recommendations therein
4 are approved.

5 MR. ROGERS: Mr. Chairman, I recommend the
6 Hearing Officer report be admitted into the record.

7 (Whereupon, Hearing Officer report was
8 offered into evidence.)

9 CHAIRMAN GRIGGS: It is admitted.

10 (Whereupon, Hearing Officer report was
11 received into evidence.)

12 DR. TEW: The Staff would recommend approval of
13 the minutes of the following meetings: February 7, 2012,
14 Hearing Officer meeting; February the 9th, 2012, a regular
15 Board meeting; March 27th, 2012, a Hearing Officer meeting.

16 MR. LAWLEY: Mr. Chairman, I would move that the
17 minutes be approved.

18 CHAIRMAN GRIGGS: I have a motion and a second.
19 All in favor say "aye."

20 MR. PEARSON: Aye.

21 MR. LAWLEY: Aye.

22 CHAIRMAN GRIGGS: Ayes have it. They are
23 approved.

24 DR. TEW: The Staff has prepared an agenda of
25 the items to be heard by the Board today. And at this time,

1 Mr. Rogers, would you please call the first item?

2 MR. ROGERS: Mr. Chairman, members of the Board,
3 the first three items are related. They are Item 7, Docket
4 No. 3-27-12-18A, petition by Ankor E&P Holdings Corporation;
5 Item 8, Docket No. 3-27-12-19, petition by Ankor E&P
6 Holdings Corporation; and number 9, Docket No. 3-27-12-20,
7 petition by Ankor E&P Holdings Corporation.

8 MR. PEARSON: Mr. Chairman, I move that these
9 three items be continued.

10 CHAIRMAN GRIGGS: I have a motion to continue
11 these items.

12 MR. LAWLEY: Second.

13 CHAIRMAN GRIGGS: Motion and a second. All in
14 favor say "aye."

15 MR. PEARSON: Aye.

16 MR. LAWLEY: Aye.

17 CHAIRMAN GRIGGS: Ayes have it. The items will
18 be continued to the June Oil and Gas Board meeting which
19 will be held in South Alabama.

20 MR. ROGERS: Thank you, Mr. Chairman. The next
21 item is Item 12, Docket No. 5-08-12-02, petition by Escambia
22 Operating Company, LLC.

23 MR. WATSON: Mr. Chairman, I'm Tom Watson
24 representing Escambia Operating Company, LLC. This matter
25 comes to you on the publication notice.

1 (Passing out documents.)

2 Mr. Chairman, back when Escambia Operating came
3 into Alabama buying out Vintage Petroleum's operation and
4 Flomaton BEC and Fanny Church, this Board, because of a lack
5 of knowledge of Escambia Operating Company, required them to
6 post a \$2.5 million performance bond for their operations,
7 not only in Escambia County, but Big Escambia Creek,
8 Flomaton, Fanny Church, West Appleton, Northwest Smith
9 Church, South Burnt Corn Creek, all in Escambia County and
10 North Choctaw Ridge Field in Choctaw County.

11 That bond was posted and periodically over at
12 the end of each year, we have renewed that -- or the Board
13 has renewed that bond and we have agreed that that was
14 acceptable to the company.

15 I come today with a petition asking you to
16 consider reducing the amount of that bond from \$2.5 million,
17 and my suggested sum is \$1 million bond. That is, of
18 course, within your discretion as to what you do, if you do
19 anything.

20 What I wanted to do this morning, and I filed
21 an amended exhibit here yesterday -- or not yesterday, but
22 prior to this hearing. And in accordance with the
23 pre-filing requirements, I filed an exhibit that showed the
24 operating costs for Escambia Operating Company for these
25 fields since they took those over in 2006. And each field

1 is delineated and what they have spent, totalling
2 \$85,647,715.00.

3 I was advised after filing this that there is a
4 replacement AFE for the sulfur recovery unit at Big Escambia
5 Creek. The estimated cost of that sulfur recovery unit is
6 \$20 million, so we are north of \$105 million in investments
7 since this company started operations in Alabama.

8 I also, just for the record, would point out to
9 you the production characteristics of these plants in
10 Escambia County, and the fact that these investments have
11 been made also indicates that there have been additional
12 drilling and additional work in the plants. And though you
13 can incorporate this by reference in the record, I have some
14 production charts for Big Escambia, Flomaton, and Fanny
15 Church that I would like for each of you to look at.

16 Marvin, if it's not marked as an exhibit, you
17 can mark it as an exhibit.

18 As you know, at least these three fields that I
19 have referenced in the production curves, Big Escambia,
20 Flomaton, and Fanny Church, are on decline. But operations
21 and part of this \$85 million that is invested has been to
22 try to extend the life of these fields, which otherwise may
23 have had a projected shorter life than we think they do now
24 because of the improvements that Escambia Operating Company
25 has made in these -- in all the fields, but particularly in

1 these three.

2 And you can see from these production curves
3 that we have had some downtime due to plant turnarounds and
4 other things, but the fields, though they are in decline,
5 are still producing and still making profit for the company
6 and for the royalty owners that participate in all of these
7 fields.

8 Now, every operator will tell you that in the
9 old days we could buy bonds for posting a premium, paying a
10 premium annually with a good balance sheet. Today, you have
11 to post, in most cases, the capital equal to the amount of
12 the bond. That is \$2.5 million in this case. I think that
13 over the -- since 2006 to date, the record is clear that
14 this company is a responsible operating company. They
15 continue to do business in the state. There is -- knowing
16 that this new \$20 million they are making at BEC on the
17 sulfur recovery unit, they intend to continue to operate in
18 the state, and I would certainly ask the Board in your
19 wisdom to review this bond and see if this is a just bond
20 for these folks to operate under.

21 They, to my knowledge, and the record would be
22 more accurate than my knowledge, they have not been before
23 the Board in a show cause hearing, they have complied with
24 your rules and regulations, and that was a big unknown when
25 they came in here in 2006. It was also unknown because you

1 didn't know where they were going with these field
2 operations to require a bond, and even though you had a \$2.5
3 million bond, that was in no way a sufficient amount if they
4 were to walk away to reclaim everything that they have,
5 wells, operating plants, et cetera.

6 But I think that they have demonstrated that
7 they are prudent operators. When a well needs to be
8 plugged, they plug it. When a plant needs to be revised and
9 updated, they have done that, hence the 85 and now
10 \$105 million investment. So they have shown a good faith
11 effort to develop in this state.

12 I would ask that you send them a message that
13 you accept them as a good operator, they have demonstrated
14 that to you, and the performance bond is certainly an
15 indication of your interest in their operation. But just as
16 sure as you're interested in their operation, they are
17 interested in doing business on a good-business-like-basis
18 in Alabama.

19 So the year is up, it's time to review the
20 bond, and I submit that information to you for your
21 consideration in either continuing the bond or reducing the
22 bond, and I would ask for a reduction. I'll answer any
23 questions you have, Mr. Chairman, but that is all I have.

24 CHAIRMAN GRIGGS: Dr. Tew, any questions by the
25 Staff?

1 DR. TEW: No, sir.

2 CHAIRMAN GRIGGS: Questions by the Board?

3 MR. PEARSON: Mr. Watson, do you know what
4 the -- I understand about the posting of security equal to
5 the amount of the bond. Do you know what the cost of the
6 bond is?

7 MR. WATSON: In addition to that?

8 MR. PEARSON: Yeah, is it a percent, is it 1 or
9 2 percent?

10 MR. WATSON: Yes, sir, it's in excess -- it's a
11 5-figure number, I know that. I have heard it, but I can't
12 give it to you as a quote. I didn't have that written down.

13 MR. PEARSON: Thank you.

14 CHAIRMAN GRIGGS: Mr. Watson, we will admit the
15 revised Exhibit 1 into the record.

16 MR. WATSON: Yes, sir.

17 CHAIRMAN GRIGGS: And the exhibit that you --
18 the other exhibit, we will call Exhibit 2.

19 MR. WATSON: All right, sir.

20 CHAIRMAN GRIGGS: We will admit that into the
21 record. And if before you leave, you will sign that
22 Exhibit 2.

23 MR. WATSON: I will.

24 (Whereupon, (Item 12) Exhibits 1 and 2 were
25 received into evidence.)

1 CHAIRMAN GRIGGS: Just to be sure we have our
2 record keeping correct. Is there any further discussion,
3 any questions by the Board?

4 MR. LAWLEY: I don't know if this is correct or
5 not, but it's hard for me to make a decision based on
6 unaudited expenses that are just on a cover sheet of paper,
7 there is no income statement, so we don't know what we are
8 taking this operating cost from.

9 MR. WATSON: I can give you their K-1.

10 MR. LAWLEY: Well, certainly the K-1 would be
11 how many LLCs they have, but --

12 MR. WATSON: I can give you that.

13 MR. LAWLEY: Okay.

14 MR. WATSON: Mr. Lawley, you were not here in
15 2006, but I think that the real concern, though it may still
16 be shared today, was, you know, a company coming in taking
17 over H2S operations that the State knew nothing about, there
18 was some concern about authorizing them to operate, hence
19 the large bond. And so with all of that being said, I think
20 they have certainly demonstrated that they are a responsible
21 operator and I just ask the question -- I'm just going to
22 give you -- and you can introduce this into the record or I
23 will introduce it into the record, the stuff that I printed
24 off the Internet and stuff that they provided to me, but
25 they are a multi-facet company, and I have a flow chart here

1 that will show you exactly where they stand in connection
2 with multiple companies that are involved in Eagle Rock, if
3 that will be of help to you.

4 MR. LAWLEY: Well, I am just saying we are
5 comparing -- we don't have anything to compare this to.

6 MR. WATSON: I understand.

7 CHAIRMAN GRIGGS: Let us introduce that as
8 Exhibit 3, Mr. Watson.

9 MR. WATSON: All right. That is the flow chart
10 of all the organizations.

11 CHAIRMAN GRIGGS: Okay.

12 (Whereupon, (Item 12) Exhibit 3 was received
13 into evidence.)

14 MR. WATSON: I only have one copy of this
15 May 2nd, 2012 report, but I'll make that an exhibit.

16 CHAIRMAN GRIGGS: Okay, the Exhibit 4.

17 MR. WATSON: Okay.

18 (Whereupon, (Item 12) Exhibit 4 was received
19 into evidence.)

20 CHAIRMAN GRIGGS: Okay. Mr. Watson, we are
21 admitting the flow chart as Exhibit 3 and the first quarter
22 of 2012 financial report for Eagle Rock as Exhibit 4.

23 MR. WATSON: All right, sir.

24 CHAIRMAN GRIGGS: Those four exhibits constitute
25 all the exhibits admitted into the record as of this time.

1 Is there anything further?

2 MR. PEARSON: Mr. Watson, am I correct that the
3 general overall operations of Escambia Operating Company are
4 or consistent with approximately 30 wells and two processing
5 plants along with associated gathering lines?

6 MR. WATSON: Yes, sir.

7 MR. PEARSON: The Board, having discussed this
8 matter -- first off, I would like to say for the record, the
9 Board recognizes that Escambia Operating Company is an
10 excellent operator and has a good track record for all the
11 operations, and their activities and operations have been
12 well received by the Board and the Staff.

13 Being mindful, though, of the purpose of the
14 security bond, which is to ensure at the end of such
15 operations, that there are at least some assets available in
16 regard to plugging and the liability associated with that,
17 Mr. Chairman, I would move that we deny the petition to
18 reduce the bond, but that we keep the bond in place at the
19 same amount with the condition that we waive the annual
20 necessity of reporting to the Board.

21 CHAIRMAN GRIGGS: Okay. We have a motion as
22 stated. Is there a second?

23 MR. LAWLEY: I second that.

24 CHAIRMAN GRIGGS: We've got a motion and a
25 second. All in favor say "aye."

1 MR. PEARSON: Aye.

2 CHAIRMAN GRIGGS: Ayes have it.

3 MR. WATSON: Thank you.

4 CHAIRMAN GRIGGS: Thank you, Mr. Watson.

5 MR. ROGERS: The next item is Item 18, Docket
6 No. 5-8-12-08, petition by Spooner Petroleum, Incorporated.

7 CHAIRMAN GRIGGS: Mr. Tyra.

8 MR. TYRA: Yes, sir. John Tyra here on behalf
9 of Spooner. I would move that Item 18 be dismissed. That
10 was a petition to force pool without risk compensation. We
11 have found all the parties with an interest and it is no
12 longer needed.

13 CHAIRMAN GRIGGS: It is dismissed without
14 prejudice.

15 MR. TYRA: Thank you, sir.

16 MR. ROGERS: Then the last item is Item 19,
17 Docket No. 5-8-12-09, petition by Spooner.

18 MR. TYRA: Mr. Chairman, again, I'm John Tyra
19 here on behalf of Spooner Petroleum Company. We have filed
20 a petition requesting the approval of an exceptional
21 location for the proposed Reaves 19-7 No. 1 Well to be
22 drilled in Choctaw County, Alabama on a unit consisting of
23 the Northeast Quarter of Section 19, Township 11 North,
24 Range 2 West. The location of the well, one of the
25 locations is 516 feet from the South line, which it is an

1 exception to the rule, the Special Field Rules of the
2 Thornton Springs Field, which requires all locations to be
3 at least 660 feet off the boundaries. I have one witness to
4 be sworn in, please.

5 MR. ROGERS: Stand and state your name and
6 address.

7 MR. SPOONER: Harry Spooner, Ridgeland,
8 Mississippi.

9 (The Hearing Attorney swears in the witness.)

10 MR. TYRA: Mr. Chairman, I have pre-filed an
11 Affidavit of Notice that I would ask to be made a part of
12 the record at this time.

13 (Whereupon, (Item 19) pre-filed Affidavit of
14 Notice was offered into evidence.)

15 CHAIRMAN GRIGGS: It is admitted to the record,
16 Mr. Tyra.

17 (Whereupon, (Item 19) Affidavit of Notice was
18 received into evidence.)

19 MR. TYRA: Mr. Spooner, your qualifications as a
20 petroleum geologist are on file with this Board; is that
21 correct?

22 MR. SPOONER: That is correct.

23 MR. TYRA: And you have testified before this
24 Board several times; is that correct?

25 MR. SPOONER: Yes, that is correct.

1 MR. TYRA: Are you familiar with the allegations
2 contained in the petition filed in this matter?

3 MR. SPOONER: Yes.

4 MR. TYRA: And have you prepared or caused to be
5 prepared exhibits in support of those allegations?

6 MR. SPOONER: Yes.

7 MR. TYRA: I would ask that Mr. Spooner be
8 recognized as an expert witness in this matter.

9 CHAIRMAN GRIGGS: He is recognized as an expert
10 petroleum geologist.

11 MR. TYRA: Thank you so much.

12

13 HARRY SPOONER,
14 having been first duly sworn, was examined and testified
15 as follows:

16

17 (ITEM 19) DIRECT EXAMINATION BY MR. TYRA:

18 Q. If you would, turn to your Exhibit 1 and explain what
19 this shows, please.

20 A. Exhibit 1 is a location plat prepared by Engineering
21 Service for the well. It shows the well is located 516 feet
22 from the South line and 769 feet from the West line of the
23 proposed unit and 2,690 feet from the one producing well in
24 Thornton Springs Field.

25 Q. So that field right now consists of just the Bolinger

1 19-16 well; is that correct?

2 A. That is correct.

3 Q. All right, sir. Your Exhibit 2, please, explain what
4 that shows.

5 A. Exhibit 2 is a portion of the USGS topographic map
6 showing the location of the well and the proposed unit. And
7 it shows that the -- a legal location 660 would be, you know,
8 a hundred and however many feet that is further North which
9 is on the edge -- you can see on the topographic map that
10 there is a little low area that comes in, curls in North of
11 the well, and we originally staked it at the 660, but that is
12 not a -- it's an intermittent stream. In wet weather and
13 rainstorms, it gets real wet, and so we moved the location
14 South a little bit. Any other direction, you know, we would
15 have been getting off of our geology, we felt like, so --
16 and, really, we just kind of moved across the location. The
17 locations, of course, are more than 200-feet wide, so we just
18 moved across the location a little bit to get on a high spot
19 there.

20 Q. All right, sir. So you originally attempted at
21 660 feet off of the South line, but that was determined to be
22 in the wetlands?

23 A. The Board's field agent determined that it would be
24 wetlands if we -- you know, if the Corps of Engineers looked
25 at it.

1 Q. Okay, sir. If you would then, turn to your Exhibit 3
2 and explain what that shows.

3 A. Exhibit 3 is a Smackover structure map. The
4 objective of the well is a Smackover formation. That is what
5 produces in the Bolinger 19-16 well. We think that well is
6 probably producing from a stratigraphic trap and it -- we
7 think that there is likely some more oil in there. The well
8 has held up for a long time with almost no decline in
9 production and so we are just trying to see if we can develop
10 a strat trap in here, and this shows the structural geology
11 in the area.

12 Q. All right, sir. Considering the topographical issues
13 that you have, is it your opinion that the proposed location
14 is the optimum geologic and topographic location to test that
15 formation?

16 A. Yes.

17 Q. All right. Is it also your opinion that the granting
18 of this petition would prevent waste and protect correlative
19 rights?

20 A. Yes.

21 MR. TYRA: I would tender Mr. Spooner to the
22 Board for any questions that you may have.

23 CHAIRMAN GRIGGS: Dr. Tew, any questions by the
24 Staff of Mr. Spooner?

25 (No questions.)

1 CHAIRMAN GRIGGS: What about Board members?

2 (No questions.)

3 CHAIRMAN GRIGGS: Mr. Spooner, this is a
4 vertical well and you are proposing the bottomhole --

5 MR. SPOONER: That is correct.

6 CHAIRMAN GRIGGS: -- and the surface location at
7 the same spot?

8 MR. SPOONER: Right. You know, we would have to
9 drill directionally to get to the legal location which would
10 cost us probably \$150,000, so that is waste.

11 CHAIRMAN GRIGGS: Yes, sir.

12 MR. LAWLEY: Mr. Chairman, I make a motion that
13 we approve.

14 MR. PEARSON: Second.

15 CHAIRMAN GRIGGS: We've got a motion and a
16 second. All in favor say "aye."

17 MR. LAWLEY: Aye.

18 MR. PEARSON: Aye.

19 CHAIRMAN GRIGGS: Ayes have it. It is approved.

20 MR. TYRA: Thank you, Mr. Chairman.

21 CHAIRMAN GRIGGS: Entertain a motion to adjourn.

22 MR. PEARSON: Move we adjourn.

23 CHAIRMAN GRIGGS: We stand adjourned.

24

25 (The proceedings were concluded at 10:34 a.m.)

1 C E R T I F I C A T E

2

3 STATE OF ALABAMA)

4 JEFFERSON COUNTY)

5

6 I hereby certify that the above and foregoing
7 proceeding was taken down by me in stenotype, and the
8 questions and answers thereto were reduced to typewriting
9 under my supervision, and that the foregoing represents a
10 true and correct transcript of the proceeding given by
11 said witness upon said hearing.

12 I further certify that I am neither of counsel
13 nor of kin to the parties to the action, nor am I in
14 anyway interested in the result of said cause.

15

16

17

18

19 /s/ Teresa Turquitt Davis

20 TERESA TURQUITT DAVIS, CCR, RPR

21 CCR #162, Expires 09/30/12

22 Commissioner for the

23 State of Alabama at Large

24 My Commission Expires: 12/03/12

25

WORD INDEX

< \$ >

\$1 6:17

\$105 7:6 9:10

\$150,000 19:10

\$2.5 6:6, 16 8:12

9:2

\$20 7:6 8:16

\$85 7:21

\$85,647,715.00.

7:2

< 0 >

03 20:24

09 20:21

< 1 >

1 2:16 10:8, 15,

24 14:21 16:18,

20

10 1:3 2:16 3:6

10:34 19:25

10th 1:8

11 14:23

12 2:16, 17, 17,

18, 18 5:21

10:24 12:12, 18

20:21, 24, 24

15 2:11, 19

16 2:6

162 20:21

18 14:5, 9

19 2:6, 11, 19

14:23 15:13, 17

16:17

19, 14:16

19-16 17:1 18:5

19-7 14:21

< 2 >

2 2:16 10:9, 24

14:24 17:3, 5

2,690 16:23

2. 10:18, 22

2006 6:25 8:13,

25 11:15

200-foot 17:17

2012 1:3 3:6

4:14, 15 12:15, 22

2012, 4:13

2012. 1:8 3:8, 15

27th 4:15

2nd 12:15

< 3 >

3 2:17 12:8, 12,

21 18:1, 3

30 13:4 20:21

3-27-12-18A 5:4

3-27-12-19 5:5

3-27-12-20, 5:6

< 4 >

4 2:10, 15, 18

12:18

4. 12:16, 22

< 5 >

5-08-12-02 5:21

516 14:25 16:21

5-8-12-08 14:6

5-8-12-09 14:17

5-figure 10:11

< 6 >

660 15:3 17:7,

11, 21

< 7 >

7 4:13 5:3

769 16:22

< 8 >

8 3:6, 8, 15 5:5

85 9:9

8th 3:11

< 9 >

9 5:6

9th 4:14

< A >

a 7:3 8:9 10:10

13:24 15:19

19:3, 15 20:9

a.m. 19:25

accept 9:13

acceptable 6:14

accurate 8:22

acting 3:9

action 20:13

activities 13:11

addition 10:7

additional 7:11,

12

address. 15:6

adjourn. 19:21, 22

adjourned. 19:23

adjournment 1:7

admit 10:14, 20

admitted 3:7 4:6

12:25 15:15

admitted. 4:9

admitting 12:21

advised 7:3

AFE 7:4

Affidavit 2:11, 19

15:11, 13, 17

agenda 4:24

agent 17:23

agreed 6:13

Aide 1:25

ALABAMA 1:1, 2,

6, 7 6:3 14:22

20:3, 23

Alabama. 5:19

7:7 9:18

allegations 16:1,

5

amended 6:21

amount 6:16

8:11 9:3 10:5

13:19

an 9:14 13:9

14:25 15:10

and 1:4, 15 3:13

6:3, 9 8:3 9:8

15:5 17:6, 12

Ankor 5:4, 5, 7

annual 13:19

annually 8:10

answer 9:22

answers 20:8

any 9:22

anything. 6:19

anywise 20:14

Appleton 6:8

approval 4:12

14:20

approval. 3:18

approve 3:20

approve. 19:13

approved 4:3

approved. 4:4, 17,

23 19:19

approximately

13:4

are 4:22 9:16

11:7 12:4, 20

13:3

area 17:10

area. 18:11

as 9:15 12:7

13:21 16:15

asking 6:15

assets 13:15

associated 13:5,

16

at 6:11 17:20

19:6

at. 7:15

attempted 17:20

Attorney 15:9

authorizing 11:18

available 3:16

13:15

aye 3:24 4:19

5:14 13:25 19:16

Aye. 3:25 4:1,

20, 21 5:15, 16

14:1 19:17, 18

Ayes 4:2, 22

5:17 14:2 19:19

< B >

back 6:2

balance 8:10

Barnett 1:12

based 11:5

be 8:21 9:7

11:10 14:21

15:2 16:4, 7

17:21, 23

BEC 6:4 8:16

been 13:11

before 8:22

behalf 14:8, 19
Berry 1:15
Big 6:7 7:4, 14, 19 8:24
bit 17:14, 18
BOARD 1:1, 5, 5, 6, 9 3:2, 18 4:15, 25 5:18 6:4, 12 8:18, 23 10:2 11:3 13:7, 9, 12 15:20, 24 18:22 19:1
Board, 5:2
Board. 3:12 13:20
Board's 3:6 17:23
Bob 1:22
BolinDeputy 1:17
Bolinger 16:25 18:5
bond 6:6, 11, 13, 16, 17 8:12, 19, 19 9:2, 3, 14, 20, 21, 22 10:5, 6 11:19 13:14, 18, 18
bonds 8:9
bottomhole 19:4
boundaries 15:3
Building 1:6
Burnt 6:9
business 8:15 9:17
but 6:21 11:24
Butch 1:19
buy 8:9
buying 6:3
by 3:14 20:10

< C >

call 5:1 10:18
came 6:2
Campus 1:7
can't 10:11
capital 8:11
case 8:12
cases 8:11
cause 8:23

cause. 20:14
caused 16:4
CCR 20:20, 21
certainly 8:18 9:14 11:10, 20
certify 20:6, 12
cetera. 9:5
CHAIRMAN 3:1, 4, 13, 19, 23 4:2, 5, 9, 16, 18, 22 5:2, 8, 10, 13, 17, 20, 23 6:2 9:23, 24 10:2, 14, 17, 20 11:1 12:7, 11, 16, 20, 24 13:17, 21, 24 14:2, 4, 7, 13, 18 15:10, 15 16:9 18:23 19:1, 3, 6, 11, 12, 15, 19, 21, 23
Chairman. 19:20
characteristics 7:9
Charles 1:11
chart 11:25 12:9, 21
charts 7:14
Chasse.Geologist 1:20
Choctaw 6:10, 10 14:22
Church 6:4, 8, 9 7:15, 20
clear 8:13
come 6:15
comes 5:25 17:10
coming 11:16
Commission 20:24
Commissioner 20:22
companies 12:2
Company 5:22, 24 6:5, 24 7:7, 24 8:5, 14, 14 11:16, 25 13:3, 9 14:19
company. 6:14

compare 12:5
comparing 12:5
compensation 14:10
complied 8:23
concern 11:15, 18
concluded 19:25
condition 13:19
connection 12:1
consider 6:16
consideration 9:21
Considering 18:12
consistent 13:4
consisting 14:22
consists 16:25
constitute 12:24
contained 16:2
continue 5:10 8:15, 17
continued 5:18
continued. 5:9
continuing 9:21
Copies 3:16
copy 12:14
Corn 6:9
Corporation 5:4, 6
Corporation. 5:7
Corps 17:24
correct 11:2, 4 13:2 15:21, 24 17:1 20:10
correct. 15:22, 25 17:2 19:5
correlative 18:18
cost 7:5 10:5 11:8 19:10
costs 6:24
counsel 20:12
County 6:7, 9 7:10 14:22 20:4
County. 6:10
course 6:18 17:17
cover 11:6
Creek 6:9 7:5
Creek, 6:7

curls 17:10
curves 7:19 8:2

< D >
date 8:13
David 1:17
Davis 20:19, 20
day 1:8
days 8:9
decision 11:5
decline 7:20 18:8
decline, 8:4
delineated 7:1
demonstrated 9:6, 13 11:20
deny 13:17
determined 17:21, 23
develop 9:11 18:9
DIRECT 2:6 16:17
direction 17:14
directionally 19:9
Director 1:17
discretion 6:18
discussed 13:7
discussion, 11:2
dismissed 14:9, 13
do 6:18
docket 3:6, 7 5:3, 5, 6, 21 14:5, 17
documents. 6:1
doing 9:17
down. 10:12
downtime 8:3
Dr 1:15, 17 3:2, 4 4:12, 24 9:24 10:1 18:23
drill 19:9
drilled 14:22
drilling 7:12
due 8:3
duly 16:14

< E >

<p>E 20:1 Eagle 12:2, 22 edge 17:9 effort 9:11 either 9:21 Elbert 1:21 Engineering 16:20 Engineers 17:24 ensure 13:14 Entertain 19:21 equal 8:11 10:4 Escambia 5:21, 24 6:2, 5, 7, 7, 9, 24 7:4, 10, 14, 24 13:3, 9 Escambia, 7:19 estimated 7:5 et 9:5 Evaluations 1:18, 19 evidence. 4:8, 11 10:25 12:13, 19 15:14, 18 exactly 12:1 EXAMINATION 2:2, 6 16:17 examined 16:14 excellent 13:10 exception 15:1 exceptional 14:20 excess 10:10 Exhibit 2:17, 18 6:21, 23 7:16 10:15, 17, 18, 18, 22 12:8, 12, 16, 18, 21, 22 16:18, 20 17:3, 5 18:1, 3 exhibit. 7:17 12:15 EXHIBITS 2:8, 14, 16 10:24 12:24, 25 16:5 expenses 11:6 expert 16:8, 9 Expires 20:21, 24 explain 16:18 17:3 18:2 extend 7:22</p>	<p>< F > fact 7:10 faith 9:10 familiar 16:1 Fanny 6:4, 8 7:14, 20 favor 3:24 4:19 5:14 13:25 19:16 February 4:13, 14 feet 14:25 15:3 16:21, 22, 23 17:8, 21 felt 17:15 Field 6:10, 25 9:1 15:1, 2 16:25 17:23 Field. 16:24 fields 6:25 7:18, 22, 25 8:4 fields. 8:7 file 15:20 filed 6:20, 23 14:19 16:2 filing 7:3 financial 12:22 first 5:1, 3 12:21 13:8 16:14 Flomaton 6:4, 8 7:14, 20 flow 11:25 12:9, 21 folks 8:20 following 4:13 follows: 16:15 force 14:10 foregoing 20:6, 9 formation 18:4, 15 found 14:11 four 12:24 from. 11:8 further 11:2 13:1 17:8 20:12</p> <p>< G > GAS 1:1, 5, 6 3:2 5:18 gathering 13:5</p>	<p>general 13:3 geologic 18:14 geologist 15:20 geologist. 16:10 geology 17:15 18:10 getting 17:15 give 10:12 11:9, 12, 22 given 20:10 going 9:1 11:21 good 8:10 9:10, 13 13:10 good-business-lik e-basis 9:17 granting 18:17 GregoryEngineeri ng 1:19 GRIGGS 3:1, 4, 13, 19, 23 4:2, 9, 18, 22 5:10, 13, 17 9:24 10:2, 14, 17, 20 11:1 12:7, 11, 16, 20, 24 13:21, 24 14:2, 4, 7, 13 15:15 16:9 18:23 19:1, 3, 6, 11, 15, 19, 21, 23 Griggs.Chairman 1:10</p> <p>< H > H2S 11:17 hard 11:5 Harry 2:5 15:7 16:13 have 3:2 7:10 8:10 have, 9:4 have. 9:23 18:22 having 16:14 heard 3:10, 14 4:25 10:11 Hearing 2:10, 15 3:8, 9, 10, 15, 17, 21 4:2, 6, 7, 10, 14, 15 6:22 8:23 15:9 hearing. 20:11</p>	<p>held 5:19 18:8 help 12:3 hence 11:18 HensonStudent 1:25 here 11:25 high 17:18 Holdings 5:4, 6, 7 hundred 17:8</p> <p>< I > I 7:18 11:22 if 12:2 improvements 7:24 in 5:13 7:9, 25 8:17 11:14 13:15 16:23 18:8 20:13 income 11:7 incorporate 7:13 Incorporated. 14:6 INDEX 2:2 indicates 7:11 indication 9:15 information 9:20 intend 8:17 interest 9:15 14:11 interested 9:16, 17 20:14 intermittent 17:12 Internet 11:24 introduce 11:22, 23 12:7 invested 7:21 investment 9:10 investments 7:6, 10 involved 12:2 is 7:5 17:11 18:5 issues 18:12 it. 14:2 17:25 ITEM 2:6, 11, 16, 17, 18, 19 5:1, 3, 5, 21, 21 10:24 12:12, 18 14:5, 5,</p>
---	--	--	---

9, 16, 16 15:13,
17 16:17
items 3:3, 5, 10,
14 4:25 5:3, 9, 17
items. 5:11

< J >

Jacques 1:20
James 1:10
JEFFERSON 20:4
Jim 1:10
John 14:8, 18
JrSecretary 1:15
June 5:18
just 17:17

< K >

K-1 11:10
K-1. 11:9
Katie 1:25
keep 13:18
keeping 11:2
kin 20:13
kind 17:16
Kirk 1:18
knew 11:17
know 7:18 9:1
10:3, 5, 11 11:4,
7, 16 17:14, 24
19:8
know, 17:7
knowing 8:15
knowledge 6:5
8:21, 22

< L >

lack 6:4
large 11:19
20:23
Lawley 3:5, 14,
22 4:1, 16, 21
5:12, 16 11:4, 10,
13, 14 12:4
13:23 19:12, 17
LawleyMember
1:12
leave 10:21
legal 17:7 19:9
liability 13:16
life 7:22, 23

line 14:25 16:22,
22 17:21
lines 13:5
little 17:10, 14, 18
LLC 5:24
LLC. 5:22
LLCs 11:11
located 16:21
location 14:21,
24 16:20 17:6, 7,
13, 16, 18 18:13,
14 19:6, 9
locations 14:25
15:2 17:17
long 18:8
longer 14:12
look 7:15
looked 17:24
low 17:10

< M >

making 8:5, 16
Manager 1:18, 19
map 17:5, 9 18:3
March 4:15
mark 7:17
marked 7:16
Marvin 1:24 3:9
7:16
matter 5:24 13:8
16:2
matter. 16:8
may 7:22
McQuillanGeologi
c 1:18
meeting 3:3, 7, 8,
11 4:14, 15 5:18
meeting. 4:15
meetings 4:13
members 3:16
5:2 19:1
message 9:12
million 6:6, 17
7:6, 6, 21 8:12,
16 9:3, 10
million, 6:16
mindful 13:13
minutes 4:13, 17
Mississippi. 15:8
morning 6:20

motion 3:19, 23
4:18 5:10, 13
13:21, 24 19:12,
15, 21
move 3:20 4:16
5:8 13:17 14:9
19:22
moved 17:13, 16,
18
Mr 1:10, 11, 12,
18, 19, 20, 21, 22,
23, 24
Ms 1:25
much. 16:11
multi-facet 11:25
multiple 12:2

< N >

name 15:5
necessity 13:20
needed. 14:12
needs 9:7, 8
neither 20:12
new 8:16
next 5:20
Nick 1:15
no 14:11
nor 20:13
North 6:10 7:6
17:8, 10
North, 14:23
Northeast 14:23
Northwest 6:8
Notice 2:11, 19
15:11, 14, 17
notice. 5:25
noticed 3:3, 5
now 7:23 9:9
number 5:6
10:11

< O >

objective 18:4
of 4:12, 24 6:17
8:11 14:22
15:11, 13 17:10
OFFERED 2:8, 10,
12 4:8 15:14

Officer 2:10, 15
3:8, 10, 15, 17, 21
4:3, 6, 7, 10, 14, 15
Officer, 3:9
OglesbyGeologist
1:23
OIL 1:1, 4, 6 3:2
5:18 18:7
Okay 12:16, 20
13:21 18:1
Okay. 11:13
12:11, 17
old 8:9
on 1:7 11:5
operate 8:17, 20
11:18
Operating 5:22,
24 6:2, 5, 24, 24
7:24 8:14 9:5
11:8 13:3, 9
operation 6:3
9:15, 16
operations 7:7,
20 9:2 11:17
13:3, 11, 11, 15
operations, 6:6
operator 8:8
9:13 11:21 13:10
operators 9:7
opinion 18:13, 17
optimum 18:14
or 10:8 11:4
organizations.
12:10
originally 17:11,
20
our 11:1
overall 13:3
owners 8:6

< P >

P 5:5
Page: 2:3, 9
paper, 11:6
part 7:21 15:11
participate 8:6
particularly 7:25
parties 14:11
20:13
Passing 6:1

Patterson.Geologist 1:21 paying 8:9 Pearson 3:13, 20, 25 4:20 5:8, 15 10:3, 8, 13 13:2, 7 14:1 19:14, 18, 22 Pearson, 3:4 PearsonMember 1:11 percent 10:8, 9 performance 6:6 9:14 periodically 6:11 petition 5:4, 5, 7, 21 6:15 13:17 14:6, 10, 17, 20 16:2 18:18 Petroleum 14:6, 19 15:20 16:10 Petroleum's 6:3 place 13:18 plant 8:3 9:8 plants 7:9, 12 9:5 13:5 plat 16:20 please 5:1 17:3 please. 15:4 16:19 plug 9:8 plugged 9:8 plugging 13:16 point 7:8 pool 14:10 portion 17:5 post 6:6 8:11 posted 6:11 posting 8:9 10:4 pre-filed 2:11 15:10, 13 pre-filing 6:23 prejudice. 14:14 premium 8:9, 10 prepared 3:6 4:24 16:4, 5, 20 prevent 18:18 printed 11:23 prior 6:22	probably 18:6 19:10 proceeding 20:7, 10 proceedings 1:4 19:25 processing 13:4 produces 18:5 producing 8:5 16:23 18:6 production 7:9, 14, 19 8:2 18:9 profit 8:5 projected 7:23 properly 3:3, 5 proposed 14:21 16:23 17:6 18:13 proposing 19:4 protect 18:18 provided 11:24 prudent 9:7 public 3:17 publication 5:25 purpose 13:13 pursuant 1:7 < Q > qualifications 15:19 quarter 12:21 14:23 question 11:21 questions 9:23, 24 10:2 11:3 18:22, 23 20:8 questions. 18:25 19:2 quote 10:12 < R > rainstorms 17:13 Randy 1:23 Range 14:24 real 11:15 17:13 really 17:16 Reaves 14:21 RECEIVED 2:14, 15, 16, 17, 18, 19 4:11 10:25	12:12, 18 13:12 15:18 reclaim 9:4 recognized 16:8, 9 recognizes 13:9 recommend 4:5, 12 recommendations 3:21 4:3 record 3:1, 7 7:8, 13 8:13, 21 10:21 11:2, 22, 23 12:25 13:8, 10 15:12 record, 15:15 record. 4:6 10:15 recovery 7:4, 5 8:17 reduce 13:18 reduced 20:8 reducing 6:16 9:21 reduction 9:22 reference 7:13 referenced 7:19 reflect 3:1 regard 13:16 Regular 1:5 4:14 regulations 8:24 related 5:3 renewed 6:12, 13 replacement 7:4 report 2:10, 15 3:12, 14, 16, 18, 21 4:3, 6, 7, 10 12:15, 22 reporting 13:20 representing 5:24 represents 20:9 requesting 14:20 require 9:2 required 6:5 requirements 6:23 requires 15:2 responsible 8:14 11:20 result 20:14	review 3:17 8:19 9:19 revised 9:8 10:15 Ridge 6:10 Ridgeland, 15:7 right 10:19 12:9, 23 16:25 17:3, 20 18:12, 17 19:8 rights 18:19 risk 14:10 Roark.Geologist 1:22 Rock 12:2, 22 Rogers 3:9, 11, 13 4:5 5:1, 2, 20 14:5, 16 15:5 RogersAttorney 1:24 Room 1:5 royalty 8:6 RPR 20:20 rule 15:1 rules 8:24 15:1 < S > said 20:11 saying 12:4 second 5:13 13:22, 23, 25 19:16 Second. 3:22, 23 4:18 5:12 19:14 Section 14:23 security 10:4 13:14 see 8:2, 19 17:9 18:9 send 9:12 Service 16:21 Session 1:5 3:2 shared 11:16 sheet 8:10 11:6 shorter 7:23 show 8:23 12:1 showed 6:23 showing 17:6 shown 9:10 shows 16:19, 21
---	---	---	---

17:7 18:10
shows. 17:4 18:2
sign 10:21
sir 10:10 14:8
 17:3, 20 18:1, 12
sir. 10:1, 16, 19
 12:23 13:6
 14:15 19:11
Smackover 18:3,
 4
Smith 6:8
some 7:13
South 5:19 6:9
 14:25 16:22
 17:14, 21
Special 15:1
spent 7:1
Spooner 2:5
 14:6, 9, 19 15:7,
 7, 19, 22, 25 16:3,
 6, 7 18:21, 24
 19:3, 5, 8
SPOONER, 16:13
Spooner. 14:17
spot 17:18 19:7
Springs 15:2
 16:24
STAFF 1:14 3:5,
 10, 15 4:12, 24
 9:25 18:24
Staff. 13:12
staked 17:11
stand 12:1 15:5
 19:23
started 7:7
STATE 1:1, 4, 6
 3:2 8:15, 18
 11:17 15:5 20:3,
 23
state. 9:11
stated 13:22
statement 11:7
stenotype 20:7
still 11:15
strat 18:10
stratigraphic 18:6
stream 17:12
structural 18:10
structure 18:3

study 3:17
stuff 11:23, 24
submit 3:17 9:20
such 13:14
sufficient 9:3
suggested 6:17
sulfur 7:4, 5 8:17
sum 6:17
supervision 20:9
Supervisor 1:16
support 16:5
sure 9:16 11:1
surface 19:6
swears 15:9
sworn 15:4
 16:14

< T >
taken 20:7
taking 11:16
tell 8:8
tender 18:21
Teresa 20:19, 20
test 18:14
testified 15:23
 16:14
Testimony 1:4
Tew 1:15 3:2, 4
 4:12, 24 9:24
 10:1 18:23
Thank 5:20
 10:13 14:3, 4, 15
 16:11 19:20
that 8:12, 13 9:6,
 12 10:21 14:9
 15:20 17:9
 18:14 19:12
that, 13:16
that. 11:12 13:23
the 1:5 3:1, 7,
 16, 20 4:5, 16
 6:22, 23 8:8, 16
 9:19, 21, 24 10:5,
 14, 20 13:2, 8, 10,
 13, 18 14:24
 15:1 16:22
 17:16 18:3, 21,
 23 20:7, 22
there 11:17

there. 17:19
therein 4:3
therein. 3:21
thereto 20:8
these 5:8 6:24
 8:6
They 8:14 9:3
things 8:4
think 7:23 8:12
 9:6 11:15, 19
 18:5, 7
this 1:8 12:14
 13:7 15:23
Thornton 15:2
 16:24
three 5:3, 9 7:18
three. 8:1
time 3:11 9:19
 18:8
time, 4:25
time. 12:25
 15:12
times 15:24
to 6:5, 15 7:8,
 21 10:4 11:21
 13:17 15:3 19:8
to. 12:5
today 4:25 6:15
 8:10 11:16
Tom 5:23
topographic 17:5,
 9 18:14
topographical
 18:12
totalling 7:1
Township 14:23
track 13:10
transcript 20:10
trap 18:6, 10
true 20:10
try 7:22
trying 18:9
Tuesday 3:15
turn 16:18 18:1
turnarounds 8:3
Turquitt 20:19, 20
Tuscaloosa 1:2, 7
two 13:4
typewriting 20:8

TYRA 2:6 14:8,
 8, 15, 18, 18
 15:10, 19, 23
 16:1, 4, 7, 11
 18:21 19:20
Tyra. 14:7 15:16
TYRA: 16:17

< U >
unaudited 11:6
under 20:9
under. 8:20
understand 10:4
understand. 12:6
unit 7:4, 5 8:17
 14:22 16:23 17:6
University 1:6
unknown 8:24, 25
updated 9:9
USGS 17:5

< V >
various 3:10
vertical 19:4
Vintage 6:3

< W >
waive 13:19
walk 9:4
wanted 6:20
Ward 1:11
was 4:7, 10 6:13
 15:17
waste 18:18
waste. 19:10
WATSON 5:23,
 23 10:3, 7, 10, 14,
 16, 19, 23 11:9,
 12, 14 12:6, 9, 14,
 17, 20, 23 13:2, 6
 14:3
Watson. 12:8
 14:4
way 9:3
We 14:10 18:6
weather 17:12
well 9:7 11:10
 12:4 13:12
 14:21, 24 16:21,

21, 23 17:1, 6, 11
 18:4, 5, 5, 7 19:4
wells 9:5 13:4
were 10:24
West 6:8 14:24
 16:22
wet 17:12, 13
wetlands 17:22,
 24
We've 13:24
 19:15
what 10:3 16:18
 17:3 18:4
when 8:24
which 5:18 17:8
wide 17:17
will 3:11 5:17
will. 10:23
wisdom 8:19
with 8:23
without 14:13
witness 15:3
 16:8 20:11
witness. 15:9
WITNESS: 2:4
work 7:12
would 17:14
 19:9
written 3:14
 10:12

< X >
X 2:1

< Y >
Yeah 10:8
year 6:12 9:19
Yes. 16:3, 6
 18:16, 20
yesterday 6:21,
 21
you 7:12, 16
 8:25
you. 10:13 12:3
 14:3
your 8:18 9:20