	STATE OIL AND GAS BOARD OF ALABAMA			
2	Tuscaloosa, Alabama			
3				
4	August 1, 2013 ORIGINAL			
5				
6	Testimony and proceedings before the Board in Regular			
7	Session in the Board Room of the State Oil and Gas Board			
8	Building, University of Alabama Campus, Tuscaloosa,			
9	Alabama, pursuant to adjournment, on this 1st day of			
10	August, 2013.			
11				
12	BEFORE			
13				
14	BOARD			
15	James "Jim" GriggsChairman			
16	Mr. Barnett Lawley			
17				
18				
19	STAFF SMR			
	$\sim 1$			
20	Mr. Marvin RogersAttorney 9/12/13			
21	Dr. Berry H. (Nick) Tew, JrSecretary and			
22	Supervisor			
23	Dr. David E. BolinDeputy Director			
	Ms. April Merritt			
24				

1 (The hearing was called to order at 10:10 a.m.) CHAIRMAN GRIGGS: Let the record reflect the 2 State Oil and Gas Board is now in session. Dr. Tew, have 3 the items for the July 30th and August 1st, 2013 meetings 4 been properly noticed? 5 DR. TEW: Chairman Griggs and Mr. Lawley, the 6 items for the July 30th and the August 1st meetings have 7 been properly noticed. The Staff has prepared an agenda for 8 9 the Board's July 30th and August 1st meetings, and that 10 agenda was admitted into the record at the Hearing Officer 11 meeting on July 30th, 2013. 12 Mr. Marvin Rogers, acting as Hearing Officer, 13 and the Staff heard various items at the Hearing Officer 14 meeting on July 30th. And at this time, Mr. Rogers will 15 make his report to the Board. MR. ROGERS: Mr. Griggs and Mr. Lawley, I have a 16 written report of the items heard by the Hearing Officer and 17 the Staff on Tuesday, July 30th, 2013. Copies of the report 18 are available for members of the public to review and study. 19 I submit this Hearing Officer Report to the Board for 20 approval. 21 22 CHAIRMAN GRIGGS: Is there a motion on the 23 Hearing Officer's Report? 24 MR. LAWLEY: So moved. 25 CHAIRMAN GRIGGS: I've got a move to approve the

```
1
          report. I second. All in favor say aye.
 2
                     (Board votes to approve the Hearing Officer
 3
          report.)
                     CHAIRMAN GRIGGS: Ayes have it. The Hearing
 4
          Officer's Report is approved and admitted into the record.
 5
                     (Board admits Hearing Officer Report into the
 6
 7
          record.)
                     DR. TEW: The Staff would recommend approval of
 8
 9
          the minutes of the following meetings: June the 18th, 2013,
10
          which was a Hearing Officer meeting and June the 20th, 2013,
11
          the Board meeting.
12
                     CHAIRMAN GRIGGS: Is there a motion?
13
                     MR. LAWLEY: I make a motion to approve the
14
          minutes.
15
                     CHAIRMAN GRIGGS: Motion which I second, all I
16
          favor say aye.
17
                     (Board votes to approve the minutes.)
18
                     CHAIRMAN GRIGGS: Ayes have it. The meeting
19
          minutes are approved.
20
                     DR. TEW: Members of the Board, the Staff has
          prepared an agenda of the items to be heard by the Board
21
          today. And, Mr. Rogers, will you please call the first
22
23
          item.
24
                     MR. ROGERS: Mr. Griggs and Mr. Lawley, the only
          item to be heard here today is Item 14, Docket No.
25
```

3

1	3-19-13-14. That is a motion by the State Oil and Gas Board
2	to amend the State Oil and Gas Board of Alabama
3	Administrative Code to adopt Rule 400-1-904 relating to
4	hydraulic fracturing and to amend Rule 400-3-803 relating
5	to hydraulic fracturing of coalbeds, and that is the motion
6	for consideration.
7	CHAIRMAN GRIGGS: Dr. Tew, can you tell us where
8	we are with regard to this particular effort to amend these
9	rules?
10	DR. TEW: Mr. Chairman, this particular motion
11	has been on the Board's docket since March of 2013, so we
12	have had adequate time to receive comments here to the Board
13	relative to these proposed rule changes, one being an
14	amendment, the other being a new rule.
15	We also have submitted this information to the
16	administrative hearing process, the Administrative Rules
17	Process in Montgomery. That has been it was advertised
18	in May of 2013 and we have received word back from that
19	process that we are now in the time period where the Board
20	can adopt this rule.
21	We had some comments on the rule. We had some
22	verbal comments from Mr. Dennis Lathem, who is here in the
23	audience today, at the March regular meeting of the State
24	Oil and Gas Board, and I would ask that those comments be
25	incorporated into the hearing of this hearing today.
1	

#### 1 CHAIRMAN GRIGGS: They are admitted into the 2 record. 3 (Board incorporates Mr. Lathem's comments into the record.) 4 DR. TEW: We also received written comments from 5 6 Mr. --7 MR. ROGERS: Tom Jackson. DR. TEW: Tom Jackson of Baker Botts, LLP. He's 8 9 a attorney that represents Halliburton Energy Services, 10 Incorporated and he had some comments relative to the rule 11 changes and some suggested language changes for the rule. 12 He pointed out some things that would make the Alabama rules 13 more consistent with rules that have been adopted in other 14 states. 15 We did some research into that matter and found out that, in fact, some of the recommendations that were 16 made there would make our rules more consistent with what is 17 being done in other states in terms of disclosure, and so we 18 19 made some minor changes to our original rule that was on the docket in March of 2013 to reflect those comments. 20 And if I might, I'll go ahead and at this time 21 discuss what those particular changes would be. 22 23 CHAIRMAN GRIGGS: Proceed. 24 DR. TEW: The rule for hydraulic fracturing of coal beds 400-3-8-.03, down in Section (a), little A, where 25

## Freedom Court Reporting, Inc

AL State Oil and Gas Board Mtg.

5

Г

1	it starts with, "The operator shall provide to the Board,"
2	we added some language referring to chemical abstract
3	service registry numbers just to state that if that registry
4	numbers exists. In some cases, there might be a chemical
5	compound where that number doesn't exist, so this would
6	allow for an exception if there is no registry number there.
7	And we also added the words "for each
8	constituent" the words added were "added to the fluid base"
9	or "base fluid" excuse me.
10	We also added language that "The operator is
11	not required to disclose information that is deemed to be
12	trade secret. However, information deemed to be trade
13	secret shall be disclosed as necessary for proper medical
14	diagnosis and treatment or for a spill response."
15	So that was all added under (a) 400-3-803 in
16	parts ii and iii. So that would be the changes that we are
17	recommending relative to the amendments to the rule for
18	Hydraulic Fracturing of Coal Beds.
19	CHAIRMAN GRIGGS: Thank you, sir.
20	DR. TEW: As to the new rule, which would be
21	hydraulic fracturing associated with all other operations in
22	the state, basically we added those same elements of
23	language that I just went over for the coal bed rule so that
24	it's entirely consistent there. Again, this would be under
25	Rule 400-1-904 and Section 7 (a) in ii and iii.
1	

1	In ii, we added "if such registry number
2	exists," again referring to the chemical abstract service
3	number, registry number and "for each constituent added to
4	the base fluid."
5	And, again, iii, "The operator is not required
6	to disclose information that is deemed to be a trade secret.
7	However, information deemed to be a trade secret shall be
8	disclosed as necessary for proper medical diagnosis and
9	treatment or for a spill response."
10	So those changes made to the original proposed
11	changes that we had on the docket for March 2013. And,
12	Mr. Chairman, we would recommend adoption of these changes.
13	CHAIRMAN GRIGGS: Okay. Before we act on those
14	changes, we will incorporate into the record the letter from
15	Halliburton from Baker Botts, and we will incorporate into
16	the record the underlined and strike-through version of both
17	the proposed regulations as Exhibits 1 and Exhibits 2. We
18	will admit into the record the stamped copy showing that
19	notice was received by the Legislative Record Service as
20	Exhibit 3 and Exhibit 4. We will admit into the record a
21	copy of the notice published in Alabama Administrative
22	Monthly in May of 2013 as Exhibit 5 and Exhibit 6. And
23	finally, the final regulations being adopted as Exhibit 7
24	and Exhibit 8.
25	(Baker Botts letter and Exhibits 1-8 were

1 admitted into the record.) CHAIRMAN GRIGGS: Having admitted those into 2 the record and having heard the oil and gas supervisor's 3 suggested minor modification of the original regulations, is 4 there a motion? Before we do that, are there any comments 5 from the audience? Any further comments by anyone? 6 7 (No comments.) 8 CHAIRMAN GRIGGS: Hearing none, we will 9 entertain a motion. 10 MR. LAWLEY: Mr. Chairman, I would also like for 11 Mr. Lathem's comments from the March minutes be included. 12 CHAIRMAN GRIGGS: They will be incorporated into 13 the record. 14 MR. LAWLEY: And I propose that Rule 400-1-9-.04 15 be adopted and the amendments of 400-3-8-.03 be amended as stated on this petition. 16 CHAIRMAN GRIGGS: I have a motion and a second. 17 All in favor say aye. 18 (Board votes to adopt and amend rules.) 19 CHAIRMAN GRIGGS: Ayes have it. Is there any 20 other business to come before the Board? 21 22 MR. ROGERS: No, sir. 23 CHAIRMAN GRIGGS: Is there a motion to adjourn? 24 MR. LAWLEY: In record time, yes, sir, I'll make that motion. 25

1	CHAIRMAN GRIGGS: The State Oil and Gas Board
2	stands adjourned.
3	
4	(The hearing was concluded at 10:20 a.m.)
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	

1	CERTIFICATE
2	
3	STATE OF ALABAMA)
4	JEFFERSON COUNTY)
5	
6	I hereby certify that the above and foregoing
7	proceedings were 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 proceedings 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	anywise interested in the result of said cause.
15	
16	
17	
18	
19	
20	
21	
22	
23	/s/ Teresa Turquitt Davis TERESA TURQUITT DAVIS, CCR, RPR
24	CCR #162, Expires 09/30/13 Commissioner for the
25	State of Alabama at Large My Commission Expires: 12/03/16

	<b>7</b> 6.05 7.00	anowara 10:0	25
WORD INDEX	<b>7</b> 6:25 7:23	answers 10:8	25 Building 1.8
	.0.	any 8:20	Building 1:8
<0>	< 8 >	anywise 10:14	business 8:21
<b>03</b> 10:25	<b>8.</b> 7:24	approval 3:8	<b>by</b> 10: <i>10</i>
<b>09</b> 10:23		approval. 2:21	
	<a></a>	approve 2:25	<c></c>
<1>	<b>a</b> 2:16 7:20 10:9	3:2, 13, 17	call 3:22
<b>1</b> 1:4 7:17	<b>a.m.</b> 2:1 9:4	approved 3:5	called 2:1
<b>10:10</b> 2: <i>1</i>	abstract 6:2 7:2	approved. 3:19	Campus 1:8
<b>10:20</b> 9: <i>4</i>	act 7:13	April 1:24	cases 6:4
<b>12</b> 10:25	acting 2:12	are 6:16	cause. 10:14
<b>13</b> 10:23	action 10:13	<b>as</b> 7:19 8:15	<b>CCR</b> 10:23, 23
<b>14</b> 3:25	added 6:2, 7, 8, 8,	associated 6:21	certify 10:6, 12
<b>16</b> 10:25	10, 15, 22 7:1, 3	attorney 5:9	CHAIRMAN 2:2,
<b>162</b> 10:23	adequate 4:12	audience 4:23	6, 22, 25   3:4, 12,
<b>1-8</b> 7:25	adjourn 8:23	8:6	15, 18 4:7, 10
<b>18th</b> 3:9	adjourned. 9:2	August 1:4, 10	5:1,23 6:19
<b>1st</b> 1:9 2:4, 7, 9	adjournment 1:9	2:4, 7, 9	7:12, 13 8:2, 8,
	Administration	available 2:19	10, 12, 17, 20, 23
< 2 >	1:24	aye. 3:1, 16 8:18	9:1
<b>2</b> 7:17	Administrative	<b>Ayes</b> 3:4, 18	changes 4: <i>13</i>
<b>2013</b> 1:4 2:4, 18	4:3, 16, 16 7:21	8:20	5:11, 11, 19, 22
4:11, 18 5:20	admit 7:18, 20		6:16 7:10, 11, 14
7:11, 22	admits 3:6	< B >	changes. 7:12
<b>2013,</b> 3:9, 10	admitted 2:10	back 4:18	<b>chemical</b> 6:2, 4
<b>2013.</b> 1:10 2:11	3:5 5:1 8:1,2	<b>Baker</b> 5:8 7:15,	7:2
<b>20th</b> 3:10	adopt 4:3, 20	25	<b>coal</b> 5:25 6:18,
	8:19	Barnett 1:16	23
< 3 >	adopted 5:13	base 6:8, 9 7:4	coalbeds 4:5
<b>3</b> 7:20	7:23 8:15	basically 6:22	<b>Code</b> 4:3
<b>30</b> 10:23	adoption 7:12	<b>be</b> 4:24 6:11, 20	<b>come</b> 8:21
<b>30th</b> 2:4, 7, 9, 11,	advertised 4:17	7:7	comments 4:12,
14, 18	agenda 2:8, 10	<b>be.</b> 5:22	21, 22, 24 5:3, 5,
<b>3-19-13-14</b> 4:1	3:21	<b>bed</b> 6:23	10 8:5, 6, 11
	ahead 5:21	beds 5:25	comments. 5:20
< 4 >	ALABAMA 1:1, 2,	Beds. 6:18	8:7
<b>4</b> 7:20	8, 9 4:2 5:12	BEFORE 1:12	Commission
<b>400-1-904</b> 4:3	7:21 10:3, 24	Berry 1:21	10:25
6:25 8:14	allow 6:6	<b>BOARD</b> 1:1, 6, 7,	Commissioner
<b>400-3-803</b> 4: <i>4</i>	amend 4:2, 4, 8	7, 14 2:3, 20 3:2,	10:2 <i>4</i>
5:25 6:15 8:15	8:19	6, 11, 17, 20, 21	compound 6:5
	amended 8:15	4:1, 2, 12, 19, 24	concluded 9:4
< 5 >	amendment 4:14	5:3 8:19, 21 9:1	consideration.
<b>5</b> 7:22	amendments	Board, 6:1	4:6
	6:17 8:15	Board. 2:15	consistent 5:13,
< 6 >	<b>an</b> 4: <i>13</i>	Board's 2:9 4:11	17 6:24
<b>6</b> 7:22	and 1:21 2:17	Bolin.Deputy 1:23	constituent 6:8
	7:8, 22	<b>both</b> 7:16	7:3
<7>	And, 7:11	<b>Botts</b> 5:8 7:15,	Copies 2:18
		,	•
	I	I	1

000V 7:10 01	8:18	iii. 6:25	
<b>copy</b> 7:18, 21			
<b>correct</b> 10:10	final 7:23	in 6: <i>15</i> , <i>21</i> 10: <i>1</i> 3	< M >
<b>counsel</b> 10:12	finally 7:23	included. 8:11	make 8:24
<b>COUNTY</b> 10:4	first 3:22	incorporate 7:14,	March 4:11, 23
	fluid 6:8, 9 7:4	15	5:20 7:11 8:11
< D >	following 3:9	incorporated	Marvin 1:20 2:12
David 1:23	for 2:8, 20 6:17	4:25 5:10 8:12	matter 5:15
<b>Davis</b> 10: <i>14</i> , 23	8:10	incorporates 5:3	<b>me.</b> 6:9
day 1:9	foregoing 10:6, 9	information 4:15	medical 6:13 7:8
<b>deemed</b> 6:11, 12	found 5:15	6:11, 12 7:6, 7	meeting 2:11, 14
7:6, 7	fracturing 4:4,5	interested 10:14	3:10, 18 4:23
Dennis 4:22	5:24 6:18, 21	into 5:3 7:15	meeting. 3:11
diagnosis 6:14	from 5:5 7:14	8:2, 12	meetings 2:4, 7,
7:8	further 8:6 10:12	<b>is</b> 5:17 6:10 8:4	9 3:9
Director 1:23		item 3:25, 25	members 2:19
disclose 6:11	< G >	item. 3:23	3:20
7:6	<b>GAS</b> 1:1, 7 2:3	items 2:4, 7, 13,	
disclosed 6:13	4:1, 2, 24 8:3 9:1	17 3:21	Merritt.Hearing 1:24
7:8		17 3.21	minor 5:19 8:4
	<b>given</b> 10: <i>10</i>	< J >	
disclosure 5:18 discuss 5:22	<b>go</b> 5:21	Jackson 5:8	minutes 3:9, 19 8:11
Docket 3:25	<b>GRIGGS</b> 2:2, 6,	Jackson 5.7	-
	16, 22, 25 3:4, 12,		minutes. 3:14, 17 modification 8:4
4:11 5:20 7:11	15, 18, 24 4:7	James 1:15	
<b>Dr</b> 1:21, 23 2:3,	5:1,23 6:19	JEFFERSON 10:4	Montgomery 4:17
6 3:8, 20 4:7, 10	7:13 8:2, 8, 12,	Jim 1:15	Monthly 7:22
5:5, 8, 24 6:20	17, 20, 23 9:1	JrSecretary 1:21	motion 2:22
_	Griggs.Chairman	July 2:4, 7, 9, 11,	3:12, 13, 15 4:1,
< E >	1: <i>15</i>	14, 18	5, 10 8:5, 17, 23
E 10:1		<b>June</b> 3:9, 10	motion. 8:9, 25
each 6:7	<h></h>		move 2:25
effort 4:8	Halliburton 5:9	< K >	moved. 2:24
elements 6:22	7:15	<b>kin</b> 10: <i>13</i>	<b>Mr</b> 1: <i>16</i> , <i>20</i>
Energy 5:9	has 3:20	_	<b>Ms</b> 1:24
entertain 8:9	have 2:3, 7	<l></l>	
entirely 6:24	heard 2:13, 17	language 5:11	< N >
exception 6:6	3:21, 25 8:3	6:2, 10, 23	necessary 6:13
excuse 6:9	hearing 2:1, 10,	Large 10:24	7:8
<b>Exhibit</b> 7:20, 20,	12, 13, 17, 20, 23	Lathem 4:22	neither 10:12
22, 22, 23, 24	3:2, 4, 6, 10 4:16,	Lathem's 5:3	new 4:14 6:20
<b>Exhibits</b> 7:17, 17,	25, 25 8:8 9:4	8:11	<b>Nick</b> 1:21
25	hearing. 10:11	Lawley 2:6, 16,	<b>No.</b> 3:25
exist 6:5	<b>He's</b> 5:8	24 3:13, 24 8:10,	<b>nor</b> 10: <i>1</i> 3
exists 6:4	hydraulic 4:4, 5	14, 24	notice 7:19, 21
exists, 7:2	5:24 6:18, 21	LawleyMember	noticed 2:5, 8
<b>Expires</b> 10:23, 25		1: <i>16</i>	number 6:5, 6
	< >	Legislative 7:19	7:1, 3, 3
<f></f>	I 3:15	letter 7:14, 25	numbers 6:3, 4
fact 5:16	ii 6: <i>16</i> , 25 7:1	little 5:25	
favor 3:1, 16	iii 6: <i>16</i> 7:5	LLP 5:8	< 0 >
	1	1	1

of 1:9 3:8 5:24	received 4:18	rules 4:9, 16	<b>Teresa</b> 10: <i>14</i> , 23
6:22	5:5 7:19	5:12, 13, 17	terms 5:18
<b>Officer</b> 2:10, 13,	recommend 3:8	rules. 8:19	Testimony 1:6
17, 20 3:2, 6, 10	7:12		<b>Tew</b> 1:21 2:3, 6
Officer, 2:12	recommendations	< \$ >	3:8, 20 4:7, 10
Officer's 2:23	5:16	said 10:11	5:5, 8, 24 6:20
3:5	recommending	second 3:1, 15	Thank 6:19
<b>OIL</b> 1:1, 7 2:3	6:17	second. 8:17	that 2:9 4:18
4:1, 2, 24 8:3 9:1	record 2:2, 10	secret 6:12, 13	6:23 7:18
Okay 7:13	7:14, 16, 18, 19,	7:7	the 2:2, 6, 22, 25
only 3:24	20 8:3, 24	secret. 7:6	3:6, 13 4:15, 22
operations 6:21	record. 3:5, 7	Section 5:25	5:1, 19 10:7, 24
operator 6:1, 10	5:2, 4 8:1, 13	6:25	there. 6:6
7:5	reduced 10:8	service 6:3 7:2,	thereto 10:8
order 2:1	referring 6:2 7:2	19	these 4:8
original 5:19	reflect 2:2 5:20	Services, 5:9	things 5:12
7:10 8:4	regard 4:8	Session 1:7 2:3	those 7:13
other 5:13	registry 6:3, 3, 6	showing 7:18	time 2:14 4:12,
	7:1, 3	sir 8:24	19 5:21 8:24
< P >	<b>Regular</b> 1:6 4:23	sir. 6:19 8:22	to 4:3 7:3
particular 4:8, 10	regulations 7:17,	some 4:21	today 3:22, 25
5:22	23 8:4	spill 6:14 7:9	4:23
parties 10:13	relating 4:3, 4	<b>STAFF</b> 1: <i>19</i> 2: <i>8</i> ,	today. 4:25
parts 6:16	relative 4:13	13, 18 3:8, 20	<b>Tom</b> 5:7, 8
period 4:19	5:10 6:17	stamped 7:18	trade 6:12, 12
petition. 8:16	report 2:15, 17,	stands 9:2	7:6, 7
please 3:22	18, 20, 23 3:1, 5, 6	starts 6:1	transcript 10:10
pointed 5:12	report. 3:3	<b>STATE</b> 1: <i>1</i> , 7	treatment 6:14
prepared 2:8	represents 5:9	2:3 4:1, 2, 23	7:9
3:21	10:9	6: <i>3</i> , <i>22</i> 9: <i>1</i> 10: <i>3</i> ,	true 10: <i>10</i>
<b>Proceed.</b> 5:23	required 6:11	24	Tuesday 2:18
proceedings 1:6	7:5	stated 8:16	<b>Turquitt</b> 10: <i>14</i> , 23
10: <i>7</i> , <i>10</i>	research 5:15	states 5:18	Tuscaloosa 1:2
process 4:16, 17,	response 6:14	states. 5:14	Tuscaloosa, 1:8
19	7:9	stenotype 10:7	typewriting 10:8
proper 6:13 7:8	result 10:14	strike-through	
properly 2:5, 8	review 2:19	7:16	<u></u>
propose 8:14	<b>Rogers</b> 2:12, 14,	study. 2:19	under 6:24 10:9
proposed 4:13	16 3:22, 24 5:7 8:22	submit 2:20	underlined 7:16
7:10, 17 provide 6:1	Rogers.Attorney	submitted 4:15	University 1:8
public 2:19	1:20	suggested 5:11 8:4	< V >
published 7:21	<b>Room</b> 1:7	supervision 10:9	various 2:13
pursuant 1:9	<b>RPR</b> 10:23	Supervisor 1:22	verbal 4:22
	<b>Rule</b> 4:3, 4, 13,	supervisor's 8:3	version 7:16
< Q >	21 5:10, 19, 24		votes 3:2, 17
questions 10:8	6:17, 20, 23, 25	<t></t>	8:19
	8:14	taken 10:7	
< R >	rule. 4:14, 20	tell 4:7	< W >
receive 4:12	5:11		
	I	1	I

Freedom Court Reporting, Inc

we 4:11 5:18		
7:17		
went 6:23		
were 5:16 7:25 where 4:7 5:25		
will 2:14 8:8		
witness 10:11		
word 4:18		
words 6:7, 8		
would 6:5		
written 2:17 5:5		