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STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

September 12, 2013

Testimony and proceedings before the Board in Regular
Session in the Board Room of the State Oil and Gas Board
Building, University of Alabama Campus, Tuscaloosa,
Alabama, pursuant to adjournment, on this 12th day of
September, 2013.

ORIGINAL

BEFORE

BOARD

- James "Jim" Griggs.....Chairman
- Mr. Barnett Lawley.....Member
- Mr. Charles "Ward" Pearson.....Member

STAFF

- Mr. Marvin Rogers.....Attorney
- Dr. Berry H. (Nick) Tew, Jr.....Secretary and
Supervisor
- Dr. David E. Bolin.....Deputy Director
- Ms. April Merritt.....Hearing Administration

MR
10/24/13
10/24/13
JTE

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1 (The hearing is in session at 10:07 a.m.)

2 CHAIRMAN GRIGGS: The State Oil and Gas Board is
3 now in session. Dr. Tew, have the items for the
4 September 10th and the September 12th, 2013, meetings been
5 properly noticed?

6 DR. TEW: Chairman Griggs, Mr. Pearson,
7 Mr. Lawley, the items for the September 10th and
8 September 12th meetings have been properly noticed. The
9 Staff has prepared an agenda for the Board's September 10th
10 and September 12th meetings and that agenda was admitted
11 into the record at the Hearing Officer meeting on
12 September 10th, 2013. Mr. Marvin Rogers, acting as Hearing
13 Officer, and the Staff heard various items at the Hearing
14 Officer meeting on September 10th, and at this time
15 Mr. Rogers will make his report to the board.

16 MR. ROGERS: Chairman Griggs, Mr. Pearson and
17 Mr. Lawley, I have a written report of the items heard by
18 the Hearing Officer and the Staff on Tuesday, September 10,
19 2013. Copies of that report are available for members of
20 the public to review and study. I submit this Hearing
21 Officer Report to the Board for approval.

22 CHAIRMAN GRIGGS: Is there a motion to approve
23 the Hearing Officer Report?

24 MR. LAWLEY: I make a motion.

25 CHAIRMAN GRIGGS: I have a motion. Is there a

1 second?

2 MR. PEARSON: Second.

3 CHAIRMAN GRIGGS: Motion and a second. All in
4 favor say aye.

5 (Board votes to approve the Hearing Officer Report.)

6 CHAIRMAN GRIGGS: Ayes have it. The Hearing
7 Officer Report is approved and admitted into the record.

8 DR. TEW: The Staff would recommended approval
9 of the minutes of the following meetings: July 30th, 2013,
10 which was a Hearing Officer meeting; August 1st, 2013, which
11 was a regular board meeting; and August 14, 2013, a special
12 hearing.

13 MR. PEARSON: I move the minutes be approved.

14 MR. LAWLEY: Second.

15 CHAIRMAN GRIGGS: I have a motion and a second.
16 All in favor say aye.

17 (Board votes to approve minutes.)

18 CHAIRMAN GRIGGS: Ayes have it. Those minutes
19 are approved and admitted into the record, if necessary.

20 DR. TEW: The Staff has presented an agenda of
21 the items to be heard by the Board today. And at this time,
22 Mr. Rogers, will you please call the first item?

23 MR. ROGERS: The first item is Item 5, Docket
24 No. 8-14-13-01, petition by RAM Petroleum, LLC requesting
25 the Board to terminate the Northwest Citronelle Unit in the

1 Citronelle Field, and a related item is a petition by RAM
2 Petroleum, LLC to approve a partial Fieldwide Unit in the
3 Citronelle Field to be known as the North Citronelle Unit.

4 CHAIRMAN GRIGGS: Mr. Watson, is there any
5 reason that we can't consolidate these two petitions for
6 hearing purposes?

7 MR. WATSON: I would request that you do that,
8 Mr. Chairman.

9 CHAIRMAN GRIGGS: They are consolidated.
10 Proceed, Mr. Watson.

11 MR. WATSON: Mr. Chairman, I have three
12 witnesses and I would like to have them sworn in, please,
13 sir.

14 MR. ROGERS: Stand and state your name and
15 addresses. State your name and address.

16 MR. CARONA: Jack Carona.

17 MR. ROGERS: And your address?

18 MR. CARONA: 5205 Chestnut Street, New Orleans,
19 Louisiana 70115.

20 MR. ROGERS: You, sir.

21 MR. O'CONNOR: Danny O'Connor, 138 Lorman Lane
22 in Madison, Mississippi 39110.

23 MR. ROGERS: You, sir.

24 MR. FREEZE: Jason Freeze, 508 Pinebark Cove,
25 Brandon, Mississippi 39047.

1 (The Hearing Officer swears in the witnesses.)

2 MR. WATSON: Mr. Chairman, I have pre-filed an
3 Affidavit of Notice in this matter and ask that it be
4 admitted into the record.

5 (Whereupon, (Items 5 & 6) Affidavit of Notice
6 was offered into evidence.)

7 CHAIRMAN GRIGGS: It is admitted, Mr. Watson.
8 (Whereupon, (Items 5 & 6) Affidavit of Notice
9 was received into evidence.)

10 MR. WATSON: I would also state for the record,
11 and I have a copy of the notice that was posted in the
12 Citronelle City Hall and the post office in Citronelle
13 relative to this hearing and will hand that up for inclusion
14 in the record.

15 MR. ROGERS: With respect to notice, too, we
16 have this green card indicating that you notified Denbury
17 Onshore, LLC.

18 MR. WATSON: And I would ask that that green
19 card be also admitted into the record.

20 (Whereupon, (Items 5 & 6) green card was
21 offered into evidence.)

22 CHAIRMAN GRIGGS: The posted notice and the
23 green card notice are both admitted into the record.

24 (Whereupon, (Items 5 & 6) green card was
25 received into evidence.)

1 MR. WATSON: At the outset also, I am requesting
2 that you incorporate into the record of this hearing Board
3 Order 79-62 and Board Order 91-239. 79-62 established the
4 Northwest Citronelle Unit. 91-239 approved the expansion of
5 the Northwest Citronelle Unit. I would ask that those two
6 orders and the records of those hearings be admitted by
7 reference into this record.

8 CHAIRMAN GRIGGS: They are both admitted.
9 (Whereupon, (Items 5 & 6) Board Order 79-62
10 and Board Order 91-239 were received into
11 evidence.)

12 MR. WATSON: As you have stated, our first
13 petition is to have this Board declare the Northwest
14 Citronelle Unit terminated. Now, although this is not
15 something that I can cite you to a rule, this has become a
16 practice of the Board to not just allow working interest
17 owners to terminate a unit, but also to have the Board
18 terminate a unit officially. The Northwest Citronelle Unit
19 was terminated in 1998. The operator of the Northwest
20 Citronelle Unit, Bernard/Hickox, Inc. was dissolved in 2002,
21 but there is nothing of record in this Board terminating the
22 Northwest Citronelle Unit.

23 So the first petition that you consolidated for
24 hearing purposes today is to have the Board rule that since
25 that Northwest Citronelle Unit has been abandoned, all wells

1 plugged and the bond released, it's only appropriate that
2 the Board rule to terminate that unit.

3 In so doing, we are asking the Board to create
4 a new unit that we refer to as the North Citronelle Unit,
5 which is identical in aerial extent to the Northwest unit
6 and it's identical in many facets.

7 As you know when we come before you to unitize
8 a field, one of the main objectives that we have to present
9 to you are the limits of that unitized interval formation.
10 In this case, that has long since been determined, there has
11 been no additional drilling since this field was by the
12 working interest terminated.

13 In addition, as you will hear in just a minute,
14 the Rodessa Formation that we are asking be created as a
15 unitized interval for the North Citronelle Unit has been not
16 only defined, it's been published upon, it's been
17 researched, so we have a known hydrocarbon resource base to
18 work from.

19 The Northwest Citronelle Unit was a waterflood
20 unit. Waterflood operations were conducted in this unit up
21 until shortly before it was terminated. You will hear in
22 the testimony or at least the affidavit of Dr. Larry Baria
23 that there are multiple zones in this Rodessa Formation.

24 All of those zones have not been depleted. The main reason
25 for the termination of the unit, in my opinion, and I think

1 this is a universal opinion, is the cost of operations was
2 great and the price of oil was very low in the \$20 per
3 barrel range.

4 Today, oil is in the 95 to \$110 range which
5 makes this project attractive as you will hear in the
6 testimony today to go back into these some of these zones
7 that were never flooded, never produced to see if we can't
8 get the remaining oil out of the ground. This is indeed the
9 rise of the phoenix. We are taking an otherwise dead field
10 and trying to bring it back to life to prevent the waste of
11 these hydrocarbons and to allow these working and royal
12 interest owners to share in the benefits of the production.

13 This is somewhat experimental starting out and
14 you will hear in the testimony from my petroleum engineer
15 how we are going to take this one step at a time and expand
16 it out. In order to do that, we will unitize the entire
17 field.

18 You will also hear in the testimony from my
19 landmen that well in excess of the required 66 and
20 two-thirds of royalty and working interest owners have
21 ratified the agreement to allow this process to begin.

22 That is pretty much the basic concept that we
23 will be talking to you about today. At the first setting of
24 this hearing, we have and continue to have a geological
25 consultant, Dr. Larry Baria, who has worked on this field,

1 and before this project was ever really put forth, Dr. Baria
2 spent time here in Tuscaloosa with Dr. Pashin over at the
3 Geological Survey in studying this Northwest Citronelle Unit
4 area.

5 Dr. Baria cannot be with us today, he is in
6 Italy. And I had him prepare an affidavit of testimony
7 which was prefiled with the Board. And, Mr. Chairman, if
8 you would allow me just to highlight very briefly the key
9 points of that affidavit as it will lead into the testimony
10 of my witnesses. May I?

11 CHAIRMAN GRIGGS: Yes, proceed.

12 MR. WATSON: Dr. Baria reports having studied
13 with the geological survey and Dr. Pashin and others this
14 Rodessa Formation in the proposed North Citronelle Unit.
15 Several authors have put together papers on this, Evans in
16 '76 and Esposito in 2006. Dr. Baria says that they
17 recognize as many as 42 fluvial depositional cycles within
18 the Rodessa Formation containing multiple channel reservoirs
19 within each cycle. Such reservoir complexity has
20 contributed to the difficulty of draining the field through
21 primary and even secondary recovery operations.

22 However, that same reservoir heterogeneity
23 affords the opportunity to recover considerable additional
24 oil reserves by the revitalization of production as proposed
25 by RAM. The proposed unitized interval, he goes on to say,

1 for the North Citronelle Unit in the Rodessa Formation is
2 well defined and has been sufficiently identified by logs to
3 allow RAM to target specific sands and shales for additional
4 enhanced recovery of hydrocarbons in the operation of the
5 unitized formation. Attached to Dr. Baria's affidavits of
6 testimony are three exhibits. We will refer to at least one
7 of his maps in our testimony. I would ask that you without
8 objection receive into the record of this hearing the
9 affidavit of testimony of Dr. Larry R. Baria.

10 (Whereupon, (Items 5 & 6) affidavit of
11 Dr. Larry R. Baria was offered into
12 evidence.)

13 CHAIRMAN GRIGGS: Is there anyone who is present
14 today who is in opposition to these two petitions in the
15 audience?

16 (No response.)

17 CHAIRMAN GRIGGS: Does anyone object to the
18 admission of this affidavit into the record? Hearing no
19 objection, it is admitted, Mr. Watson.

20 (Whereupon, (Items 5 & 6) affidavit of
21 Dr. Larry R. Baria was received into
22 evidence.)

23 MR. WATSON: Thank you, Mr. Chairman. I have
24 handed up in front of you two packets, one is the affidavit
25 of Dr. Baria with his exhibits. The next is the exhibit

1 package marked Exhibits 1 through 17 to these consolidated
2 dockets.

3 Let me simply walk you through. I have already
4 referred to Exhibit Number 1 where the directors of
5 Bernard/Hickox held a meeting and voted to dissolve that
6 corporation in 2002, that was a prior operator of the North
7 Citronelle Unit. Exhibit Number 2 in the package is the
8 State recording of the stock in that Bernard/Hickox, Inc.
9 that I have included for you in the record.

10 DR. TEW: Excuse me, Mr. Watson, you said that
11 was Exhibit 2?

12 MR. WATSON: I'm sorry.

13 DR. TEW: It's part of Exhibit 1, I believe.

14 MR. WATSON: Correct. Exhibit 2 is Dr. Baria's
15 map showing the North Citronelle Unit as it relates to the
16 other wells in the Citronelle Field. And Exhibit 3 is also
17 attached to Dr. Baria's affidavit of testimony, it is the
18 Oil and Gas Board's map of the Northwest Citronelle Field
19 that we will use for the North Citronelle Field and we will
20 refer back to this in our testimony. And exhibit -- be sure
21 I have got this right, Exhibit Number 4, as revised, is a
22 line of cross-section of logs, two of which are in the
23 proposed North Citronelle Unit and the other two logs to the
24 left are in the Citronelle Field. This is included in Dr.
25 Baria's affidavit to define the top and the base of the

1 unitized interval.

2 That brings me to my first live witness, Jack
3 Carona, who is a petroleum engineer. Mr. Carona has not
4 appeared before you, but has on file an affidavit of his
5 qualifications as a petroleum engineer. If you would pass
6 that microphone down, Danny.

7 Mr. Carona, would you give the Board a brief
8 summary of your educational background and work experience,
9 please.

10 MR. CARONA: I'm a graduate of the petroleum
11 engineering department, bachelor of science degree in
12 petroleum engineering at Louisiana State University. I
13 graduated in 2008. I then started work with Griffin &
14 Griffin Exploration in Jackson, Mississippi where I was
15 their in-house petroleum engineer in charge of production,
16 all drilling and completion.

17 I also have experience in work-overs and plug
18 and abandonment. I'm currently employed by RAM Petroleum as
19 their petroleum engineer and manage their operations in both
20 Mississippi and Alabama.

21 MR. WATSON: In your operations for RAM
22 Petroleum, do you operate a waterflood project; and, if so,
23 where is that waterflood project?

24 MR. CARONA: RAM Petroleum currently operates a
25 waterflood project in Wilkinson County, Mississippi.

1 MR. WATSON: And does RAM Petroleum have an
2 operation in Alabama?

3 MR. CARONA: Yes. RAM Petroleum operates Toxey
4 Field.

5 MR. WATSON: And have you prepared exhibits in
6 support of the creation of the North Citronelle Unit?

7 MR. Carona: Yes, I have.

8 MR. WATSON: And you are familiar with the
9 petitions and the allegations in the petition relative to
10 the creation of this unit?

11 MR. CARONA: Yes, I am.

12 MR. WATSON: I tender Mr. Carona as an expert
13 petroleum engineer for giving testimony, Mr. Chairman.

14 CHAIRMAN GRIGGS: The Board recognizes
15 Mr. Carona as an expert petroleum engineer and we admit into
16 the record the affidavit of his credentials that were
17 submitted earlier.

18 MR. WATSON: Thank you.

19

20 JACK CARONA,
21 having been first duly sworn, was examined and testified
22 as follows:

23

24 (ITEMS 5 & 6) DIRECT EXAMINATION BY MR. WATSON:

25 Q. Turn to Exhibit Number 5 in our package of exhibits,

1 Mr. Carona, and tell the Board what is shown on that exhibit,
2 please, sir.

3 A. Exhibit Number 5 are the general reservoir parameters
4 for Citronelle Field Rodessa Formation. Use of the previous
5 information showing that there is continuity between
6 Citronelle Field Main Unit and the North Unit, these
7 parameters will expand forward to the North Unit.

8 Our depositional environment in the North Unit
9 will remain fluvial deltaic sandstone. Our primary recovery
10 is estimated at nine percent. Our secondary recovery will be
11 estimated at 42 percent. Initial reservoir pressure could be
12 as high as 5,500 psi, but it could remain in the 2,000 to
13 8,000 psi range. That is still unknown. Estimated porosity
14 is between 10 and 15 percent. Permeability, between 2 and 20
15 millidarcies. API oil gravity is estimated at 46 degrees and
16 the gas/oil ratio will be estimated at 244 to 1.

17 Q. All right, sir. Let's go to your Exhibit Number 6,
18 please, sir.

19 A. Exhibit Number 6 is the economic reserves calculation
20 for the North Citronelle Unit project. Estimated productive
21 acreage of target infill drilling is approximately
22 1,000 acres of the 1,200 acres existing. Total calculated
23 recoverable oil in place of 5,180,000 stock tank barrels.
24 That unit was gathered from the unit enlargement Board
25 approved less production from that time 5 -- dated 5/1990.

1 Our number of reentry injector wells proposed is 7. Our
2 number of new injector wells proposed is 18. Our number of
3 reentry producer wells is 1. Our number of new drill
4 producer wells is 24. Our drilling and completion costs per
5 reentry is estimated at 450,000. Our drilling and completion
6 cost per new drill is estimated at 1.2 million. And our
7 facilities cost is estimated at \$2 million. And the
8 facilities -- initial facilities design is estimated -- is
9 projected to be a hub and spoke design to minimize on surface
10 damages. All wells will be drawn back to a central facility.
11 Net revenue per barrel to working interest will be estimated
12 at \$57 per barrel, estimating using \$95 per barrel crude.
13 Using the revenue gathered from \$57 per barrel times the
14 5,180,000 stock tank barrels in place, we have a project
15 revenue of \$295,256,000. Subtract that above, capital
16 expenditures plus operating expenditures, and we get a return
17 of almost \$240 million, a six to one return.

18 Q. Okay. One of the statutory requirements is that in
19 proposing a unit, the cost of putting the unit in place and
20 operating a unit will not exceed the cost of expected
21 additional revenue. You certainly at six to one meet that
22 burden if this project works as you plan; is that correct?

23 A. That is correct.

24 Q. Let's go back to the total calculated recoverable oil
25 in place figure of five million barrels. That number has

1 been presented to this board for the Northwest Unit and
2 approved and becomes an integral part of the Northwest Unit
3 and you are adopting that number since it has been approved
4 by the Board based on the evidence that we have included by
5 reference into this hearing; is that correct?

6 A. That is correct.

7 Q. Okay. In your opinion, is that a fair estimate of
8 the calculated recoverable oil in place?

9 A. Yes.

10 Q. Okay. Now, you have described at least three
11 different types of wells. Let's go to your Exhibit Number 7.

12 MR. WATSON: And, Mr. Chairman, if you would
13 refer back in the package of exhibits to Exhibit Number 3,
14 which is the Board's map of the Northwest Citronelle Unit.
15 It's in this booklet of exhibits. As we go through these
16 wells, Mr. Carona will point out their location.

17 Q. All right. Tell us about this well and your plans
18 for it.

19 A. Exhibit Number 7 is an existing well schematic not to
20 scale of the Stallworth Naval Stores A-14-12, Permit No.
21 2226. This information gathered was gathered from the OGB
22 Form 11 for the well, plug and abandonment. This well is
23 located, if we flip back to Exhibit Number 3, just South of
24 the North line of the North Citronelle Unit near the number
25 14 in section number 14. This well was -- surface casing was

1 set to 1,426 feet on this well. A production casing was set
2 to 11,242 feet. And perforations range from 11,097 -- 11,011
3 to 11,124. Cement plugs in this well are from three feet to
4 almost 1,500 feet. And a bottom plug from 10,672 feet to
5 10,934 feet. RAM Petroleum has plans to reenter this well,
6 drill out the surface plugs and attempt to revive this well
7 as a producing well.

8 Q. And that will be before there is any injection of
9 water, you are going to see if you can reestablish production
10 in this wellbore in specific zones that you and Dr. Baria
11 have identified; is that correct?

12 A. That is correct.

13 Q. Now, if the OGB-11 form is accurate and if the well
14 was plugged as indicated on that form, what do you expect the
15 condition of the casing in this well to be?

16 A. We expect to have casing integrity in this well.

17 Q. But in case that is not a fact, do you have plans to
18 run mechanical integrity tests on this well?

19 A. Yes.

20 Q. All right. So that would be done prior to trying to
21 bring any production, initial production through this
22 wellbore?

23 A. That is correct.

24 Q. And we will get to the USDW level in a minute on a
25 subsequent exhibit, but before we get there, is this well

1 cased so that USDW is protected?

2 A. Yes.

3 Q. Assuming that the integrity of the well checks?

4 A. That is correct.

5 Q. Go to Exhibit Number 8 and tell us the name of this
6 well, locate the well on Exhibit 3 and tell us what your
7 plans are for this well.

8 A. Exhibit 8 is the existing well schematic, not to
9 scale, for the Stallworth Naval Stores A-14-5, Permit No.
10 2254. This well is located just North of the previous well
11 right near the number 14 on your map. This well was drilled
12 and completed, set surface casing to 1,434 feet. Casing was
13 set to 11,212 feet. This well produced 54,000 barrels of
14 oil. And currently, given the information from OGB Form 11,
15 has three plugs and cut casing inside surface. Perforations
16 are abandoned from 11,052 feet to 11,123 feet.

17 RAM plans to reenter this well, tie back casing
18 to surface, achieve mechanical integrity and convert this
19 well to an injection well.

20 Q. And we understand or you understand that if the Board
21 sees fit to approve this unit that these processes that you
22 have just described, particularly this injection well, these
23 are all subject to permit applications being filed with the
24 supervisor's office and subject to being approved by the
25 supervisor prior to any work within the area; do you

1 understand that?

2 A. We understand.

3 Q. All right, sir. Let's go to your Exhibit Number 9.

4 A. Exhibit Number 9 is the proposed injection well
5 schematic for the completed Stallworth Naval Stores A-14-5,
6 Permit No. 2254. That was the previous well. This well will
7 show the wellhead equipment, particularly how RAM will -- how
8 RAM will configure the wellhead. We will monitor the
9 injection tubing using a pressure gauge. We will monitor the
10 annulus pressure using an annulus pressure gauge connected to
11 our five-and-half-inch casing, and we will also monitor any
12 pressure that may build on the surface casing with a pressure
13 gauge. Downhole we will run tubing after the well is cleaned
14 out and set packer within a hundred feet of our injection
15 zone. Our proposed injection perforations are from 11,052 to
16 64 in this well.

17 Q. And what will be your source of water to flood this
18 Rodessa Formation?

19 A. Initially, we will use any makeup water from South
20 Alabama Utilities and it will be fresh.

21 Q. All right, sir. Let's go to your Exhibit Number 10,
22 Mr. Carona.

23 A. Exhibit Number 10 is RAM Petroleum's proposed monitor
24 well. The monitor well will be located -- refer back to
25 Exhibit Number 3, almost right on the number 14 -- 1,000 feet

1 to the Southeast of Permit No. 2254 and 1,000 feet
2 approximately to the Northeast of Permit No. 2226.

3 Surface casing in this well will be set to 1,500
4 feet but that is -- that is subject to approval and
5 discussions to be made with the Citronelle Unit field agent
6 and regional supervisor. We plan to set surface, drill down
7 to 11,500 feet to test the Rodessa Formation.

8 The reason we are drilling this well is to gain
9 any geological information, oil saturation and water
10 saturation information and to monitor the effect that the
11 injector well and the producer well are having on any
12 formations encountered.

13 Q. So this well really has a dual purpose; one, of
14 monitoring the effectiveness of your waterflood, and at some
15 point in time will be turned into a producing well?

16 A. Yes, we have plans to convert this well to a
17 producing well if commercial hydrocarbons are encountered.

18 Q. Okay. So I am assuming that you run full suites of
19 logs, you are looking at these multiple zones in the Rodessa
20 Formation that could have been bypassed not effected by the
21 initial and first secondary recovery program conducted by
22 Bernard/Hickox; you are looking for those zones that just
23 were not economic or just really were not looked at by the
24 previous operator; is that right?

25 A. Yes, this well will be thoroughly tested and

1 evaluated for any zones not flooded from the original
2 waterflood.

3 Q. Now, is it true, Mr. Carona, that in the reentry
4 wells that you have discussed here that you can do all those
5 with RAM's tools or RAM's work-over rig?

6 A. For all reentry candidates, RAM Petroleum operates a
7 work-over rig. For any monitor wells or new drills, we will
8 hire a third-party contractor to drill those wells.

9 Q. All right. And the TD of this monitor well will be
10 11,500 feet?

11 A. 11,500 feet.

12 Q. All right, sir. Your next exhibit, Exhibit Number
13 11, tell us what that is and we will relate it back to your
14 prior exhibits.

15 A. Exhibit Number 11 shows the main sea level elevations
16 of groundwater containing greater than 10,000 milligrams per
17 liter total dissolved solids, base of the USDW. Our
18 particular area of concern is the Northwestern portion in
19 Northern Mobile County where our field, the North Citronelle
20 Unit will be located. Our base of USDW will be estimated at
21 negative 1,000. Probably a little greater, maybe to negative
22 1,200. So we intend to set surface casing to protect the
23 base of the USDW.

24 Q. All right. And in the wells that you are reentering
25 that has been achieved, as I recall your testimony, and of

1 course that would be monitored as you have stated by the
2 Board's agents that are in that part of the state that are
3 familiar with the drilling and completion operations?

4 A. That is correct.

5 Q. Okay. Exhibit 12 is taken from the Board's
6 production records and shows the total production from the
7 Northeast Citronelle Unit from date of inception in 1979
8 through the termination of unit operations in 1998; is that
9 correct?

10 A. That is correct.

11 Q. And what did the Northwest Citronelle Unit produce
12 during that time frame?

13 A. 2,309,965 barrels.

14 Q. Okay. Now, let's come to the next exhibit,
15 Exhibit 13, your Plan of Operations. Every unit has a Plan
16 of Operations. We submit a narrative of the Plan of
17 Operations that allows the Board and its field agents to
18 monitor our plans, but these are plans and are subject to
19 adjustments as you move in. So describe basically what you
20 have on this Plan of Operations in Exhibit 13 in your own
21 words.

22 A. RAM Petroleum intends to reestablish waterflooding
23 and begin targeted infill drilling of the North Citronelle
24 Unit. We intend to do that by reentering the Stallworth
25 Naval Stores A-14-12, a previously plugged and abandoned well

1 and converting that well to a producer. The next step would
2 be to reenter the Stallworth Naval Stores A-14-5 Well and
3 convert that well to an injector.

4 After a period of monitoring those wells for
5 about three months, we plan to drill the monitor well,
6 evaluate logs and suites and all geology associated with that
7 well and begin production on the monitor well. If
8 successful, the project will begin to step out on a
9 Northeast/Southwest line on a well-by-well basis of reentries
10 and new drill wells.

11 Q. All right, sir. And the success of the initial entry
12 and monitor well and some time to give that a chance to
13 produce will then determine how far and how fast you move out
14 from that initial point of entry; is that right?

15 A. That is correct.

16 Q. All right. So one would describe that as a prudent
17 way to develop this field, would that be a fair description
18 of how you plan to run this unit prudently so that you are
19 not committing resources until you are sure that all of this
20 production can be achieved?

21 A. That is correct.

22 Q. But you and Dr. Baria feel that there is a sufficient
23 remaining hydrocarbon reserve there to warrant the investment
24 and you feel confident in the methodology to try to produce
25 that?

1 A. We do.

2 Q. All right. Let's go to your Exhibit 14.

3 A. Exhibit 14 is the platted location of RAM Petroleum's
4 initial production well, the A-14-12. This is our first well
5 that we plan to reenter in the field.

6 Q. Okay. And your Exhibit 15?

7 A. Exhibit 15 is the Stallworth Naval Stores A-14-5.
8 This is the second well that RAM Petroleum plans to reenter
9 in the field and convert to an injection well.

10 Q. Okay, sir. Exhibit 16 is going to be discussed by
11 our landman, but I want to use that exhibit to discuss with
12 you these -- the allocation formula that we have for the
13 North Citronelle Unit.

14 MR. WATSON: Let me say at the outset,
15 Mr. Chairman, that the allocation formula for the North
16 Citronelle Unit is identical to the allocation formula that
17 was used in the Northwest Citronelle Unit. We have worked
18 with the Staff and we have tried to keep this new unit
19 almost identical to the Northwest Unit with the exception
20 being the unit operator.

21 Q. For the record, the allocation formula for the North
22 Citronelle Unit as contained in our unit agreement as I have
23 said is the same formula approved by this Board for Northwest
24 Citronelle is enlarged in Orders 79-62 and 91-239, and was
25 based on the established remaining reserves, both primary and

1 secondary, to be produced from each tract.

2 This has been calculated by allocating the
3 Northwest Citronelle original reserves to each tract based on
4 acre feet, the acre feet each tract contributes to the total,
5 less the track's cumulative production through November 30th,
6 1978 as reported to the Board and as approved by the Board.
7 The original reserves are defined as a total reserves the
8 Northwest Citronelle unit produced from the time production
9 was initially established until production ceased.

10 We submit that the formula should be approved
11 for the North Citronelle Unit because it's based on the
12 relative contribution which each such tract or interest is
13 expected to make during the course of unit operations to the
14 total production of unitized substances so allocated. You
15 understand that formula, don't you, Mr. Carona?

16 A. Yes.

17 Q. In looking at the exhibit that will be sponsored by
18 Mr. O'Connor, Exhibit 16, I see various tract numbers 15-7,
19 14-5, 14-8, and so forth. Under that, I see a small number.
20 Tell the Board what that number is.

21 A. (BY MR. O'CONNOR:) That number is --

22 MR. WATSON: No, no, I want Mr. Carona. It's
23 your exhibit, but we are going to talk about this.

24 A. (BY MR. CARONA:) That number is the decimal tract
25 participation factor.

1 Q. Is that the same decimal tract participation factor
2 or allocation factor that was used in the North Citronelle
3 Unit?

4 A. Yes.

5 Q. In your opinion, does that reflect the relative
6 contribution which each of these 30 tracts are expected to
7 make in total unit production?

8 A. Yes, that information was originally gathered from
9 well log and core data.

10 Q. Okay. So we have a finite resource here that has
11 been approved by the board at other hearings subject to
12 cross-examination, subject to the Board Staff's interplay,
13 and that number is what we are using as our basis for
14 allocating these remaining reserves, correct?

15 A. Correct.

16 Q. Now, you and I have worked out a little example to
17 show how this works. And if you will give me just a minute,
18 I'm going to pass this example out and I'm going to ask you
19 to go through it.

20 I thought this might be informative. It was not
21 pre-filed. It will just be an example. We can admit if you
22 choose when we finish discussing it, Mr. Chairman. We just
23 at random picked a tract in this -- from Exhibit 16, we
24 picked tract 14-11. I would like for you to walk through
25 tract 14-11 and tell us how we determined that tract's

1 relative contribution to the total unit.

2 A. On tract 14-11 the tract participation factor number
3 is 0.0551141. Using numbers previously approved by the
4 Board, we have original reserves, both primary and secondary,
5 totaling 8,637,000 barrels of oil. A set in place number of
6 stock tank barrels per acre foot of 228.25 for the North
7 Unit, and which gives us a total of net acre feet for the
8 unit of 37,842. So for our tract example, 14-11, and our
9 tract participation factor, we can use the 37,842 net acre
10 feet, multiply that by the tract participation factor, which
11 gives us 2,085 net acre feet for tract 14-11. And if we
12 multiply that by 2,085 net acre feet by the 228.25 barrels
13 per acre foot, it gives us estimate 476,044 barrels
14 recoverable for that tract.

15 Q. That is all the zones in the Rodessa Formation as
16 originally the original reserves, correct?

17 A. That is correct.

18 Q. We are not saying that our waterflood operation would
19 recover all that, but that is what is in place according to
20 the formula that has been previously established in the
21 reserves as previously determined, correct?

22 A. That is correct.

23 Q. Okay. Now, as the unit operator, and we are asking
24 that the Board name RAM Petroleum as the unit operator of the
25 North Citronelle Unit, we are also asking the Board to amend

1 the Special Field Rules for the North Citronelle Field and
2 for the North Unit in particular. Have you reviewed those
3 Special Field Rules as we propose to amend them?

4 A. Yes.

5 Q. Those Special Field Rules as they pertain to the
6 North Citronelle Unit have in Rule 17 a setback of at least
7 330 feet from every exterior boundary of the unit; you are
8 familiar with that, are you not?

9 A. Yes.

10 Q. And as far as a unit allowable is concerned for the
11 North Citronelle Unit, we are proposing that that be a
12 hundred percent of the production of oil per day?

13 A. Yes.

14 Q. We have no test to know what these wells are going to
15 produce and so we are asking the Board to give us an
16 allowable based on whatever is produced; is that correct?

17 A. That is correct.

18 Q. Now, as amended, do these Special Field Rules give
19 you the necessary guidance upon which to operate the North
20 Citronelle Unit?

21 A. Yes.

22 Q. All right. Mr. Carona, you have also reviewed the
23 unit agreement and the unit operating agreement, have you
24 not?

25 A. I have.

1 Q. The Board's law statute requires that the unit
2 agreement and unit -- particularly, the unit operating
3 agreement that will guide RAM's operations of this North Unit
4 be fair and reasonable. In your opinion, are the terms and
5 conditions of the unit operating agreement fair and
6 reasonable for all the working interest that will be in the
7 North Citronelle Unit?

8 A. I believe that it is.

9 Q. And you also know, do you not, that the unit
10 agreement that we are proposing and that has been ratified as
11 we will show in a few minutes is the standard unit agreement
12 that the Board has approved in the past and also it is
13 identical almost to the Northwest Citronelle Unit operating
14 agreement?

15 A. I believe that it is.

16 Q. And you have also had a chance to look at the unit
17 agreement, that is the agreement between the operator and the
18 royalty interest owners in the field, is that also a fair and
19 reasonable unit operating agreement and does it contain all
20 the terms and conditions that are normally included in a unit
21 agreement that is approved by this Board indeed; was it the
22 same as was approved by the Northwest Citronelle Unit?

23 A. I believe that it is.

24 Q. The unitized interval as we define it both in the
25 petition and in the unit agreement calls for that portion of

1 the Rodessa Formation productive of hydrocarbons in the
2 interval between 10,608 feet and 11,590 feet as recorded on
3 Schlumberger's electrical log for the Gulf Citronelle Unit
4 One, Permit No. 619 located in the Southwest Quarter of the
5 Southwest Quarter of Section 25, Township 2 North, Range 3
6 West, Mobile County, is that the unitized interval that you
7 will be working on?

8 A. Yes.

9 Q. That particular log came from the original Citronelle
10 Field but it is correlatable to the productive unitized
11 interval in the proposed North Citronelle Unit, is it not?

12 A. It is.

13 Q. Also included in the unit agreement are the Plan of
14 Operations which you have just discussed here with the Board,
15 and then the allocation formula referred to in the unit
16 agreement as a tract participation formula is as I have
17 described it and read from the petition?

18 A. It is.

19 Q. You understand that, as the person in charge of
20 assisting in the operation of this, you can administer that
21 allocation formula as it is written?

22 A. Yes.

23 Q. And does that represent the relevant contribution
24 which each tract is expected to make the unit production?

25 A. It does.

1 Q. All right, sir.

2 MR. WATSON: Now, if you will pass the mic over
3 to Mr. --

4 CHAIRMAN GRIGGS: Mr. Watson, before we proceed,
5 if we may, let's admit the discussion paper that you just
6 handed us that is entitled North Citronelle Unit Parameters,
7 let's admit that as Exhibit Number 18.

8 MR. WATSON: All right, sir.

9 CHAIRMAN GRIGGS: And ask your witness,
10 Mr. Carona, to sign one copy for us.

11 MR. WATSON: All right, sir.

12 CHAIRMAN GRIGGS: That document is admitted into
13 the record.

14 (Whereupon, (Items 5 & 6) Exhibit Number 18
15 was received into evidence.)

16 MR. WATSON: Thank you. I thought that would be
17 good to give you an example of how you work through this
18 allocation process.

19 CHAIRMAN GRIGGS: Very helpful.

20 MR. WATSON: Mr. O'Connor, you have not appeared
21 before this Board. If you would, please, give the Board a
22 brief summary of your background and your position with RAM
23 Petroleum.

24 MR. O'CONNOR: I am an independent landman
25 employed by RAM Petroleum Company. I started learning this

1 business in 1972 from my father who was head of the land
2 department for Gulf Oil Company until 1966, at which time he
3 went independent and stayed active until the '80s. So I
4 have been actively pursuing the land business since 1972.

5 MR. WATSON: And are you familiar with the
6 ownership entitled in the proposed North Citronelle Unit,
7 Mr. O'Connor?

8 MR. O'CONNOR: Yes, sir.

9 MR. WATSON: And have you been working to get
10 these agreements, the unit agreement and the unit operating
11 agreement ratified?

12 MR. O'CONNOR: Yes.

13 MR. WATSON: All right, sir. And you have
14 prepared two exhibits in support of this petition that is
15 before the Board today; is that correct?

16 MR. O'CONNOR: Yes.

17 MR. WATSON: I tender him as an expert petroleum
18 landman for giving testimony on this item, Mr. Chairman.

19 CHAIRMAN GRIGGS: The board recognizes
20 Mr. O'Connor as an expert petroleum landman.

21

22 DANNY O'CONNOR,

23 having been first duly sworn, was examined and testified

24 as follows:

25

1 (ITEMS 5 & 6) DIRECT EXAMINATION BY MR. WATSON:

2 Q. Mr. O'Connor, we stole some of your thunder by
3 talking about your Exhibit 16 --

4 A. Uh-huh.

5 Q. -- but if you would, please, in your own words, tell
6 us about this exhibit and the information shown there.

7 A. Exhibit 16 contains 1,200 acres. Each tract contains
8 40 mineral acres. And the decimal figures contained in those
9 40s represents the percentage of the total net acre feet of
10 pay in each 40.

11 Q. All right, sir. Have you and your colleagues who
12 have worked on this project, and we have another with us
13 today who will testify, been working on the ownership in this
14 proposed North Citronelle Unit?

15 A. Yes.

16 Q. Have you been able to determine all of the owners in
17 the proposed North Citronelle Unit?

18 A. Yes.

19 Q. All right. Let's turn over to Exhibit Number 17, if
20 you would just a minute. We are asking the Board to approve
21 this unit and name RAM as operator of the unit and we are
22 also asking this Board to force unitize those parties who
23 have not yet signed the unit agreement that is of royalty and
24 any working interest owners who have not signed the unit
25 operating agreement, we are asking the Board to force unitize

1 those interests. And in a minute we are going to hand those
2 ratifications up, but I want to focus just a minute on
3 Exhibit Number 17.

4 Were you and your colleague, Mr. Freeze, who
5 will testify in a minute, you put together this Exhibit 17
6 and you have ownerships listed here. I want you to talk
7 about the people that you have had contact with in attempting
8 to get them to ratify the unit agreement. And let's start
9 with Robert D. Brown. Number one, before you start,
10 Mr. Brown is a owner of record in the proposed North
11 Citronelle Unit so he's not an unknown party. Have you given
12 Mr. Brown an opportunity to ratify the unit agreement?

13 A. Yes.

14 Q. Tell us about your efforts to get them to do that.

15 A. I started with an effort to lease his mineral
16 interest in the Northwest Unit.

17 Q. You mean in the North Unit, in the North Citronelle
18 Unit?

19 A. In the old Northwest Unit.

20 Q. You started in the --

21 A. North North -- proposed North Unit.

22 Q. All right.

23 A. Back in August of 2012. He is in New York, New York.
24 I contacted him by phone and had a conversation with him
25 explaining what we were trying to do and he seemed at that

1 time to be favorable to go along with us on this. So I -- he
2 asked me to e-mail him a copy of our lease form for his
3 review, and I did that. And after a week or so of not
4 hearing back from him, I e-mailed him again, I tried to call
5 him several times and I always got his secretary, he was
6 either out of the office or tied up with a client or away
7 from the phone. For some reason, he couldn't answer the
8 phone. And so I always left my number and asked if she would
9 have him call me back. I never heard from him.

10 So I wrote another letter to him on September
11 the 20th going over again what we were doing and basically
12 telling him that we needed to hear from him to see what he
13 was going to do, never heard back from him and he never
14 called me. I tried several times to call him again.

15 On May the 1st, 2013, I wrote him another letter
16 with a lease enclosed for his execution and told him what his
17 options were and what we were doing, we were going ahead with
18 or without him, and that he had a choice of leasing or
19 participating or being force integrated basically, and left
20 several numbers here for him to contact me by, never heard
21 back from him and have since tried to contact him twenty more
22 times. I always get the same answer and he never calls me
23 back.

24 Q. And he owns 2. --

25 A. He just refuses to talk to me.

1 Q. He owns 2.5 net mineral acres?

2 A. Yes, sir.

3 Q. His address in New York, what is his address in New
4 York?

5 A. 357 Park Avenue, New York, New York 40152.

6 Q. What kind of business is he, do you know?

7 A. He works for Advent International. I assume that is
8 some type of an investment firm.

9 Q. All right, sir. The next name on the list here that
10 you have a responsibility for is Frank and Eunice Smith?

11 A. Yes, sir.

12 Q. What is the status of Frank and Eunice Smith?

13 A. They have committed to lease and they have also
14 committed to sign a ratification ratifying the unit
15 agreement.

16 Q. You just don't have it?

17 A. We just don't have it in yet.

18 Q. Don't have anything in hand?

19 A. Right.

20 Q. All right.

21 MR. WATSON: If you would pass the mic over to
22 Mr. Freeze, please.

23 Mr. Freeze, you have not appeared before this
24 Board. Tell the Board something about your work experience
25 and your connection with the North Citronelle Unit proposal.

1 MR. FREEZE: I have been working with RAM
2 Petroleum since 2010, mainly with lease acquisition and
3 assisting with title work. I have been working on the North
4 Citronelle Unit since we obtained information in July of
5 last year. Through my research, I was able to contact all
6 working interests, all royalty interests except for two
7 people.

8 MR. WATSON: All right. Let me stop you just a
9 minute. I'm going to tender you as an expert petroleum
10 landman to the Chair for recognition.

11 CHAIRMAN GRIGGS: The Board recognizes
12 Mr. Freeze as an expert petroleum landman.

13
14 JASON FREEZE,
15 having been first duly sworn, was examined and testified
16 as follows:

17
18 (ITEMS 5 & 6) DIRECT EXAMINATION BY MR. WATSON:

19 Q. All right. If I can bring your attention back to
20 where I interrupted you, you have been able to locate
21 everyone except two people; is that what you were about to
22 say?

23 A. Yes, sir.

24 Q. All right. Tell us about your attempts and tell us
25 first of all who those two people are and your attempts to

1 locate them.

2 A. The two royalty owners were John S. Campbell and Lynn
3 Gardner. The last known address that I have for them, I
4 found the lease actually in the courthouse down in Mobile.
5 It's a lease that is about 30 years old and both of them are
6 listed on the lease.

7 Q. They both signed one lease?

8 A. They both signed one lease so I figured they were
9 related. The last known address was 561 Torino Drive, San
10 Diego, California. I had sent letters to this address, never
11 got anything back. The number I looked up for this address
12 was known as a scrapbook store actually. I contacted them,
13 they didn't know anything about either one of them. I
14 checked all the real property records down in Mobile, didn't
15 find any other documents, any other states or anything on the
16 other two people. I checked online in San Diego County and
17 couldn't find anything on them as well.

18 Q. As late as yesterday, did you make an attempt to find
19 these people, and, if so, tell the Board how you did that.

20 A. I did. I pulled up a lease from the last lease that
21 was filed in Mobile County. It was a lease from 1990. The
22 lease was taken by South Central Production Corporation and I
23 got in contact with their landman, RWK Gates to see if he
24 knew anything about these two owners, and his response saying
25 that he did not remember them.

1 Q. And he had no information on how they could be
2 contacted, he didn't know anything about them; is that
3 correct?

4 A. Yes.

5 Q. All right. Let's talk about Gerald Lee Plemmons.

6 A. Okay. Mr. Plemmons, he owns 2.5625 net mineral
7 acres, so I contacted him probably in September of 2012. Mr.
8 Plemmons works offshore. He also works on a tug boat. You
9 know, I came to a deal with him, he just told me to send him
10 the lease, he would sign it and we would be on our way.

11 A couple of months later, I never heard anything
12 from him, I figured he was just offshore, you know, some
13 people work a month on and come back two weeks. I called him
14 a month later and he said he would get it in and I said okay.
15 Never heard from him.

16 A few months later I called him again just to
17 remind him, you know, we are trying to speed up the process
18 and, you know, get him leased up so we could get in there and
19 get to work, and he said that wasn't a problem, he was going
20 to get it signed and get it in.

21 So finally, Mr. Plemmons referred me to a
22 landman that deals with his family's interest by the name of
23 John Peeler. I contacted Mr. Peeler, he was very familiar
24 with the -- you know, of course, leasing situation in the
25 Citronelle Field. Mr. Peeler told me that he would get the

1 lease to Mr. Plemmons and get him to sign it and get it in.

2 As of two weeks ago, I talked to Mr. Peeler
3 again and he said he promised me he would get the lease in.

4 As of this week, Gerald Lee Plemmons finally
5 called me on Monday and said he was mailing his lease in and
6 his ratification letter. So I believe that he is -- the
7 lease is coming in the mail. I have a commitment from him
8 and from his landman.

9 Q. But as of today, we don't have that in our hand, do
10 we, so we have not counted him as either leased or ratifying
11 the unit, correct?

12 A. Yes, sir.

13 Q. All right. Let's come to the last person here, Delia
14 Ann Plemmons Weir.

15 A. Okay. Mrs. Weir, she actually lives down in
16 Citronelle. We had sent her a lease. She had signed the
17 lease, sent it back to us. She did not notarize the lease.
18 She sent us instructions to send her a bonus consideration
19 back to her as soon as possible. We sent her a letter back
20 with the bonus consideration with her lease telling her when
21 she goes to the bank to please have the lease notarized and
22 sent back to us. That was never done. She actually cashed
23 the check, so that is some surety work that we have to take
24 care of on our part to get her to notarize the lease. But
25 she did however send in three different ratifications

1 notarized and certified mail. So, like I say, that is surety
2 work and I believe we will get that lease.

3 Q. But we are not counting her as in because we still
4 don't have a properly executed lease from her, but that is a
5 follow up, so she has four net mineral acres, right?

6 A. Yes, sir.

7 Q. So out of this 1,200 or so acres, you have 10.9 acres
8 that have not been leased; is that right?

9 A. Yes.

10 Q. And only two people out of this entire proposed
11 1,200-acre unit that you have been unable to locate
12 through -- would you characterize your efforts as a diligent
13 effort, you have made a good faith diligent effort to find
14 those people?

15 A. Yes.

16 Q. And you would think that the most recent lease of
17 record taken by these people might lead you to them through
18 the landman that took it, but both you and I talked to that
19 landman yesterday and he had no recollection of where they
20 were, so apparently they were out of state at the time he
21 took it of course?

22 A. Yes.

23 Q. Is that right? All right.

24 DR. TEW: Mr. Watson, excuse me, I may have
25 missed it, but I didn't hear you discuss the R. B. Zeller

1 heirs.

2 MR. WATSON: We are fixing to. I'm sorry, I did
3 miss it. Thank you.

4 Q. And you also -- Dr. Tew has got a sharper eye here
5 this morning than I do. Let's talk about the R. B. Zeller
6 heirs. What is your situation there?

7 A. We already have a commitment for a lease with them
8 and they have also committed to ratify the unit agreement.
9 We just haven't received it yet.

10 Q. And that commitment came from their trustee, Richard
11 Wicker?

12 A. Correct.

13 Q. So you have had conversations with Mr. Wicker, he has
14 a copy of the lease and a copy of the ratification?

15 A. Yes.

16 Q. Where is he located?

17 A. Mr. Wicker is located in Jackson.

18 Q. Jackson, Mississippi. All right. So you don't have
19 any reservations about that coming in? You don't have any
20 reservations about that lease and that ratification coming
21 in?

22 A. Like I say, we have a commitment from them and we
23 don't have the lease in hand.

24 Q. But you expect it?

25 A. Yes, sir.

1 Q. Okay. You do expect it, all right.

2 MR. WATSON: Now that we have been through that
3 short list of my 10.9 acres down there, let us now proceed
4 to introduce into the record the ratifications of the
5 working and royalty interest owners, Mr. Chairman, if I can.

6 There has been some confusion over here because
7 I tried to keep Mr. Rogers as these ratifications came in
8 and you can see there are a lot of them. We had a internal
9 cutoff date of a certain date to say are we going to have
10 the 66 and two-thirds, didn't want to bring you guys to town
11 today if we were not going to have that.

12 What I have done here this morning and what we
13 are about to testify to, I have simplified this. I have two
14 stacks, one of the ratification of the royalty interest
15 which is 79.74 percent, those are -- these are the ratified
16 documents signed by the royalty owners.

17 Of the working interest owners, I have
18 84.8 percent that have ratified. And I might say that we
19 are getting, just as Mr. Freeze and Mr. O'Connor testified,
20 we are still having ratifications come in. We have cut
21 these off a couple of days ago but we will have excess of
22 these. I would like to introduce into the record the
23 ratification of the unit agreement, 79.74 percent of the
24 royalty and the unit operating agreement 84.8 percent.

25 CHAIRMAN GRIGGS: Would you like to designate

1 those as Exhibits 19 and 20?

2 MR. WATSON: Yes, sir. Let's do the unit
3 agreement as 19 and unit operating agreement as 20.

4 CHAIRMAN GRIGGS: Is there any objection to
5 admitting those into the record by anyone?

6 (No response.)

7 CHAIRMAN GRIGGS: Hearing no objection, they are
8 admitted, Mr. Watson.

9 (Whereupon, (Items 5 & 6) Exhibits 19 and 20
10 were received into evidence.)

11 MR. WATSON: Thank you. Now, Mr. Chairman, I
12 can and we are prepared to go through the revisions in these
13 agreements. They are, as I say, we have followed the
14 precedent of the original unit agreement, unit operating
15 agreement modifying these. And I will point out for the
16 record that the unit agreement was recorded in the probate
17 records of Mobile County in Book 7052 at Page 1632 on July
18 the 22nd. We went down the day it was signed and recorded
19 that to make it available to the public. And I submit to
20 you that these agreements comply with the law and have all
21 the terms and conditions that have been negotiated that are
22 identical to those of the Northwest Unit with the exception
23 of the unit operator, and we will be glad to answer any
24 questions you have on those. I prepared these. I suppose
25 if you have any questions about the unit agreement or unit

1 operating agreement, I will be glad to answer those.

2 CHAIRMAN GRIGGS: Mr. Watson, those documents
3 speak for themselves and I don't think there is any need to
4 go through those as far as presenting testimony in that
5 connection.

6 MR. WATSON: Thank you. All right. I suppose
7 at this point, Mr. Chairman, I would like to have received
8 into the record of the hearing Exhibits 1 through 20 to the
9 testimony of my witnesses.

10 (Whereupon, (Items 5 & 6) Exhibits 1-17 were
11 offered into evidence.)

12 CHAIRMAN GRIGGS: Mr. Watson, we will admit into
13 the record Exhibits 1 through 17. Exhibits 18, 19 and 20
14 have already been admitted.

15 (Whereupon, (Items 5 & 6) Exhibits 1-17 were
16 received into evidence.)

17 CHAIRMAN GRIGGS: The unit agreement and unit
18 operating agreement.

19 MR. WATSON: Okay. Let's introduce those,
20 Marvin, as 21 and 22, the unit agreement and unit operating
21 agreement.

22 MR. ROGERS: Unit agreement 21 and unit
23 operating agreement 22.

24 CHAIRMAN GRIGGS: Any objection by anyone?

25 (No response.)

1 CHAIRMAN GRIGGS: Those are admitted into the
2 record.

3 (Whereupon, (Items 5 & 6) Exhibits 21 and 22
4 were received into evidence.)

5 MR. WATSON: You have got copies.

6 MR. ROGERS: Yeah.

7 MR. PEARSON: Mr. Watson, do you want the
8 affidavit of Mr. Freeze concerning the narrative efforts to
9 locate unleased royalty owners admitted?

10 MR. WATSON: Yes, let's do that. Mr. Rogers
11 requested that before the hearing today and he's amplified
12 that so let's make that --

13 CHAIRMAN GRIGGS: The Board will admit that as
14 Exhibit Number 23.

15 (Whereupon, (Items 5 & 6) Exhibit 23 was
16 received into evidence.)

17 MR. WATSON: Yes, sir. Now I need to ask my
18 witnesses a couple of questions and then I'll turn them over
19 to you and the Staff for any questions.

20 Q. (BY MR. WATSON:) Starting with you, Mr. Carona, and
21 Mr. O'Connor and Mr. Freeze, would the granting of this
22 petition approving the North Citronelle Unit force unitizing
23 those parties who as of today and may not ratify the
24 agreements, would that promote orderly development, prevent
25 waste and protect correlative rights, can such an order do

1 all that? First, to you, Mr. Carona?

2 A. (BY MR. CARONA:) Yes, I believe it would.

3 Q. Mr. O'Connor?

4 A. (BY MR. O'CONNOR:) Yes, sir.

5 Q. And Mr. Freeze?

6 A. (BY MR. FREEZE:) Yes, sir.

7 Q. And, Mr. Carona, the implementation of your unit
8 operations plan, you have presented a defined plan, you have
9 testified that that plan can be modified with the evidence
10 that comes in as you start this program. Are you fairly
11 confident that there are additional reserves to be recovered
12 and that your methodology and your plan of unit operations
13 will recover reserves that would not otherwise be recovered
14 without this effort?

15 A. (BY MR. CARONA:) I do.

16 MR. WATSON: Okay. I tender my witnesses to the
17 Board and Staff for any questions you have.

18 CHAIRMAN GRIGGS: Dr. Tew, do you or the Staff
19 have any questions?

20 DR. TEW: No, sir, Mr. Chairman.

21 CHAIRMAN GRIGGS: Mr. Pearson.

22 DR. TEW: Mr. Rogers might.

23 MR. ROGERS: Mr. Watson, let's see, you had
24 these summaries of all these numbers. I assume you would
25 like to admit that.

1 MR. WATSON: That will be fine, you can do that,
2 yes, sir.

3 MR. ROGERS: One is the mineral owner
4 ratifications.

5 CHAIRMAN GRIGGS: That will be admitted as 24.

6 MR. ROGERS: Mineral owners who have not
7 ratified the unit agreement.

8 CHAIRMAN GRIGGS: 25.

9 MR. ROGERS: Unlocated mineral owners, two you
10 already mentioned.

11 CHAIRMAN GRIGGS: 26.

12 MR. ROGERS: Working interesting owner
13 ratifications.

14 CHAIRMAN GRIGGS: 27.

15 MR. ROGERS: Working interest owners who did not
16 ratify.

17 CHAIRMAN GRIGGS: 28.

18 MR. ROGERS: And unleased mineral owners.

19 CHAIRMAN GRIGGS: 29.

20 MR. WATSON: That is fine.

21 CHAIRMAN GRIGGS: So would be admitted as
22 Exhibits 24, 25, 26, 27, 28 and 29.

23 MR. ROGERS: We also have some correspondence, a
24 letter we received from Mr. Horn who had stated opposition
25 to this.

1 CHAIRMAN GRIGGS: We will admit that as Exhibit
2 Number 30.

3 MR. ROGERS: The letter to the mayor of
4 Citronelle.

5 CHAIRMAN GRIGGS: Exhibit 31. Any objections to
6 any of those?

7 (No response.)

8 CHAIRMAN GRIGGS: Okay. They are all admitted.

9 MR. ROGERS: Also we have a letter to Mr. --
10 correspondence to Estep and Mr. Horn stating that this was
11 continued.

12 CHAIRMAN GRIGGS: That will be admitted as
13 Exhibit 32. I note Mr. Estep is present. If he objects,
14 I'm sure he will speak to that.

15 MR. ROGERS: And then the letter to Mr. Horn I
16 guess would be 33, Mr. Chairman.

17 CHAIRMAN GRIGGS: Exhibit 33 is admitted.
18 (Whereupon, (Items 5 & 6) Exhibits 24-33 were
19 received into evidence.)

20 MR. ROGERS: Just a question, a general question
21 just reiterating the testimony, whoever you think would be
22 appropriate to answer these, Mr. Watson. Did RAM use the
23 same unit area previously approved by the Board for the
24 Northwest Citronelle Unit?

25 MR. WATSON: Mr. Carona, answer that, please.

1 MR. CARONA: Yes, sir.

2 MR. ROGERS: Did RAM use the same allocation
3 formula previously approved by the Board for the Northwest
4 Citronelle Unit?

5 MR. CARONA: Yes.

6 MR. ROGERS: And did RAM use the same tract
7 allocation previously approved by the Board for the
8 Northwest Citronelle Unit?

9 MR. CARONA: Yes, sir.

10 MR. ROGERS: One other question. I noticed in
11 the listing of owners you state the grandchildren of
12 Pickens. Are those -- do they have separate ratifications?
13 That is on the list of mineral owners that ratified, the W.
14 L. Pickens grandchildren. Maybe one of the landmen could
15 state.

16 MR. FREEZE: I summarized that. That is all in
17 one trust together, one ratification.

18 MR. ROGERS: All right. And do you know how
19 many grandchildren there were that signed that ratification?

20 MR. FREEZE: I would have to look at the
21 ratification and see, but I believe a trustee actually
22 signed for it.

23 MR. ROGERS: So the grandchildren -- if you
24 would look into that and let us know, get that information,
25 if it was a trustee that signed on behalf of all of them.

1 MR. WATSON: That is what he said. Let him find
2 that trustee.

3 MR. ROGERS: If you could do that.

4 CHAIRMAN GRIGGS: Mr. Pearson.

5 MR. PEARSON: Mr. Watson, I have two questions.
6 First, Mr. Carona, looking at Exhibit 2, do I understand
7 from this exhibit that the remainder of the Citronelle Field
8 lies mostly to the Southeast of your proposed North
9 Citronelle Unit?

10 MR. CARONA: Yes, sir, to the South lie the main
11 unit, main Citronelle Unit, the Southeast and the East unit.

12 MR. PEARSON: Okay. If you would look at your
13 Exhibit 3 for a second. Do I understand correctly on your
14 Exhibit 3 that the indicated well location with a arrow
15 drawn through it was previously an injection well for the
16 old Northwest Citronelle Unit?

17 MR. CARONA: Yes, sir.

18 MR. PEARSON: Are you familiar with the
19 operations of the old Northwest Citronelle Unit?

20 MR. CARONA: Somewhat, yes, sir.

21 MR. PEARSON: Were these injections wells that
22 are indicated on your Exhibit 3, were they actually used in
23 a waterflood injection program in the Northwest Citronelle
24 Unit.

25 MR. CARONA: Yes, sir.

1 MR. PEARSON: So would it be your testimony that
2 there is a history of water injection in the area that you
3 are now proposing additional water injection further to the
4 North?

5 MR. CARONA: Yes.

6 MR. PEARSON: Secondly, Mr. Watson, I guess I'm
7 going to address these questions to you first. This may be
8 easily corrected. Looking at the Exhibit Number 17, which
9 indicates the outstanding interest, the outstanding unleased
10 mineral owners.

11 MR. WATSON: Yes, sir.

12 MR. PEARSON: If I could go down this list and
13 understand the testimony. As to John S. Campbell and Lynn
14 Gardner, am I understanding the petitioner is relying on an
15 effort to locate them which has been described by the
16 testimony of Mr. Freeze?

17 MR. WATSON: Yes, sir.

18 MR. PEARSON: And that you are relying on notice
19 by publication with respect to those outstanding interests?

20 MR. WATSON: That is correct.

21 MR. PEARSON: Now, with respect to the rest of
22 these names that are on this list, I was able to look at
23 your Affidavit of Notice and find Robert D. Brown, Gerald
24 Lee Plemmons, Jr. and who I believe to be -- is it Delia Ann
25 Plemmons Weir?

1 MR. WATSON: Yes, sir.

2 MR. PEARSON: There is a Delia Ann Weir. I take
3 it from the testimony of Mr. Freeze that Delia Ann Weir is
4 the same person as Delia Ann Plemmons Weir?

5 MR. FREEZE: Yes.

6 MR. PEARSON: I was unable, Mr. Watson, to see
7 on your Affidavit of Notice that has -- I admittedly went
8 through it hurriedly, but I'm unable to see when notice was
9 given to the R. B. Zeller heirs - Richard Wicker, trustee,
10 or to Frank and Eunice Smith, and that could be one of two
11 things, it may be that your notice list -- it appears to
12 have duplicates on it so I know there has been great effort
13 to try to make sure we have gotten all the notices. I guess
14 it's possible that these were inadvertently left out. But
15 for the record I need to ask whoever, Mr. Freeze or
16 Mr. O'Connor, which of you gentlemen spoke with Richard
17 Wicker, trustee?

18 MR. WATSON: That is Mr. Freeze.

19 MR. PEARSON: Mr. Freeze, did you speak with
20 Richard Wicker, trustee?

21 MR. FREEZE: Yes, sir.

22 MR. PEARSON: I know you had mailed him certain
23 things in the past. Did you give him written notice of this
24 proposed petition for unitization by regular first class
25 mail, would that be in any of your correspondence with him?

1 MR. FREEZE: I mean certified mail --

2 MR. PEARSON: No, not certified. I'm just
3 saying in anything that you sent Mr. Wicker on behalf of the
4 R. B. Zeller heirs, did you notify him through the mail of
5 this petition for unitization?

6 MR. FREEZE: Yes, sir, that would have gone with
7 the ratification package.

8 MR. PEARSON: Okay. In that sense, your
9 affidavit would need to be properly amended so this gets on
10 there. Second, the same question with Frank and Eunice
11 Smith. Which of you gentlemen talked with them?

12 MR. O'CONNOR: I did.

13 MR. PEARSON: Mr. O'Connor, the Frank and Eunice
14 Smith name does not appear on the notice of affidavit by
15 Mr. Watson. That may be my mistake if I --

16 MR. WATSON: No, let me address that.

17 MR. PEARSON: Okay.

18 MR. WATSON: There is a business manager that
19 handles their interest. That is who has been contacted on
20 their behalf. That is who has committed to lease and that
21 is who has committed to sign. And his name, Mr. O'Connor,
22 has. What is his name?

23 MR. O'CONNOR: Victor P. Smith.

24 MR. PEARSON: And again --

25 MR. O'CONNOR: Mike McManis is his operating

1 manager who handles that interest.

2 MR. PEARSON: Again, Mr. O'Connor, my question
3 to you would be the same as to Mr. Freeze. In your written
4 correspondence with this gentleman on behalf of Frank and
5 Eunice Smith, did you give him notice by first class mail of
6 this petition for unitization here today?

7 MR. O'CONNOR: Yes.

8 MR. PEARSON: Okay.

9 MR. WATSON: And when we sent these
10 ratifications out to all these parties, included in that was
11 the notice.

12 MR. PEARSON: Well, the only thing I would -- we
13 will need to leave open the record probably to supplement
14 your Affidavit of Notice and include on it the names of the
15 R. B. Zeller heirs; Richard Wicker, trustee, and Frank and
16 Eunice Smith so that we have a proper record for notice.

17 MR. WATSON: We will do that.

18 MR. PEARSON: Mr. Estep, I notice that you have
19 not spoken, but are you here representing Denbury Onshore,
20 LLC?

21 MR. ESTEP: Yes, Mr. Pearson. I was asked to
22 attend the hearing and observe but not comment.

23 MR. PEARSON: Okay. We are going to probably --
24 we are going to require an effort at notifying the remainder
25 of the Citronelle Field. And what I am simply telling you

1 and I suspect that the Board attorney Mr. Rogers will
2 probably follow up with a letter to this effect, we are
3 going to be directing Denbury and requesting Denbury to
4 cooperate with Mr. Watson as far as getting a list of the
5 current owners for which Denbury is an operator in the rest
6 of the Citronelle Field so that we can have Mr. Watson
7 supplement the record with an ordinary first class mail
8 notice to the known owners in the remainder of the
9 Citronelle Field.

10 MR. ESTEP: Would that be all working interest
11 and royalty owners?

12 MR. PEARSON: It would be working interest
13 owners or anything that is a working interest owner. We
14 will recognize working interest owner.

15 MR. ESTEP: I will talk to Mr. Rogers about that
16 and I will advise my client.

17 MR. PEARSON: Okay. Thank you very much.

18 MR. ROGERS: Anything, Mr. Freeze, about those
19 grandchildren?

20 MR. FREEZE: I am still searching for the
21 ratification, sir. I have got it, it just -- (Reviewing
22 documents.)

23 MR. WATSON: Side bar off the record?

24 CHAIRMAN GRIGGS: Yes, sir.

25 (Off-the-record discussion.)

1 CHAIRMAN GRIGGS: Do you have anything further?

2 MR. PEARSON: Nothing further.

3 CHAIRMAN GRIGGS: Dr. Tew, anything further?

4 DR. TEW: No, sir.

5 CHAIRMAN GRIGGS: It's 11:29. We are going to
6 take about a ten-minute recess.

7 (Recess taken.)

8 CHAIRMAN GRIGGS: It's 11:41. Let the record
9 reflect the State Oil and Gas Board is back in session. Any
10 further questions, Dr. Tew?

11 DR. TEW: No, sir. We have no further
12 questions.

13 CHAIRMAN GRIGGS: Any further questions by a
14 board member? None. The Board will entertain a motion.

15 MR. PEARSON: Mr. Chairman, with respect to
16 these docket items and petitions by RAM Petroleum, first of
17 all, we are going to take this matter and I'm going to move
18 for a continuance to the next hearing in which the record
19 will be left open to supplement with the notices that have
20 been discussed here today.

21 To make sure that we know what we are talking
22 about, there needs to be proof of notice from the petitioner
23 that notice of these petitions or second unitization
24 petition was given by ordinary first class mail to the
25 remainder of the owners, being working interest owners in

1 the rest of Citronelle Field. In that regard, Mr. Chairman,
2 we are going to also -- I'm going to also move that
3 Mr. Rogers send a notice request and instruction to Denbury
4 Offshore, LLC to share its list of working interest owners
5 in the Citronelle Field with the petitioner, RAM Petroleum,
6 or its counsel.

7 If requested by Denbury, Mr. Watson, that
8 information is to be held confidential except with respect
9 to the purpose which is to simply provide notice to those
10 owners.

11 In addition, the record is being held open to
12 supplement with proof of notice as to the R. B. Zeller
13 heirs; Richard Wicker, trustee; and as to Frank and Eunice
14 Smith. So that your affidavit will be supplemented,
15 Mr. Watson.

16 MR. WATSON: Yes, sir.

17 MR. PEARSON: With those conditions, in
18 addition, Mr. Watson, should there be no objection from
19 these supplemental notices, it will not be necessary for RAM
20 to come back with the witnesses at the next appropriate
21 time, next appropriate hearing where we close this matter.

22 If there are objections, then these same
23 witnesses will need to be present for purposes of if anybody
24 wanted to ask them any questions.

25 With that in mind and with those conditions,

1 Mr. Chairman, I move that we continue these two petitions by
2 RAM Petroleum.

3 CHAIRMAN GRIGGS: We have a motion to continue
4 as stated. Is there a second?

5 MR. LAWLEY: Second.

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

8 (Board votes to continue.)

9 CHAIRMAN GRIGGS: Ayes have it. Those two
10 items, Item Number 5 and Item Number 6 are continued.

11 MR. WATSON: Thank you, Mr. Chairman.

12 CHAIRMAN GRIGGS: Mr. Rogers.

13 MR. ROGERS: The next item is a motion by the
14 Board relating to S. Lavon Evans. Just briefly, Evans still
15 operates five wells that need to be plugged. Evans has
16 submitted plugging procedures on those five wells. The
17 Staff has approved those plugging procedures. Evans's
18 attorney has requested a continuance, Mr. Chairman.

19 CHAIRMAN GRIGGS: Do we have any documents we
20 need to enter in this connection?

21 MR. ROGERS: The letter from Mr. Johnston.

22 CHAIRMAN GRIGGS: Okay.

23 MR. ROGERS: Requesting a continuance.

24 CHAIRMAN GRIGGS: Johnston letter is admitted
25 into the record requesting a continuance. Is there a motion

1 to continue this item?

2 MR. PEARSON: So move.

3 CHAIRMAN GRIGGS: I have a motion and a second.

4 All in favor say aye.

5 (Board votes to continue.)

6 CHAIRMAN GRIGGS: Ayes have it. The item is
7 continued.

8 Any other business to come before the State Oil
9 and Gas Board? Hearing none, is there a motion to adjourn?

10 MR. PEARSON: Move to adjourn.

11 MR. LAWLEY: Second.

12 CHAIRMAN GRIGGS: Motion seconded. We are
13 adjourned.

14

15 (The hearing was adjourned at 11:45 a.m.)

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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 stenotype, and the questions and answers thereto were reduced to typewriting under my supervision, and that the foregoing represents a true and correct transcript of the proceedings given by said witness upon said hearing.

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

/s/ Teresa Turquitt Davis
TERESA TURQUITT DAVIS, CCR, RPR
CCR #162, Expires 09/30/14
Commissioner for the
State of Alabama at Large
My Commission Expires: 12/03/16

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