

RESULTS
STATE OIL AND GAS BOARD OF ALABAMA
SEPTEMBER 19 & 21, 2006

1. DOCKET NO. 9-28-05-4A

Continued amended petition by S. LAVON EVANS, JR. OPERATING COMPANY, INC., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling, without imposition of a risk compensation penalty, all tracts and interests in hydrocarbons produced in the Earnest 26-15 #1 Well, Permit No. 13133, located on a 320-acre drilling unit consisting of the South Half of Section 26, Township 17 South, Range 9 West, Tuscaloosa County, Alabama, in the Wiley Dome Field.

This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama Administrative Code.

BOARD ACTION: Continued 9-21-06

2. DOCKET NO. 9-28-05-5A

Continued amended petition by S. LAVON EVANS, JR. OPERATING COMPANY, INC., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling, without imposition of a risk compensation penalty, all tracts and interests in hydrocarbons produced in the Earnest 26-14 #1 Well, Permit No. 13905, located on a 320-acre unit consisting of the South Half of Section 26, Township 17 South, Range 9 West, Tuscaloosa County, Alabama, in the Wiley Dome Field.

This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama Administrative Code.

BOARD ACTION: Continued 9-21-06

3. DOCKET NO. 1-31-06-23

Continued petition by LOCAL, INC., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order reforming the unit for the Richards 23-5 #1 Well, Permit No. 12294-A, from a 320-acre gas unit consisting of the North Half of Section 23, Township 16 South, Range 15 West, Lamar County, Alabama, in the East Mt. Zion Gas Field to a 40-acre oil unit consisting of the Southwest Quarter of the Northwest Quarter of said Section 23.

The Board established the East Mt. Zion Gas Field by Order 2002-34, dated April 19, 2002, and Petitioner alleges that the Richards 23-5 # 1 Well currently produces as an oil well and should not be classified as a gas well. Although Petitioner requests the Board to eliminate certain lands from the present 320-acre gas unit, Petitioner proposes to drill one or more additional oil wells as warranted in the lands proposed to be eliminated.

This petition is a companion to petition bearing Docket No. 1-31-06-24 requesting establishment of a new oil field in Lamar County, Alabama.

BOARD ACTION: Continued 9-21-06

4. DOCKET NO. 1-31-06-24

Continued petition by LOCAL, INC., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order establishing a new oil field to be known as the East Mt. Zion Oil Field, or by such other name as the Board deems appropriate and to adopt Special Field Rules therefor. The proposed field, as underlain by the Lewis Sand Oil Pool, consists of the North Half of Section 23, Township 16 South, Range 15 West, Lamar County, Alabama.

The Lewis Sand Oil Pool should be defined as that interval of the Lewis Sand Formation productive of hydrocarbons between 4,924 feet and 4,940 feet, as indicated on the Dual Induction Log of the Richards 23-5 #1 Well, Permit No. 12294-A, located 360 feet FNL and 660 feet FWL of the proposed 40-acre unit for said well consisting of the Southwest Quarter of the Northwest Quarter of said Section 23 in

Lamar County, Alabama. Petitioner is requesting well spacing of a governmental quarter-quarter section containing approximately 40 acres, and is also requesting the establishment of allowables for said field.

This petition is a companion to petition bearing Docket No. 1-31-06-23 requesting reformation of the 320-acre gas unit for the Richards 23-5 #1 Well, Permit No. 12294-A, to a 40-acre oil unit.

BOARD ACTION: Continued 9-21-06

5. DOCKET NO. 3-7-06-10A

Continued amended petition by BLACK WARRIOR METHANE CORP., an Alabama corporation, requesting the State Oil and Gas Board to enter an order reforming the unit for the Champion 8-7-248 Well, Permit No.11693-C, from an 80-acre unit consisting of the West Half of the Northeast Quarter of Section 8, Township 20 South, Range 8 West, Tuscaloosa County, Alabama, in the Brookwood Coal Degasification Field to a 40-acre unit consisting of the Southwest Quarter of the Northeast Quarter of said Section 8.

Although Petitioner requests the Board to eliminate certain lands from the present spacing unit, Petitioner proposes to drill another coalbed methane well in the lands proposed to be eliminated.

BOARD ACTION: Continued 9-21-06

6. DOCKET NO. 4-25-06-5

Continued petition by ROBINSON'S BEND OPERATING II, LLC, a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order reforming the unit for the Findley #21-2-89 Well, Permit No.7843-C, from an 80-acre unit consisting of the Northwest Quarter of the Northeast Quarter and the Northeast Quarter of the Northwest Quarter of Section 21, Township 21 South, Range 11 West, Tuscaloosa County, Alabama, in the Robinson's Bend Coal Degasification Field to a 40-acre unit consisting of the Northwest Quarter of the Northeast Quarter of said Section 21.

Although Petitioner requests the Board to eliminate certain lands from the present spacing unit, Petitioner proposes to drill another coalbed methane well in the lands proposed to be eliminated.

BOARD ACTION: Continued 9-21-06

7. DOCKET NO. 6-19-06-5

Continued petition by ROBINSON'S BEND OPERATING II, LLC, a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order reforming the unit for the Maxwell Crossing B11 11-1 #631 Well, Permit No. 8186-C, from an 80-acre unit consisting of the East Half of the Northeast Quarter of Section 11, Township 22 South, Range 11 West, Tuscaloosa County, Alabama, in the Robinson's Bend Coal Degasification Field to a 40-acre unit consisting of the Northeast Quarter of the Northeast Quarter of said Section 11.

Although Petitioner requests the Board to eliminate certain lands from the present spacing unit, Petitioner proposes to drill another coalbed methane well in the lands proposed to be eliminated.

BOARD ACTION: Continued 9-21-06

8. DOCKET NO. 6-19-06-6

Continued petition by ROBINSON'S BEND OPERATING II, LLC, a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order reforming the unit for the Maxwell Crossing A11 2-15 #679 Well, Permit No. 8505-C, from an 80-acre unit consisting of the West Half of the Southeast Quarter of Section 2, Township 22 South, Range 11 West, Tuscaloosa County, Alabama, in the Robinson's Bend Coal Degasification Field to a 40-acre unit consisting of the Southwest Quarter of the Southeast Quarter of said Section 2.

Although Petitioner requests the Board to eliminate certain lands from the present spacing unit, Petitioner proposes to drill another coalbed methane well in the lands proposed to be eliminated.

BOARD ACTION: Continued 9-21-06

9. DOCKET NO. 7-24-06-8

Continued petition by CDX GAS, L.L.C., a Texas limited liability company, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order pursuant to Section 9-17-1 et seq., Code of Alabama (1975) and Rule 400-3-2-.01(5) of the State Oil and Gas Board of Alabama Administrative Code and as an exception to the Special Field Rules for the Gurnee Coal Degasification Field requesting approval of the permit, construction method, completion technique, and casing requirements for the drilling of a Z-PINNATE[®] coalbed methane well, the 240-acre unit for which well shall be the Northwest Quarter and the West Half of the Northeast Quarter of Section 14, Township 22 South, Range 4 West, Shelby County, Alabama in the Gurnee Coal Degasification Field in order to avoid the drilling of unnecessary wells, minimize surface disturbance, increase the efficiency of operations, and avoid waste.

BOARD ACTION: Continued 9-21-06

10. DOCKET NO. 7-24-06-9

Continued petition by CDX GAS, L.L.C., a Delaware limited liability company, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order pursuant to Section 9-17-1 et seq., Code of Alabama (1975) and Rule 400-3-2-.01(5) of the State Oil and Gas Board of Alabama Administrative Code and as an exception to the Special Field Rules for the Gurnee Coal Degasification Field requesting approval of the permit, construction method, completion technique, and casing requirements for the drilling of a Z-PINNATE[®] coalbed methane well, the 320 acre unit for which well shall be the East Half of Section 2, Township 22 South, Range 4 West, Shelby County, Alabama in the Gurnee Coal Degasification Field in order to avoid the drilling of unnecessary wells, minimize surface disturbance, increase the efficiency of operations, and avoid waste.

BOARD ACTION: Continued 9-21-06

11. DOCKET NO. 8-22-06-1

Continued petition by LAND AND NATURAL RESOURCE DEVELOPMENT, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order approving an exception to Rule 3(b) of the Special Field Rules for the Coal Fire Creek Field, Pickens County, Alabama, for the exceptional location of the proposed Brookshire 20-1 No. 2 Well. Petitioner proposes to drill said well on a 320-acre unit consisting of the N/2 of Section 20, Township 18 South, Range 14 West, Pickens County, Alabama, at a location 1100 feet from the North line and 330 feet from the East line of said Section 20. Said Rule 3(b) requires that wells drilled in said Field be located at least 660 feet from every exterior boundary of the drilling unit, and the proposed location of the referenced well is only 330 feet from the East line of the 320-acre drilling unit for said well.

BOARD ACTION: Granted 9-21-06 with the stipulation that a directional survey be run to verify the bottom hole location of the well.

ORDER NO. 2006-141

12. DOCKET NO. 8-22-06-3

Continued petition by MIDROC OPERATING COMPANY, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order finding that the contribution of the separately owned Tracts in the Little Cedar Creek Oil Unit have been shown to be erroneous by subsequently discovered productivity data from a well in the Little Cedar Creek Oil Unit, namely, the Cedar Creek Land and Timber 15-6 Well, Permit No. 14692, said well having a surface location in Section 15, Township 4 North, Range 12 East, Conecuh County, Alabama, in the Little Cedar Creek Field. The Unit Operator has calculated the new Tract participation factors to reflect the altered Tract contribution and requests the Board to approve the revised Tract participation factors of each affected Tract in the Little Cedar Creek Oil Unit in Conecuh County, Alabama.

The redetermination of Unit Tract participation factors for the Little Cedar Creek Oil Unit, Conecuh County, Alabama, is in accordance with the provisions of the Unit Agreement and Section 9-17-86 of the Code of Alabama (1975).

This petition is filed as a companion to a petition bearing Docket No. 8-22-06-4 requesting redetermination of Unit Tract participation for the Little Cedar Creek Oil Unit based on subsequently discovered pore volume data from the Cedar Creek Land and Timber 15-6 Well.

BOARD ACTION: Continued 9-21-06

13. DOCKET NO. 9-19-06-1

Petition by EL PASO E&P COMPANY, L.P., a Delaware limited partnership, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order pursuant to Section 9-17-1 et seq., Code of Alabama (1975) to amend Rule 2 of the Special Field Rules for the White Oak Creek Coal Degasification Field, Walker, Jefferson and Tuscaloosa Counties, Alabama to expand the area limits of the White Oak Creek Coal Degasification Field to include the hereinafter described "Expansion Area."

The proposed Expansion Area consists of approximately 19,680 acres, more or less, described as follows:

In Walker County:

Sections 29, 30, 31, 32, 33, Township 16 South, Range 7 West

Sections 7, 8, 9, 10, 15, 16, 17, 18, 19, 20, 21, 22, 23, 25,
26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, Township 16 South, Range 8 West

S/2 S/2 Section 14, Township 16 South, Range 8 West

W/2 Section 24 of Township 16 South, Range 8 West

BOARD ACTION: Continued 9-21-06

14. DOCKET NO. 9-19-06-2

Petition by EL PASO E&P COMPANY, L.P., a Delaware limited partnership, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order pursuant to Section 9-17-1 et seq., Code of Alabama (1975) to amend Rule 2 of the Special Field Rules for the Short Creek Coal Degasification Field, Jefferson County, Alabama to expand the area limits of the Short Creek Coal Degasification Field to include the hereinafter described "Expansion Area."

The proposed Expansion Area consists of approximately 15,200 acres, more or less, described as follows:

In Jefferson and Walker Counties, Alabama:

Section 25, Township 17 South, Range 7 West;

SE/4 Section 1; S/2 Section 10; Sections 11, 12, 13, 14;
E/2 Section 15; S/2 Section 17; Sections 20, 21, 22, 23, 24,
25, 26, 27, 28, 29, 30 Township 17 South, Range 6 West;

N/2, SW/4 Section 4; SW/4 Section 6; Sections 7, 8; SW/4, N/2 Section 17;
Sections 18, 19; NW/4 Section 30, Township 17 South, Range 5 West.

BOARD ACTION: Continued 9-21-06

15. DOCKET NO. 9-19-06-3

Petition by VENTEX OPERATING CORP., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order establishing a 160-acre production unit for the Kelly 24-9 #1 Well, Permit No. 14592, said production unit to consist of the South Half of the Northeast Quarter and the North Half of the Southeast Quarter of Section 24, Township 3 North, Range 7 East, Escambia County, Alabama, in the North Smiths Church Field.

The above-described 160-acre wildcat unit was approved as a drilling unit for the Kelley 24-9 #1 Well by Board Order No. 2006-33 issued on March 9, 2006, as an exception to Rule 3(a) of the Special Field Rules for the North Smiths Church Field, and Petitioner now requests that the Board establish said 160-acre unit as the production unit for said well.

BOARD ACTION: Continued 9-21-06 with the stipulation that the Operator shall escrow all production royalties pending establishment of the ultimate production unit by the Board.

16. DOCKET NO. 9-19-06-4

Petition by BLACK WARRIOR METHANE CORP., an Alabama corporation, requesting the State Oil and Gas Board to enter an order approving an exception to Rule 5 of the Special Field Rules for the Brookwood Coal Degasification Field for the open hole completion of the GSPC 08-13-438 Well, Permit No. 14584-C, located in Section 8, Township 20 South, Range 8 West, Tuscaloosa County, Alabama.

This petition was previously granted by Emergency Order No. E-2006-131, issued on August 24, 2006.

BOARD ACTION: Granted 9-21-06

ORDER NO. 2006-142

17. DOCKET NO. 9-19-06-5

Petition by EL PASO E&P COMPANY, L.P., a Delaware limited partnership, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order reforming the unit for the USX 13-04-408, Permit No. 12433-C, from an 80-acre unit consisting of the West Half of the Northwest Quarter of Section 13, Township 17 South, Range 8 West, Tuscaloosa County, Alabama in the White Oak Creek Coal Degasification Field, to an 80-acre unit consisting of the Northwest Quarter of the Northwest Quarter of Section 13, Township 17 South, Range 8 West and the Northeast Quarter of the Northeast Quarter of Section 14, Township 17 South, Range 8, Tuscaloosa County, Alabama, in the White Oak Creek Coal Degasification Field. Although Petitioner requests the Board to eliminate certain lands from the present spacing unit, Petitioner proposes to drill another coalbed methane well in the lands proposed to be eliminated from the current unit by formation of an additional 80 acre unit comprised of the Southwest Quarter of the Northwest Quarter of said Section 13, Township 17 South, Range 8 West and the Southeast Quarter of the Northeast Quarter of Section 14, Township 17 South, Range 8 West, Tuscaloosa County, Alabama.

BOARD ACTION: Granted 9-21-06

ORDER NO. 2006-143

18. DOCKET NO. 9-19-06-6

Petition by SKLAR EXPLORATION COMPANY, LLC, a Louisiana limited liability company authorized to do and doing business in the State of Alabama, requesting that the State Oil and Gas Board of Alabama enter an order approving an exceptional location for the Craft-Mack 7-2 No. 1 well, Permit No. 14325, on a wildcat 160-acre unit consisting of the Northeast Quarter of Section 7, Township 4 North, Range 13 East, Conecuh County, Alabama. The surface location of said well is 660 feet from the North line and 1980 feet from the East line of said Section 7 and the bottom hole location is located no closer than 550 feet from the North line of the unit and approximately 1,875 feet from the East line of the unit. Said bottom hole location is located less than 660 feet from the exterior boundary of the unit and is an exception to Rule 400-1-2-.02(2)(b). By Emergency Order No. E-2006-132 dated August 24, 2006, the State Oil and Gas Board approved this exceptional location for no longer than 45 days or until the next regularly scheduled meeting of the Board, and this petition will request that the emergency order be made permanent. This petition is filed pursuant to Ala. Code Sections 9-17-1, et seq. (and, in particular, Section 9-17-12, as amended) and Rules 400-1, et seq. (and, in particular, Rule 400-1-2-.02) of the State Oil and Gas Board of Alabama Administrative Code.

BOARD ACTION: Granted 9-21-06

ORDER NO. 2006-144

19. DOCKET NO. 9-19-06-7

Petition by CDX Gas, LLC, a Delaware limited liability company, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order reforming the unit for the SEGCO 15-06-175 well, Permit No. 14683-C, from a 40-acre unit consisting of the Southeast Quarter of the Northwest Quarter of Section 15, Township 22 South, Range 4 West, Shelby County, Alabama in the Gurnee Coal Degasification Field, to an 80-acre unit consisting of the East Half of the Northwest Quarter of said Section 15.

BOARD ACTION: Granted 9-21-06

ORDER NO. 2006-145

20. DOCKET NO. 4-30-03-7

Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA to consider issuing an order for Vintage Petroleum, Inc., Hunt Refining Company, and Pruet Production Company to clean up and remove the oil on the lands of Lois Ezell and the

adjoining pipeline right-of-way located in Section 29, Township 11 North, Range 3 West, Choctaw County, Alabama. Vintage Petroleum, Inc., operates the Ezell 29-5 Well, Permit No. 1844, on the lands of Lois Ezell, and certain oil pipelines on the pipeline right-of-way adjoining the lands of Lois Ezell. Hunt Oil Company operates an oil pipeline on the pipeline right-of-way adjoining the lands of Lois Ezell. Pruet Production Company operates a natural gas pipeline and a salt-water pipeline on the pipeline right-of-way adjoining the lands of Lois Ezell. The jurisdiction and authority of the Board is set forth in Section 9-17-1 et seq. of the Code of Alabama (1975), as amended.

BOARD ACTION: Continued 9-21-06

21. DOCKET NO. 8-22-06-15

Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA to notify Operator, Escambia Operating Co. LLC that in accordance with Rule 400-1-2-.03(4) of the State Oil and Gas Board of Alabama Administrative Code the Board may require a higher amount of blanket bond than is specified in Rule 400-1-2-.03(2) relating to blanket bonds. The Motion is an opportunity for Escambia Operating Co. LLC to present evidence to the Board in support of a proposed blanket bond amount regarding the wells that it proposes to operate in Alabama.

BOARD ACTION: Ordered on 9-21-06 that Escambia Operating Company file a \$2.5 million blanket bond for the wells and facilities that Escambia Operating Company LLC proposes to operate in Alabama. Further ordered that at the next regularly schedule Board meeting following one year from the date of Order that operator Escambia Operating Company LLC shall petition the Board for review of the appropriate amount of surety for wells and facilities that Escambia Operating Company LLC operates in Alabama.

ORDER NO. 2006-146

22. DOCKET NO. 9-19-06-8

MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA for S. Lavon Evans, Jr., Operating Co., Inc. to submit to the Board certain documents required by the Board in Order No. 2006-6 dated January 13, 2006. In the Order, the Board issued a fine of \$10,000 for violations of certain regulations and ordered that “for all the permitted wells that S. Lavon Evans, Jr., Operating Co., Inc., presently operates, it shall submit within a timely manner to the Board with notice and hearing (a) a written title opinion prepared by a licensed Alabama attorney, (b) a report naming all royalty owners and their interest in the unit, and (c) a statement by a licensed Alabama attorney that the Affidavit of Ownership or Control for each permitted well operated by S. Lavon Evans, Jr., Operating Co., Inc., is accurate.” This Motion is set pursuant to the Oil and Gas Laws, Section 9-17-1 et seq., Ala. Code 1975. S. Lavon Evans, Jr. Operating Company, Inc. operates wells in Tuscaloosa, Lamar, Pickens and Jefferson Counties, Alabama.

BOARD ACTION: Continued 9-21-06