

RESULTS
SPECIAL BOARD MEETING
FEBRUARY 16, 2007

1. DOCKET NO. 1-31-07-11B

Continued amended petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order establishing a new gas field to be known as the Big Canoe Creek 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 Conasauga Shale Gas Pool, consists of Sections 24, 25, and 36 of Township 13 South, Range 3 East; Sections 19 through 36 of Township 13 South, Range 4 East; Sections 19, 20, and 29 through 32 of Township 13 South, Range 5 East; Sections 1 and 12 of Township 14 South, Range 3 East; and Sections 1 through 11, Township 14 South, Range 4 East, St. Clair County, Alabama.

The Conasauga Shale Gas Pool should initially be defined as that interval of the Conasauga Shale productive of hydrocarbons between 1,946 feet and 6,944 feet as indicated on the Array Induction-GR Density-APS log of the Dominion Black Warrior Basin, Inc. Newman 27-07-06 Well, Permit No. 14495 including those strata productive of hydrocarbons which can be correlated therewith, and all zones in communication therewith, and productive extensions thereof. However, the upper and lower productive limits of the Conasauga Shale Gas Pool in the proposed field have yet to be fully defined. Said pool constitutes a separate and distinct gas producing pool in said field, separate and distinct from any other producing pool in said field.

The presently known characteristics of the Conasauga Shale Gas Pool in said proposed field, as above defined, and the technical, economic, and environmental considerations are such that Petitioner is requesting the establishment of Special Field Rules providing for drilling units consisting of a governmental half section containing approximately 320 acres upon which no other drilling or producible well is located in the same producing gas pool, and avers that said Special Field Rules is in the best interest of prudent development and oil and gas conservation, will permit orderly delineation and development of the Conasauga Shale Gas Pool, avoid the drilling of unnecessary wells, protect correlative rights, and prevent waste. Petitioner is also requesting that production allowables be established, and that production royalties be escrowed pending further orders of the Board, after notice and hearing to establish the ultimate production unit.

BOARD ACTION: Granted 2-16-07 with the stipulation (1) that with respect to the 40-acre drilling units in the field, that those units be reformed to be consistent with the Special Field Rules which require 320-acre drilling units; (2) that these 40-acre drilling units be reformed by the Board's regular May 2007 meeting and (3) that Dominion Black Warrior Basin, Inc., provide the Board with a monthly status report of operations in the field
ORDER NO. 2007-18

2. DOCKET NO. 2-16-07-1A

Amended petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order approving the reformation of a 40-acre wildcat drilling unit for the Newman 27-07-06 Well, Permit No. 14495, consisting of the Southwest Quarter of the Northeast Quarter of Section 27, Township 13 South, Range 4 East, St. Clair County, Alabama, to a 320-acre drilling unit in the proposed Big Canoe Creek Field consisting of the East Half of said Section 27.

This petition is filed as a companion to a petition bearing Docket No. 2-16-07-2 requesting approval of the exceptional location for the referenced well on the proposed reformed 320-acre drilling unit in the proposed Big Canoe Creek Field.

BOARD ACTION: Granted 2-16-07
ORDER NO. 2007-19

3. DOCKET NO. 2-16-07-2B

Amended petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order approving exceptional surface and bottom hole locations for the Newman 27-07-06 Well, Permit No. 14495, on a proposed reformed 320-acre drilling unit in the proposed Big Canoe Creek Field consisting of the East Half of said Section 27, Township 13 South, Range 4 East, St. Clair County, Alabama, said surface location being 2,233 feet from the North line and 544 feet from the West line and a bottom hole location 1,403 feet from the North line and 142 feet from the West line of said proposed reformed 320-acre unit and, as such, is an exception to Rule 4B of the proposed Special Field Rules for the Big Canoe Creek Field, which requires a well to be located at least 660 feet from every exterior boundary of a 320-acre drilling unit.

This petition is filed as a companion to a petition bearing Docket No. 2-16-07-1 requesting approval of the reformation of the 40-acre wildcat drilling unit for the referenced well to a 320-acre drilling unit in the proposed Big Canoe Creek Field.

BOARD ACTION: Granted 2-16-07
ORDER NO. 2007-20

4. DOCKET NO. 2-16-07-3A

Amended petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order approving the reformation of a 40-acre wildcat drilling unit for the Andrews 27-14 No. 3 Well, Permit No. 14357, consisting of the Southeast Quarter of the Southwest Quarter of Section 27, Township 13 South, Range 4 East, St. Clair County, Alabama, to a 320-acre drilling unit in the proposed Big Canoe Creek Field consisting of the West Half of said Section 27.

This petition is filed as a companion to a petition bearing Docket No. 2-16-07-4 requesting approval of the exceptional location for the referenced well on the proposed reformed 320-acre drilling unit in the proposed Big Canoe Creek Field.

BOARD ACTION: Granted 2-16-07
ORDER NO. 2007-21

5. DOCKET NO. 2-16-07-4B

Amended petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order approving an exceptional surface location for the Andrews 27-14 No. 3 Well, Permit No. 14357, on a proposed reformed 320-acre drilling unit in the proposed Big Canoe Creek Field consisting of the West Half of said Section 27, Township 13 South, Range 4 East, St. Clair County, Alabama, said surface location being 330 feet from the South line and 625 feet from the East line of said proposed reformed 320-acre unit and, as such, is an exception to Rule 4B of the proposed Special Field Rules for the Big Canoe Creek Field which requires a well to be located at least 660 feet from every exterior boundary of a 320-acre drilling unit.

This petition is filed as a companion to a petition bearing Docket No. 2-16-07-3 requesting approval of the reformation of the 40-acre wildcat drilling unit for the referenced well to a 320-acre drilling unit in the proposed Big Canoe Creek Field.

BOARD ACTION: Granted 2-16-07
ORDER NO. 2007-22

6. DOCKET NO. 2-16-07-5B

Amended petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order approving the reformation of a 40-acre wildcat drilling unit for the Dawson 34-03-001 Well, Permit No. 13911, consisting of the Northeast Quarter of the Northwest Quarter of Section 34, Township 13 South, Range 4 East, St. Clair County, Alabama, to a 320-acre drilling unit in the proposed Big Canoe Creek Field consisting of the West Half of said Section 34.

This petition is filed as a companion to a petition bearing Docket No. 2-16-07-6 requesting approval of the exceptional location for the referenced well on the proposed reformed 320-acre drilling unit in the proposed Big Canoe Creek Field, and a companion petition bearing Docket No. 2-16-07-7 requesting the forced pooling, without the imposition of a risk compensation penalty, of all tracts and interests in hydrocarbons produced in the referenced well.

BOARD ACTION: Granted 2-16-07
ORDER NO. 2007-23

7. DOCKET NO. 2-16-07-6B

Amended petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order approving exceptional surface and bottom hole locations for the Dawson 34-03-001 Well, Permit No. 13911, on a proposed reformed 320-acre drilling unit in the proposed Big Canoe Creek Field consisting of the West Half of Section 34, Township 13 South, Range 4 East, St. Clair County, Alabama, said surface location being 865 feet from the North line and 330 feet from the East line and a bottom hole location 203 feet from the North line and 704 feet from the East line of said proposed reformed 320-acre unit, and, as such, are exceptions to Rule 4B of the proposed Special Field Rules for the Big Canoe Creek Field, which requires a well to be located at least 660 feet from every exterior boundary of a 320-acre drilling unit.

This petition is filed as a companion to a petition bearing Docket No. 2-16-07-5 requesting approval of the reformation of the 40-acre wildcat drilling unit for the referenced well to a 320-acre drilling unit in the proposed Big Canoe Creek Field, and a companion petition bearing Docket No. 2-16-07-7 requesting the forced pooling, without the imposition of a risk compensation penalty, of all tracts and interests in hydrocarbons produced in the referenced well.

BOARD ACTION: Granted 2-16-07
ORDER NO. 2007-24

8. DOCKET NO. 2-16-07-7B

Amended petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order force pooling, without the imposition of a risk compensation penalty, all tracts and interests in hydrocarbons produced in the Dawson 34-03-001 Well, Permit No. 13911, located on a proposed reformed 320-acre drilling unit in the proposed Big Canoe Creek Field consisting of the West Half of Section 34, Township 13 South, Range 4 East, St. Clair County, Alabama.

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.

This petition is filed as a companion to a petition bearing Docket No. 2-16-07-5 requesting approval of the reformation of the 40-acre wildcat drilling unit for the referenced well to a 320-acre drilling unit in the proposed Big Canoe Creek Field and a companion petition bearing Docket No. 2-16-07-6 requesting approval of the exceptional location for the referenced well on the proposed reformed 320-acre unit.

BOARD ACTION: Granted 2-16-07
ORDER NO. 2007-25

9. DOCKET NO. 12-12-06-13

Continued petition by DE SOTO OIL & GAS, INC., a Florida corporation authorized to do and doing business in the State of Alabama, requesting the State Oil & Gas Board of Alabama to enter an order force pooling, with risk compensation, of all tracts and interests in a 640 acre drilling unit for the proposed Scott Paper Company 2-1 No. 2 Well, having a unit consisting of all of Section 2, Township 1 North, Range 6 East, Escambia County, Alabama, in the Big Escambia Creek Field with an objective depth of the Smackover Formation as defined by the Special Field Rules for the Big Escambia Creek Field. This petition is in accordance with Section 9-17-13, ALABAMA CODE (1975), as amended, and Rules 400-7-1 and 400-7-2 of the State Oil and Gas Board of Alabama Administrative Code.

This Petition is a companion to Docket No. 12-12-06-12 in which Petitioner requests approval of an exceptional location for bottom hole location of the Scott Paper Company 2-1 No. 2 Well.

BOARD ACTION: Taken under advisement on 2-2-07. Granted 2-16-07.

ORDER NO. 2007-26

10. DOCKET NO. 1-31-07-9B

Amended petition by HOLLAND OPERATING CO., INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order designating Petitioner as the Operator of Moundville Development Area designated in Exhibit "A" to Board Order 2006-46 as being "Moundville 1, MDV 1," said Development Area consisting of Sections 3, 4, 9, 10, the South Half of Section 11, the North Half of the Northwest Quarter of Section 14 and the Northeast Quarter, the East Half of the Northwest Quarter and the West Half of the Southeast Quarter of Section 15, all in Township 23 North, Range 5 East, Hale County, Alabama, in the Moundville Coal Degasification Field. As part of its operation to produce coalbed methane gas from said Development Area, Petitioner is requesting that the Board authorize it to take over from Land and Natural Resource Development Inc., the responsibilities as Operator of all gas gathering lines and water gathering lines and facilities, gas compressor station sites, pipeline air release valves and existing abandoned power lines located within the above-described Development Area. Petitioner intends to use the aforementioned existing facilities in its production of coalbed gas for wells located in Sections 9 and 10, Township 23 North, Range 5 East, Hale County, Alabama, and it intends to drill additional wells that will utilize said facilities. Within the above-described Development Area, Petitioner will assume the responsibility of restoring all above-ground surface equipment designated in Exhibit "A" to Board Order 2006-46.

In addition, Petitioner seeks permission to use water disposal lines and above-ground facilities through Township 23 North, Ranges 4 and 5 East, Hale County, Alabama, in the Moundville Coal Degasification Field to move produced water to the Cut-Off Lake Treatment Pond located in the Southwest Quarter of Section 23, Township 23 North, Range 4 East, Hale County, Alabama, in the Moundville Coal Degasification Field, where it intends to dispose of produced water in accordance with its water discharge permit from the Alabama Department of Environmental Management. To require the field assets located in the aforementioned areas to be restored would be wasteful and not in the best interest of promoting orderly development.

BOARD ACTION: Taken under advisement on 2-2-07. Granted on 2-16-07 with the stipulation that (1) Holland Operating Co. be designated Operator of that portion of the Moundville Coal Degasification Field known as Moundville 1 and designated as MDV 1 on Exhibit 1; (2) Land and Natural Resource Development, Inc., pursuant to Board Order No. 2006-46, remains the Operator responsible for all other oil and gas related above-ground surface facilities located in the Moundville Coal Degasification Field that are outside the area designated as MDV 1 on Exhibit 1; (3) Holland as operator is responsible for complying with the Board's rules and regulations related to all oil and gas operations and all wells, equipment, gas gathering lines, water gathering lines, gas compressor station sites, and other oil and gas equipment and facilities including abandoned power lines located within that portion of the Moundville Coal Degasification Field designated as MDV 1 on Exhibit 1; (4) No later than the August 3, 2007, Board meeting, Holland shall submit a comprehensive report on its oil and gas project for evaluation by the Board, including but not limited to an inventory and report on the condition of all oil and gas related above-ground surface facilities in that portion of the Moundville Coal Degasification Field designated as MDV 1, such as gas gathering lines, water gathering lines, gas compressor station sites, and other oil and gas equipment and facilities including abandoned power lines. The inventory and report shall include an inspection of all pipeline "tin horns" including the repair of any which are in an unsafe condition; and (5) The portion of the gas gathering lines and water gathering lines located outside the boundary of MDV 1 in the Southeast Quarter of the Northwest Quarter of Section 11, Township 23 North, Range 5 East, Hale County, Alabama, should be severed or separated from that portion of the gas gathering lines and water gathering lines located within the area designated MDV 1 in the Northeast Quarter of the Southwest Quarter, of said Section 11.

ORDER NO. 2007-27