

RESULTS
STATE OIL AND GAS BOARD OF ALABAMA
BOARD MEETING
DECEMBER 8 & 10, 2009

1. DOCKET NO. 2-2-09-12

Continued petition by SPINDLETOP OIL & GAS CO., 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 extending the temporarily abandoned status of the Robertson 20-12 #1 Well, Permit No. 3227, located in Lamar County, Alabama, in the Fernbank Gas Field, in accordance with Rule 400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative Code. Said well has previously been granted temporarily abandoned status and said status has expired.

Petitioner requests that the Board grant a one year extension of the temporarily abandoned status of the referenced well because said well has future utility and should not be plugged.

BOARD ACTION: Continued 12-10-09 to the next regularly scheduled meeting of the Board after March 31, 2010, with the stipulation that the temporarily abandoned status is extended to said meeting.

2. DOCKET NO. 3-24-09-01

Continued petition by DURANGO OPERATING, LLC, a Mississippi limited liability company, authorized to do business in the State of Alabama, requesting the State Oil and Gas Board to enter an order extending the temporarily abandoned status for the following wells all located in the Foshee Field, Escambia County, Alabama, for a period of one (1) year:

| <u>Permit No.</u> | <u>Well Name</u> | <u>Location</u> |
|-------------------|-------------------|---------------------|
| 5213 | A.T.I.C. 34-9 #1 | Section 34, T2N-R8E |
| 5335 | Culpepper 34-7 #1 | Section 34, T2N-R8E |
| 5167 | A.T.I.C. 35-13 #2 | Section 35, T2N-R8E |
| 5062 | A.T.I.C. 35-14 #1 | Section 35, T2N-R8E |

Said wells are temporarily abandoned. Petitioner is requesting the Board to classify said wells as temporarily abandoned for a period of one (1) year in accordance with Rule 400-1-4-.17 of the State Oil and Gas Board of Alabama Administrative Code because all of the wells have future utility in Durango Operating, LLC's operations in Foshee Field, Escambia County, Alabama and should not be plugged.

BOARD ACTION: Continued 12-10-09 with the stipulation that the temporarily abandoned status for the wells be extended to the next regularly scheduled meeting of the Board.

3. DOCKET NO. 3-24-09-02

Continued petition by DURANGO OPERATING, LLC, a Mississippi limited liability company, authorized to do business in the State of Alabama, requesting the State Oil and Gas Board to enter an order extending the temporarily abandoned status for the Cedar Creek Land and Timber Co. 12-9 #1, Permit # 8685, located in Section 12, Township 1 North, Range 8 East in Osaka Field, Escambia County, Alabama, for a period of one (1) year:

Said well is temporarily abandoned. Petitioner is requesting the Board to classify said well as temporarily abandoned for a period of one (1) year in accordance with Rule 400-1-4-.17 of the State Oil and Gas Board of Alabama Administrative Code because said well has future utility in Durango Operating, LLC's operations in Osaka Field, Escambia County, Alabama and should not be plugged.

BOARD ACTION: Continued 12-10-09 with the stipulation that the temporarily abandoned status for the well be extended to the next regularly scheduled meeting of the Board.

4. DOCKET NO. 3-24-09-03

Continued petition by DURANGO OPERATING, LLC, a Mississippi limited liability company, authorized to do business in the State of Alabama, requesting the State Oil and Gas Board to enter an order extending the temporarily abandoned status for the R. E. Loper et al 12-11 #1, Permit # 2885, located in Section 12, Township 1 North, Range 8 East in Pollard Field, Escambia County, Alabama, for a period of one (1) year:

Said well is temporarily abandoned. Petitioner is requesting the Board to classify said well as temporarily abandoned for a period of one (1) year in accordance with Rule 400-1-4-.17 of the State Oil and Gas Board of Alabama Administrative Code because said well has future utility in Durango Operating, LLC's operations in Pollard Field, Escambia County, Alabama and should not be plugged.

BOARD ACTION: Continued 12-10-09 with the stipulation that the temporarily abandoned status for the well be extended to the next regularly scheduled meeting of the Board.

5. DOCKET NO. 3-24-09-04

Continued petition by DURANGO OPERATING, LLC, a Mississippi limited liability company, authorized to do business in the State of Alabama, requesting the State Oil and Gas Board to enter an order extending the temporarily abandoned status for the following wells all located in West Foshee Field, Escambia County, Alabama, for a period of one (1) year:

| <u>Permit No.</u> | <u>Well Name</u> | <u>Location</u> |
|-------------------|----------------------------|---------------------|
| 5475 | A.T.I.C. 33-7 #3 | Section 33, T2N-R8E |
| 5359 | A.T.I.C. 33-8 #1 | Section 33, T2N-R8E |
| 5528 | A.T.I.C. Container 33-3 #1 | Section 33, T2N-R8E |

Said wells are temporarily abandoned. Petitioner is requesting the Board to classify said wells as temporarily abandoned for a period of one (1) year in accordance with Rule 400-1-4-.17 of the State Oil and Gas Board of Alabama Administrative Code because all of the wells have future utility in Durango Operating, LLC's operations in West Foshee Field, Escambia County, Alabama and should not be plugged.

BOARD ACTION: Continued 12-10-09 with the stipulation that the temporarily abandoned status for the wells be extended to the next regularly scheduled meeting of the Board.

6. DOCKET NO. 3-24-09-10A

Continued amended petition by PALMER PETROLEUM, 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, with a risk compensation penalty, all tracts and interests in hydrocarbons produced from the Smackover Formation in Petitioner's proposed Grantham-Bass 14-10 No. 1 Well to be drilled on a 160-acre wildcat unit consisting of the Southeast Quarter of Section 14, Township 4 North, Range 14 East, Covington 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.

BOARD ACTION: Continued 12-10-09.

7. DOCKET NO. 7-23-09-05

Continued petition by LAND AND NATURAL RESOURCE DEVELOPMENT, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order extending the temporarily abandoned status of the Roy J. Smith et al 6-10 #1A Well, Permit No. 2355-B, located in the Chunchula Unit in Section 6, Township 1 South, Range 1 West, Mobile County, Alabama, for one year, in accordance with Rule 400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative Code because said well has future utility and should not be plugged.

BOARD ACTION: Continued 12-10-09 with the stipulation that the temporarily abandoned status for the well be extended to the next regularly scheduled meeting of the Board.

8. DOCKET NO. 7-23-09-06B

Continued amended petition by LAND AND NATURAL RESOURCE DEVELOPMENT, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order extending the temporarily abandoned status of the Winters 19-4 #1 Well, Permit No. 4765-A-1, located on a 320-acre drilling unit in the Coal Fire Creek Field consisting of the North Half of Section 19, Township 18 South, Range 14 West, Pickens County, Alabama, for one year, in accordance with Rule 400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative Code because said well has future utility and should not be plugged.

BOARD ACTION: Continued 12-10-09 with the stipulation that the temporarily abandoned status for the well be extended to the next regularly scheduled meeting of the Board.

9. DOCKET NO. 7-23-09-07

Continued petition by LAND AND NATURAL RESOURCE DEVELOPMENT, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order extending the temporarily abandoned status of the R.J. Newman et al 21-11 #1 Well, Permit No. 4412-A, located in the Turnerville Field on a 160-acre drilling unit consisting of the Southwest Quarter of Section 21, Township 1 South, Range 1 West, Mobile County, Alabama, for one year, in accordance with Rule 400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative Code because said well has future utility and should not be plugged.

BOARD ACTION: Continued 12-10-09 with the stipulation that the temporarily abandoned status for the well be extended to the next regularly scheduled meeting of the Board.

10. DOCKET NO. 9-8-09-02

Continued petition by BLACK WARRIOR METHANE CORP., 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 Westervelt 17-08-572 Well to be drilled on a 40-acre unit consisting of the Southeast Quarter of the Northeast Quarter of Section 17, Township 20 South, Range 8 West, Tuscaloosa County, Alabama, in the Brookwood Coal Degasification 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 12-10-09.

11. DOCKET NO. 9-8-09-05A

Continued amended petition by HIGHMOUNT BLACK WARRIOR BASIN LLC, a foreign limited liability company, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board, pursuant to Rule 400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative Code, to enter an order extending the temporarily abandoned status for the following wells located in St. Clair County, Alabama, in the Big Canoe Creek Field, for a period of one (1) year:

| <u>WELL NAME</u> | <u>PERMIT NO.</u> | <u>LOCATION</u> |
|-----------------------|-------------------|-----------------|
| Bjornson 32-16-07 | 14620 | S32-T13S-R5E |
| Sloss, et al 35-13-09 | 14621 | S35-T13S-R4E |
| West 35-08-05 | 15268 | S35-T13S-R4E. |

Petitioner requests that the Board grant a one year extension of the temporarily abandoned status of the referenced wells because said wells have future utility and should not be plugged.

BOARD ACTION: Continued 12-10-09 with the stipulation that the temporarily abandoned status for the wells be extended to the next regularly scheduled meeting of the Board.

12. DOCKET NO. 9-8-09-07

Continued petition by ESCAMBIA OPERATING CO., LLC, a foreign limited liability company, requesting the State Oil and Gas Board to enter an order extending the temporarily abandoned status for the Powell Gas Unit 19-4 #1 Well, Permit No. 2991, located on a 640-acre unit consisting of Section 19, Township 1 North, Range 9 East, Escambia County, Alabama, in the Flomaton Field, for a period of one (1) year, in accordance with Rule 400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative Code.

Petitioner has previously been granted temporarily abandoned status for the referenced well and requests that the Board grant a one year extension of such status because said well has future utility and should not be plugged.

BOARD ACTION: Continued 12-10-09 with the stipulation that the temporarily abandoned status for the well be extended to the next regularly scheduled meeting of the Board.

13. DOCKET NO. 9-25-09-01

Continued 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 through 9-17-33 and 9-17-80 through 9-17-88, Code of Alabama (1975) establishing a partial field-wide Unit, to be known as Unit I of the Blue Creek Coal Degasification Field, Tuscaloosa County, Alabama. The Board in Order No. 2009-67 dated September 10, 2009, approved a plan of unitization for Unit I of the Blue Creek Coal Degasification Field for the purpose of initiating injection of carbon dioxide into coal seams for the purpose of conducting experimental procedures to (1) examine the effect of injected carbon dioxide on coalbed methane gas; (2) determine the ability of coal seams to adsorb the carbon dioxide; and (3) consider the possibilities of enhanced coalbed methane gas recovery and permanent storage of carbon dioxide in coal seams. These experimental procedures are to be conducted as a field test of geologic carbon storage and enhanced resource recovery that is sponsored by the U. S. Department of Energy through the Southeastern Regional Carbon Sequestration Partnership. The proposed Unit shall consist of the hereinafter described "Unit Area" in said field, and shall require the operation of said Unit Area as a single Unit for enhanced recovery in order to avoid the drilling of unnecessary wells, increase the efficiency of operations and improve the ultimate recovery of occluded natural gas from the Unitized Formation, as hereinafter defined, and avoid waste. The "Unitized Formation" is to be designated as the Pottsville Coal Interval and is defined as the productive coal seams found between the depths of 368 feet and 3,790 feet below ground surface of the CLC 10-08-51 Well, Permit No. 12778-C, located 621 feet FEL and 1,457 feet FNL of Section 10, Township 19 South, Range 9 West, Tuscaloosa County, Alabama, as indicated on the electric log and core from said well, and all zones in communication therewith and all productive extensions thereof.

Petitioner further seeks approval of the ratification of the Unit Agreement, in accordance with Section 9-17-84, Code of Alabama (1975), and approval of the amendments to the Special Field Rules for the Blue Creek Coal Degasification Field, Tuscaloosa and Fayette Counties, Alabama, in order to conform to the provisions of the aforementioned Unit Agreement and Unit Operating Agreement.

Petition further seeks entry of an order unitizing, pooling and integrating the Unit Area, as underlain by the above defined unitized formation so as to require all owners or claimants of royalty, overriding royalty, mineral and leasehold interests within the Unit Area to unitize, pool and integrate their interests and develop their lands or interests as a Unit, and designating El Paso E&P Company, L.P. as operator of the Unit Area in accordance with the laws of Alabama. The proposed Unit Area, to be designated Unit I of the Blue Creek Coal Degasification Field, consisting of 80 acres, more or less, as described as follows:

The following lands lying and being in Tuscaloosa County, Alabama in the Blue Creek Coal Degasification Field:

Section 17, Township 18 South, Range 9 West
North Half of the Southeast Quarter

BOARD ACTION: Continued 12-10-09.

14. DOCKET NO. 10-27-09-02

Continued petition by STETSON PETROLEUM CORP., a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama to enter an order extending the temporarily abandoned status of the Scott Paper Co. 25-14 No. 1 Well, Permit No. 6303, located on a 160-acre unit consisting of the West Half of the Southeast Quarter and the East Half of the Southwest Quarter of Section 25, Township 4 North, Range 7 East, Conecuh County, Alabama in the Northeast Barnett Field, for one year, in accordance with Rule 400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative Code. Said Well has future utility to the operations of Stetson Petroleum Corp. and should not be plugged.

BOARD ACTION: Continued 12-10-09 with the stipulation that the temporarily abandoned status for the well be extended to the next regularly scheduled meeting of the Board.

15. DOCKET NO. 10-27-09-08

Continued petition by LAND AND NATURAL RESOURCE DEVELOPMENT, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order approving a 320-acre drilling unit for Petitioner's proposed Benton 25-1 No. 1 Well consisting of the Northeast Quarter of Section 25, Township 15 South, Range 15 West and the Northwest Quarter of Section 30, Township 15 South, Range 14 West, Lamar County, Alabama, as a productive extension of the Hells Creek Field, as an exception to Rule 3(a) of the Special Field Rules for said Field which states that a well shall be drilled on a drilling unit consisting of a governmental half section. The proposed Benton 25-1 No. 1 Well is located in the Northeast Quarter of said Section 25. The Northeast Quarter of said Section 25 is within the Hells Creek Field and the Northwest Quarter of said Section 30 is adjacent to the Hells Creek Field.

This petition is filed as a companion to a petition bearing Docket No. 10-27-09-09 requesting the forced pooling, with imposition of the risk compensation fee, of all tracts and interests in hydrocarbons produced from the Carter Sand in the referenced well.

BOARD ACTION: Continued 12-10-09.

16. DOCKET NO. 10-27-09-09A

Continued amended petition by LAND AND NATURAL RESOURCE DEVELOPMENT, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order force pooling, with a risk compensation penalty, all tracts and interests in hydrocarbons produced from the Lewis Sand in Petitioner's proposed Benton 25-1 No. 1 Well to be drilled on a 320-acre drilling unit consisting of the Northeast Quarter of Section 25, Township 15 South, Range 15 West and the Northwest Quarter of Section 30, Township 15 South, Range 14 West, as a productive extension of the Hells Creek Field, Lamar County, Alabama. The proposed Benton 25-1 No. 1 Well is located in the Northeast Quarter of said Section 25. The Northeast Quarter of said Section 25 is within the Hells Creek Field and the Northwest Quarter of said Section 30 is adjacent to the Hells Creek 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.

This petition is filed as a companion to a petition bearing Docket No. 10-27-09-08 requesting the Board to enter an order approving said 320-acre drilling unit for said well.

BOARD ACTION: Dismissed 12-10-09.

ORDER NO. 2009-77

17. DOCKET NO. 12-8-09-01

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 amending Rule 4 of the Special Field Rules for Short Creek Coal Degasification Field, Jefferson and Walker Counties, Alabama to allow a second well to be drilled and produced within 80-acre drainage or production units in the Field, in accordance with the provisions of Section 9-17-12b of the Code of Alabama (1975), as amended.

BOARD ACTION: Granted 12-10-09.

ORDER NO. 2009-78

18. DOCKET NO. 12-8-09-02

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 approving the exceptional bottom hole location of the Cedar Creek Land & Timber 23-3 Well, Permit No. 16053, as an exception to Rule 400-1-2-.02(2)(b) of the State Oil and Gas Board of Alabama Administrative Code. Said well was drilled on a 160-acre wildcat drilling unit consisting of the Northwest Quarter of Section 23, Township 5 North, Range 13 East, Conecuh County, Alabama, at a surface location 1,209 feet from the North line and 698 feet from the East line of said 160-acre wildcat drilling unit, but said well drifted such that the bottom hole location at the base of the Smackover Formation is 1,370 feet from the North line and 562 feet from the East line of said 160-acre wildcat drilling unit.

Rule 400-1-2-.02(2)(b) requires that wells be located at least 660 feet from every exterior boundary of the drilling unit, but the bottom hole location of the referenced well at the base of the Smackover Formation, being 1,370 feet from the North line and 562 feet from the East line of said 160-acre unit, is an exception to said Rule.

BOARD ACTION: Granted 12-10-09.
ORDER NO. 2009-79

19. DOCKET NO. 12-8-09-03

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 approving the exceptional bottom hole location of the Cedar Creek Land & Timber 14-14 Well, Permit No. 16091, as an exception to Rule 400-1-2-.02(2)(b) of the State Oil and Gas Board of Alabama Administrative Code. Said well was drilled on a 160-acre wildcat drilling unit consisting of the Southwest Quarter of Section 14, Township 5 North, Range 13 East, Conecuh County, Alabama, at a surface location 665 feet from the South line and 1,008 feet from the East line of said 160-acre wildcat drilling unit, but said well drifted such that the bottom hole location at the base of the Smackover Formation is 585 feet from the South line and 747 feet from the East line of said 160-acre wildcat drilling unit.

Rule 400-1-2-.02(2)(b) requires that wells be located at least 660 feet from every exterior boundary of the drilling unit, but the bottom hole location of the referenced well at the base of the Smackover Formation, being 585 feet from the South line and 747 feet from the East line of said 160-acre unit, is an exception to said Rule.

BOARD ACTION: Granted 12-10-09.
ORDER NO. 2009-80

20. DOCKET NO. 12-8-09-04A

Amended 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 force pooling, without the imposition of a risk compensation penalty, all tracts and interests in hydrocarbons produced from the Smackover Formation in Petitioner's proposed Sanders 23-16 Well to be drilled on a 160-acre drilling unit consisting of the South Half of the Southeast Quarter of Section 23 and the North Half of the Northeast Quarter of Section 26, all in Township 4 North, Range 12 East, Conecuh County, Alabama, as a productive extension of the Little Cedar Creek 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.

This petition is filed as a companion to a petition bearing Docket No. 12-8-09-05 requesting the Board to enter an order approving the hereinabove described 160-acre drilling unit for the Sanders 23-16 Well as a productive extension of the Little Cedar Creek Field.

BOARD ACTION: Continued 12-10-09.

21. DOCKET NO. 12-8-09-05

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 approving a 160-acre drilling unit for the Sanders 23-16 Well consisting of the South Half of the Southeast Quarter of Section 23 and the North Half of the Northeast Quarter of Section 26, all in Township 4 North, Range 12 East, Conecuh County, Alabama, as a productive extension of the Little Cedar Creek Field, in accordance with Rule 3(a) of the Special Field Rules for said Field which provides that a well may be drilled on a drilling unit designated by the operator in the permit application and subject to the approval of the Oil and Gas Supervisor, which shall contain approximately 160 contiguous acres upon which no other drilling or producible well is located in the Smackover Oil Pool.

This petition is filed as a companion to a petition bearing Docket No. 12-8-09-04 requesting the forced pooling, without imposition of the risk compensation fee, of all tracts and interests in hydrocarbons produced from the Smackover Formation in the referenced well.

BOARD ACTION: Continued 12-10-09.

22. DOCKET NO. 12-8-09-06C

Amended petition by SAGA PETROLEUM LIMITED LIABILITY COMPANY OF COLORADO, a foreign limited partnership, 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 gas field in Pickens County, Alabama, to be named the Burdine Creek Field, or such other name as the Board deems proper, and to adopt Special Field Rules therefor. The proposed field, as underlain by the Pottsville A Gas Sand Interval shall consist of the East Half of Section 2, Township 19 South, Range 16 West, Pickens County, Alabama.

The Pottsville A Gas Sand Interval should be defined as that interval of the Pottsville Formation productive of hydrocarbons between 5,060 feet measured depth and 5,088 feet measured depth, as indicated on the Gamma Ray Log of the McShan 2-1-1 Well, Permit No. 15796, located in the East Half of Section 2, Township 19 South, Range 16 West, Pickens County, Alabama. Petitioner is requesting well spacing of 320 contiguous acres, and is also requesting the establishment of allowables for said field.

Petitioner is also requesting that the 320-acre unit consisting of the East Half of Section 2, Township 19 South, Range 16 West, Pickens County, Alabama, be approved as the permanent production unit for the McShan 2-1-1 Well.

BOARD ACTION: Granted 12-10-09.
ORDER NO. 2009-81

23. DOCKET NO. 12-8-09-07

Petition by LAND AND NATURAL RESOURCE DEVELOPMENT, INC., an Alabama corporation, requesting that the State Oil and Gas Board of Alabama enter an order (a) force pooling without risk compensation all tracts and interests in the Southwest Quarter of Section 21, Township 1 South, Range 1 West, Mobile County, Alabama, for the purpose of re-entering the R.J. Newman 21-11 No. 1 well (Permit No. 4412-A), Turnerville Field, to test the Smackover and Norphlet formations, (b) requiring all owners of tracts and interests in said unit (both present and future) to develop their tracts and interests as a unit, and (c) appointing Petitioner as the operator of said unit. This petition is filed pursuant to Ala. Code Sections 9-17-1, et seq. (and, in particular, Section 9-17-13, as amended) and Rules 400-1, et seq. (and, in particular, Rule 400-7-2 and Rule 400-7-1) of the State Oil and Gas Board of Alabama Administrative Code.

BOARD ACTION: Continued 12-10-09.

24. DOCKET NO. 7-23-09-12

Continued MOTION BY THE STATE OIL AND GAS BOARD for Operator Holland Operating Company, Inc., to show cause why the wells located in the Moundville Coal Degasification Field, Hale County, Alabama listed hereinbelow should not be ordered plugged and abandoned in accordance with Rule 400-3-4-.14 of the State Oil and Gas Board of Alabama Administrative Code relating to Plugging and Abandonment of Wells. Further, as a part of this Motion by the Board, the operator shall show cause why equipment, pipelines, and other facilities associated with these wells, including but not limited to natural gas pipelines, compressor stations, "tin" horns, pipeline risers, and water gathering lines should not be removed, cleaned up, or dismantled and all sites restored in accordance with the Board's rules and regulations.

| <u>Permit No.</u> | <u>Well Name</u> | <u>Location</u> |
|-------------------|------------------|--|
| 14811-C | Tubbs 10-5 | Sec. 10, Township 23 North, Range 5 East |
| 14812-C | Stephenson 10-4 | Sec. 10, Township 23 North, Range 5 East |
| 14813-C | Tubbs 9-8-1 | Sec. 9, Township 23 North, Range 5 East |
| 14814-C | Tubbs 9-1 No. 2 | Sec. 9, Township 23 North, Range 5 East |
| 14887-C | Tubbs 9-1 No. 3 | Sec. 9, Township 23 North, Range 5 East |

The Board may, as a part of this Motion, order that surety holding surety bonds on these wells pay the proceeds of the well bonds to the Board so that the Board's staff may plug and abandon the wells and restore the well sites and dismantle, remove and restore all associated sites.

Further, as a part of this Motion, the Board may order that a portion of the monies in the Alabama Coalbed Methane Gas Plugging Fund be collected by the Board pursuant to Section 9-17-133 et. seq. of the Code of Alabama (1975).

Failure of the operator to comply with the Board's rules, regulations, and orders may result in the Board issuing fines or taking other sanctions against operator, Holland Operating Company, Inc.

BOARD ACTION: Continued 12-10-09.

25. DOCKET NO.12-8-09-08

MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA for (1) De Soto Oil & Gas, Inc. to show cause why it should not be found in violation of Rule 400-1-2-.01 of the State Oil and Gas Board of Alabama Administrative Code relating to the filing of Affidavit of Ownership or Control (Form OGB-2) whereby the applicant to drill a well verifies that he owns or has control of 100% of the drilling rights in a unit; and (2) De Soto Oil Properties, LLC to show cause why it should not be found in violation of Rule 400-1-2-.05 of the State Oil and Gas Board of Alabama Administrative Code relating to Change of Operator whereby the new operator states that the new operator has ownership or control of one hundred percent (100%) of the rights to drill and produce with respect to oil and gas underlying the lands comprising the unit assigned to the well or wells for which a change of operator is requested.

Operator De Soto Oil & Gas, Inc. operates the Godwin 14-3 No. 1 Well, Permit No. 15687-B, the well having been drilled on a 640-acre unit consisting of Section 14, Township 1 North, Range 7 East, Escambia County, Alabama. The operator filed the Affidavit of Ownership or Control (OGB-2), which is the subject of this Motion for the Godwin 14-3 No. 1 Well. De Soto Oil Properties, LLC, filed an Application for Change of Operator for the Godwin 14-3 No. 1 Well.

Section 9-17-32 of the Code of Alabama (1975) provides: Any person who knowingly and willfully violates any provision of this article, or any rule, regulation or order of the board made under this article shall, in the event a penalty for such violation is not otherwise provided for in this article, be subject to a fine not to exceed \$10,000.00 a day for each and every day of such violation and for each and every act of violation.

If the Board determines its statutes or regulations have been violated, the Board is authorized under the Oil and Gas Conservation Laws, Section 9-17-1 et seq. of the Code of Alabama (1975), to issue a fine under Section 9-17-32 or to issue other sanctions.

BOARD ACTION: Ordered on 12-10-09 that (1) De Soto Oil & Gas, Inc., be fined TEN THOUSAND AND NO/100 DOLLARS (\$10,000.00) for knowingly and willfully violating Rule 400-1-2-.01 of the *State Oil and Gas Board of Alabama Administrative Code*; and (2) De Soto Oil Properties, LLC did not violate Rule 400-1-2-.05, and therefore, should not be assessed a fine.

ORDER NO. 2009-82

26. DOCKET NO. 12-8-09-09

MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA to amend the *State Oil and Gas Board of Alabama Administrative Code* to make the Board's regulations consistent with recent amendments to the Alabama Oil and Gas Laws in Act. No. 2008-450 addressing drilling and drainage and production units. Under this Motion, the following regulations of the Board are proposed to be amended:

Onshore Lands Operations—Rule 400-1-1-.01, Applicability; Rule 400-1-1-.05, Definitions; 400-1-2-.01, Well Permit; Rule 400-1-2-.02, Spacing of Wells; Rule 400-1-5-.09, Permissible Tolerance in Production Volumes Allowed for Oil Wells; Rule 400-1-5-.10, Permissible Tolerance in Production Volumes Allowed for Gas Wells.

Submerged Offshore Lands Operations—Rule 400-2-1-.05, Definitions; Rule 400-2-2-.01, Well Permit; Rule 400-2-2-.02, Spacing of Wells; Rule 400-2-5-.09, Permissible Tolerance in Production Volumes Allowed for Oil Wells; Rule 400-2-5-.10, Permissible Tolerance in Production Volumes Allowed for Gas Wells.

Coalbed Methane Gas Operations—Rule 400-3-1-.05, Definitions; Rule 400-3-2-.01, Well Permit; Rule 400-3-2-.02, Spacing of Wells.

Practice and Procedure—Rule 400-7-1-.11, Notice.

Forced Integration or Forced Pooling—Rule 400-7-2-.01, Forced Integration or Forced Pooling.

The jurisdiction and authority of the Board are set forth in the Alabama Oil and Gas Conservation statutes, Sections 9-17-1, et seq. of the *Code of Alabama* (1975), as amended.

BOARD ACTION: Continued 12-10-09.