

## RESULTS OF MEETING

The State Oil and Gas Board of Alabama held its regular hearing at 10:00 a.m. on Tuesday, August 31, 2010, and Thursday, September 2, 2010, in the Board Room of the State Oil and Gas Board, Walter B. Jones Hall, University of Alabama Campus, 420 Hackberry Lane, Tuscaloosa, Alabama.

### 1. 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. 9-2-10 with stipulation that the temporary abandoned status extended to the next regularly scheduled Board meeting.

### 2. DOCKET NO. 2-9-10-01A

Continued amended petition by COLUMBIA PETROLEUM, LLC, a Mississippi limited liability company, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama to enter an order force pooling, with the imposition of a risk compensation fee, all tracts and interests in hydrocarbons produced from the Smackover Formation in a well to be drilled on a proposed 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 filed as a companion petition to the petition bearing Docket No. 2-9-10-02 requesting the approval of a 160-acre drilling unit as a productive extension of the Little Cedar Creek Field.

**BOARD ACTION:** Continued 9-2-10.

### 3. DOCKET NO. 2-9-10-02A

Continued amended petition by COLUMBIA PETROLEUM, LLC, a Mississippi limited liability company, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama to enter an order approving a 160-acre drilling unit for the proposed 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.

This petition is filed as a companion petition to the petition bearing Docket No. 2-9-10-01 requesting the force pooling, with the imposition of a risk compensation fee, of all tracts and interests in hydrocarbons produced from the Smackover Formation in the proposed Sanders 23-16 Well.

**BOARD ACTION:** Continued 9-2-10.

### 4. DOCKET NO. 2-9-10-20

Continued petition by ENERGEN RESOURCES CORPORATION, an Alabama corporation, requesting the State Oil and Gas Board to enter an order extending the temporarily abandoned status of the Williams 29-12-101 Well, Permit No. 14313, located on a 40-acre wildcat drilling unit consisting of the Northwest Quarter of the Southwest Quarter of Section 29, Township 14 South, Range 3 East, St. Clair County, Alabama, in accordance with Rule 400-1-4-.17 (1) of the State Oil and Gas Board of Alabama Administrative Code.

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

**BOARD ACTION:** Dismissed.

Order No. 2010-75

### 5. DOCKET NO. 3-23-10-13

Continued petition by SKLAR EXPLORATION COMPANY, LLC, a Louisiana limited liability company authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama to enter an order amending Rule 1 of the Special

Field Rules for the Little Cedar Creek Field to add the following described parcels to the field limits of said field: the Northeast Quarter and the Southeast Quarter of Section 33, Township 5 North, Range 13 East, Conecuh County, Alabama. This petition is filed pursuant to Ala. Code Sections 9-17-1, *et seq.* and Rules 400-1, *et seq.* of the State Oil and Gas Board of Alabama Administrative Code.

**BOARD ACTION:** Granted 9-2-10.

Order No. 2010-76

6. DOCKET NO. 7-20-10-03B

Continued petition by FAIRWAYS EXPLORATION & PRODUCTION, LLC, a Delaware limited liability company, 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 without risk compensation, all tracts and interests in hydrocarbons produced in a 160 acre drilling unit for the proposed Morgan 13-5 #1 Well, a wildcat well, having a unit consisting of all of the Northwest Quarter, Section 13, Township 5 North, Range 13 East, Conecuh County, Alabama. 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.

**BOARD ACTION:** Dismissed 9-2-10.

Order No. 2010-77

7. DOCKET NO. 8-31-10-01

Petition by DURANGO OPERATING, LLC, a Mississippi 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 approving an exception to Rule 400-4-2-.01(2) of the State Oil and Gas Board Administrative Code in order to convert the R. E. Loper et al 12-11 #1 well, Permit #2885, located in Section 12, Township 1 North, Range 8 East, Escambia County, Alabama, in the Pollard Field, from a temporarily abandoned producing well into a Class II salt water injection well for the disposal of produced water in the Pollard Field. Rule 400-4-2-.01(2) prohibits the injection of water into a formation that may damage oil, gas or other minerals, and petitioner proposes to dispose of produced water in the Eutaw Formation which has been pressure depleted and is incapable of producing hydrocarbons in commercial quantities.

**BOARD ACTION:** Continued 9-2-10.

8. DOCKET NO. 8-31-10-02A

Petition by WALTER 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 to enter an order dissolving the Wolf Creek Coal Degasification Field, Tuscaloosa County, Alabama. Said Field consists of that area underlain by the Pottsville Coal Interval described as Sections 25, 26, 35 and 36, all in Township 18 South, Range 11 West, Tuscaloosa County, Alabama, and was established by Board Order No. 90-50 issued on March 2, 1990, upon petition by GLG Energy, L.P.

**BOARD ACTION:** Granted 9-2-10.

Order No. 2010-78

9. DOCKET NO. 8-31-10-03

Petition by WALTER 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 to enter an order amending Rule 2 of the Special Field Rules for Blue Creek Coal Degasification Field, Tuscaloosa and Fayette Counties, Alabama, to add Sections 1 through 36, Township 18 South, Range 11 West; Sections 1 through 18, Township 19 South, Range 11 West; Sections 7 through 10 and Sections 15 through 18, Township 19 South, Range 10 West, Tuscaloosa County, Alabama, to the Field limits of said Field.

**BOARD ACTION:** Granted 9-2-10.

Order No. 2010-79

10. DOCKET NO. 8-31-10-04A

Petition by GEOMET, INC., a Delaware corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving an exception to Rule 400-4-2-.01(2) of the *State Oil and Gas Board of Alabama Administrative Code* in order to convert the Wittmeier 30-03-02 Well, Permit No. 15436, located on a 40-acre wildcat unit consisting of the Northeast Quarter of the Northwest Quarter of Section 30, Township 12 South, Range 1 East, Blount County, Alabama, from a producing well to a Class II water injection well for the disposal of produced water from the Chattanooga Shale from the Wittmeier 19-15-01 Well, Permit No. 15386, Fallin 30-07-03 Well, Permit No. 15609-BH, and Brittian 20-06-06 Well, Permit No. 15735-BH, back into the Chattanooga Shale. Said Rule 400-4-2-.01(2) prohibits the injection of water into a formation that may damage oil, gas or other minerals, and Petitioner alleges that the proposal to dispose of produced water back into the same formation from which it was produced, namely the Chattanooga Shale,

will not damage the occluded hydrocarbons in said Chattanooga Shale. Petitioner is requesting said exception to Rule 400-4-2-.01(2) in order to conduct a 2-year study to determine if it is feasible to produce shale gas from the Chattanooga Shale from the aforementioned wells in Blount County, Alabama.

**BOARD ACTION:** Granted 9-2-10 with the stipulation that: (1) only produced water from the Chattanooga Shale in the Wittmeier 19-15-01 Well, Permit No. 15386, Fallin 30-07-03 Well, Permit No. 15609-BH, and Brittian 20-06-06 Well, Permit no. 15735-BH will be injected into the Wittmeier 30-03-02 Well, Permit No. 15436; (2) Geomet, Inc., file monthly analysis of the injected fluid in addition to the required monthly reporting, as directed by the Supervisor; (3) Geomet, Inc., file a written report to the Supervisor in six (6) months on the status of the project and the data that has been collected related to the injection of produced water into the Chattanooga Shale; and (4) the Petition be continued to the next regularly scheduled meeting of the board following September 2, 2011, for Geomet, Inc., to make a report to the Board on the status of the project and the data that has been collected related to the injection of produced water into the Chattanooga Shale.

Order No. 2010-80

11. DOCKET NO. 8-31-10-05

Petition by EXXON MOBIL CORPORATION, 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 revised allocation and metering procedures as a result of Board Order 2009-54, dated July 24, 2009, that approved plans for consolidation of the Mary Ann Plant and the 823 Plant with Petitioner's Onshore Treating Facility for production from its offshore wells located in the following Fields and Units: Bon Secour Bay Unit, Bon Secour Bay Field-Lower Mobile Bay Area, Baldwin and Mobile Counties, Alabama; Northwest Gulf Unit, Northwest Gulf Field-Mobile Area, Mobile County, Alabama; North Central Gulf (Norphlet) Field Unit and Tract 114 (Norphlet) Unit, North Central Gulf Field-Mobile Area, Mobile and Baldwin Counties, Alabama; Lower Mobile Bay-Mary Ann Field (Norphlet) Unit, Lower Mobile Bay-Mary Ann Field, Baldwin and Mobile Counties, Alabama; Aloe Bay (Norphlet) Field Unit, Aloe Bay Field, Mobile County, Alabama; South Pelican Island Field, Mobile County, Alabama; and the 823 and 869 OCS Units, all in accordance with the State Oil and Gas Board of Alabama Administrative Code and Section 9-17-1 *et seq.* of the *Code of Alabama* (1975).

**BOARD ACTION:** Granted 9-2-10.

Order No. 2010-81

12. DOCKET NO. 8-31-10-06

Petition by FAIRWAYS EXPLORATION & PRODUCTION, LLC, a Delaware limited liability company, 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 without risk compensation, all tracts and interests in hydrocarbons produced in a 160 acre drilling unit for the proposed Morgan 13-5 #1 Well, a wildcat well, having a unit consisting of all of the Northwest Quarter, Section 13, Township 5 North, Range 13 East, Conecuh County, Alabama. 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*.

**BOARD ACTION:** Continued 9-2-10.

13. DOCKET NO. 8-31-10-07

Petition by VENTURE OIL & GAS, INC., 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 (i) establishing a new oil field in Escambia County, Alabama, to be named the South Huxford Field, or such other name as the Board deems proper, and to adopt Special Field Rules therefore, (ii) establishing spacing for the proposed field, (iii) establishing allowables for the proposed field and (iv) approving production units for two wells in the proposed field.. The proposed field, as underlain by the Smackover Oil Pool, is to consist of the South Half of the Southeast Quarter of Section 35, Township 3 North, Range 6 East, the North Half of the Northeast Quarter and the Northwest Quarter of Section 2, Township 2 North, Range 6 East and the South Half of the Northeast Quarter and the North Half of the Southeast Quarter of Section 3, Township 2 North, Range 6 East, Escambia County, Alabama.

The Smackover Oil Pool for the proposed field is to be defined as those strata productive of hydrocarbons between the interval of 15,090 feet (MD) and 15,387 feet (MD) as indicated on the Ray Induction Log for the Fountain Farm 2-2 No. 1 Well, Permit No. 16186, and all zones in communication therewith and all productive extensions thereof.

Petitioner requests well spacing of 160 acres and also requests the establishment of allowables of 500 barrels of oil per day for said field. Additionally, Petitioner requests that the drilling unit for the Fountain Farm 2-2 No. 1 Well, Permit No. 16186, consisting of the South Half of the Southeast Quarter of Section 35, Township 3 North, Range 6 East and the North Half of the Northeast Quarter of Section 2, Township 2 North, Range 6 East and the drilling unit for the Fountain Farm 2-4 No. 1 Well, Permit No. 16050, consisting of the Northwest Quarter of Section 2, Township 2 North, Range 6 East be approved as the production units for the respective Wells.

**BOARD ACTION:** Continued 9-2-10.

14. DOCKET NO. 8-31-10-08

Petition by AMERICAN MIDSTREAM (MISSISSIPPI), LLC., a Delaware Limited Liability Company, qualified to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama, pursuant to Rule 400-1-7-01 of the State Oil and Gas Board of Alabama Administrative Code, to approve a modification to its construction and operation plan for its Atmore Gas Treatment Plant located in the Northwest Quarter of Section 2, Township 2 North, Range 16 East, Escambia County, Alabama. Because of the high hydrogen sulfide content of gas in wells in the vicinity of its Atmore Gas Treatment Plant, it may be necessary for the Petitioner to add a process for the treatment of that gas prior to the gas entering its Plant and it may be necessary to add an additional process on the outlet side of the Plant to further clean the gas prior to its leaving the Plant. The current construction and operation plan for the Atmore Gas Treatment Plant was approved by the Board on March 25, 2010, pursuant to Order No. 2010-34

**BOARD ACTION:** Continued 9-2-10.

15. DOCKET NO. 8-31-10-09B

Petition by VENTURE OIL & GAS, INC., 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 approving a 160-acre drilling unit for the proposed Black Stone 15-14 No. 1 Well to consist of the South Half of the Southwest Quarter of Section 15, Township 3 North, Range 5 East and the North Half of the Northwest Quarter of Section 22, Township 3 North, Range 5 East, Escambia County, Alabama to be drilled as a wildcat well. The proposed drilling unit is an exception to Rule 400-1-2-.02(2)(b) of the State Oil and Gas Board of Alabama Administrative Code, which requires that wells be located on units consisting of a governmental quarter section containing approximately 160 contiguous acres.

**BOARD ACTION:** Granted 9-2-10.  
Order No. 2010-82

16. 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, oil 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 9-2-10.

17. DOCKET NO. 3-23-10-21A

Continued amended MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA to amend Rule 400-1-2-.05, Rule 400-2-2-.05 and Rule 400-3-2-.05 of the State Oil and Gas Board of Alabama Administrative Code relating to change of operator to provide that within 60 days of the effective date of any agreement causing a change of operator, the new operator must submit the Application for Change of Operator. Further, under the proposed rule, the new operator shall attest that it has ownership or control of one hundred percent (100%) of the rights to drill and produce in the unit. Further, under the proposed rule, the Board may delay the time period for filing the application for an additional period of time. The State Oil and Gas Board of Alabama was established pursuant to Alabama Oil and Gas Conservation Laws as set forth in the Section 9-17-1 et seq. of the Code of Alabama (1975).

**BOARD ACTION:** Continued 9-2-10.

18. DOCKET NO. 7-20-10-07

Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA requesting Operator, S. Lavon Evans, Jr. Operating Co., Inc., to show cause why the following wells located in Tuscaloosa, Lamar, Pickens, and Jefferson Counties, Alabama, and described hereinbelow should not be ordered plugged and abandoned in accordance with Rule 400-1-4-.14 of the State Oil and Gas Board of Alabama Administrative Code relating to Plugging and Abandonment of Wells and the well sites and associated tank battery sites restored in accordance with Rule 400-1-4-.16 of the State Oil and Gas Board of Alabama Administrative Code relating to Restoration of Location.

The Board may consider, as a part of this Motion, that the proceeds from the surety bond be utilized to plug and abandon wells and restore well sites.

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, S. Lavon Evans, Jr. Operating Co., Inc.

County Line Field

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>County</u>
11797	Holliman 36-10 #1	S36, T17S, R14W	Lamar
11865	Williamson 1-1 #1	S1, T18S, R14W	Pickens

Asbury Church Field

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>County</u>
12974	Weyerhaeuser 33-15 #1	S33, T16S, R16W	Lamar
12975	Weyerhaeuser 4-1 #1	S4, T17S, R16W	Lamar
13260	Weyerhaeuser 3-7 #1	S3, T17S, R16W	Lamar

SE Watson Creek Field

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>County</u>
12548	Collins 12-11 #1	S12, T15S, R15W	Lamar
12919	Gearn 14-1 #1	S14, T15S, R15W	Lamar

Wiley Dome Field

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>County</u>
9986-A	Holman 34-10 #1	S34, T17S, R9W	Tuscaloosa
13041	Holman 35-6 #1	S35, T17S, R9W	Tuscaloosa
13042	Shepherd 35-16 #1	S35, T17S, R9W	Tuscaloosa
13310-BH	Holman 34-10 #2	S34, T17S, R9W	Tuscaloosa
13311	Alawest 34-13 #1	S34, T17S, R9W	Tuscaloosa
13905	Earnest 26-14 #1	S26, T17S, R9W	Tuscaloosa

Wildcat Wells

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>County</u>
13133	Earnest 26-15 #1	S26, T17S, R9W	Tuscaloosa
13307	Christian 3-8 #1	S3, T18S, R9W	Tuscaloosa
13384	Champion International 35-13 #1	S35, T17S, R9W	Tuscaloosa
13387	Alawest 2-3 #1	S2, T18S, R9W	Tuscaloosa
13388	Bane 36-14 #1	S36, T17S, R9W	Tuscaloosa
13680	Bolton 1-4 #1A	S1, T18S, R9W	Tuscaloosa

13710	Champion International 3-10 #1	S3, T18S, R9W	Tuscaloosa
13711	Alawest 1-12 #2	S1, T18S, R9W	Tuscaloosa
13640	Gartman 2-4 #1	S2, T17S, R16W	Lamar
13389	U.S. Steel Corporation 21-13 #1	S21, T19S, R5W	Jefferson

**BOARD ACTION:** Ordered 9-2-10 that: (1) Operator, S. Lavon Evans, Jr. Operating, Co., Inc. plug and abandon the Earnest 26-15 No. 1. (Permit No. 13133); the Christian 3-8 No. 1, (Permit No. 13307); the Bolton 1-4 No. 1A, (Permit No. 13680); the Champion International 3-10 No. 1, (Permit No. 13710); and the Alawest 1-12 No. 2, (Permit No. 13711) in accordance with Rule 400-1-4-.14 of the *State Oil and Gas Board of Alabama Administrative Code* related to Plugging and Abandonment of Wells, by September 16, 2010, and restore the well sites for these five (5) wells in accordance with Rule 400-1-4-.16 of the *State Oil and Gas Board of Alabama Administrative Code* related to Restoration of Location by October 1, 2010; (2) prior to Operator, S. Lavon Evans, Jr. Operating Co., Inc. placing the Weyerhaeuser 35-15 No. 1 Well, Permit No. 12974, the Weyerhaeuser 4-1 No. 1 Well, Permit No. 12975, and the Weyerhaeuser 3-7 No.1 Well, Permit No. 13260 on production, Evans shall re-file an Affidavit of Ownership or Control on Oil and Gas Board Form OGB-2; and (3) this Motion be continued to the next regularly scheduled meeting of the Board after March 1, 2011, for Operator, S. Lavon Evans, Jr. Operating Co., Inc. to report to the Board regarding Evans compliance with its proposed schedule for plugging and abandoning certain wells and for placing certain wells on production.  
Order No. 2010-83