

RESULTS OF MEETING

The State Oil and Gas Board of Alabama held its regular hearing at 10:00 a.m. on Tuesday, November 1, 2011 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. 5-3-11-12

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 exceptional location for the re-entry of the Windham 35-6 #1 Well, Permit No. 6934, for an attempted re-completion in the Pottsville A Sand Oil Pool, on a 40-acre wildcat drilling unit consisting of the Southeast Quarter of the Northwest Quarter of Section 35, Township 18 South, Range 15 West, Pickens County, Alabama. Said well is located 315 feet from the South line and 510 feet from the West line of said 40-acre wildcat drilling unit and, as such, is an exception to Rule 400-1-2-.02(2)(a) of the *State Oil and Gas Board of Alabama Administrative Code* which requires that wells be located at least 330 feet from every exterior boundary of the drilling unit.

Said well was previously permitted as a gas well in 1989 on a 320-acre wildcat drilling unit consisting of the West Half of said Section 35 to test the Carter and Lewis Sand Gas Pools, but was plugged and abandoned on October 30, 1989.

This petition is filed pursuant to Section 9-17-12(c) of the *Code of Alabama* (1975), as amended.

BOARD ACTION: Dismissed 11.4.11

ORDER NO.: 2011-88

2. DOCKET NO. 9-27-11-10A

Continued Petition by LAND AND NATURAL RESOURCE DEVELOPMENT, INC., an Alabama corporation, requesting the State Oil and Gas Board to amend Rule 2 of the Special Field Rules for the Elmore Creek Field, Pickens County, Alabama, to add the Fayette Sand Gas Pool, to be construed to mean those strata of the Fayette Sand productive of hydrocarbons in the interval between 2,910 feet measured depth and 3,006 feet measured depth in the Smith 5-12 #1 Well, Permit No. 16290, located on a 320-acre wildcat drilling unit consisting of the West Half of Section 5, Township 19 South, Range 13 West, Pickens County, as indicated on the Array Induction Log of said well, and including those strata productive of hydrocarbons which can be correlated therewith. Petitioner further requests the Board to approve the 320-acre wildcat drilling unit for the Smith 5-12 #1 Well as the production unit for said well, as completed in the Fayette Sand Gas Pool, in the Elmore Creek Field.

BOARD ACTION: Granted. 11.4.11

ORDER NO.: 2011-89

3. DOCKET NO. 9-27-11-15C

Continued Amended Petition by EOR, 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 pursuant to Sections 9-17-1 through 9-17-32 and 9-17-80 through 9-17-88, *Code of Alabama* (1975), approving a partial field-wide Unit for the West Falco Field to be known as the "West Falco Field Unit," consisting of the hereinafter described "Unit Area" in Covington County, Alabama, and requiring the operation of said Unit Area as a partial field-wide Unit for enhanced recovery, development and production of oil, gas, gaseous substances, condensate, distillate and all associated and constituent liquid or liquefiable substances within or produced from the Unitized Formation in order to prevent waste, to maximize recovery of the unitized substances, to avoid the drilling unnecessary wells and to protect correlative rights of interested parties.

The "Unitized Formation" within the Unit Area for the proposed West Falco Field Unit is to be designated as that portion of the subsurface underlying the Unit Area between the top of the Haynesville Sand Oil Pool and the base of the Haynesville Sand Oil Pool which strata occur between the depths of -12,982 feet and -13,060 feet in the Paramount-Jeffers 17-9 #1 Well, Permit No. 6239, with a surface location 330 feet FEL and 1,684 feet FSL of Section 17, Township 1 North, Range 14 East, Covington County, Alabama, as defined by the Dual Induction Log for said well, including those strata which can be correlated therewith, and all zones in communication therewith and all productive extensions thereof, or such other interval as may be ordered by the State Oil and Gas Board.

The proposed "Unit Area" is designated as the Southwest Quarter of Section 16 and the Southeast Quarter of Section 17, all in Township 1 North, Range 14 East, Covington County, Alabama, in the West Falco Field, containing approximately 320 acres, more or less.

Said petition further seeks entry of an order by this Board unitizing, pooling and integrating the Unit Area, as underlain by the above-described Unitized Formation, into a partial field-wide Unit so as to require all owners or claimants of royalty, overriding royalty, mineral, leasehold and all other leasehold interests within said partial field-wide Unit to unitize, pool and integrate their interests and develop their lands or interests within the Unit Area as a Unit. Said petition further seeks to have EOR, LLC, designated as Operator of the Unit Area in accordance with the laws of the State of Alabama and seeks an order from the Board approving the Unit Agreement and Unit Operating Agreement, as ratified. Said petition also seeks approval of the amendments to the Special Field Rules for the West Falco Field in order to conform to the provisions of the aforementioned Unit Agreement and Unit Operating Agreement.

BOARD ACTION: Continued to a Special Hearing on November 7, 2011.

4. DOCKET NO. 9-27-11-16

Continued Petition by MAYNE & MERTZ, 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 establishing a new oil field in Clarke County, Alabama, to be known as the Perry Chapel Field, or such other name as the Board deems proper, to establish well spacing and production allowables, and to adopt Special Field Rules therefor. The proposed field is underlain by the Smackover Oil Pool and the proposed field limits include all of Section 24, and the East Half of Section 23, all in Township 6 North, Range 3 East, Clarke County, Alabama. This petition will be submitted along with a companion petition requesting that the Board reform the 40-acre drilling unit for the Bedsole Foundation 24-11 No. 2 Well to a 160-acre production unit to consist of the South Half of the Northwest Quarter and the North Half of the Southwest Quarter, Section 24, Township 6 North, Range 3 East.

The Smackover Oil Pool in said field is defined as those strata productive of hydrocarbons between the interval of 14,058 feet (MD) and 14,326 feet (MD) as indicated on the ST1 Log for the Bedsole Foundation 24-11 No. 2 Well, Permit No. 16389-B and all zones in communication therewith and all productive extensions thereof.

This Petition is filed as a companion to a Petition under Docket No. 9-27-11-17, requesting that the 40-acre drilling unit for the Bedsole Foundation 24-11 No. 2 Well be reformed to a 160-acre production unit, as noted herein.

BOARD ACTION: Continued 11.4.11

5. DOCKET NO. 9-27-11-17

Continued Petition by MAYNE & MERTZ, 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 reforming the 40-acre drilling unit for the Bedsole Foundation 24-11 No. 2 Well, Permit No. 16389-B to a 160-acre production unit.

Petitioner requests that the 40-acre drilling unit for the said Bedsole Foundation 24-11 No. 2 Well, Permit No. 16389-B, consisting of the Southeast Quarter of the Southwest Quarter of the Northwest Quarter, the Northeast Quarter of the Northwest Quarter of the Southwest Quarter, the Northwest Quarter of the Northeast Quarter of the Southwest Quarter, and the Southwest Quarter of the Southeast Quarter of the Northwest Quarter of Section 24, Township 6 North, Range 3 East, Clarke County, Alabama, be reformed to a 160-acre production unit to consist of the South Half of the Northwest Quarter and the North Half of the Southwest Quarter of Section 24, Township 6 North, Range 3 East, Clarke County, Alabama.

This Petition is filed as a companion to a Petition under Docket No. 9-27-11-16, requesting that a new oil field be established in Clarke County, Alabama, to be known as the Perry Chapel Field.

BOARD ACTION: Continued 11.4.11

6. DOCKET NO. 9-27-11-18

Continued Petition by SKLAR EXPLORATION COMPANY L.L.C. seeking an order of the Board expanding and reforming an existing drainage or production unit in the Lovetts Creek Field presently containing approximately 160 acres and consisting of the South Half of Southeast Quarter of the Southeast Quarter of Section 34 and the South Half of Southwest Quarter of the Southwest Quarter of Section 35, in T6N, R5E and the Northwest Quarter of the Northwest Quarter and the North Half of the Southwest Quarter of the Northwest Quarter of Section 2 and the Northeast Quarter of the Northeast Quarter and the North Half of the Southeast Quarter of the Northeast Quarter of Section 3 in T5N, R5E, Monroe County, Alabama (in which unit the Hoeffner-Broughton 35-13 No.1 ST Well, Permit No. 16405-B-1, has heretofore been completed) into a drainage and production unit consisting of approximately 200 acres comprised of the above described property and also including the following described property: the North Half of the Southwest Quarter of the Southwest Quarter of Section 35, and the North Half of the Southeast Quarter of the Southeast Quarter of Section 34, T6N, R5E, Monroe County, Alabama. The above-described expanded unit is requested to be established as an exception to the Special Field Rules for the Lovetts Creek Field and pursuant to authority granted by Ala. Code Section 9-17-12, which authorizes the Board to establish units for oil wells that exceed the normal limit of approximately 160 acres if the inclusion of the additional acreage is justified by the technical evidence presented to the Board. This petition is filed pursuant to Ala. Code Section 9-17-1, et seq. (and, in particular, Section 9-17-12) and Rules 400-1-1-.01, et seq. (and in particular Rules 400-1-7-.01, et seq.) of the State Oil and Gas Board of Alabama Administrative Code.

BOARD ACTION: Granted 11.4.11

ORDER NO.: 2011-90

7. DOCKET NO. 11-1-11-01

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 the Special Field Rules for the Latham Oil Field so as (i) to treat as one single pool all productive strata lying within an interval of 6634 feet to 8470 feet measured depth, or, as the Board may determine, to treat such portion or portions thereof as a single pool or as separate pools, including, but not limited to, the oil pools previously recognized in the Special Field Rules together with those strata of the Washita-Fredericksburg Formation productive of hydrocarbons in the interval between 7840 and 7870 feet measured depth on the Array Induction/Lithology Density Compensated Neutron/Gamma Ray/SP log for the Nelson, *et al.* 35 No. 1 well, Permit No. 16131, including those strata productive of hydrocarbons

which can be correlated therewith, (ii) to modify Rule 3(a) to eliminate the reference to allowing more than one well on the same contiguous unit, (iii) to delete Rule 3(b), and (iv) to provide that production allowables for a well producing from the single pool or separate pools be established. The Petitioner also requests that the existing unit for the Nelson, *et al.* 35 No. 1 well, Permit No. 16131, be designated as a permanent production unit for said well. The existing unit consists of the following: Beginning at the Southeast corner of Township 2 North, Range 2 East, Baldwin County, Alabama, run thence West for 7920 feet; thence North 2640 feet to a point, said point being the point of beginning of the unit; thence run west 1320 feet, thence north 1320 feet, thence east 1320 feet, thence south 1320 feet to the point of beginning. 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. This is a companion petition to a petition by Sklar Exploration Company, LLC requesting approval of an exceptional location for the existing well on said unit.

BOARD ACTION: Granted 11.4.11

ORDER NO.: 2011-91

8. DOCKET NO. 11-1-11-02

Petition by SKLAR EXPLORATION COMPANY, LLC (“Petitioner”), 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 (the “Board”) enter an order approving an exceptional bottom hole location for the Nelson, *et al.* 35 No. 1 well, Permit No. 16131, previously drilled in the Latham Oil Field on a 40-acre unit described more particularly below, said bottom hole location being located 301 feet from the West line and 415 feet from the South line of the unit. The 40-acre unit consists of the following: Beginning at the Southeast corner of Township 2 North, Range 2 East, Baldwin County, Alabama, run thence West for 7920 feet; thence North 2640 feet to a point, said point being the point of beginning of the unit; thence run west 1320 feet, thence north 1320 feet, thence east 1320 feet, thence south 1320 feet to the point of beginning. Said bottom hole location is an exception to Rule 400-1-2-.02(2)(b) of the State Oil and Gas Board of Alabama Administrative Code and also to the Special Field Rules for the Latham Oil Field, both of which require that a well be located no closer than 330 feet from every exterior boundary. 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 400-7-1-.04) of the State Oil and Gas Board of Alabama Administrative Code. This is a companion petition to a petition by Sklar Exploration Company, LLC requesting that the Special Field Rules for the Latham Oil Field be amended and that said unit be designated as the permanent production unit for the well located thereon.

BOARD ACTION: Granted 11.4.11

ORDER NO.: 2011-92

9. DOCKET NO. 11-1-11-03

Petition by JABSCO OIL OPERATING, LLC, an Alabama limited liability company, 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 proposed re-entry of the Dorothy R. Carmack 9-13 #1 Well, Permit No. 11108, and proposed re-completion in the Millerella Formation, on a 320-acre production unit consisting of the South Half of Section 9, Township 17 South, Range 15 West, Lamar County, Alabama, in the Fernbank 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 to a Special Hearing on November 7, 2011.

10. DOCKET NO. 11-1-11-04

Petition by SKLAR EXPLORATION COMPANY L.L.C. 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 Northwest Quarter of Section 29, Township 4 North, Range 13 East, Conecuh County, Alabama, as a 160-acre wildcat unit for the purpose of drilling a well to test formations down to and including the Smackover and Norphlet formations, (b) requiring all owners of tracts and interests in said unit 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 §§ 9-17-1, *et seq.* (and, in particular, § 9-17-13, as amended) and Rules 400-1, *et seq.* (and, in particular, Rule 400-7-1 *et seq.*) of the State Oil and Gas Board of Alabama Administrative Code.

BOARD ACTION: Granted 11.4.11

ORDER NO.: 2011-93

11. DOCKET NO. 11-1-11-05

Petition by GULF COAST MINERAL, LLC, an Alabama limited liability company, requesting the State Oil and Gas Board to amend Rules 2 and 3 of the Special Field Rules for the Pleasant Home Field, Covington County, Alabama. Petitioner requests that Rule 2 of said Special Field Rules be amended to add the Rodessa Sand Oil Pool, to be construed to mean those strata of the Rodessa Sand productive of hydrocarbons in the interval between -7152 feet and -7270 feet as indicated on the Dual Induction Log for the Smak-Dixon 31-7 No. 1 Well, Permit No. 10874, located on a 40-acre drilling unit consisting of the Southwest Quarter of the Southwest Quarter of the Northeast Quarter, the Southeast Quarter of the Southeast Quarter of the Northwest Quarter, the Northeast Quarter of the Northeast Quarter of the Southwest Quarter and the Northwest Quarter of the Northwest Quarter of the Southeast Quarter of Section 31, Township 3 North, Range 15 East, Covington County, Alabama, as indicated on the Dual Induction Log of said well, and including those strata productive of hydrocarbons which can be correlated therewith, and requests that Rule 3 of said Special Field Rules be amended to establish spacing of 40-acres consisting of approximately

forty (40) contiguous acres for said pool.

Petitioner is also requesting that the hereinabove described 40-acre drilling unit for the Smak-Dixon 31-7 No. 1 Well, Permit No. 10874, be approved as the permanent production unit for said well.

This petition is filed pursuant to Rule 400-1-1-.07 of the *State Oil and Gas Board of Alabama Administrative Code* and Section 9-17-1 *et seq.* of the *Code of Alabama* (1975), as amended.

BOARD ACTION: Granted 11.4.11

ORDER NO.: 2011-94

12. DOCKET NO. 11-1-11-06

Petition by SOUTH CHOCTAW OIL, LLC, an Alabama Limited Liability Company, requesting the State Oil and Gas Board of Alabama to enter an order approving an irregular 80-acre drilling unit for the re-entry of the A.G. Harrell No. 1 Well, Permit No. 2470, to consist of the following described lands in the Bucatunna Creek Field, Choctaw County, Alabama, to-wit:

Beginning at the Southeast corner of Section 15, Township 11 North, Range 5 West, Choctaw County, Alabama, run thence South 89 degrees 31 minutes 03 seconds West along the section line for 1792.50 feet to the Southwest corner of said Section 15 and the Mississippi-Alabama State Line; thence North 05 degrees 53 minutes 31 seconds East along said State Line for 2259.06 feet; thence North 89 degrees 31 minutes 03 seconds East for 896.34 feet; thence South 00 degrees 28 minutes 57 seconds East for 399.75 feet; thence North 89 degrees 31 minutes 03 seconds East for 645.35 feet to the East line of said Section 15; thence South 00 degrees 28 minutes 57 seconds East along the section line for 1845.35 feet to the point of beginning.

The proposed drilling unit is consistent with Rule 3 of the Special Field Rules for the Bucatunna Creek Field which requires that wells be located on units containing approximately 80 contiguous acres, but said unit is irregular because all of Section 15, Township 11 North, Range 5 West, Choctaw County, Alabama is irregular since that Section borders the Mississippi-Alabama State Line.

This Petition is filed as a companion to a Petition under Docket No. 11-1-11-07 requesting the Board to approve an exceptional bottom hole location for the proposed A.G. Harrell No. 1 Well.

BOARD ACTION: Continued 11.4.11

13. DOCKET NO. 11-1-11-07

Petition by SOUTH CHOCTAW OIL, LLC, an Alabama Limited Liability Company, requesting the State Oil and Gas Board of Alabama to enter an order approving an exceptional location for the re-entry of the A.G. Harrell No. 1 Well to be re-entered at a surface location approximately 330 feet from the West line and 1200 feet from the North line of a proposed 80-acre drilling unit, but to be drilled to a bottom hole location no closer than 180 feet from the West line and 1235 feet from the South line of said proposed 80-acre unit described as follows, to-wit:

Beginning at the Southeast corner of Section 15, Township 11 North, Range 5 West, Choctaw County, Alabama, run thence South 89 degrees 31 minutes 03 seconds West along the section line for 1792.50 feet to the Southwest corner of said Section 15 and the Mississippi-Alabama State Line; thence North 05 degrees 53 minutes 31 seconds East along said State Line for 2259.06 feet; thence North 89 degrees 31 minutes 03 seconds East for 896.34 feet; thence South 00 degrees 28 minutes 57 seconds East for 399.75 feet; thence North 89 degrees 31 minutes 03 seconds East for 645.35 feet to the East line of said Section 15; thence South 00 degrees 28 minutes 57 seconds East along the section line for 1845.35 feet to the point of beginning.

The proposed drilling unit will be located in the Bucatunna Creek Field, Choctaw County, Alabama. Said location is an exception to Rule 3 of the Special Field Rules for the Bucatunna Creek Field which requires that all wells be located 330 feet from every exterior boundary of the drilling unit. Section 9-17-12(c) of the *Code of Alabama* (1975) authorizes the granting of exceptional locations for the drilling of wells in Alabama.

This Petition is filed as a companion to a Petition under Docket No. 11-1-11-06 requesting the Board to approve an irregular unit for the proposed A.G. Harrell No. 1 Well.

BOARD ACTION: Continued 11.4.11

14. 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: Continued 11.4.11