

RESULTS OF MEETING

The State Oil and Gas Board of Alabama held its regular hearing at 10:00 a.m. on Tuesday, May 3, 2011, and Thursday, May 5, 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. 3-29-11-11A

Amended 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 establishing a new oil field in Escambia County, Alabama, to be named the McCullough Field, or such other name as the Board deems proper, and to adopt Special Field Rules therefor. The proposed field, as underlain by the Smackover Oil Pool, consists of the Northeast Quarter of Section 1, Township 2 North, Range 5 East, Escambia County, Alabama.

The Smackover Oil Pool in said field is defined as those strata productive of hydrocarbons between the interval of 15,146 feet (MD) and 15,303 feet (MD) as indicated on the Array Induction Log for the Mack 1-1 No. 1 Well, Permit No. 16200-B, located in the Northeast Quarter of Section 1, Township 2 North, Range 5 East, Escambia County, Alabama 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 for said field. Additionally, Petitioner requests that the 160-acre drilling unit for the Mack 1-1 No. 1 Well, Permit No. 16200-B, consisting of the Northeast Quarter of Section 1, Township 2 North, Range 5 East, be approved as the permanent production unit for that Well.

BOARD ACTION: Continued 5.5.11.

2. DOCKET NO. 3-29-11-14

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 formations of Mississippian and Pennsylvanian Age from the re-entry of the Mollie Marx Estate 8-15 #1 Well Permit No. 11242, located on a 320-acre unit drilling unit consisting of the East Half of Section 8, Township 17 South, Range 15 West, Lamar County, Alabama, as a productive extension of 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: Dismissed 5.5.11.

ORDER NO.: 2011-40.

3. DOCKET NO. 5-3-11-01

Petition by DENBURY ONSHORE, LLC, a foreign limited liability company, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama, pursuant to Rule 400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative Code, to enter an order approving the temporarily abandoned status and pursuant to Rule 400-4-2-.01(5) of the State Oil and Gas Board of Alabama Administrative Code to enter an order approving the extension of the Class II injection permits with the approvals applying to certain wells located in the Citronelle Field, Mobile County, Alabama, in the following areas for a period of one (1) year:

Citronelle Unit

Township 2 North, Range 3 West
Sections 21, 22, 23, 24, 25, 26, 27, 28, 33, 34, 35, 36

Township 2 North, Range 2 West
Sections 17, 18, 19, 20, 29, 30, 31

Township 1 North, Range 3 West
Sections 1, 2, 3, 10, 11, 12, 13, 14

Township 1 North, Range 2 West
Sections 5, 6, 7, 8, 9, 16, 17, 18

Southeast Citronelle Unit

Township 1 North, Range 2 West
Sections 4, 5, 8, 9, 10

Township 2 North, Range 2 West
Sections 32 and 33

East Citronelle Unit
Township 1 North, Range 2 West
Section 6

Township 2 North, Range 2 West
Sections 29, 31, 32

BOARD ACTION: Continued 5.5.11.

4. DOCKET NO. 5-3-11-02

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 to enter an order approving an exceptional 160 acre drilling unit for the proposed Langford Trust 13-13 No. 1 Well, consisting of the West Half of the Southwest Quarter of Section 13 and the East Half of the Southeast Quarter of Section 14, Township 4 North, Range 4 East, Monroe 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 acres.

BOARD ACTION: Granted 5.5.11.

ORDER NO.: 2011-41.

5. DOCKET NO. 5-3-11-03

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 establishing a new oil field in Escambia County, Alabama, to be named the Northwest McCullough Field, or such other name as the Board deems proper, and to adopt Special Field Rules therefor. The proposed field, as underlain by the Smackover Oil Pool, consists of the Southeast Quarter of Section 35, Township 3 North, Range 5 East, Escambia County, Alabama.

The Smackover Oil Pool in said field is defined as those strata productive of hydrocarbons between the interval of 15,088 feet (MD) and 15,440 feet (MD) as indicated on the Array Induction Log for the Neal 35-16 No. 1 Well, Permit No.16387, located in the Southeast Quarter of Section 35, Township 3 North, Range 5 East, Escambia County, Alabama and all zones in communication therewith and all productive extensions thereof.

Petitioner requests well spacing of 160 acres and also requests the establishment of production allowables for said field. Additionally, Petitioner requests that the 160-acre drilling unit for the Neal 35-16 No. 1 Well, Permit No. 16387, consisting of the Southeast Quarter of Section 35, Township 3 North, Range 5 East be approved as the permanent production unit for that Well.

BOARD ACTION: Continued 5.5.11.

6. DOCKET NO. 5-3-11-04A

Amended 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 establishing a new oil field in Escambia County, Alabama, to be named the Pleasant Grove Church Field, or such other name as the Board deems proper, and to adopt Special Field Rules therefor. The proposed field, as underlain by the Smackover Oil Pool, consists of the East Half of the Northeast Quarter of Section 1, Township 2 North, Range 6 East and the West Half of the Northwest Quarter of Section 6, Township 2 North, Range 7 East, Escambia County, Alabama.

The Smackover Oil Pool in said field is defined as those strata productive of hydrocarbons between the interval of 15,046 feet (MD) and 15,396 feet (MD) as indicated on the Array Induction Log for the Indigo 6-5 No. 1 Well, Permit No.16386-B, 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 for said field. Additionally, Petitioner requests that the 160-acre drilling unit for the Indigo 6-5 No. 1 Well, Permit No. 16386-B, consisting of the East Half of the Northeast Quarter of Section 1, Township 2 North 6 East and the West Half of the Northwest Quarter of Section 6, Township 2 North, Range 7 East be approved as the permanent production unit for that Well. The noted drilling unit was approved by this Board as an exceptional unit on October 28, 2010, pursuant to Order No. 2010-89.

BOARD ACTION: Granted 5.5.11.

ORDER NO.: 2011-42.

7. DOCKET NO. 5-3-11-05

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 an exceptional, nongovernmental 160-acre drilling unit for the proposed Blackstone 35-4 No. 1 Well consisting of the Northwest Quarter of the Northwest Quarter of Section 35, the Northeast Quarter of the Northeast Quarter of Section 34, the Southeast Quarter of the Southeast Quarter of Section 27 and the Southwest Quarter of the Southwest Quarter of Section 26, Township 3 North, Range 6 East, Escambia County, Alabama to be drilled as a productive extension of the Huxford Field. The proposed drilling unit is an exception to Rule 3 of the Special Field Rules for the Huxford Field which requires that wells be located on units consisting of a governmental quarter section containing approximately 160 acres.

BOARD ACTION: Granted 5.5.11.

ORDER NO.: 2011-43.

8. DOCKET NO. 5-3-11-06A

Amended petition by BLACK WARRIOR METHANE CORP., an Alabama corporation, requesting the State Oil and Gas Board to enter an order amending Rule 4B of the Special Field Rules for the Brookwood Coal Degasification Field, Tuscaloosa and Jefferson Counties, Alabama, to require that wells in said Field be located at least 150 feet from every exterior boundary of the field limit. Rule 4B currently provides, among other things, that all coal degasification wells be located at least 300 feet from every exterior boundary of the field limit. The petition is filed pursuant to Section 9-17-1, *et seq.* of the *Code of Alabama* (1975), as amended.

BOARD ACTION: Granted 5.5.11.

ORDER NO.: 2011-44.

9. DOCKET NO. 5-3-11-07A

Amended petition by CROSBYS CREEK OIL & GAS, LLC, a foreign limited liability company, requesting the State Oil and Gas Board to enter an order approving a 160-acre drilling unit for the McPhearson 32-12 No. 1 Well consisting of the South Half of the Northwest Quarter and the North Half of the Southwest Quarter of Section 32, Township 10 North, Range 4 West, Choctaw County, Alabama, in the Gin Creek Field, as an exception to Rule 3(a) of the Special Field Rules for said Field, which requires that wells in said Field be drilled on units consisting of a governmental quarter section containing approximately 160 contiguous acres.

This petition is filed as a companion to a petition bearing Docket No. 5-3-11-08 requesting approval of an exceptional location for the McPhearson 32-12 No. 1 Well on the hereinabove described 160-acre drilling unit.

This petition is filed pursuant to Section 9-17-1, *et seq.* of the *Code of Alabama* (1975), as amended.

BOARD ACTION: Granted 5.5.11.

ORDER NO.: 2011-45.

10. DOCKET NO. 5-3-11-08A

Amended petition by CROSBYS CREEK OIL & GAS, LLC, a foreign limited liability company, requesting the State Oil and Gas Board to enter an order approving an exceptional location for the McPhearson 32-12 No. 1 Well to be drilled on a 160-acre drilling unit consisting of the South Half of the Northwest Quarter and the North Half of the Southwest Quarter of Section 32, Township 10 North, Range 4 West, Choctaw County, Alabama, in the Gin Creek Field, as an exception to Rule 3(b) of the Special Field Rules for said Field, which requires that wells in said Field be located at least 660 feet from every exterior boundary of the drilling unit. The proposed location of the referenced well on said 160-acre drilling unit is 1,042 feet from the South line and no closer than 430 feet from the West line of said 160-acre drilling unit and, as such, is an exception to said Rule 3(b).

This petition is filed as a companion to a petition bearing Docket No. 5-3-11-07 requesting approval of the hereinabove described 160-acre drilling unit for the McPhearson 32-12 No. 1 Well.

This petition is filed pursuant to Section 9-17-1, *et seq.* of the *Code of Alabama* (1975), as amended.

BOARD ACTION: Granted 5.5.11.

ORDER NO.: 2011-46.

11. DOCKET NO. 5-3-11-09A

Amended petition by UNION OIL COMPANY OF CALIFORNIA, 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 and the shut-in status of the following wells located in Mobile County, Alabama, in the Chunchula Fieldwide Unit, in accordance with Rules 400-1-4-.17(1) and (2) of the *State Oil and Gas Board of Alabama Administrative Code*:

| <u>Well Name</u> | <u>Permit No.</u> | <u>Location</u> | <u>Status</u> |
|------------------------|-------------------|-----------------|-----------------------|
| E.T. Stapleton 27-7 #1 | 2120 | S27-T1S-R2W | Temporarily Abandoned |

| | | | |
|----------------------------------|-----------|-------------|-----------------------|
| George Radcliff, et al 19-11 #2 | 2295 | S19-T1S-R1W | Temporarily Abandoned |
| E.M. Maddox 26-7 #1 | 2310 | S26-T1S-R2W | Temporarily Abandoned |
| Roy J. Smith et al 6-10 #1A | 2355-B | S6-T1S-R1W | Temporarily Abandoned |
| Annie M. Hill 8-7 #1 | 13619 | S8-T1S-R2W | Temporarily Abandoned |
| International Paper Co. 24-11 #1 | 2119-B | S24-T1S-R2W | Shut-in |
| E.M. Maddox 26-12 #1 | 11629-B-1 | S26-T1S-R2W | Shut-in |
| E.L. Maples 24-16 #1 | 3193 | S24-T1S-R2W | Shut-in |
| C.P. Newman 17-11 #1 | 2739 | S17-T1S-R1W | Shut-in; and |

Petitioner requests that the Board grant a one year extension of the temporarily abandoned status of the E.T. Stapleton 27-7 #1, George Radcliff, et al 19-11 #2, E.M. Maddox 26-7 #1, Roy J. Smith et al 6-10 #1A, and Annie M. Hill 8-7 #1 Wells because said wells have future utility and should not be plugged.

Petitioner further requests that the Board grant a one year extension of the shut-in status for the International Paper Co. 24-11 #1, E.M. Maddox 26-12 #1, E.L. Maples 24-16 and C.P. Newman 17-11 #1 Wells because said wells are capable of producing and should not be plugged.

BOARD ACTION: Granted 5.5.11.

ORDER NO.: 2011-47.

12. DOCKET NO. 5-3-11-10A

Amended petition by FOUR STAR OIL & GAS COMPANY, a subsidiary of Chevron U.S.A. 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 extending the temporarily abandoned status and the shut-in status of the following wells located in Mobile County, Alabama, in the Hatter's Pond Unit, in accordance with Rules 400-1-4-.17(1) and (2) of the *State Oil and Gas Board of Alabama Administrative Code*:

| <u>Well Name</u> | <u>Permit No.</u> | <u>Location</u> | <u>Status</u> |
|-----------------------------|-------------------|-----------------|-----------------------|
| Hatter's Pond Unit 10-2 #1 | 4894 | S10-T2S-R1W | Temporarily Abandoned |
| Hatter's Pond Unit 21-15 #1 | 3697 | S21-T2S-R1W | Temporarily Abandoned |
| Hatter's Pond Unit 33-16 #1 | 3451-B | S33-T1S-R1W | Temporarily Abandoned |
| Hatter's Pond Unit 3-1 #1 | 4706 | S3-T2S-R1W | Shut-in; and |

Petitioner requests that the Board grant a one year extension of the temporarily abandoned status of the Hatter's Pond Unit 10-2 #1, Hatter's Pond Unit 21-15 #1 and Hatter's Pond Unit 33-16 #1 Wells because said wells have future utility and should not be plugged.

Petitioner further requests that the Board grant a one year extension of the shut-in status for the Hatter's Pond Unit 3-1 #1 Well because said well is capable of producing and should not be plugged.

BOARD ACTION: Granted 5.5.11.

ORDER NO.: 2011-48

13. DOCKET NO. 05-03-11-11

Petition by BLACK ROCK OPERATING, L.L.C., an Alabama 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 a 320 acre drilling unit consisting of all of the South Half, Section 28, Township 16 South, Range 12 West, Fayette County, Alabama, in the McCracken Mountain Gas Field for the proposed George Cannon #1 Well. 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 5.5.11.

14. DOCKET NO. 5-3-11-12

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: Continued 5.5.11.

15. DOCKET NO. 5-3-11-13A

Amended petition by SKLAR EXPLORATION COMPANY, LLC requesting that the State Oil and Gas Board of Alabama enter an order (a) force pooling, with a risk compensation fee, all tracts and interests in the Southeast Quarter of Section 29, Township 4 North, Range 13 East, Conecuh County, Alabama, as a 160-acre unit for the purpose of drilling a well to test the Smackover Oil Pool of the Little Cedar Creek Field and the Norphlet formation, (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 5.5.11.

ORDER NO.: 2011-49.

16. 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 5.5.11.

17. DOCKET NO. 2-8-11-19

MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA to amend Rule 400-2-6-.10 of the State Oil and Gas Board of Alabama Administrative Code relating to production facilities, processing facilities and offshore plants. The proposed rule amendment would provide that onshore facilities processing hydrocarbons produced from submerged offshore lands are subject to this rule. 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 5.5.11.

18. DOCKET NO. 5-3-11-14

MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA to address the amount of surety required for W&T OFFSHORE, INC., for wells and facilities it proposes to operate in the Fairway Field and Unit and Yellowhammer Plant located in Mobile County, Alabama. Under Rule 400-2-2-.03 of the *State Oil and Gas Board of Alabama of Administrative Code*, the Board determines the amount of the surety bond for an operator. W&T Offshore, Inc. has entered into an agreement with Shell Offshore, Inc. to purchase the wells in said Field and Unit and associated Plant, and plans to file a request for Change of Operator to become Operator of said Field, Unit and Plant, subject to approval of a change of operator in accordance with Rule 400-2-2-.05 of the *State Oil and Gas Board of Alabama Administrative Code*. The State Oil & Gas Board of Alabama is established under the Alabama Oil and Gas Conservation Laws as set forth Section 9-17-1 et seq. of the *Code of Alabama* (1975).

BOARD ACTION: Taken under advisement 5.5.11. W & T Offshore to provide information regarding cost to plug and abandon wells.