

RESULTS OF MEETING

The State Oil and Gas Board of Alabama held its regular hearing at 10:00 a.m. on Tuesday, June 20, 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 6.22.11.

2. 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: Granted 6.22.11

ORDER NO.: 2011-51

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

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 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 6.22.11.

4. DOCKET NO. 05-03-11-11C

Amended 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: Granted 6.22.11

ORDER NO.: 2011-52

5. 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 6.22.11.

6. DOCKET NO. 6-20-11-01

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 Matthews Trust 27-4 No. 1 Well, consisting of the South Half of the Southwest Quarter of Section 22 and the North Half of the Northwest Quarter of Section 27, Township 3 North, Range 4 East, Baldwin 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 6.22.11

ORDER NO.: 2011-53

7. DOCKET NO. 6-20-11-02A

Amended Petition by SPOONER PETROLEUM COMPANY, 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 amending Rules 2 and 3 of the Special Field Rules for the East Lambeth Church Field, Escambia County, Alabama, to add and define the Washita-Fredericksburg 7950' Sand Oil Pool for said field and to provide for well spacing for the Washita-Fredericksburg 7950' Sand Oil Pool.

Petitioner requests that the Washita-Fredericksburg 7950' Sand Oil Pool in the East Lambeth Church Field be defined as that interval of the Washita-Fredericksburg 7950' Sand productive of hydrocarbons between the interval of 7958 feet and 7964 feet measured depth as indicated on the Detail Log (AIT/ZDL/CN/ML) for the Blackstone 3-15 No. 1 Well, Permit No. 16404, and all zones in communication therewith and all productive extensions thereof. Said pool constitutes a separate and distinct oil producing pool in said field, separate and distinct from all other producing pools therein.

This Petition is filed as a companion to a Petition under Docket No. 6-20-11-03 requesting that the 40-acre drilling unit for the Blackstone 3-15 No. 1 Well, Permit No. 16404, be approved as a 40-acre production unit for said well.

BOARD ACTION: Granted 6.22.11

ORDER NO.: 2011-54

8. DOCKET NO. 6-20-11-03A

Amended Petition by SPOONER PETROLEUM COMPANY, 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 the 40-acre drilling unit for the Blackstone 3-15 No. 1 Well, Permit No. 16404, as a 40-acre production unit pursuant to Section 9-17-12(2)(b) of the *Code of Alabama* (1975), as amended.

Petitioner requests that the 40-acre drilling unit for said Blackstone 3-15 No. 1 Well, Permit No. 16404, consisting of the Southwest Quarter of the Southeast Quarter of Section 3, Township 1 North, Range 8 East, Escambia County, Alabama, be approved as a 40-acre production unit for production from the Washita-Fredericksburg 7950' Sand Oil Pool in the East Lambeth Church Field.

This Petition is filed as a companion to a Petition under Docket No. 6-20-11-02 requesting the Board to amend Rules 2 and 3 of the Special Field Rules of the East Lambeth Church Field to add and define the Washita Fredericksburg 7950' Sand Oil Pool for said field and to provide for well spacing for the Washita Fredericksburg 7950' Sand Oil Pool.

BOARD ACTION: Granted 6.22.11

ORDER NO.: 2011-55

9. DOCKET NO. 6-20-11-04

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 160-acre drilling unit for the proposed Black Stone 24-9 No. 1 Well consisting of the Southeast Quarter of the Northeast Quarter and the Northeast Quarter of the Southeast Quarter of Section 24, Township 3 North, Range 5 East and the Southwest Quarter of the Northwest Quarter and the Northwest Quarter of the Southwest Quarter of Section 19, Township 3 North, Range 6 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 that requires all such wells to be drilled on a governmental quarter section of approximately 160 acres.

BOARD ACTION: Granted 6.22.11

ORDER NO.: 2011-56

10. DOCKET NO. 6-20-11-05

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 establishing a new gas field in Monroe County, Alabama, to be named the Goodway 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 Gas Pool, consists of the South Half of the Northeast Quarter and the North Half of the Southeast Quarter of Section 14, Township 4 North, Range 6 East, Monroe County, Alabama.

The Smackover Gas Pool in said field is defined as those strata productive of hydrocarbons between the interval of 13,817 feet (MD) and 13,928 feet (MD) as indicated on the Platform Express Borehole Sonic Array Induction/Lithology Density Compensated Neutron/Gamma Ray/ SP Log for the Coffin 14-10 No. 1 Well, Permit No. 16388, 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 Coffin 14-10 Well, Permit No. 16388, consisting of the South Half of the Northeast Quarter and the North Half of the Southeast Quarter of Section 14, Township 4 North, Range 6 East, Monroe County, Alabama, be approved as the permanent production unit for that Well. The noted drilling unit was approved by this Board as an exceptional drilling unit on October 28, 2010, pursuant to Order No. 2010-95.

BOARD ACTION: Continued 6.22.11

11. DOCKET NO. 6-20-11-06

Petition by VENTEX OPERATING CORP., 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 amending Rule 1 of the Special Field Rules for the North Smiths Church Field to add the East Half of the Northeast Quarter of Section 23, Township 3 North, Range 7 East, Escambia County, Alabama, to the field limits of said Field.

This petition is filed as a companion to a petition bearing Docket No. 6-20-11-07 requesting reformation of the 40-acre wildcat drilling unit for the ATIC 23-8 No. 1 Well, Permit No. 16416-B, to a 160-acre production unit in the North Smiths Church Field.

BOARD ACTION: Continued 6.22.11

12. DOCKET NO. 6-20-11-07

Petition by VENTEX OPERATING CORP., 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 reforming the unit for the ATIC 23-8 No. 1 Well, Permit No. 16416-B, from a 40-acre wildcat drilling unit consisting of the Southeast Quarter of the Northeast Quarter of Section 23, Township 3 North, Range 7 East, Escambia County, Alabama, to a 160-acre production unit consisting of the East Half of the Northeast Quarter of Section 23 and the West Half of the Northwest Quarter of Section 24, all in Township 3 North, Range 7 East, Escambia County, Alabama, in the North Smiths Church Field, as an exception to Rule 3(a) of the Special Field Rules which requires 160-acre units consisting of a governmental quarter section.

This petition is filed as a companion to a petition bearing Docket No. 6-20-11-06 requesting an amendment to Rule 1 of the Special Field Rules for the North Smiths Church Field to add the East Half of the Northeast Quarter of Section 23, Township 3 North, Range 7 East, Escambia County, Alabama, to the Field.

BOARD ACTION: Continued 6.22.11

13. DOCKET NO. 6-20-11-08

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 Salter 29-13 Well, Permit No. 16487, as an exception to Rule 3(b) of the Special Field Rules for the Little Cedar Creek Field. Said well was drilled on a 160-acre production unit in the Little Cedar Creek Field consisting of the Southwest Quarter of Section 29, Township 4 North, Range 13 East, Conecuh County, Alabama, at a surface location 1,194 feet from the South line and 703 feet from the West line of the 160-acre unit for said well, but said well unintentionally drifted such that the bottom hole location is 485 feet from the West line and 1,139 feet from the South line of said 160-acre production unit.

Rule 3(b) of the Special Field Rules for the Little Cedar Creek Field requires that wells be located at least 660 feet from every exterior boundary of the production unit, but the bottom hole location of the referenced well, being only 485 feet from the West line of said 160-acre drilling unit is an exception to said Rule.

BOARD ACTION: Granted 6.22.11

ORDER NO.: 2011-57

14. DOCKET NO. 6-20-11-09

Petition by SMACKCO, LTD., an Alabama limited partnership, requesting the State Oil and Gas Board to enter an order extending the temporarily abandoned status of the Appleton Unit 2-14 #1 Well, Permit No. 3854-B, and the Appleton Unit 2-15 #5 Well, Permit No. 6247-B, both located in Section 2, Township 3 North, Range 9 East, Escambia County, Alabama, in the Appleton Field Unit, for an additional six (6) months, in accordance with Rule 400-1-4-.17(1) of the *State Oil and Gas Board of Alabama Administrative Code* because said wells have future utility and should not be plugged.

BOARD ACTION: Granted 6.22.11

ORDER NO.: 2011-58

15. DOCKET NO. 6-20-11-10

Petition by LAND AND NATURAL RESOURCE DEVELOPMENT, INC., an Alabama corporation, requesting the State Oil and Gas Board to amend Rules 2 and 3 of the Special Field Rules for the Chicken Swamp Branch Oil Field, Pickens County, Alabama. Petitioner requests that Rule 2 of said Special Field Rules be amended to add the Pottsville A Sand Oil Pool, to be construed to mean those strata of the Pottsville A Sand productive of hydrocarbons in the interval between 4,606 feet measured depth and 4,646 feet measured depth in the Windham 35-7 No. 2 Well, Permit No. 16269, located on a 40-acre drilling unit consisting of the Southwest Quarter of the Northeast Quarter of Section 35, Township 18 South, Range 15 West, Pickens County, as indicated on the Microlog 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 a governmental quarter-quarter section for said pool. Petitioner further requests the Board to establish production allowables for said pool.

Petitioner is also requesting that the 40-acre drilling unit for the Windham 35-7 No. 2 Well, Permit No. 16269, consisting of the Southwest Quarter of the Northeast Quarter of Section 35, Township 18 South, Range 15 West, Pickens County, Alabama, 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 6.22.11

ORDER NO.: 2011-59

16. DOCKET NO. 6-20-11-11

Petition by GAS PROCESSORS, INC., a foreign 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 the construction and operation of its proposed Uriah Gas Plant to be located in Section 14, Township 4 North, Range 6 East, Monroe County, Alabama. The authority of the State Oil and Gas Board is established in Section 9-17-1 *et seq.* of the *Code of Alabama* (1975).

BOARD ACTION: Granted 6.22.11

ORDER NO.: 2011-60

17. DOCKET NO. 6-20-11-12

Petition by VENTEX OPERATING CORP., 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 amending Rule 2 of the Special Field Rules for the North Smiths Church Field, Escambia County, Alabama, in order to re-define the Smackover Oil Pool as being that portion of the Smackover Formation productive of hydrocarbons in the interval between 14,208 feet measured depth and 14,640 feet measured depth as recorded on the Array Induction-Neutron-Density Measured Depth Log for the Atic 23-8 No.1 Well, Permit No. 16416-B, located in Section 23, Township 3 North, Range 7 East, Escambia County, Alabama, including those strata productive of hydrocarbons which can be correlated therewith, and all zones in communication therewith and all productive extensions thereof.

BOARD ACTION: Continued 6.22.11

18. DOCKET NO. 6-20-11-13A

Amended Petition by SKLAR EXPLORATION COMPANY, LLC requesting that the State Oil and Gas Board of Alabama enter an order (a) force pooling, without risk compensation, all tracts and interests in the Northeast Quarter of Section 35, Township 4 North, Range 12 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 6.22.11

ORDER NO.: 2011-61

19. 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 6.22.11.

20. 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: Granted. 6.22.11

ORDER NO.: 2011-62