

RESULTS OF MEETING

The State Oil and Gas Board of Alabama held its regular hearing at 10:00 a.m. on Tuesday, February 7, 2012, and Thursday, February 9, 2012, 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. 9-27-11-04

Petition by ANKOR E&P HOLDINGS CORPORATION, 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 permitting Petitioner, as the current operator of the Craft-Blackstone 17-5 No. 1 Well, Permit No. 16176, and the Craft-Huxford 18-2 No. 1 Well, Permit No. 16323-B, both located in the East Wallace Field in Escambia County, Alabama, to continue flaring or venting the gas produced from such Wells pending completion of a proposed gas processing facility.

Petitioner avers that the Craft-Blackstone 17-5 No. 1 Well, Permit No. 16176, and the Craft-Huxford 18-2 No. 1 Well, Permit No. 16323-B, both located in the East Wallace Field in Escambia County, Alabama, produce oil and gas. Petitioner is currently marketing the daily allowable of oil produced from the Wells. However, because the gas produced from the Wells contains hydrogen sulfide, Petitioner cannot market the gas until it has first been processed to remove the hydrogen sulfide. For this reason, Petitioner proposes to have a facility built to process the gas produced from the Wells.

Because Petitioner is currently unable to market the gas produced from the Wells, the Board entered Order No. 2011-17 on February 18, 2011, in Docket No. 02-08-11-12, permitting Petitioner to flare or vent the gas produced from the Wells located in the East Wallace Field pending completion of the proposed gas processing facility by Petitioner, but required Petitioner to report to the Board on its progress in constructing the gas processing facility within six months from the date of the Order. Accordingly, Petitioner will provide the Board at the hearing a status report on its progress in constructing the gas processing facility and will request that the Board permit Petitioner to continue flaring or venting the gas produced from the Wells pending completion of the gas processing facility.

The Petition is filed pursuant to Section 9-17-1 *et seq.*, Code of Alabama 1975.

BOARD ACTION: Continued to the June 2012 hearing. 2.9.2012

2. DOCKET NO. 12-13-11-02

Petition by CHOICE EXPLORATION, 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 Matthews 19-1 No. 1 Well consisting of the East Half of the Northeast Quarter of Section 19, Township 3 North, Range 8 East and the West Half of the Northwest Quarter of Section 20, Township 3 North, Range 8 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 acres.

BOARD ACTION: Continued 2.9.2012

3. DOCKET NO. 2-07-12-01

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, 3 and 7 of the Special Field Rules for the East Lambeth Church Field, Escambia County, Alabama, to add and define the Washita-Fredericksburg 8350' Sand Oil Pool for said field, to provide for 40-acre well spacing for the Washita-Fredericksburg 8350' Sand Oil Pool and to change the permanent allowable for production of oil from 200 to 250 barrels of oil per day and approving the 40-acre drilling unit for the Powell 3-12 No. 3 Well, Permit No. 16593, as a 40-acre production unit pursuant to Section 9-17-12 of the *Code of Alabama* (1975), as amended., and other provisions of the Alabama Oil and Gas Conservation Statutes.

Petitioner requests that the Washita-Fredericksburg 8350' Sand Oil Pool in the East Lambeth Church Field be defined as that interval of the Washita-Fredericksburg 8350' Sand productive of hydrocarbons between the interval of 8,355 feet and 8,363 feet MD as indicated on the Platform Express-Array Induction/Lithology Density/Compensated Neutron/Gamma Ray/SP Micro Log for the Powell 3-12 No. 3 Well, Permit No. 16593, and all zones in communication therewith and all productive extensions thereof. Said pool constitutes a separate and distinct oil producing pool in the East Lambeth Church Field.

Petitioner further requests that the 40-acre drilling unit for said Powell 3-12 No. 3 Well, Permit No. 16593, consisting of the Northwest Quarter of the Southwest 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 8350' Sand Oil Pool in the East Lambeth Church Field.

BOARD ACTION: Granted 2.9.2012

ORDER NO.: 2012-01

4. DOCKET NO. 2-07-12-02A

Petition by ANKOR E&P HOLDINGS CORPORATION, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama to (i) establish a nongovernmental forty-acre wildcat drilling unit consisting of the South Half of the Northwest Quarter of the Southwest Quarter and the North Half of the Southwest Quarter of the Southwest Quarter of Section 2, Township 2 North, Range 8 East, Escambia County, Alabama, for the drilling of the Craft-G.R. Swift III, *et al.* 2-13 No. 1 Well; and (ii) approve the proposed nongovernmental forty-acre wildcat drilling unit as an exception to Rule 400-1-2-.02(2)(a) of the State Oil and Gas Board of Alabama Administrative Code relating to spacing of wells for the drilling of such well.

Petitioner proposes that the nongovernmental forty-acre wildcat drilling unit for the well consist of the South Half of the Northwest Quarter of the Southwest Quarter and the North Half of the Southwest Quarter of the Southwest Quarter of Section 2, Township 2 North, Range 8 East, Escambia County, Alabama.

The Petition is filed pursuant to Section 9-17-1 *et seq.* of the Code of Alabama (1975).

BOARD ACTION: Granted 2.9.2012

ORDER NO.: 2012-02

5. DOCKET NO. 2-07-12-03

Petition by South Carlton Operating Company, LLC, 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 Clarke and Baldwin Counties, Alabama, in the South Carlton Field-Wide Lower Tuscaloosa Unit, for one year each 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 Number</u>	<u>Requested Status</u>
Wall et al 3-6	2180	Shut In
Williams 10-12 #2	4611	Shut In
Ed L. Robinson et al #1	272	Temporarily Abandoned
C. O. Oswell 15-1 #7	4632	Temporarily Abandoned
M. W. Davies #5	1491	Shut In
B. W. Barbour 16-10	2012	Shut In
J. H. Wall Estate et al "C" #2-H	16547-BH	Temporarily Abandoned
Wall 11-4	3331	Shut In
Wall et al 11-3	3332	Shut In
Wall et al 2-11	2288-B	Temporarily Abandoned
J. H. Wall Estate et al "C" #1-H	285-BH-1	Temporarily Abandoned
Wall et al 3-3A	2287-B	Temporarily Abandoned
Wall et al Unit 3-3	2286-B	Shut In
J. H. Wall Estate Unit 3-2	2017	Shut In
Wall et al 3-10	286-A	Temporarily Abandoned
J. H. Wall Estate "E" #1	975	Shut In
M. W. Davies #4	1490	Shut In
Wall et al 3-11	2179	Shut In
Wall et al 3-13	2842	Temporarily Abandoned

Petitioner requests that the Board grant the above extensions because wells proposed for shut-in status are capable of producing hydrocarbons and wells proposed for temporarily abandoned status are capable of future utility.

BOARD ACTION: Continued 2.9.2012

6. DOCKET NO. 2-07-12-04

Petition by ANKOR E&P HOLDINGS CORPORATION, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama to (i) establish a nongovernmental forty-acre wildcat drilling unit consisting of the Southeast Quarter of the Northeast Quarter of the Northeast Quarter and the Northeast Quarter of the Southeast Quarter of the Northeast Quarter of Section 2 and the Southwest Quarter of the Northwest Quarter of the Northwest Quarter and the Northwest Quarter of the Southwest Quarter of the Northwest Quarter of Section 1, all in Township 2 North, Range 8 East, Escambia County, Alabama, for the drilling of the Craft-Blackstone 1-5 No. 1 Well; and (ii) approve the proposed nongovernmental forty-acre wildcat drilling unit as an exception to Rule 400-1-2-.02(2)(a) of the State Oil and Gas Board of Alabama Administrative Code relating to spacing of wells for the drilling of such well.

Petitioner proposes that the nongovernmental forty-acre wildcat drilling unit for the well consist of the Southeast Quarter of the Northeast Quarter of the Northeast Quarter and the Northeast Quarter of the Southeast Quarter of the Northeast Quarter of Section 2 and the Southwest Quarter of the Northwest Quarter of the Northwest Quarter and the Northwest Quarter of the Southwest Quarter of

the Northwest Quarter of Section 1, all in Township 2 North, Range 8 East, Escambia County, Alabama.

The Petition is filed pursuant to Section 9-17-1 *et seq.* of the Code of Alabama (1975).

BOARD ACTION: Granted 2.9.2012

ORDER NO.: 2012-03

7. DOCKET NO. 2-07-12-05

Petition by BLACK WARRIOR METHANE CORP., an Alabama corporation, requesting the State Oil and Gas Board to enter an order approving an exceptional location for the RGGGS 17-16-02 gob well to be drilled on an 80-acre unit consisting of the South Half of the Southeast Quarter of Section 17, Township 19 South, Range 7 West, Tuscaloosa County, Alabama, in the Oak Grove Coal Degasification Field, 264 feet from the South line and 467 feet from the East line of said 80-acre unit, as an exception to Rule 4B of the Special Field Rules for said Field. Said Rule requires that wells be drilled at least 300 feet from every exterior boundary of the field limits. The proposed location for the referenced well is 264 feet from the exterior boundary of said Field, and as such, is an exception to said Rule 4B.

BOARD ACTION: Dismissed without prejudice. 2.9.2012

ORDER NO.: 2012-04

8. DOCKET NO. 2-07-12-06

Petition by ESCAMBIA OPERATING CO., 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 extending the shut-in status for the J.W. Johnson et ux 10-10 #1 Well, Permit No. 3476, located on a 640-acre unit consisting of Section 10, Township 1 North, Range 8 East, Escambia County, Alabama, in the Flomaton Field, in accordance with Rule 400-1-4-.17 (2) of the *State Oil and Gas Board of Alabama Administrative Code*.

Petitioner requests an extension of the shut-in status for said well because said well is capable of producing and should not be plugged.

BOARD ACTION: Granted 2.9.2012

ORDER NO.: 2011-05

9. DOCKET NO. 2-07-12-07

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 one year, 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 with stipulations 2.9.2012

ORDER NO.: 2012-06

10. DOCKET NO. 2-07-12-08

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 extending the temporarily abandoned status and the Class II UIC permit for the Lassiter 4-10 #1 Well, Permit No. 11767-WI-00-1, a water injection well in Covington County, Alabama, in the East Haynesville Sand Oil Unit in the North Rome Field Unit, in accordance with Rules 400-1-4-.17(1) and 400-4-2-.01(5) of the *State Oil and Gas Board of Alabama Administrative Code*.

The previous temporarily abandoned status and the Class II UIC permit for this well has expired and Petitioner requests the Board to grant a one year extension because said well has future utility and should not be plugged.

BOARD ACTION: Granted 2.9.2012

ORDER NO.: 2012-07

11. DOCKET NO. 2-07-12-09

Petition by PRUET PRODUCTION CO., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling, with imposition of a risk compensation penalty, all tracts and interests in hydrocarbons produced from Smackover and Norphlet Formations from Petitioner's proposed Wood 2-2 No. 1 Well to be drilled on a 160-acre wildcat drilling unit consisting of the Northeast Quarter of Section 2, Township 5 North, Range 7 East, Monroe County, Alabama.

This Petition is in accordance with Section 9-17-13, *Code of Alabama* (1975), as amended, and Rule 400-7-2-.01 of the *State Oil and Gas Board of Alabama Administrative Code*.

BOARD ACTION: Under Advisement 2.9.2012

12. 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>
1297	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 to the June 2012 hearing 2.9.2012