

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Board Exhibit	Hearing Officer Report	19	19
Exhibit 1 (Items 12 & 13)	Affidavit of testimony with attachment (Clayton D. Fryer)	21	21
Board Exhibit 1 (Item 23)	Proposed Rule 400-4-5-.04	23	23
Coalbed Methane Association Exhibit 1 (Item 23)	Survey results conducted by the Groundwater Protection Council (Dennis Lathem)	23	24
Coalbed Methane Association Exhibit 2 (Item 23)	3/4/99 communication from US EPA to Senator Jeff Sessions (Dennis Lathem)	23	24
McMillian Exhibit 1 (Item 23)	3/2/99 comments by David A. Ludder on proposed amendments to OGB Admin. Code R. 400-4-5, Docket No. 3-3-9915 (Cynthia McMillian)	26	26
Board Exhibit 2 (Item 23)	Decision of Eleventh Circuit Court in case of LEAF verses US EPA	30	30
Board Exhibit 3 (Item 23)	Copy of Safe Drinking Water Act	30	30
Board Exhibit 4 (Item 23)	12/22/98 letter to Patricia Ross McCubbin with enclosed affidavit with attachments from Dr. Donald F.Oltz	30	30

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EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Board Exhibit 5 (Item 23)	12/10/98 letter from Andrew S. Bartlett to Donald F. Oltz	30	30
Board Exhibit 6 (Item 23)	1/15/99 letter to Andrew S. Bartlett from Donald F. Oltz	30	30
Board Exhibit 7 (Item 23)	1/29/99 letter to Andrew S. Bartlett from Dr. Donald F. Oltz	30	30
Board Exhibit 8 (Item 23)	Writ of mandamus issued by Eleventh Circuit Court of Appeals	30	30
Board Exhibit 9 (Item 23)	Report on Fracturing Technology and Ground-water Protection in the Coalbed Methane Development Areas of Alabama	30	30
Legal Environmental Assistance Foundation Inc. Exhibit 1 (Item 23)	3/2/99 comments on proposed amendments to OGB Admin. Code R. 400-4-5, Docket No. 3-3-9915 with attachments (David A. Ludder)	32	32
U.S. Environmental Protection Agency Exhibit 1 (Item 23)	Comments on proposed rule from U.S. Environmental Protection Agency (Andrew S. Bartlett)	33	33
U.S. Environmental Protection Agency Exhibit 2 (Item 23)	3/4/99 letter to Donald F. Oltz with attachment (Andrew S. Bartlett)	---	34

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<u>EXHIBIT NO.</u> <u>(ITEM NO.)</u>	<u>TITLE</u> <u>(TESTIMONY OF)</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Board Exhibit 10 (Item 23)	2/11/99 letter to David Ludder, Legal Environmental Assistance Foundation, Inc.	---	34
Board Exhibit 11 (Item 23)	2/17/99 letter to Patricia McCubbin, United States Department of Justice	---	34
Board Exhibit 12 (Item 23)	2/17/99 letter to James H. Curtin, U.S. Environmental Protection Agency Headquarters	---	34
Board Exhibit 13 (Item 23)	2/17/99 letter to Carol M. Browner, U.S. Environmental Protection Agency Headquarters	---	34
Board Exhibit 14 (Item 23)	2/17/99 letter to Michel Paque, Ground Water Protection Council	---	34
Board Exhibit 15 (Item 23)	2/17/99 letter to Sonja Massey, Alabama Department of Environmental Management	---	34
Board Exhibit 16 (Item 23)	2/17/99 letter to Dennis Lathem, Coalbed Methane Association	---	34
Board Exhibit 17 (Item 23)	2/17/99 letter to Andrew S. Bartlett, U.S. Environmental Protection Agency, Region 4	---	34
Board Exhibit 18 (Item 23)	2/18/99 letter to Andrew S. Bartlett, U.S. Environmental Protection Agency, Region 4	---	34
Board Exhibit 19 (Item 23)	2/18/99 letter to Richard Allen, Office of the Attorney General Alabama State House	---	34

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<u>EXHIBIT NO.</u> <u>(ITEM NO.)</u>	<u>TITLE</u> <u>(TESTIMONY OF)</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Board Exhibit 20 (Item 23)	2/18/99 letter to Luther Strange, Brandley, Arant, Rose & White	---	34
Board Exhibit 21 (Item 23)	2/18/99 letter to Craig Kneisel, Office of the Attorney General Alabama State House	---	34
Board Exhibit 22 (Item 23)	2/18/99 letter to Dean Peeler, Alabama Petroleum Council	---	34
Board Exhibit 23 (Item 23)	2/18/99 letter to Joe Sims, U.S. Oil & Gas Association	---	34
Board Exhibit 24 (Item 23)	2/18/99 letter to Bob Greene, Brandley, Arant, Rose & White	---	34
Board Exhibit 25 (Item 23)	3/3/99 letter to David Ludder Legal Environmental Assistance Foundation, Inc. with attachments	---	34

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

March 5, 1999

Testimony and proceedings before the State Oil and Gas Board in Regular Session in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, pursuant to adjournment, on this the 5th day of March, 1999.

BEFORE:

Mr. Gaines C. McCorquodale Member
Mr. Matthew S. Metcalfe Member
Mr. M. Stephen Dampier Member

BOARD STAFF

Mr. Marvin Rogers Attorney
Dr. Donald F. Oltz Secretary and Supervisor
Mr. Gary Wilson Deputy Supervisor
Mr. Jay Masingill Assistant Supervisor
Dr. David Bolin Assistant Supervisor
Mrs. Janyth Pashin Assistant Supervisor
Mr. Richard Raymond Engineer
Mr. Frank Hinkle Geologist

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APPEARANCES

	NAME	REPRESENTING
1.	Bob Green Bradley, Arant, Rose & White 2001 Park Place, Suite 1400 Birmingham, AL 35223	Coalbed Methane Assoc.
2.	David Minor P.O. Box 2563 Birmingham, AL 35202	Sonat Exploration Co.
3.	Luther Strange Bradley, Arant, Rose & White 2001 Park Place, Suite 1400 Birmingham, AL 35223	Sonat Exploration Co.
4.	Rick Payton 10899 Taurus Rd. Cottondale, AL 35453	Energen Resources
5.	J. L. Madison 10899 Taurus Rd. Cottondale, AL 35453	Energen Resources
6.	David Petty 601 Vestavia, Suite 240 Birmingham, AL 35216	KuKui
7.	Norton Brooker Mobile, AL	Phillips Petroleum Co.
8.	Eric Hutchens 12731 Power Plant Rd. Tuscaloosa, AL 35406	PA Castle Energy
9.	Richard Bretzke 9002 Energy Lane Northport, AL 35476	Halliburton

APPEARANCES

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	NAME	REPRESENTING
10.	R. G. Sanders P.O. Box 140 Brookwood, AL 35444	Black Warrior Methane Corp.
11.	K. P. Hanby Tuscaloosa, AL	Tom Joiner & Assoc.
12.	Dennis Lathem Hoover, AL	Coalbed Methane Association
13.	Randy Allen 511 Energy Center Blvd. Tuscaloosa, AL	River Gas Corporation
14.	Tom Watson Tuscaloosa, AL	---
15.	Steve Blackburn Birmingham, AL	Black Warrior Methane Corp.
16.	Nancy H. Marsh 61 Forsyth St. Atlanta, GA 30303	EPA, Region 4
17.	Larry T. Cole 61 Forsyth St. Atlanta, GA 30303	EPA, Region 4
18.	Bob Singleton 12031 Lake Nicol Road Tuscaloosa, Al 35406	River Gas Corporation
19.	Martin Holt 12031 Lake Nicol Road Tuscaloosa, AL 35406	River Gas Corporation

APPEARANCES

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	NAME	REPRESENTING
20.	Gerald Allen P.O. Box 71001 Tuscaloosa, AL 35407	State Representative
21.	Cindy McMillian 913 High St. SW Hartselle, AL	---
22.	George Adams 913 High St. SW Hartselle, AL	---
23.	Thad Pittman P.O. Box 301483 Montgomery, AL 36130	ADEM

1 (The hearing was convened at 10:05 a.m. on Friday,
2 March 5, 1999, at Tuscaloosa, Alabama)
3

4
5
6 CHMN. MCCORQUODALE: Let the record reflect that the State Oil and Gas Board is
7 now in session. Dr. Oltz, have the items to be heard today been properly noticed?

8 DR. OLTZ: Mr. Chairman, the items to be heard today have been properly noticed. An
9 agenda of today's meeting has been transmitted to the recording secretary.
10
11
12

13 **AGENDA**
14 **STATE OIL AND GAS BOARD MEETING**
15 **MARCH 3 & 5, 1999**
16

17 The State Oil and Gas Board of Alabama will hold its regular monthly meeting at
18 10:00 a.m. on Wednesday, March 3, 1999, and Friday, March 5, 1999, in the
19 Board Room of the State Oil and Gas Board Building, University of Alabama
20 Campus, Tuscaloosa, Alabama, to consider among other items of business the
21 following petitions:
22

23 1. DOCKET NO. 1-28-983

24 Continued petition by LOWRY EXPLORATION, INC., a foreign corporation
25 authorized to do and doing business in the State of Alabama, requesting the State
26 Oil and Gas Board of Alabama to establish a new gas field in Marion County,
27 Alabama, to be called the Northwest Aston Branch Field, or such other name as
28 the Board deems appropriate, and to adopt Special Field Rules therefor. The
29 proposed field limits consist of the Northwest Quarter of Section 30, Township
30 11 South, Range 15 West and the Northeast Quarter of Section 25, Township 11
31 South, Range 16 West, Marion County, Alabama. The said field limits are

1 underlain by the Carter Sand Gas Pool, said Carter Sand Gas Pool being defined
2 as that interval between 1,264 feet and 1,280 feet as indicated on the Spectral
3 Density/Dual Spaced Neutron Log for the Leonhardt 30-4 No. 1 Well, Permit
4 No. 11276, located in Marion County, Alabama, and all zones in communication
5 therewith and all productive extensions thereof. Petitioner is requesting well
6 spacing of 320 contiguous acres and the establishment of production allowables.
7

8 2. DOCKET NO. 4-8-9814

9 Continued petition by UNIT MANAGER, CITRONELLE UNIT, Citronelle
10 Field, Mobile County, Alabama, requesting the State Oil and Gas Board to enter
11 an order authorizing the Unit Manager to convert the D-8-7 Well, Permit No.
12 994, to a fresh water injection well pursuant to Article 3.1.3(d) of the Unit
13 Agreement for the Citronelle Unit and Rule 14 (1)(A) of the Special Field Rules.
14 The D-8-7 Well is located 673.5 feet from the West line and 673.3 feet from the
15 South line of the Southwest Quarter of the Northeast Quarter of Section 8,
16 Township 1 North, Range 2 West, in the Citronelle Unit, Citronelle Field,
17 Mobile County, Alabama.
18

19 3. DOCKET NO. 5-13-9817

20 Continued petition by JN EXPLORATION & PRODUCTION LIMITED
21 PARTNERSHIP, a foreign limited partnership authorized to do and doing business
22 in the State of Alabama, requesting the State Oil and Gas Board to make a
23 determination pursuant to Section 40-20-1(22) and Section 40-20-2(2), *Code of*
24 *Alabama* (1975), that the Southeast Frisco City Unit, Monroe County, Alabama,
25 qualifies as a “Qualified Enhanced Recovery Project” as defined in said statutes and
26 to make a determination of the projected annual oil or gas production that could
27 have otherwise been produced without the benefit of the initiation of said Qualified
28 Enhanced Recovery Project.
29

30 4. DOCKET NO. 7-13-9811

31 Continued petition by KWB OIL PROPERTY MANAGEMENT, INC., a foreign
32 corporation authorized to do and doing business in the State of Alabama, requesting
33 the State Oil and Gas Board of Alabama to enter an order force pooling, without the
34 imposition of a risk compensation penalty, all tracts and interests in gas produced
35 from a well to be drilled as a wildcat well on a unit consisting of the West Half of
36 Section 11, Township 17 South, Range 14 West, Lamar County, Alabama. This
37 Petition is in accordance with Section 9-17-13, *Code of Alabama*, (1975), as
38 amended and Rule 400-1-13-.01 of the *State Oil and Gas Board of Alabama*
39 *Administrative Code*.
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5. DOCKET NO. 12-16-987
Continued petition by DE SOTO OIL & GAS, 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 amending Rule 7 of the Special Field Rules for the Northwest Smiths Church Field, Escambia County, Alabama, in order to establish permanent allowables for wells completed in said field.

6. DOCKET NO. 12-16-9816
Continued petition by SONAT EXPLORATION COMPANY, a Delaware corporation, authorized to do and doing business in the State of Alabama, requesting the forced pooling, without the imposition of a risk compensation fee, of all tracts and interests in an 80-acre unit consisting of the South Half of the Northwest Quarter of Section 10, Township 18 South, Range 8 West, Tuscaloosa County, Alabama, in the White Oak Creek Coal Degasification Field, pursuant to Section 9-17-13, *Code of Alabama* (1975), and Rule 400-1-13-.01 of the *State Oil and Gas Board of Alabama Administrative Code*. An 80-acre unit for the Hallman 10-6-62 Well, Permit No. 10955-C, consisting of the Southeast Quarter of the Northwest Quarter and the Northeast Quarter of the Southwest Quarter of Section 10, Township 18 South, Range 8 West, Tuscaloosa County, Alabama, in the White Oak Creek Coal Degasification Field, was previously force pooled by the Board in Order No. 95-248 issued on November 3, 1995.

7. DOCKET NO. 1-28-994
Continued petition by SONAT EXPLORATION COMPANY, a Delaware corporation, authorized to do and doing business in the State of Alabama, requesting the forced pooling, without the imposition of a risk compensation fee, of all tracts and interests in an 80-acre unit consisting of the North Half of the Southwest Quarter of Section 10, Township 18 South, Range 8 West, Tuscaloosa County, Alabama, in the White Oak Creek Coal Degasification Field, pursuant to Section 9-17-13, *Code of Alabama* (1975), and Rule 400-1-13-.01 of the *State Oil and Gas Board of Alabama Administrative Code*.

8. DOCKET NO. 3-3-991
Petition by GURNEE GAS COMPANY, L.L.C., an Alabama limited liability company requesting the Board, pursuant to Sections 9-17-1, *et seq. Code of Alabama*, (1975) and Rule 400-1-3-.06 of the *State Oil and Gas Board of Alabama Administrative Code*, to enter an order extending the temporarily abandoned status for the following coal degasification wells located in Shelby and Bibb Counties, Alabama.

1 **GURNEE COAL DEGASIFICATION FIELD – BIBB COUNTY**

2

3 TOWNSHIP/RANGE SECTION

4

5 T22S, R4W 5, 19, 20

6 T22S, R5W 13, 23

7

8 **GURNEE COAL DEGASIFICATION FIELD – SHELBY COUNTY**

9

10 TOWNSHIP/RANGE SECTION

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12 T21S, R3W 5, 17, 20, 31

13 T21S, R4W 15, 21, 24, 25, 35, 36

14 T22S, R3W 6, 7

15 T22S, R4W 1, 4, 10, 11, 12, 14, 15,

16 16, 21, 22, 23, 24

17

18 The previously established temporarily abandoned status for these wells expires

19 on or about March 5, 1999, and Gurnee Gas Company, L.L.C. is requesting this

20 Board to grant a six (6) month extension beginning March 5, 1999, because said

21 wells have future utility and should not be plugged.

22

23 9. DOCKET NO. 3-3-992

24 Petition by JN EXPLORATION & PRODUCTION LIMITED PARTNERSHIP,

25 a foreign limited partnership authorized to do and doing business in the State of

26 Alabama, requesting the State Oil and Gas Board (hereinafter “Board”) to amend

27 Rule 2 of the Special Field Rules for the Frisco City Field, adopted by Order 87-

28 30, issued on February 28, 1987, as last amended by the Board in Order No. 98-

29 44 issued on the 15th of May, 1998, to amend the name of the Frisco City Sand

30 Oil Pool as presently defined therein to the “North Frisco City Sand Oil Pool of

31 the Frisco City Field” and to add and name a new pool to be defined as the

32 “South Frisco City Sand Oil Pool of the Frisco City Field,” which shall be

33 defined as that interval of the Haynesville Formation productive of hydrocarbons

34 in the interval between 12,337 feet MD to 12,373 feet MD on the Compensated

35 Z-Densilog, Compensated Neutron, Gamma-ray log for the Brents Lee 12-7 No.

36 1 Well, Permit No. 10226-B, located 1,185 feet from the North line and 1,941

37 feet from the East line of Section 12, Township 5 North, Range 6 East, Monroe

38 County, Alabama. The proposed South Frisco City Sand Oil Pool is a separate

39 and distinct pool from the North Frisco City Sand Oil Pool.

40

1 This petition is a companion to petitions bearing Docket No. 3-3-993 and 3-3-
2 994 which seek relief related to such petition.
3

4 10. DOCKET NO. 3-3-993

5 Petition by JN EXPLORATION & PRODUCTION LIMITED PARTNERSHIP,
6 a foreign limited partnership authorized to do and doing business in the State of
7 Alabama, requesting the State Oil and Gas Board (hereinafter "Board") to enter
8 an order pursuant to Section 9-17-80, *et seq.* of the *Code of Alabama* (1975), as
9 amended, approving and establishing a partial fieldwide unit for the South Frisco
10 City Sand Oil Pool of the Frisco City Field, hereinafter more particularly defined
11 and referred to herein as the "Unitized Area," consisting of the following
12 described tracts in Monroe County, Alabama to-wit: The North Half of Section
13 12, the North Half of the Northeast Quarter of the Northwest Quarter of the
14 Southeast Quarter of Section 12; the Northeast Quarter of the Northwest Quarter
15 of the Northwest Quarter of the Southeast Quarter of Section 12; the North Half
16 of the Northwest Quarter of the Northeast Quarter of the Southeast Quarter of
17 Section 12, Township 5 North, Range 6 East, Monroe County, Alabama, and
18 requiring the operating of said Unit Area as a partial fieldwide unit for pressure
19 maintenance, enhanced recovery, development and production of oil, gas,
20 gaseous substances, condensate, distillate and all associated and constituent
21 liquid or liquefiable substances within or produced from the unitized interval in
22 order to prevent waste, to maximize the recovery of the unitized substances, to
23 avoid the drilling of unnecessary wells, and to protect the coequal and correlative
24 rights of interested parties.
25

26 The "Unitized Formation" is to be designated as the South Frisco City Sand Oil
27 Pool in the Frisco City Field and shall be construed to mean those strata of the
28 Haynesville Formation productive of hydrocarbons in the interval between
29 12,337 feet MD to 12,373 feet MD on the Compensated Z-Densilog,
30 Compensated Neutron, Gamma-ray log for the Brents Lee 12-7 No. 1 Well,
31 Permit No. 10226-B, located 1,185 feet from the North line and 1,941 feet from
32 the East line of Section 12, Township 5 North, Range 6 East, Monroe County,
33 Alabama, including those strata which can be correlated therewith. Said pool
34 and proposed unitized area constitutes a separate and distinct oil producing pool
35 in said field, separate and distinct from all other pools in said field.
36

37 Petitioner further seeks entry of an order unitizing, pooling and integrating the
38 Unit Area as underlain by the above-described Unitized Formation, into a partial
39 fieldwide unit so as to require all owners or claimants of royalty, overriding
40 royalty, mineral, leasehold and all other leasehold interest within said partial
41 fieldwide unit to unitize, pool, and integrate their interests and develop their

1 lands or interests within said Unit Area as a partial fieldwide unit. Said petition
2 further seeks to have JN Exploration and Production Limited Partnership
3 designated as Unit Operator of the Unit Area in accordance with the laws of the
4 State of Alabama and seeks an order from the Board approving the “Unit
5 Agreement” and “Unit Operating Agreement.”
6

7 This petition is a companion to petitions bearing Docket No. 3-3-992 and 3-3-
8 994 which seek relief related to such petition.
9

10 11. DOCKET NO. 3-3-994

11 Petition by JN EXPLORATION & PRODUCTION LIMITED PARTNERSHIP,
12 a foreign limited partnership authorized to do and doing business in the State of
13 Alabama, requesting the State Oil and Gas Board “(hereinafter “Board”) to enter
14 an order amending Rule 1 of the Special Field Rules for the Frisco City Field,
15 adopted by the Board in Order No. 87-30, issued on February 28, 1987, and last
16 amended by Order No. 98-44, issued on the 15th day of May, 1998, so as to add
17 thereto lands described as:
18

19 The North Half of the Northeast Quarter of the Northwest Quarter
20 of the Southeast Quarter of Section 12; the Northeast Quarter of
21 the Northwest Quarter of the Northwest Quarter of the Southeast
22 Quarter of Section 12; the North Half of the Northwest Quarter of
23 the Northeast Quarter of the Southeast Quarter of Section 12,
24 Township 5 North, Range 6 East, Monroe County, Alabama.
25

26 Said acreage to be added to the defined limits of the Frisco City Field constitutes
27 a productive extension of the said Frisco City Field and coincides with the
28 proposed unit area of the proposed Frisco City Oil Unit.
29

30 This petition is a companion to petitions bearing Docket Nos. 3-3-993 and 3-3-
31 992 which seek relief related to such petition.
32

33 12. DOCKET NO. 3-3-995

34 Petition by PHILLIPS PETROLEUM COMPANY, a foreign corporation
35 authorized to do and doing business in the State of Alabama, requesting the State
36 Oil and Gas Board of Alabama (the “Board”) to enter an order amending Rule 7
37 relating to “Measurement of Production” and Rule 10 relating to “Use of Meters”
38 of the Special Field Rules for the Chatom Field Unit, Washington County,
39 Alabama, so as to provide for measurement of total combined unit produced
40 hydrocarbons as measured directly and individual well production as allocated
41 from the direct total unit production measurement by the use of periodic well

1 tests, and that meters for testing and for measurement of production shall be
2 orifice type or such other metering devices as may be acceptable to the
3 Supervisor.
4

5 13. DOCKET NO. 3-3-996

6 Petition by PHILLIPS PETROLEUM COMPANY, a foreign corporation
7 authorized to do and doing business in the State of Alabama, requesting the State
8 Oil and Gas Board of Alabama (the "Board") to enter an order amending Rule 5
9 relating to "Measurement of Production" of the Special Field Rules for the
10 Southeast Chatom Field, Washington County, Alabama, so as to require the
11 operator to maintain proper metering devices and such connections thereto as are
12 necessary to measure the total production from the Southeast Chatom Field.
13

14 14. DOCKET NO. 3-3-997

15 Petition by BLACK WARRIOR METHANE CORP., an Alabama corporation,
16 requesting the State Oil and Gas Board to enter an order approving an exceptional
17 location for the proposed 36-9-5 Well to be located in the Northeast Quarter of the
18 Southeast Quarter of Section 36, Township 19 South, Range 7 West, Tuscaloosa
19 County, Alabama, in Unit IV of the Brookwood Coal Degasification Field. The
20 proposed location of said well will be no closer than 50 feet from the East line and
21 approximately 2,172 feet from the South line of said Section 36 and, as such, is an
22 exception to Rule 18A of the Special Field Rules for the Brookwood Coal
23 Degasification Field. Said Rule states, in part, that all wells shall be located at least
24 150 feet from every exterior boundary of a Unit Area and the proposed location of
25 the above-described well is only 50 feet from the East line of Unit IV.
26

27 15. DOCKET NO. 3-3-998

28 Petition by FOUR STAR OIL & GAS COMPANY, a subsidiary of Texaco Inc., a
29 foreign corporation authorized to do and doing business in the State of Alabama,
30 requesting the State Oil and Gas Board to enter an order extending the temporarily
31 abandoned status for six (6) months for the following described well in Mobile
32 County, Alabama, in the Hatter's Pond Unit, in accordance with Rule 400-1-3-.06
33 and Rule 400-1-5-.04(d) of the *State Oil and Gas Board of Alabama Administrative*
34 *Code*:
35

<u>PERMIT NO.</u>	<u>WELL NAME</u>	<u>LOCATION</u>
2735-B-GI-93-1	Hatter's Pond Unit 34-10 #1 Sidetrack	S34, T1S, R1W

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1 The previous temporarily abandoned status for this well expires on March 5, 1999,
2 and Petitioner requests the Board to grant a six (6) month extension beginning
3 March 5, 1999, because said well has future utility and should not be plugged.
4

5 16. DOCKET NO. 3-3-999

6 Petition by PENNSYLVANIA CASTLE ENERGY CORPORATION, a foreign
7 corporation, authorized to do and doing business in the State of Alabama,
8 requesting the State Oil and Gas Board to enter an order extending the temporary
9 abandonment status for six (6) months for the following described well in the
10 Deerlick Creek Coal Degasification Field, Tuscaloosa County, Alabama, in
11 accordance with Rule 400-1-3-.06(2) of the *State Oil and Gas Board of Alabama*
12 *Administrative Code*:
13

<u>PERMIT NO</u>	<u>WELL NAME</u>	<u>LOCATION</u>
14 4166-C	15 Gulf States Paper 16 Corp. 25-14-18	17 Section 25, Township 20 18 South, Range 9 West

19 The previous temporary abandonment status for this well expires on March 5, 1999,
20 and Pennsylvania Castle Energy Corporation requests that the Board grant a six (6)
21 month extension beginning March 5, 1999, because this well has future utility in
22 Pennsylvania Castle Energy Corporation's coalbed methane operations in Alabama
23 and should not be plugged.
24

25 17. DOCKET NO. 3-3-9910

26 Petition by LEGACY RESOURCES COMPANY, LIMITED PARTNERSHIP, an
27 Indiana limited partnership, authorized to do and doing business in the State of
28 Alabama, requesting the State Oil and Gas Board to enter an order pursuant to
29 Sections 9-17-1 through 9-17-32 and 9-17-80 through 9-17-88, *Code of Alabama*
30 (1975) approving and establishing a partial fieldwide Unit located on portions of
31 Mobile Bay Area Tracts 64, 77A and 78 to be known as the "Saxon Bay Unit,"
32 consisting of the hereinafter described "Unit Area" in the Saxon Bay Field, Baldwin
33 County, Alabama, and requiring the operation of said Unit Area as a partial
34 fieldwide Unit for pressure maintenance, enhanced recovery, development and
35 production of oil, gas, gaseous substances, condensate, distillate and all associated
36 and constituent liquid or liquefiable substances within or produced from the
37 Unitized Formation in order to prevent waste, to maximize recovery of the unitized
38 substances, to avoid the drilling of unnecessary wells and to protect the coequal and
39 correlative rights of interested parties and amending the Special Field Rules for the
40 said Field so as to make the Special Field Rules conform to the requirements for a
41 partial fieldwide Unit.
42

1 Petitioner is requesting that the Oil and Gas Board require the operation of said Unit
2 as a partial fieldwide Unit for the development and production of hydrocarbons
3 within or produced from the Unitized Formation underlying the Unit Area in order
4 to prevent waste, to maximize the recovery of unitized substances, to avoid the
5 drilling of unnecessary wells, and to protect coequal and correlative rights.
6

7 The "Unitized Formation" is to be designated as the North Meyer Sand Gas Pool, of
8 Miocene Age, defined as that interval of the Meyer Sand productive of
9 hydrocarbons in the interval between 1,450 feet measured depth to 1,570 feet
10 measured depth, as indicated on the Induction Log run in the State Lease 615 No.
11 2 Well, Permit No.11417-OS-72, located in Mobile Bay Area Tract 78, including
12 those strata which can be correlated therewith or such other enlarged interval as
13 may be ordered by the State Oil and Gas Board of Alabama.
14

15 The proposed "Unit Area" located on portions of Mobile Bay Area Tracts 64, 77A
16 and 78 described as follows:
17

18 Commencing at a point of beginning 2,200.00 feet North and 44.22
19 feet West from the northeast corner of State Tract 78, Mobile Bay
20 Area, said point having coordinates of X=359,955.78 and
21 Y=107,200.00, (being the true point of beginning and the northeast
22 corner of the proposed production unit); Thence South for a distance
23 of 7,000.00 feet; Thence West for a distance of 12,255.78 feet;
24 Thence South for a distance of 3,700.00 feet; Thence West for a
25 distance of 2,700.00 feet; Thence North for a distance of 2,414.00
26 feet; Thence North 73 degrees 00 minutes 00 seconds West for a
27 distance of 5,123.89 feet; Thence North for a distance of 4,587.91
28 feet; Thence East for a distance of 4,900.00 feet; Thence North for a
29 distance of 2,200.00 feet; Thence East for a distance of 14,955.78
30 feet, back to the true point of beginning comprising 3,233.05 acres,
31 more or less.
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33 The bearings and coordinates are based on the Transverse Mercator Projection-
34 Alabama West Zone.
35

36 Petitioner is also requesting that the order approve the Unit Agreement and the Unit
37 Operating Agreement for the proposed partial fieldwide Unit and the amended
38 Special Field Rules providing for unitized operations in conformity with the
39 provisions of said Agreements, and include a finding that the Unit Agreement has
40 been signed or in writing ratified or approved by the owners of more than seventy-
41 five percent (75%) in interest as costs are shared under the terms of the requested

1 order, and by more than seventy-five percent (75%) in interest of the royalty and
2 overriding royalty owners in the Unit Area, and that the Unit Operating Agreement
3 has been signed or in writing ratified or approved by the owners of more than
4 seventy-five percent (75%) in interest as costs are to be shared under the terms of
5 the requested order.

6
7 Petitioner is also requesting that the order unitize, pool and integrate the Unitized
8 Formation underlying the Unit Area into a partial fieldwide Unit and require all
9 owners or claimants of royalty, overriding royalty, mineral, leasehold and all other
10 leasehold or other interests within said partial fieldwide Unit to unitize, pool and
11 integrate their interests and develop their lands or interests within said Unit Area as a
12 partial fieldwide Unit. Petitioner further requests that Legacy Resources Company,
13 Limited Partnership, be designated as Unit Operator in accordance with the laws of
14 the State of Alabama.

15
16 This Petition is filed as a companion to petition bearing Docket No. 3-3-9916
17 requesting an order to add lands to the Saxon Bay Field.

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19 18. DOCKET NO. 3-3-9911

20 Petition by BLACK WARRIOR METHANE CORPORATION, an Alabama
21 corporation, requesting the State Oil and Gas Board of Alabama to enter an order
22 amending Rule 2 of the Special Field Rules for the Brookwood Coal
23 Degasification Field to add the following described parcels to the field limits of
24 said field:

25
26 The Southwest Quarter of the Southeast Quarter of Section 18,
27 Township 19 South, Range 7 West; Tuscaloosa County, Alabama.

28
29 This petition is filed as a companion to petition bearing Docket No. 3-3-9912
30 requesting that Rule 2 of the Special Field Rules for the Oak Grove Coal
31 Degasification Field be amended to delete the above-described parcel from the
32 field limits of said field.

33
34 19. DOCKET NO. 3-3-9912

35 Petition by BLACK WARRIOR METHANE CORPORATION, an Alabama
36 corporation, requesting the State Oil and Gas Board of Alabama to enter an order
37 amending Rule 2 of the Special Field Rules for the Oak Grove Coal
38 Degasification Field to delete the following described parcel from the field limits
39 of said field:

1 The Southwest Quarter of the Southeast Quarter of Section 18,
2 Township 19 South, Range 7 West; Tuscaloosa County, Alabama.
3

4 This petition is filed as a companion to petition bearing Docket No. 3-3-9911
5 requesting that Rule 2 of the Special Field Rules for the Brookwood Coal
6 Degasification Field be amended to add the above-described parcel to the field
7 limits of said field.
8

9 20. DOCKET NO. 3-3-9913

10 Petition by SAMSON RESOURCES COMPANY, a foreign corporation,
11 authorized to do and doing business in the State of Alabama, requesting the State
12 Oil and Gas Board of Alabama to enter an order approving an amendment to Rule
13 3(b) for the Special Field Rules for the Yellow Creek Gas Field, Lamar County,
14 Alabama, by eliminating the requirement that all wells be located at least 2,000
15 feet from any other drilling or completed gas well producing from the same gas
16 pool. This request was previously approved by Emergency Order E-99-8 issued
17 on February 8, 1999.
18

19 21. DOCKET NO. 3-3-9914

20 Petition by THE OFFSHORE GROUP, INC., a foreign corporation authorized to
21 do and doing business in the State of Alabama, requesting the State Oil and Gas
22 Board to enter an order approving a modified well casing program for the 683 No.
23 3 Well, Permit No. 11528-OS-81, (the "Well") which has been drilled in the
24 Northwest Dauphin Island Field, Mobile County, Alabama. By Board Order No.
25 98-127, the Board approved a well casing program for the Well with drive casing
26 to a minimum of 200 feet below the mud line and minimum of 1,100 feet of
27 surface casing. The Petitioner is seeking approval of drive casing to a depth of
28 141 feet below the mud line for the Well due to interference having been
29 encountered by the Petitioner at that depth during the installation of drive casing
30 for the Well.
31

32 22. DOCKET NO. 3-6-9637

33 Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA
34 to repeal and rescind all rules and regulations of statewide application and to
35 promulgate new rules and regulations of statewide application, provided,
36 however, that Special Field Rules shall not be repealed and rescinded. The rules
37 and regulations of the State Oil and Gas Board are set forth in Rule 400-1-1-.01 et
38 seq. of the *State Oil and Gas Board of Alabama Administrative Code*. Under this
39 Motion, the State Oil and Gas Board proposes to make substantial changes to
40 regulations governing coalbed methane gas operations, offshore operations, and
41 various other regulations.

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23. DOCKET NO. 3-3-9915

MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA amending the Rules and Regulations Governing the Permitting, Drilling and Production of Coalbed Methane Gas set forth in Rule 400-4-1-.01, et seq. the *State Oil and Gas Board of Alabama Administrative Code* so as to supplement the current regulations of the State Oil and Gas Board of Alabama governing the protection of drinking water sources during the hydraulic fracturing of coalbed methane gas wells. Section 9-17-1, et seq. of the *Code of Alabama* (1975) grants the State Oil and Gas Board of Alabama the jurisdiction and authority to regulate oil and gas operations.

DOCKET NO. 3-3-9916

Petition by LEGACY RESOURCES COMPANY, LIMITED PARTNERSHIP, an Indiana limited partnership, requesting the State Oil and Gas Board of Alabama to enter an order amending Rule 1 of the Special Field Rules for the Saxon Bay Field, Baldwin County, Alabama, to add the following described parcels to the field limits of said field:

Commencing at a point of beginning being the NE corner of State Tract 77A, Mobile Bay Area, said point having coordinates of X=345,000.00 and Y=105,000.00, being the true point of beginning at the NE corner of Tract 4 of the proposed Saxon Bay Unit: Thence South for a distance of 6,086.00 feet; Thence North 73 degrees 00 minutes 00 seconds West for a distance of 5,123.89 feet; thence North for a distance of 4,587.91 feet; Thence East for a distance of 4,900.00 feet back to the true point of beginning comprising 600.35 acres, Baldwin County, Alabama.

AND

Commencing at a point of beginning 4,800.00 feet South and 2,700.00 feet East from the NW corner of State Tract 78, Mobile Bay Area, said point having coordinates of X=347,700.00 and Y=100,200.00, (being the true point of beginning and the NE corner of Tract 5 of the proposed Saxon Bay Field): Thence South for a distance of 3,700.00 feet; Thence West for a distance of 2,700.00 feet; Thence North for a distance of 3,700.00 feet; Thence East for a distance of 2,700.00 feet, back to the true point of beginning comprising 229.34 acres, Baldwin County, Alabama.

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The bearings and coordinates are based on the Transverse Mercator Projection - Alabama West Zone.

This petition is filed as a companion to petition bearing Docket No. 3-3-9910 requesting an order approving and establishing a partial fieldwide Unit to be known as the "Saxon Bay Unit."

DOCKET NO. 3-3-9917
Petition by The Offshore Group, 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 a modified well casing program for the State Lease 796 No. 2 Well, Permit No. 11527-OS-80 (the "Well") which has been drilled in the Northeast Petit Bois Pass Unit, Mobile County, Alabama. By Board Order No. 98-128, the Board approved a well casing program for the Well with drive casing to a minimum of 200 feet below the mud line and a minimum of 1100 feet of surface casing. The Petitioner is seeking approval of drive casing to a depth of 134 feet below the mud line for the Well due to interference having been encountered by the Petitioner at that depth during the installation of drive casing for the Well.

Members of the public are invited to attend this meeting and to present to the Board their position concerning these matters. If special accommodations are needed to facilitate attendance or participation in the meeting, please call 205/349-2852, ext. 211.

The public is advised that the Board may promulgate orders concerning a petition which may differ from that requested by the petitioner concerning the lands described in the notice. Pursuant to this hearing, Section 9-17-1 et seq. of the *Code of Alabama* (1975) and the rules and regulations promulgated thereunder, the Board will enter such order or orders as in its judgment may be necessary based upon the evidence presented.

The State Oil and Gas Board was originally established by Act No. 1 of the Legislature of Alabama in the Regular Session of 1945. The applicable law pertaining to the establishment of the Board now appears in Section 9-17-1 et seq. of the *Code of Alabama* (1975), as last amended. The applicable rules pertaining to the conduct of hearings by the Board are found in Rule 400-1-12-.01 et seq. of the State Oil and Gas Board of Alabama Administrative Code.

1 CHMN. MCCORQUODALE: All in favor say “aye”.

2 (All Board members voted “aye”)

3 CHMN. MCCORQUODALE: “Ayes” have it.

4 MR. ROGERS: Mr. Chairman, I recommend the report be made a part of the record at
5 this time.

6 CHMN. MCCORQUODALE: That request is granted.

7 (Whereupon, the Hearing Officer report
8 was received into evidence)

9 DR. OLTZ: Mr. Chairman, the staff would recommend approval of the minutes of the
10 following meetings: November 13, 1998, the Board Meeting; December 16, 1998, the Hearing
11 Officer Meeting; December 18, 1998, the Board Meeting; December 18, 1998, an Emergency
12 Board Meeting; and January 28, 1999, the Hearing Officer Meeting.

13 MR. METCALFE: Move.

14 MR. DAMPIER: Second.

15 CHMN. MCCORQUODALE: All in favor say “aye”.

16 (All Board members voted “aye”)

17 CHMN. MCCORQUODALE: “Ayes” have it.

18 MR. ROGERS: Mr. Chairman, the items to be heard by the Board are the following:
19 Item 9, Docket No. 3-3-992, petition by JN Exploration & Production Limited Partnership; Item
20 10, Docket No. 3-3-993, petition by JN Exploration & Production Limited Partnership; Item 11,
21 Docket No. 3-3-994, petition by JN Exploration & Production Limited Partnership. I

1 understand we have a request--we have received a request for a continuance on those. We
2 would recommend those petitions--Mr. Brooker, do you want to address that?

3 MR. BROOKER: I'm Norton Brooker representing the petitioner. Mr. Wiggins, I
4 believe, filed a request for a continuance of that matter and it's my understanding that the Board
5 has agreed to grant that request. You've got another item on your docket--I would like to ask
6 though--Mr. Watson, I think, has a Mobile Bay item that is also going to be continued. We
7 might like to have a Special Hearing if it's possible before the next hearing date on these
8 matters. So, with y'all's concurrence we would like to ask that the matter be continued to a date
9 to be later announced, if that's acceptable.

10 CHMN. MCCORQUODALE: We will look at our calendars and at the schedule of the
11 Board, Mr. Brooker, and certainly we will consider that. For the moment the ruling of the Chair
12 would be that these items are continued generally and we will look at an opportunity to set those
13 at the earliest date.

14 MR. BROOKER: Thank you.

15 MR. ROGERS: Also set for hearing today is Item 12, Docket No. 3-3-995, petition by
16 Phillips Petroleum Company; Item 13, Docket No. 3-3-996, petition by Phillips Petroleum
17 Company; Item 17, Docket No. 3-3-9910, petition by Legacy Resources Company, Limited
18 Partnership. With respect to that petition, we will recommend that the petition be continued to a
19 Special Hearing Officer Meeting on March 23, 1999, at 10:00 o'clock a.m. here in the Board's
20 Hearing Room in Tuscaloosa.

1 CHMN. MCCORQUODALE: Is there any objection to that? Hearing none that request
2 is granted. That matter is continued to March 23.

3 MR. ROGERS: That same request relates to Docket No. 3-3-9916, petition--another
4 petition by Legacy Resources Company, Limited Partnership.

5 CHMN. MCCORQUODALE: Same ruling on that.

6 MR. ROGERS: So, we have three items for today, Mr. Chairman, the two Phillips
7 petitions and a motion by the Oil and Gas Board, Item 23, Docket No. 3-3-9915. Those three
8 items are set for hearing. We will proceed with the hearing of Items 12 and 13, petitions by
9 Phillips Petroleum Company.

10 MR. BROOKER: Mr. Chairman, I'm Norton Brooker representing Phillips. I would
11 ask that both of these items be consolidated for testimony purposes.

12 CHMN. MCCORQUODALE: That request is granted.

13 MR. BROOKER: We have one affidavit for both matters. It's an affidavit of Clayton
14 B. Fryer. The affidavit that has been submitted this morning has been revised from the prefiled
15 affidavit slightly at the request of the staff. I would ask that the affidavit be admitted into
16 evidence.

17 CHMN. MCCORQUODALE: The affidavit is admitted.

18 (Whereupon, the affidavit was
19 received into evidence)

20 MR. BROOKER: That's all we have.

1 CHMN. MCCORQUODALE: Are there any questions or comments by the staff or
2 Supervisor? Let the record reflect that Mr. Dampier recused himself and did not participate in
3 this matter.

4 MR. METCALFE: Mr. Chairman, I move that we grant the petitions.

5 CHMN. MCCORQUODALE: Second. All in favor say “aye”.

6 (Board members McCorquodale and Metcalfe voted “aye”)

7 CHMN. MCCORQUODALE: “Ayes” have it.

8 MR. BROOKER: Thank you.

9 MR. ROGERS: Mr. Chairman, that brings us to the motion by the State Oil and Gas
10 Board, Item 23, Docket No. 3-3-9915. This is a motion by the Oil and Gas Board to amend the
11 rules and regulations governing the permitting, drilling and production of coalbed methane gas
12 as set forth in Rule 400-4-1-.01 et seq. so as to supplement the current regulations governing the
13 protection of drinking water resources during the hydraulic fracing--fracturing of coalbed
14 methane gas wells.

15 CHMN. MCCORQUODALE: As with all proposed rules or rule changes of this Board,
16 the matters are set on the docket and are presented to the public for comments on the proposed
17 rule change. Mr. Rogers, do you have the proposed rule that you would like to have marked and
18 offered into the record at this time?

19 MR. ROGERS: Yes, sir. We have that rule.

1 CHMN. MCCORQUODALE: Okay. I would ask you to mark it and I will admit into
2 the record the proposed rule change and at this time would then open the floor for any
3 comments that anybody would have on the proposed rule change.

4 (Whereupon, the proposed rule change
5 was received into evidence)

6 MR. LATHEM: Mr. Chairman.

7 CHMN. MCCORQUODALE: Yes, sir.

8 MR. LATHEM: Mr. Chairman, members of the Board, thank you very much for this
9 opportunity to appear today. My name is Dennis Lathem. I'm the Executive Director of the
10 Coalbed Methane Association of Alabama and I'm representing the Coalbed Methane
11 Association operators here today. Many of them are here with us. The Coalbed Methane
12 Association of Alabama believes the existing regulations on hydraulic fracturing protect
13 drinking water sources and the coalbed methane resource; however, we understand the situation
14 the Board is in relative to the EPA and the Eleventh Circuit Court. We have received notice of
15 the proposed rules and every CMAA operator has reviewed those rules. Our conclusion is that
16 these proposed new regulations are appropriate and reasonable, and appropriate and reasonable
17 to regulate this low-risk activity. We support your adoption of these regulations. For the
18 record, I would also like to submit a copy of the survey done recently by the Groundwater
19 Protection Council. The survey, which is of all thirteen states with coalbed methane
20 development, found there are no confirmed cases of contamination of an underground source of
21 drinking water from hydraulically fracturing a coalbed methane well. I would also like to

1 submit a copy of a communication from the United States Environmental Protection Agency to
2 the office of Alabama Senator Jeff Sessions regarding the absence of contamination cases in the
3 southeast. If you have any questions I would be happy to answer them. I thank you for this
4 opportunity.

5 CHMN. MCCORQUODALE: Are there any questions of Mr. Lathem by the staff or the
6 Board? Did you have some material that you handed up?

7 MR. LATHEM: I gave him three copies. If you need additional, I have more.

8 CHMN. MCCORQUODALE: Okay. We will make that a part of the record. Thank
9 you, Mr. Lathem, for your comments.

10 (Whereupon, a copy of the survey by the Groundwater
11 Protection Council and correspondence from US EPA to
12 Senator Jeff Sessions was received into evidence)

13 MR. LATHEM: Thank you.

14 CHMN. MCCORQUODALE: Are there any other comments concerning the proposed
15 rule?

16 REPRESENTATIVE ALLEN: Mr. Chairman.

17 CHMN. MCCORQUODALE: Yes, sir, Representative Allen. Nice to have you with us
18 today.

19 REPRESENTATIVE ALLEN: It's good to be here this morning, to be out of
20 Montgomery. It's a pleasure.

21 CHMN. MCCORQUODALE: I was going to let you say that.

1 REPRESENTATIVE ALLEN: Yes, sir. I'm Gerald Allen. I represent District 62
2 which as you fly over Tuscaloosa it represents the south portion--east portion of Tuscaloosa
3 which is Brookwood, Vance, Hargrove Road, McFarland Mall, Moundville and north Hale.
4 I've had the opportunity through the number of years to monitor the coal methane industry. My
5 family's farm that my father bought--purchased in 1947, we experienced this industry in the
6 process of them taking care of three different well sites. Of course, in our community there are
7 a number of wells. My district, by the way, has many, many sites on this. Through my comings
8 and goings throughout my district I haven't heard any, any complaints from my constituents on
9 this problem in terms of what you are addressing today. I would encourage you to take serious
10 note of this proposal. For the interest of our State and the industry I would ask you to adopt
11 these proposals.

12 CHMN. MCCORQUODALE: Thank you.

13 REPRESENTATIVE ALLEN: Thank you, sir.

14 CHMN. MCCORQUODALE: We appreciate you being here. Are there other
15 comments?

16 MS. MCMILLIAN: I'm Cynthia McMillian. I'm sorry that I have to speak contrary to
17 the comments that you have already heard but my experience leads me to tell you that there is a
18 lot not being said at this meeting. I'm going to submit comments to you that have already been
19 turned in by David Ludder at the Legal Environmental Assistance Foundation who has had a
20 chance to review in detail the proposed rule change. It is not adequate. It does not address the
21 problem. Sorry to disturb you with that statement of fact but from my point of view that is the

1 fact. It does not address the problem. I can understand why the industry supports your
2 amendment. It merely reinforces the status quo. I have looked at it in detail and I can see that it
3 changes nothing. The problem exist. It has exist and will continue to do so and your rule, I'm
4 sorry, does not clarify. Who would I turn this to?

5 CHMN. MCCORQUODALE: Mr. Rogers will take any documents that you have, Ms.
6 McMillian.

7 MS. MCMILLIAN: Thank you.

8 CHMN. MCCORQUODALE: Those also, Mr. Rogers, would be made a part of the
9 record.

10 (Whereupon, comments were
11 received into evidence)

12 MR. ROGERS: Yes, sir.

13 CHMN. MCCORQUODALE: Ms. McMillian, you don't have to respond to this but
14 some of the staff and Board members were wondering if you would like to tell us what specific
15 changes you would propose in the rule?

16 MS. MCMILLIAN: I'm not going to get into the fine points of the law because I'm not
17 an attorney. It is cited in the document there paragraph by paragraph, item by item. It's a very
18 thorough review. I hope you will read it. I think it will be helpful. There are several problems,
19 one--and this is not my definition, it's the Oil and Gas Board's delevition [sic]--definition and
20 the State Geological Survey's definition--the Pottsville Formation which our family well draws
21 from is defined by this institution as an unconfined aquifer. You cannot inject into it without

1 having communication from one zone to the other. That, in and of itself, creates the dilemma
2 that we're faced with. Not only that but I'm deeply disturbed because it's the first time I had
3 seen it put in writing but the last item on this amendment talked about drilling into depths as
4 shallow as 379 feet. You are in the aquifer at that, sir, and I don't--I mean, when you're in it at
5 even greater depths, but at that point you truly are in communication with surface waters. We
6 had a well that is 250 feet deep, so you see what I'm getting at. When you are getting within
7 15--50 feet of the zone that we're in and the problem we got into was with a fracing job that was
8 at 800 feet. The Pottsville Formation has many fractures and natural flaws and features in it that
9 allow communication of waters from different zones. You know that from your own research.
10 It's a thorny issue. I don't know how to suggest that you resolve it. I do know that it's going to
11 take more than what you propose today. I also know that if you are asking me what I think, I
12 would suggest that you put some kind of a tag or a trace element so that when these situations
13 arise there is no debate as to whether or not it communicated from one zone to another. We
14 would know.

15 MR. METCALFE: Ms. McMillian, this Board is charged with the duty and
16 responsibility to make sure that the drinking water is not vile in this State as you know. I've
17 heard testimony so far that there is not a single case that there is. Do you have evidence of any
18 because if you do I'll tell you I would be the first to want to cure it?

19 MS. MCMILLIAN: Okay. That's why I suggested the tag element because we went---

20 MR. METCALFE: No, no---

21 MS. MCMILLIAN: ---Okay, but let me tell you---

1 MR. METCALFE: ---my question was, do you have any evidence?

2 MS. MCMILLIAN: All right. We went through a period of three years calling after
3 numerous events, there were several documented, when we called and we required--requested
4 people from ADEM, from the Geological Survey and the Oil and Gas Board to come out and to
5 document what was occurring when the well was thumping and hissing and stuff was coming
6 out the kitchen sink that I don't even want to describe. We had never seen an occurrence like
7 that before. It happened on three to four separate occasions, all correlated with activity that was
8 going on in specific locations. There are records that show that I'm not making this up. I'm not
9 the only person. We're not the only instance. There were others but when you come out and
10 you check for iron and manganese, please give me a break. That went on forever, looking for
11 raised elevated levels of iron and manganese. When we finally did get a ground water test
12 being done by EPA who knew what to look for, it was six months after the fact. You had gone
13 from August in a period of drought, after seven years of drought, when the aquifer is down and
14 the hydrostatic head was lower than it had ever been when the fracing initially occurred and we
15 saw what we saw to a period when they came in April when we had gone back into the rainy
16 season, the aquifer had recharged, it had purged itself, and no, they didn't see anything.

17 MR. METCALFE: Did you continue to drink and use the water during this time?

18 MS. MCMILLIAN: No, my parents used bottled water for the next five years and then
19 at their own expense put in a purification--a whole house purification system at the cost of about
20 \$3,000.

21 MR. METCALFE: Did you have your own specimen or sampling during that period?

1 MS. MCMILLIAN: At one point they did manage to get samples close enough. We
2 still didn't know what we were supposed to be testing for but they did find elevated levels of
3 methane in the gas--in the wellhead gases themselves.

4 MR. METCALFE: In your well?

5 MS. MCMILLIAN: Uh huh.

6 MR. METCALFE: And you have evidence? You have a report of this by a testing
7 organization--reputable testing?

8 MS. MCMILLIAN: Oh, yeah, uh huh, yes.

9 MR. METCALFE: Have you filed that?

10 MS. MCMILLIAN: EPA has all that documentation.

11 MR. METCALFE: Okay. No further questions.

12 CHMN. MCCORQUODALE: Thank you, Ms. McMillian.

13 MS. MCMILLIAN: Thank you.

14 CHMN. MCCORQUODALE: Are there any other comments?

15 MR. ROGERS: Mr. Chairman and members of the Board, we have a number of items
16 we want to--that the staff would like to place into the docket--into evidence in this matter and
17 these incorporate various records of the State Oil and Gas Board, various public records. I will
18 briefly describe them. First is a decision of the Eleventh Circuit in the case of Legal
19 Environmental Assistance Foundation versus US EPA. Second is a copy of the Safe Drinking
20 Water Act. Third is a letter dated December 22, 1998, from me to Patricia McCubbin of the
21 Justice Department with an affidavit attached from Dr. Donald Oltz, State Oil and Gas

1 Supervisor and State Geologist. Fourth is a letter from--dated December 10, 1998, from
2 Andrew Bartlett of EPA to Dr. Donald Oltz. Fifth is a letter dated January 15, 1999, from Dr.
3 Oltz to Andrew Bartlett of EPA. Sixth, a letter dated January 29, 1999, from Dr. Oltz to
4 Andrew Bartlett of EPA. Seventh is the writ of mandamus issued by the Eleventh Circuit Court
5 of Appeals on February 18, 1999, and eighth lastly is a Report on Fracturing Technology and
6 Ground-water Protection in the Coalbed Methane Development Areas of Alabama prepared in
7 December 1990. I recommend those items be admitted into the record.

8 CHMN. MCCORQUODALE: They are admitted into the record.

9 (Whereupon, the documents and letters
10 were received into evidence)

11 CHMN. MCCORQUODALE: Are there any other comments at this time? Anybody
12 else that wishes to be heard on this? The Board will take a brief recess.

13 (Whereupon, the hearing was recessed for 20 minutes)

14 CHMN. MCCORQUODALE: Let the record reflect that the State Oil and Gas Board is
15 back in session. After having taken comments earlier I feel compelled to ask if there is anybody
16 present who is speaking for the Legal Environmental Assistance Foundation, commonly
17 referred to as LEAF. Anybody here? I assume by the silence that Mr. David A. Ludder is not
18 present.

19 MS. MCMILLIAN: No, Mr. Ludder is not here today.

20 CHMN. MCCORQUODALE: Okay. I'm sorry. Is that you, Ms. McMillian? That post
21 is between you and me.

1 MS. MCMILLIAN: Yes.

2 CHMN. MCCORQUODALE: He is not here today?

3 MS. MCMILLIAN: No, I'm sorry. Mr. Ludder could not attend today. I'll answer
4 whatever questions I possibly can.

5 CHMN. MCCORQUODALE: Well, can I just say for the record, Ms. McMillian, and
6 I'm not blaming you for his failure to appear. You understand?

7 MS. MCMILLIAN: Yes, sir.

8 CHMN. MCCORQUODALE: Can I say to you that I find it awfully curious, frankly
9 find it kind of offensive, that his organization has filed these petitions, made these allegations
10 against this Board and this staff, and now is the day based on the action that his organization
11 took and the order from the Eleventh Circuit that we are doing what we are doing today and
12 he---

13 MS. MCMILLIAN: I think you need to back up a step and look at the requirements for
14 notification.

15 CHMN. MCCORQUODALE: --and he doesn't think it's important enough to come
16 here today and comment on this proposed rule. I just find that very odd, Ms. McMillian. I'm
17 sorry.

18 MS. MCMILLIAN: Excuse me, but according to Mr. Ludder in my conversations with
19 him, this motion today is brought in an inappropriate manner and is really rather moot because it
20 didn't go out for public notice according to the Alabama law as it should have. So, if you would

1 review the requirement for publication and notification I think you would see that there is a
2 problem.

3 CHMN. MCCORQUODALE: I can assure you that has been reviewed and all that I am
4 expressing to you is that Mr. Ludder sees fit to travel all over the southeast and talk about this
5 Board and this staff and EPA and I'm a little surprised that he is not willing to come here and
6 look us in the eye. That's all I'm saying for the record, okay. That's all. Thank you.

7 MS. MCMILLIAN: Thank you.

8 CHMN. MCCORQUODALE: I do think Mr. Ludder had some written comments, Mr.
9 Rogers, that he had sent in.

10 MR. ROGERS: Yes, sir, by letter dated March 2, 1999, we received his comments with
11 attachments. We recommend that be admitted into the record.

12 CHMN. MCCORQUODALE: That is made a part of the record.

13 (Whereupon, the letter with attachments
14 was received into evidence)

15 CHMN. MCCORQUODALE: Is there anybody here from either the Alabama
16 Department of Environmental Management or the Environmental Protection Agency that
17 wishes to comment on the proposed rule?

18 MS. MARSH: Nancy Marsh from EPA, Region 4.

19 CHMN. MCCORQUODALE: Excuse me, Ms. Marsh. You were not quite at the
20 microphone. I want to make sure you got your name in the record.

1 MS. MARSH: I'm Nancy Marsh from EPA, Region 4. We had faxed some comments
2 yesterday. I have the original comments here.

3 (Whereupon, the comments were
4 received into evidence)

5 CHMN. MCCORQUODALE: Is there anybody from the Alabama Department of
6 Environmental Management that wishes to comment on the rule?

7 MR. DAMPIER: I think there are folks here from the Department. You all just don't
8 wish to comment, is that the case?

9 FROM THE AUDIENCE: That's correct.

10 MR. DAMPIER: Okay. Thank you.

11 CHMN. MCCORQUODALE: Mr. Supervisor.

12 DR. OLTZ: Mr. Chairman, the staff recommends that the proposed rule that is under
13 your consideration be amended such that Page 1, Paragraph 1, Lines 3 and 5, that make
14 reference to "in the area" be amended to read within a 1/4-mile radius; that Page 1, Paragraph 1,
15 Line 4, that makes reference to "adversely impact" be amended to read adversely affect; that
16 Page 1, Paragraph 1, Line 8 that makes reference to "adversely impacted" be amended to read
17 adversely affected; that Page 1, Paragraph 1, Line 5, be amended so as to insert "or that can
18 reasonably be expected to be utilized" following the phrase utilized as a drinking water source;
19 and that Page 3, Section 4(a) be amended so as to read in its entirety, "Hydraulic fracturing of
20 coalbeds in the depth interval 0 to 299 feet is prohibited." Mr. Chairman, these amendments

1 take into consideration and adopt the relevant comments made by Region 4 office of the US
2 EPA agency in Atlanta and the Legal Environmental Assistance Foundation, Inc.

3 MR. DAMPIER: Mr. Chairman, I move that we adopt this amendment to the proposed
4 rule as recommend by staff and the Supervisor.

5 MR. METCALFE: Second.

6 CHMN. MCCORQUODALE: All in favor say “aye”.

7 (All Board members voted “aye”)

8 CHMN. MCCORQUODALE: “Ayes” have it.

9 (Whereupon, the Board’s correspondence
10 was received into evidence)

11 DR. OLTZ: Mr. Chairman, all rules approved by the Board that are of statewide
12 application must be submitted to the Administrative Procedure Division of the Legislative
13 Reference Service for their review and final approval. The period of time between the Board’s
14 approval and the final approval of the rule by the Legislative Reference Service can be upwards
15 of 90 days or more. Mr. Chairman, in order to provide increased protection of Alabama’s
16 drinking water sources during the hydraulic fracturing of coalbed methane gas wells and to
17 respond to the decision of the United States Court of Appeals of the Eleventh Circuit regarding
18 hydraulic fracturing, the staff recommends that the Board authorize the Oil and Gas Supervisor
19 to immediately commence the implementation of the procedures outlined in the proposed rule as
20 amended until such time that final approval is received from the Legislative Reference Service
21 and the procedures become authorized by the Board’s rule. With your approval,

1 implementation could be administered through a memorandum issued by the Supervisor to all
2 operators of coalbed methane gas wells in the State of Alabama. Operators of coalbed methane
3 gas wells in Alabama were notified in a memorandum from the Supervisor dated December 15,
4 1998, that the staff might recommend to the Board that procedures be formally developed for
5 your consideration as a regulation.

6 CHMN. MCCORQUODALE: First, do I hear a motion that the rule be adopted?

7 MR. METCALFE: Move.

8 MR. DAMPIER: Second.

9 CHMN. MCCORQUODALE: All in favor say "aye".

10 (All Board members voted "aye")

11 CHMN. MCCORQUODALE: The proposed rule as amended is adopted. Mr.
12 Supervisor, based on the legal action one would think that this is action that ought to be
13 approved administratively on an emergency basis. Do I hear such a motion?

14 MR. DAMPIER: Yes, I move.

15 MR. METCALFE: Second.

16 CHMN. MCCORQUODALE: All in favor say "aye".

17 (All Board members voted "aye")

18 CHMN. MCCORQUODALE: "Ayes" have it. Mr. Rogers, next order of business.

19 MR. ROGERS: Mr. Chairman, there is no other business for the Oil and Gas Board.

20 CHMN. MCCORQUODALE: Do I hear a motion that we adjourn?

21 MR. METCALFE: Move.

1 MR. DAMPER: Second.

2 CHMN. MCCORQUODALE: All in favor say “aye”.

3 (All Board members voted “aye”)

4 CHMN. MCCORQUODALE: Thank all of you for coming.

5 (Whereupon, the hearing was adjourned at 11:00 a.m.)

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1 REPORTER'S CERTIFICATE

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STATE OF ALABAMA
COUNTY OF TUSCALOOSA

I, Rickey Estes, Hearing Reporter in and for the State of Alabama, do hereby certify that on Friday, March 5, 1999, in the Board Room of the State Oil and Gas Board Building, University of Alabama campus, Tuscaloosa, Alabama, I reported the proceedings before the State Oil and Gas Board in Regular Session; that the foregoing 36 typewritten pages contain a true and accurate verbatim transcription of said proceedings to the best of my ability, skill, knowledge, and belief.

I further certify that I am neither kin or counsel to the parties to said cause, nor in any manner interested in the results thereof.

Rickey Estes
Hearing Reporter
State of Alabama