

AUG 24 2001

STATE OIL AND GAS BOARD
WALTER BOONE, SUPERVISOR

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

**Re: Petition of Gibraltar Energy Company to
establish Special Field Rules for Chandler
Grove Field in Monroe County, Mississippi**

DOCKET No. 224-2001-864

ORDER No. 360-2001

ORDER

This cause came on to be heard on the Petition of Gibraltar Energy Company requesting the State Oil and Gas Board of Mississippi to enter an order adopting Special Field Rules for Chandler Grove Field to define the Carter Sand Gas Pool, to establish the geographical limits of said field and to establish spacing rules for the Carter Sand Gas Pool, and grant related relief. This Board, having considered the Petition and the evidence submitted in support thereof, and being fully advised in the premises, is of the opinion and finds that the relief requested by Gibraltar Energy Company should be and the same is hereby granted. This Board further finds and determines as follows, to-wit:

1.

Due, proper and legal notice of the meeting of this Board for the purpose of considering and hearing the Petition filed herein has been given in the manner and time provided by law and the rules and regulations of this Board. Due, legal and sufficient proofs of publication of such notice and proof of notice by personal service are on file with this Board. Gibraltar Energy Company has made a reasonably diligent effort to give

the personal notice required by the statutes of the State of Mississippi and the rules and regulations of this Board. This Board has full jurisdiction of the parties and the subject matter hereof.

2.

A public hearing was held by this Board in Suite E, 500 Greymont Avenue, Jackson, Mississippi, commencing on August 15, 2001, at 9:30 o'clock a.m., at which time and place all persons who desired to be heard on said matter were heard and all testimony and evidence presented were duly considered by this Board. Gibraltar Energy Company was represented at the hearing by its attorney James M. Nix. No other parties made an appearance at the hearing of this matter.

3.

Gibraltar Energy Company is a Delaware corporation, whose business address is 200 North Washington Street, El Dorado, Arkansas 71730. Its telephone number is (870) 862-5155. Gibraltar Energy Company is duly authorized and qualified to do business in the State of Mississippi. Gibraltar Energy Company is the operator of the Bagwell 29-12 No. 2 Well.

4.

On January 19, 2001, Gibraltar Energy Company was issued drilling permit no. 2001-OPD-219 by this Board authorizing it to drill the Bagwell 29-12 No. 2 Well as a wildcat well in search of oil in the Sanders Formation on an eighty-acre drilling unit consisting of the Westernmost quarter of the Southwest Quarter of Section 29 and the Easternmost quarter of the Southeast Quarter of Section 30, all in Township 15 South, Range 6 East, Monroe County, Mississippi.

5.

On January 23, 2001, Gibraltar Energy Company spudded the Bagwell 29-12 No. 2 Well at a regular location on said eighty-acre drilling unit, being 1450 feet from the South line and 150 feet from the West line of Section 29 of Township 15 South, Range 6 East, Monroe County, Mississippi. The Bagwell 29-12 No. 2 Well was completed as a commercial gas well on May 8, 2001, in the Carter Formation, with perforations between the depths of 5741 feet and 5750 feet on the electric log of said well. The Bagwell 29-12 No. 2 Well is the discovery well for Chandler Grove Field, a new gas field in Monroe County.

6.

It is necessary that Special Field Rules be promulgated by this Board for Chandler Grove Field to establish the limits of said field, to define the Carter Sand Gas Pool and to establish spacing rules for the Carter Sand Gas Pool in order that this field can be fully developed and the reserves efficiently drained therefrom without waste.

7.

The productive extensions of Chandler Grove Field encompass most, if not all, of the West Half of Section 29, the entirety of Section 30, the North Half of Section 31 and the Northwest Quarter of Section 32, all in Township 15 South, Range 6 East, Monroe County, Mississippi.

8.

The Carter Sand Gas Pool should be defined in the Special Field Rules for Chandler Grove Field as follows:

The Carter Sand Gas Pool in Chandler Grove Field shall be construed to mean those strata between the depths of 5741 feet and 5750 feet on the Dual Induction Log of the Bagwell 29-12 No. 2 Well located in the North-

west Quarter of the Southwest Quarter of Section 29 of Township 15 South, Range 6 East, Monroe County, Mississippi, and all sands correlative to and in communication with said strata.

In view of the characteristics and properties of the Carter Sand Gas Pool, the proper spacing for the Carter Sand Gas Pool should be based upon 320-acre spacing rules as set forth in Statewide Rule 8(3) of this Board.

9.

The establishment of Special Field Rules for Chandler Grove Field as set forth below in this Order will promote conservation, prevent waste, avoid the drilling of unnecessary wells, and safeguard, protect and enforce the coequal and correlative rights of all owners in Chandler Grove Field.

IT IS THEREFORE ORDERED AND ADJUDGED by the State Oil and Gas Board of Mississippi that the relief requested by Gibraltar Energy Company in this docket should be, and the same is hereby, granted and it is ordered that Special Field Rules should be, and the same hereby are, adopted for Chandler Grove Field as follows, to-wit:

**SPECIAL FIELD RULES
CHANDLER GROVE FIELD
MONROE COUNTY, MISSISSIPPI**

A. FIELD AREA:

The Chandler Grove Field, as used herein, is that geographical area consisting of the West Half of Section 29, the entirety of Section 30, the North Half of Section 31 and the Northwest Quarter of Section 32, all in Township 15 South, Range 6 East, Monroe County, Mississippi.

B. POOL DEFINITIONS:

The **Carter Sand Gas Pool** in Chandler Grove Field shall be construed to mean those strata between the depths of 5741 feet and 5750 feet on the Dual Induction Log of the Bagwell 29-12 No. 2 Well located in the Northwest Quarter of the Southwest Quarter of Section 29 of Township 15 South, Range 6 East, Monroe County, Mississippi, and all sands correlative to and in communication with said strata.

C. RULES:

RULE 1 -- Spacing of Gas Wells

(1) The following spacing rules shall apply to each well drilled into and productive from the Carter Sand Gas Pool, as defined above:

- (a) Each such well shall be located on a unit consisting of (i) three hundred twenty (320) contiguous surface acres, or (ii) a governmental half-section containing not less than three hundred (300) acres nor more than three hundred forty (340) acres, or (iii) eight (8) contiguous governmental quarter-quarter sections whose total acreage is not less than three hundred (300) acres nor more than three hundred forty (340) acres. The word "contiguous" as used herein shall mean bordering each other at more than one point.
- (b) Any unit not a governmental half-section must be completely encompassed by the perimeter of a rectangle 3735 feet by 5380 feet; provided, however, no unit shall be permitted which will create island acreage.

- (c) The well shall be located at least 1980 feet from every other well completed in and producing from the same pool located in conformity with this rule.
- (d) The location of the well shall be at least 990 feet from every exterior boundary of the unit.
- (e) No portion of the unit shall be attributed, in whole or in part, to the production unit for any other well producing from the same pool.

RULE 2 -- Amendment of Special Field Rules

The Board expressly reserves the right, after notice and hearing, to alter, amend or repeal any and all of the above rules and regulations, or to grant exceptions to all or any part thereof.

RULE 3 -- Applicability of Statewide Rules

All rules and regulations contained in Statewide Order No. 201-51, and all amendments thereto, are hereby adopted and shall apply to Chandler Grove Field to the extent not inconsistent with the above rules.

IT IS FURTHER ORDERED that this Order shall be effective from and after August 15, 2001.

SO ORDERED AND ADJUDGED on this the 22nd day of August, 2001.

STATE OIL AND GAS BOARD OF MISSISSIPPI
By: Joseph S. Zuccaro
Joseph S. Zuccaro, Chairman

Prepared and submitted by:
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