

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: PETITION OF KEY PRODUCTION COMPANY, INC. TO DEFINE THE HOSSTON OIL POOL AND FOR AUTHORITY TO PRODUCE ITS BLACK STONE NO. 1 WELL AND ITS SPEED NO. 2 WELL THEREFROM ON A 640 ACRE OIL UNIT AS AN EXCEPTION TO STATEWIDE RULES AND REGULATIONS IN DONT DOME FIELD, COVINGTON COUNTY, MISSISSIPPI.

FILED FOR RECORD

MAR 15 2006

**STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR**

DOCKET NO. 23-2006-905

ORDER NO. 35-2006

ORDER

THIS MATTER came on for hearing before the State Oil and Gas Board on the Petition of Key Production Company, Inc. for authority to define the Hosston Oil Pool of Dont Dome Field and to complete and produce its Black Stone No. 1 Well and its Speed No. 2 Well from the Hosston Oil Pool on the above described 640 acre unit as an exception to Statewide Rules, such hearing being called for such purpose; and

WHEREAS, the Board finds that due, proper and legal notice of the meeting of the Board for the purpose of considering and taking action with respect to such matter was given in the manner and way provided by law and the rules and regulations of the Board; that due, legal and sufficient proofs of publication and service are on file with the Board; and that the Board has full jurisdiction of the subject matter to hear and determine same; and

WHEREAS, a public hearing was held by the Board in the hearing room, Suite E, 500 Greymont Avenue, Jackson, Mississippi, commencing on Wednesday, February 15, 2006, and the Board heard testimony and evidence regarding the request by Petitioner; and

WHEREAS, the Board has fully considered said matter and the evidence and recommendations made in said hearing and finds as follows:

1. Pursuant to Order No. 189-2005, Docket No. 114-2005, effective May 18, 2005 Petitioner drilled its Black Stone No. 1 Well and pursuant to Order No. 313-2004, Docket No. 226-2004, effective July 21, 2004, Petitioner drilled its Speed No. 2 Well on the following described 640-acre gas unit:

Beginning at the Northwest corner of the Southwest Quarter of Section 1, Township 8 North, Range 15 West, Covington County, Mississippi, go East 4,464 feet, thence South 6,245 feet, thence West 4,464 feet to the West line of Section 12, thence North 6,245 feet to the point of beginning, all in Sections 1 and 12, Township 8 North, Range 15 West, Dont Dome Field, Covington County, Mississippi, containing 640 acres, more or less.

Both wells were drilled as permitted, with Petitioner receiving authority to complete its Black Stone No. 1 Well as an increased density well on said unit.

2. Pursuant to Final Order No. 582-2005, Docket No. 329-2005, effective November 16, 2005, Petitioner received authority to continue to test its Speed No. 2 Well from a potentially productive Hosston oil sand. Further, initial tests indicate that the Black Stone No. 1 Well is also potentially productive from this same Hosston oil sand.

3. Petitioner has proposed to define the Hosston Oil Pool of Dont Dome Field as follows:

The Hosston Oil Pool shall be defined to mean those intervals of the Hosston Formation between 15,756 feet and 15,794 feet as encountered in the dual induction log of the Speed No. 2 Well located feet from the 1750 feet from the West line and 1750 feet from the North line of Section 12, Township 8 North, Range 15 West, Covington County, Mississippi, and all productive intervals correlative to and in communication therewith.

4. Petitioner has requested authority from this Board to complete both the Speed No. 2 Well and the Black Stone No. 1 Well from the Hosston Oil Pool as an exception to Statewide Rules and Regulations with regards to spacing of oil units. Petitioner has shown that a 640 unit is appropriate for the proposed Hosston Oil Pool in this area because the 640-acre unit appears to include the productive limits of the Hosston Oil Pool and the sand can be efficiently and effectively drained of reasonably recoverable oil and gas by allowing both wells to continue to produce therefrom on the same 640 acre unit. The unit also protects the co-equal and correlative rights of all parties because this is the unit on which both of the wells were initially drilled and maintaining this unit for production from both of these wells allows all owners paying for the drilling and completion operations to recover their share of production and allows all royalty owners potentially underlain by productive intervals of this oil pool to share in the benefits of this production.

5. Petitioner has also requested that it be granted the right to drill an additional well or wells on the above described 640 acre unit and for authority to complete any additional well or wells in the Hosston Oil Pool as above defined.

IT IS, THEREFORE, ORDERED AND ADJUDGED that the Hosston Oil Pool of Dont Dome Field is hereby defined as set forth above and that Key Production Company, Inc. is hereby authorized to complete and produce its Black Stone No. 1 Well and its Speed No. 2 Well from the Hosston Oil Pool on the above described 640 acre unit as an exception to Statewide Rules.

IT IS FURTHER ORDERED that Petitioner is authorized to drill, complete and produce additional wells on the 640 acre unit for production from the Hosston Oil Pool as above defined.

IT IS FURTHER ORDERED that Petitioner shall acquire all other permits, if any, required by any other permitting authority.

ORDERED AND ADJUDGED this 15th day of ~~February~~^{March} 2006, effective February 15, 2006.

MISSISSIPPI STATE OIL AND GAS BOARD

By: 

CHAIRMAN

SUBMITTED BY:

A. Jerry Sheldon, Esq.
Adams and Reese, LLP
Post Office Drawer 24297
Jackson, Mississippi 39225-4297
Telephone: (601) 353-3234