

IN THE STATE OIL AND GAS BOARD OF MISSISSIPPI

FILED FOR RECORD

RE: PETITION TO AMEND THE SPECIAL FIELD RULES AND ESTABLISH THE YELVERTON NO. 1 WELL AS A DISCOVERY WELL IN EAST MAGEE FIELD, SMITH COUNTY, MISSISSIPPI

MAR 4 - 1997

WALTER BOONE, SUPERVISOR (Acting)

DOCKET NO. 50-97-543

ORDER NO. 75-97

ORDER

THIS MATTER came on for hearing before the State Oil and Gas Board on the Petition of Palmer Petroleum, Inc. to amend the Special Field Rules for East Magee Field and to establish the Yelverton No. 1 Well as a discovery well, such hearing being called for such purpose;

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, pursuant to said notice and service of process, public hearing was held by said Board in the hearing room, Suite E, 500 Greymont Avenue, Jackson, Mississippi, commencing on February 19, 1997, at which hearing this matter was heard and all persons present who desired to be heard on said matter were heard and all testimony and evidence were duly considered by those present at said meeting; 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. 82-96, Docket No. 62-96-543, dated April 18, 1996, Petitioner drilled its Yelverton No. 1 Well to a total depth of 14,950 feet on an 80-acre unit in East Magee Field. As a result of this operation, a new oil pool in the Sligo Formation, not connected to or in correlation with any other pool previously produced in East Magee Field, has been discovered.

2. The Yelverton No. 1 Well should be and is classified as a discovery well, pursuant to Miss. Code Ann. § 53-1-17(1) (Supp. 1995) and the state severance tax exemption statutes and regulations.

3. Petitioner has proposed that this new oil pool be defined as follows:

The Sligo Oil Pool, as used herein, shall be construed as those strata of the Sligo Formation capable of producing oil and casinghead gas from a depth of 13,090 feet to 13,300 feet as shown in the electric log of the Palmer Petroleum, Inc. - Yelverton No. 1 Well, located 197 feet from the North line and 2,153 feet from the

E. The characteristics of the above mentioned oil pools are such that one well drilled on a regularly formed drilling unit conforming to the requirements of the rules herein contained will efficiently drain and produce the recoverable oil from such unit in said pool without avoidable waste.

RULE 1 - SPACING OF WELLS:

Every well drilled to or produced from the Mooringsport Gas Pool as a gas well:

(a) Shall be located on a drilled unit consisting of (2) 320 contiguous surface acres; or (2) a governmental half section containing not less than 300 acres or more than 340 acres; or (3) eight (8) contiguous governmental quarter-quarter sections whose total acreage is not less than 300 acres or more than 340 acres. In any case, no other drilling or producing well from the same pool shall be located on any such unit.

(b) Any gas drilling unit formed under Section (a) above 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 drilling gas well or gas well completed in or producing from the same pool located in conformity with this rule; and

(d) The well shall be located not less than 990 feet from every exterior boundary of the drilling unit.

RULE 2 - SPACING OF OIL WELLS:

Every well drilled to or produced from the Sligo Oil Pool and/or the Hosston Sand Oil Pool as an oil well:

(a) Shall be located on a drilling unit consisting of eighty (80) surface contiguous acres, or two governmental quarter-quarter sections containing not less than seventy-two (72) acres or more than eighty-eight (88) acres, upon which no other drilling or producible well is located;

(b) Any drilling unit not composed of two governmental quarter-quarter sections must be completely encompassed by the perimeter of a rectangle 1600 feet by 2725 feet. Provided, however, no unit shall be permitted which will create island acreage;

(c) The well shall be located at least 1,000 feet from every other drilling or producible well located in conformity with this rule; and

(d) The well shall be located at least 500 feet from every exterior boundary of the drilling unit.

West line of Section 5, Township 10 North, Range 16 West, Smith County, Mississippi and including those strata productive of oil which can be correlated therewith.

Petitioner has further proposed that this new pool be developed on 80-acre spacing, consistent with previous development of the Hosston Sand Oil Pool in this field.

IT IS, THEREFORE, ORDERED AND ADJUDGED that the Yelverton No. 1 Well be classified as a discovery well as herein requested and that the Special Field Rules for East Magee Field, Smith County, Mississippi shall be and are hereby amended to read as follows:

**SPECIAL FIELD RULES FOR
EAST MAGEE FIELD IN SMITH COUNTY, MISSISSIPPI**

The East Magee Field, as used herein, is that area consisting of the following described land, to-wit:

Sections 4 and 5, Township 10 North, Range 16 West,
Smith County, Mississippi,

underlain by the following described pools, and including all productive extensions thereof.

A. The Mooringsport Gas Pool, as used herein, shall be construed to mean those strata of the Mooringsport Formation capable of producing gas from the depth of 12,332 feet to 12,370 feet in the Midroc-Watkins-No. 3 Yelverton Well, as shown by the electrical log thereof, located 1810 feet from the North line and 2183 feet from the East line of Section 5, Township 10 North, Range 16 West, Smith County, Mississippi, and including those strata capable of producing gas which can be correlated therewith.

B. The Sligo Oil Pool, as used herein, shall be construed as those strata of the Sligo Formation capable of producing oil and casinghead gas from a depth of 13,090 feet to 13,300 feet as shown in the electric log of the Palmer Petroleum, Inc. - Yelverton No. 1 Well, located 197 feet from the North line and 2,153 feet from the West line of Section 5, Township 10 North, Range 16 West, Smith County, Mississippi, and including those strata productive of oil which can be correlated therewith.

C. The Hosston Sand Oil Pool, as used herein, shall be construed to mean those strata of the Hosston Formation productive of oil from the depth of 14,210 feet to 14,221 feet in the Midroc-Watkins-No. 3 Yelverton Well, as shown by the electrical log thereof, located 1810 feet from the North line and 2183 feet from the East line of Section 5, Township 10 North, Range 16 West, Smith County, Mississippi, and including those strata productive of oil which can be correlated therewith.

D. The characteristics of the above mentioned gas pool are such that one well drilled on a regularly formed drilling unit conforming to the requirements of the rules herein contained will efficiently drain and produce the recoverable gas from such drilling unit in said pool without avoidable waste.

RULE 3 - APPLICABILITY OF STATEWIDE RULES:

A. All rules and regulations contained in Statewide Order No. 201-51, and any amendments thereto, not specifically covered in the foregoing Special Field Rules are hereby adopted and shall apply to said field.

B. The Board expressly reserves the right, after notice and hearing, to alter, amend or repeal any and all of the foregoing rules and regulations.

ORDERED AND ADJUDGED this the 27th day of February, 1997, effective February 19, 1997.

MISSISSIPPI STATE OIL AND GAS BOARD

By: Joseph D. Zuccaro
CHAIRMAN

SUBMITTED BY:

Jefferson D. Stewart, Esq.
Adams and Reese, LLP
Mtel Centre, Suite 900
200 South Lamar Street
Post Office Drawer 24297
Jackson, Mississippi 39225-4297
Telephone: (601) 353-3234