

IN THE STATE OIL AND GAS BOARD OF MISSISSIPPI

FILED FOR RECORD

RE: PETITION OF COHO RESOURCES, INC.
TO AMEND THE SPECIAL FIELD RULES
FOR THE SOUTHWEST MARTINVILLE
FIELD, SIMPSON COUNTY, MISSISSIPPI

JUN 30 1997

STATE OIL AND GAS BOARD
Water Boone, Supervisor

DOCKET NO. 168-97-441

ORDER NO. 237-97

ORDER

This matter came on for hearing before the State Oil and Gas Board of Mississippi on the 18th day of June, 1997, on the Petition of Coho Resources, Inc. to amend the Special Field Rules for the Southwest Martinville Field, Simpson County, Mississippi, to define the Lower Paluxy Oil Pool as a separate and distinct underground reservoir or pool of hydrocarbons within the Southwest Martinville Field; to prescribe rules governing the spacing of wells and the formation and establishment of drilling and production units within said pool; and for related relief, said hearing being called for such purpose; and

WHEREAS, the Board finding that due, proper and legal notice of the meeting of the Mississippi State Oil and Gas 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 this Board; that due, legal and sufficient Proofs of Publication are on file with the Board in said matter; and that the Board has full jurisdiction of the subject-matter to hear and determine same; and

WHEREAS, pursuant to said notice a public hearing was held by the said Board in the Hearing Room of the Mississippi State Oil and Gas Board located at 500 Greymont Avenue, Suite E, Jackson, Mississippi, commencing at 9:30 o'clock, A. M. on June 18, 1997, at which hearing all persons present who desired to be heard in said

matter were heard and all testimony and documentary evidence duly considered by those present at said meeting; and

WHEREAS, the Board having considered the Petition and the evidence, and being fully advised in the premises, is of the opinion and finds that the relief requested by the Petitioner should be and the same is hereby granted. The Board further finds and determines as follows:

1.

The Board finds that the Mississippi State Oil and Gas Board on July 19, 1978 (Order No. 274-78, Docket No. 198-78-441), approved the establishment of Special Field Rules for the Southwest Martinville Field, Simpson County, Mississippi. These Special Field Rules establish the geographic limits of the Southwest Martinville Field and define various pools within the field and prescribe spacing requirements applicable to wells drilled and completed in said pools. These Special Field Rules were last amended by the Mississippi State Oil and Gas Board on August 21, 1996 (Order No. 310-96, Docket No. 204-96-441). The Board finds that the Lower Paluxy Oil Pool is not presently defined by these Special Field Rules.

2.

The Board finds that the Petitioner is the present owner/operator of the Coho Resources, Inc. - Amax Unit 28-1 No. 1 Well, Southwest Martinville Field, Simpson County, Mississippi. The said well is located on an irregular 80-acre oil drilling and production unit comprised of the following described lands:

N 1/2 of NE 1/4 of Section 28, Township 2 North, Range 5 East, Simpson County, Mississippi.

3.

The Board finds that the location of the Amax Unit 28-1 No. 1 Well on the hereinabove described irregular 80-acre oil unit is as follows:

660.0 feet from the North line and 500.0 feet from the East line of Section 28, Township 2 North, Range 5 East, Simpson County, Mississippi.

and

660.0 feet from the North exterior drilling unit boundary and 500.0 feet from the East exterior drilling unit boundary of said 80-acre oil unit.

4.

The Board finds that the Amax Unit 28-1 No. 1 Well was originally drilled by the Hughes Eastern Corporation pursuant to Drilling Permit No. 138 issued by the Mississippi State Oil and Gas Board on December 8, 1986. The said well was spudded on January 11, 1987, and was eventually completed in the Rodessa Formation through a producing interval at a depth between 12,065 feet and 12,086 feet below the surface.

5.

The Board finds that Coho Resources, Inc. became the duly designated operator of the Amax Unit 28-1 No. 1 Well by a Change of Operator (CO Permit No. 706) approved by the Mississippi State Oil and Gas Board on June 23, 1993.

6.

The Board finds that on August 18, 1993, the Mississippi State Oil and Gas Board (Order No. 296-93, Docket No. 200-93-441), authorized the Petitioner to recomplete and produce the Amax Unit 28-1 No. 1 Well from an undefined interval of the Mooringsport Formation at a depth of less than 12,000 feet below the surface on the hereinabove described irregular 80-acre oil unit.

7.

The Board finds that the Petitioner has encountered in the Amax Unit 28-1 No. 1 Well a separate and distinct interval or sand of the Lower Paluxy Formation which is not presently defined by the Special Field Rules for the Southwest Martinville Field. The Board finds that it would, therefore, be in the best interests of all parties, and would further facilitate the more efficient and economic development and exploitation of the Southwest Martinville

Field, if the Special Field Rules were amended to separately define this presently undefined sand and to prescribe spacing rules applicable thereto.

8.

The Board finds that the Lower Paluxy Oil Pool, as encountered in the Amax Unit 28-1 No. 1 Well, is a separate and distinct underground reservoir or pool or accumulation of hydrocarbons within the Southwest Martinville Field and that said pool is not in communication with any other reservoirs, pools or accumulations of hydrocarbons within the field. The Board finds that the said pool is not presently defined by the Special Field Rules. The Board finds that the Special Field Rules should, therefore, be amended to separately define the Lower Paluxy Oil Pool within the Southwest Martinville Field as follows:

The Lower Paluxy Oil Pool in the Southwest Martinville Field shall be construed to mean those strata of the Lower Paluxy Formation productive of oil in the interval between 11,280 feet and 11,460 feet in the AMAX Unit 28-1 No. 1 Well located 660.0 feet from the North line and 500.0 feet from the East line of Section 28, Township 2 North, Range 5 East, Simpson County, Mississippi, as indicated in the dual induction laterolog of said well and all intervals correlative of said strata productive of hydrocarbons.

9.

The Board further finds that the presently known characteristics of the Lower Paluxy Oil Pool within the Southwest Martinville Field, as it is proposed to be defined, indicate that the efficient and adequate draining and production of oil and other hydrocarbons from said pool will be facilitated if wells drilled and completed in said pool are located on drilling units consisting of eighty (80) contiguous surface acres, or two (2) contiguous 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. The Board further finds that the efficient and adequate draining and production of oil and other hydrocarbons from said pool will be facilitated if wells located on drilling units not composed of two (2) governmental quarter-quarter sections are completely encompassed by the perimeter of a rectangle 1600 feet by 2725 feet. In addition, the Board finds that wells drilled and completed in said pool should be located at least 1,000 feet from every drilling well or well completed in or producing from the same pool and should be located not less than 500 feet from every exterior drilling unit boundary.

10.

The Board further finds that Part A. ["FIELD AREA"] of the Special Field Rules for the Southwest Martinville Field presently defines the geographic limits of the field by specific reference to the 12,298 Foot Sligo Oil Pool. The 12,298 Foot Sligo Oil Pool is the only oil pool presently defined by the Special Field Rules. The Board finds that the Special Field Rules, particularly Part A. ["FIELD AREA"], should likewise be amended to additionally incorporate therein reference to the Lower Paluxy Oil Pool which is also proposed to be defined as a separate and distinct pool within the field. Specifically, the Board finds that Part A. ["FIELD AREA"] of the Special Field Rules be amended for this purpose to provide as follows:

A. FIELD AREA.

The Southwest Martinville Field, as used herein, is that geographic area consisting of all that part of Section 28, Township 2 North, Range 5 East, Simpson County, Mississippi, underlain by the 12,298 Foot Sligo Oil Pool and the Lower Paluxy Oil Pool, as hereinafter defined, and all productive extensions thereof.

11.

The Board finds that the adoption of the proposed pool definition for the Lower Paluxy Oil Pool, as hereinabove set forth, and the proposed spacing rules applicable to said pool, will facilitate the efficient and adequate draining and production of oil and other hydrocarbons from said pool and will insure that the maximum recoverable oil in such area is produced without waste.

12.

The Board further finds that the amendment of the Special Field Rules for the Southwest Martinville Field to define the Lower Paluxy Oil Pool and to prescribe rules governing the spacing of wells drilled and completed in said pool, all as hereinabove set forth, will promote conservation, will prevent waste, will avoid the drilling of unnecessary wells, and will fully protect the co-equal and correlative rights of all parties in interest. In addition, the Board finds that adoption of the proposed amendments to the Special Field Rules will facilitate the more efficient and economic development and exploitation of the Lower Paluxy Oil Pool within the Southwest Martinville Field and will result in the ultimate recovery of more oil and other hydrocarbon reserves from said field.

13.

A copy of the Special Field Rules, as amended as hereinabove set forth, is attached hereto as Exhibit "A" and is made a part hereof by reference for all purposes.

IT IS, THEREFORE, ORDERED AND ADJUDGED by the State Oil and Gas Board of Mississippi that the Special Field Rules for the Southwest Martinville Field, Simpson County, Mississippi, should be and the same are hereby amended to define the Lower Paluxy Oil Pool as a separate and distinct pool within the field and to prescribe rules governing the spacing of wells and the formation and establishment of drilling and production units within said pool, all as more fully set forth on the attached Exhibit "A."

IT IS FURTHER ORDERED AND ADJUDGED that Coho Resources, Inc. shall acquire all other permits, if any, required by any other permitting authority.

IT IS FURTHER ORDERED AND ADJUDGED that this Order shall be in force and effect from and after June 18, 1997.

ORDERED AND ADJUDGED this the 26th day of June, 1997.

MISSISSIPPI STATE OIL AND GAS BOARD

By: Joseph D. Zuccaro
CHAIRMAN

ORDER PREPARED BY:

Howard O. Leach
MB - No. 1119
Armstrong, Patten, Thomas & Leach
Attorneys-at-Law
246 West Gallatin Street
P. O. Box 190
Hazlehurst, Mississippi 39083
Telephone: (601) 894-4061
Telecopier: (601) 894-4792

EXHIBIT "A"

SPECIAL FIELD RULES
SOUTHWEST MARTINVILLE FIELD
SIMPSON COUNTY, MISSISSIPPI

A. FIELD AREA.

The Southwest Martinville Field, as used herein, is that geographic area consisting of all that part of Section 28, Township 2 North, Range 5 East, Simpson County, Mississippi, underlain by the 12,298 Foot Sligo Oil Pool and the Lower Paluxy Oil Pool, as hereinafter defined, and all productive extensions thereof.

B. POOL DEFINITIONS.

1. The 12,298 Foot Sligo Oil Pool in the Southwest Martinville Field shall be construed to mean those strata of the Sligo Formation productive of oil in the interval between 12,298 feet and 12,328 feet in the AMAX Unit 28-9 No. 1 Well located 1820 feet North of the South line and 1027 feet West of the East line of Section 28, Township 2 North, Range 5 East, Simpson County, Mississippi, as indicated on the dual induction laterolog of said well and all intervals correlative of said strata productive of hydrocarbons.

2. The Lower Paluxy Oil Pool in the Southwest Martinville Field shall be construed to mean those strata of the Lower Paluxy Formation productive of oil in the interval between 11,280 feet and 11,460 feet in the AMAX Unit 28-1 No. 1 Well located 660 feet from the North line and 500 feet from the East line of Section 28, Township 2 North, Range 5 East, Simpson County, Mississippi, as indicated on the dual induction laterolog of said well and all intervals correlative of said strata productive of hydrocarbons.

RULE 1. SPACING OF OIL WELLS.

A. As to each well drilled to and productive from the 12,298 Foot Sligo Oil Pool or the Lower Paluxy Oil Pool:

1. The well shall be located on a drilling unit consisting of eighty (80) contiguous surface acres, or two (2) contiguous 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. The word "contiguous" as used herein shall mean bordering each other at more than one point.
2. Any drilling unit not composed of two (2) 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 creates island acreage.
3. The well shall be located at least 1,000 feet from every other drilling well or well completed in or producing from the same pool located in conformity with this rule.
4. The well shall be located at least 500 feet from every exterior boundary of the drilling unit.

RULE 2. APPLICABILITY OF STATEWIDE RULES.

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

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

- END OF SPECIAL FIELD RULES -