

RE: PETITION OF GULF SOUTH RESOURCES, INC., TO AMEND THE SPECIAL FIELD RULES FOR EAST MIZE FIELD, SMITH COUNTY, MISSISSIPPI, AND FOR RELATED RELIEF

JUL 28 1999

STATE OIL AND GAS BOARD  
WALTER BOONE, SUPERVISOR

DOCKET NO. 144-99-792

ORDER NO. 241-99

ORDER

THIS CAUSE came on to be heard at the regular July, 1999, meeting of the Board, held on July 21, 1998, on the Petition of GULF SOUTH RESOURCES, INC., Petitioner, requesting the Board to amend the Special Field Rules for East Mize Field to define four new oil pools, adopt "80-acre" spacing for production from those pools, and grant related relief. Having considered the Petition, the evidence in support thereof, and being advised in the premises, the Board finds that the Petition in this docket should be granted. The Board also finds as follows:

1.

The Board has jurisdiction over the parties and the subject matter of the Petition. Due and legal notice of hearing on the Petition has been given in the time and manner required by law and the rules and regulations of this Board.

2.

Petitioner is the operator of the Valentine 15-2 Well No. 2 (the "Well"), which is located on an 80-acre oil unit comprised of the Southwest Quarter of the Southeast Quarter (SW 1/4 of SE 1/4) of Section 10, and the Northwest Quarter of the Northeast Quarter (NW 1/4 of NE 1/4) of Section 15, all being situated in Township 10 North, Range 15 West, Smith County, Mississippi, at a surface location 400 feet South of the North line and 2,138 feet West of the East line of said Section 15.

3.

The Well has encountered oil pools to be defined as the "9,450-Foot Washita-Fredericksburg Sand Oil Pool," the "10,400-Foot Washita-Fredericksburg Sand Oil Pool," the "10,550-Foot Washita-Fredericksburg Sand Oil Pool," and the "10,600-Foot Washita-Fredericksburg Sand Oil Pool." The productive intervals in the

Well for those pools, as shown on by the Array Induction Electric Log, are at the measured depths of 9,450 feet to 9,520 feet, 10,400 feet to 10,458 feet, 10,520 feet to 10,550 feet, and 10,566 feet to 10,602 feet, respectively.

4.

The 9,450-Foot Washita-Fredericksburg Sand Oil Pool, the 10,400-Foot Washita-Fredericksburg Sand Oil Pool, the 10,550-Foot Washita-Fredericksburg Sand Oil Pool, and the 10,600-Foot Washita-Fredericksburg Sand Oil Pool should be defined as follows:

1.1 The 9,450-Foot Washita-Fredericksburg Sand Oil Pool, as used herein, shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of oil from the depth of 9,450 feet to 9,520 feet in the Gulf South Resources, Inc.-Valentine 15-2 Well No. 2, as shown by the Array Induction Electric Log thereof, located 400 feet South of the North line and 2,138 feet West of the East line of Section 15, Township 10 North, Range 15 West, Smith County, Mississippi, and including those strata productive of oil which can be correlated therewith.

1.2 The 10,400-Foot Washita-Fredericksburg Sand Oil Pool, as used herein, shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of oil from the depth of 10,400 feet to 10,458 feet in the Gulf South Resources, Inc.-Valentine 15-2 Well No. 2, as shown by the Array Induction Electric Log thereof, located 400 feet South of the North line and 2,138 feet West of the East line of Section 15, Township 10 North, Range 15 West, Smith County, Mississippi, and including those strata productive of oil which can be correlated therewith.

1.3 The 10,550-Foot Washita-Fredericksburg Sand Oil Pool, as used herein, shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of oil from the depth of 10,520 feet to 10,550 feet in the Gulf South Resources, Inc.-Valentine 15-2 Well No. 2, as shown by the Array Induction Electric Log thereof, located 400 feet South of the North line and 2,138 feet West of the East line of Section 15, Township 10 North, Range 15 West, Smith County, Mississippi, and including those strata productive of oil which can be correlated therewith.

1.4 The 10,600-Foot Washita-Fredericksburg Sand Oil Pool, as used herein, shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of oil from the depth of 10,566 feet to 10,602 feet in the Gulf South Resources, Inc.-Valentine 15-2 Well No. 2, as shown by the Array Induction Electric Log thereof, located 400 feet South of the North line and 2,138 feet West of the East line of Section 15, Township 10 North, Range 15 West, Smith County, Mississippi, and including those strata productive of oil which can be correlated therewith.

A copy of the Special Field Rules as amended is attached hereto as Exhibit 1.

5.

The presently known characteristics of the 9,450-Foot Washita-Fredericksburg Sand Oil Pool, 10,400-Foot Washita-Fredericksburg Sand Oil Pool, 10,550-Foot Washita-Fredericksburg Sand Oil Pool and 10,600-Foot Washita-Fredericksburg Sand Oil Pool indicate that each of those reservoirs or pools is an oil pool and that one well located on a drilling unit consisting of 80 contiguous surface acres or two (2) contiguous governmental quarter-quarter sections will efficiently and adequately drain and produce the hydrocarbons from each pool, so as to produce the reasonable maximum recoverable oil in such area without waste. The spacing for production from the said pools should be "80-acre spacing" as more particularly provided for in Rule C.1 of the Special Field Rules as amended, as shown on Exhibit 1 hereto.

6.

The proposed amendment will allow for the continued orderly development of each separate and distinct pool and of the field, will prevent waste, will protect the coequal and correlative rights of the owners in each pool and in the field, and will allow the owners in each pool the opportunity to recover their fair and equitable share of production from that pool.

IT IS, THEREFORE, ORDERED AND ADJUDGED that the Special Field Rules are amended as requested.

SO ORDERED AND ADJUDGED, this the 21<sup>st</sup> day of July, 1999.

STATE OIL AND GAS BOARD OF MISSISSIPPI

By: 

CHAIRMAN

PREPARED BY:  
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ATTORNEY FOR PETITIONER  
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EXHIBIT 1

SPECIAL FIELD RULES  
FOR THE EAST MIZE FIELD  
SMITH COUNTY, MISSISSIPPI

A. FIELD AREA:

The East Mize Field, as used herein, is that area consisting of the following described lands, to wit:

TOWNSHIP 10 NORTH, RANGE 15 WEST:

Section 10: Entire Section, less and except the Southwest Quarter of the Southwest Quarter (SW 1/4 of SW 1/4); and

Section 15: Entire Section, less and except the Northwest Quarter of the Northwest Quarter (NW 1/4 of NW 1/4).

underlain by the following described pool(s), and including all productive extensions thereof.

B. POOL DEFINITIONS:

1.1 The 9,450-Foot Washita-Fredericksburg Sand Oil Pool, as used herein, shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of oil from the depth of 9,450 feet to 9,520 feet in the Gulf South Resources, Inc.–Valentine 15-2 Well No. 2, as shown by the Array Induction Electric Log thereof, located 400 feet South of the North line and 2,138 feet West of the East line of Section 15, Township 10 North, Range 15 West, Smith County, Mississippi, and including those strata productive of oil which can be correlated therewith.

1.2 The 10,400-Foot Washita-Fredericksburg Sand Oil Pool, as used herein, shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of oil from the depth of 10,400 feet to 10,458 feet in the Gulf South Resources, Inc.–Valentine 15-2 Well No. 2, as shown by the Array Induction Electric Log thereof, located 400 feet South of the North line and 2,138 feet West of the East line of Section 15, Township 10 North, Range 15 West, Smith County, Mississippi, and including those strata productive of oil which can be correlated therewith.

1.3 The 10,550-Foot Washita-Fredericksburg Sand Oil Pool, as used herein, shall be construed to mean those strata of the Washita-Fredericksburg Formation productive

of oil from the depth of 10,520 feet to 10,550 feet in the Gulf South Resources, Inc.—Valentine 15-2 Well No. 2, as shown by the Array Induction Electric Log thereof, located 400 feet South of the North line and 2,138 feet West of the East line of Section 15, Township 10 North, Range 15 West, Smith County, Mississippi, and including those strata productive of oil which can be correlated therewith.

1.4 The 10,600-Foot Washita-Fredericksburg Sand Oil Pool, as used herein, shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of oil from the depth of 10,566 feet to 10,602 feet in the Gulf South Resources, Inc.—Valentine 15-2 Well No. 2, as shown by the Array Induction Electric Log thereof, located 400 feet South of the North line and 2,138 feet West of the East line of Section 15, Township 10 North, Range 15 West, Smith County, Mississippi, and including those strata productive of oil which can be correlated therewith.

1.5 The 11,900-Foot Paluxy Sand Oil Pool, as used herein, shall be construed to mean those strata of the Paluxy Formation productive of oil from the depth of 11,878 feet to 11,905 feet in the Gulf South Resources, Inc.—Robert Eubanks Well No. 1, as shown by the Dual Induction Log thereof, located 461 feet North of the South line and 2,123 feet East of the West line of Section 10, Township 10 North, Range 15 West, Smith County, Mississippi, and including those strata productive of oil which can be correlated therewith.

1.6 The 11,950-Foot Paluxy Sand Oil Pool, as used herein, shall be construed to mean those strata of the Paluxy Formation productive of oil from the depth of 11,915 feet to 11,970 feet in the Gulf South Resources, Inc.—Valentine 10-15 Well No. 1, as shown by the Dual Induction Log thereof, located 1,819 feet West of the East line and 324 feet North of the South line of Section 10, Township 10 North, Range 15 West, Smith County, Mississippi, and including those strata productive of oil which can be correlated therewith.

1.7 The 12,450-Foot Mooringsport Sand Oil Pool, as used herein, shall be construed to mean those strata of the Mooringsport Formation productive of oil from the depth of 12,452 feet to 12,489 feet in the Gulf South Resources, Inc.—Valentine 15-2 Well

No. 2, as shown by the Dual Induction Log thereof, located 2,138 feet West of the East line and 400 feet South of the North line of Section 15, Township 10 North, Range 15 West, Smith County, Mississippi, and including those strata productive of oil which can be correlated therewith.

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 drilling units as pooled without avoidable waste.

C. RULES:

RULE 1 - SPACING FOR OIL WELLS:

Every well drilled to and productive as an oil well from the 9,450-Foot Washita-Fredericksburg Sand Oil Pool, the 10,400-Foot Washita-Fredericksburg Sand Oil Pool, the 10,550-Foot Washita-Fredericksburg Sand Oil Pool, the 10,600-Foot Washita-Fredericksburg Sand Oil Pool, the 11,900-Foot Paluxy Sand Oil Pool, the 11,950-Foot Paluxy Sand Oil Pool and the 12,450-Foot Mooringsport Sand Oil Pool:

(a) Shall be located on a drilling unit consisting of (1) Eighty (80) contiguous surface acres; or (2) two (2) contiguous governmental quarter-quarter sections whose total acreage is not less than 72 acres or more than 88 acres. In any case, no other drilling or producing well from the same pool should be located on any such unit;

(b) Any oil drilling unit formed under Section 1(a) above must be completely encompassed by the perimeter of a rectangle 1,600 feet by 2,725 feet. Provided, however, no unit shall be permitted which will create island acreage;

(c) Each well shall be located at least 660 feet from every other drilling oil well completed in or producing from the same pool located in conformity with this rule; and

(d) Each well shall be located not less than 330 feet from every exterior boundary of the drilling unit.

**RULE 2 - APPLICABILITY OF STATEWIDE RULES:**

2.1 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.

2.2 The 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**

Source: Order No. 188-97, dated June 6, 1997, in Docket No. 125-97-792