

IN THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: PETITION OF KING RANCH OIL AND GAS, INC.
TO ESTABLISH SPECIAL FIELD RULES FOR
WATTS CREEK FIELD, CLARKE COUNTY,
MISSISSIPPI

OCT 12 1994

DOCKET NO. 240-94-350

ORDER NO. 327-94

ORDER

THIS DAY this matter came on for hearing before the State Oil and Gas Board on the Petition of King Ranch Oil and Gas, Inc. to establish Special Field Rules for Watts Creek Field, 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 September 21, 1994, 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. In the late 1960s and early 1970s a number of wells were drilled in an area declared to be Watts Creek Field, the center of which was Section 13, Township 1 North, Range 15 East, Clarke County, Mississippi. Only four of those wells were commercially productive. All production from wells in this area ceased and, by 1989, all wells that had been drilled in what was known as Watts Creek Field had been plugged and abandoned.

2. In 1993, King Ranch Oil and Gas, Inc. re-entered the Watts Creek Field area to drill its Atchley 13-4 No. 1 Well. This well has encountered two new oil reservoirs which had not been previously discovered or developed. King Ranch Oil and Gas, Inc. is continuing to develop the Watts Creek Field area with its Charlotte 13-13 No. 1 Well and its Scarborough 13-3 No. 1 Well

3. Wells drilled in the 1960s and 1970s in this area to depths in excess of 12,000 feet were developed on 80-acre spacing consistent with Statewide Rules in effect at that time. Since 1993, the three wells drilled by King Ranch Oil and Gas, Inc. have been developed on 160-acre spacing, consistent with Statewide Rule 7.2, as amended in 1992.

4. At the request of the State Oil and Gas Board and pursuant to Statewide Rule 15, King Ranch Oil and Gas, Inc. has proposed to establish Special Field Rules for the current development and production from Watts Creek Field and to define the geographical extent of the field and the pools which have been established by previous production. The Board finds that the Watts Creek Field is structurally separated into a North and a South Segment and that three separate oil pools have been discovered in the North Segment while only one pool has been discovered in the South Segment. The proposed geographical limits of Watts Creek Field and the definitions of the four oil pools encountered therein are set forth in the proposed Special Field Rules. Petitioner has further proposed that all development and production of these oil pools, all at depths in excess of 12,000 feet, be on 160-acre drilling units, as set forth in Rule Number 1.

IT IS, THEREFORE, ORDERED AND ADJUDGED that the Special Field Rules for Watts Creek Field, Clarke County, Mississippi shall be as follows:

**SPECIAL FIELD RULES FOR
WATTS CREEK FIELD IN CLARKE COUNTY, MISSISSIPPI**

A. The Watts Creek Field, as used herein, is comprised of the following lands in Clarke County, Mississippi and any productive extensions thereof:

Township 1 North, Range 15 East

Section 13, the East Half (E 1/2) of Section 14, and the North Half (N 1/2) of Section 24.

Township 1 North, Range 16 East

The West Half (W 1/2) of Section 18.

Prior development indicates that the Watts Creek Field is structurally separated into a North and South Segment.

B. The Upper Smackover Oil Pool of the North Segment is defined as the interval in the Smackover Formation encountered in the Story Oil and Gas - Fannie McHenry No. 1-1 Well, located in the SW 1/4 of the NE 1/4 of Section 13, Township 1 North, Range 15 East, Clarke County, Mississippi, as indicated on the electrical log of said well to be at a depth of 13,312 feet to 13,363 feet, and all strata correlative to and in communication therewith.

C. The Lower Smackover Oil Pool of the North Segment is defined as the interval in the Smackover Formation encountered in the King Ranch Oil and Gas, Inc. - Atchley 13-4 No. 1 Well, located in the NW 1/4 of the NW 1/4 of Section 13, Township 1 North, Range 15 East, Clarke County, Mississippi, indicated on the electrical log of said well to be a depth of 13,926 feet to 14,200 feet and all strata correlative to and in communication therewith.

D. The Norphlet Oil Pool of the North Segment is defined as the interval in the Norphlet Formation encountered in the King Ranch Oil and Gas, Inc. - Atchley 13-4 No. 1 Well, located in the NW 1/4 of the NW 1/4 of Section 13, Township 1 North, Range 15 East, Clarke County, Mississippi, indicated on the electrical log of said well to be at a depth of 14,200 feet to 14,224 feet and all strata correlative to and in communication therewith.

E. The Lower Smackover Oil Pool of the South Segment is defined as the interval in the Chevron-Albert Hand 2 No. 1 Well, located in the NW 1/4 of the NW 1/4 of Section 24, Township 1 North, Range 15 East, Clarke County, Mississippi, indicated on the electrical log of said well to be at a depth of 13,770 feet to 14,135 feet and all strata correlative to and in communication therewith.

RULE NO. 1: SPACING OF OIL WELLS.

Every well drilled as an oil well to develop the above defined oil pools in Watts Creek Field and productive therein:

(a) Shall be located on a drilling unit of four (4) contiguous quarter-quarter sections containing not less than 144 and no more than 176 acres upon which no other well drilling to or producing from same pool is located.

(b) Any drilling unit not composed of four (4) contiguous quarter-quarter sections shall contain 160 surface acres which must be completely encompassed by a perimeter of a rectangle 2640 x 3500 feet provided, however, no unit shall be permitted which will create island acreage.

(c) Each well shall be located at least 1500 feet from the location of every drilling or producible well from the same pool and not less than 750 feet from every exterior boundary of the drilling unit.

(d) Drilling units currently in existence for oil wells in Watts Creek Field on September 21, 1994 are hereby approved to the extent they deviate from this Rule.

RULE 2: APPLICABILITY OF STATEWIDE RULES.

(a) All rules and regulations contained in Statewide Order No. 201-51, and any amendments thereto, not specifically covered by 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 21st day of September, 1994.

MISSISSIPPI STATE OIL AND GAS BOARD

BY: Joseph S. Zuccaro
CHAIRMAN