

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

FILED FOR RECORD

RE: PETITION OF CARDNEAUX, INC. TO
ESTABLISH TEMPORARY SPECIAL FIELD
RULES FOR NORTH BEVERLY FIELD,
ADAMS COUNTY, MISSISSIPPI

APR 10 1996

STATE OIL AND GAS BOARD
DOCKET NO. 46-96-605
W. H. LAMM, Supervisor

ORDER No. 62-96

THIS DAY, this cause came to be heard on the Petition of Cardneaux, Inc. ("Petitioner") requesting to establish Temporary Special Field Rules for North Beverly Field, Adams County, Mississippi; 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 required by Miss. Code Ann. §53-3-7(2) (Supp. 1994) 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, a public hearing was held by said Board in the Hearing Room, Suite E, 500 Greymont Avenue, Jackson, Mississippi, commencing on March 20, 1996, at 9:30 o'clock a.m. at which hearing all persons present who desired to be heard on said matter were heard and all testimony and the 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.

Petitioner plans to drill wells located in the North Beverly Field in Adams County, Mississippi. This area is more particularly described on the attached Exhibit "A". No producing wells have been drilled by Petitioner to date. No Special Field Rules have ever existed for the North Beverly Field (the "Field").

2.

Petitioner believes that the Field area is prospective from the Lower Tuscaloosa Formation. Petitioner plans to drill a well to an

approximate total depth of 10,900 in search of oil production from the referenced Formation and any other formation encountered in the drilling of said well.

3.

Petitioner made a careful study of the geologic and engineering characteristic of the Lower Tuscaloosa Formation expected to be encountered in the drilling in this area. The facts presently available suggest that the spacing pattern in this field should ultimately be 80 acres, rather than the 40 acres currently provided for in the Statewide Rules. Information acquired from other wells drilled in this area, suggest that the "A" Sand of the Lower Tuscaloosa Formation is a permeable and uniform sand that can be produced and drained efficiently on eighty acre units. Thus, the development of the "A" sand reservoir on a 40 acre spacing pattern might result in the drilling of unnecessary wells, which would promote a rapid and premature pressure depletion and saltwater intrusion into this reservoir and cause the premature abandonment of oil and gas which potentially underlies this area. Consequently, enlarged spacing should minimize pressure depletion and/or saltwater intrusion, well interference problems, and the drilling of unnecessary wells. Further, the presently known characteristics of these potential sands to be encountered are such that one well should effectively and efficiently drain 80 acres. Petitioner believes that drilling wells on an 40 acre spacing pattern will cause economic waste and could prevent the Field from being drilled or developed. Further, such spacing will prohibit drainage not compensated by counter-drainage and will better protect the co-equal and correlative rights of all parties owning an interest in all formations drilled.

4.

At the time of filing of the Petition, no commercially productive wells have ever been drilled in the proposed field in the objective formation. In October, 1983, a previous operator drilled the Roane No. 1 which was completed, but never produced any commercial quantities. Petitioner requests this enlarged spacing on a temporary basis for a 24 month duration or such time as four wells

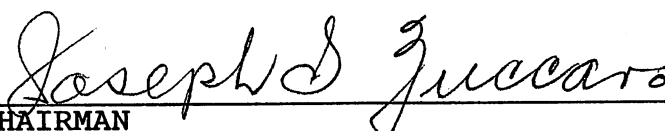
have been drilled, whichever is the shortest time, so that appropriate and necessary information is developed as to the size and extent of the subject formation, and its ultimate drainage characteristics. This temporary authorization will enhance the orderly and efficient development of the Field and area, will avoid the possibility of waste caused by unnecessary and premature drilling and will afford the Board the opportunity of reviewing additional data. If, as Petitioner believes, this area is a candidate for enlarged spacing and the data that is ultimately developed confirms this opinion, then temporary spacing will have avoided the problem of vesting rights in smaller units which will thereafter have to be reformed into larger units.

IT IS, THEREFORE, ORDERED, ADJUDGED, by the State Oil and Gas Board of Mississippi that the Temporary Special Field Rules for the North Beverly Field, Adams County, Mississippi, should be and the same are hereby adopted and approved in the form more fully set forth on the attached Exhibit "A" which are adopted for a temporary basis of 24 month duration or such time as four wells have been drilled, whichever is the shortest time so that appropriate and necessary information is developed as to the size and extent of the subject formation and its ultimate drainage characteristics.

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

ORDERED AND ADJUDGED this 20th day of March, 1996.

STATE OIL AND GAS BOARD OF MISSISSIPPI


CHAIRMAN

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EXHIBIT "A"

**TEMPORARY SPECIAL FIELD RULES
NORTH BEVERLY FIELD
ADAMS COUNTY, MISSISSIPPI**

The following rules shall apply to all Oil Pool production in the following area of Adams County, Mississippi:

1. Field Limits

Township 5 North, Range 3 West

Section 13: NW $\frac{1}{4}$

Section 10: SW $\frac{1}{4}$

Section 14: E $\frac{1}{2}$

Section 15: E $\frac{1}{2}$

2. Spacing of Oil Wells

Every well drilled as an oil well in the area defined above and productive from the Lower Tuscaloosa or older horizons therein:

- (a) Shall be located on a drilling unit consisting of:
- (1) 80 contiguous surface acres with a 10% acreage tolerance; or
 - (2) a governmental quarter section containing not less than 72 acres, or more than 88 acres; or
 - (3) two contiguous governmental quarter-quarter sections whose total acreage is not less than 72 or more than 88 acres, upon which no other drilling or producible well is located;
- (b) Any oil unit formed under Rule 2(a) must be completely encompassed by the parameter of a rectangle 1600 feet by 2725 feet. Provided, however, no unit shall be permitted which will create island acreage;
- (c) The wells shall be located at least 800 feet from every other drilling or producible well in the same pool located in conformity with this Rule;
- (d) The wells shall be located at least 330 feet from every exterior boundary of the drilling unit;
- (e) This spacing rule is temporary in nature and shall continue in force and effect for a period of 24 months or until four wells have been drilled and completed for production from the same pool, whichever is the earlier date commencing from the date of the Order establishing these Temporary Special Field Rules.

3. 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 Temporary Special Field Rules are hereby adopted and shall apply to said area.
- (b) The Board expressly reserves the right, after notice and hearing, to alter, amend or repeal any and all the foregoing Rules and Regulations.