

APR 2 1985

STATE OIL AND GAS BOARD
A. Richard Henderson, Supervisor

THE STATE OIL AND GAS BOARD OF MISSISSIPPI

DOCKET NO. 66-85-49

ORDER NO. 94-85ORDER

This day this cause came on to be heard on the Petition of TXO Production Corp., of Jackson, Mississippi, requesting the Board to amend the Special Field Rules for the Chaparral Field in Wayne County, Mississippi, and 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 said matter has been given in the manner and time 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, and the Board has full jurisdiction of the parties and the subject matter to hear and determine the same.

The Board further finds that prior to the March, 1984 meeting of this Board, Petitioner, the owner of certain operating rights and interests in and under the E-1/2 of Section 13, Township 10 North, Range 7 West, Wayne County, Mississippi, in the Chaparral Field, drilled its TXO Production Corp. - Chapman 13-1 Well No. 1 under Permit No. 293 to a depth of 10,910 feet on an oil drilling unit described as the NE-1/4 of NE-1/4 of said Section 13 and encountered oil in commercial quantities from the Hosston "A" Oil Pool of the Hosston Formation as defined in Order No. 115-84, entered March 22, 1984. The producing interval for said well is 10,035 feet to 10,043 feet, the measured depth on the dual induction log for the well. This well was the initial discovery for said Hosston "A" Oil Pool.

The Board further finds that pursuant to said Petition and proof, Order No. 115-84 was entered on March 22, 1984, amending the Special Field Rules for the Chaparral Field so as to define the Hosston "A" Oil Pool as encountered in the Chapman 13-1 Well No. 1 as a separate and distinct oil pool in the Chaparral Field

and so as to authorize the development of said oil pool on 80 contiguous surface acres or two governmental quarter-quarter sections containing not less than 72 acres or more than 88 acres. Also, the definition of the Lower Cretaceous Formation, as previously defined by the Board, was amended so as to exclude therefrom the Hosston "A" Oil Pool as therein defined underlying the E-1/2 of Section 13, Township 10 North, Range 7 West, Wayne County, Mississippi.

The Board further finds that its March 22, 1984 Order entered in Docket No. 68-84-49 provides:

"IT IS FURTHER ORDERED that as to the Hosston "A" Oil Pool only, Rule 1 of the Special Field Rules, as amended, shall be in force and effect for a period of one year from March 21, 1984, subject to further determination at the March, 1985 meeting of this Board."

The Board further finds that at its March, 1984 meeting, by Order No. 116-84 dated March 22, 1984, entered in Docket No. 69-84-49, the drilling unit for the TXO Production Corp. - Chapman 13-1 Well No. 1 was reformed and revised from an oil unit comprised of the NE-1/4 of NE-1/4 of said Section 13 to an oil unit for production from the Hosston "A" Oil Pool comprised of the N-1/2 of NE-1/4 of Section 13, Township 10 North, Range 7 West, Wayne County, Mississippi. Said well is located on said 80-acre drilling unit at a location 330 feet out of the Southwest corner of the NE-1/4 of NE-1/4 of said Section 13.

The Board further finds that subsequent to the issuance of each of the above Orders, the Petitioner drilled its Chapman 13-8 Well No. 1 on a drilling unit comprised of the S-1/2 of NE-1/4 of said Section 13, said well being located 500 feet from the North line and 707 feet from the East line of said unit. There was no productive Hosston "A" Oil Sand present in this well indicating that the reservoir for the Hosston "A" Oil Pool was more limited than originally anticipated. Other than the drilling of the Chapman 13-8 Well No. 1 to test the Hosston "A" Oil Pool, there have been no other wells drilled in the Chaparral Field to test this oil pool and the Petitioner does not contemplate the drilling of any further wells. Production has declined in the

TXO Production Corp. - Chapman 13-1 No. 1 Well to where this well is currently making about 22-24 barrels of oil per day and approximately 245 barrels of water per day. The ultimate recovery from this well in the Hosston "A" Oil Pool appears limited and it would be imprudent and impracticable to drill another well to the Hosston "A" Oil Pool to attempt to recover additional hydrocarbons.

The Board further finds that in view of the additional geological information found in the drilling of Petitioner's Chapman 13-8 No. 1 Well, the Special Field Rules for the Chaparral Field in Wayne County, Mississippi should be amended so as to confine the Hosston "A" Oil Pool to the N-1/2 of NE-1/4 of said Section 13 and that the definition of said oil pool be as follows:

"D. The Hosston "A" Oil Pool underlying the N-1/2 of NE-1/4 of Section 13, Township 10 North, Range 7 West, Wayne County, Mississippi, shall be construed to mean those strata of the Hosston Formation productive of oil which are found between the measured depths of 9,673 feet to 10,905 feet on the dual induction log of the TXO Production Corp. - Chapman 13-1 Well No. 1 located 994 feet from the North line and 988 feet from the East line of the NE-1/4 of NE-1/4 of Section 13, Township 10 North, Range 7 West, Wayne County, Mississippi, and all strata productive of oil that are correlative therewith."

And that the Special Field Rules should be amended so as to redefine the oil producing pool in the Lower Cretaceous Formation as follows:

"A. The oil producing pool in the Lower Cretaceous Formation as used herein shall be construed to mean those strata of the Lower Cretaceous Formation productive of oil from the depths of 8,000 feet subsea to 10,100 feet subsea (Order No. 103-52), but shall not include the Hosston "A" Oil Pool as herein defined underlying the N-1/2 of NE-1/4 of Section 13, Township 10 North, Range 7 West, Wayne County, Mississippi."

The Board further finds that some drainage is occurring in the TXO Production Corp. - Chapman 13-1 Well No. 1 from the NW-1/4 of NE-1/4 of said Section 13 and that by reducing the area for the spacing for wells developing the Hosston "A" Oil Pool to the N-1/2 of NE-1/4 of said Section 13, the co-equal and correlative rights of the parties would be protected, waste would

be prevented and the aims and objectives of this Board and the conservation laws of the State of Mississippi would be carried out. The Board also finds that if the spacing for development of the Hosston "A" Oil Pool is reduced to "40-acre spacing", there could be a slight reduction in one royalty owner's interest and increase in another royalty owner's interest. As to the working interest ownership, it would not be affected as this ownership is common throughout the NW-1/4 of NE-1/4 and NE-1/4 of NE-1/4 of said Section 13. The Board also finds that the Chapman 13-1 Well No. 1 will drain the remaining reserves from the Hosston "A" Oil Pool.

IT IS, THEREFORE, ORDERED AND ADJUDGED by the State Oil and Gas Board of Mississippi that the Special Field Rules for the Chaparral Field in Wayne County, Mississippi should be and the same are hereby amended so as to redefine the Hosston "A" Oil Pool as above set forth and so as to redefine the oil producing pool in the Lower Cretaceous Formation as set forth above. Said Special Field Rules, as amended, shall hereafter read as set forth in Exhibit "A" attached hereto.

ORDERED AND ADJUDGED this the 20th day of March, 1985.

STATE OIL AND GAS BOARD OF
MISSISSIPPI

By: Vol R. Lanchester, Jr.
CHAIRMAN

SPECIAL FIELD RULES
FOR THE CHAPARRAL FIELD
WAYNE COUNTY, MISSISSIPPI

*Order No. 94-85
March 20, 1985*

The Chaparral Field, as used herein, is that area in Sections 7, 18, 19 and 30, Township 10 North, Range 6 West, and Sections 12, 13 and 24, Township 10 North, Range 7 West, Wayne County, Mississippi, underlain by the Lower Cretaceous Formation, the Cotton Valley Oil Pool, the Hosston Oil Pool and the Hosston "A" Oil Pool.

A. The oil producing pool in the Lower Cretaceous Formation as used herein shall be construed to mean those strata of the Lower Cretaceous Formation productive of oil from the depths of 8,000 feet subsea to 10,100 feet subsea (Order No. 103-52), but shall not include the Hosston "A" Oil Pool as herein defined underlying the N-1/2 of NE-1/4 of Section 13, Township 10 North, Range 7 West, Wayne County, Mississippi. (Order No. 115-84 and Order No. 94-85).

B. The Cotton Valley Oil Pool in the Chaparral Field shall be construed to mean those strata of the Cotton Valley Formation productive of oil in the interval between the electric log depths of 11,500 feet to 11,520 feet in the Marion Corporation-Jack Stack - M. H. Hall, et al No. 1 Well, and all sands correlative of these strata productive of oil, said well being located 504 feet from the South line and 660 feet from the East line of the N-1/2 of NE-1/4 of Section 24, Township 10 North, Range 7 West, Wayne County, Mississippi. (Order No. 203-76).

C. The Hosston Oil Pool in the S-1/2 of Section 19 and all of Section 30, Township 10 North, Range 6 West, Wayne County, Mississippi, shall be those strata productive of oil which are found between the measured depths of 9,553 and 9,698 feet as shown on the Schlumberger electrical log of the Gulf Refining Company - No. A-1 Chapman, Sr. Well located 660 feet North and 3300 feet West of the Southeast corner of Section 19, Township 10 North, Range 6 West, Wayne County, Mississippi, and all strata

productive of oil that are correlative therewith. (Order No. 323-79).

D. The Hosston "A" Oil Pool underlying the N-1/2 of NE-1/4 of Section 13, Township 10 North, Range 7 West, Wayne County, Mississippi, shall be construed to mean those strata of the Hosston Formation productive of oil which are found between the measured depths of 9,673 feet to 10,905 feet on the dual induction log of the TXO Production Corp. - Chapman 13-1 Well No. 1 located 994 feet from the North line and 988 feet from the East line of the NE-1/4 of NE-1/4 of Section 13, Township 10 North, Range 7 West, Wayne County, Mississippi, and all strata productive of oil that are correlative therewith. (Order No. 115-84 and Order No. 94-85).

E. The characteristics of said Cotton Valley Oil Pool in said field and the Hosston "A" Oil Pool in the N-1/2 of NE-1/4 of Section 13, Township 10 North, Range 7 West, Wayne County, Mississippi, are such that a well located as hereinafter prescribed and drilled upon a drilling unit containing approximately 80 contiguous surface acres conforming to the requirements of the rules herein contained will efficiently drain and produce the recoverable oil from such units in said pool without avoidable waste. (Order No. 203-76 and Order No. 115-84).

RULE 1 - SPACING OF OIL WELLS:

A. As to the Lower Cretaceous Formation, but not including the Hosston "A" Oil Pool:

(1) The area covered by the present producing pool and extensions thereof consists of substantially regular governmental quarter-quarter sections, except Sections 18, 19 and 30, Township 10 North, Range 6 West, Wayne County, Mississippi, each quarter-quarter section and each of the units in said Sections 18, 19 and 30 hereinafter described containing approximately 40 acres, approximately in the form of a square and the characteristics of the Lower Cretaceous producing pool, but

not including the Hosston "A" Oil Pool, are such and evidence shows that one well drilled on each governmental quarter-quarter section and each of the following described units not less than 330 feet from the exterior boundaries will efficiently drain and produce the recoverable oil from such quarter-quarter section and unit in said pool without avoidable waste. (Order No. 103-52 and Order No. 115-84).

(2) Sections 18, 19 and 30, Township 10 North, Range 6 West, Wayne County, Mississippi, are not regular governmental sections, contain more than 640 acres, and are not divided into quarter-quarter sections. These sections shall be divided into 20 drilling units each, all containing approximately the same area, by dividing the north line and the south line of said sections into five equal parts and by dividing the east line and the west line of said sections into four equal parts and by connecting the points of such division in such a way that four tiers of five drilling units in each tier running east and west in each of said sections and four tiers of five drilling units in each tier running north and south in each of those sections result, as shown by plats hereto attached, made a part hereof and marked Exhibits "A", "B" and "C". (Order No. 103-52).

(3) These units and regular governmental quarter-quarter sections in said pool and extensions thereof shall be divided into approximately 40-acre allowable units with a tolerance of 4 acres. Each producing 40-acre tract shall be an allowable unit and each producing tract containing less than thirty-six (36) acres shall be a fractional allowable unit. (Order No. 103-52).

(4) High reservoir pressure exists in said pool and adequate controls and equipment to prevent blowouts are to be used. (Order No. 103-52).

B. As to the Cotton Valley Oil Pool in the field and the Hosston "A" Oil Pool underlying the N-1/2 of NE-1/4 of Section 13, Township 10 North, Range 7 West, every well drilled as an oil well:

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

(2) 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;

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

(4) The well shall be located at least 500 feet from every exterior boundary of the drilling unit. (Order No. 203-76 and Order No. 115-84).

C. As to the Hosston Formation, every oil well drilled in the S-1/2 of Section 19 and Section 30, Township 10 North, Range 6 West:

(1) Shall be located on a drilling unit consisting of forty (40) contiguous surface acres, or a governmental quarter-quarter section containing not less than thirty-six (36) or more than forty-four (44) acres, upon which no other drilling or producible well is located;

(2) Any drilling unit not a governmental quarter-quarter section must be completely encompassed by the perimeter of a rectangle 1810 feet by 1445 feet. Provided, however, no unit shall be permitted which will create island acreage;

(3) The well shall be located at least 660 feet from every other drilling or producible well located in conformity with this rule; and

(4) The well shall be located at least 330 feet from every exterior boundary of the unit. (Order No. 323-79).

RULE 2 - APPLICABILITY OF STATEWIDE RULES

A. All rules and regulations contained in Statewide Order No. 201-51, and amendments thereto, not specifically covered in the foregoing 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.