

IN THE STATE OIL AND GAS BOARD OF MISSISSIPPI

FILED FOR RECORD

RE: PETITION OF BLOCK "T" PETROLEUM, INC.,
TO AMEND THE EXISTING SPECIAL FIELD
RULES FOR SHARON FIELD TO ENLARGE
GEOGRAPHIC AREA OF THE FIELD, JASPER
COUNTY AND JONES COUNTY, MISSISSIPPI

JUL 30 2009

STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR

DOCKET NO. 209-2009-34

ORDER NO. 376-2009

ORDER

This matter came on for hearing before the State Oil and Gas Board of Mississippi (hereinafter the "Board") on the 15th day of July, 2009, on the Petition of Block "T" Petroleum, Inc., (hereinafter the "Petitioner") to amend the Special Field Rules for Sharon Field, Jasper County and Jones County, Mississippi, to enlarge the geographic area of the Field; and for related relief, said hearing being called for such purpose; and

WHEREAS, the Board finds 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 Miss. Code Anno. Section 53-3-7(2) (1972) (as amended), 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 10:00 o'clock, A. M. on July 15, 2009, 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 Mississippi State Oil and Gas Board having heard and considered the Petition and the evidence in said docket matter at its regular July 15, 2009 meeting 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 Petitioner was granted authority by this Board to drill the Walker No. 1-H Well by Order No. 625-2008 dated November 19, 2008 in Docket No. 397-2008 on a 641.4 unit in Sections 9 and 10, Township 10 North, Range 11 West, Jasper County, Mississippi. The Walker No. 1-H Well is being completed as a horizontal gas well in the Selma Chalk Formation.

2.

The Board finds that at present Section 9, Township 10 North, Range 11 West, is not within a designated Field, and Section 10, Township 10 North, Range 11 West, is in the East Sharon Field, Jasper County, Mississippi. Petitioner has filed a companion docket before this Board to dissolve the existing Special Field Rules for East Sharon Field, Jasper County, Mississippi, because all prior wells are currently plugged and abandoned, and there has been no production in the Field since 1990. Petitioner has presented evidence to the Board that the productive intervals in the Selma Chalk Gas Pool in the Walker No. 1-H Well in Sections 9 and 10, Township 10 North, Range 11 West, Jasper County, Mississippi, can be correlated to the Selma Chalk Gas Pool productive intervals presently defined in the Sharon Field.

3.

The Board finds that in a companion docket Petitioner has filed a Petition with this Board to dissolve the existing Special Field Rules for the East Sharon Field, Jasper County, Mississippi. At present the Field area for East Sharon Field is Sections 10, 11, 14 and 15, Township 10 North, Range 11 West, Jasper County, Mississippi. That those four sections currently in East Sharon Field should be added to the geographic area of Sharon Field, after the existing Special Field Rules for East Sharon Field are dissolved. In addition, that Sections 4, 9, and 19, Township 10 North, Range 11 West, Jasper County, Mississippi, and Section 30, Township 10 North, Range 11 West, Jasper and Jones

County, Mississippi, should also be added to the geographic area of Sharon Field. The amended and enlarged new land area of Sharon Field is the following:

Township 10 North, Range 11 West

Jasper County, Mississippi

Sections 4, 5, 6, 7, 8, 9, 10, 11, 14, 15, 16, 17, 18 and 19

Township 10 North, Range 11 West

Jasper and Jones Counties, Mississippi

Sections 20, 21, 29 and 30

Township 10 North, Range 11 West

Jones County, Mississippi

Sections 28, 31 and 32

Township 9 North, Range 11 West

Jones County, Mississippi

Sections 5 and 6

4.

The Board finds that the Petitioner has filed a Cross Section A-A of the Selma Chalk Gas Pool and the Sharon Field Definition Well, the East Sharon Field Definition Well and the Walker No. 1-H Well recently drilled and completed by Petitioner. The Selma Chalk definition well in Sharon Field is the Denbury OnShore, LLC, (formerly Robert W. Rea, Jr.) J. R. Helms No. 2 Well. The definition well in East Sharon Field is the Jones O'Brien, Inc., Soterra No. 1 Well. The Cross Section relates how the Selma Chalk Gas Pool correlates with both of those definition wells to the Block "T" Petroleum, Inc., Walker No. 1-H Well. The Selma Chalk Gas Pool correlates from the Sharon Field Definition Well to the Walker No. 1-H Well to the East Sharon Field Definition Well. The land area of Sharon Field should be enlarged to include the additional sections referred to herein.

5.

The Board finds that the only change in the Sharon Field Special Field Rules is to increase the geographic area of the Field as stated hereinabove. There is no change in any existing pool definition or spacing requirements. No additional changes are made to the existing Sharon Field Special Field Rules. Attached hereto as Exhibit "A" are the Amended Special Field Rules for Sharon Field, Jasper County and Jones County, Mississippi, which include the enlarged geographic area.

6.

The Board finds that except for the Walker No. 1-H Well there is currently no oil and gas production within the defined geographic limits of the East Sharon Field and that no valid public purpose would be served by maintaining the East Sharon Field Special Field Rules in force and effect. In a companion docket the current East Sharon Field Special Field Rules are dissolved.

7.

The Board finds that there is correlation between the defined strata of the Selma Chalk Gas Pool for the existing Sharon Field, and the area including the East Sharon Field Area referred to hereinabove. The remaining four sections are believed to be underlain by productive strata.

8.

The Board finds that the granting of the relief requested herein 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 granting of the relief requested will result in the ultimate recovery of gas and other hydrocarbon reserves from the area now comprising the Sharon Field and East Sharon Field and the additional land area, Jasper County and Jones County, Mississippi, which would not otherwise be recovered. All references to the land area comprising the Sharon Field, East Sharon Field and the proposed enlarged area for the Sharon Field are within the First and Second Judicial Districts of Jasper County, Mississippi, and the Second Judicial District of Jones County, Mississippi.

9.

The Board finds that the existing Special Field Rules for Sharon Field, Jasper County and Jones County, Mississippi, should be amended to add to the geographic area the four sections comprising the East Sharon Field and the four additional sections referred to hereinabove.

IT IS THEREFORE ORDERED AND ADJUDGED that the Special Field Rules for Sharon Field be and are hereby amended to enlarge the geographic area of Sharon Field to include Sections 4, 9, 10, 11, 14, 15, and 19, Township 10 North, Range 11 West, Jasper County, Mississippi, and Section 30, Township 10 North, Range 11 West, Jasper County and Jones County, Mississippi, all to be within the amended geographic area for the Sharon Field, Jasper County and Jones County, Mississippi; the Amended Special Field Rules for Sharon Field are attached hereto on Exhibit "A."

IT IS FURTHER ORDERED AND ADJUDGED that Block "T" Petroleum, 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 July 15, 2009.

Ordered and Adjudged this the 30th day of July, 2009.

MISSISSIPPI STATE OIL AND GAS BOARD

By: 

CHAIRMAN

ORDER PREPARED BY:

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EXHIBIT "B"

**SPECIAL FIELD RULES
SHARON FIELD
JASPER AND JONES COUNTIES, MISSISSIPPI**

A. FIELD AREA

The Sharon Field is comprised of that area:

**TOWNSHIP 10 NORTH, RANGE 11 WEST
JASPER COUNTY, MISSISSIPPI**

Sections 4, 5, 6, 7, 8, 9, 10, 11, 14, 15, 16, 17, 18 and 19

**TOWNSHIP 10 NORTH, RANGE, 11 WEST
JASPER AND JONES COUNTIES, MISSISSIPPI**

Sections 20, 21, 29 and 30

**TOWNSHIP 10 NORTH, RANGE 11 WEST
JONES COUNTY, MISSISSIPPI**

Sections 28, 31, and 32

**TOWNSHIP 9 NORTH, RANGE 11 WEST
JONES COUNTY, MISSISSIPPI**

Sections 5 and 6

and all productive extensions thereof.

B. POOL DEFINITIONS

(1) **The Morrison Sand Gas Pool**, in the Sharon Field shall be construed to mean those strata productive of gas in the interval between 5,368 feet and 5,400 feet in the Frederick F. Mellon - No. 1 Board of Supervisors Well located 330 feet from the South line and 330 feet from the West line of Section 16, Township 10 North, Range 11 West, Jasper County, Mississippi, as indicated on the electric log of said well and all intervals correlative of said strata productive of gas.

(2) **The Eutaw Gas Pool**, as used herein, shall be construed to mean those strata of the Eutaw Formation productive of gas which can be correlated with the strata between the depths of 5, 414 feet and 5,652 feet in the Frederick F. Mellon No. 1 Board of Supervisors Well located in the Southwest Quarter of the Southwest Quarter (SW 1/4 pf SW 1/4) of Section 16, Township 10 North, Range 11 West, Jasper County, Mississippi.

(3) **The Selma Chalk Gas Pool**, as used herein, shall be construed to be all strata of the Selma Chalk Formation underlying said field productive of gas and which can be correlated with the strata between the depths of 4,320 feet to 5,450 feet in the J. R. Helms No. 2 Well, located in the SE 1/4 of the SE 1/4 of Section 17, Township 10 North, Range 11 West, Jasper County, Mississippi.

RULE 1- SPACING OF GAS WELLS

A. With respect to the Selma Chalk Gas Pool, every gas well:

(1) Shall be located on a drilling unit consisting of 320 contiguous surface acres, or a governmental half section containing not less than 300 acres nor more than 340 acres.

(2) Any gas drilling unit not a governmental half-section must be completely encompassed by the perimeter of a rectangle 3735 feet by 5380 feet. Provided, however, no unit shall be permitted which will create island acreage.

(3) The wells shall be located at least 100 feet from every other drilling or producible well located in conformity with this Rule; however, this Rule shall not apply to the surface location of any well which is intentionally deviated to a regular bottom hole location at least 100 feet from every other drilling or producible well located in conformity with this Rule. As to such wells intentionally deviated, including horizontal wells, there shall be no restriction on the surface location so long as the bottom hole location is more than 100 feet from the bottom hole location of all other wells.

(4) The wells shall be located not less than 100 feet from every exterior boundary of the unit, except in those cases where an exception has been previously granted by the Board after notice and hearing. As to wells intentionally deviated, including horizontal wells, there shall be no restriction on the surface location so long as the bottom hole location is more than 100 feet from every exterior boundary of the unit.

(5) Each 320 acre gas unit may contain up to twelve producing wells from the Selma Chalk Gas Pool with a full allowable for each increased density well.

RULE 2 - AMENDMENT OF SPECIAL FIELD RULES

The Board Expressly reserves the right, after notice and hearing, to alter, amend or repeal any and all of the above rules and regulations, or to grant exceptions to all or any part thereof.

RULE 3 - SELMA CHALK GAS POOL LOGGING REQUIREMENTS

As to any well drilled solely to test the Selma Chalk Gas Pool, the Operator of each such well may elect, without obtaining any further approval, to forego running any and all electrical logs. In the event perforating logs are run, such logs shall be provided to the Board.

RULE 4 - SELMA CHALK UNIT MEASUREMENT

As to Selma Chalk Gas wells, operators may measure production on an unit instead of an individual well basis, for increased density wells on such units.

RULE 5 - APPLICABILITY OF STATEWIDE RULES

All rules and regulations contained in the Statewide Order No. 201-51, and any amendments thereto, are hereby adopted and shall apply to said field, to the extent not inconsistent with the above rules.