

RE: PETITION OF GULF SOUTH RESOURCES,
INC. TO ADOPT SPECIAL FIELD RULES FOR
THE EAST SHARON FIELD, JASPER
COUNTY, MISSISSIPPI

JAN 08 2002

STATE OIL AND GAS BOARD
WALTER BOONE, SUPERVISOR

DOCKET NO. 409-2001-535
ORDER NO. 023-2001

ORDER

THIS DAY this matter came on for hearing at the regular December, 2001 meeting of the State Oil and Gas Board of Mississippi held on December 19, 2001 upon the Petition of Gulf South Resources, Inc. to adopt special field rules for the East Sharon Field, Jasper County, Mississippi, for the Selma Chalk Gas Pool, and the Board having heard and considered the evidence presented, is of the opinion that the Petition should be granted. The Board finds as follows:

1.

That due and legal notice of hearing of this Petition has been given in the manner, time and form required by law and by the Rules and Regulations of this Board and that due, legal and sufficient Proofs of Publication of Notice are on file with the Board in this cause, and the Board has full and complete jurisdiction hereof and the parties hereto to consider this matter and determine the same at the meeting of this Board.

2.

The East Sharon Field is that area comprised of Sections 10, 11, 14 and 15, Township 10 North, Range 11 West, First Judicial District, Jasper County, Mississippi, underlain by the Selma Chalk Formation which should be developed and produced on gas units comprising 320 acres, more or less, with a minimum of four wells per drilling and production unit authorized for the Selma Chalk Gas Pool.

3.

The Selma Chalk Formation is a tight, fractured formation which historically has a small drainage area as is demonstrated by the numerous wells drilled and produced in the state of Mississippi from this formation and in order to adequately drain a 320 acre gas unit, it is necessary that Special Field Rules be adopted to authorize at least four gas wells per drilling and production unit. The Selma Chalk Formation has extremely low permeability and one well per 320 acre unit will not drain the unit. Four wells per gas unit will be in conformity with previous Special Field Rules adopted by this Board for the Selma Chalk Formation for other fields in this state, and the authorization of four wells per 320

acre gas unit will promote conservation, permit orderly development of the Selma Chalk Gas Pool, protect co-equal and correlative rights and ultimately result in recovery of more hydrocarbons that can be recovered if only one well is permitted per drilling and production unit from the Selma Chalk Formation.

4.

The Selma Chalk Gas Pool in the East Sharon Field should be defined as those strata of the Selma Chalk Formation underlying the field which may prove to be productive of gas between the depths of 4,460 feet and 5,320 feet as shown on the electric log for the Jones O'Brien Soterra, Inc. No. 1 Well located in the SE¼ of Section 15, Township 10 North, Range 11 West, Jasper County, Mississippi, 1,657 feet from the South line and 815 feet from the East line of said Section, and all such strata as are co-relative therewith.

5.

Each well on a 320 acre gas unit shall be at least 600 feet from every other producing well in the same pool and unit and each well shall be located at least 300 feet from the exterior boundary of the unit. Each increased density well shall be granted a full allowable on production as the drainage for the Selma Chalk Formation is extremely limited because of the nature of the formation. By authorizing this spacing pattern, gas from the pool can be produced which would not otherwise be produced and there will be no uncompensated drainage between tracts because of the low permeability of the Selma Chalk Gas Pool.

6.

East Sharon Field is completely separated from the Sharon Field by a fault between the two fields and the East Sharon Field should be developed under its own rules. The rules for the Sharon Field and East Sharon Field do not conflict. Currently there are no other wells producing in the area for the East Sharon Field and no operators of wells in this field area.

7.

Because of the shallow depth at which the formations are found and the nature of the Selma Chalk Formation, the operator will not be required to run electric logs on the well but any logs which are run on the well shall be filed with the Board as required by the rules of this Board. As all owners of interest on a 320 acre unit will be sharing from all wells drilled on the unit, the operator of the wells is given authority to measure production on a unit basis rather than on an individual well basis.

IT IS, THEREFORE, HEREBY ORDERED AND ADJUDGED, that Special Field Rules for the East Sharon Field, Jasper County, Mississippi be and the same are hereby approved and adopted and a copy of the Special Field Rules is attached hereto as Exhibit "A."

SO ORDERED AND ADJUDGED, this the 4th day of January, 2002, but to be effective from the date of the December 19, 2001 meeting.

STATE OIL & GAS BOARD OF MISSISSIPPI

BY: Joseph D. Zuccato
CHAIRMAN

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SPECIAL FIELD RULES FOR THE EAST SHARON FIELD
JASPER COUNTY, MISSISSIPPI

A. FIELD AREA

The East Sharon Field as described herein shall be comprised of those lands in Jasper County, Mississippi described as:

Township 10 North, Range 11 West
Sections 10, 11, 14 and 15

and all productive extensions of any pool which may underlie any of the above described lands.

B. POOL DEFINITION

The Selma Chalk Gas Pool is defined as those strata of the Selma Chalk Formation which may prove to be productive of gas between the depths of 4,460 feet and 5,300 feet as shown on the electric log for the Jones O'Brien Soterra, Inc. No. 1 Well located in the SE $\frac{1}{4}$ of Section 15, Township 10 North, Range 11 West, Jasper County, Mississippi, 1,657 feet from the South line and 815 feet from the East line of said Section, and all such strata as are co-relative therewith.

C. SPACING OF GAS WELLS

1. The following increased density rule shall apply solely with respect to the Selma Chalk Gas Pool as defined in Rule B above.

- a. Each 320 acre gas unit may contain up to four (4) producing wells from the Selma Chalk Gas Pool.
- b. Each well within a unit shall be at least 600 feet from every other producing well in the same unit.
- c. Each well within such unit shall be located at least 300 feet from each exterior boundary of the drilling unit.
- d. Each increased density well shall be granted a full allowable on production.

D. INITIAL RULES APPLICABLE TO GAS WELLS

1. As to the Selma Chalk Gas Pool, each flowing gas well may be produced without production tubing as an exception to Statewide Rule 18 and any other applicable rules provided that the operator takes proper measures to protect against any undue hazard both underground and at the surface.

2. As to any well drilled solely to test the Selma Chalk Gas Pool, the operator of each well may elect, without obtaining further approval of the Board, to forego running any and all

electric logs. In the event any other logs are run, such logs shall be provided to the Board.

E. SELMA CHALK GAS UNIT MEASUREMENT

As to wells producing from the Selma Chalk gas pool, operators may measure production on a unit instead of an individual well basis for increased density wells on the units.

F. APPLICABILITY OF STATEWIDE RULES

1. The Board expressly reserves the right, after notice and hearing, to alter, amend, repeal any and all the foregoing rules and regulations.

2. All rules and regulations contained in the Statewide Rules, as amended, which are not specifically covered by the foregoing rules, are hereby adopted and shall apply to the East Sharon Field.