

BEFORE THE STATE OIL AND GAS BOARD OF ALABAMA

PURSUANT TO A DECISION RENDERED  
DURING A REGULAR SESSION OF THE  
STATE OIL AND GAS BOARD OF ALABAMA  
ON JUNE 23, 1988, THE FOLLOWING  
ORDER IS HEREBY PROMULGATED: \_\_\_\_\_

IN RE: ORDER NO. 88-138

DOCKET NO. 6-23-8828

This cause came on for hearing before the State Oil and Gas Board of Alabama on the amended petition of Coastal Oil & Gas Corporation, a Delaware corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order amending the Special Field Rules for the Barnett Field. The Board finds that due, proper and legal notice of the hearing of said cause has been given in the manner and form and for the time required by law and by the rules and regulations of this Board; that due and legal proofs of publication of notice are on file with the Board; and that the Board has full jurisdiction of this cause. The Board, having heard the evidence of witnesses and argument of counsel, and being fully advised in the premises finds:

I.

By Order No. 75-39(E) dated July 17, 1975, pursuant to Docket No. 7-17-752 the State Oil and Gas Board of Alabama adopted Special Field Rules for the Barnett Field and established the geographical limits for said field as all of Sections 25, 26, 27, 34, 35, and 36, Township 4 North, Range 7 East, Conecuh County, Alabama and all of Sections 1, 2, and 3, Township 3 North, Range 7 East, Escambia County, Alabama underlain by the Smackover Oil Pool and all productive extensions thereof as said pool was encountered in and defined with respect to the Wheless Industries, Inc. and Jack E. Stack, Jr., - Alger Sullivan No. 1 Well.

II.

Petitioner is the operator of the Grissett 36-16 No. 1 Well, Permit No. 5568, which has been completed in the Smackover Oil Pool at the intervals between 13,569 feet and 13,698 feet. The production unit for the said Grissett 36-16 No. 1 Well is the Southeast Quarter of Section 36, Township 4 North, Range 7 East, Conecuh County, Alabama. The Smackover Oil Pool encountered by the Grissett 36-16 No. 1 Well is a separate and distinct oil pool from the Smackover Oil Pool previously defined in the Barnett Field as

encountered in the Wheless Industries, Inc., and Jack E. Stack, Jr.  
- Alger Sullivan No. 1 Well.

### III.

Petitioner has filed under separate Docket No. 6-23-8829 a petition to establish a new field which should be named the East Barnett Field and to establish Special Field Rules therefor in Conecuh and Escambia Counties, Alabama. The testimony presented by Petitioner indicates that the geographical limits of the proposed East Barnett Field should comprise the South One Half of the Southwest Quarter (S/2 SW/4) of Section 31, Township 4 North, Range 8 East, and the Southeast Quarter (SE/4) of Section 36, Township 4 North, Range 7 East, Conecuh County, Alabama, the Northeast Quarter (NE/4) of Section 1, Township 3 North, Range 7 East and the North One Half of the Northwest Quarter (N/2 NW/4) of Section 6, Township 3 North, Range 8 East, Escambia County, Alabama.

### IV.

The Special Field Rules for the Barnett Field should be amended so as to remove the Southeast Quarter (SE/4) of Section 36, Township 4 North, Range 7 East, Conecuh County, Alabama and the Northeast Quarter (NE/4) of Section 1, Township 3 North, Range 7 East, Escambia County, Alabama, from within the geographical limits of the Barnett Field so that said lands can be included within the geographical limits of the proposed East Barnett Field. The Special Field Rules as shown on the Exhibit "A" attached hereto should be adopted so as to redefine the geographical limits of the Barnett Field.

### V.

The proposed amended Special Field Rules for the Barnett Field, attached hereto as Exhibit "A", should be adopted in order to provide for the proper and orderly development of the said Smackover Oil Pool; to prevent the drilling of unnecessary wells; to protect and enforce the co-equal and correlative rights of all owners in said pool; to prevent avoidable waste; and to promote the conservation of natural resources.

IT IS THEREFORE, HEREBY ORDERED, ADJUDGED AND DECREED by the State Oil and Gas Board of Alabama that the petition by Coastal Oil & Gas Corporation is granted, that the geographical limits of the Barnett Field be and are hereby amended and that the Special Field Rules set forth in Exhibit "A" attached hereto and made a part hereof be and hereby are adopted and approved for said Field with the stipulation that the Northeast Quarter of Section 1, Township 3 North, Range 7 East, Escambia County, Alabama, also be deleted from the Barnett Field.

ORDERED this the 24th day of June, 1988.

STATE OIL AND GAS BOARD OF ALABAMA

BY: *Ralph Adams*  
Dr. Ralph Adams, Chairman

BY: *[Signature]*  
Gaines C. McCorquodale, Member

BY: *Matthew S. Metcalfe*  
Matthew S. Metcalfe, Member

ATTEST:

*Ernest A. Mancini*  
Ernest A. Mancini, Secretary

## EXHIBIT "A"

### SPECIAL FIELD RULES FOR THE BARNETT FIELD CONECUH AND ESCAMBIA COUNTIES, ALABAMA

#### 1. FIELD LIMITS:

The Barnett Field as used herein is that area described as all of Sections 25, 26, 27, 34 and 35 and the West Half (W/2) and the Northeast Quarter (NE/4) of Section 36, Township 4 North, Range 7 East, Conecuh County, Alabama, the Northwest Quarter (NW/4) and the South Half (S/2) of Section 1 and all of Sections 2 and 3, Township 3 North, Range 7 East, Escambia county, Alabama, underlain by the Smackover Oil Pool, as hereinafter defined, and all productive extensions thereof.

#### 2. SMACKOVER OIL POOL DEFINED:

The Smackover Oil Pool in the Barnett Field as used herein shall be construed to mean those strata of the Smackover Formation productive of hydrocarbons in the interval between 13,431 feet to 13,515 feet in the Wheless Industries, Inc., and Jack E. Stack, Jr., - Alger Sullivan No. 1 Well, located in the Northwest Quarter of the Southeast Quarter of Section 35, Township 4 North, Range 7 East, Conecuh County, Alabama as indicated on the dual induction focus log of said well, and including those strata productive of hydrocarbons which can be correlated therewith. Said pool constitutes a separate and distinct oil producing pool in said field, separate and distinct from all other producing pools in the said field.

The characteristics of the said Smackover Oil Pool in said Barnett Field are such that a well located as hereinafter described and drilled upon a unit containing approximately 160 contiguous surface acres conforming to the requirements of the rules herein contained will efficiently drain and produce the recoverable hydrocarbons from such unit in said pool without avoidable waste.

#### 3. SPACING OF OIL WELLS:

Every well drilled as an oil well:

(a) shall be drilled on a drilling unit consisting of approximately 160 contiguous acres upon which no other drilling or producible well is located in the Smackover Oil Pool.

(b) shall be located at least 1320 feet from every other drilling or producible well located in the Barnett Field in the Smackover Oil Pool;

(c) shall be located at least 660 feet from every exterior boundary of the drilling unit.

#### 4. DRILLING AND COMPLETION OPERATIONS:

(a) Unless an exception is granted by the Board, at least one thousand eight hundred (1800) feet of surface casing shall be run in each well and shall be cemented with sufficient cement, or cementing admixture to allow circulation of cement to the surface, provided, however, that in the event the owner is unable to run surface casing in a well to a depth of one thousand eight hundred (1800) feet, due to adverse conditions, the requirements of this paragraph shall be satisfied by stage cementing the flow string of casing to a depth of one thousand eight hundred (1800) feet from the surface of the ground with a sufficient amount of cement or cementing admixture to fill the annular space back of the casing to said depth of one thousand eight hundred (1800) feet.

(b) Production casing shall be set into the Smackover Reservoir.

(c) The production casing shall be cemented with sufficient cement, or cementing admixture, to fill the calculated annular space between the flow string and bore hole to a height at least five hundred (500) feet above the top of the Smackover Oil Pool.

(d) The time of waiting on cement or cementing admixture shall be a minimum of twelve (12) hours before drilling surface casing plug and a minimum of eighteen (18) hours before drilling the production plug.

(e) The surface casing shall be tested at a pressure equivalent to 1 pound per square inch per foot of casing set with a maximum test pressure of 1000 pounds per square inch.

(f) Before drilling the cement plug in the producing casing of any well, the casing shall be tested at a pressure in pounds per square inch calculated by multiplying the length in feet of the producing string by two-tenths (.2) with a maximum test pressure not to exceed 1500 pounds per square inch.

5. RESERVOIR PRESSURE SURVEY:

A pressure survey shall be performed on each well producing from the Smackover Oil Pool in April and October of each year. However, the time between tests may be extended by the Supervisor of the State Oil and Gas Board. The results shall be reported to the State Oil and Gas Board by the 15th day of the following month. The Bottom Hole Pressure test shall be performed with a Bottom Hole Pressure Gauge if the well is flowing, and a Bottom Hole Pressure Gauge or Sonic device if the well is pumping.

6. ALLOWABLE HEARING:

Hearings to change the allowable production of oil in the Barnett Field shall be held whenever called by an order of the Oil and Gas Board and also whenever any interested party petitions the Board for such a hearing; provided, however, that no such hearing for such purpose shall be held until after at least 30 days notice. Orders fixing allowable production of oil shall remain effective until changed or terminated by later order of this Board.

7. ALLOWABLES:

An allowable for each well shall be set on an individual well basis and not on a field-wide or pooled field basis. An allowable hearing as provided in Paragraph Six hereof shall not be necessary so long as the daily production from each well does not exceed 300 barrels per day. Each unit shall be assigned an allowable by the Board when said unit is completed and ready for production and it will not be necessary for said allowable to be established at a hearing as long as the allowables are within the maximum limits herein stipulated.

8. PERMISSIBLE TOLERANCE IN PRODUCTION VOLUMES ALLOWED FOR OIL WELLS:

(a) Daily Tolerance.

It is recognized that oil wells located on units capable of producing their daily allowable may overproduce one day and under produce another. No unit, except for the purpose of testing in the

process of completing or recompleting a well and for tests made for the purpose of obtaining scientific data, shall produce during any day more than one hundred twenty-five percent (125%) of the daily allowable assigned the unit, or ten (10) barrels above the daily unit allowable, whichever is greater. (Subject to the foregoing, any underproduction shall be made up by production from the same unit within the same month and overproduction shall be adjusted by underproduction).

(b) Monthly Tolerance.

No unit shall produce in any one month more than its monthly allowable plus a tolerance equal to three (3) days' allowable production. The allowed monthly tolerance shall be considered as oil produced against the allowable assigned to the unit for the following month.

(c) Production in Excess of Monthly Allowable Plus Tolerance.

In instances where production in excess of the monthly allowable plus tolerance occurs from error, mechanical failure, testing or other cause reasonably beyond the control of the producer, such excess production shall be reported to the State Oil and Gas Board and the transporter in writing within fifteen (15) days after occurrence. The report shall contain the number of barrels of excess production, and the plan of adjustment. Such excess production shall be considered as oil produced against the allowable assigned to the unit for the following month and it shall be transported from the lease tanks only as the unit accrues daily allowable to offset such excess production.

(d) General.

The tolerance permitted on a daily or monthly basis shall not be construed to increase the allowable of a producing unit or to grant authority to any producer to market or to any transporter to transport any quantity of oil in excess of the unit's allowable. The possession of a quantity of oil, in lease storage at the end of any month in excess of three (3) days allowable plus any unrun allowable oil shall be construed as a violation of this rule unless reported as provided in (c) above.

9. ADJUSTED OIL WELL ALLOWABLE:

When a newly completed oil well comes into production, and when any oil well is placed back into production after having been removed from the allowable schedule, such well shall produce only the same daily allowable as that assigned by these rules; provided, however, if such well is located on a unit smaller than the regular drilling unit prescribed by the Board for the field, such well shall be permitted to produce only that proportion of the allowable assigned to such a regular allowable unit as the acreage in the smaller unit bears to the acreage in a regular allowable unit. The Board reserves the right for proper cause to adjust such allowable, and if such allowable is reduced, to charge any overproduction against the future production of such well.

10. MEASUREMENT OF PRODUCTION:

The operator of each producing well shall maintain proper separators and stock tanks and/or metering devices and such connections thereto as are necessary to measure the total production from such well. Production may be commingled in a common storage system provided metering devices are used. And if, upon a sale therefrom, a variance exists between the measurement of the production of all the wells commingled in such common storage system, such variance shall be allocated back to each of the wells producing into such common storage system proportionately to the production measured from each well.

11. EQUIPMENT FOR TESTS:

Each producing well shall be so equipped that gas-oil ratio tests and bottom hole or other pressure tests can be made.

12. USE OF METERS:

The use of meters for testing and for measurement of production shall be subject to and in accordance with the following provisions:

(a) Only a volume displacement type metering device or vessel which registers the volume of oil passed through it in barrels or multiples thereof shall be used.



(b) All meters shall be downstream of necessary separating or treating vessels. All meters shall be designed and installed in conformance with recognized metering practices and acceptable to the Oil and Gas Supervisor.

(c) All meters and equipment affecting meter accuracy shall be kept in good working order. Each meter shall be calibrated at least once a month by means of a calibrated tank, a calibrated meter prover or a master meter. When a meter is found to deviate in its recording by more than two per cent, it must be adjusted to conform to the said tolerance limitation to two per cent or the meter calibration factor corrected.

### 13. PRODUCTION TESTS:

Semi-annual gas-oil ratio and water cut tests shall be performed on each well producing from the Smackover Oil Pool in the months of April and October of each year and gas-oil ratio tests reported in cubic feet of gas per barrel of oil and water cut tests reported in barrels of oil and barrels of water to the Oil and Gas Supervisor, by the fifteenth (15th) of the month next following the month in which gas-oil ratio and water cut tests were performed.

Duration of gas-oil ratio and water cut tests shall be for a period of not less than six (6) hours following a twenty-four (24) hour pre-test production period, the last eight (8) hours of which shall be at a rate reasonably approximating the current daily well allowable rate or the well capacity to produce, whichever is the lesser, provided that procedure and method of measuring oil and gas during this test shall be one currently recognized as standard practice in oil field operations.

### 14. SURVEYS AND TESTS OF NEW WELLS OR OLD WELLS AFTER RECONDITIONING:

Gas-oil ratio, water cut and bottom hole pressure tests shall not be performed on any new well or any well which has been reconditioned or repaired where oil and other liquid has been injected into the producing formation of the well bore until after all the oil or injected fluid has been recovered and, in addition,

the well has been produced at a rate reasonably approximating the currently assigned allowable or an allowable which has been reassigned by the Oil and Gas Board following reconditioning; however, in no instance shall the daily rate of production exceed two hundred per cent (200%) of the maximum daily oil allowable currently assigned any well in the pool for the purpose of completion, recompletion, testing for scientific data or production stimulation and such overproduction shall be subject to Rule 8. The period of overproduction shall not exceed five (5) continuous days for each such completion or reworking.

15. GENERAL RULES AND REGULATIONS:

In addition to the Special Field Rules recorded heretofore in this order, all of the provisions of the State Oil and Gas Board of Alabama Administrative Code promulgated by this Board, and all amendments thereto, which order and all amendments thereto are made a part hereof by reference, shall remain in full force and effect with respect to the Barnett Field, Conecuh and Escambia Counties, Alabama, except as herein amended. In the event of conflict between the provisions of said State Oil and Gas Board of Alabama Administrative Code or the amendments thereto, and the Special Field Rules prescribed by this order, then the Special Field Rules adopted herein shall govern and control.

The Board expressly reserves its rights, after notice and hearing, to grant exceptions, alter, amend or repeal any and all of the above rules and regulations.