

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 MARCH 26, 2009, THE  
FOLLOWING ORDER IS HEREBY PROMULGATED:

IN RE: ORDER NO. 2009-27

DOCKET NO. 3-24-09-13B

THIS CAUSE came on for hearing before the State Oil and Gas Board of Alabama on the petition of HUGHES EASTERN CORPORATION (hereinafter referred to as "Hughes"), a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving an exceptional location for the SE Bluff Oil Unit 17-4 #1 Well, Permit No. 15174, on a 320-acre unit consisting of the North Half of Section 17, Township 14 South, Range 13 West, Fayette County, Alabama, in the Bluff Field, Fayette and Lamar Counties, Alabama, as an exception to Rule 3(b) of the Special Field Rules for said Field. The State Oil and Gas Board finds that due and proper notice of the hearing of said cause has been given in the manner and form and for the time required by law and the rules and regulations of this Board, and that the Board has full jurisdiction of this cause, and the Board being fully advised in the premises finds:

I.

That on the petition by Cleary Petroleum Corporation, the Board in Order No. 78-104 issued on July 7, 1978, established the Bluff Gas Field in Fayette County, Alabama underlain by the Gilmer Sand Gas Pool, the Carter Sand Gas Pool, and the Lewis Sand Gas Pool. On the petition by Grace Petroleum Corporation, the Board in Order No. 80-122 issued on July 11, 1980, amended the Special Field Rules for said Field to include the Millerella Sand Gas Pool.

II.

That on the petition by Hughes Eastern Petroleum, Ltd., the Board in Order No 84-270 issued on June 28, 1984, established the Bluff Oil Field, Alabama underlain by the Carter Sand Oil Pool.

III.

That on the petition by Hughes, the Board in Order No. 2005-113 issued on October 21, 2005, established a partial fieldwide unit in said Field to be known as the "Southeast Bluff Upper Carter Oil Unit". Further, the Board approved a Plan of Unit Operation for the Unit and appointed Hughes as the initial Unit Operator of said Unit.

IV.

That on the petition by Hughes, the Board in Order No. 2008-63, issued on April 16, 2008, amended the Special Field Rules, enlarged the Unit, and approved a redetermination of Tract Participation of each Tract in the Unit.

V.

That in 2007, Hughes drilled and completed the SE Bluff Oil Unit 17-4 #1 Well, Permit No. 15174, in the Carter Sand Oil Pool for the Southeast Bluff Upper Carter Oil Unit, as defined in the Special Field Rules for the Bluff Oil Field. Subsequently, Hughes performed a workover and re-completed the well in the Gilmer Sand Gas Pool as defined in the Special Field Rules for the Bluff Gas Field, on the proposed 320-acre unit consisting of said North Half of Section 17, Township 14 South, Range 13 West, Fayette County, Alabama, at a location 670 feet from the West line and 350 feet from the North line of said Section 17.

VI.

That Hughes drilled the SE Bluff Oil Unit 17-4#1 Well as a unit well in the Southeast Bluff Upper Carter Oil Unit pursuant to the Unit Operating Agreement for the Unit. Article 18 of the Unit Operating Agreement previously approved by the Board addresses the Abandonment of Wells.

VII.

That the location of said well 350 feet from the North line of the proposed 320-acre unit is an exception to Rule 3(b) of the Special Field Rules for the Bluff Gas Field, which requires that wells in said Field be located at least 660 feet from every exterior boundary of the drilling unit.

VIII.

That in its petition, Hughes proposes that the Board establish the proposed 320-acre unit for the well in the Gilmer Sand Gas Pool and approve the exceptional location for the well.

IX.

That in its petition, Hughes avers that Hughes “successfully re-completed and frac stimulated the well resulting in a gas completion capable of producing 250 MCFD with 400 FTP”.

X.

That Emil Pawlik, a witness for Hughes, testified that during the first production the well produced 122 MCFD.

#### FINDINGS OF FACT

XI.

That Hughes completed the SE Bluff Oil Unit 17-4 #1 Well in the Gilmer Sand Gas Pool in the Bluff Gas Field. The evidence indicates that the well is a productive natural gas well in the Gilmer Sand Gas Pool.

XII.

That the above-described location of said well is the optimum geological location to produce hydrocarbons from the Gilmer Sand Gas Pool on said 320-acre unit.

XIII.

That considering that the SE Bluff Oil Unit 17-4 #1 Well will not be a productive well from the Unitized Formation of the Southeast Bluff Upper Carter Oil Unit and that the well is producing from the Gilmer Sand Gas Pool, which is not a pool in the Unit, the well is due to be re-named.

#### CONCLUSIONS OF LAW

XIV.

That the granting of this petition will prevent waste, protect correlative rights of all owners in the unit and avoid the drilling of unnecessary wells.

XV.

That considering that the subject well was drilled under the Unit Agreement and Unit Operating Agreement as a Unit Well, the Unit Operator is due to comply with Article 18 of the Unit Operating Agreement relating to Abandonment Of Wells.

Based on the Findings of Fact and Conclusions of Law set forth hereinabove, IT IS THEREFORE, HEREBY ORDERED, ADJUDGED AND DECREED by the State Oil and Gas Board of Alabama that the Petition be GRANTED, the State Oil and Gas Board hereby (1) establishes the 320-acre unit consisting of the North Half of Section 17, Township 14 South, Range 13 West, Fayette County, Alabama in the Gilmer Sand Gas Pool as the production unit for the

subject well; (2) approves the exceptional location for the subject well at a location 670 feet from the West line and 350 feet from the North line of the 320-acre unit; and (3) orders that the well previously named the SE Bluff Oil Unit 17-4 #1 be re-named.

IT IS FURTHER ORDERED that the operator comply with the provisions of Article 18 of the Unit Operating Agreement for the SE Bluff Carter Oil Unit related to the Abandonment of Wells.

ORDERED this 26<sup>th</sup> day of March, 2009.

STATE OIL AND GAS BOARD OF ALABAMA

BY: James H. Griggs  
James H. Griggs, Chairman

BY: Charles E. Pearson  
Charles E. Pearson, Member

BY: ABSENT  
Rebecca Wright Pritchett, Member

ATTEST:

Berry H. (Nick) Tew, Jr.  
Berry H. (Nick) Tew, Jr., Secretary