

BEFORE THE STATE OIL AND GAS BOARD OF ALABAMA

PURSUANT TO A DECISION RENDERED FOLLOWING
A REGULAR SESSION OF THE STATE OIL AND GAS
BOARD OF ALABAMA ON JULY 22, 2010, THE
FOLLOWING ORDER IS HEREBY PROMULGATED:

IN RE: ORDER NO. 2010-70

DOCKET NO. 7-20-10-01A

THIS CAUSE came on for hearing before the State Oil and Gas Board of Alabama on the Amended Petition of SOUTH CARLTON OPERATING COMPANY, LLC, a foreign limited liability company authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board (hereinafter referred to as the "Board") to enter an order authorizing the re-entry of the ARCO Gulfcrest Unit 5-2 No. 1 Well, Permit No. 5226, in the Gulf Crest Field for testing and production of the Smackover Oil Pool on an exceptional 160-acre production unit consisting of the West Half of the Northeast Quarter, the Northeast Quarter of the Northeast Quarter, the North Half of the Southeast Quarter of the Northeast Quarter and the East Half of the Northeast Quarter of the Northwest Quarter of Section 5 of Township 1 South, Range 2 West, Mobile County, Alabama, as an exception to Rule 3(a) of the Special Field Rules for the Gulf Crest Field. The Board, after receiving and considering the testimony of the witnesses and other evidence, and hearing argument of counsel, 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, that proofs of publication of notice are on file with the Board, and that the Board has full jurisdiction of this cause, and being fully advised in the premises finds:

I.

That in 1987, Arco Oil & Gas Co., Division of Atlantic Richfield drilled the ARCO Gulfcrest Unit 5-2 No.1 Well (originally permitted as the M. H. Brown Trust Unit 5-2 No. 1 Well), Permit No. 5226, on a 40-acre wildcat drilling unit consisting of the Northwest Quarter of the Northeast Quarter of said Section 5, Township 1 South, Range 2 West, Mobile County, Alabama. The Well was drilled from a surface location 625 feet from the North line and 358 feet from the West line of the unit, to a total depth of approximately 18,710 feet at a bottom hole location 585.16 feet from the North line and 333 feet from the West line of the unit. Said surface location is also 625 feet from the

North line and 2310 feet from the East line of said Section 5. Said bottom hole location is also 585.16 feet from the North line and 2335 feet from the East line of said Section 5. The Well was completed as a producer in the Smackover Formation as a discovery well in a separate and distinct pool from the adjacent Chunchula Field.

II.

That in 1988, the Board, by Order No. 88-52, after a hearing in Docket Nos. 1-28-885B, 1-28-886A, 1-28-887A, 3-10-8825A, 3-10-8826 and 3-10-8827, established the Gulf Crest Field and adopted Special Field Rules for said Field, which set forth the field limits, defined the Smackover Oil Pool, and set forth spacing rules and other rules for said pool. In said order the Board reformed the original 40-acre drilling unit for the ARCO Gulferest Unit 5-2 No. 1 Well to an exceptional 160-acre production unit consisting of the West Half of the Northeast Quarter, the Northeast Quarter of the Northeast Quarter, the North Half of the Southeast Quarter of the Northeast Quarter and the East Half of the Northeast Quarter of the Northwest Quarter of said Section 5 as an exception to the governmental quarter section spacing requirements in Rule 3(a) of the Special Field Rules for the Gulf Crest Field. In said order the Board also approved the bottom hole location of said Well as an exception to Rule 3(b) of the Special Field Rules for said Field, said well having a bottom hole location 585.16 feet from the North line of the unit rather than the required 660-foot distance.

III.

That the ARCO Gulferest Unit 5-2 No. 1 Well is the only well drilled within the field area established for the Gulf Crest Field. Said well was plugged and abandoned in 1991. The Board's records show that the well produced 1,367 barrels of oil the last month it produced in June 1990.

IV.

That South Carlton Operating Company, LLC desires to re-enter the ARCO Gulferest Unit 5-2 No. 1 Well to attempt to re-establish production in the Smackover Oil Pool in the Gulf Crest Field. In this Petition South Carlton Operating Company, LLC

requests that the production unit for said re-entry be the identical exceptional 160-acre production unit established for this well by the Board in 1988, pursuant to Order No. 88-52.

V.

That Rule 3(a) of the Special Field Rules for the Gulf Crest Field requires that the production units for wells drilled to and completed in the Smackover Oil Pool in the Gulf Crest Field consist of a governmental quarter section containing approximately 160 contiguous acres. The proposed production unit is therefore an exception.

VI.

That this petition is filed as a companion to the petition bearing Docket No. 7-20-10-02A requesting approval of the location of the wellbore of the ARCO Gulfcrest Unit 5-2 No. 1 Well as an exception to Rule 3(b) of the Special Field Rules for said field.

VII.

That an expert petroleum engineer witness for South Carlton Operating Company, LLC testified that he has conducted a study of the ARCO Gulfcrest Unit 5-2 No. 1 Well and the Smackover Oil Pool in the Gulf Crest Field. The witness further testified that there have been no wells drilled in the vicinity of the Gulf Crest Field outside of Chunchula Field since 1988, and no new geological or engineering data have been developed relating to the Smackover Oil Pool in the Gulf Crest Field since that time. The witness also testified that the data, testimony, and exhibits presented to the Board in connection with the hearing in Docket Nos. 1-28-885B, 1-28-886A, 1-28-887A, 3-10-8825A, 3-10-8826 and 3-10-8827 continue to support the exceptional 160-acre production unit for the well established by the Board in 1988, pursuant to Order No. 88-52.

VIII.

That the Board incorporated the record for the hearing in Docket Nos. 1-28-885B, 1-28-886A, 1-28-887A, 3-10-8825A, 3-10-8826 and 3-10-8827 into the record for this hearing.

FINDINGS OF FACT

IX.

That the evidence indicates that the facts related to the hearing in Docket Nos. 1-28-885B, 1-28-886A, 1-28-887A, 3-10-8825A, 3-10-8826 and 3-10-8827 have not changed since the Board established said 160-acre production unit in Order No. 88-52. The exceptional 160-acre production unit established for the ARCO Gulfcrest Unit 5-2 No. 1 Well by the Board in 1988, pursuant to Order No. 88-52 is, therefore, due to be approved as the 160-acre production unit for the re-entry of said Well to attempt to re-establish production from the Smackover Oil Pool in the Gulf Crest Field.

CONCLUSIONS OF LAW

X.

That the Petition is due to be granted pursuant to Section 9-17-6(c)(14) of the *Code of Alabama* (1975), as amended.

XI.

That the granting of this Petition will encourage and promote the development, production and utilization of the natural resources of oil and gas in the State of Alabama and will allow the development of the Smackover Oil Pool in the Gulf Crest Field.

XII.

That the granting of this Petition will prevent waste, avoid drilling of unnecessary wells and protect correlative rights.

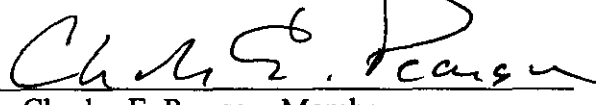
Based upon the Findings of Fact and Conclusions of Law set forth hereinabove, IT IS THEREFORE, HEREBY ORDERED, ADJUDGED AND DECREED by the State Oil and Gas Board of Alabama that said Amended Petition is GRANTED, and South Carlton Operating Company, LLC is authorized to re-enter the ARCO Gulfcrest Unit 5-2

No. 1 Well, Permit No. 5226, in the Gulf Crest Field for testing and production of the Smackover Oil Pool on a 160-acre production unit consisting of the West Half of the Northeast Quarter, the Northeast Quarter of the Northeast Quarter, the North Half of the Southeast Quarter of the Northeast Quarter, and the East Half of the Northeast Quarter of the Northwest Quarter of Section 5 of Township 1 South, Range 2 West, Mobile County, Alabama, as an exception to Rule 3(a) of the Special Field Rules for the Gulf Crest Field.

ORDERED this 22nd day of July, 2010.

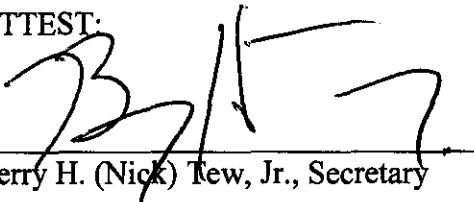
STATE OIL AND GAS BOARD OF ALABAMA

BY: 
James H. Griggs, Chairman

BY: 
Charles E. Pearson, Member

BY: 
Rebecca Wright Pritchett, Member

ATTEST:


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