

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: PETITION OF TARPON WHITETAIL GAS STORAGE, LLC TO ESTABLISH THE ABERDEEN GAS STORAGE FIELD, FOR AUTHORITY TO USE DEPLETED GAS RESERVOIRS OF ABERDEEN FIELD FOR THE INJECTION, STORAGE AND WITHDRAWAL OF NATURAL GAS, TO AMEND THE SPECIAL FIELD RULES FOR ABERDEEN FIELD AND OBTAIN RELATED RELIEF, MONROE COUNTY, MISSISSIPPI.

FILED FOR RECORD

DEC 26 2007

STATE OIL AND GAS BOARD  
LISA IVSHIN, SUPERVISOR

DOCKET NO. 470-2007-56

ORDER NO. 928-2007

ORDER

THIS MATTER came on for hearing before the State Oil and Gas Board on the Petition of Tarpon Whitetail Gas Storage, LLC to establish the Aberdeen Gas Storage Field as an Underground Storage Facility; for authority to use depleted gas reservoirs in Aberdeen Gas Field for the injection, storage and withdrawal of natural gas or compressed air; to allow Petitioners to utilize, drill, equip and operate wells to do so; to expand the definition of said field and make appropriate amendments to the Special Field Rules for said field; to be designated the Operator of the said Gas Storage Field located in Monroe County, Mississippi, as described hereinafter; to approve its authority to exercise the right of eminent domain, in the manner provided by law, to acquire all surface and subsurface rights necessary and useful for the purpose of storing natural gas or compressed air, pursuant to Miss. Code Ann. § 53-3-159; and to grant related relief, such hearing being called for such purpose; and

WHEREAS, the Board finds that due, proper and legal notice of the meeting of the Board for the purpose of considering and taking action with respect to such matter was given in the manner and way provided by law and the rules and regulations of the Board; that due, legal and sufficient proofs of publication and service are on file with the Board; and that the Board has full jurisdiction of the subject matter to hear and determine same; and

WHEREAS, pursuant to said notice and service of process, public hearing was held by said Board, in the hearing room, 500 Greymont Avenue, Suite E, Jackson, Mississippi, commencing on December 12, 2007, at which hearing all persons present who desired to be heard on said matter were heard and all testimony and evidence were duly considered by those present at said meeting; and

WHEREAS, the Board has fully considered said matter and the evidence and recommendations made in said hearing and finds as follows:

1.

Petitioner is qualified to do business in the State of Mississippi as an entity incorporated for the purpose of owning, developing, operating and using reservoir(s) for the storage of natural gas or compressed gas, as an appliance or appurtenance in connection with the conveying, transmission or distribution of natural gas or compressed air as well as building or construction of pipelines and appliances for the conveying and distribution of oil, gas, including carbon dioxide or other gaseous substances as provided for, and pursuant to Sections 53-3-151 et seq. and Section 11-27-47 et seq. all of Mississippi Code Annotated as amended. In order to fulfill its corporate mandate regarding the storage and distribution of natural gas, and in order that it may have a readily accessible and adequate supply of natural gas, Petitioner has found it practical, feasible and necessary to create a supply of natural gas for said purpose by storage of such gas underground by injection, pumping or otherwise into formations beneath the surface of the ground. The storage of natural gas will promote the conservation thereof, and will permit the building of large quantities of natural gas in reserve for orderly withdrawal in periods of peak demand, making natural gas more readily available.

2.

The Board should establish the "Aberdeen Gas Storage Field" as an "Underground Storage Facility" (Statewide Rule 67.1.F). The "Storage Area" (Statewide Rule 67.1.K) should be established to be the following described lands:

Township 14 South, Range 6 East

- Section 23: the Southeast Quarter (SE 1/4), the Southeast Quarter of the Northeast Quarter (SE 1/4 of NE 1/4) and South One-Half of the Southwest Quarter (S 1/2 of SW 1/4);
- Section 24: All;
- Section 25: All;
- Section 26: the East One-Half (E 1/2), the Northwest Quarter (NW 1/4) and the North One-Half of the Southwest Quarter (N 1/2 of SW 1/4);
- Section 36: the North One-Half (N 1/2) and the Northeast Quarter of the Southeast Quarter (NE 1/4 of SE 1/4);

Township 14 South, Range 7 East

Section 19: the Southwest Quarter (SW 1/4) and the South One-Half of the Southeast Quarter (S 1/2 of SE 1/4);

Section 29: the West One-Half (W 1/2 ) and the West One-Half of the East One-Half (W 1/2 of E 1/2);

Section 30: All;

Section 31: All; and

Section 32: the West One-Half (W 1/2) and the Northwest Quarter of the Northeast Quarter (NW 1/4 of NE 1/4)

all located in Monroe County, Mississippi.

3.

The "Reservoir" (Statewide Rule 67.1.B) to be used by Petitioner for the injection, storage and withdrawal of natural gas or compressed air is an underground reservoir, stratum or formation that should be described as follows:

Those strata and zones lying between the well log measured depth of 3432 feet and 3620 feet or the stratigraphic equivalent thereof as shown on the electric log of the No. 1 Senter 30-15 Well located in Section 30, Township 14 South, Range 7 East, Monroe County, Mississippi, and those strata which can be correlated therewith and are in communication therewith.

This is generally known as the Lower Carter and the Sanders Sand.

4.

The Reservoir is a porous stratum of the earth or porous zone of a general structure which is completely separated from any other porous zone and is capable of being used for underground storage of natural gas and/or air. An engineer and geologist experienced in the development and/or operation of underground storage facilities have performed an investigation and determined the feasibility of the Underground Storage Facility within the Storage Area and in the Reservoir. The Reservoir is in all respects suitable and feasible for the injection, storage and withdrawal of natural gas and such use is in the public interest by providing needed storage capacity for Petitioner's customers. The Reservoir is depleted of, and no longer capable of producing, commercial quantities of native gas and is not an oil reservoir capable of commercial production. The Reservoir is of greater value and utility as a natural gas storage reservoir for the purpose of ensuring an adequate supply of natural gas than for the production of oil or native gas. The use of the Reservoir for the injection, storage and withdrawal of natural gas will not

contaminate other formations containing fresh water, oil, gas or other commercial mineral deposits, nor will such use pose any danger to the environment. The use of the Reservoir for the injection, storage and withdrawal of natural gas will not endanger life or property, either real or personal.

5.

The Underground Storage Facility, Storage Area and Reservoir will satisfy the requirements of Miss. Code Ann. Section 53-3-151 et seq. and the Board's Statewide Rule 67.

6.

Petitioner has shown that the proposed Underground Storage Facility is in the public interest and welfare of this state and is for a public purpose. The proposed Underground Storage Facility will promote the conservation of natural gas or compressed air, will permit the building of large quantities of natural gas or compressed air in reserve for orderly withdrawal in periods of peak demand, making natural gas or compressed air more readily available to the consumer, and will provide more uniform withdrawal from various gas or oil fields.

7.

A majority interest of all rights in and to the surface interest of the Storage Area and a majority interest of all interests in the Reservoir have consented to such use in writing, including the rights to inject, store and withdraw natural gas from said formations.

8.

The proposed amendments to the Special Field Rules will prevent waste, protect the co-equal and correlative rights of all owners in the Field and will afford Petitioner the opportunity to utilize the Reservoir for the purposes allowed by the applicable statutes and rules, thereby serving the public interest. The procedures authorized by the proposed amended Special Field Rules will adequately protect all fresh water bearing zones and any and all other oil and/or gas bearing sands in the Field, and will not endanger life and/or property.

9.

The Board should appoint and designate Petitioner the Operator of the Aberdeen Gas Storage Field and approve its authority to exercise the right of eminent domain, in the manner provided by law, to acquire all surface and subsurface rights necessary and useful for the purpose of storing natural gas or compressed air, pursuant to Miss. Code Ann. § 53-3-159.

IT IS, THEREFORE, ORDERED AND ADJUDGED that the Aberdeen Gas Storage Field is hereby established as an Underground Storage Facility; Petitioner is authorized to use the Reservoir for the injection, storage and withdrawal of natural gas or compressed air; Petitioner is authorized to utilize, drill, equip and operate wells to do so; Petitioner is appointed and designated to be the Operator of the Aberdeen Gas Storage Field and the Underground Storage Facility and as Operator, authorized to exercise the right of eminent domain, in the manner provided by law, to acquire all surface and subsurface rights necessary and useful for the purpose of storing natural gas or compressed air, pursuant to Miss. Code Ann. § 53-3-159; and that the Special Field Rules of Aberdeen Gas Storage Field are hereby established and the Special Field Rules for Aberdeen Gas Field are hereby amended to read as follows:

**SPECIAL FIELD RULES  
FOR THE ABERDEEN GAS FIELD AND ABERDEEN GAS STORAGE FIELD  
MONROE COUNTY, MISSISSIPPI**

**ABERDEEN GAS FIELD:** The Aberdeen Gas Field, as defined herein, is that area situated in Sections 23, 24, 25 and 26, Township 14 South, Range 6 East, Sections 13 and 14, the North Half of Section 36, Township 14 South, Range 6 East, Sections 18, 19, 29, 30, 31 and 32, Township 14 South, Range 7 East, Monroe County, Mississippi, underlain by the Evans Sand Gas Pool and the Lewis Sand Gas Pool of the Mississippian Formation, and all productive extensions thereof.

A. The Evans Sand Gas Pool in the Aberdeen Gas Field shall be construed to mean those strata of the Mississippian Formation productive of gas in the interval between the electric log depths of 3933 feet and 3962 feet in the Louisiana Land and Exploration Company - Lee H. Harrington No. 1 Well, as indicated on the electric log of said well, and all sands correlative of these strata productive of gas, said well being located 1,085 feet East of the West line and 1587 feet North of the South line of Section 30, Township 14 South, Range 7 East, Monroe County, Mississippi.

B. The Lewis Sand Gas Pool in the Aberdeen Gas Field shall be construed to mean those strata of the Mississippian Formation productive of gas in the interval between the electric log depths of 4086 feet and 4151 feet in the Louisiana Land and Exploration Company - Lee H. Harrington No. 1 Well, as indicated on the electric log of said well, and all sands

correlative of these strata productive of gas, said well being located 1085 feet East of the West line and 1587 feet North of the South line of Section 30, Township 14 South, Range 7 East, Monroe County, Mississippi.

C. The characteristics of said Evans Sand Gas Pool and Lewis Sand Gas Pool in said field are such that a well located as hereinafter prescribed and drilled upon a drilling unit containing approximately 320 contiguous surface acres conforming to the requirements of the rules herein contained will efficiently drain and produce the recoverable gas from such units in said pools without avoidable waste.

ABERDEEN GAS STORAGE FIELD: The Aberdeen Gas Storage Field (herein, the "Storage Field") is that area situated within the Aberdeen Gas Field that is suitable for the development and operation of an Underground Storage Facility pursuant to Statewide Rule 67.

A. The Storage Area for the Storage Field is comprised of the following described lands that lie within the Aberdeen Gas Field:

Township 14 South, Range 6 East

Section 23: the Southeast Quarter (SE 1/4), the Southeast Quarter of the Northeast Quarter (SE 1/4 of NE 1/4) and South One-Half of the Southwest Quarter (S 1/2 of SW 1/4);

Section 24: All;

Section 25: All;

Section 26: the East One-Half (E 1/2), the Northwest Quarter (NW 1/4) and the North One-Half of the Southwest Quarter (N 1/2 of SW 1/4);

Section 36: the North One-Half (N 1/2) and the Northeast Quarter of the Southeast Quarter (NE 1/4 of SE 1/4);

Township 14 South, Range 7 East

Section 19: the Southwest Quarter (SW 1/4) and the South One-Half of the Southeast Quarter (S 1/2 of SE 1/4);

Section 29: the West One-Half (W 1/2) and the West One-Half of the East One-Half (W 1/2 of E 1/2);

Section 30: All;

Section 31: All; and

Section 32: the West One-Half (W 1/2) and the Northwest Quarter of the Northeast Quarter (NW 1/4 of NE 1/4)

all located in Monroe County, Mississippi.

B. The Reservoir within the Storage Area to be used for purposes of the Underground Storage Facility for the injection, storage and withdrawal of natural gas or compressed air is an underground reservoir, stratum or formation is defined as follows:

Those strata and zones lying between the well log measured depth of 3432 feet and 3620 feet or the stratigraphic equivalent thereof as shown on the electric log of the No. 1 Senter 30-15 Well located in Section 30, Township 14 South, Range 7 East, Monroe County, Mississippi, and those strata which can be correlated therewith and are in communication therewith.

**RULE 1 - SPACING OF GAS WELLS**

(1) All gas wells drilled and completed in the Aberdeen Gas Field shall be located upon 320-acre drilling units, and a tolerance of 2% shall be allowed to compensate for variances in the size of drilling units.

(2) Each gas well completed in a separate gas pool shall be located at least 1320 feet from any other producible well completed in, or drilling well projected to, the same gas pool.

(3) No gas well shall be located closer than 660 feet to any exterior boundary line of a drilling unit, except upon special permit granted by the Board after notice and hearing.

(4) No well shall be drilled to, through, under or within the Storage Area by anyone other than the Operator of the Storage Field except as permitted by the Board, after notice and hearing before the Board and personal service upon the Operator of the Storage Field.

(5) The spacing rules set out in subparagraphs (1), (2) and (3) of this Rule 1 shall not apply to wells drilled, reworked, recompleted and/or otherwise utilized by the Operator of the Storage Field in the development, operation and maintenance of the Storage Field.

**RULE 2 - DRILLING AND COMPLETION OF GAS WELLS**

(1) Adequate controls and equipment to prevent blow-outs shall be used in the drilling and completion of all wells.

(2) The production string of casing shall be cemented with a calculated amount of cement necessary to fill the annular space to a point 500 feet above the shallowest producing gas pool penetrated by the well.

(3) All wells shall be equipped with and produced through a tubing string of not more than 2-1/2" in internal diameter.

(4) Upon approval thereof by the Board, after notice and hearing, wells may be completed as dual completions, or as multiple (three or more) completions, producing simultaneously through two (2) or more tubing strings, or through a combination of tubing strings and casing-tubing annulus, designed to maintain separation of production from each separate gas pool.

(5) The drilling and completion rules set out in subparagraphs (1), (2), (3) and (4) of this Rule 2 shall not apply to wells drilled, reworked, recompleted and/or otherwise utilized by the Operator of the Storage Field in the development, operation and maintenance of the Storage Field.

### RULE 3 – STORAGE FIELD WELLS

(a.) The injection, storage and withdrawal of natural gas or compressed air from the Reservoir by the Operator of the Storage Field are hereby authorized. All other persons are prohibited from doing so.

(b.) Wells may be drilled, reworked, recompleted and/or otherwise utilized in the development, operation and maintenance of the Storage Field and/or the Underground Storage Facility upon a permit being issued to the Operator of the Storage Field for each such well, as provided for herein.

(c.) Each well that is reentered, drilled, reworked or recompleted and/or otherwise utilized as a part of the Underground Storage Facility shall comply with the requirements of Statewide Rule 67.

(d.) The Operator of the Storage Field is authorized to use for injection, storage and withdrawal of natural gas or compressed air all existing wells that are located in the Storage Area, which wells may be reentered, converted, reworked or recompleted for purposes of the development, operation or maintenance of the Underground Storage Facility, and/or additional well(s) may be drilled within the Storage Area for such purposes. Each such well may be administratively permitted by the Supervisor of the Board, provided that the Operator of the Storage Field submits all data and information that are required by Statewide Rule 67, and any other rule, regulation or statute which may then be applicable; provided, however, any well permitted for utilization in the Storage Field shall not be subject to the otherwise



applicable location and spacing requirements of the Statewide Rules or the Special Field Rules for Aberdeen Gas Field that pertain to wells that are drilled to produce oil or gas.

(e.) The development, operation and maintenance of the Storage Field and the Underground Storage Facility shall be subject to all provisions of Statewide Rule 67. All other Statewide Rules and Regulations, or parts thereof, except those that are specifically referred to in Statewide Rule 67 shall not be applicable to the development, operation and maintenance of the Storage Field and the Underground Storage Facility. In the event of any conflict or inconsistency between any prior orders or other rules and regulation, and any provision(s) of the foregoing Rules, these Rules shall control.

#### RULE 4 – APPLICATION OF OTHER RULES

(a.) All rules and regulations contained in the Statewide Order No. 201-51, and amendments thereto, not specifically covered in the foregoing rules are hereby adopted and will apply by inference to the Aberdeen Gas Field. The “Definitions” set forth in Statewide Rule 67.1 are hereby incorporated by reference as fully as if set forth herein.

(b.) The Board expressly reserves its right, after notice and hearing, to alter, amend, or repeal any and all of the foregoing rules and regulations.

ORDERED AND ADJUDGED this 12<sup>th</sup> of December 2007, effective December 12, 2007.

MISSISSIPPI STATE OIL AND GAS BOARD

By: 

CHAIRMAN

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