

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

DOCKET NO. 141-2009-183

ORDER NO. 255-2009

FILED FOR RECORD

JUN - 1 2009

STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR

IN RE: PETITION OF LEGADO EGC, LLC,
TO ADOPT SPECIAL FIELD RULES FOR
THE AVERA FIELD, GREENE COUNTY,
MISSISSIPPI.

ORDER

This cause having come on for hearing on the Petition of LEGADO EGC, LLC, requesting authority for the adoption of Special Field Rules for the Avera Field, Greene County, Mississippi; and the Board being fully advised in the premises, after considering said Petition, the evidence given at the hearing of this matter, and argument of counsel, does find as follows:

(1)

That due, proper and legal notice of the hearing of this matter 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 proper Proofs of Publication of said Notice of Hearing are on file with the Board, and that the Board has full and complete jurisdiction of the matters and parties involved.

(2)

Petitioner is the Operator of the F. J. Hubbard 10-14 1-A; Robinson Land Company A-1; Robinson A-8; Robinson A-6; and the Robinson A-2 Wells in the Avera Field, Greene County, Mississippi. The said wells are productive or potentially productive of oil from the Mooringsport-Rodessa Formation.

(3)

No Special Field Rules for the Avera Field have been previously adopted by this Board.

(4)

Poly O'Energy, Inc., P.O. Box 2127, Houston, Texas, 77252, is the only other Operator in the Avera Field entitled to personal service of the pendency of this Petition under Rule 4(B)(6) of the Rules of Order and Procedure for Hearings Before Board, and notice has been given to Poly O'Energy as required by the said Rules.

(5)

In related and companion Docket No. 140-2009-183, the Petitioner is proposing the establishment and approval of a compulsory fieldwide unit within the Mooringsport-Rodessa Oil

Pool underlying the following described land:

Tract I: All of Section 15, Township 4 North, Range 8 West, Greene County, Mississippi, containing 640 acres, more or less.

Tract II: The Southwest Quarter (SW/4) and the West Half of the Southeast Quarter (W/2 of SE/4) of Section 10, Township 4 North, Range 8 West, Greene County, Mississippi, containing 240 acres, more or less,

containing 880 acres, more or less, which lands lie within the proposed limits of the Avera Field.

The proposed compulsory fieldwide unit is to be established pursuant to the provisions of Mississippi Code of 1972, Sections 53-3-101 through 53-3-119, as amended. The proposed compulsory fieldwide unit is to be designated the Avera Field Unit, Mooringsport-Rodessa Oil Pool, Greene County, Mississippi, and will consist of the above described lands.

(6)

In the establishment of the compulsory fieldwide unit, it is necessary to adopt Special Field Rules for the Avera Field to define the geographic limits of the field; to define the Avera Field, Mooringsport-Rodessa Oil Pool within said field; and to establish spacing and production allocation requirements applicable to the fieldwide unit. In addition, it is necessary that the Special Field Rules provide rules governing the operation of said compulsory fieldwide unit for secondary recovery, pressure maintenance, re-pressuring operations, cycling operations, water flooding operations, the injection of extraneous substances, and any combination thereof, or any other form of joint effort calculated substantially to increase the ultimate recovery of oil or gas, or both, from said fieldwide unit.

(7)

Petitioner proposes the Special Field Rules for the Avera Field, Greene County, Mississippi, define the geographic limits of the field as follows:

West Half (W/2); West Half of East Half (W/2 of E/2); Southeast Quarter of Northeast Quarter (SE/4 of NE/4); and East Half of Southeast Quarter (E/2 of SE/4), Section 9;

South Half (S/2); and South Half of North Half (S/2 of N/2), Section 10;

All of Section 15;

All of Section 16;

Township 4 North, Range 8 West, Greene County, Mississippi.

(8)

Petitioner has prepared and submitted for the consideration of the Board and for all other persons who may be interested, proposed Special Field Rules for the Avera Field, Greene County, Mississippi, which Rules are attached to the Petition as Exhibit "A" and made a part thereof to the extent as though copied herein in full.

(9)

The adoption of the proposed Special Field Rules will promote conservation, prevent waste, avoid the drilling of unnecessary wells, and fully protect the co-equal and correlative rights of all parties in interest. In addition, the adoption of the proposed Special Field Rules will facilitate the more efficient and economical operations of the Avera Field Unit, Mooringsport-Rodessa Oil Pool, and will result in the ultimate recovery of oil and/or other hydrocarbons from the Avera Field which would not otherwise be recovered.

(10)

Petitioner shall acquire all other permits, if any, required by any other permitting authority.

IT IS, THEREFORE, ORDERED AND ADJUDGED that the following Special Field Rules be, and the same hereby are, adopted by the State Oil and Gas Board of Mississippi for the Avera Field, Greene County, Mississippi, to take effect on and after the date of this Order, to-wit:

**SPECIAL FIELD RULES
FOR THE AVERA FIELD,
GREENE COUNTY, MISSISSIPPI**

A. The Avera Field, as used herein, is that area consisting of the following land, to-wit:

West Half (W/2); West Half of East Half (W/2 of E/2); Southeast Quarter of Northeast Quarter (SE/4 of NE/4); and East Half of Southeast Quarter (E/2 of SE/4), Section 9;

South Half (S/2); and South Half of North Half (S/2 of N/2), Section 10;

All of Section 15;

All of Section 16;

Township 4 North, Range 8 West, Greene County, Mississippi.

B. The Eutaw 7150 Feet Oil Pool as used herein shall be construed to mean those strata productive of oil and other hydrocarbons in the Eutaw Formation as shown on the dual induction log intervals of 7129 feet to 7156 feet for the Texas Crude, Inc.-Kirby Exploration Company, et al, Unit 9-9Well in Section 9, Township 4 North, Range 8 West, Greene County, Mississippi, and those sands productive of oil and other hydrocarbons correlative to and in communication therewith.

- C. The Lower Tuscaloosa Oil Pool as used herein shall be construed to mean those strata productive of oil and other hydrocarbons in the Lower Tuscaloosa Formation as shown on the dual induction log intervals of 7819 feet to 8449 feet for the Cities Service Company-Hubbard "A" Unit, Well No. 2 in the Southwest Quarter of the Southeast Quarter (SW/4 of SE/4), Section 10, Township 4 North, Range 8 West, Greene County, Mississippi, and those sands productive of oil and other hydrocarbons correlative to and in communication therewith.
- D. The Mooringsport-Rodessa Oil Pool as used herein shall be construed to mean those strata productive of oil and other hydrocarbons in the Mooringsport-Rodessa Formation as shown on the dual induction log intervals of 11,200 feet to 12,050 feet for the Cities Service Oil Company-Robinson Land Company No. 1 Well in the Northeast Quarter of the Northwest Quarter (NE/4 of NW/4) of Section 15, Township 4 North, Range 8 West, Greene County, Mississippi, and those sands productive of oil and other hydrocarbons correlative to and in communication therewith.

RULE 1 - SPACING OF WELLS IN THE EUTAW OIL POOL:

(a) Every well completed in the Eutaw Oil Pool shall be located on a drilling unit consisting of forty (40) contiguous surface acres, or a governmental quarter-quarter section consisting of not less than thirty-six (36) acres or more than forty-four (44) acres, upon which no other drilling or producible well is located. The word "contiguous" as used in shall mean bordering each other at more than one point.

(b) Any drilling unit not a governmental quarter-quarter section must be entirely encompassed by the perimeter of a rectangle 1800 feet by 1445 feet. Provided, however, no unit shall be permitted which will create island acreage.

(c) The well shall be located at least 660 feet from every other drilling well or well completed in or producing from the same pool located in conformity with this rule; and

(d) The well shall be located at least 330 feet from every exterior boundary of the unit.

RULE 2 - SPACING OF WELLS IN THE LOWER TUSCALOOSA OIL POOL:

(a) Every well completed in the Lower Tuscaloosa Oil Pool shall be located on a drilling unit consisting of forty (40) contiguous surface acres, or a governmental quarter-quarter section consisting of not less than thirty-six (36) acres or more than forty-four (44) acres, upon which no other drilling or producible well is located. The word "contiguous" as used in shall mean bordering each other at more than one point.

(b) Any drilling unit not a governmental quarter-quarter section must be entirely encompassed by the perimeter of a rectangle 1800 feet by 1445 feet. Provided, however, no unit shall be permitted which will create island acreage.

(c) The well shall be located at least 660 feet from every other drilling well or well completed in or producing from the same pool located in conformity with this rule; and

(d) The well shall be located at least 330 feet from every exterior boundary of the unit.

RULE 3 - SPACING OF WELLS IN THE MOORINGS-SPORT-RODESSA OIL POOL:

(a) Every well completed in the Mooringsport-Rodessa Oil Pool shall be located on a drilling unit consisting of forty (40) contiguous surface acres, or a governmental quarter-quarter section consisting of not less than thirty-six (36) acres or more than forty-four (44) acres, upon which no other drilling or producible well is located. The word "contiguous" as used in shall mean bordering each other at more than one point.

(b) Any drilling unit not a governmental quarter-quarter section must be entirely

encompassed by the perimeter of a rectangle 1800 feet by 1445 feet. Provided, however, no unit shall be permitted which will create island acreage.

(c) The well shall be located at least 660 feet from every other drilling well or well completed in or producing from the same pool located in conformity with this rule; and

(d) The well shall be located at least 330 feet from every exterior boundary of the unit.

RULE 4 - AVERA FIELD UNIT, MOORINGSPOORT-RODESSA OIL POOL, AVERA FIELD, GREENE COUNTY, MISSISSIPPI:

4.1. The Avera Field Unit, Mooringsport-Rodessa Oil Pool, Avera Field, Greene County, Mississippi, is that portion of the following described lands lying within the Avera Field underlain by the unitized Mooringsport-Rodessa Oil Pool ("Unitized Formation") and described as follows:

Tract I: All of Section 15, Township 4 North, Range 8 West, Greene County, Mississippi, containing 640 acres, more or less.

Tract II: The Southwest Quarter (SW/4) and the West Half of the Southeast Quarter (W/2 of SE/4) of Section 10, Township 4 North, Range 8 West, Greene County, Mississippi, containing 240 acres, more or less.

4.2. Unitized Formation is the subsurface portion of the Unit Area described as those strata of the Mooringsport-Rodessa Oil Pool productive of unitized substances in the interval between the depths of 11,200 feet to 12,050 feet as indicated in the Cities Service Oil Company-Robinson Land Company No. 1 Well located in the Northeast Quarter of the Northwest Quarter (NE/4 of NW/4) of Section 15, Township 4 North, Range 8 West, Greene County, Mississippi, and including those strata productive of unitized substances which can be correlated with and/or in communication therewith.

4.3. Spacing of Wells in Avera Field Unit.

(A) Notwithstanding any other provisions contained in these Special Field Rules, the location of injection and production wells in the Avera Field Unit, Mooringsport-Rodessa Oil Pool, Avera Field, Greene County, Mississippi, shall be selected by the Operator and shall be governed by the standards of geology and petroleum engineering designed to promote the greatest ultimate recovery of hydrocarbons contained in the Pool. However, no well may be drilled, injected or produced from said Pool nearer than 100 feet from the exterior boundary of the fieldwide unit (the "Unit Area") except upon permit issued by the Mississippi State Oil and Gas Board, after notice and hearing.

(B) The Operator may use either injection or producing wells utilizing directional or horizontal drilling techniques designed to increase the ultimate recovery of hydrocarbons contained in the Pool without notice and hearing; provided, however, that (1) no portion of the wellbore located within the unitized interval or horizon of any such well so drilled shall be nearer than 100 feet from any exterior boundary of the Avera Field Unit, except upon permit issued by the Mississippi State Oil and Gas Board, after notice and hearing, and (2) the Operator shall file a directional survey and other information required by the rule or written policy of the Mississippi State Oil and Gas Board after completion.

4.4. Pressure Maintenance and Secondary Recovery Program Authorized.

Legado Resources as Operator of the Avera Field Unit, Mooringsport-Rodessa Oil Pool, Avera Field, Greene County, Mississippi, is hereby authorized to conduct and carry out secondary recovery, pressure maintenance, re-pressuring operations, cycling operations, water flooding operations, and the injection of extraneous substances in the Avera Field Unit, and any combination thereof, or any other form of joint effort calculated to increase substantially the ultimate recovery of oil or gas, or both, from the fieldwide unit as is

authorized by the Plan of Unitization placed in effect by the Mississippi State Oil and Gas Board. The Operator may use for injection purposes existing wells located in the Avera Field Unit which may be converted to injection wells or wells may be drilled on the fieldwide unit for such purposes. Any such well drilled as injection wells or converted to injection wells by the Operator on the fieldwide unit as part of pressure maintenance and/or secondary recovery operations may be approved by the Mississippi State Oil and Gas Board on administrative permit, with notice but without hearing, upon the Operator filing with the Mississippi State Oil and Gas Board a duly executed Form 2, the required permit fee for each such well, and all evidence and information required under Statewide Rule 63. In addition, any fieldwide unit injection wells may be converted to fieldwide unit producing wells on administrative permit, without notice and hearing, upon the Operator filing with the Mississippi State Oil and Gas Board a duly executed Form 2, the required permit fee for each such well, and all other evidence and information the Board may require.

4.5. Allocation of Production.

The allowable for the Avera Field Unit shall be established by the Mississippi State Oil and Gas Board. The allowable production of said fieldwide unit may be produced from any well or wells on said fieldwide unit; provided, however, that no well shall be operated in such a manner as to cause waste as defined by the laws of the State of Mississippi.

4.6. Subsurface Storage, Measurement and Transfer Systems.

(A) The Operator of the Avera Field Unit may maintain such separators, stock tanks, metering devices, connections and storage facilities as it deems necessary to measure accurately the total production from the fieldwide unit. Separate measurement or storage for the wells and leases within the fieldwide unit shall not be required.

(B) Automatic custody transfer systems which automatically test, sample, measure and transfer the production from the Operator to the purchaser are hereby authorized in said fieldwide unit. Such systems will be equipped with a sampling device which will take a representative sample of the total production passing through the system in order that the specific gravity and basic sediment and water content can be determined. Each custody transfer system will be equipped with a volume displacement type metering device which registers the volume of oil passed through it in barrels or multiples thereof.

RULE 5 - APPLICABILITY OF STATEWIDE RULES.

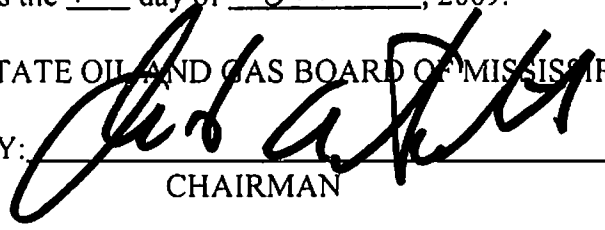
5.1. All rules and regulations contained in Statewide Rule Order 201-51 and any amendments thereto, not specifically covered in the foregoing Special Field Rules are hereby adopted and shall apply to said Field.

5.2. The Mississippi State Oil and Gas Board expressly reserves the right, after notice and hearing, to alter, amend or repeal any and all of the foregoing Special Field Rules, or to grant exceptions to any and all parts thereof.

SO ORDERED AND ADJUDGED, this the 12th day of June, 2009.

STATE OIL AND GAS BOARD OF MISSISSIPPI

BY:



CHAIRMAN

OF COUNSEL:

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