

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI MAR 01 2017

STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR**Re: Petition of Eland Energy Inc. To Amend Special
Field Rules for Beaver Dam Field****Docket No. 19-2017-D****Order No. 45-2017****ORDER**

This day this matter came on to be heard on the Petition of Eland Energy Inc. requesting the State Oil and Gas Board of Mississippi to enter an order amending the Special Field Rules for Beaver Dam Field to define the Upper Smackover Oil Pool and to establish spacing requirements for the Upper Smackover Oil Pool, and grant related relief. This Board, having considered the Petition and the evidence submitted in support thereof, and being fully advised in the premises, is of the opinion and finds that said relief should be, and the same is hereby, granted. This Board further finds and determines as follows, to-wit:

1.

Proper and legal notice of the meeting of this Board for the purpose of considering and hearing the Petition filed herein has been given in the manner and time provided by law and the rules and regulations of this Board. Legal and sufficient proofs of publication of such notice and proof of notice by personal service are on file with this Board. Eland Energy Inc. has made a diligent effort to give the notice required by the statutes of the State of Mississippi and the rules and regulations of this Board. This Board has full jurisdiction of the parties and the subject matter hereof.

2.

A public hearing on the Petition filed in this docket was held by this Board in Suite E, 500 Greymont Avenue, Jackson, Mississippi, commencing on February 15, 2017, at 10:00 o'clock a.m., at which time and place all persons who desired to be heard on said matter were heard and all testimony and the evidence were duly considered by this Board. Eland Energy Inc. was represented at the hearing by its attorney, James M. Nix. No other parties made an appearance at the hearing of this matter.

3.

Eland Energy Inc. is a Texas corporation, whose principal place of business is 16400 Dallas Parkway, Suite 100, Dallas, Texas 75248. Eland Energy Inc. is the opera-

tor of the Davis-Gatlin A No. 1 Well and other wells in Beaver Dam Field in Jasper County, Mississippi.

4.

By Order No. 415-2009, the Board adopted Special Field Rules for Beaver Dam Field. In said Special Field Rules, the Board defined the Smackover Oil Pool and the Smackover Field-wide Unit, established spacing and production allocation requirements applicable to the Smackover Oil Pool and prescribed rules governing the operation of the Smackover Field-wide Unit.

5.

The Davis-Gatlin A No. 1 Well [API #23-061-20527] is located 2140 feet from the North line and 1817 feet from the East line of Section 29 of Township 2 North, Range 13 East, Jasper County, Mississippi. The Davis-Gatlin A No. 1 Well was completed in and produced from the Smackover Oil Pool as defined in said Special Field Rules.

6.

Eland Energy Inc. recently recompleted the Davis-Gatlin A No. 1 Well in a non-unitized interval of the Smackover Formation in the interval between 15,146 feet and 15,152 feet. This non-unitized interval of the Smackover Formation is not in communication with the unitized Smackover Oil Pool. It is necessary that said non-unitized interval of the Smackover Formation be defined by this Board as a separate and distinct oil pool and to establish spacing rules for said oil pool.

7.

The non-unitized interval of the Smackover Formation should be named the "Upper Smackover Oil Pool" and it should be defined in the Special Field Rules of Beaver Dam Field as to mean those strata in the Smackover Formation currently, formerly or in the future productive of oil and/or gas between the measured depths of 15,142 feet to 15,160 feet on the electrical log for the OXY USA Inc. -- Davis Gatlin A No. 1 Well situated 2140 feet from the North line and 1817 feet from the East line of Section 29 of Township 2 North, Range 13 East, Jasper County, Mississippi, and all sands correlative to and in communication with said strata.

8.

The spacing rules in the Special Field Rules of Beaver Dam Field should provide for 80-acre spacing for the Upper Smackover Oil Pool in accordance with Statewide Rule 7.1.

The amendment of the Special Field Rules for Beaver Dam Field as set forth below will facilitate the more efficient and economical operation of the Smackover Formation and will ultimately result in the recovery of more oil and/or other hydrocarbon reserves from Beaver Dam Field. The amendment of the Special Field Rules as set forth below will promote the conservation of oil and gas of Beaver Dam Field and the State of Mississippi by preventing waste, avoiding the drilling of unnecessary wells, safeguarding, protecting and enforcing the co-equal and correlative rights of all owners of hydrocarbons in the field to the extent that each such owner may recover his fair and equitable share of recoverable hydrocarbons without unnecessary expense. The amendment of the Special Field Rules as set forth below will foster, encourage and promote the full development of the field.

IT IS THEREFORE ORDERED AND ADJUDGED by the State Oil and Gas Board of Mississippi that the relief requested by Eland Energy Inc. in the Petition filed in this docket should be, and the same is hereby, granted and it is ordered that the Special Field Rules for Beaver Dam Field be, and the same hereby are, amended to read as follows, to-wit:

**SPECIAL FIELD RULES
BEAVER DAM FIELD
JASPER COUNTY, MISSISSIPPI**

A. FIELD AREA:

Beaver Dam Field, as used herein, is defined as that geographical area consisting of the Northeast Quarter (NE $\frac{1}{4}$) of Section 29 of Township 2 North, Range 13 East, Jasper County, Mississippi, and all productive extensions to such area.

B. POOL DEFINITIONS:

1. The **Smackover Oil Pool**, as used herein, shall be construed to mean those strata in the Smackover Formation currently, formerly or in the future productive of oil and/or gas between the measured depths of 15,318 feet to 15,466 feet on the electrical log for the OXY USA Inc. -- Davis Gatlin A No. 1 Well situated 2140 feet from the North line and 1817 feet from the East line of Section 29 of Township 2 North, Range 13 East, Jasper County, Mississippi, and all sands correlative to and in communication with said strata.

2. The **Upper Smackover Oil Pool**, as used herein, shall be construed to mean those strata in the Smackover Formation currently, formerly or in the future productive of oil and/or gas between the measured depths of 15,142 feet to 15,160 feet on the electrical log for the OXY USA Inc. -- Davis Gatlin A No. 1 Well situated 2140 feet from the North line and 1817 feet from the East line of Section 29 of Township 2 North, Range 13 East, Jasper County, Mississippi, and all sands correlative to and in communication with said strata.

C. RULES:

RULE 1 -- Smackover Field-wide Unit

The Smackover Field-wide Unit has been established and approved by the Mississippi State Oil and Gas Board with respect to the Smackover Oil Pool pursuant to Sections 53-3-101 through 53-3-119 of the 1972 Code of Mississippi (as amended) for the promotion of conservation to consider and treat the Unit Area as a single drilling and producing unit as to all tracts therein contained. The following rules shall apply with respect to the Smackover Field-wide Unit:

- (a) Unit Area
The Unit Area of the Smackover Field-wide Unit shall consist of the Northeast Quarter (NE¼) of Section 29 of Township 2 North, Range 13 East, Jasper County, Mississippi.
- (b) Unitized Substances
The Unitized Substances are all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate, and all associated and constituent liquid or liquefiable hydrocarbons within or produced from the Smackover Oil Pool.
- (c) Spacing of Wells in Smackover Field-wide Unit
Notwithstanding any other provisions contained in these Special Field Rules, the location of unit injection wells and unit production wells in the Smackover Field-wide Unit shall be selected by the operator of said Unit and shall be governed by the standards of geology and petroleum engineering designed to promote the greatest ultimate recovery of Unitized Substances from the said Unit. However, no well may be drilled, injected into or produced from the Smackover Oil Pool nearer than 330 feet from any exterior boundary of the Unit Area, except upon permit issued by the State Oil and Gas Board of Mississippi, after notice and hearing.
- (d) Pressure Maintenance and Enhanced Recovery Program
The operator of the Smackover Field-wide Unit is authorized to conduct and carry out enhanced recovery operations, pressure maintenance or any other method generally recognized and approved by the industry designed to increase the ultimate recovery of oil and/or gas, including, but not limited to the injection of gas, carbon dioxide, water and other extraneous substances, and any combination thereof, or any other form of joint effort calculated to substantially increase the ultimate recovery of Unitized Substances from the Smackover Field-wide Unit. The operator may, for injection purposes, use existing wells located in the Smackover Field-wide Unit which may be converted to injection wells or wells may be drilled on said unit for such purposes. Any such wells drilled as injection wells or converted to injection wells by the operator on the unit as a part of pressure maintenance and/or enhanced recovery operations may be approved by the State Oil and Gas Board of Mississippi by administrative permit, without hearing, upon the operator filing with the Board a duly executed Form 2, well location plat, the required permit fee for each such well, and all evidence and information required under Statewide Rule 63 and upon publication of public notice of the same not less than twenty (20) days prior to the issuance of the administrative permit. In addition, unit injection wells may be converted to unit producing wells and unit producing wells may be converted to unit injection wells by administrative permit, without hearing, upon the operator filing with the Board a duly executed Form 2, the required permit fee for each such well, and all other evidence and information the Board may require, and upon publication of public notice of the same not less than twenty (20) days prior to the issuance of the administrative permit.
- (e) Allowable for Smackover Field-wide Unit
The allowable for the Smackover Field-wide Unit shall be established by the State Oil and Gas Board of Mississippi. The allowable production of the said unit may be produced from any well or wells on said 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.

RULE 2 -- Spacing of Wells

- (a) Spacing for Smackover Oil Pool
The spacing for Smackover Oil Pool Wells shall be as set forth above in Rule 1(c) for the Smackover Field-wide Unit.
- (b) Spacing for Upper Smackover Oil Pool
The following spacing rules shall apply with respect to the Upper Smackover Oil Pool:
- (i) Each oil well must be located on a drilling unit consisting of eighty (80) contiguous surface acres, or (2) contiguous governmental quarter-quarter sections containing not less than seventy-two (72) acres nor more than eighty-eight (88) acres, upon which no other drilling or producible well is located. The word "contiguous" as used herein shall mean bordering each other at more than one point;
 - (ii) Any drilling unit not composed of two (2) governmental quarter-quarter sections must be completely encompassed by the perimeter of a rectangle 1600 feet by 2725 feet. Provided, however, no unit shall be permitted which will create island acreage;
 - (iii) Each oil well shall be located at least 1000 feet from every other drilling well or well completed in or producing from the same pool located in conformity with this rule; and
 - (iv) Each oil well shall be located at least 500 feet from every exterior boundary of the drilling unit.

RULE 3 -- Amendment of Special Field Rules

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

RULE 4 -- Applicability of Statewide Rules

All rules and regulations contained in Statewide Order No. 201-51, and all amendments thereto, are hereby adopted and shall apply to Beaver Dam Field to the extent not inconsistent with the above rules.

- - - End of Special Field Rules - - -

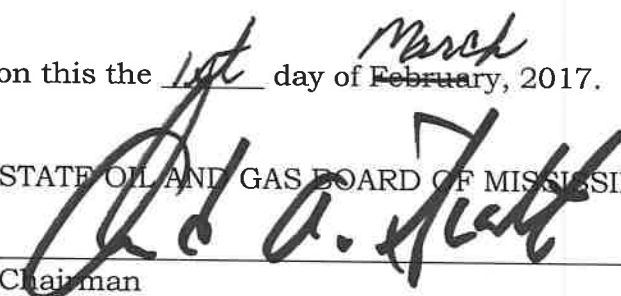
IT IS FURTHER ORDERED AND ADJUDGED that Eland Energy Inc. shall acquire all such other permits, if any, required by any other permitting authority.

IT IS FURTHER ORDERED that this Order shall be effective from and after February 15, 2017.

SO ORDERED AND ADJUDGED on this the 1st day of ^{March}~~February~~, 2017.

STATE OIL AND GAS BOARD OF MISSISSIPPI

By:


Chairman

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