

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: PETITION OF DENBURY ONSHORE, LLC AS
UNIT OPERATOR FOR APPROVAL OF THE
PLAN OF UNITIZATION FOR THE
BROOKHAVEN COMPULSORY UNIT,
BROOKHAVEN FIELD, LINCOLN COUNTY,
MISSISSIPPI

DOCKET NO. 211-2006-4

ORDER NO. 315-2006

ORDER

THIS CAUSE came to be heard on the Petition of Denbury Onshore, LLC (“Petitioner”) requesting approval of the Plan of Unitization for the Brookhaven Compulsory Unit in the Brookhaven Field, Lincoln County, Mississippi; 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 required by 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, a public hearing was held by said Board in the Hearing Room, Suite E, 500 Greymont Avenue, Jackson, Mississippi, commencing on June 21, 2006, at 10:00 o’clock a.m. at which hearing all persons present who desired to be heard on said matter were heard and all testimony and the 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.

Denbury requested authority under Miss. Code Ann. § 53-3-101 et. seq. that this Board adopt the Unit and the agreements applicable thereto. A Voluntary Unit dated September 1, 1947, which was approved by this Board by Order approving Agreement dated September 11, 1947, in Minute Book 1, Page 163 currently exists. In the event this compulsory unit becomes effective, Petitioner will terminate the Voluntary Unit simultaneous with the effective date of the compulsory unit.

FILED FOR RECORD

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**STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR**

The Plan of Unitization is set forth in the Unit Agreement and Unit Operating Agreement which are attached to the Petition as Exhibits "1" and "2". Contained in said Unit Agreement as Exhibits "A-1", "A-2" and "B" (plat) are a descriptive list of the tracts composing the Unit Area, showing the tract participation factors and a plat of the Unit Area on which the boundary lines of the Unit Area and the tracts composing the Unit Area are shown. Exhibit "2" is the proposed Unit Operating Agreement governing the working interest owners in the Unit Area. The Unit Area covers and includes:

Township 7 North, Range 7 East

- Section 3: All, except E/2 SE/4
- Section 4: All
- Section 5: All
- Section 6: All
- Section 7: All
- Section 8: All
- Section 9: All
- Section 10: All, except E/2 E/2
- Section 15: N/2 NW/4
- Section 16: All
- Section 17: All
- Section 18: E/2; NE/4 NW/4
- Section 19: NE/4; SE/4 NW/4; E/2 SE/4 less that part lying N & W of S boundary of RR
- Section 20: All, except S/2 SW/4 SW/4
- Section 21: N/2 NW/4; SW/4 NW/4

Township 8 North, Range 7 East

- Section 16: W/2 SW/4
- Section 17: SE/4, less N/2 NW/4 SE/4 and less a 5 acre tract in the S/2 NW/4 SE/4 described as beginning at a point on the N boundary of S/2 NW/4 SE/4 being 422.6 ft E & 3300 ft S of the NW/c NE/4, thence run E 466.8 feet along N boundary of S/2 NW/4 SE/4, thence S 466.8, thence W 466.8 ft thence N 466.8 ft to POB and also less a 2.5 acre tract described as beginning at a point 1378.2 ft E and 2782.8 ft S of NW/c NE/4, thence run S 18° 41' E 364.4 ft, thence S 09° 37' E 202.6 ft, thence S 60° 41' W 262.8 ft, thence N 41° 45' W 209.5 ft to the north boundary of S/2 NW/4 SE/4, thence E 145.9 ft along the north boundary of said S/2 NW/4 SE/4 to the NE corner thereof, thence N 492.4 ft along the west boundary of NE/4 SE/4, thence N 71° 00' E 76.3 ft to the POB

- Section 20: E/2; E/2 SE/4 SW/4; NE/4 SW/4; E/2 NW/4
- Section 21: W/2 W/2; SW/4 SE/4 SW/4
- Section 27: SW/4, less that part of NW/4 SW/4 lying N of Macedonia Church Road
- Section 28: All
- Section 29: E/2; E/2 W/2; SW/4 SW/4
- Section 30: S/2 SE/4
- Section 31: S/2; NE/4; S/2 NW/4; NE/4 NW/4 less that part lying and being S and W of Hwy 550 and less an approximate 1/2 acre tract for a graveyard described as beginning at a point 5 chains & 43 links N of the SW/c NE/4 NW/4, thence run N 29° 30' E 2 chains & 6 links, thence N 10° 30' E 4 chains & 62 links, thence W 1 chain & 88 links, thence S to POB
- Section 32: All, except that portion of lots 5 & 6 lying N of the Choctaw Boundary Line, S of the Brookhaven and Union Church Road, E of a 10 acre strip off the W side lot 5 and W of a tract 90 Yards wide off the E side lot 6, and also except that portion of the SE/4 lying S of Choctaw Boundary Line
- Section 33: All
- Section 34: SW/4; S/2 NW/4; NW/4 NW/4; that part of NE/4 NW/4 lying N & W of Choctaw Boundary Line; that portion of the W/2 SE/4 described as beginning at the SW/c of lot 15 (SW/4 SE/4) then N 25 chains with W line of lots 15 and 10 then E 7.5 chains, then S 25 chains to S line of Sec 34 then W 7.5 chains to POB; and that portion of the SW/4 SE/4 described as beginning at a point 7.5 chains E of SW/c of lot 15 (SW/4 SE/4) then N parallel to the W line of SW/4 SE/4 to the Upper Union Church Road, then northeasterly along the Upper Union Church Road to the E line of lot 15, then S to S line of Sec 34, then W to POB.

3.

The proposed Unitized Formation is defined in Article 1.17 of the Unit Agreement (Exhibit "1") as follows:

1.17 "Unitized Formation" is the subsurface portion of the Unit Area described as those strata of the Tuscaloosa Formation lying under the Unit Area in Lincoln County, Mississippi with the top of the unitized formation being found at a vertical depth of 10,000 feet and the base being found at a vertical depth of 10,700 feet below the surface of the ground.

4.

Petitioner is the majority owner and operator for the working interest owners within the proposed unit. Prior to the effective date of the said Unit Agreement, the Petitioner shall have obtained the execution and approval of a minimum of seventy-five percent (75%) in interest of the owners or lessees on the basis of and in proportion to the surface acreage content of the Unit Area and at least seventy-five percent (75%) (exclusive of royalty interest owned by lessees or by subsidiaries or successors in title of any lessee) in interest of the

royalty owners on the basis of and in proportion to the surface acreage content of the Unit Area of the Plan of Unitization as set forth in said agreements, Exhibits "1" and "2" hereto.

5.

The unit operation of the Unitized Formation, as defined in Exhibit "1" to the Petition is reasonably necessary in order to effectively carry on secondary and tertiary recovery, pressure maintenance, repressuring operations, cycling operations, water flooding operations, the injection of extraneous substances, or any combination thereof, or any other form of joint effort calculated to substantially increase the ultimate recovery of oil or gas, or both, from the unit so formed, and to prevent waste. Such operations as applied to the common source of supply or portion thereof are feasible and will prevent waste or will, with reasonable probability, result in the recovery of substantially more oil or gas, or both, from the unit so formed than would otherwise be recovered. The Plan of Unitization and the agreements effectuating the same are fair and reasonable under all of the circumstances and will protect the rights of all interested parties. The correlative rights of the interested parties will be protected. The estimated additional cost incident to conducting unit operations will not exceed the value of the estimated additional recovery of oil and gas, and such cost of unit operations shall not be borne by the royalty owners.

6.

Each drilling unit economically feasible to drill has been drilled, and a sufficient number of wells have been drilled to a sufficient depth and at such a location as is necessary for the Board to approve the boundaries of the Unit and to determine that the proposed Unitized Formations and the Unit Area have been sufficiently developed in accordance with the spacing pattern promulgated by the Board. Those tracts which have not been drilled are not economically feasible to drill with a reasonable expectation of encountering production in the Unitized Formation in paying quantities.

7.

The Unit Agreement and the Unit Operating Agreement attached hereto as Exhibits "1" and "2" to the Petition respectively contain:

- (a) A description of the geographical area and the description of the pool or pools, or of any portion or portions or combinations thereof affected, which together constitute and are herein termed the "Unit Area."
- (b) A statement of the nature of the operations contemplated.
- (c) A formula for the allocation among the separately owned tracts in the Unit Area of all the oil or gas, or both, produced and saved from the

Unit Area and not required in the conduct of such operations.

- (d) A provision for adjustment among the owners of the Unit Area (not including any royalty owners) of their respective investments in wells, tanks, pumps, machinery, materials, equipment and other things and services of value attributable to the unit operations.
- (e) A provision that the costs and expenses of unit operation, including investment past and prospective, shall be borne by the owner or owners (not entitled to share in production free of operating costs and who, in the absence of unit operation would be responsible for the expenses of developing and operating) of each tract in the same proportion that such tracts share in unit production.
- (f) The designation of, or a provision for, the selection of a successor to the unit operator.
- (g) The time the unit operation shall become effective and the manner in which and the circumstances under which the unit operation shall terminate.

The said Unit Agreement and Unit Operating Agreement include and are subject to all provisions, adjustments, obligations and rights as prescribed by §§ 53-3-101 to 53-3-119, Mississippi Code Annotated (1972), (as amended). The Plan of Unitization herein described and the creation of the said Unit conform to the Conservation Laws of the State of Mississippi.

8.

Petitioner proposed this Unit for purposes of tertiary recovery using CO₂ in addition to other secondary recovery and pressure maintenance methods presently provided for, to recover oil that cannot otherwise be recovered. Presently there is CO₂ available in this area and injection has commenced on the voluntary unit. Therefore, Petitioner is granted authority to compulsory unitize the Field to insure that fair and equitable treatment of all parties owning an interest in the Unitized Formation is achieved.

IT IS, THEREFORE, ORDERED AND ADJUDGED by the State Oil and Gas Board of Mississippi that it hereby approves Petitioner's Plan of Unitization for the Brookhaven Compulsory Unit in the Brookhaven Field, Lincoln County, Mississippi and issues this Order unitizing this Pool to be named the Brookhaven Compulsory Unit and hereby approves the Unit Agreement and Unit Operating Agreement so authorized and provided by Miss. Code Ann. § 53-3-101 to 53-3-119 (1972), as amended. Petitioner shall file an additional Petition to implement after it secures the necessary approvals of Unit Owners.

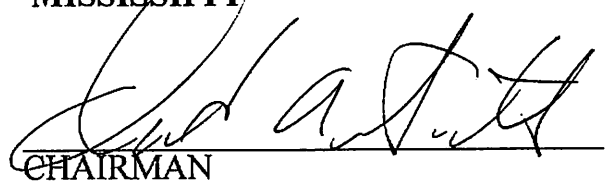
IT IS FURTHER ORDERED AND ADJUDGED that this Order shall be in force

and effect from and after June 21, 2006.

IT IS FURTHER ORDERED AND ADJUDGED that Petitioner shall acquire any other permits, if any, required by any other permitting authority.

ORDERED AND ADJUDGED this 19th day of July, 2006.

**STATE OIL AND GAS BOARD OF
MISSISSIPPI**



CHAIRMAN

Prepared By:

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