

MAR 14 2012

STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: PETITION OF METANO ENERGY III, LP, TO AMEND THE SPECIAL FIELD RULES FOR BUTTAHATCHIE RIVER GAS STORAGE FIELD, MONROE AND LOWNDES COUNTIES, MISSISSIPPI, AND FOR RELATED RELIEF

**DOCKET NO. 23-2012-D
ORDER NO. 79-2012**

FINAL ORDER

This day this matter came on for hearing before the State Oil and Gas Board at its regular February 15, 2012, hearing on the Petition of Metano Energy III, LP, to amend the Special Field Rules for Buttahatchie River Gas Storage Field, Monroe and Lowndes Counties, Mississippi.

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

WHEREAS, a public hearing was held by said Board in the hearing room, 500 Greymont Avenue, Suite E, Jackson, Mississippi, commencing on February 15, 2012, at which time all persons present who desired to be heard on said matter were heard and all testimony and evidence were duly considered 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. That by Order No. 290-2009 in Docket 72-2009-437, effective June 17, 2009, this Board established the Buttahatchie River Gas Storage Field and established Special Field Rules for its operation. Order No. 290-2009 provides, in part, as follows:

The Buttahatchie River Field will continue production of natural gas during the period which Petitioner is undertaking the required planning and obtaining the required state and federal regulatory authority for the Underground Storage Facility. After the required state and federal authorizations have been obtained and the Petitioner is otherwise ready to commence the conversion of the field from gas production to gas storage, then the existing Special Field Rules for Buttahatchie River Field shall be dissolved and the Special Field Rules for Buttahatchie River Gas Storage Field, as provided in Exhibit "A" attached hereto, shall be substituted therefor...

The Buttahatchie River Gas Storage Field was never converted from hydrocarbon production to hydrocarbon storage.

2. That by Order No. 443-2009 in Docket 262-2009-437, effective August 19, 2009, the "Storage Area" in the Buttahatchie River Gas Storage Field was revised to cover the following described lands, located in Monroe County, Mississippi:

TOWNSHIP 15 SOUTH, RANGE 17 WEST

Section 17: S1/2
Section 18: S1/2
Section 19: Entire
Section 20: Entire
Section 21: S3/4 of W1/2 lying West of Buttahatchie River
Section 28: All that part lying West of Buttahatchie River
Section 29: Entire
Section 30: Entire
Section 31: Entire
Section 32: All that part lying West of Buttahatchie River

TOWNSHIP 15 SOUTH, RANGE 18 WEST

Section 23: S3/4
Section 24: S3/4
Section 25: Entire
Section 26: Entire
Section 35: NE1/4
Section 36: Entire

And the following lands lying in Lowndes County, Mississippi:

TOWNSHIP 15 SOUTH, RANGE 17 WEST

Section 21: S3/4 of W1/2 lying East of Buttahatchie River
Section 28: All that part lying East of Buttahatchie River
Section 32: All that part lying East of Buttahatchie River

3. That Petitioner has developed a prospect for exploration of hydrocarbons which includes lands in the Storage Area for Buttahatchie River Gas Storage Field, described as follows and located in Monroe County, Mississippi:

TOWNSHIP 15 SOUTH, RANGE 18 WEST

Section No. 35: NE ¼
Section No. 36: S1/2

TOWNSHIP 15 SOUTH, RANGE 17 WEST

Section No. 31: SW1/4

4. That the defined Storage Area for the Special Field Rules for Buttahatchie River Gas Storage Field should be amended to remove the lands last described so as to allow exploration and production activities on said lands without the requirements imposed by said special field rules. The lands last described are not located in

Buttahatchie River Field (see Order No. 400-85 in Docket No. 308-85-437) and will be subject to Statewide Rules for exploration and production purposes when removed from the Storage Area of Buttahatchie River Gas Storage Field.

5. That attached as Exhibit "A" are the Amended Special Field Rules for Buttahatchie River Gas Storage Field. The amended special field rules will prevent waste, will promote drilling and production of hydrocarbons and will protect the coequal and correlative rights of all owners in the lands last described.

IT IS, THEREFORE, ORDERED AND ADJUDGED that Petition of Metano Energy III, LP, to amend the Special Field Rules for Buttahatchie River Gas Storage Field, Monroe and Lowndes Counties, Mississippi, is hereby granted; and

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

SO ORDERED AND ADJUDGED this the 14th day of March, 2012, and effective February 15, 2012.

MISSISSIPPI STATE OIL AND GAS BOARD

By: _____


JOHN R. PARKER, Chairman

OF COUNSEL:

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**ATTORNEY FOR PETITIONER
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EXHIBIT "A"

**AMENDED SPECIAL FIELD RULES FOR
BUTTAHATCHIE RIVER GAS STORAGE FIELD
MONROE AND LOWNDES COUNTIES, MISSISSIPPI**

A. FIELD AREA:

The Buttahatchie River Gas Storage Field, as used herein, shall be that geographical area consisting of the following described lands in Monroe County, Mississippi:

TOWNSHIP 15 SOUTH, RANGE 17 WEST

Section 17: S1/2

Section 18: S1/2

Section 19: Entire

Section 20: Entire

Section 21: S3/4 of W1/2 lying West of Buttahatchie River

Section 28: All that part lying West of Buttahatchie River

Section 29: Entire

Section 30: Entire

Section 31: N1/2 and SE1/4

Section 32: All that part lying West of Buttahatchie River

TOWNSHIP 15 SOUTH, RANGE 18 WEST

Section 23: S3/4

Section 24: S3/4

Section 25: Entire

Section 26: Entire

Section 36: N1/2

And the following lands lying in Lowndes County, Mississippi:

TOWNSHIP 15 SOUTH, RANGE 17 WEST

Section 21: S3/4 of W1/2 lying East of Buttahatchie River

Section 28: All that part lying East of Buttahatchie River

Section 32: All that part lying East of Buttahatchie River

B. BUTTAHATCHIE RIVER GAS STORAGE FACILITY

1. **Definitions.** The "Definitions" set forth in Statewide Rule 67.1. are hereby incorporated by reference as fully as if set forth herein.

2. **Geographical Area.** The Buttahatchie River Gas Storage Facility (herein "Facility") is established for the development and operations of an Underground Storage Facility. The Storage Area for the Facility is the same as the Field Area described above.

3. **Underground Storage Reservoir.** The Reservoir that is authorized to be used as part of the Underground Storage Facility for the injection, storage and withdrawal of natural gas or compressed air is an underground reservoir, stratum or formation described as follows:

those certain geological stratum or formations 100 feet above the top of the Millerella Limestone to 100 feet below the base of the Lewis formation that includes the Carter and Lewis Sands and is more specifically as the interval between a measured depth of 4,118 feet to a measured depth of 5,144 feet as seen on the Electric Log of the Pruet Production- Dobbs 29-5 No.1 Well

located 1,647 feet from North line and 1,000 feet from West line of Section 29, T15S, R17W, Monroe County, Mississippi, and the stratigraphic equivalent thereof.

C. **RULES:**

RULE 1. – BUTTAHATCHIE RIVER GAS STORAGE FACILITY:

1.1 Within the Storage Area of the Facility the injection, storage and withdrawal of natural gas or compressed air from the Reservoir is hereby authorized.

1.2 Wells may be drilled, reworked, re-completed and/or otherwise utilized in the development, operation and maintenance of the Storage Area and Facility upon a permit being issued for each such well, as provided for herein.

1.3 Each well that is reentered, drilled, reworked or re-completed and/or otherwise utilized as a part of the Facility shall comply with the requirements of Statewide Rule 67.

1.4 The operator of the Facility is authorized to use for injection, storage and withdrawal of natural gas or compressed air all existing wells that are located in the Storage Field, which wells may be reentered, converted, reworked or re-completed for purposes of the development, operation or maintenance of the Underground Storage Facility and/or additional well(s) may be drilled within the Storage Field for such purposes. Each such well may be administratively permitted, utilizing Form 2, by the Supervisor of the Board, provided that the operator 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, each such well shall not be subject to the otherwise applicable location and spacing requirements of the Statewide Rules or the Special Field Rules for Buttahatchie River Field that pertain to wells that are drilled to produce oil or gas.

1.5 No permit shall be issued pursuant to Rule 1.4 until notice thereof has been published for at least twenty (20) days prior to issuance of such permit in a newspaper published daily in Jackson, Mississippi, of general circulation in the state, in a newspaper of general circulation in Monroe County, and in a newspaper of general circulation in Lowndes County, in substantially the following form:

STATE OIL AND GAS BOARD OF MISSISSIPPI
NOTICE

To all owners and persons interested in the following described lands:

(here describe well location by legal description in the Facility)

Take notice (insert name of operator) has applied with the State Oil and Gas Board of Mississippi requesting a permit to: (here describe permit requested).

Supervisor State Oil and Gas Board

Publish on:

1.6 No well that is not a part of the Facility shall be drilled to or through or within one hundred feet (horizontal and vertical) of the Reservoir except as permitted by the Board, after notice and hearing before the Board and personal service upon the operator of the Facility. No well pursuant to this paragraph shall be permitted unless the petitioner affirmative shows that it can and will comply with all requirements of Statewide Rules 67.6.D and these Special Field Rules. The Board may require additional assurance of financial responsibility prior to granting any permit hereunder.

1.7 Unless changed by order of this Board after notice and hearing, the maximum operating bottom hole pressure of the Facility shall be 2,593 psia.

1.8 With respect to horizontal wells permitted in the Facility, required Mechanical Integrity Testing (MIT), will be conducted from the packer set depth above the top of the radius where the wells are still vertical, approximately 3,700 feet, to the surface.

1.9 The development, operation and maintenance of the Storage Area and the Facility shall be subject to all provisions of Statewide Rule 67 as revised by these Special Field Rules. 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 Area and the Facility. In the event of any conflict or inconsistency between any prior orders or other rules and regulations, and any provision(s) of the foregoing Rules, these Special Field Rules shall control.

RULE 2 – APPLICABILITY OF STATEWIDE RULES:

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

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

- End of Special Field Rules for the Buttahatchie River Gas Storage Field -