

SEP - 3 2003

STATE OIL AND GAS BOARD  
WALTER BOONE, SUPERVISOR

**BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI**

**Re: Petition of Mosbacher Energy Company Requesting  
Amendment of Special Field Rules of Collins Field,  
Covington County, Mississippi**

**Docket No. 244-2003-167**

**Order No. 386-2003**

**ORDER**

This day this cause came on to be heard on the Petition of Mosbacher Energy Company requesting the State Oil and Gas Board of Mississippi to enter an order amending the Special Field Rules of Collins Field so as to define the Upper Cotton Valley Unitized Formation, to establish spacing and production allocation requirements for the Upper Cotton Valley Unitized Formation, to prescribe rules governing the operation of the Upper Cotton Valley Unit, and granting 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 the relief requested by Mosbacher Energy Company should be and the same is hereby granted. This Board further finds and determines as follows, to-wit:

1.

Due, 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. Due, legal and sufficient proofs of publication of such notice and proof of notice by personal service are on file with this Board. Mosbacher Energy Company has made a reasonably diligent effort to give the personal 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 was held by this Board in Suite E, 500 Greymont Avenue, Jackson, Mississippi, commencing on August 20, 2003, at 9:30 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 evidence presented were duly considered by this Board. Mosbacher Energy Company was represented at the hearing by its attorney, James M. Nix. No other parties made an appearance at the hearing of this matter.

3.

Mosbacher Energy Company is a Texas corporation, whose principal place of business is 712 Main Street, Suite 2200, Houston, Texas 77002-3290. Mosbacher Energy Company is duly authorized and qualified to do business in the State of Mississippi and is the operator of several wells currently completed in Collins Field in Covington County, Mississippi.

4.

Collins Field was discovered in the early 1960's. It is believed that a pressure maintenance program will extend the life of the field and could substantially increase total ultimate recovery of hydrocarbons from the Upper Cotton Valley Formation. In order to conduct a pressure maintenance program with respect to the Cotton Valley Formation, it is necessary that a portion of the Cotton Valley Formation be unitized. The utilization of secondary recovery operations to maintain pressure in the reservoir will allow the recovery of reserves from the Upper Cotton Valley Formation which would otherwise be non-productible utilizing current production methods.

5.

Mosbacher Energy Company has proposed that a portion of the Upper Cotton Valley Formation in Collins Field be unitized pursuant to Sections 53-3-101 through 53-3-119 of the 1972 Code of Mississippi (as amended) in order that secondary recovery operations may be utilized with respect to the Upper Cotton Formation to extend the economic viability of said formation. Pursuant to Order No. 386-2003, entered in Docket 243-2003-167, this Board has established the Upper Cotton Valley Unit in Collins Field, approved the Unit Agreement dated November 21, 2002, and the Unit Operating Agreement dated November 21, 2002, pertaining thereto, and required unit operation of the Upper Cotton Valley Unit in Collins Field in accordance with the terms and provisions of said Unit

Agreement and Unit Operating Agreement, all as authorized and provided by Sections 53-3-101 through 53-3-119 of the 1972 Code of Mississippi (as amended), effective as of September 1, 2003.

6.

Special Field Rules for Collins Field were adopted by the State Oil and Gas Board of Mississippi on May 17, 1963, pursuant to Order No. 95-63, entered in Docket No. 77-63-167. The Special Field Rules of Collins Field have been amended several times over the years. The Special Field Rules of Collins Field were last amended on November 21, 1990, by Order No. 596-90, entered in Docket No. 364-90-167.

7.

The presently existing Special Field Rules of Collins Field define the Upper Cotton Valley Gas Pool and the Upper Cotton Valley Oil Pool as separate and distinct pools. The proposed Upper Cotton Valley Unitized Formation includes both of these separately defined pools as a portion of the unitized formation. Therefore, it is necessary that the Special Field Rules of Collins Field be amended to delete the separate definitions of the Upper Cotton Valley Gas Pool and the Upper Cotton Valley Oil Pool and to add a new definition for the Upper Cotton Valley Unitized Formation.

8.

It is necessary that the Special Field Rules of Collins Field be further amended so as to define the Unit Area of the Upper Cotton Valley Unit, to establish spacing and production allocation requirements applicable to the Upper Cotton Valley Unitized Formation, to prescribe rules governing the operation of the Upper Cotton Valley Unit for enhanced recovery operations, pressure maintenance or other methods 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 oil and/or gas from the Upper Cotton Valley Unit.

9.

The amendment of the Special Field Rules for Collins Field as proposed by Mosbacher Energy Company in the Petition filed in this docket will foster, encourage and promote the full development of Collins Field, will facilitate the efficient and economical operation of the Upper Cotton Valley Unitized Formation and will ultimately result in the

recovery of more oil, gas and/or other hydrocarbon reserves from Collins Field. The amendment of the Special Field Rules for Collins Field as proposed by Mosbacher Energy Company also will promote the conservation of oil and gas of Collins 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.

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

**SPECIAL FIELD RULES  
COLLINS FIELD  
COVINGTON COUNTY, MISSISSIPPI**

**A. FIELD LIMITS:**

The Collins Field as used herein is that area consisting of the following-described lands situated in Covington County, Mississippi, to-wit:

Township 8 North, Range 14 West

Section 19: The West Half of the East Half (W $\frac{1}{2}$  of E $\frac{1}{2}$ ) and the West Half (W $\frac{1}{2}$ );

Section 30: The Entire Section; and

Section 31: The Northwest Quarter (NW $\frac{1}{4}$ );

Township 8 North, Range 15 West

Section 23: The Southeast Quarter (SE $\frac{1}{4}$ );

Section 24: The South Half (S $\frac{1}{2}$ ) and the East Half of the Northeast Quarter (E $\frac{1}{2}$  of NE $\frac{1}{4}$ );

Section 25: The Entire Section;

Section 26: The Entire Section;

Section 35: The East Half (E $\frac{1}{2}$ ); and

Section 36: The West Half (W $\frac{1}{2}$ ) and the Northeast Quarter (NE $\frac{1}{4}$ )

and all productive and correlative extensions thereof.

**B. POOL DEFINITIONS**

1. The **Paluxy Oil Pool** in the Collins Field shall be construed to mean those strata of the Paluxy Formation currently, formerly or in the future productive of oil in the interval between 11,453 feet to 12,820 feet in the Pan American Petroleum Corporation

-- R. L. Windham No. 1 Well (also known as Collins Operating Unit No. 1 Well), as indicated on the electric log of said well, and all sands correlative of these strata productive of oil.

2. The **Mooringsport Oil Pool** in the Collins Field shall be construed to mean those strata of the Mooringsport Formation currently, formerly or in the future productive of oil in the interval between 12,820 feet to 13,237 feet in the Pan American Petroleum Corporation -- R. L. Windham No. 1 Well (also known as Collins Operating Unit No. 1 Well), as indicated on the electric log of said well, and all sands correlative of these strata productive of oil.

3. The **Rodessa Oil Pool** in the Collins Field shall be construed to mean those strata of the Rodessa Formation currently, formerly or in the future productive of oil in the interval between 13,375 feet to 14,025 feet in the Pan American Petroleum Corporation -- R. L. Windham No. 1 Well (also known as Collins Operating Unit No. 1 Well), as indicated on the electric log of said well, and all sands correlative of these strata productive of oil.

4. The **Upper Cotton Valley Unitized Formation** shall be construed to mean those strata of the Upper Cotton Valley Formation currently, formerly or in the future productive of oil and/or gas in the interval between 17,677 feet to 18,409 feet in the Mosbacher Energy Company -- J. A. Gieger Estate No. 1 Well (located 328 feet from the East line and 739 feet from the South line of Section 24 of Township 8 North, Range 15 West, Covington County, Mississippi), as indicated on the electric log of said well, and all sands correlative of these strata productive of oil and/or gas insofar as said strata lies within the Unit Area of the Upper Cotton Valley Unit as described herein.

#### **C. SPACING OF WELLS**

1. **Paluxy Oil Pool, the Mooringsport Oil Pool and the Rodessa Oil Pool.** Spacing of wells drilled and completed in the Paluxy Oil Pool, the Mooringsport Oil Pool and the Rodessa Oil Pool shall be the same as provided in the Statewide Rules.

2. **Upper Cotton Valley Unitized Formation.** Spacing of wells drilled and completed in the Upper Cotton Valley Unitized Formation shall be as set forth below.

#### **D. UPPER COTTON VALLEY UNIT**

The following additional rules shall apply with respect to the Upper Cotton Valley Unit in Collins Field:

1. Spacing of Wells in the Upper Cotton Valley Unitized Formation  
The location of injection and production wells drilled and completed in the Upper Cotton Valley Unitized Formation shall be selected by the Unit Operator of the Upper Cotton Valley Unit and shall be governed by the standards of geology and petroleum engineering designed to promote the greatest ultimate recovery of Upper Cotton Valley Unitized Substances from the Upper Cotton Valley Unit. However, no well may be drilled, injected into or produced from the Upper Cotton Valley Unitized Formation nearer than 500 feet to any exterior boundary of the Unit Area, except upon permit issued by the State Oil and Gas Board of Mississippi, after notice and hearing.

2. Unit Area of Upper Cotton Valley Unit  
The Unit Area of the Upper Cotton Valley Unit shall consist of the following-described land situated in Covington County, Mississippi, to-wit:

Township 8 North, Range 14 West

- Section 19: The West Half of the East Half (W $\frac{1}{2}$  of E $\frac{1}{2}$ ) and the West Half (W $\frac{1}{2}$ );  
Section 30: The Entire Section; and  
Section 31: The Northwest Quarter (NW $\frac{1}{4}$ );

Township 8 North, Range 15 West

- Section 23: The Southeast Quarter (SE $\frac{1}{4}$ );  
Section 24: The South Half (S $\frac{1}{2}$ ) and the East Half of the Northeast Quarter (E $\frac{1}{2}$  of NE $\frac{1}{4}$ );  
Section 25: The Entire Section;  
Section 26: The Entire Section;  
Section 35: The East Half (E $\frac{1}{2}$ ); and  
Section 36: The West Half (W $\frac{1}{2}$ ) and the Northeast Quarter (NE $\frac{1}{4}$ ).

3. Upper Cotton Valley Unitized Substances

The Upper Cotton Valley 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 Upper Cotton Valley Unitized Formation, other than substances purchased or otherwise obtained from any source other than the Upper Cotton Valley Unitized Formation and which are injected into the Upper Cotton Valley Unitized Formation.

4. Pressure Maintenance and Enhanced Recovery Program for Upper Cotton Valley Unit

The Unit Operator of the Upper Cotton Valley 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 Upper Cotton Valley Unitized Substances from the Upper Cotton Valley Unit. The Unit Operator may, for injection purposes, use existing wells located in the Upper Cotton Valley Unit which may be converted to injection wells or wells may be drilled on the Unit Area for such purposes. Additionally, unit injection wells may be converted to unit producing wells. Any such wells drilled as injection wells or converted to injection or production wells by the Unit Operator on the Unit Area 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 publication of public notice of the same not less than twenty (20) days prior to the issuance of the administrative permit. Before the issuance of such an administrative permit, the Unit Operator shall file with the Board a duly executed Form 2, a well location plat, the required permit fee for each such well, all information required under Statewide Rule 63 and any other evidence and/or information as the Board may require.

5. Allowable for Upper Cotton Valley Unit

The allowable for the Upper Cotton Valley Unit shall be established by the State Oil and Gas Board of Mississippi. The allowable production of the said the Upper Cotton Valley Unit may be produced from any well or wells on said Unit Area 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.

**E. APPLICABILITY OF STATEWIDE RULES**

1. All rules and regulations contained in Statewide Order No. 201-51, and any amendments thereto, not specifically covered in the foregoing rules are hereby adopted and applied to Collins Field.

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

--- End of Special Field Rules ---

IT IS FURTHER ORDERED AND ADJUDGED that the amendment of said Special Field Rules of Collins Field shall take effect from and after September 1, 2003, being the effective date of the unitization of the Upper Cotton Valley Unitized Formation in Collins Field.

IT IS FURTHER ORDERED AND ADJUDGED that this Order shall be effective from and after August 20, 2003.

SO ORDERED AND ADJUDGED on this the 3rd day of SEPTEMBER, 2003.

STATE OIL AND GAS BOARD OF MISSISSIPPI

By:

  
James W. Sandifer, Chairman

Prepared and submitted by:  
James M. Nix  
JONES AND NIX, PLLC  
Post Office Box 55601  
Jackson, Mississippi 39296-5601  
Phone (601) 948-6800