

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: PETITION OF PACESETTER ENERGY, INC. AND TEN PACES ENERGY, LLC TO ESTABLISH THE COUNTY LINE GAS STORAGE FIELD, AMEND THE SPECIAL FIELD RULES FOR COUNTY LINE FIELD, AND OBTAIN RELATED RELIEF, LOWNDES AND MONROE COUNTIES, MISSISSIPPI

FILED FOR RECORD

SEP 19 2007

STATE OIL AND GAS BOARD  
LISA IVSHIN, SUPERVISOR

DOCKET NO. 175-2007-623

ORDER NO. 541-2007

ORDER

THIS MATTER came on to be heard at the regular August 2007 meeting of the State Oil and Gas Board on the Petition of **PACESETTER ENERGY, INC.** and **TEN PACES ENERGY, LLC**, Petitioners, pursuant to Miss. Code Ann. Sections 53-3-151 et seq. and the Board's Statewide Rule 67, requesting that the Board establish the County Line Gas Storage Field as an Underground Storage Facility; grant Petitioners authority to use an underground reservoir within the said field as a reservoir for the injection, storage and withdrawal of natural gas and/or compressed air; allow Petitioners to utilize, drill, equip and operate wells to do so; make appropriate amendments to the Special Field Rules for County Line Field; and grant related relief. Having considered the Petition, the evidence in support thereof, the contests that were filed, and being fully advised in the premises, the Board finds that the Petition is well-taken and should be granted. The Board also finds as follows:

1.

The Board has jurisdiction over the parties and the subject matter of the Petition. Due and legal notice of the hearing on the Petition has been given in the time and manner required by law and the rules and regulations of the Board.

2.

Ten Paces Energy, LLC ("Ten Paces") owns rights to store natural gas in, to and under lands located in and adjacent to what is presently defined as the County Line Field located in portions of Lowndes and Monroe Counties, Mississippi. Pacesetter Energy, Inc. ("Pacesetter") is the operator for Ten Paces. The Board should establish the "County Line Gas Storage Field" as an "Underground Storage Facility" (Statewide Rule 67.1.F.), as

statues and Statewide Rule 67. The "Storage Area" (Statewide Rule 67.1.K.) that is proposed has, by amendment made at the hearing, been revised to be comprised of the following described lands:

- Section 21: the South One-Half of the Southeast One-Quarter, and all of the South One-Half of the Northeast One-Quarter of the Southeast One-Quarter lying and situated East of the Buttahatchie River;
- Section 22: the South One-Half;
- Section 26: the Northwest One-Quarter;
- Section 27: the North One-Half; and

all located in Township 15 South, Range 17 West, Monroe and Lowndes Counties, Mississippi. The Petitioner sought to include the North One-Half of the Northeast One-Quarter of Section 28 as part of the Storage Area. However, Petitioners moved to delete the Section 28 lands from the proposed Storage Area, because the current data they have indicates that the Section 28 acreage is not underlain by the Reservoir and is not needed for a buffer zone.

3.

The "Reservoir" (Statewide Rule 67.1.B.) that is to be used for the injection, storage and withdrawal of natural gas or compressed air is an underground reservoir, stratum or formation that is described and should be defined as follows:

Those intervals of the Carter Formation, Mississippian Age, between the measured depths of 4506 feet to 4592 feet on the dual induction focus log of the Pruet Production Co. et al-Grant 22-14 Well No. 1, and those strata which can be correlated therewith and are in communication therewith. The said well is located 2135 feet East of the West line and 1200 feet North of the South line of Section 22, Township 15 South, Range 17 West, Lowndes County, Mississippi.

4.

The Reservoir is a porous stratum of the earth or porous zone of a general structure which is completely separated from any other porous zone and is capable of being used for underground storage of natural gas and/or air. The Reservoir has been depleted of commercial quantities of "Native Gas" and has a greater value or utility as a natural gas or compressed air storage reservoir for the purpose of insuring an adequate supply of natural gas or compressed air for consumers, or for the conservation of natural gas or compressed air, than for the production of the Native gas which remains therein.

5.

The Reservoir is suitable and feasible for such use and in the public interest, and is not an oil reservoir capable of commercial production. Prior to the entry of an order, Petitioners will have obtained the consent in writing to such use by a majority interest of all rights of the surface interest and a majority interest of all interests in the underground stratum or formation. The use of the underground stratum as a reservoir for the storage of natural gas or compressed air will not contaminate other formations containing fresh water, oil, gas or other commercial mineral deposits. The proposed storage will not endanger lives or property.

6.

The proposed Underground Storage Facility satisfies the requirements of Miss. Code Ann. Sections 53-2-151 et seq. and the Board's Statewide Rule 67. Among other factors, an engineer and/or a geologist experienced in the development and/or operation of an underground storage facility has performed an investigation to determine the feasibility of the proposed facility at the proposed site and in the Reservoir.

7.

The proposed Underground Storage Facility is in the public interest and welfare of this state and is for a public purpose. The proposed Underground Storage Facility will promote the conservation of natural gas or compressed air, will permit the building of large quantities of natural gas or compressed air in reserve for orderly withdrawal in periods of peak demand, thereby making natural gas or compressed air more readily available to the consumer, and can provide more uniform withdrawal from various gas or oil field.

8.

The existing Special Field Rules for County Line Field should be amended as provided for in Exhibit "A" hereto. The proposed amendments to the Special Field Rules will prevent waste, protect the coequal and correlative rights of all owners in the field and area, and will afford Petitioner the opportunity to utilize the Reservoir for the purposes allowed by the applicable statutes and rules, thereby serving the public interest.

The Board should appoint and designate Pacesetter to be the operator of the County Line Gas Storage Field.

**IT IS, THEREFORE, ORDERED AND ADJUDGED**, that the Petition filed herein is granted; the County Line Gas Storage Field is hereby established as an Underground Storage Facility; Petitioner is allowed to use the Reservoir for the injection, storage and withdrawal of natural gas and/or compressed air; Petitioner is allowed to utilize, drill, equip and operate wells to do so; the Special Field Rules for County Line Field are amended as set forth herein and Exhibit "1" hereto; and Pacesetter is appointed and designated to be the operator of the County Line Gas Storage Field and the Underground Storage Facility.

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

**SO ORDERED AND ADJUDGED**, this the 19<sup>th</sup> day of ~~August~~<sup>SEPTEMBER</sup>, 2007.

**STATE OIL AND GAS BOARD OF MISSISSIPPI**

By: \_\_\_\_\_

CHAIRMAN

**PREPARED BY:**

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**ATTORNEYS FOR PETITIONER**

**EXHIBIT "A"**

**AMENDMENTS TO THE SPECIAL FIELD RULES FOR COUNTY LINE FIELD**

**COUNTY LINE GAS STORAGE FIELD**

**A. GENERAL PROVISIONS.**

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 County Line Gas Storage Field (herein, the "Storage Field") is established for the development and operations of an Underground Storage Facility. The Storage Area for the Storage Field is established to be comprised of the following described lands:

- Section 21: the South One-Half of the Southeast One-Quarter, and all of the South One-Half of the Northeast One-Quarter of the Southeast One-Quarter lying and situated East of the Buttahatchie River;
- Section 22: the South One-Half;
- Section 26: the Northwest One-Quarter;
- Section 27: the North One-Half; and

all located in Township 15 South, Range 17 West, Monroe and Lowndes Counties, Mississippi.

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 and/or compressed air is an underground reservoir, stratum or formation that is described and defined as follows:

Those intervals of the Carter Formation, Mississippian Age, between the measured depths of 4506 feet to 4592 feet on the dual induction focus log of the Pruet Production Co. et al-Grant 22-14 Well No. 1, and those strata which can be correlated therewith and are in communication therewith. The said well is located 2135 feet East of the West line and 1200 feet North of the South line of Section 22, Township 15 South, Range 17 West, Lowndes County, Mississippi.

**B. RULES.**

**RULE 1.** The injection, storage and withdrawal of natural gas and/or compressed air from the Reservoir are hereby authorized.

**RULE 2.** Wells may be drilled, reworked, recompleted and/or otherwise utilized in the development, operation and maintenance of the Storage Field and the Underground Storage Facility upon a permit being issued for each such well, as provided for herein.

**RULE 3.** Each well that is reentered, drilled, reworked or recompleted and/or otherwise utilized as a part of the Underground Storage Facility shall comply with the requirements of Statewide Rule 67.

**RULE 4.** In addition to any new well(s) that are drilled, the operator of the Underground Storage Facility is authorized to use for injection, storage and withdrawal of natural gas and/or compressed air all existing wells that are located in the Storage Field, which wells may be reentered, converted, reworked or recompleted 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 new or existing well may be administratively permitted 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 new or existing well shall not be subject to the otherwise applicable location and spacing requirements of the Statewide Rules or the Special Field Rules for County Line Field that pertain to wells that are drilled to produce oil or gas.

**RULE 5.** No well that is not a part of the Underground Storage Facility shall be drilled to or through or within close proximity to the Reservoir except as permitted by the Board, after notice and hearing before the Board and personal service upon the operator of the Underground Storage Facility.

**RULE 6.** The development, operation and maintenance of the Field and the Underground Storage Facility shall be subject to all provisions of Statewide Rule 67 and Miss. Code Ann. Sections 53-3-151 et. seq. 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 Field and the Underground Storage Facility. In the event of any conflict or inconsistency between any prior orders or other rules and regulation, and any provision(s) of the foregoing Rules, these Rules shall control.

**-End of Special Field Rules for the County Line Gas Storage Field-**