

THE STATE OIL AND GAS BOARD OF MISSISSIPPI

DOCKET NO. 56-74-166

ORDER NO. 83-74

ORDER

This day this cause coming on to be heard at the regular April, 1974 meeting of the State Oil and Gas Board upon application of Amerada Hess Miss-Fla Corporation, of Jackson, Mississippi, the duly designated operator of the Cypress Creek Field, Wayne County, Mississippi, for the purpose of adopting Special Field Rules for the Smackover Oil Pool in said field, and the Board finding that due and legal notice of the meeting of this Board for the purpose of considering and hearing said application has been given in the manner and form provided by the rules and regulations of this Board and as prescribed by law, and that due, legal and sufficient proofs of publication are on file with the Board and that said Board has full jurisdiction of the parties and the subject matter and the right to hear this cause for the purpose of considering said petition, and the Board having received all of the evidence and heard the arguments of counsel submitted in connection with said cause, is of the opinion that Special Field Rules should be adopted as hereinafter set out and finds that such rules herein promulgated will promote development of oil and gas, bring about the greatest ultimate recovery of oil and gas from said field, equalize drainage between units, enforce and protect the co-equal and correlative rights of the owners of the common sources of oil and gas so that each common owner may obtain his just and equitable share of production, and will prevent waste.

The Board further finds that the Cypress Creek Field in Sections 26 and 27, Township 10 North, Range 6 West, Wayne County, Mississippi, is productive of oil and gas from the above named pool underlying said field.

The Board further finds that 100% of the owners of the separate holdings consisting of oil, gas and mineral leases and operating interests therein have heretofore executed a Unit Operating Agreement and a Unit Agreement, and that 96.9% of the owners of all interests therein other than operating interests have executed or agreed to execute the Unit Agreement, which Agreements provide for the fieldwide unitization of said Smackover Oil Pool in the Cypress Creek Field and for the development and operation thereof, said Agreements being made for the protection of the correlative rights of the owners within the field, for the prevention of waste and for the enhancement of the recovery of hydrocarbons from said Smackover Oil Pool in said field, which said Unit Agreement and Unit Operating Agreement have been approved by this Board by Order No. 82-74 entered simultaneously herewith, and that said Agreements are valid, effective and binding contracts between the owners of operating interests and owners of interests other than operating interests within said pool, and the Board finds that it is necessary to adopt Special Field Rules for the Cypress Creek Field in order to provide for the operation of said Smackover Oil Pool in said field on a unitized basis as provided for in said Agreements.

The Board further finds that said Unit Operating Agreement provides that Amerada Hess Miss-Fla Corporation is vested with the operating rights in and to the entire Unit Area.

IT IS, THEREFORE, HEREBY ORDERED by the State Oil and Gas Board of Mississippi that the following Special Field Rules for the Smackover Oil Pool underlying the Cypress Creek Field, Wayne County, Mississippi, be and the same are hereby adopted:

SPECIAL FIELD RULES
FOR THE CYPRESS CREEK FIELD
WAYNE COUNTY, MISSISSIPPI

The Cypress Creek Field, as used herein, is that area consisting of NW $\frac{1}{4}$ of NW $\frac{1}{4}$ and SW $\frac{1}{4}$ of NW $\frac{1}{4}$, Section 26, and NE $\frac{1}{4}$ of NE $\frac{1}{4}$ and SE $\frac{1}{4}$ of NE $\frac{1}{4}$, Section 27, all in Township 10 North, Range 6 West, Wayne County, Mississippi, including all productive extensions thereof underlain by the Smackover Oil Pool.

1. The Smackover Oil Pool shall be construed to mean those strata of the Smackover Formation underlying Cypress Creek Field productive of oil between the electrical log depths of 12,690 feet and 12,843 feet in the Amerada Hess Miss-Fla Corporation Unit 27-1 Well No. 1, located in the center of the NE $\frac{1}{4}$ of the NE $\frac{1}{4}$ of Section 27, Township 10 North, Range 6 West, Wayne County, Mississippi, or stratum correlative with this interval in other wells in the field.

2. The area defined as lying within the Cypress Creek Field consists of regular governmental sections of 640 acres each. With respect to the above defined oil pool, the Cypress Creek Field Unit has been created by voluntary agreement of 100% of the operating owners, and 96.9% of the royalty owners have either executed or agreed to execute the Unit Agreement, with respect to which it is proper and necessary for the promotion of conservation to consider and treat the Unit Area in said pools as a single drilling and producing unit as to all tracts therein contained, subject only to such limitations as may be required in order to protect the co-equal and correlative rights of all those owners in those tracts who have not by voluntary consent joined in the Cypress Creek Unit. As to said pool, the rules hereinafter provided applicable thereto will enable said pool to be efficiently drilled and the recoverable oil and gas therein contained to be recovered with full protection of the co-equal and correlative rights of all parties and without avoidable waste.

RULE 1: SPACING OF OIL WELLS

A. (1) A fieldwide drilling unit is hereby established for each and all oil wells drilled and completed as consisting of the Unit Area affected by the Unit Agreement, Cypress Creek Field, Wayne County, Mississippi, underlain by the Smackover Oil Pool, and shall not include all or any portion of any individual drilling unit as defined in sub-section (B) hereof.

(2) Each oil drilling unit heretofore established or that may be hereafter established under the provisions of statewide rules and with respect to which any ownership of an operating or royalty interest has not been made subject to the Unit Agreement creating the Cypress Creek Field shall maintain its status as a drilling unit.

B. When used in these rules, the term "individual drilling unit" shall mean a developed drilling unit now existing in the Cypress Creek Field or hereinafter created in accordance with statewide rules wherein the ownership of any operating or royalty interest has not been made subject to the Unit Agreement creating Cypress Creek Field.

C. The location of wells upon any individual drilling unit shall be covered by applicable statewide rules promulgated by this Board. The location of wells upon the fieldwide unit shall be governed by standards of geology and petroleum engineering designed to promote the greatest ultimate recovery of the hydrocarbons contained in said pool. However, no well in said pool may be drilled nearer than three hundred thirty (330) feet from any boundary of the fieldwide unit except upon permit issued by the Board after notice and hearing.

RULE 2: ALLOCATION OF PRODUCTION

A. The maximum efficient daily rate of production of said pool shall be determined and fixed by the Board, which shall be such pool's daily allowable production.

B. The daily allowable of said pool shall be allocated as follows: To each individual drilling unit, there shall be allocated that proportionate part of said pool's daily allowable that the surface acreage content of such individual drilling unit bears to the total surface acreage contained within all individual drilling units plus the total surface acreage contained within the fieldwide unit. The remainder of the daily allowable shall be allocated to the fieldwide unit.

C. Any unit which is not capable of producing without committing waste, the allowable assigned to it under Rule 2-B shall be considered as a deficient unit. The difference between the allowable assigned to a deficient unit and that which it is capable of producing without waste shall be distributed by the Board to the non-deficient units on the surface-acreage basis of apportionment prescribed in said Rule 2-B.

D. The production allowables of the fieldwide unit may be produced by any well or wells on said unit, provided, however, that no well shall be operated in such manner as to cause waste as defined by the Laws of Mississippi, and no fieldwide unit wells directly or diagonally offsetting individual drilling units shall be allowed to produce more than twice the daily allowable assigned to non-deficient individual drilling units.

RULE 3 - PRESSURE MAINTENANCE AUTHORIZED

A. Amerada Hess Miss-Fla Corporation, as Operator of Cypress Creek Field Unit, is hereby authorized to conduct pressure maintenance operations in the Smackover Oil Pool as defined by these Special Field Rules.

B. Said Operator is authorized to commence pressure maintenance operations at such time, in its judgment, conservation of oil and gas from the Cypress Creek Field would be enhanced thereby. Said Operator is authorized to use for injection purposes either converted producing wells and/or wells drilled for such use, provided, however, that prior to use of such wells for injection

purposes, Operator must file with the State Oil and Gas Board a plat showing the location of such injection wells and the applicable information required by Statewide Rule 45.

C. The conversion of producing wells to injection wells will not affect the fieldwide unit allowable as determined by Rule 2.

RULE 4: MEASUREMENT OF PRODUCTION

The operator of each producing lease shall maintain proper separators and stock tanks or metering devices and such connections thereto as are necessary to continuously measure the total production from such leases. Where metering devices are used, as herein provided, the production may be commingled in a common storage system. And if, upon a sale therefrom, a variance exists between the measurement from the common storage system and the total measurement of the production of all the leases commingled in such common storage system, then such variance shall be allocated back to each of the leases producing into common storage system proportionately to the production measured from each lease.

RULE 5. EQUIPMENT FOR TESTS.

A. Each producing well shall be so equipped that gas/oil ratio tests and bottom hole or other pressure tests may be made.

B. The operator of each producing lease on which are two or more producing wells shall maintain proper separators and stock tanks or metering devices and such connections thereto as will permit the adequate testing of each individual well under usual operating conditions without the necessity of closing in any other well.

RULE 6. USE OF METERS.

A. The use of meters for testing and for measurement of lease production shall be subject to and in accordance with the following provisions:

(1) Only a volume displacement type metering device or vessel which registers the volume of oil passed through it in barrels or multiples thereof may be used.

(2) All meters shall be downstream of the necessary separating or treating vessels. All meters shall be designed and installed in conformance with recognized metering practices and shall be subject to the approval of the Supervisor of the Oil and Gas Board.

(3) No meter used for oil production measurement shall be directly or indirectly by-passed in such manner as to permit oil to pass into common storage without first being measured.

(4) All meters and equipment affecting meter accuracy shall be kept in good working order. Each meter shall be calibrated at least once a month by means of a calibrated tank, a calibrated meter prover or a master meter. When a meter is found to deviate in its recording by more than two per cent (2%), it must be adjusted to conform to the said tolerance limitation of two per cent or the meter calibration factor corrected.

(5) The corrected meter reading at 7:00 A.M. on the first day of each month for each meter shall be reported on the bottom of the form used in reporting the monthly production from the wells being measured by such meter.

RULE 7: APPLICABILITY OF STATEWIDE RULES

A. All rules and regulations contained in Statewide Order No. 201-51, and amendments thereto, not specifically covered in the foregoing Special Field Rules are hereby adopted and shall apply to said field.

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

ORDERED AND ADJUDGED this 17th day of April, 1974.

STATE OIL AND GAS BOARD OF MISSISSIPPI

By Wesley Thompson
CHAIRMAN