

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: PETITION OF MOSBACHER ENERGY COMPANY TO AMEND THE SPECIAL FIELD RULES FOR THE DIAMOND FIELD PROVIDE 160 ACRE SPACING FOR THE SOUTH SMACKOVER OIL POOL WITH THE RIGHT TO PRODUCE TWO INCREASED DENSITY WELLS IN EACH UNIT, IN THE DIAMOND FIELD, WAYNE COUNTY, MISSISSIPPI

FILED FOR RECORD

APR 10 2012

STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR

DOCKET NO. 76-2012-D

ORDER NO. 158-2012

ORDER

THIS CAUSE came to be heard on the Petition of Mosbacher Energy Company ("Petitioner") requesting the Board to amend the Special Field rules for the Diamon Field, Wayne County, Mississippi; and

WHEREAS, the Boards 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 March 21, 2012, 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.

Petitioner is a current operator in the area of the Field and plans to drill wells therein. The Special Field Rules for the Field were last adopted in Docket No. 402-2009-111.

2.

Petitioner seeks authority to establish 160 acre spacing for the South Smackover Oil Pool ("the Pool") with the right to drill up to two wells per unit. Numerous wells have been drilled in this Field, some which have penetrated the Pool. Wells in the Pool will drain large areas and 160 acre spacing should be adopted. The oil gravity is high ranging from 40° to 45°. The permeability ranges from 50 md to 100 md and the porosity ranges from 10% to 15%. The zones are below 14,000 feet and the permeability and porosity indicates that each well will drain a large area. The Pool is defined as that strata in the Ramey No. 1 Well from 14,186 feet to 14,980 feet and all strata correlative thereof. Therefore, for engineering reasons, Petitioner requests an amendment to the Special Field Rules to space the Pool on 160 acres and the right to drill and produce two wells per 160 acre unit. There are no existing wells producing from this Pool. The increased density wells are the best possible method to produce additional oil to protect the co-equal and correlative rights of all owners in a common source of supply.

3.

The amendment to the Special Field Rules promotes conservation, protects the co-equal and correlative rights of all owners of all owners in interest, avoids the drilling of unnecessary wells and permits oil and gas to be produced which would not otherwise be recoverable.

IT IS, THEREFORE, ORDERED AND ADJUDGED by the State Oil and Gas Board of Mississippi that the Special Field Rules for the Diamond Field shall be and hereby are amended as follows:

**SPECIAL FIELD RULES
DIAMOND FIELD
WAYNE COUNTY, MISSISSIPPI**

A. FIELD AREA

The Diamond Field, as used herein, consists of the following described lands in Wayne County, Mississippi is defined as:

Township 9 North, Range 6 West
Wayne County, Mississippi

Section 6: Entire Section

Section 7: Entire Section

Section 8: The SW $\frac{1}{4}$ of the SW $\frac{1}{4}$

Section 17: Entire Section

Section 18: The E $\frac{1}{2}$ and the E $\frac{1}{2}$ of the NW $\frac{1}{4}$

Section 19: The E $\frac{1}{2}$

Section 20: Entire Section

Township 9 North, Range 7 West
Wayne County, Mississippi

Section 1: Entire Section

Section 12: Entire Section

underlain by one or more of the; oil and gas pools hereinafter defined and all correlative or productive extensions thereof.

B. POOL DEFINITIONS

1. (Adopted December 18, 1957 by Order No. 268-57) The Glen Rose Pool as used herein is defined as those strata productive of oil in the Glen Rose formation occurring between the depths of 8,850 feet and 9,957 feet in Cenergy Exploration Company - Stanley No. 1 Well, located approximately in the center of the SE $\frac{1}{4}$ of the SW $\frac{1}{4}$, Section 6, T9N-R6W, Wayne County, Mississippi, or the stratigraphic equivalent in other wells.

2. (Adopted December 18, 1957 by Order No. 268-57) The Hosston Pool s used herein is defined as those strata productive of oil in the Hosston formation occurring between the depths of 9,957 feet and 11,138 feet in the said Cenergy Exploration Company - Stanley No. 1 Well, or the stratigraphic equivalent in other wells.

3. (Adopted March 20, 1985 by Order No. 103-85) The Lower Hosston Pool as used herein is defined as those strata productive of oil in the Hosston Formation occurring between the depths of 11,138 feet and 11,618 feet as seen in the Cenergy Exploration Company - McIlwain No. 2 Well located in the South 40 acres of Lot 4, Section 6, T9N, R6W, Wayne County, Mississippi, or the stratigraphic equivalent in other wells.

4. (Adopted July 17, 1985 by Order No. 288-85) The Upper Cotton Valley Pool as used herein is defined as those strata productive of oil in the Cotton Valley Formation occurring between the depths of 11,618 feet and 12,010 feet as seen in the Cenergy Exploration Company - McIlwain No. 2 Well located in the South 40 acres of Lot 4, Section 6, Township 9 North, Range 6 West, Wayne County, Mississippi, or the stratigraphic equivalent in other wells.

5. (Adopted May 22, 1969 by Order No. 170-69) The 12,000 foot Cotton Valley Oil Pool is defined and shall be construed to mean those strata of the Cotton Valley formation productive of oil or gas in the intervals between 12,010 feet and 12,118 feet as seen in the Cenergy Exploration Company - McIlwain No. 2 Well located in the South 40 acres of Lot 4, Section 6, T9N-R6W, indicated on the electric log of said well and all sands correlative of these strata productive of oil.

6. (Adopted August 19, 1970 by Order No. 313-70) The 12,100 foot Cotton Valley Oil Pool shall be construed to mean those strata of the Cotton Valley formation productive of oil in the interval between 12,010 feet and 12,134 feet on the electric log of the Murphy Oil Company -- Weaver "C" No. 1 Well Located in the SE 1/4 of SE 1/4 of Section 1, T9N-R7W, and all zones correlative of these strata productive of oil.

7. (Adopted October 15, 1969 by Order No. 328-69) The 12,250 foot Cotton Valley Oil Pool shall be construed to mean those strata of the Cotton Valley formation productive of oil or gas in the intervals between 12,236 feet and 12,250 feet as seen in Cenergy Exploration Company's R. H. Gray "A" No. 2 Well located in the NW 1/4 of the SW 1/4, Section 6, T9NR6W, indicated on the electric log of said well and all sand correlative of these strata productive of oil.

8. (Adopted July 16, 1969 by Order No. 215-69; redesignated on October 15,

1969 by Order No. 328-69) The 12,350 foot Cotton Valley Oil Pool shall be construed to mean those strata of the Cotton Valley formation productive of oil in the interval between 12,336 feet and 12,366 feet on the electric log of the Cenergy Exploration Company - R. H. Gray No. A-2 Well located in the NW 1/4 of SW 1/4, Section 6, T9N-R6W, and all zones correlative of these strata productive of oil.

9. (Adopted July 17, 1974 by Order No. 152-74) The 12,500 Cotton Valley Oil Pool shall be construed to mean those strata of the Cotton Valley formation productive of oil in the intervals between 12,406 feet and 12,700 feet subsurface on the dual induction laterlog of the Conquest Exploration Company - McIlwain 6-13 No. 1 Well and all zones correlative of these strata.

10. (Adopted October 16, 1974 by Order No. 224-74) The characteristics of the oil pools hereinabove defined in said field are such that the location and drilling of wells on units of 40 acres conforming to the requirements of the rules hereinafter contained will efficiently and adequately drain and produce the recoverable oil from each said pool without avoidable waste; provided, however, the characteristics of the Cotton Valley 12,500 foot oil pool is such that the location and drilling of wells should be on units of 80 acres conforming to the requirements of the rules hereinafter contained and said 80 acre units will sufficiently and adequately drain and produce recoverable oil from said 12,500 foot Cotton Valley Oil Pool without avoidable waste.

11. The South Lower Hosston Oil Pool is defined as those strata of the Hosston Formation productive of oil in the interval between the depths of 11,210 feet and 12,000 feet measured in the Mosbacher Energy Company - Ramey No. 1 Well as indicated on the electric log of said well, and all sands correlative of those strata productive of oil. Said well is located in the SE 1/4 of the NE 1/4 of Section 18, Township 9 North, Range 6 West, Wayne County, Mississippi.

12. The South Upper Cotton Valley Oil Pool is defined as those strata of the Cotton Valley Formation productive of oil in the interval between 12,000 feet and 12,790 feet measured depth in the Mosbacher Energy Company - Lee Beard Heirs No. 1 Well as

indicated on the electric log of said well and all sands correlative of those strata productive of oil. Said well is located in the NE 1/4 of the NE 1/4, Section 18, Township 9 North, Range 6 West, Wayne County, Mississippi. (Order No. 524-87, December 17, 1987).

13. The South Smackover Oil Pool is defined as those strata of the Smackover Formation productive of oil in the interval between 14,186 feet and 14,980 feet measured depth in the Mosbacher Energy Company Ramey No. 1 Well as indicated on the electric log of said well and all sands correlative of these strata productive of oil. Said well is located in the SE 1/4 of the NE 1/4, Section 18, Township 9 North, Range 6 West, Wayne County, Mississippi. (Order No. 524-87, December 17, 1987).

14. The Rodessa Oil Pool is defined as those strata of the Rodessa Formation productive of oil in the interval between 9,140 feet to 10,110 feet measured depth in the Mosbacher Energy Company - Walker No. 1 Well as indicated on the electric log of said well and all sands correlative of those strata productive of oil. Said Well is located in the SE 1/4 of the SE 1/4, Section 7, Township 9 North, Range 6 West, Wayne County, Mississippi.

RULE NO. 1. OIL POOL SPACING

A. (Adopted July 17, 1985 by Order No. 288-85) With respect to each oil pool, other than the 12,500 foot Cotton Valley Oil Pool, South Lower Hosston Oil Pool, the South Upper Cotton Valley Oil Pool, and the South Smackover Oil Pool, every other well:

(1) Should be located on a drilling unit consisting of at last 40 contiguous surface acres, or a governmental quarter-quarter section containing not less than 36 acres or more than 44 acres upon which no other drilling or producible well is located;

(2) Any drilling unit not a governmental quarter-quarter section must be completed encompassed by the perimeter of a rectangle 1810 by 1445 feet, provided, however, no unit shall be permitted which will create island acreage;

(3) The well should be located at least 660 feet from every other drilling or producible well located in conformity with this rule;

(4) The well should be located at least 330 feet from every exterior boundary of the drilling unit;

(5) No portion of the drilling unit upon which a well is located shall be attributed, in whole or in part, to any other drilling or producible well in the same pool;

(6) If any well drilling in conformity with the provisions of this rule, or as an exception thereto, is completed in any pool defined herein as a gas well, it shall not be produced except for a test period of not exceeding fifteen (15) days, or until authorization has been granted by the Board after notice and hearing.

B. With respect to the 12,500 foot Cotton Valley Oil Pool, the South Lower Hosston Oil Pool, and the South Upper Cotton Valley Oil Pool, every oil well:

(1) Shall be located in a drilling unit consisting of 80 surface contiguous acres, or two governmental quarter-quarter sections containing not less than 72 acres or more than 88 acres, upon which no other drilling or producible well is located;

(2) Any drilling unit not composed of two governmental quarter-quarter sections must be completed encompassed by the perimeter of a rectangle 2725 feet by 1600 feet. Provided, however, no unit shall be permitted which will create island acreage;

(3) The well should be located at least 660 feet from every other drilling or producible well located in conformity with this rule; and

(4) The well should be located at least 330 feet from every exterior boundary of the drilling unit.

C. With respect to the Rodessa Oil Pool, every oil well not located on a unit formerly established under previous rules:

(1) Shall be located in a drilling unit consisting of 80 surface contiguous acres, or two governmental quarter-quarter sections containing not less than 72 acres or more than 88 acres, upon which no other drilling or producible well is

located;

(2) Any drilling unit not composed of two governmental quarter-quarter sections must be completely encompassed by the perimeter of a rectangle 2725 feet by 1600 feet. Provided, however, no unit shall be permitted which will create island acreage;

(3) The well shall be located at least 500 feet from every other drilling or producible well located in conformity of this rule;

(4) The well shall be located at least 500 feet from every exterior boundary of the drilling unit;

(5) Each 80 acre oil unit may contain up to two producing wells with the full individual allowable for each increased density well.

(6) Each unit, established in the Rodessa Oil Pool before the date of this rule was amended, shall remain on the unit configuration previously established for the well in that pool.

D. With respect to the South Smackover Oil Pool, each oil well not located on a unit formerly established under previous rules:

(1) Shall be located on a drilling unit consisting of 160 contiguous surface acres, four governmental quarter-quarter sections containing not less than 144 acres or more than 176 acres, upon which no other drilling or producible well is located in this Pool;

(2) Any drilling unit not composed of four governmental quarter-quarter section must be completely encompassed by the perimeter of a rectangle 2,640 feet by 3,500 feet. Provided, however, no unit shall be permitted which will create island acreage;

(3) Each well located on such unit shall be at least 660 feet from every other drilling or producible well located in conformity of this Rule;

(4) Each well shall be located at least 500 feet from every exterior boundary of the drilling unit; and

(5) Each 160 acre oil unit may contain up to two producing wells with the full individual allowable for each well.

RULE 2 - COMPLETION (Adopted June 16, 1960 by Order No. 118-60)

The Cenergy-Stanley No. 1 Well located in the SE 1/4 of SW 1/4, Section 6, T9N-R6W, Wayne County, Mississippi, and the Larco-Gray No. 2 Well located in the NW 1/4 of NE 1/4, Section 7, T9N-R6W, Wayne County, Mississippi, are producing through two strings of tubing from the Glen Rose Pool and the Larco-Gray Estate No. 1 Well and the Larco-Gray Estate No. 1-A Well are twin wells on the same unit, producing from the Glen Rose Pool, and the said wells are hereby confirmed as exceptions to these rules, and the Larco-Gray Estate No. 1 Well and the Larco-Gray Estate No. 10A Well jointly, and the Cenergy-Stanley No. 1 Well, and the Larco-Gray No. 2 Well shall be allowed to produce the same allowable as any other well completed in the Glen Rose Pool.

RULE NO. 3 - McILWAIN UNIT (Adopted January 21, 1987 by Order No. 26-87)

The operator of all wells in the McIlwain Unit, being the SW 1/4 of the SW 1/4 of Section 6, Township 9 North, Range 6 West, Wayne County, Mississippi, shall have the authority to simultaneously produce from any wells completed into the Glen Rose Oil Pool, any wells completed into the Hosston Oil Pool, and from the McIlwain No. 3 and McIlwain No. 5 Wells completed into the Upper Cotton Valley Oil Pool.

RULE NO. 4 - APPLICABILITY OF STATEWIDE RULES

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

*****End of Special Field Rules*****

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

force and effect from and after March 21, 2012.

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 10th day of April, 2012.

**STATE OIL AND GAS BOARD OF
MISSISSIPPI**



CHAIRMAN

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