

FILED FOR RECORD

JUL 05 2001

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI
STATE OIL AND GAS BOARD
WALTER BOONE SUPERVISOR

RE: Petition of O'Brien Energy Company and O'BENCO I, LLC To Amend the Special Field Rules of Southwest East Fork Field, Amite County, Mississippi

DOCKET NO. 373-2000-579

ORDER NO. 241-2001

ORDER

This day this cause came on to be heard on the Petition of O'Brien Energy Company and O'BENCO I, LLC requesting the State Oil and Gas Board of Mississippi to enter an order amending the Special Field Rules of Southwest East Fork Field so as to define the Lower Tuscaloosa Unitized Formation and the Lower Tuscaloosa Unit, to establish spacing and production allocation requirements applicable to the Lower Tuscaloosa Unitized Formation, to prescribe rules governing the operation of the Lower Tuscaloosa Unit for 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 oil and/or gas from the Lower Tuscaloosa Unit, and grant 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 O'Brien Energy Company and O'BENCO I, LLC in said Petition 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. O'Brien Energy Company and O'BENCO I, LLC have 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 on the Petition was held by this Board in Suite E, 500 Greymont Avenue, Jackson, Mississippi, commencing on June 20, 2001, 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 the evidence were duly considered by this Board. O'Brien Energy Company and O'BENCO I, LLC were represented at the hearing by their attorney, James M. Nix. No other parties made an appearance at the hearing of this matter.

3.

O'Brien Energy Company is a Louisiana corporation, whose principal place of business is 5925 Line Avenue, Suite 7, Shreveport, Louisiana 71106. O'Brien Energy Company is the duly authorized operator of all unplugged wells drilled and completed in Southwest East Fork Field in Amite County, Mississippi.

4.

O'BENCO I, LLC is a Louisiana limited liability company, whose principal place of business is 5925 Line Avenue, Suite 7, Shreveport, Louisiana 71106. O'BENCO I, LLC owns working interests in Southwest East Fork Field.

5.

Southwest East Fork Field was discovered in 1983. Numerous wells have been drilled in Southwest East Fork Field to a sufficient depth to test the Lower Tuscaloosa Formation. The Lower Tuscaloosa Formation in Southwest East Fork Field has been completely developed by progressive drilling under the spacing rules of this Board. The Lower Tuscaloosa Formation is reaching the end of its primary production capability. Currently only two (2) wells in the field remain in production – the Whittington No. 9 Well and the Whittington No. 11 Well.

6.

O'Brien Energy Company and O'BENCO I, LLC have proposed that a portion of the Lower Tuscaloosa Formation in Southwest East Fork Field be unitized under 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 Lower Tuscaloosa Formation so that the economic viability of said formation may be continued. By Order No. 240-2001, entered in Docket No. 373-2000-579, this Board has established and approved the Lower Tuscaloosa Unit for the Lower Tuscaloosa Unitized Formation in Southwest East Fork Field, approved the Unit Agreement dated September 21, 2000 (as corrected) and the Unit Operating Agreement dated September 21, 2000 (as corrected) pertaining thereto, and required unit operation of the Lower Tuscaloosa Unit in

Southwest East Fork Field in accordance with the terms and provisions of said Unit Agreement and Unit Operating Agreement.

7.

Special Field Rules for Southwest East Fork Field were adopted by the State Oil and Gas Board of Mississippi on March 17, 1983, pursuant to Order No. 91-83, entered in Docket No. 63-83-579.

8.

It is necessary that the existing Special Field Rules for Southwest East Fork Field be amended to define the Lower Tuscaloosa Unitized Formation and the Lower Tuscaloosa Unit and to establish spacing and production allocation requirements applicable to said Unit in order that the Lower Tuscaloosa Unit may be established and approved by the State Oil and Gas Board of Mississippi. Additionally, it is necessary that said Special Field Rules be amended to provide rules governing the operation of said Lower Tuscaloosa Unit for enhanced recovery operations, pressure maintenance or other methods 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 oil and/or gas from said Unit.

9.

The amendment of the Special Field Rules for Southwest East Fork Field as set forth below will facilitate the more efficient and economical operation of a portion of the Lower Tuscaloosa Formation and will ultimately result in the recovery of more oil and/or other hydrocarbon reserves from Southwest East Fork Field. The amendment of the

Special Field Rules for Southwest East Fork Field as set forth below will promote the conservation of oil and gas of Southwest East Fork 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. The amendment of the Special Field Rules for Southwest East Fork Field as set forth below will foster, encourage and promote the full development of the field.

IT IS THEREFORE ORDERED AND ADJUDGED by the State Oil and Gas Board of Mississippi that the relief requested by O'Brien Energy Company and O'BENCO I, LLC in this docket should be, and the same is hereby, granted and it is ordered that the Special Field Rules of Southwest East Fork Field be, and the same hereby are, amended to read as follows, to-wit:

**SPECIAL FIELD RULES OF
SOUTHWEST EAST FORK FIELD
AMITE COUNTY, MISSISSIPPI**

A. FIELD AREA:

The Southwest East Fork Field, as used herein, is that area consisting of all that portion of Sections 4 and 5 of Township 2 North, Range 5 East, and all that portion of Sections 32 and 33, Township 3 North, Range 5 East, all in Amite County, Mississippi, underlain by the Lower Tuscaloosa Formation and all productive extensions thereof.

B. POOL DEFINITIONS:

1. The **Lower Tuscaloosa Oil Pool** in the Southwest East Fork Field, Amite County, Mississippi, shall be construed to mean those strata of the Tuscaloosa Formation productive of oil in the interval between the electric log depths of 11,325 feet and 11,393 feet in the Whittington No. 1 Well, as indicated on the electric log of said well, and all sands correlative of those strata productive of oil, said well being located 330 feet from the West line and 921 feet from the South line of Section 33 of Township 3 North, Range 5 East, Amite County, Mississippi, if any, lying outside of the Unit Area of the Lower Tuscaloosa Unit.

2. The **Lower Tuscaloosa Unitized Formation** in the Southwest East Fork Field, Amite County, Mississippi, shall be construed to mean that subsurface portion of the Lower Tuscaloosa Unit Area described as those strata of the Tuscaloosa Formation productive of oil in the interval between electric log depths of 11,325 feet and 11,393 feet in the Whittington No. 1 Well, located 330 feet from the West line and 921 feet from the South line of Section 33 of Township 3 North, Range 5 East, Amite County, Mississippi, including all sands correlative of said strata and interconnected or in communication therewith productive of unitized substances.

C. SPACING OF WELLS:

RULE 1 -- LOWER TUSCALOOSA OIL POOL:

The characteristics of the Lower Tuscaloosa Oil Pool in Southwest East Fork Field are such that a well located as hereinafter prescribed and drilled upon a drilling unit containing approximately eighty (80) contiguous surface acres conforming to the requirements of the rules herein contained will adequately and efficiently drain and produce the recoverable oil from such unit in said pool without avoidable waste. Every well drilled

as an oil well in the Lower Tuscaloosa Oil Pool as defined herein shall comply with the following spacing rules:

- (a) Each such well shall be located on a drilling unit consisting of eighty (80) contiguous surface acres, or two (2) contiguous governmental quarter-quarter sections containing not less than seventy-two (72) acres or more than eighty-eight (88) acres, upon which no other drilling or producible well is located. The word "contiguous" as used herein shall mean bordering each other at more than one point;
- (b) Any drilling unit not composed of two (2) governmental quarter-quarter sections must be completely encompassed by the perimeter of a rectangle 1600 feet by 2725 feet; provided, however, no unit shall be permitted which will create island acreage;
- (c) The well shall be located at least 660 feet from every other drilling well or wells completed in or producing from the same pool located in conformity with this rule; and
- (d) The well shall be located at least 330 feet from every exterior boundary of the drilling unit.

RULE 2 -- LOWER TUSCALOOSA UNIT:

The Lower Tuscaloosa Unit has been established and approved by the State Oil and Gas Board of Mississippi with respect to the Lower Tuscaloosa Unitized Formation pursuant to Sections 53-3-101 through 53-3-119 of the 1972 Code of Mississippi (as amended) for the promotion of conservation and to consider and treat the Lower Tuscaloosa Unit Area as a single drilling and producing unit as to all tracts therein contained. The following additional rules shall apply with respect to the Lower Tuscaloosa Unit:

(a) Unit Area of Lower Tuscaloosa Unit

The Unit Area of the Lower Tuscaloosa Unit shall consist of the following-described land situated in Amite County, Mississippi, to-wit:

Township 3 North, Range 5 East

Section 32: The Northeast Quarter of the Southeast Quarter and the South Half of the Southeast Quarter.

Section 33: The South Half LESS AND EXCEPT that parcel described as follows: Commence at the Northeast corner of South Half of the Southeast Quarter as point of beginning, and run South 01 degrees 33 minutes East for 1157.23 feet; thence North 82 degrees 00 minutes West for 129.9 feet; thence North 39 degrees 14 minutes West for 160.5 feet; thence North 15 degrees 39 minutes East for 213.2 Feet; thence North 04 degrees 48 minutes West for 126.3 feet; thence North 42 degrees 25 minutes West for 161.4 feet; thence North 62 degrees 50 minutes West for 188.0 feet; thence North 19 degrees 25 minutes West for 102.7 feet; thence North 10 degrees 50 minutes East for 87.5 feet; thence North 89 degrees 42 minutes East for 212.1 feet; thence North 57 degrees 40 minutes East for 61.4 feet; thence North 13 degrees 57 minutes West for 118.9 feet; thence North 04 degrees 06 minutes East for 149.2 feet; thence South 89 degrees 13 minutes 16 seconds East for 199.76 feet to the point of beginning.

Township 2 North, Range 5 East

Section 4: The Northeast Quarter; the North Half of the Northwest Quarter; the Southwest Quarter of the Northwest Quarter; the Northwest Quarter of the Southwest Quarter; and the following described tract: Beginning at the Northwest corner of the Southeast Quarter of the Northwest Quarter and run thence Easterly along the North line of said Southeast Quarter of the Northwest Quarter for 1343.53 feet, more or less, to the East line of the West Half of Section 4; thence Southerly along the East line of the West Half of Section 4 for 2569.85 feet, more or less; thence West for 55.80 feet; thence South 74 degrees 10 minutes West for 157.00 feet; thence South 84 degrees 55 minutes West for 137.70 feet; thence South 85 degrees 30 minutes West for 144.20 feet; thence North 87 degrees 20 minutes

West for 198.60 feet; thence North 83 degrees 50 minutes West for 104.50 feet; thence North for 71.57 feet; thence West for 567.56 feet, more or less, to the West line of the East Half of the West Half of Section 4; thence Northerly along the West line of said East Half of the West Half for 2532.82 feet, more or less, to the point of beginning.

Section 5: The Northeast Quarter of the Northwest Quarter; the Northwest Quarter of the Northeast Quarter; and the East Half of the Northeast Quarter.

(b) Lower Tuscaloosa Unitized Substances

The Lower Tuscaloosa 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 Lower Tuscaloosa Unitized Formation.

(c) Spacing of Wells in Lower Tuscaloosa Unit

Notwithstanding any other provisions contained in these Special Field Rules, the location of injection and production wells in the Lower Tuscaloosa Unit shall be selected by the operator of said Unit and shall be governed by the standards of geology and petroleum engineering designed to promote the greatest ultimate recovery of Lower Tuscaloosa Unitized Substances from the said Unit. However, no well may be drilled, injected into or produced from the Lower Tuscaloosa Unitized Formation nearer than 100 feet from any exterior boundary of the Unit Area, except upon permit issued by the State Oil and Gas Board of Mississippi, after notice and hearing. When a well is drilled at any location less than 330 feet from any exterior boundary of the Unit Area, a directional survey shall be run and submitted to the Board within thirty (30) days of the completion date of the well in accordance with Rule 14 of the Statewide Rules and Regulations.

(d) Pressure Maintenance and Enhanced Recovery for Lower Tuscaloosa Unit

The operator of the Lower Tuscaloosa 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 Lower Tuscaloosa Unitized Substances from the Lower Tuscaloosa Unit. The operator may, for injection purposes, use existing wells located in the Lower Tuscaloosa Unit which may be converted to injection wells or wells may be drilled on said unit for such purposes. Any such wells drilled as injection wells or converted to injection wells by the operator on the unit 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 the operator filing with the Board a duly executed Form 2, well location plat, the required permit fee for each such well, and all evidence and information required under Statewide Rule 63 and upon publication of public notice of the same not less than twenty (20) days prior to the issuance of the administrative permit. In addition, unit injection wells may be converted to unit producing wells and unit producing wells may be converted to unit injection wells by administrative permit, without hearing, upon the operator filing with the Board a duly executed Form 2, the required permit fee for each such well, and all other evidence and information the Board may require, and upon publication of public notice of the same not less than twenty (20) days prior to the issuance of the administrative permit.

(e) Allowable for Lower Tuscaloosa Unit

The allowable for the Lower Tuscaloosa Unit shall be established by the State Oil and Gas Board of Mississippi. The allowable production of the said unit may be produced from any well or wells on said unit 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.

D. APPLICABILITY OF STATEWIDE RULES:

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

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 --

IT IS FURTHER ORDERED that this Order shall be effective from and after June 20, 2001.

SO ORDERED AND ADJUDGED on this the 29th day of June, 2001

STATE OIL AND GAS BOARD OF MISSISSIPPI

By: Joseph S. Zuccaro
Joseph S. Zuccaro, Chairman

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