

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: PETITION OF KFG PETROLEUM CORPORATION TO AMEND THE SPECIAL FIELD RULES FOR THE FAYETTE FIELD, JEFFERSON COUNTY, MISSISSIPPI

FILED FOR RECORD

NOV - 2 2009

**STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR**

DOCKET NO. 379-2009-17

ORDER NO. 609-2009

EMERGENCY ORDER

THIS CAUSE came to be heard on the Emergency Petition of KFG Petroleum Corporation ("Petitioner") requesting the Board to amend the Special Field Rules for the Fayette Field in Jefferson County, Mississippi; and

WHEREAS, the Board finds that although 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 not given in the manner required by the rules and regulations of the Board, the Board has full jurisdiction of the subject matter to hear and determine same solely as an emergency matter; and

WHEREAS, a public hearing was held by said Board in the Hearing Room, Suite E, 500 Greymont Avenue, Jackson, Mississippi, commencing on October 21, 2009, 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 Field. Special Field Rules for the Field were last adopted or amended for this Field in Docket No. 72-56-17, Order No. 64-56.

2.

Petitioner operates several individual producing wells and several units in the Field, including the Spring Hill No. 1 and No. 2 Wells. Due to the economic parameters, the Wells cannot be set up with separate individual measurement facilities. Petitioner seeks to measure production from the wells at test site on a periodic monthly basis. Petitioner uses a central tank battery from which all oil sales are made.

3.

Petitioner sought authority to amend the Special Field Rules so that all oil production can be commingled from all wells at one facility and prorate the production to each well based on individual well tests which will be performed not less than twice per month. Individual continuous measurement would cause the Field to be uneconomic.

4.

The amendment to the Special Field Rules promotes conservation, protects the co-equal and correlative rights of all owners in interest, avoids the drilling of unnecessary wells and permits oil 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 Fayette Field shall be and hereby are amended, on an emergency basis, as follows:

**SPECIAL FIELD RULES FOR THE FAYETTE FIELD
JEFFERSON COUNTY, MISSISSIPPI**

A. Field Limits

The Fayette Field, as used herein, is that area consisting of the following described land in Jefferson County, Mississippi:

TOWNSHIP 9 NORTH, RANGE 1 EAST

That area in the Northwestern part including:

Sections 6 through 38.

TOWNSHIP 9 NORTH, RANGE 1 WEST

That area in the Northeastern part including:

Sections 1 through 31.

TOWNSHIP 10 NORTH, RANGE 1 EAST

That area in the Southwestern part including:

Sections 42 through 46.

TOWNSHIP 10 NORTH, RANGE 1 WEST

That area in the Southeastern part including:

Sections 35 through 50.

underlain by the pools hereinafter defined and all productive extensions thereof.

B. Pool Definitions

(1) The Wilcox Stewart B Sand Oil Pool as used herein shall be construed to mean those strata productive of oil in the Wilcox Formation occurring between the depths of 3,738 feet and 3,836 feet subsea level in the A. M. Stewart No. 3 well in the Western corner of Section 27, Township 9 North, Range 1 West, Jefferson County, Mississippi.

(2) The Wilcox 4600 Foot Sand Oil Pool as used herein shall be construed to mean those strata productive of oil in the Wilcox Formation occurring between the depths of 3,722 feet and 3,735 feet subsea level in the Humble M. R. Smith No. 14 Well in the North Central part of Section 26, Township 9 North, Range 1 West, Jefferson County, Mississippi.

(3) The Lower Tuscaloosa Oil Pool as used herein shall be construed to mean those strata productive of oil in the Lower Tuscaloosa Formation occurring between the depths of 9,426 feet and 9,525 feet subsea level in Humble's M. R. Smith No. 1 Well in Section 12, Township 9 North, Range 1 East, Jefferson County, Mississippi.

(4) The Wilcox First Gas Sand Gas Pool as used herein shall be construed to mean those strata productive of gas in the Wilcox Formation occurring between the depths of 3,418

feet and 3,439 feet subsea level in Humble's M. R. Smith No. "C-1" Well in Section 28, Township 9 North, Range 1 West, Jefferson County, Mississippi.

(5) The Wilcox Second Gas Sand Pool as used herein shall be construed to mean those strata productive of gas in the Wilcox Formation occurring between the depths of 3,450 feet and 3,616 feet subsea level in Humble's A. M. Stewart B No. 1 Well in Section 27, Township 9 North, Range 1 West, Jefferson County, Mississippi.

RULE 1 - SPACING OF GAS WELLS IN THE FIRST WILCOX GAS SAND GAS POOL AND IN THE SECOND WILCOX GAS SAND GAS POOL

(1) The well shall be located at least 1,320 feet from every other drilling or producible well in the same pool located in conformity with this rule.

(2) The well shall be located not less than 660 feet from the nearest exterior boundary of the unit.

RULE 2 - MEASUREMENT OF PRODUCTION

(1) The Operator of the Field shall be permitted to commingle oil production at the surface from all individual units for collection and sale at a central tank battery. The oil and gas production from the Field may be commingled in a common storage system. The Operator shall install a measurement system that allows each well to be separately and individually tested on a periodic basis, not less than twice each month. That may be accomplished by shutting in one well and measuring the other well during the shut-in period. If, upon a sale therefrom, a variance exists between the measurement from the common storage system and the measurement from the production of all the wells commingled in such common storage system, then such variance shall be allocated back to each of the wells producing into the common storage system proportionately to the production measured from each of the wells on the basis of the periodic tests.

(2) Each producing well shall be so equipped that gas/oil ratio and bottom hole or

other pressure test may be made.

(3) Each producing well shall be connected to a metering system as will permit the adequate testing of each individual well under usual operating conditions. Each well shall be tested not less than twice per month for allocation of production between individual units. Separators, stock tanks or measuring devices and connections thereto shall be subject to approval by the Supervisor.

RULE 3 - 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 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 AND ADJUDGED that this Order shall be in force and effect from and after October 21, 2009.

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 2nd day of November, 2009.

**STATE OIL AND GAS BOARD OF
MISSISSIPPI**



CHAIRMAN

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