

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: PETITION OF MONROE GAS STORAGE COMPANY, L.L.C. TO AMEND THE SPECIAL FIELD RULES FOR THE FOUR MILE CREEK GAS STORAGE FIELD, LOCATED IN MONROE COUNTY, MISSISSIPPI AND GRANT RELATED RELIEF

FILED FOR RECORD

DOCKET NO. 374-2008-564

MAR 03 2009

STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR

ORDER NO. 72-2009

ORDER

THIS MATTER came on for emergency hearing before the State Oil and Gas Board on the Petition of **MONROE GAS STORAGE COMPANY, L.L.C.**, requesting this Board to amend the definition of the Field and to amend the Special Field Rules for the Four Mile Creek Gas Storage Field, and grant related relief; such hearing being called for such purpose; and

WHEREAS, the Board has fully considered said matter and the evidence and recommendations made in said hearing and finds as follows:

1. By Order No. 336-98 dated July 15, 1998, entered in Docket No. 210-98-564, the Board approved the establishment and operation of the Four Mile Creek Gas Storage Field located in and under lands lying and situated in Monroe County, Mississippi, and adopted Special Field Rules for the Four Mile Creek Gas Storage Field, all as more particularly set forth therein.

2. Petitioner is the operator for the Four Mile Creek Gas Storage Field pursuant to Order No. 683-2006 dated effective November 15, 2006, entered in Docket No. 476-2006-564.

3. By Order No. 336-98 dated July 15, 1998, entered in Docket No. 210-98-564, the Four Mile Creek Gas Storage Field was originally comprised of the following described lands all located in Monroe County, Mississippi:

Township 12 South, Range 8 East

Section 21: Entire Section

Section 22: The following described tract insofar as the same is situated in Section 22, T12S,R8E; beginning at the Northeast corner of Section 21, and running thence West along the section line 22 chains and 25 links; thence South 20 degrees and 20 minutes East 44 chains and 23 links; thence East 23 chains and 52 links; thence North 23 chains and 95 links to the center of the Amory and Smithville Road; thence West along said road 6 chains and 88 links; thence North 17 chains and 50 links to creek; thence along said creek West to the point of beginning.

Section 20: The East Half
Section 28: Entire Section
Section 29: The East Half

Township 12 South, Range 18 West

Section 17: The West Half; the Southwest Quarter of the Southeast Quarter and the fractional part of the East Half of the East Half of the Southeast Quarter and the fractional part of the West Half of the East Half of the Southeast Quarter, being the fractional part of the East Half of the Southeast Quarter lying West of the Creek; less and except three (3) acres, more or less, heretofore sold to Bud Kirkpatrick per deed recorded in Deed Book 69, Page 82 in the Office of the Chancery Clerk of Monroe County, MS.

Section 18: Entire Section
Section 19: Entire Section
Section 20: Entire Section
Section 21: The West Half of the Southwest Quarter
Section 28: The West Half of the Northwest Quarter
Section 29: The North Half of Section, LESS AN EXCEPT the Southwest Quarter of the Northwest Quarter; and
Section 30: That part of the following described property located in Section 30, Township 12 South, Range 18 West, beginning at the Northeast corner of the Northwest Quarter of Section 30 thence running North 25 chains and 60 links; thence running West 14 chains and 82 links; thence North 18 degrees and minutes West 11 chains and 38 links; thence South 61 degrees West 31 chains and 90.5 links; thence South 22 degrees and 30 minutes East 43 chains and 10 links; thence East 30 chains and 12 links; thence North 20 chains and 11 links to the point of beginning.

4. By Order No. 555-2008 dated September 29, 2008, effective September 15, 2008, entered in this docket, the following lands were added to the area defined as the Four Mile Creek Gas Storage Field:

Township 12 South, Range 18 West

Section 16: SW/4 SW/4;

Section 17: Beginning at the quarter section post on the South side of Fractional Section Seventeen (17), Township Twelve (12), Range Eighteen (18) West, and running thence East 10 chains and 2-1/2 links; thence North 20 chains; thence East 10 chains and 2-1/2 links; thence North 5 chains and 64 links; thence South 87 degrees East 6 chains and 10 links to a creek; thence along said creek North 14 degrees East 1 chain and 80 links; thence North 35 degrees West 2 chains and 30 links; thence North 87 degrees West 5 chains and 35 links; thence North 11 chains and 36 links; thence West 25 links; thence North 16 degrees West 5 chains and 45 links; thence East 2 chains; thence North 16 degrees West 24 chains and 16 links to the Amory-Smithville Public road; thence South 68 degrees West 14 chains and 68 links; thence South 63 chains and 95 links to the point of beginning, and containing 106 acres, more or less, being and lying in the East Half (E1/2) of Fractional Section Seventeen (17), Township Twelve (12), Range Eighteen (18) West, Monroe County, Mississippi.

LESS AND EXCEPT One (1) acre heretofore conveyed to Hurshel Marshall and wife, Mattie Marshall, by deed recorded in Deed Book 151, at Page 412, described as follows: Beginning at the quarter section corner on the South boundary of Section 17, Township 12, Range 18 West, and thence running North 63 chains and 95 links, more or less, to a point on South boundary line

of Highway #25 for a point of beginning; Thence running in a Northeasterly direction along South right of way line of said Highway #25 a distance of 180 feet; thence running South 24 degrees East 210 feet; thence running in a Southwesterly direction parallel with the South right of way line of said Highway #25 a distance of 260 feet to West boundary line of East Half of said Section 17; thence running North 210 feet to the point of beginning, and containing One (1) acre, more or less, and being in the East Half (E1/2) of Section 17, Township 12, Range 18 West, Monroe County, Mississippi;

5. By prior petition, Petitioner also sought to add the W/2 NW/4 of Section 21, Township 12 South, Range 18 West, Monroe County, Mississippi, to the Storage Area for the Field. Hughes-Eastern Corp., owner of a producing gas well whose proration unit includes the W/2 NW/4 of Section 21, Township 12 South, Range 18 West, Monroe County, Mississippi, contested that portion of the prior petition. Hughes Eastern has now dismissed that contest.

6. Petitioner has conducted 2-D seismic work in the Field and re-interpreted the geologic data it has gathered from that program as well as from injection wells it has drilled to date in the Field. As a result, Petitioner has redefined the geographic limits of the Reservoir and proposes to amend the Special Field Rules to add the following additional lands to the area defined as the Four Mile Creek Gas Storage Field:

Township 12 South, Range 18 West

Section 16: NW/4 SW/4;

Section 17: the remainder of the section, less and except the one acre excepted parcel described above in paragraph 4.

These additional lands are necessary because they either overlay the Reservoir or are necessary to provide sufficient buffer zone lands to insure reservoir integrity as required by Statewide Rule 67.1.K.

7. The proposed amended Storage Area is partially underlain by an underground reservoir (the "Reservoir" pursuant to Statewide Rule 67.1.B) to be used by Petitioner and approved by the Board for the injection, storage and withdrawal of natural gas or compressed air pursuant to Order No. 336-98 dated July 15, 1998, entered in Docket No. 210-98-564 as follows:

The stratigraphic equivalent of the interval occurring between the depths of 1,700 feet and 2,002 feet subsurface as defined in electric log of the No. 1 Armstrong Well, located in the Southwest Quarter of Section 17, Township 12 South, Range 18 West, API 2309520054.

This interval is generally known as the Carter Sands.

8. A geologist experienced in the development and/or operation of underground storage facilities has performed an investigation and confirmed the feasibility of a natural gas storage facility within the Storage Area and in the Reservoir. The Reservoir underlying the Storage Area remains in all respects suitable and feasible for the injection, storage and withdrawal of natural gas and such use is in the public interest by providing needed storage capacity for Petitioner's customers. The Storage Area and Reservoir satisfy the requirements of Miss. Code Ann. Section 53-3-151 et seq. and the Board's Statewide Rule 67.

9. A majority interest of all rights in and to the surface interest of the Storage Area and a majority interest of all interests in the Reservoir have consented to such use in writing, including the rights to inject, store and withdraw natural gas from said formations.

10. The existing Special Field Rules for the Four Mile Creek Gas Storage Field should be amended as provided for in Exhibit "A" hereto. The proposed amendments to the Special Field Rules will prevent waste, protect the co-equal and correlative rights of all owners in the Field and will afford Petitioner the opportunity to utilize the Reservoir underlying the Storage Area for the purposes allowed by the applicable statutes and rules, thereby serving the public interest. The procedures authorized by the proposed amended Special Field Rules will adequately protect all fresh water bearing zones and any and all other oil and/or gas bearing sands in the Field, and will not endanger life and/or property.

11. Petitioner has further requested the Board approve its request to drill the following injection/withdrawal wells: the MGS 7-E-V, the MGS 5-E-V and the MGS 2-W-H, subject to the Supervisor's approval of Petitioner's submission of the data and information that are required by Statewide Rule 67.

12. Petitioner has further requested that the Board confirm its authority to exercise the right of eminent domain, in the manner provided by law, to acquire all surface and subsurface rights as necessary and useful for the purpose of storing natural gas or compressed air, pursuant to Miss. Code Ann. § 53-3-159.

13. On the basis of the evidence presented, an emergency exists which requires the entry of this Order pending notice and final hearing at the March 18, 2009

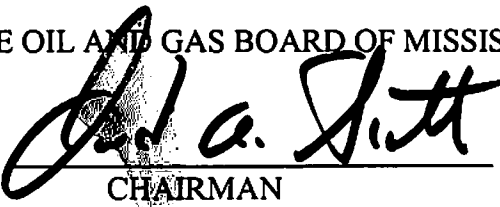
meeting of the Board on the sole issue of Petitioner's request to add the lands described in paragraph 6.

IT IS, THEREFORE, ORDERED AND ADJUDGED, that this Board does hereby confirm the amendment to the definition of the Storage Area for the Field, and the amendments to the Special Field Rules for Four Mile Creek Gas Storage Field as set forth in Exhibit "A" hereto; approves Petitioner's request to drill wells set out hereinabove subject to the Supervisor's approval of Petitioner's submission of the data and information that are required by Statewide Rule 67; and further confirms and approves Petitioner's authority as Operator to exercise the right of eminent domain, in the manner provided by law, to acquire all surface and subsurface rights necessary and useful for the purpose of storing natural gas or compressed air, pursuant to Miss. Code Ann. § 53-3-159. This Order shall be in effect, for a period not to exceed 45 days, and is subject to a final hearing on the sole issue of Petitioner's request to add the lands described in paragraph 6 above, after proper notice, at the regular March 18, 2009 meeting of this Board.

SO ORDERED AND ADJUDGED, this 3rd day of March 2009, effective February 18, 2009.

STATE OIL AND GAS BOARD OF MISSISSIPPI

By:


CHAIRMAN

SUBMITTED BY:

J. Jeffrey Trotter (MBN 9670)
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**SPECIAL FIELD RULES
FOUR MILE CREEK GAS STORAGE FIELD
MONROE COUNTY, MISSISSIPPI**

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 Four Mile Creek 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 the following described lands:

TOWNSHIP 12 SOUTH, RANGE 8 EAST,

- Section 21: The Entire Section, and
Section 22: The following described tract insofar as the same is situated in Section 22, T12S, R8E; beginning at the Northeast Corner of Section 21, and running thence West along the Section Line 22 chains and 25 links; thence South 20 degrees and 20 minutes East 44 chains and 23 links; thence East 23 chains and 52 links; thence North 23 chains and 95 links to the center of the Amory and Smithville Road; thence West along said road 6 chains and 88 links; thence North 17 chains and 50 links to creek; thence along said creek West to the Point of Beginning.
- Section 20: The East Half, (The E/2 of the Section), and
Section 28: The Entire Section, and
Section 29: The East Half, (The E/2 of the Section), and

TOWNSHIP 12 SOUTH, RANGE 18 WEST,

- Section 16: The West Half of the Southwest Quarter (The W/2 SW/4);
Section 17: Entire Section;
LESS AND EXCEPT One (1) acre heretofore conveyed to Hurshel Marshall and wife, Mattie Marshall, by deed recorded in Deed Book 151, at Page 412, described as follows: Beginning at the quarter section corner on the South boundary of Section 17, Township 12, Range 18 West, and thence running North 63 chains and 95 links, more or less, to a point on South boundary line of Highway #25 for a point of beginning; Thence running in a Northeasterly direction along South right of way line of said Highway #25 a distance of 180 feet; thence running South 24 degrees East 210 feet; thence running in a Southwesterly direction parallel with the South right of way line of said Highway #25 a distance of 260 feet to West boundary line of East Half of said Section 17; thence running North 210 feet to the point of beginning, and containing One (1) acre, more or less, and being in the East Half (E1/2) of Section 17, Township 12, Range 18 West, Monroe County, Mississippi; and
- Section 18: The Entire Section, and
Section 19: The Entire Section, and
Section 20: The Entire Section, and
Section 21: The West Half of the West Half (The W/2 of the W/2), and
Section 28: The West Half of the Northwest Quarter, (The W/2 of the NW/4), and
Section 29: The North Half of the Section, (The N/2 of the Section), LESS AND EXCEPT the Southwest Quarter of the Northwest Quarter, (The SW/4 of the NW/4), and
- Section 30: That part of the following described property located in Section 30, Township 12 South, Range 18 West, beginning at the Northeast Corner of

the Northwest Quarter of Section 30 thence running North 25 chains and 60 links; thence running West 14 chains and 82 links; thence North 18 degrees and minutes West 11 chains and 38 links; thence South 61 degrees West 31 chains and 90.5 links; thence South 22 degrees and 30 minutes East 43 chains and 10 links; thence East 30 chains and 12 links; thence North 20 chains and 11 links to the point of beginnings, Monroe County, Mississippi,

all located in Monroe County, Mississippi and being underlain by the hereinafter described Reservoir.

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 or compressed air is an underground reservoir, stratum or formation shall be construed to mean those zones capable of storage of natural gas occurring at the stratigraphic equivalent of that interval encountered between the depths of 1,700 feet and 2,002 feet as shown by the electrical log of the No. 1 Armstrong Well, located 990 feet from the North Line and 1653 feet from the West Line of Section 17, Township 12 South, Range 18 West, Monroe County, Mississippi.

B. RULES

RULE 1. The injection, storage and withdrawal of natural gas 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. The Operator of the Underground Storage Facility is authorized to use for injection, storage and withdrawal of natural gas 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 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 well shall not be subject to the otherwise applicable location and spacing requirements of the Statewide Rules or the Special Field Rules for Four Mile Creek Gas Storage 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, or its stratigraphic equivalent, except as permitted by the Board, after notice and hearing before the Board and personal service upon the operator of the Underground Storage Facility. All wells drilled through the Reservoir for purposes other than storage operations shall be cased in accordance with Statewide Field Rule No. 67 to a depth of 500 feet below the stratigraphic equivalent of the base of the Reservoir.

RULE 5.1. The Sloan 21-5 No. 1 Well, located in the W/2 NW/4 of Section 21, Township 12 South, Range 18 West, Monroe County, Mississippi, operated by Hughes-Eastern Corp. and which proration unit consists of the W/2 of Section 21, Township 12 South, Range 18 West, Monroe County, Mississippi, at the time this rule is adopted, is exempt from the casing requirements of Special Field Rule 5. However, no operator of the Sloan 21-5 No. 1 Well shall attempt to produce from, nor conduct operations therein that will cause said wellbore to frac, perforate, or otherwise penetrate or injure, the Storage Interval for the Field, or any sands correlative therewith, or otherwise interfere with operations of the Underground Storage Facility in Four Mile Creek Gas Storage Field.

RULE 5.2. Pursuant to Order No. 492-2007, the Operator shall limit the maximum allowable operating pressure of the Reservoir to 1200 psig.

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. 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.

RULE 7.

All Orders entered relating to inter alia, the definition of zones, interval or strata, the designation of production units, the designation of unit wells, and the designation of operators for various wells within Four Mile Creek Gas Storage Field, as set out in State Oil and Gas Board Order No. 10-73 at Docket No. 6-73, Order No. 11-73 at Docket No. 7-73, Order No. 615-82 at Docket No. 412-82-564, Order No. 216-83 at Docket No. 157-83-564 and Order No. 216-83 are hereby deleted.

-End of Special Field Rules-