

SEP 21 2016

STATE OIL AND GAS BOAF
LISA IVSHIN, SUPERVISOR

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: PETITION OF DAY DREAMS RESOURCES, LLC TO AMEND THE SPECIAL FIELD RULES FOR NORTH FRIENDSHIP CHURCH FIELD IN PIKE COUNTY, MISSISSIPPI

DOCKET NO. 261-2016-D
ORDER NO. 354-2016

ORDER

This day this matter came on for hearing before the State Oil and Gas Board at its regular August 24, 2016 hearing on the Petition of Day Dreams Resources, LLC (“Petitioner”), to amend Special Field Rules for North Friendship Church Field in Pike County, Mississippi.

WHEREAS, a public hearing was held by said Board in the hearing room, 500 Greymont Avenue, Suite E, Jackson, Mississippi, commencing on August 24, 2016, at which time all persons present who desired to be heard on said matter were heard. All testimony, evidence and argument of counsel, were duly considered at said meeting; and

WHEREAS, Board finds that due, proper and legal notice of the meeting of this Board for the purpose of considering and taking action with respect to such matter was given in the manner provided by law and the rules and regulations of this Board; that due, legal and sufficient proofs of publication are on file with the Board; and that the Board has full jurisdiction of the parties and subject matter to hear and determine this docket; and

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

1. The only producing well located in North Friendship Church Field is the Ram Petroleum-McGrew No.1 Well on an eighty (80) acre unit in the N1/2 of SE1/4, Section 1-T3N-R8E, pursuant to the existing Special Field Rules of North Friendship Church Field. The Special Field Rules of North Friendship Church Field should be amended in order to assist in the expansion and redevelopment of North Friendship Church Field.

2. The existing Special Field Rules for North Friendship Church Field define the Field Limits as:

East three-fourths (E 3/4) of Section 1, Township 3 North, Range 8 East, Pike County, Mississippi.

The Field Limits of North Friendship Church Field should be redefined as follows:

East one-fourth (E 1/4) of Section 2 and the Entire Section 1, Township 3 North, Range 8 East, Pike County, Mississippi.

3. The existing Special Field Rules for North Friendship Church Field define the Lower Tuscaloosa Producing Interval and authorize 80 acre spacing for each oil well with well bores being no less than 330 feet from exterior unit lines and 660 feet between producing wells.

4. The Special Field Rules should be amended to authorize 160 acre spacing for oil wells drilled to the Lower Tuscaloosa Producing Interval and to authorize up to two producing wells per 160 acre unit provided that said wells shall be not less than 500 feet from every exterior unit boundary and shall be not less than 1,000 feet from every other drilling or producing well in the same pool. The proposed amendments will not cause drainage that is not offset by counter drainage and will protect the co-equal and correlative rights of all parties in interest.

5. All increased density wells authorized in North Friendship Church Field should have drilling permits issued administratively, without notice or hearing, provided that the proposed well complies in all respects with the Special Field Rules, and provided that owners of all drilling rights in the established unit have consented or that said unit has been previously force integrated pursuant to Section 53-3-7(1) Miss. Code Ann., as amended. The ownership in each proration unit will be the same for that unit no matter the number of increased density wells drilled. Therefore, the effort to force pool each increased density well is duplicative after the first integration of the unit and wasteful of the assets of both the operator and the Board. The proposed rule will only affect the “simple integration” of non-consenting owners. Should the operator of the unit desire to pursue the application of alternate risk charges against non-consenting owners, the operator may not rely on the Special Field Rules but will be required to follow the requirements of Miss. Code Ann. §53-3-7(2), as amended, and the established Statewide Rules to qualify for alternate risk charges against non-consenting owners.

6. The Amended Special Field Rules of North Friendship Church Field, which are set forth in Exhibit “A”, attached hereto, will prevent waste, will avoid the drilling of unnecessary wells, will protect the co-equal and correlative rights of the owners in the Field, will allow all of the owners in the Field the right and opportunity to recover their fair and equitable share of the recoverable hydrocarbons therein, will foster and encourage the full development of the Field, will promote the conservation of hydrocarbons from the Field by preventing waste, and will enable hydrocarbons to be produced which could not otherwise be produced, thereby increasing the ultimate recovery of hydrocarbons.

7. Personal notice of this docket was given to the operator of the only well in North Friendship Church Field that is not plugged and abandoned.

IT IS THEREFORE ORDERED AND ADJUDGED that the State Oil and Gas Board of Mississippi approves and adopts the Amended Special Field Rules of North Friendship Church Field, which are set forth in Exhibit "A", attached hereto.

IT IS FURTHER ORDERED AND ADJUDGED that Petitioner shall acquire all other permits, if any, from any other permitting authority.

IT IS FURTHER ORDERED AND ADJUDGED that this order shall be in force and effect from and after August 24, 2016.

SO ORDERED AND ADJUDGED this the 1st day of Sept., 2016.

STATE OIL AND GAS BOARD OF MISSISSIPPI

By: David A. Scott
DAVID A. SCOTT, Chairman

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**ATTORNEY FOR PETITIONER,
DAY DREAMS RESOURCES, LLC**

Exhibit A

**AMENDED
SPECIAL FIELD RULES FOR NORTH FRIENDSHIP CHURCH FIELD
PIKE COUNTY, MISSISSIPPI**

FIELD LIMITS:

The North Friendship Church Field is defined as that area consisting of the following described lands, to wit:

East one-fourth (E 1/4) of Section 2 and the Entire Section 1, Township 3 North, Range 8 East, Pike County, Mississippi

as underlain by the oil pool herein defined and all correlative or productive extensions thereof.

DEFINITIONS:

(a) Lower Tuscaloosa Producing Interval

The Lower Tuscaloosa Producing Interval in the North Friendship Church Field shall be construed to mean those strata of the Lower Tuscaloosa Formation productive of oil in the interval between 10,640 feet to 10,718 feet in the Ram-McGrew No. 1 Well, located 2,179 feet North of South line and 1,926 feet West of East line in Section 1, Township 3 North, Range 8 East, Pike County, Mississippi, as indicated on the Array Induction/Sonic Log of said well as recorded by Schlumberger on May 17, 2012, and all sands correlative of these strata productive of oil.

RULE I – Spacing of Oil Wells:

- (a) Each oil unit for the Lower Tuscaloosa Producing Interval in North Friendship Church Field may have two (2) producing wells. Each oil unit for each of said defined pools shall be developed subject to the following:
- (i) shall be located on a drilling unit consisting of one hundred sixty (160) contiguous surface acres, or four (4) contiguous governmental quarter-quarter sections, containing not less than one hundred forty-four (144) acres or more than one hundred seventy-six (176) acres; the word “contiguous” as used herein shall mean bordering each other at more than one point;
 - (ii) shall be located at least 1,000 feet from every other drilling or producible well located in the North Friendship Church Field in the same defined oil pool;
 - (iii) shall be located at least 500 feet from every exterior boundary of the drilling unit; and
 - (iv) any drilling unit not composed of four (4) contiguous governmental quarter-quarter sections 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; and
 - (v) Rule I (a)(iii) shall not apply to the surface location of any well which is intentionally deviated such that the producing perforations of which are at least 1000 feet from the producing perforations of every other drilling or producible well in the Lower Tuscaloosa Producing Interval. As to such wells intentionally deviated, there shall be no restriction on the surface location within the unit; provided, however, the interval perforated for completion shall be located at least 1000 feet from the producing perforations of every other drilling or producible

well in the Lower Tuscaloosa Producing Interval and the intervals perforated for completion shall also be located at least 500 feet from each exterior boundary of the drilling unit; and

(vi) when a well is directionally deviated from its normal course for any reason, a complete angular deviation and directional survey of the finished hole shall be made at the expense of the operator and a certified copy of such survey shall be filed with the Board within thirty (30) days; and

(vii) each increased density well shall be granted a full allowable for production.

(b) Any oil unit developed prior to the amendment of these special field rules shall retain their existing unit.

RULE II – Force Integration

A well which is to be drilled as an increased density well under Rule I of these Special Field Rules on an established unit, may have the drilling permit issued administratively, without notice or hearing, provided that the proposed well complies in all respects with these Special Field Rules and provided that owners of all drilling rights in the established unit have consented or that said unit has previously been force integrated pursuant to Section 53-3-7(1) Miss. Code Ann., as amended, “simple integration”.

RULE III – Applicability of Statewide Rules:

All rules and regulations contained in Statewide Order No. 201-51 and amendments thereto, not in conflict with the foregoing, shall apply to said field until such time as these Special Field Rules may be altered or amended. The Board expressly reserves the right, after notice and hearing, to alter or amend or repeal any and all of the foregoing regulations.

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