

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

MAY 3 1991

STATE OIL AND GAS BOARD
200 North Third Street, Jackson, Mississippi 39201

RE: PETITION OF CLAYTON)
 W. WILLIAMS, JR., INC.)
 TO AMEND THE SPECIAL)
 FIELD RULES FOR JUNCTION)
 CITY FIELD, CLARKE COUNTY,)
 MISSISSIPPI)

DOCKET NO. 118-91-138

ORDER NO. 174-91ORDER

THIS DAY there came on for hearing before the State Oil and Gas Board of Mississippi, the Petition of Clayton W. Williams, Jr., Inc. seeking amendment of the Special Field Rules for Junction City Field in Clarke County, Mississippi, and the Board, after having considered the evidence submitted, the proofs of publication, and other matters contained in the file in said docket, finds as follows, to-wit:

I.

That proper, due and legal notice for the meeting of this Board to consider this matter has been given as required by law and the rules of the Board; that due, legal and sufficient proofs of publication of said notice are on file with this Board; and that this Board has full and complete jurisdiction of the subject matter to hear and determine the petition at this time and place as hereinafter set forth.

II.

Petitioner in the above docket, and those associated with it, are the owners of significant leasehold rights in Junction City Field, and have plans for the drilling of wells into the Selma Chalk Formation employing unconventional drilling techniques which are designed to enhance the ultimate recovery of hydrocarbons from said formation. The technique will involve the directional drilling of wells into said formation in an effort to obtain hydrocarbons which have not been so far produced, or which it is believed will be produced, by conventional and traditional techniques. The procedure thus has a likelihood of increasing the ultimate productivity of the Selma Chalk Formation in Junction City Field.

III.

The procedure for directionally deviated holes, as described in the Petition, and in the field rules proposed on Exhibit "B" of the Petition, will require the larger spacing and other relief from the presently existing statewide rules. The Board finds, upon the evidence submitted, that the proposed Special Field Rules should be amended as set out in Exhibit "B" of the Petition, said amendment being specifically addressed to directional drilling in the Selma Chalk Formation, as defined therein.

IV.

Particularly inasmuch as the Selma Chalk Formation appears to be in a state of near depletion, insofar as conventional techniques are concerned, the Board finds that it would be in the best interest of all parties in ownership in the Selma Chalk Formation if the Special Field Rules for Junction City were amended so as to allow larger spacing and other relief as set out in the proposed Special Field Rules.

V.

The Board also finds that the proposed directional drilling techniques, when combined with the characteristics of the Selma Chalk Formation, are such that 80 acre spacing is the effective spacing unit for such wells and that one well will efficiently and adequately drain and produce the hydrocarbons in the Selma Chalk Formation on an 80 acre spacing. This technique will help achieve the maximum recovery of oil, without waste.

VI.

The Board further finds that the amendment to the Special Field Rules, as to the Selma Chalk Formation, will protect the co-equal and correlative rights of all parties in that formation and will avoid unnecessary expense.

VII.

The Board therefore finds, that the relief requested in the Petition is reasonable and necessary and therefore, the relief requested is hereby granted.

IT IS, THEREFORE, ORDERED, ADJUDGED AND DECREED that:

1. The Special Field Rules for Junction City Field are hereby amended so that the Rules shall now read as is set out on Exhibit "A" of this Order; and

2. The Board specifically finds that the amendment to said Field Rules as set out therein will allow for and promote the properly and orderly development of the Selma Chalk Formation in Junction City Field, will prevent waste, and will allow for the protection of the co-equal and correlative rights of all owners in that formation.

IT IS THEREFORE ORDERED AND ADJUDGED, by the State Oil and Gas Board of Mississippi that Special Field Rules for Junction City Field are hereby adopted in the form as set out on Exhibit "A" as attached hereto.

ORDERED AND ADJUDGED, this the 17th day of April, 1991.

STATE OIL AND GAS BOARD OF MISSISSIPPI

BY: *J. B. Mayo Mc. Lake*
Chairman

AMENDED SPECIAL FIELD RULES FOR THE JUNCTION CITY FIELD
CLARKE COUNTY, MISSISSIPPI

A. FIELD AREA:

The Junction City Field, for purposes addressed by these Special Field Rules, is that geographical area in Clarke County, Mississippi consisting of the following described lands, to-wit:

Township 2 North, Range 17 East

- Section 29: The Southwest Quarter of the Southwest Quarter (SW/4 SW/4);
- Section 30: The entire section;
- Section 31: The Northeast Quarter of the Northeast Quarter (NE/4 NE/4);
- Section 32: The North 3/4ths;
- Section 33: The entire Southwest Quarter (SW/4).

Township 2 North, Range 16 East

- Section 14: The Southeast Quarter (SE/4);
- Section 23: The East Half of the East Half (E/2 E/2) and the Northwest Quarter of the Northeast Quarter (NW/4 NE/4);
- Section 24: The entire section, less and except the Northeast Quarter (NE/4);
- Section 25: The entire section.

The "Field Area" as described above, shall also be deemed to include all productive extensions of the above land, as may be found productive in the hereinafter defined pools.

B. POOL DEFINITIONS:

1. The Eutaw Pool, as used herein, shall be construed to mean those strata of the Eutaw Formation productive of oil from the sub-surface depth of 3642 feet to 3820 feet in the Humble Oil & Refining Company No. 1 Myra Butler Well, located in the NE $\frac{1}{4}$ of SW $\frac{1}{4}$ of NW $\frac{1}{4}$ of Section 30, Township 2 North, Range 17 East, Clarke County, Mississippi, and including those strata productive of oil which can be correlated therewith.
2. The Selma Chalk Pool, as used herein, shall be construed to mean those strata of the Selma Formation productive of oil from the sub-surface depth of 2727 feet to 3653 feet in the Socony Mobil Oil Company, Inc., No. 1 E.L. Gaston Well, located in the SW $\frac{1}{4}$ of NW $\frac{1}{4}$ of Section 24, Township 2 North, Range

16 East, Clarke County, Mississippi,
and including those strata
productive of oil which can be
correlated therewith.

C. The characteristics of the above defined producing pools in the Junction City Field are such, and evidence shows that, one well drilled on a regularly formed 40-acre drilling unit will efficiently drain and produce the recoverable oil from such unit in said pool(s) without avoidable waste, EXCEPT in the Selma Chalk Pool where special directional drilling techniques are used, as provided for in RULE 5 herein, wherein 80 acre spacing shall be authorized as more specifically set out and described in said RULE 5.

RULE 1
MEASUREMENT OF PRODUCTION

The operator of each producing lease shall maintain proper separators and stock tanks or metering devices and such connections thereto as are necessary to continuously measure the total production from such lease. Where metering devices are used, as herein provided, the production may be commingled in a common storage system. And if, upon a sale therefrom, a variance exists between the measurement and the common storage system and the total measurement of the production of all the leases commingled in such common storage system, then such variance shall be allocated back to each of the leases producing into common storage system proportionately to the production measured from each lease.

RULE 2
EQUIPMENT FOR TESTS

A. Each producing well shall be so equipped that gas/oil ratio tests and bottom hole or other pressure tests may be made.

B. The operator of each producing lease on which there are two or more producing wells shall maintain proper separators and stock tanks or metering devices and such connections thereto as will permit the adequate testing of each individual well under usual operating conditions without the necessity of closing in any other well. Such separators, stock tanks or metering devices and connections thereto shall be subject to approval by the

Supervisor.

RULE 3
USE OF METERS

A. The use of meters for testing and for measurement of lease production shall be subject to and in accordance with the following provisions:

1. Only a volume displacement type metering device or vessel which registers the volume of oil passed through it in barrels or multiples thereof may be used.

2. All meters shall be downstream of the necessary separating or treating vessels. All meters shall be designed and installed in conformance with recognized metering practices and shall be subject to the approval of the Supervisor of the Oil and Gas Board.

3. No meter used for oil production measurement shall be directly or indirectly by-passed in such manner as to permit oil to pass into common storage without first being measured by said meter including wells on test.

4. All meters and equipment affecting meter accuracy shall be kept in good working order. Each meter shall be calibrated at least once a month by means of a calibrated tank, a calibrated meter prover or a master meter. When a meter is found to deviate in its recording by more than two percent, it must be adjusted to conform to the said tolerance limitation of two percent or the meter calibration factor corrected.

5. The corrected meter reading at 7:00 a.m. on the first day of each month for each meter shall be reported on the bottom of the Form 9 reporting the monthly production from the wells being measured by such meter.

RULE 4
COMMINGLED PRODUCTION

Any well may be completed in the Eutaw Pool and the Selma Chalk Pool so that the production is commingled in the well bore and produced through a single string of tubing; provided, however, that no well producing in such manner shall produce more than the allowable prescribed for any one of such pools.

RULE 5
DIRECTIONALLY DRILLED WELLS IN THE SELMA CHALK POOL

A. Definition. A directionally drilled well which will qualify for the special spacing and other treatment provided for hereinafter in this Rule is a well which

- (1) is to be drilled at a deviation from vertical of not less than twenty degrees (20°) into the Selma Chalk Formation;
- (2) at a displacement footage of not less than four hundred (400) feet between surface and bottom hole locations.

B. Filing Requirements. Notice and hearing for the proposed intentional deviation shall not be required and the supervisor is authorized to issue permits administratively authorizing the drilling of such proposed wells if the Application for Permit to Drill is accompanied by a plat showing the surface location, and a proposed bottom hole location which will comply with A(2) above. If the directional survey, hereinafter required, fails to show that the well, as drilled, complies with A(1) and A(2) above, then the Operator of such well shall be required to show good cause to the Board, after Notice, why such well should be allowed to remain eighty (80) acre spacing.

C. Directional Survey. A directional survey or equivalent other test or survey which renders the same information shall be conducted on each deviated hole prior to setting production casing and a certified copy thereof shall be furnished to the Oil and Gas Board within 30 days after said directional survey is completed.

D. Spacing of Wells - Unit Size. Every well drilled for production of oil from the Selma Chalk Pool, and proposed for intentional deviation as above provided, shall be on a drilling unit which

- (1) consists of two governmental Quarter Quarter (1/4 1/4) sections containing not less than 72 acres or more than 88 acres; or
- (2) consists of land which will fit within the confines of a rectangle 2,720 feet by 2,000 feet.

PROVIDED, HOWEVER, no unit shall be permitted which will create island acreage.

E. Spacing of Wells - Location from Unit Boundaries and Other Wells. The location of the point of entry of the bore hole into the Selma Chalk Formation and the bottom hole location of all wells shall be at least 330 feet from every exterior boundary of the unit, and at least 660 feet from every drilling or completed well located in the Selma Chalk Pool. The surface location shall be within the Unit proposed for the well.

F. Allowables. The allowable for each well drilled in conformity with this Rule 5 shall be set based upon a one hundred and eighty (180) day test conducted upon the well, to establish its maximum efficient rate. During this test any Operator may produce said well at a reasonable rate without an allowable limit; provided, however, that said Operator shall not produce any well which would cause waste as is defined by Board Statewide Rules & Statutes of this State. The allowable will be set by the Staff of this Board based upon the production capacity and characteristics displayed by the well during such test.

RULE 6
APPLICABILITY OF STATE-WIDE RULES

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

The Board expressly reserves the right, after notice and hearing, to alter, amend or repeal any and all of the foregoing Special Field Rules, or to grant exceptions to all or any part thereof.

END OF SPECIAL FIELD RULES

SOURCE: ORDER NO. 114-91, DATED APRIL 17, 1991 IN DOCKET NO. 118-91-138