

STATE OIL AND GAS BOARD
WALTER BOONE, SUPERVISOR

RE: PETITION OF SKLAR EXPLORATION)
COMPANY, L.L.C., TO ESTABLISH)
SPECIAL FIELD RULES FOR THE)
SOUTH KINGS DOME FIELD, WARREN)
COUNTY, MISSISSIPPI)

DOCKET NO.: 116-2002-879

ORDER No. 180-2002

ORDER

THIS DAY, there came on for hearing before the State Oil and Gas Board of Mississippi the Petition to Establish Special Field Rules for the South Kings Dome Field and the Board having carefully considered the various pleadings, documents and affidavits and oral arguments given does hereby find, adjudge and order as follows:

1.

Petitioner is the operator of the SKLAR-FELD HEIRS NO. 1 WELL located in the Northwest quarter of the Southwest quarter of Section 40, Township 17 North, Range 4 East, Warren County, Mississippi. Petitioner proposes to establish Special Field Rules for the South Kings Dome Field to define the geological limits of said Field to establish spacing of oil and gas wells in said field and to define the SOUTH KINGS DOME CONSOLIDATED OIL POOL as set forth on Exhibit "A", attached hereto and made a part hereof.

2.

The said Sections 39 and 40 were located in the Kings Dome Field. Petitioner filed a separate Docket No. 115-2002-833 with this Board requesting that said Sections 40 and 39, Township 17 North, Range 4 East, Warren County, Mississippi, be deleted from Kings Dome Field in order that said Sections may comprise South Kings Dome Field as proposed in this Docket which has been granted in a separate Order of this Board. The Kings Dome and South Kings Dome Fields are separate and distinct fields and are not in communication.

3.

That the Special Field Rules for the South Kings Dome Field, as attached hereto as Exhibit "A", among other things, provide for 640-acre spacing for oil wells, with up to four (4) wells per unit, from the South Kings Dome Consolidated Oil Pool because of the geologic and economic nature of the Pool as it relates to the Kings Salt Dome, to lessen surface impact on the lands and to avoid waste which would occur if developed in any other manner and are found necessary and appropriate to carry out the express public policies as expressed by statute.

That the Special Field Rules for South Kings Dome Field also provide for the establishment of a temporary MER, for the temporary flaring of gas and for horizontal and/or directionally deviated wells and are found necessary for the orderly and proper development of the field.

4.

That there are no operators of wells in the Kings Dome or proposed South Kings Dome Field other than Petitioner and therefore no personal notice is required and that public notice was properly given.

5.

That the establishment of Special Field Rules for the South Kings Dome Field, as set forth under Exhibit "A" attached hereto and made a part hereof, are necessary to prevent waste and protect the co-equal and correlative rights of owners in the field and in order to reach the full development of hydrocarbons underlying said field without waste occurring.

IT IS THEREFORE ORDERED AND ADJUDGED that the Special Field Rules for the South Kings Dome Field set forth on Exhibit "A" attached hereto and made a part hereof are hereby adopted and established as the Special Field Rules for South Kings Dome Field, Warren County, Mississippi.

ORDERED AND ADJUDGED this the 5th day of June, 2002.

STATE OIL AND GAS BOARD
OF MISSISSIPPI

By: Joseph D. Juarez

CHAIRMAN

SUBMITTED BY:

W. Eric West

MS Bar No.: 7116

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EXHIBIT 'A'

**SPECIAL FIELD RULES
FOR THE SOUTH KINGS DOME FIELD
WARREN, COUNTY, MISSISSIPPI**

A: **FIELD AREA:**

The SOUTH KINGS DOME FIELD, as used herein, is that geographical area consisting of the following described lands, to-wit:

SECTIONS 39 and 40
TOWNSHIP 17 NORTH, RANGE 4 EAST
WARREN COUNTY, MISSISSIPPI

underlain by the South Kings Dome Field Consolidated Oil Pool [which contains elements of the Mooringsport Formation, the Ferry Lake Formation, the Rodessa Formation, the Sligo Formation, the Hosston Formation and the Cotton Valley Formation], as defined herein and all productive extensions thereof.

B. **POOL DEFINITIONS:**

1.1 South Kings Dome Consolidated Oil Pool in the South Kings Dome Field shall be construed to mean those strata of the Mooringsport, Ferry Lake, Rodessa, Sligo, Hosston and Cotton Valley Formations productive of oil and associated gas from the interval between 10,694 feet, and through the bottom of Cotton Valley Formation, the top of what was encountered at 15,464 feet, in the Sklar Exploration Company - Feld Heirs No. 1 - Well located in the Northwest Quarter of the Southwest Quarter of Section 40, Township 17 North, Range 4 East, Warren County, Mississippi, as indicated on the electric log of said well and all intervals correlative of said strata productive of hydrocarbons which can be correlated therewith and are in communication therewith.

The characteristics of the said South Kings Dome Consolidated Oil Pool in said Field is such that wells located in conformance with the hereinafter prescribed spacing rules will efficiently drain and produce the recoverable oil and gas from said pool without uncompensated waste.

C. RULES:

RULE 1 - UNIT SIZE AND SPACING OF OIL WELLS:

1. With respect to each oil unit drilled on and/or as applicable to all wells productive from each unit in the Kings Dome Consolidated Oil Pool:

(a) The oil Drilling Unit or Developed Unit shall consist of (1) 640 contiguous surface acres; or (2) a governmental section containing not less than 600 acres or more than 680 acres; or (3) sixteen (16) contiguous governmental quarter-quarter sections whose total acreage is not less than 600 acres or more than 680 acres. The word "contiguous" as used herein shall mean bordering each other at more than one point.

(b) Any oil Drilling Unit or Developed Unit formed under Section 1(a) of this Rule must be completely encompassed by the perimeter of a rectangle 5580 feet by 6245 feet. Provided, however, no unit shall be permitted which will create island acreage.

(c) Each Unit may have up to four (4) separate wells completed in and producing from the Kings Dome Consolidated Oil Pool including horizontal or deviated wells which are specifically allowed.

(d) Each producing interval in each well shall be located such that each producing interval is at least 750 feet from every other drilling well or well completed in or producing from the same producing interval located in conformity with this rule; and

(e) Each well shall be located in all producing intervals not less than 500 feet from every exterior boundary of the drilling unit and 1,000 feet from producing intervals in like wells on any offsetting unit.

2. If any well drilled in conformity with the provisions of this rule, or as an exception thereto, is completed as a gas well, it shall not be produced except for a test period of not exceeding forty-five (45) days, or in compliance with applicable special field rules, or until authorization has been granted by the Board after notice and hearing.

1.1 As to each well drilled to and productive from any pool other than the Kings Dome Consolidated Oil Pool spacing shall be in accordance with Statewide Rule 7 as applicable, and any amendments thereto.

RULE 2 - UNIT SIZE AND SPACING OF GAS WELLS:

2. As to each gas well drilled to and productive in the South Kings Dome Field, spacing shall be in accordance with Statewide Rule 8 as applicable, and any amendments thereto.

RULE 3 - HORIZONTAL DRILLING

3.1 Wells may be drilled utilizing directional or horizontal drilling techniques, regardless of whether the surface location of such wells is within or outside the boundaries of the unit; provided, however, the entry point in the horizontal drainhole, the terminus point in the horizontal drainhole and all points in between shall be at least 500 feet from every exterior boundary of the unit and at least 750 feet from the producing interval in both the horizontal or directional well and every other well.

3.2 The surface location of each well bore shall be at least twenty-five (25) feet from the surface location of every other well bore completed in or producing from said pool on the same unit.

3.3 Multiple horizontal or lateral boreholes may be drilled extending from the initial pilot borehole drilled for each well. A separate application for permit to drill, survey plat and drilling permit fee shall be filed with the Board for each subsequent horizontal or lateral borehole drilled after the original completion of the well.

3.4 With respect to every directional or horizontal well planned to be drilled in the South Kings Dome Consolidated Oil Pool, the application for permit to drill shall be accompanied by a survey plat showing the surface location, the anticipated bottomhole location of the pilot borehole or directional well, the anticipated location of the entry point of the horizontal drainhole into the South Kings Dome Consolidated Oil Pool, the anticipated terminus point in the horizontal drainhole or directional well and the boundaries of the unit.

3.5 A directional survey shall be run and submitted to the Board in accordance with Rule 14 of the Statewide Rules and Regulations on all of the following types of wells: (i) wells drilled utilizing directional or horizontal drilling techniques, (ii) wells proposed to be drilled with the surface location or any portion of the

wellbore at a location less than 500 feet from any exterior boundary of the unit, and (iii) wells with a surface location outside the boundaries of the unit.

RULE 4 - ALLOWABLE

Upon the completion of a well in the South Kings Dome Consolidated Oil Pool, the operator thereof shall be allowed to test the production for said well for a period of time not to exceed one year from the date of initial production from said well in order to determine the maximum efficient rate of production. During this test period, the maximum efficient daily rate of production from each newly completed well in the South Kings Dome Consolidated Oil Pool shall be set at a temporary rate of 1500 barrels of oil per day in order to allow the proper testing of each well. Prior to the expiration of the one year test period, the operator of such well shall petition the Board to establish a permanent maximum efficient rate of production for the well. Each well shall be allowed to flare gas for a period not to exceed the shorter of nine (9) months or the connection of said well to a gathering system or sales line, unless otherwise approved by administrative action.

RULE 5 - SURFACE STORAGE, MEASUREMENT AND TRANSFER SYSTEMS

(1) The operator of wells completed in the South Kings Dome Consolidated Oil Pool shall maintain such separators, stock tanks, metering devices, connections and storage facilities as it deems necessary to accurately measure the total production from the wells on each unit. Separate measurement or storage for the South Kings Dome Consolidated Oil Pool wells within a single unit shall not be required. Where metering devices are used, the production from separate units may be commingled in a common storage system. If, upon a sale therefrom, a variance exists between the measurement from the common storage system, then such variance shall be allocated back to each of the units producing into the common storage system proportionate to the production measured from each unit.

(2) Automatic custody transfer systems which automatically test, sample, measure and transfer the production from the operator to the purchase are hereby authorized for each such South Kings Dome Consolidated Oil Pool unit. Such systems will be equipped with a sampling device which will take a representative sample of the total production passing through the system in order that the specific gravity and basic sediment and water content can be determined. Each custody transfer system will be equipped with a

volume displacement type metering device which registers the volume of oil passed thorough it in barrels or multiples thereof.

RULE 6 - APPLICABILITY OF STATEWIDE RULES:

3.1 All rules and regulations contained in the Statewide Rules, and any amendments thereto, not specifically covered in the foregoing Special Field Rules are hereby adopted and shall apply to said field.

3.2 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 -