

JUN - 1 2009

RE: PETITION OF SKLAR EXPLORATION )  
COMPANY, L.L.C., TO AMEND )  
THE SPECIAL RULES FOR THE )  
SOUTH KINGS DOME FIELD, )  
WARREN COUNTY, MISSISSIPPI )  
AND REFORM THE UNIT FOR THE )  
FELD MOMO NO. 4 WELL )

STATE OIL AND GAS BOARD  
LISA IVSHIN, SUPERVISOR

DOCKET NO. 146-2009-879

ORDER NO. 258-2009

**ORDER**

THIS DAY, there came on for hearing before the State Oil and Gas Board of Mississippi on the Regular Docket on the 20<sup>th</sup> day of May, 2009 on the Petition to Amend the Special Field Rules for the South Kings Dome Field and for other relief 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.

All notices for this hearing required by law and the rules of this Board have been given with the proof thereof on file in this docket.

2.

The Board having considered said matter and the evidence and recommendations made in support thereof, and being fully advised in the premises, is of the opinion and finds that the relief requested by the Petitioner should be, and the same is hereby granted.

3.

By Order No. 180-2002 dated June 5, 2002 in Docket No. 116-2002-879 this Board adopted Special Field Rules for the South Kings Dome Field defining the geographical area of the Field as Sections 39 and 40, Township 17 North, Range 4 East, Warren County, Mississippi.

4.

Said order also defined the "South Kings Dome Consolidated Oil Pool" and set forth rules for the development of said pool.

5.

Petitioner is the operator of the SKLAR-FELD HEIRS NO. 1 WELL, the SKLAR-FELD HEIRS NO. 3 WELL and the SKLAR-FELD MOMO NO. 4 WELL all located in Section 40, Township 17 North, Range 4 East, Warren County, Mississippi. Petitioner proposes to define the SOUTH KINGS DOME UPPER CONSOLIDATED OIL POOL and adopt related rules as set forth on Exhibit "A" attached hereto and made a part hereof.

6.

The Special Field Rules for the South Kings Dome Field should be amended so that the South Kings Dome Upper Consolidated Oil Pool is defined and providing for rules for its development.

7.

The Special Field Rules for the South Kings Dome Field should be amended in the manner and to the extent set forth in Exhibit "A" attached hereto and made a part hereof. The only change in the Special Field Rules adopted by Order No. 180-2002 and the proposed amended Special Field Rules attached hereto as Exhibit "A" is the change noted above other than the correction of minor errors in the wording of same.

8.

The Unit for the Sklar-Feld MoMo No. 4 Well should be reformed, in order to comply with the Special Field Rules to a 640 acre unit comprised of Section 40, Township 17 North, Range 4 East, Warren County, Mississippi.

9.

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.

The establishment of the proposed Amended 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 Amended 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 Amended Special Field Rules for South Kings Dome Field, Warren County, Mississippi.

IT IS FURTHER ORDERED AND ADJUDGED that the forty acre unit for the Sklar-Feld MoMo No. 4 is reformed to a 640 acre unit comprised of Section 40, Township 17 North, Range 4 East, Warren County, Mississippi.

ORDERED AND ADJUDGED this the 15<sup>th</sup> day of June, 2009.

STATE OIL AND GAS BOARD  
OF MISSISSIPPI

By:   
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 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, and the South Kings Dome Upper Consolidated Oil Pool which contains elements of the Basal Midway and Upper Selma Gas Rock Formation, the Selma Chalk Formation, the Eutaw Formation, the Upper, Middle and Lower Tuscaloosa Formations, the Washita-Fredricksburg Formation, and the Paluxy Formation all 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.

1.2 South Kings Dome Upper Consolidated Oil Pool in the South Kings Dome Field shall be construed to mean those strata of the Basal Midway and Upper Selma Gas Rock Formation, the Selma Chalk Formation, the Eutaw Formation, the Upper, Middle and Lower Tuscaloosa Formations, the Washita–Fredricksburg Formation, and the Paluxy Formation productive of oil and associated gas from the interval between 6,405 feet, and through the bottom of the Paluxy Formation, the bottom of what was encountered at 10,694 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 Upper 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:

1.1 With respect to each oil unit drilled on and/or as applicable to all wells productive from each unit in the South Kings Dome Consolidated Oil Pool or South Kings Dome Upper 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 1.1(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 South Kings Dome Consolidated Oil Pool including horizontal or deviated wells which are specifically allowed.

(d) Each producing interval in each well in the South Kings Dome Consolidated Oil Pool 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 located in the South Kings Dome Consolidated Oil Pool 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.

(f) Each Unit may have up to eight (8) separate wells completed in and producing from the South Kings Dome Upper Consolidated Oil Pool including horizontal or deviated wells which are specifically allowed.

(g) Each producing interval in each well in the South Kings Dome Upper Consolidated Oil Pool shall be located such that each producing interval is at least 330 feet from every other drilling well or well completed in or producing from the same producing interval located in conformity with this rule; and

(h) Each well in the South Kings Dome Upper Consolidated Oil Pool shall be located in all producing intervals not less than 330 feet from every exterior boundary of the drilling unit and 660 feet from producing intervals in like wells on any offsetting unit.

1.2 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.

1.3 As to each well drilled to and productive from any pool other than the South Kings Dome Consolidated Oil Pool or the South Kings Dome Upper 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:

2.1 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 and directional well and every other well as to South Kings Dome Consolidated Oil Pool and 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 330 feet from every exterior boundary of the unit and at least 660 feet from the producing interval in both the horizontal and directional well and every other well as to South Kings Dome Upper Consolidated Oil Pool.

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 or the South Kings Dome Upper 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 or the South Kings Dome Upper Consolidated Oil Pool, the anticipated terminous 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 an exception location to the minimum required distance from any exterior boundary of the unit, and (iii) wells with a surface location outside the boundaries of the unit.

**RULE 4 - ALLOWABLE:**

4.1 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.

4.2 Upon the completion of a well in the South Kings Dome Upper 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 Upper 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:**

5.1 The operator of wells completed in the South Kings Dome Field 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 each South Kings Dome Field Well 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.

5.2 Automatic custody transfer systems which automatically test, sample, measure and transfer the production from the operator to the purchaser are hereby authorized for each such South Kings Dome 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 through it in barrels or multiples thereof.

**RULE 6 - APPLICABILITY OF STATEWIDE RULES:**

6.1 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.

6.2 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 -