

MAY 20 2009

RE: PETITION OF PETCO PETROLEUM CORP.
TO AMEND THE SPECIAL FIELD RULES FOR
PACHUTA CREEK FIELD IN CLARKE COUNTY, MISSISSIPPI

STATE OIL AND GAS BOARD
ISAIVSHIN, SUPERVISOR

DOCKET NO. 138-2009-273
ORDER NO. 224-2009

ORDER

This day this matter came on for hearing before the State Oil and Gas Board at its regular April 15, 2009 hearing, on the Petition of Petco Petroleum Corp. to amend the Special Field Rules for Pachuta Creek Field in Clarke County, Mississippi.

WHEREAS, the Board finds that due, proper and legal notice of the meeting of the Board for the purpose of considering and taking action with respect to such matter was given in the manner and way provided by law and the rules and regulations of the 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 same; and

WHEREAS, pursuant to said notice given, public hearing was held by the Board at the hearing room of the United States District Court, 2012 15th Street, Gulfport, Mississippi 39501, commencing on April 15, 2009, at which hearing all persons present who desired to be heard on said matter were heard and all testimony and evidence were duly considered at said meeting; and

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

1. That Petitioner is the Operator of all wells producing in Pachuta Creek Field and is operator of both the East Smackover Oil Pool Unit and the West Smackover Oil Pool Unit in said field.

2. That the West Smackover Oil Pool Unit was approved as a voluntary drilling and producing unit under authority of Section 53-3-7, Miss. Code Ann. (MCA) on November 20, 1974, by Order No. 275-74. By Order No. 48-75 dated March 19, 1975, the West Smackover Oil Pool Unit was approved as a compulsory unit pursuant to Section 53-3-101 et seq. MCA. In both of these Orders the unit description was set forth as follows:

Township 2 North, Range 14 East, Clarke County, Mississippi

Section 16: S1/2 of SW1/4
Section 17: S1/2 of SE1/4
Section 20: NE1/4 and E1/2 of the SE1/4
Section 21: All
Section 22: S1/2 of the NW1/4 and the S1/2
Section 26: S1/2 of the NW1/4 and the N1/2 of the SW1/4
Section 27: N1/2 and the N1/2 of the S1/2
Section 28: N1/2 and N1/2 of S1/2
Section 29: NE1/4 of NE1/4

3. That Special Field Rules for Pachuta Creek Field were last amended by Order No. 161-2005 in Docket No. 109-2005-273 filed for record on June 15, 2005. By virtue of a scrivener's error the West Smackover Oil Pool was misdescribed by omitting the above descriptions for Section 28 and Section 29 of said Township 2 North, Range 14 West.

4. That the Petitioner proposed to amend the Special Field Rules for Pachuta Creek Field to correct the scrivener's error and to correctly describe the West Smackover Oil Pool as including said lands in Sections 28 and 29, as specifically set out in the Amended Special Field Rules attached hereto as Exhibit "A".

IT IS, THEREFORE, ORDERED AND ADJUDGED that the Petition to Amend the Special Field Rules for Pachuta Creek Field is granted. The Amended Special Field Rules are attached hereto as Exhibit "A."

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

SO ORDERED AND ADJUDGED this the ~~20~~ day of May, 2009, and effective April 15, 2009.

MISSISSIPPI STATE OIL AND GAS BOARD

By: 

DAVID A. SCOTT, Chairman
John E. Parker, Vice Chairman

SUBMITTED BY:

WATTS C. UELTSCHY, MS State Bar No. 5758
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EXHIBIT "A"

PACHUTA CREEK SPECIAL FIELD RULES

The Pachuta Creek Field as used herein is that area consisting of all Sections 15, S1/2 of SW1/4 of 16, E1/2 of 17, NE1/4 and E1/2 of SE1/4 of 20; 21; 22; 23; 24; 25; 26; 27; 28; NE1/4 of 29; 34; 35; and 36, Township 2 North, Range 14 East, Clarke County, Mississippi, underlain by the East Smackover Oil Pool and the West Smackover Oil Pool and the Lower West Smackover Oil Pool as said pools are hereinafter defined and all productive extensions thereto.

SMACKOVER OIL POOLS DEFINED:

Pachuta Creek West Smackover Oil Pool

The Pachuta Creek West Smackover Oil Pool is defined as those strata of the Smackover Formation productive of oil and related hydrocarbons in the interval between 12,940 feet to 13,080 feet in the Robert Mosbacher, et al, McCarty, et al 27-6 Unit Well, located 500 feet from the North line and 820 feet from the East line of the S1/2 NW1/4 of Section 27, Township 2 North, Range 14 East, Clarke County, Mississippi, as indicated on the electric log of said well and all sands correlative of said strata and interconnected therewith productive of hydrocarbons.

Pachuta Creek East Smackover Oil Pool

The Pachuta Creek East Smackover Oil Pool is defined as those strata of the Smackover Formation productive of oil and related hydrocarbons in the interval between 12,815 feet and 12,990 feet in the Shell-McCarty, et al 26-10 Unit Well located 665 feet from the West line and 662 feet from the North line of the NW1/4 SE1/4 Section 26, Township 2 North, Range 14 East, Clarke County, Mississippi, as indicated in the electric log of said well and all sands correlative of said strata and interconnected therewith productive of hydrocarbons.

Pachuta Creek Lower West Smackover Oil Pool

The Pachuta Creek Lower West Smackover Oil Pool is defined as those strata of the Smackover Formation productive of oil and related hydrocarbons in the interval between 13,054 feet and 13,180 feet in the Atlantic Richfield Company - No. 1 John Blanks 20-1 Unit Well located 500 feet from the East line and 500 feet from the North line of Section 20, Township 2 North, Range 14 East, Clarke County, Mississippi, as

indicated on the electric log of said well, and all sands correlative of said strata and interconnected therewith productive of hydrocarbons.

The Pachuta Creek Lower West Smackover Oil Pool, as herein defined, does not cover and include the W1/2 of Section 17, Section 18, the W1/2 and the SE1/4 of Section 20, Sections 28 and 29, Township 2 North, Range 14 East Clarke County, Mississippi.

DRILLING UNITS

Individual Drilling Units

The characteristics of the Pachuta Creek East Smackover Oil Pool and Pachuta Creek West Smackover Oil Pool in said Field are such that a well located as hereinafter prescribed and drilled upon an individual drilling unit as herein defined containing approximately 80 contiguous surface acres conforming to the requirements herein contained will efficiently drain and produce the recoverable oil from such individual drilling unit in said pools without avoidable waste.

East Smackover Oil Pool Unit

The East Smackover Oil Pool Unit of the East Smackover Oil Pool of the Pachuta Creek Field, Clarke County, Mississippi, has been created by voluntary agreement for the purpose of bringing about the development and operation of the East Smackover Oil Pool Unit, Pachuta Creek Field, as a unit operation in order to establish and carry out a plan of pressure maintenance and secondary recovery operations. It is proper and necessary - for the promotion of conservation to consider and treat the unit area of the East Smackover Oil Pool Unit as a single drilling and producing unit as to all of the tracts contained therein, subject only to such limitations as may be required in order to protect the coequal and correlative rights of all owners in those tracts within the Pachuta Creek Field, East Smackover Oil Pool, who have not voluntarily consented to join in the East Smackover Oil Pool Unit. The rules hereinafter provided for the East Smackover Oil Pool Unit of the Pachuta Creek Field will enable said East Smackover Oil Pool to be efficiently developed and operated and the recoverable oil and gas therein contained to be recovered with full protection of the coequal and correlative rights of all parties and without avoidable waste.

The East Smackover Oil Pool Unit of the East Smackover Oil Pool, Pachuta Creek Field, is hereby defined as follows:

Township 2 North, Range 14 East, Clarke County, Mississippi

Section 15: SE1/4 of the SW1/4
Section 22: E1/2 of the NW1/4; E1/2
Section 23: S1/2, SE1/4, S1/2 of the NE1/4
Section 24: SW1/4; SW1/4 of the SE1/4
Section 25: All
Section 26: All
Section 27: NE1/4
Section 35: N1/2 of the NE1/4
Section 36: N1/2 of the NW1/4; the NW1/4 of the NE1/4

West Smackover Oil Pool Unit

The West Smackover Oil Pool Unit of the West Smackover Oil Pool of the Pachuta Creek Field, Clarke County, Mississippi, has been created by voluntary agreement for the purpose of bringing about the development and operation of the West Smackover Oil Pool Unit, Pachuta Creek Field, as a unit operation in order to establish and carry out a plan of pressure maintenance and secondary recovery operations. It is proper and necessary for the promotion of conservation to consider and treat the unit area of the West Smackover Oil Pool Unit as a single drilling and producing unit as to all of the tracts contained therein, subject only to such limitations as may be required in order to protect the coequal and correlative rights of all owners in those tracts within the Pachuta Creek Field, West Smackover Oil Pool, who have not voluntarily consented to join in the West Smackover Oil Pool Unit, - The rules hereinafter provided for the West Smackover Oil Pool Unit of the Pachuta Creek Field will enable said West Smackover Oil Pool Unit to be efficiently developed and operated and the recoverable oil and gas therein contained to be recovered with full protection of the coequal and correlative rights and without avoidable waste. The West Smackover Oil Pool Unit of the West Smackover Oil Pool Pachuta Creek Field, is hereby defined as follows:

Township 2 North, Range 14 East, Clarke County, Mississippi

Section 16: S1/2 of SW1/4
Section 17: S1/2 of SE1/4
Section 20: NE1/4 and E1/2 of the SE1/4
Section 21: All
Section 22: S1/2 of the NW1/4 and the S1/2
Section 26: S1/2 of the NW1/4 and the N1/2 of the SW1/4
Section 27: N1/2 and the N1/2 of the S1/2
Section 28: N1/2 and the N1/2 of the S1/2
Section 29: NE1/4 of NE1/4

RULE 1 - SPACING OF OIL WELLS

A. (1) The East Smackover Oil Pool Unit, as above defined, and as described in the Unitization Agreement and Operating Parties Agreement for said Unit

Area, is hereby established as a single unit-wide drilling and producing unit in the East Smackover Oil Pool and for each and all of the oil wells heretofore drilled and completed, and which may hereafter be drilled and completed in said pool on the Unit Area; however, such unit shall not include all or any portion of any individual drilling unit as such term is defined in Subsection (2) hereof, nor shall it include the net acreage herein, which is attributable to any operating or royalty interest which has not been made subject to the Unitization Agreement for the East Smackover Oil Pool, Pachuta Creek Field.

The West Smackover Oil Pool Unit, as above defined, and as described in the Unitization Agreement and Operating Parties - Agreement for said unit area, is hereby established as a single unit-wide drilling and producing unit in the West Smackover Oil Pool and for each and all of the oil wells heretofore drilled and completed, and which may hereafter be drilled and completed in said pool on the unit area; however, such unit shall not include all or any portion of any individual drilling unit as such term is defined in Subsection (2) hereof, nor shall it include the net acreage herein, which is attributable to any operating or royalty interest which has not been made subject to the Unitization Agreement for the West Smackover Oil Pool Unit, Pachuta Creek Field.

(2) When used in these rules, the words "individual drilling unit" shall mean a drilling unit in either the East Smackover Oil Pool or the West Smackover Oil Pool now existing in-the Pachuta Creek Field, or hereafter created in accordance with the Statewide Rules of this Board or the Special Field Rules of Pachuta Creek Field, wherein the ownership of any operating or royalty interest has not been made subject to the Unitization Agreement creating the East Smackover Oil Pool Unit, Pachuta Creek Field or the Unitization Agreement creating the West Smackover Oil Pool Unit, Pachuta Creek Field.

(3) Each oil drilling unit heretofore established in the Pachuta Creek Field which may be hereinafter established therein under the provisions of the Statewide Rules of this Board with respect to which any ownership of an operating or royalty interest that has not been committed to the Unitization Agreement creating the East Smackover Oil Pool Unit or the Unitization Agreement creating the West Smackover Oil Pool Unit shall maintain its status as an individual drilling and producing unit as to such uncommitted operating or royalty interest. The locations of wells upon such drilling unit

shall be governed by the applicable Special Field Rules for the Pachuta Creek Field as promulgated by this Board.

B. Each oil drilling unit heretofore or hereinafter established in the Pachuta Creek Field under the provisions of the Statewide Rules of this Board, or the provisions of the Pachuta Creek Special Field Rules, for the production of oil from the East Smackover Oil Pool or the West Smackover Oil Pool shall be considered as producing from the above described Pachuta Creek Field.

C. Every well drilled as an oil well on an individual unit:

- (1) shall be drilled on a drilling unit consisting of two contiguous governmental quarter-quarter sections containing not less than 72 acres or on a drilling unit consisting of approximately 80 contiguous acres upon which no other drilling or producible well from the same oil pool is located;
- (2) the longest boundary line of said unit shall run on an east-west basis in the Pachuta Creek Field;
- (3) shall be located at least 500 feet from every exterior boundary of the drilling unit;
- (4) shall be located at least 1,000 feet from every other drilling or producing well located in the same pool;
- (5) the distance between any two points farthest apart on the drilling unit upon which the well is located shall not exceed 3,200 feet.

D. The location of the wells upon the East Smackover Oil Pool Unit and West Smackover Oil Pool Unit and the rate of production therefrom shall be governed by standards of geology and recovery of the hydrocarbons contained in the East Smackover Oil Pool and the West Smackover Oil Pool; however, no well in the East Smackover Oil Pool Unit may be drilled nearer than 500 feet from any exterior boundary of the East Smackover Oil Pool Unit and no well in the West Smackover Oil Pool Unit may be drilled nearer than 500 feet from any exterior boundary of the West Smackover Oil Pool Unit, except upon permit issued by this Board after notice and hearing.

E. Every well drilled as an oil well on an individual drilling unit for production from the Pachuta Creek Lower West Smackover Oil Pool:

- (1) shall be drilled on a drilling unit consisting of four governmental quarter-quarter sections in the form of a square containing not less than 144 acres nor more than 176 acres upon which no other drilling or producible well from the same oil pool is located;
- (2) shall be located at least 500 feet from every exterior boundary of the drilling unit;
- (3) shall be located at least 1,000 feet from every other drilling or producible well to be produced from the same oil pool;
- (4) This spacing rule shall continue in force and effect subject to confirmation or amendment at the May, 1975 meeting of this Board.

RULE II - ALLOCATION OF PRODUCTION

A. The maximum efficient daily rate of production for the East Smackover Oil Pool and the West Smackover Oil Pool shall be determined and fixed by the Board after notice and hearing and the same shall continue to be each of said pool's daily allowables. Until the Board establish the daily allowable for each of said pools, the allowable for all wells in the East Smackover Oil Pool shall be governed by Pachuta Creek Field, East Smackover Oil Pool, Field Allowable Order No. 119-73 of this Board dated May 16, 1973, subject to reallocation in accordance with Rule II B hereof. Until the Board establishes the daily allowable and allocation for the West Smackover Oil Pool, the allowable and allocation for all wells in the West Smackover Oil Pool, Pachuta Creek Field, shall continue to be governed by Pachuta Creek Field, West Smackover Oil Pool, Field Allowable Order No. 303-73 of this Board dated December 19, 1973, subject to reallocation in accordance with Rule II B hereof.

B. (1) The daily allowable for the East Smackover Oil Pool shall be allocated as follows: To each individual drilling unit in the East Smackover Oil Pool there shall be allocated that proportionate part of said pool's daily allowable that the surface acreage content of such individual drilling unit bears to the total surface acreage content within all such individual drilling units plus the total surface acreage contained within the East Smackover Oil Pool Unit. The remainder of the daily allowable shall be allocated to the East Smackover Oil Pool Unit.

The daily allowable for the West Smackover Oil Pool shall be allocated as follows: To each individual drilling unit in the West Smackover Oil Pool there shall be allocated that proportionate part of said pool's daily allowable that the surface acreage content of such individual drilling unit bears to the total surface acreage content within all such individual drilling units plus the total surface acreage contained within the West Smackover Oil Pool Unit. The remainder of the daily allowable shall be allocated to the West Smackover Oil Pool Unit.

(2) Any drilling unit in the East Smackover Oil Pool, Pachuta Creek Field which is not capable of producing, without committing waste the allowable assigned to it under Rule II B (1) shall be considered a deficient unit. The difference between the allowable assigned to a deficient unit and that which it is capable of producing, without waste, shall be distributed to the non-deficient individual drilling units and the fieldwide unit on the same surface acreage basis of apportionment prescribed in said Rule II B (1).

Any drilling unit in the West Smackover Oil Pool, Pachuta Creek Field which is not capable of producing, without committing waste, the allowable assigned to it under Rule II B (1) shall be considered a deficient unit. The difference between the allowable assigned to a deficient unit and that which it is capable of producing, without waste, shall be distributed to the non-deficient individual drilling units and the fieldwide unit on the same surface acreage basis of apportionment prescribed in said Rule II B (I).

(3) The daily allowable production for the East Smackover Oil Pool Unit may be produced by any well or wells located in the East Smackover Oil Pool Unit Area and the daily allowable production for the West Smackover Oil Pool Unit may be produced by any well or wells located in the West Smackover Oil Pool Unit Area; provided, however, that no well shall be operated in such manner as to cause waste as defined by the laws of the State of Mississippi; and further provided that no East Smackover Oil Pool Unit well or West Smackover Oil Pool Unit well directly offsetting any individual drilling unit well shall be allowed to produce more than twice the daily allowable that would be assigned to a non-deficient individual drilling unit well.

RULE III - SECONDARY RECOVERY AND PRESSURE MAINTENANCE OPERATIONS AUTHORIZED

A. The operator of the East Smackover Oil Pool Unit is hereby authorized to conduct secondary recovery and pressure maintenance operations in the East Smackover

Oil Pool of the Pachuta Creek Field by the injection of water, gas or other substances or any combination thereof into the following named existing wells located in the East Smackover Oil Pool unit Area, to-wit:

1. Mosbacher, et al Federal Land Bank No. 23-11 Unit Well, located N1/2 SW1/4, Section 23, T-2-N, R-14-E, Clarke County, Mississippi;
2. Mosbacher, et al Sinclair No. 23-13 Unit Well located in the S1/2 SW1/4, Section 23, T-2-N, R-14-E, Clarke County, Mississippi;
3. Shell, Baker, et al No. 25-6 Unit Well, located in the S1/2 NW1/4, Section 25, T-2-N, R-14-E, Clarke County, Mississippi;
4. Shell, McCarty, et al No. 25-12 Unit Well, located in the N1/2 SW1/4, Section 25, T-2-N, R-14-E, Clarke County, Mississippi;
5. Shell, Daniels, et al Unit 26-16 Well located in the S1/2, SE1/4, Section 26, T-2-N, R-14-E, Clarke County, Mississippi;
6. Texaco, Thomas, et al 27-1 Unit Well located in the N1/2 NE1/4, Section 27, T-2-N, R-14-E, Clarke County, Mississippi.

The operator of the West Smackover Oil Pool Unit is hereby authorized to conduct secondary recovery and pressure maintenance operations in the West Smackover Oil Pool of the Pachuta Creek Field by the injection of water, gas or other substances or any combination thereof into the following named existing wells located in the West Smackover Oil Pool Unit Area, to-wit:

1. John Blanks 20-8 Well No. 1 Sidetract, located S1/2 NE1/4, Section 20, T-2-N, R-14-E, Clarke County, Mississippi;
2. John Blanks 21-3 Well No. 2, located N1/2 SW1/4, Section 21, T-2-N, R-14-E, Clarke County, Mississippi;
3. Moore, et al, 22-11 Well No. 1, located N1/2 SW1/4, Section 22, T-2-N, R-14-E, Clarke County, Mississippi;
4. W. A. McCarty 27-10 Well No. 1, located N1/2 SE1/4, Section 27, T-2-N, R-14-E, Clarke County, Mississippi;
5. J. A. Gibbs 27-12 Well No. 1, located N1/2 SW1/4, Section 27, T-2-N, R-14-E, Clarke County, Mississippi;
6. Queen E. Walker, 28-10 No. 1, located N1/2 SE1/4, Section 28, T-2-N, R-14-E, Clarke County, Mississippi.

A permit for the re-completion of each of said wells will be issued by the Board upon the filing of Form 2 with the information required by Statewide Rule 45.

B. The conversion of the above named wells in the East Smackover Oil Unit, East Smackover Oil Pool and the West Smackover Oil Pool Unit, West Smackover Oil Pool, Pachuta Creek Field, to injection wells shall not affect the pool wide daily allowable provided for in Rule II B above.

C. As pressure maintenance operations progress, the unit operator may use for injection purposes additional wells, either converted producing wells or wells drilled for injection purposes; however, prior to use of such additional wells for injection purposes, the unit operator must secure the approval of the Oil and Gas Board in accordance with the applicable rules and regulations of the Board pertaining to injection wells.

RULE IV - MEASUREMENT OF PRODUCTION

A. In addition to the meters authorized by the Statewide Rule 21, net oil computers are hereby authorized and may be used to measure production prior to entry into separation or treating vessels.

RULE V - TERTIARY ENHANCED OIL RECOVERY METHODS

A. The Operator of the East Smackover Oil Pool Unit is further authorized to implement tertiary enhanced oil recovery methods and pressure maintenance operations within the unitized intervals of the said unit, including but not limited to microbial enhanced oil recovery methods which may include, but are not limited to, micro-emulsion flooding. In conjunction with such tertiary enhanced oil recovery operations, the Operator may use for injection purposes existing wells located on the unit which may be converted to injection wells, or wells may be drilled on the unit for such purposes. Any such well(s) drilled as injection well(s) or converted to injection well(s) by the Operator on the unit as a part of tertiary enhanced oil recovery operation(s) may be approved by the Board upon administrative permits, without hearing, upon the Operator filing with the Board a duly executed Form 2, the required permit for each such well, and all evidence and information required by Statewide Rule 63, and upon not less than 20 days publication notice. In addition, existing unit injection wells maybe converted to unit producing wells on administrative permit, without notice and hearing, upon the Operator filing with the Board a duly executed Form 2, the required permit fee for each such well, and all other evidence and information the Board may require.

B. The Operator of the West Smackover Oil Pool Unit is further authorized to implement tertiary enhanced oil recovery methods and pressure maintenance operations within the unitized intervals of the said unit, including but not limited to microbial enhanced oil recovery methods which may include, but are not limited to, micro-emulsion flooding. In conjunction with such tertiary enhanced oil recovery operations,

the Operator may use for injection purposes existing wells located on the unit which may be converted to injection wells, or wells may be drilled on the unit for such purposes. Any such well(s) drilled as injection well(s) or converted to injection well(s) by the Operator on the unit as a part of tertiary enhanced oil recovery operations(s) may be approved by the Board upon administrative permits, without hearing, upon the Operator filing with the Board a duly executed Form 2, the required permit for each such well, and all evidence and information required by Statewide Rule 63, and upon not less than 20 days publication notice. In addition, existing unit injection wells may be converted to unit producing wells on administrative permit, without notice and hearing, upon the Operator filing with the Board a duly executed Form 2, the required permit fee for each such well, and all other evidence and information the Board may require.

RULE VI- APPLICABILITY OF STATEWIDE RULES

A. All Statewide Rules and Regulations of this Board and any amendments thereto which are not specifically covered by the foregoing Special Field Rules are hereby adopted and shall apply to the Pachuta Creek Field.

B. These Special Field Rules shall become effective as of the effective date of unitization as that term is defined in the Unitization Agreement and Operating Parties Agreement, West Smackover Oil Pool Unit, Pachuta Creek Field, Clarke County, Mississippi.

C. The Board expressly reserves the right after notice and hearing to alter, amend, supplement, or repeal any and all of the foregoing rules and regulations.

*****END OF SPECIAL RULES*****