

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

FILED FOR RECORD

**RE: PETITION OF DENBURY MANAGEMENT, INC.
TO AMEND THE SPECIAL FIELD RULES OF
SANDERSVILLE FIELD, SECOND JUDICIAL
DISTRICT OF JONES COUNTY, MISSISSIPPI**

FEB 27 1997

**STATE OIL AND GAS BOARD
W. R. Lewis, Supervisor**

DOCKET NO. 1-97-93

ORDER NO. 49-97

ORDER

This cause came on to be heard on the Petition of Denbury Management, Inc. [hereinafter referred to at times as "Petitioner"] requesting the State Oil and Gas Board of Mississippi to enter an Order amending the Special Field Rules of Sandersville Field so as to define the Eutaw Unitized Formation, to define the Unit Area for the Eutaw Fieldwide Unit, to establish spacing and production allocation requirements applicable to the Eutaw Fieldwide Unit, to prescribe rules governing the operation of the Eutaw Fieldwide Unit for secondary recovery, pressure maintenance, repressuring operations, cycling operations, water flooding operations, the injection of extraneous substances, and any combination thereof, or any other form of joint effort calculated to substantially increase the ultimate recovery of oil or gas, or both, from the Eutaw Fieldwide Unit, and for related relief. This Board, having considered the Petition and the evidence submitted in support thereof, and being fully advised in the premises, is of the opinion and finds that the relief requested by Petitioner should be and the same is hereby granted. This Board further finds and determines as follows, to-wit:

1.

Due, proper and legal notice of the meeting of this Board for the purpose of considering and hearing the Petition filed herein has been given in the manner and time provided by law and the rules and regulations of this Board. Due, legal and sufficient proofs of publication of such notice and proof of notice by personal service are on file with this Board. Petitioner has made a reasonably diligent effort to give the personal notice required by the

rules and regulations of this Board. This Board has full jurisdiction of the parties and the subject matter hereof.

2.

A public hearing was held by this Board in Suite E, 500 Greymont Avenue, Jackson, Mississippi, commencing on February 19, 1997, at 9:30 o'clock, a.m., at which time and place all persons who desired to be heard on said matter were heard and all testimony and the evidence were duly considered by this Board.

3.

Denbury Management, Inc. is a Texas corporation, whose principal place of business is 17304 Preston Road, Suite 200, Dallas, Texas 75252. Petitioner is the operator of numerous wells in Sandersville Field in the Second Judicial District of Jones County, Mississippi.

4.

This Board established Special Field Rules for Sandersville Field on May 17, 1974, pursuant to Order No. 107-74. The Special Field Rules of Sandersville Field have been amended by the Board on several occasions, and were last amended by the Board on May 20, 1992, pursuant to Order No. 174-92, entered in Docket No. 119-92-93.

5.

The Eutaw Formation in Sandersville Field has been completely developed by progressive drilling under the statewide spacing rules and the Special Field Rules for Sandersville Field. The Eutaw Formation is rapidly reaching the end of its primary production capability. In order to restore the field to economic viability, it is necessary that secondary recovery operations be conducted in Sandersville Field.

6.

Petitioner filed a related and companion Petition in Docket No. 2-97-93 requesting this Board to enter an order establishing and approving the Eutaw Fieldwide Unit, and approving the Unit Agreement applicable thereto, and requiring unit operation of the Eutaw Unitized Formation, pursuant to Sections 53-3-101 through 53-3-119 of the 1972 Code of Mississippi (as amended). In said Petition, Petitioner proposed the establishment and approval of a compulsory fieldwide unit with respect to the Eutaw Unitized Formation consisting of lands lying within Sections 29, 30 and 32 of Township 10 North, Range 10

West, and Section 5 of Township 9 North, Range 10 West, all in the Second Judicial District of Jones County, Mississippi.

7.

It is necessary that the existing Special Field Rules for Sandersville Field be amended to define the Eutaw Unitized Formation and the Eutaw Fieldwide Unit and to establish spacing and production allocation requirements applicable to said fieldwide unit in order that the proposed fieldwide unit may be established and approved by the State Oil and Gas Board of Mississippi. Additionally, it is necessary that said Special Field Rules be amended to provide rules governing the operation of said fieldwide unit for secondary recovery, pressure maintenance, repressuring operations, cycling operations, water flooding operations, the injection of extraneous substances, and any combination thereof, or any other form of joint effort calculated to substantially increase the ultimate recovery of oil or gas, or both, from said fieldwide unit.

8.

The adoption of the proposed amendments to the Special Field Rules for Sandersville Field will facilitate the more efficient and economical operation of the Eutaw Fieldwide Unit and will ultimately result in the recovery of more oil and/or other hydrocarbon reserves from Sandersville Field. The amendment of the Special Field Rules for Sandersville Field as set forth in Exhibit "A" to the Petition filed in this docket will promote the conservation of oil and gas in Sandersville Field and the State of Mississippi by preventing waste, avoiding the drilling of unnecessary wells, safeguarding, protecting and enforcing the coequal and correlative rights of all owners of hydrocarbons in the field to the extent that each such owner may recover his fair and equitable share of recoverable hydrocarbons without unnecessary expense. The proposed amendments to the Special Field Rules for Sandersville Field will foster, encourage and promote the full development of the field.

IT IS THEREFORE ORDERED AND ADJUDGED by the State Oil and Gas Board of Mississippi that the relief requested by Denbury Management, Inc. in the Petition filed in this docket should be and the same is hereby granted and it is further ordered and adjudged that the Special Field Rules for Sandersville Field be and are hereby amended to read as follows:

**SPECIAL FIELD RULES
SANDERSVILLE FIELD
SECOND JUDICIAL DISTRICT
JONES COUNTY, MISSISSIPPI**

A. FIELD LIMITS:

Sandersville Field, as used herein, is that geographical area consisting of that portion of Sections 29, 30, 31 and 32, Township 10 North, Range 10 West, and that portion of Sections 5 and 8, Township 9 North, Range 10 West, all in Jones County, Mississippi, underlain by the Stanley Oil Pool, the Christmas C-1, C-2, C-3, C-4 and/or C-5 Oil Pools or the Eutaw Unitized Formation as herein defined and all productive extensions thereof.

B. STANLEY OIL POOL DEFINED:

The **Stanley Oil Pool** in Sandersville Field, as used herein, shall be construed to mean and defined as the strata of the Eutaw Formation productive of oil in the interval between 5,440 feet and 5,605 feet measured depth (-5,160 feet and -5,325 feet subsea depth) in the Smith County Oil Company -- Mrs. M. J. Sanders, et al No. 1 Well, located in the NW/4 of the SW/4 of the SW/4 of Section 32, Township 10 North, Range 10 West, Jones County, Mississippi, as indicated on the electrical log of said well, and all intervals correlative of said strata, except that portion thereof lying within the Unit Area of the Eutaw Fieldwide Unit as defined below.

C. CHRISTMAS OIL POOLS DEFINED:

(1) The **Christmas C-1 Oil Pool** in Sandersville Field, as used herein, shall be construed to mean and defined as the strata of the Eutaw Formation productive of oil in the interval between 5,426 feet and 5,465 feet measured depth (-5,157 feet and -5,196 feet subsea depth) in the Fina Oil and Chemical Company -- M. J. Sanders No. 1-B Well, located in the NE/4 of the NW/4 of Section 5, Township 9 North, Range 10 West, Jones County, Mississippi, as indicated on the electrical log of said well, and all intervals correlative of said strata, except that portion thereof lying within the Unit Area of the Eutaw Fieldwide Unit as defined below.

(2) The **Christmas C-2 Oil Pool** in Sandersville Field, as used herein, shall be construed to mean and defined as the strata of the Eutaw Formation productive of oil in the interval between 5,465 feet and 5,500 feet measured depth (-5,196 feet and -5,231 feet subsea depth) in the Fina Oil and Chemical Company -- M. J. Sanders No. 1-B Well, located in the NE/4 of the NW/4 of Section 5, Township 9 North, Range 10 West, Jones County, Mississippi, as indicated on the electrical log of said well, and all intervals correlative of said strata, except that portion thereof lying within the Unit Area of the Eutaw Fieldwide Unit as defined below.

(3) The **Christmas C-3 Oil Pool** in Sandersville Field, as used herein, shall be construed to mean and defined as the strata of the Eutaw Formation productive of oil in the interval between 5,500 feet and 5,526 feet measured depth (-5,231 feet and -5,257 feet subsea depth) in the Fina Oil and Chemical Company -- M. J. Sanders No. 1-B Well, located in the NE/4 of the NW/4 of Section 5, Township 9 North, Range 10 West, Jones County, Mississippi, as indicated on the electrical log of said well, and all intervals correlative of said strata, except that portion thereof lying within the Unit Area of the Eutaw Fieldwide Unit as defined below.

(4) The **Christmas C-4 Oil Pool** in Sandersville Field, as used herein, shall be construed to mean and defined as the strata of the Eutaw Formation productive of oil in the interval between 5,526 feet and 5,560 feet measured depth (-5,257 feet and -5,291 feet subsea depth) in the Fina Oil and Chemical Company -- M. J. Sanders No. 1-B Well, located in the NE/4 of the NW/4 of Section 5, Township 9 North, Range 10 West, Jones County, Mississippi, as indicated on the electrical log of said well, and all intervals correlative of said strata, except that portion thereof lying within the Unit Area of the Eutaw Fieldwide Unit as defined below.

(5) The **Christmas C-5 Oil Pool** in Sandersville Field, as used herein, shall be construed to mean and defined as the strata of the Eutaw Formation productive of oil in the interval between 5,560 feet and 5,592 feet measured depth (-5,291 feet and -5,323 feet subsea depth) in the Fina Oil and Chemical Company -- M. J. Sanders No. 1-B Well, located in the NE/4 of the NW/4 of Section 5, Township 9 North, Range 10 West, Jones County, Mississippi, as indicated on the electrical log of said well, and all intervals correlative of said strata, except that portion thereof lying within the Unit Area of the Eutaw Fieldwide Unit as defined below.

D. EUTAW UNITIZED FORMATION DEFINED:

The **Eutaw Unitized Formation** in Sandersville Field, as used herein, shall be construed to mean and defined as those strata of the Eutaw Formation within the Unit Area of the Eutaw Fieldwide Unit productive of oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate, and all associated and constituent liquid or liquefiable hydrocarbons in the interval between 5210 feet and 5725 feet measured depth (-4938 feet and -5453 feet subsea depth) in the Central Oil Company -- Mrs. M. J. Sanders et al No. 1 Well, located 330 feet South and 260 feet West of the Northeast corner of the Northwest Quarter of the Northwest Quarter (NW¼ of NW¼) of Section 5 of Township 9 North, Range 10 West, Second Judicial District of Jones County, Mississippi, as indicated on the log of said well, and including all sands correlative of said strata and interconnected or in communication therewith.

E. RULES:

RULE 1 - Surface Treating and Storage Facilities

(A) All heaters, treaters and other fired vessels necessary to maintain the temperature of the crude oil produced from Sandersville Field sufficiently above pour point for production into and sales from storage facilities or tanks, shall be located no closer than ten (10) feet from said storage facilities and tanks. Each such heater, treater or other fired vessel shall be situated so that the burner of the heater, treater or other fired vessel is at least four (4) feet above the containment walls and configured so that a portion of the vessel to which it is attached is between the storage facilities and the burner.

(B) Production from different wells on units which contain a common mineral ownership may be commingled for treatment in a common heater and treater and the commingled production may be stored in a common storage facility or tank. Provided, however, the operator of such wells, except those wells producing Unitized Substances from the Eutaw Fieldwide Unit, shall measure and allocate the production from each such well in one of the following manners:

(1) Gauging Method:

- (a) Each well will be tested at least once a month to determine its rate of production, usually for a twenty-four (24) hour period, but always for a period not less than twelve (12) hours to establish a bona fide rate. If any changes should occur in the characteristics of a well, tests of the well will be done more than once a month in order to maintain accuracy.

- (b) The flow of production from the wells not being tested will first be shut off by closing a valve.
 - (c) Production from the well being tested will be routed through the common heater-treater.
 - (d) From the common heater-treater, the oil will be sent to a common storage tank, which tank will have been gauged prior to the test and then will be gauged immediately after the test, and the saltwater will be sent to a common saltwater storage tank, which tank likewise will have been gauged prior to the test and then will be gauged immediately after the test, and ultimately the stored saltwater will be injected into a saltwater disposal well.
 - (e) Monthly oil production for each well will be allocated based on the monthly test for each well. The allocation of production will take into account the reworking or shutting in of or the lack of production from the wells.
- (2) Volume Displacement Type Metering Method:
- (a) Separate volume displacement type metering devices will be installed at each well upstream of the common heater-treater.
 - (b) Each metering device will be capable of registering the volumes of oil passed through it in barrels.
 - (c) Production from the wells will pass through the common heater-treater and then will pass into a common tank battery for storage.
- (3) Production Rate and Oil Cut Method:
- (a) Each well will be tested at least once a month to determine its rate of production. If any changes should occur in the characteristics of a well, tests of the well will be done more than once a month in order to maintain accuracy.
 - (b) The flow of production will be routed, upstream of the common heater-treater, to a portable stock tank for testing. Each well will be tested for a period of up to twenty-four (24) hours, or until one hundred (100) barrels of fluid have been produced from the well being tested.
 - (c) At the end of the test period, the fluids will be allowed to settle for at least eight (8) hours, and the fluids produced during the test period will be accurately gauged to determine the amount of oil and the amount of water produced during the test period.
 - (d) After the completion of the gauging, the fluids produced during the test will be returned to the well annulus.
 - (e) Monthly oil production for each well will be allocated based on the monthly test for each well. The allocation of production will take into account the reworking or shutting in of or the lack of production from any well connected to the common heater-treater.

RULE 2 - Spacing of Oil Wells

With respect to the Stanley Oil Pool and the Christmas C-1, C-2, C-3, C-4 and C-5 Oil Pools as defined above, every oil well:

(a) Shall be located on a drilling unit consisting of forty (40) contiguous surface acres, or a governmental quarter-quarter section containing not less than thirty-six (36) acres nor more than forty-four (44) acres, upon which no more than one other well drilling to or producing from the same oil pool is located. The word "contiguous" as used herein shall mean bordering each other at more than one point;

(b) Any drilling unit not a governmental quarter-quarter section must be completely encompassed by the perimeter of a rectangle 1810 feet by 1445 feet. Provided, however, no unit shall be permitted which will create island acreage;

(c) Each well shall be located at least 200 feet from every other drilling well and all wells completed in or producing from the same pool; and

(d) Each well shall be located at least 100 feet from every exterior boundary of the drilling unit. When a well is proposed to be drilled at any location less than 330 feet from any exterior boundary of the drilling unit, notice in writing shall be mailed, postage prepaid, to any operator of offsetting drilling units within 330 feet of the proposed location of such well prior to the drilling thereof, and a directional survey shall be run and submitted to the Board prior to the issuance of an allowable.

RULE 3 - Unit Allowables

Unit allowables for the Stanley Oil Pool and the Christmas C-1, C-2, C-3, C-4 and C-5 Oil Pools as defined above shall be assigned pursuant to Statewide Rule 35. Any drilling unit for the Stanley Oil Pool and the Christmas C-1, C-2, C-3, C-4 and C-5 Oil Pools having two (2) wells producing from the same oil pool shall not collectively produce a total in excess of a single unit allowable.

RULE 4 - Eutaw Fieldwide Unit

(A) Unit Area. The Unit Area of the Eutaw Fieldwide Unit consists of that portion of Sections 29, 30 and 32 of Township 10 North, Range 10 West, and Section 5 of Township 9 North, Range 10 West, all in the Second Judicial District of Jones County, Mississippi, lying within the following-described boundaries, to-wit:

Beginning at the Northwest corner of the Southwest Quarter of the Northwest Quarter (SW $\frac{1}{4}$ of NW $\frac{1}{4}$) of Section 29; thence run East along the North line of the Southwest Quarter of the Northwest Quarter (SW $\frac{1}{4}$ of NW $\frac{1}{4}$) to the Northeast corner of said quarter-quarter section; thence run South along the East line of the Southwest Quarter of the Northwest Quarter (SW $\frac{1}{4}$ of NW $\frac{1}{4}$) to the Southeast corner of said quarter-quarter section; thence run East along the North line of the Northeast Quarter of the Southwest Quarter (NE $\frac{1}{4}$ of SW $\frac{1}{4}$) of Section 29 for a distance of 1287 feet; thence run South 1320 feet to a point on the South line of the

Northeast Quarter of the Southwest Quarter (NE $\frac{1}{4}$ of SW $\frac{1}{4}$); thence run West along the South line of the Northeast Quarter of the Southwest Quarter (NE $\frac{1}{4}$ of SW $\frac{1}{4}$) and the South line of the Northwest Quarter of the Southwest Quarter (NW $\frac{1}{4}$ of SW $\frac{1}{4}$) of Section 29 for a distance of 1482.907 feet; thence run South 1550.05 feet; thence run East 195.907 feet to a point on the East line of the Northwest Quarter of the Northwest Quarter (NW $\frac{1}{4}$ of NW $\frac{1}{4}$) of Section 32; thence run South along the East line of the Northwest Quarter of the Northwest Quarter (NW $\frac{1}{4}$ of NW $\frac{1}{4}$) of Section 32 for a distance of 1089.95 feet to the Southeast corner of the Northwest Quarter of the Northwest Quarter (NW $\frac{1}{4}$ of NW $\frac{1}{4}$) of Section 32; thence run East along the North line of the Southeast Quarter of the Northwest Quarter (SE $\frac{1}{4}$ of NW $\frac{1}{4}$) of Section 32 for a distance of 290.17 feet, thence run South 45 degrees East 14 feet, thence run South to a point on the South line of the Southeast Quarter of the Northwest Quarter (SE $\frac{1}{4}$ of NW $\frac{1}{4}$) of Section 32; thence run East along the North line of the Northeast Quarter of the Southwest Quarter (NE $\frac{1}{4}$ of SW $\frac{1}{4}$) of Section 32 to the Northeast corner of the West Half of the Northeast Quarter of the Southwest Quarter (W $\frac{1}{2}$ of NE $\frac{1}{4}$ of SW $\frac{1}{4}$) of Section 32; thence run South along the East line of the West Half of the Northeast Quarter of the Southwest Quarter (W $\frac{1}{2}$ of NE $\frac{1}{4}$ of SW $\frac{1}{4}$) of Section 32 to the Southeast corner of said half-quarter-quarter section; thence run East along the North line of the Southeast Quarter of the Southwest Quarter (SE $\frac{1}{4}$ of SW $\frac{1}{4}$) of Section 32 to the Northeast corner of said quarter-quarter section; thence run South along the East line of the Southeast Quarter of the Southwest Quarter (SE $\frac{1}{4}$ of SW $\frac{1}{4}$) of Section 32 and the East line of the Northeast Quarter of the Northwest Quarter (NE $\frac{1}{4}$ of NW $\frac{1}{4}$) of Section 5 to the Northwest corner of the Southwest Quarter of the Northeast Quarter (SW $\frac{1}{4}$ of NE $\frac{1}{4}$) of Section 5; thence run East along the North line of the Southwest Quarter of the Northeast Quarter (SW $\frac{1}{4}$ of NE $\frac{1}{4}$) of Section 5 for a distance of 660 feet; thence run South 1320 feet to a point on the South line of the Southwest Quarter of the Northeast Quarter (SW $\frac{1}{4}$ of NE $\frac{1}{4}$) of Section 5; thence run West along the South line of the Southwest Quarter of the Northeast Quarter (SW $\frac{1}{4}$ of NE $\frac{1}{4}$) of Section 5 for a distance of 660 feet to the Northeast corner of the Southwest Quarter (SW $\frac{1}{4}$) of Section 5; thence run South along the East line of the Southwest Quarter (SW $\frac{1}{4}$) of Section 5 to the Southeast corner of said quarter section; thence run West along the South line of Section 5 to the Southwest corner of the Southeast Quarter of the Southwest Quarter (SE $\frac{1}{4}$ of SW $\frac{1}{4}$) of Section 5; thence run North along the West line of the Southeast Quarter of the Southwest Quarter (SE $\frac{1}{4}$ of SW $\frac{1}{4}$) of Section 5 to the Northwest corner of said quarter-quarter section; thence run West along the South line of the Northwest Quarter of the Southwest Quarter (NW $\frac{1}{4}$ of SW $\frac{1}{4}$) of Section 5 to the Southwest corner of said quarter-quarter section; thence run North along the West line of Section 5 to the Northwest corner of the Northwest Quarter of the Southwest Quarter (NW $\frac{1}{4}$ of SW $\frac{1}{4}$) of Section 5; thence run East along the South line of the Southwest Quarter of the Northwest Quarter (SW $\frac{1}{4}$ of NW $\frac{1}{4}$) of Section 5 for a distance of 660 feet; thence run North for a distance of 1320 feet to a point on the North line of the Southwest Quarter of the Northwest Quarter (SW $\frac{1}{4}$ of NW $\frac{1}{4}$) of Section 5; thence run West along the North line of the Southwest Quarter of the Northwest Quarter (SW $\frac{1}{4}$ of NW $\frac{1}{4}$) of Section 5 for a distance of 660 feet to the Northwest corner of said quarter-quarter section; thence run North along the West line of Section 5 and the West line of Section 32 to a point 947.76 feet North of the Southwest corner of the Southwest Quarter of the Northwest Quarter (SW $\frac{1}{4}$ of NW $\frac{1}{4}$) of Section 32; thence run East 217.26 feet; thence run North 1 degree 10 minutes 26 seconds East 377.84 feet to a point on the South line of the Northwest Quarter of the Northwest Quarter (NW $\frac{1}{4}$ of NW $\frac{1}{4}$) of Section 32; thence run West along the South line of the Northwest Quarter of the Northwest Quarter (NW $\frac{1}{4}$ of NW $\frac{1}{4}$) of Section 32 for a distance of 225 feet to the Southwest corner of said quarter-quarter section; thence run North along the West line of Section 32 and the West line of Section 29 to the Northwest corner of the Southwest Quarter of the Southwest Quarter (SW $\frac{1}{4}$ of SW $\frac{1}{4}$) of Section 29; thence run West along the South line of the Northeast Quarter of the Southeast Quarter (NE $\frac{1}{4}$ of SE $\frac{1}{4}$) of Section 30 to the Southwest corner of said quarter-quarter section; thence run North along the West line of the Northeast Quarter of the Southeast Quarter (NE $\frac{1}{4}$ of SE $\frac{1}{4}$) and the West line of the Southeast Quarter of the Northeast Quarter (SE $\frac{1}{4}$ of NE $\frac{1}{4}$) of Section 30 to the Northwest corner of the Southeast Quarter of the Northeast Quarter (SE $\frac{1}{4}$ of NE $\frac{1}{4}$); thence run East along the North line of the Southeast Quarter of the Northeast Quarter (SE $\frac{1}{4}$ of NE $\frac{1}{4}$) of Section 30 to the point of beginning; containing a total of 739.12 acres, more or less.

(B) Unitized Formation. The Unitized Formation consists of the Eutaw Unitized Formation as defined above.

(C) Unitized Substances. The Unitized Substances are all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate, and all associated and constituent liquid or liquefiable hydrocarbons within or produced from the Unitized Formation.

(D) Spacing of Wells in Eutaw Fieldwide Unit

(1) Notwithstanding any other provisions contained in these Special Field Rules, the location of injection and production wells in the Eutaw Fieldwide Unit shall be selected by the operator of said fieldwide unit and shall be governed by the standards of geology and petroleum engineering designed to promote the greatest ultimate recovery of Unitized Substances from the Eutaw Fieldwide Unit. However, no well may be drilled, injected into or produced from the Unitized Formation nearer than 100 feet from any exterior boundary of the Unit Area, except upon permit issued by the Mississippi State Oil and Gas Board, after notice and hearing. When a well is proposed to be drilled at any location less than 330 feet from any exterior boundary of the Unit Area, notice in writing shall be mailed, postage prepaid, to the operator of any offsetting drilling units within 330 feet of the proposed location of such well prior to the drilling thereof, and a directional survey shall be run and submitted to the Board within thirty (30) days of the completion date of the well in accordance with Rule 14 of the Statewide Rules and Regulations.

(2) The operator of the Eutaw Fieldwide Unit may drill either injection or producing wells utilizing directional or horizontal drilling techniques designed to increase the ultimate recovery of hydrocarbons contained in the pool, regardless of whether the surface location of such wells is within or outside the unit boundaries of the Unit Area, without notice and hearing; provided, however, that (a) no portion of the wellbore located within the unitized interval or horizon of any such well so drilled shall be nearer than 100 feet from any exterior boundary of the Unit Area, except upon permit issued by the Mississippi State Oil and Gas Board, after notice and hearing, and (b) the operator shall file a directional survey and such other information required by rule or written policy of the Board after completion.

(E) Pressure Maintenance and Secondary Recovery Program

The operator of the Eutaw Fieldwide Unit is authorized to conduct and carry out secondary recovery, pressure maintenance, repressuring operations, cycling operations, water flooding operations, and the injection of extraneous substances in the Eutaw Fieldwide Unit with respect to the Eutaw Unitized Formation, and any combination thereof, or any other form of joint effort calculated to substantially increase the ultimate recovery of Unitized Substances from the Eutaw Fieldwide Unit. The operator may use for injection purposes existing wells located in the Eutaw Fieldwide Unit which may be converted to injection wells or wells may be drilled on said fieldwide unit for such purposes. Any such wells drilled as injection wells or converted to injection wells by the operator on the fieldwide unit as a part of pressure maintenance and/or secondary recovery operations may be approved by the State Oil and Gas Board of Mississippi on administrative permit, without notice and hearing, upon the operator filing with the Board a duly executed Form 2, well location plat, the required permit fee for each such well, and all evidence and information required under Statewide Rule 63. In addition, fieldwide unit injection wells may be converted to fieldwide 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.

(F) Allowable

The allowable for the Eutaw Fieldwide Unit shall be established by the State Oil and Gas Board of Mississippi. The allowable production of the said fieldwide unit may be produced from any well or wells on said fieldwide unit provided, however, that no well shall be operated in such a manner as to cause waste as defined by the laws of the state of Mississippi.

(G) Surface Storage, Measurement and Transfer Systems

(1) The operator of the Eutaw Fieldwide Unit may maintain such separators, stock tanks, metering devices, connections and storage facilities as it deems necessary to accurately measure the total production from the fieldwide unit. Separate measurement or storage for the wells and leases within the Eutaw Fieldwide Unit shall not be required.

(2) Automatic custody transfer systems which automatically test, sample, measure and transfer the production from the operator to the purchaser are hereby authorized in said fieldwide 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 5 - Applicability of Statewide Rules

(A) All statewide rules and regulations, particularly those contained in Statewide Orders No. 201-51 and No. 244-69, and all amendments thereto, that are not specifically covered in the foregoing Special Field Rules are hereby adopted and shall apply to said field.

(B) The Board expressly reserves the right after notice and hearing to alter, amend or repeal any and all of the foregoing rules and regulations, or to grant exceptions to all or any part thereof.

SO ORDERED AND ADJUDGED on this the 25th day of February, 1997.

STATE OIL AND GAS BOARD OF MISSISSIPPI

By:

Joseph J. Zuccaro
Chairman

Prepared By:
James M. Nix
JONES AND NIX
Post Office Box 55601
Jackson, Mississippi 39296-5601
Phone (601) 948-6800