

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: PETITION OF DENBURY ONSHORE, LLC TO AMEND THE SPECIAL FIELD RULES FOR THE SHARON FIELD FOR SELMA CHALK INCREASED DENSITY WELLS, JASPER AND JONES COUNTIES, MISSISSIPPI

FILED FOR RECORD

JUL 27 2006

STATE OIL AND GAS BOARD  
LISA IVSHIN, SUPERVISOR

DOCKET NO. 217-2006-34

ORDER NO. 385-2006

ORDER

THIS CAUSE came to be heard on the Petition of Denbury Onshore, LLC ("Petitioner") requesting the Board to amend the Special Field Rules for the Sharon Field for Selma Chalk increased density wells, in Jasper County, Mississippi; and

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 required by the rules and regulations of the Board; that due, legal, and sufficient proofs of publication and service are on file with the Board; and that the Board has full jurisdiction of the subject matter to hear and determine same; and

WHEREAS, pursuant to said Notice, a public hearing was held by said Board in the Hearing Room, Suite E, 500 Greymont Avenue, Jackson, Mississippi, commencing on July 19, 2006, at 10:00 o'clock a.m. at which hearing all persons present who desired to be heard on said matter were heard and all testimony and the evidence were duly considered by those present at said meeting; and

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

1.

Petitioner has drilled numerous Selma Chalk Pool gas wells in the Field. Special Field Rules for the Field, were adopted as last amended, by Order of this Board in Docket No. 424-2003-34. This Petition relates strictly to the Selma Chalk Gas Pool which is defined as that certain strata of the Selma Chalk Formation productive of gas between the electric log measurements of 4,320 feet to 5,450 feet in the J. R. Helms No. 2 Well situated in the SE¼ of the SE¼ of Section 17, Township 10 North, Range 11 West, Jasper County, Mississippi and all such strata correlative thereto.

2.

The Selma Chalk Gas Pool, pursuant to the existing Special Field Rules, is currently spaced on 320 acre units. In Docket No. 424-2003-34, the Board allowed increased density drilling with up to eight wells per unit. Petitioner avers that because of the extremely low permeability in the Selma Chalk Gas Pool, eight wells will not adequately drain 320 acres.

3.

Petitioner requested that the Special Field Rules be amended to retain 320 acre units, but allow for increased density wells for each 320 acre unit with up to twelve wells being allowed per unit with no reduction in allowable for each well. In this manner, the producible gas underlying each unit will be adequately and reasonably recovered. It will prevent the necessity to reform the existing units to smaller sized units which could result in some owners being left out of unit production. Because of the tight formation characteristics of this reservoir, no other production pattern would adequately develop or produce these reserves. Further, this well spacing pattern, as requested by the amended Special Field Rules, will not cause uncompensated drainage between tracts because of the low permeability of the Selma Chalk Gas Pool. Further, Petitioner seeks to change certain rules applicable to surface location for horizontal wells in the Selma Chalk.

4.

The amendment of the existing Special Field Rules as set forth in the attached Exhibit "A" promotes conservation, protects the co-equal and correlative rights of all owners in interest, avoids the drilling of unnecessary wells, and permits gas to be produced from the Selma Chalk Gas Pool which would not otherwise be produced.

**IT IS, THEREFORE, ORDERED AND ADJUDGED** by the State Oil and Gas Board of Mississippi that the Special Field Rules for the Sharon Field shall be and hereby are amended as follows:

**SPECIAL FIELD RULES  
SHARON FIELD  
JASPER AND JONES COUNTIES, MISSISSIPPI**

**A. FIELD AREA**

The Sharon Field is comprised of that area:

**TOWNSHIP 10 NORTH, RANGE 11 WEST  
JASPER COUNTY, MISSISSIPPI**

Sections 5, 6, 8, 16 and 17

**TOWNSHIP 10 NORTH, RANGE 11 WEST**  
**JASPER AND JONES COUNTIES, MISSISSIPPI**

Sections 20, 21, and 29

**TOWNSHIP 10 NORTH, RANGE 11 WEST**  
**JONES COUNTY, MISSISSIPPI**

Sections 28, 31, and 32

**TOWNSHIP 9 NORTH, RANGE 11 WEST**  
**JONES COUNTY, MISSISSIPPI**

Sections 5 and 6

and all productive extensions thereof.

**B. POOL DEFINITIONS**

(1) **The Morrison Sand Gas Pool**, in the Sharon Field shall be construed to mean those strata productive of gas in the interval between 5,368 feet and 5,400 feet in the Frederick F. Mellon - No. 1 Board of Supervisors Well located 330 feet from the South line and 330 feet from the West line of Section 16, Township 10 North, Range 11 West, Jasper County, Mississippi, as indicated on the electric log of said well and all intervals correlative of said strata productive of gas.

(2) **The Eutaw Gas Pool**, as used herein, shall be construed to mean those strata of the Eutaw Formation productive of gas which can be correlated with the strata between the depths of 5,414 feet and 5,652 feet in the Frederick F. Mellon No. 1 Board of Supervisors Well located in the Southwest Quarter of the Southwest Quarter (SW $\frac{1}{4}$  of SW $\frac{1}{4}$ ) of Section 16, Township 10 North, Range 11 West Jasper county, Mississippi.

(3) **The Selma Chalk Gas Pool**, as used herein, shall be construed to be all strata of the Selma Chalk Formation underlying said field productive of gas and which can be correlated with the strata between the depths of 4,320 feet to 5,450 feet in the J. R. Helms No. 2 Well, located in the SE $\frac{1}{4}$  of the SE $\frac{1}{4}$  of Section 17, Township 10 North, Range 11 West, Jasper County, Mississippi.

**RULE 1 - SPACING OF GAS WELLS**

A. With respect to the Selma Chalk Gas Pool, every gas well:

(1) Shall be located on a drilling unit consisting of 320 contiguous surface acres, or a governmental half section containing not less than 300 acres nor more than 340 acres.

(2) Any gas drilling unit not a governmental half-section must be

completely encompassed by the perimeter of a rectangle 3735 feet by 5380 feet. Provided, however, no unit shall be permitted which will create island acreage.

(3) The wells shall be located at least 300 feet from every other drilling, producible well located in conformity with this Rule; however, this Rule shall not apply to the surface location of any well which is intentionally deviated to a regular bottom hole location at least 300 feet from every other drilling producible well located in conformity with this Rule. As to such wells intentionally deviated, including horizontal wells, there shall be no restriction on the surface location so long as the bottom hole location is more than 300 feet from the bottom hole location of all other wells.

(4) The wells shall be located not less than 300 feet from every exterior boundary of the unit, except in those cases where an exception has been previously granted by the Board after notice and hearing. As to wells intentionally deviated, including horizontal wells, there shall be no restriction on the surface location so long as the bottom hole location is more than 300 feet from every exterior boundary of the unit.

(5) Each 320 acre gas unit may contain up to twelve producing wells from the Selma Chalk Gas Pool with a full allowable for each increased density well.

## **RULE 2 - AMENDMENT OF SPECIAL FIELD RULES**

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

## **RULE 2 - SELMA CHALK GAS POOL LOGGING REQUIREMENTS**

As to any well drilled solely to test the Selma Chalk Gas Pool, the Operator of each such well may elect, without obtaining any further approval, to forego running any and all electrical logs. In the event perforating logs are run, such logs shall be provided to the Board.

## **RULE 3 - SELMA CHALK UNIT MEASUREMENT**

As to Selma Chalk Gas wells, operators may measure production on an unit instead of an individual well basis, for increased density wells on such units.

**RULE 4 - APPLICABILITY OF STATEWIDE RULES**

All rules and regulations contained in the Statewide Order No. 201-51, and any amendments thereto, are hereby adopted and shall apply to said field, to the extent not inconsistent with the above rules.

**\* \* \* End of Special Field Rules \* \* \***

**IT IS FURTHER ORDERED AND ADJUDGED** that this Order shall be in force and effect from and after July 19, 2006.

**IT IS FURTHER ORDERED AND ADJUDGED** that Petitioner shall acquire any other permits, if any, required by any other permitting authority.

**ORDERED AND ADJUDGED** this 27<sup>th</sup> day of July, 2006.

**STATE OIL AND GAS BOARD OF  
MISSISSIPPI**

  
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CHAIRMAN

**Prepared By:**

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