

AUG 1 - 1994

STATE OIL AND GAS BOARD
A. Richard Henderson, Supervisor

IN THE STATE OIL AND GAS BOARD OF MISSISSIPPI

PETITION OF WALLER BROTHERS, INC.
TO ESTABLISH SPECIAL FIELD RULES
FOR THE SPATS FIELD, FRANKLIN AND
LINCOLN COUNTIES, MISSISSIPPI, AND
TO PROVIDE RULES FOR THE OPERATION
OF THE SPATS FIELD UNIT

DOCKET NO. 163-94-689

ORDER NO. 234-94ORDER

THIS DAY this matter came on for hearing before the State Oil and Gas Board of Mississippi ("Board") on the Petition of Waller Brothers, Inc. to establish new Special Field Rules for the Spats Field, Franklin and Lincoln Counties, Mississippi, to define the Lower Tuscaloosa "A" Sand Oil Pool, to define the Spats Field Unit, Franklin and Lincoln Counties, Mississippi, and to provide rules for the operation of the said unit for secondary recovery, water flooding and pressure maintenance operations, and after hearing and reviewing all of the evidence offered in support of said Petition and being fully advised in the premises, the Board finds as follows:

1.

Due, proper and legal notice of the meeting of the Board for the purpose of considering and taking action with respect to this matter has been given in the time, manner and way as provided by law and the rules and regulations of the Board and due, legal and sufficient Proofs of Publication are on file with the Board and the Board has full jurisdiction of the parties in the subject matter and has authority to hear and determine said matter.

2.

Pursuant to said Notice, a public hearing was held by said Board in Suite E, 500 Greymont, Jackson, Mississippi, on July 20, 1994, at which time and place all persons present who desired to be heard on said matter were heard, and the proposed Special Field Rules were duly considered by all parties in interest.

3.

In Docket No. 162-94-689, Waller Brothers, Inc. requested approval of the Plan of Unitization composed of a Unit Agreement and Unit Operating Agreement creating the Spats Field Unit. Herein, Petitioner has requested that Special Field Rules for the Spats Field be established as they pertain to the operation of said unit and to the description of said Spats Field. The establishment of Special Field Rules is necessary for the operation of the said Spats Field Unit.

4.

Special Field Rules for the Spats Field were established by this Board by Order No. 190-87 on May 21, 1987, but do not provide for Fieldwide Unit Operations. The field has been developed on 80-acre spacing units pursuant to the Board's Statewide Rules and Regulations and the existing Special Field Rules. The productive limits of the Field have now been defined.

5.

The definition of the Lower Tuscaloosa "A" Sand Oil Pool should be defined as those strata productive or formerly productive of oil or gas in the interval between the depth of 10,944 feet and 10,970 feet as indicated on the log for the James K. King 30-8 Unit No. 1 Well located in the SE 1/4 of the NE 1/4 of Section 30, Township 5 North, Range 6 East, Franklin County, Mississippi, and any formation or formations correlative thereto and interconnected therewith, and the definition of the Spats Field should be established as those lands which have now been established as productive from the Lower Tuscaloosa "A" Sand Oil Pool.

6.

It is now necessary to establish Special Field Rules for the Spats Field to implement the repressuring or pressure maintenance operations, secondary recovery operations, cycling operations, and water flooding operations as applied to the Spats Field Unit in order to increase the ultimate recovery of oil from said unit.

The Board further finds that Waller Brothers, Inc. should be permitted to drill additional wells for injection or production and to convert any previously abandoned well to an injection well after obtaining the Board's approval thereof. The Special Field Rules should authorize such injection program for injection of water in water flooding and in secondary recovery operations. The Board further finds that the injection of water and the commencement of secondary recovery operations and the proposed appropriate allocation of production will inure to the benefit of all concerned, will prevent waste, and will protect the co-equal and correlative rights of all interested parties.

7.

The Special Field Rules for the Spats Field as attached hereto as Exhibit "A" should supersede and replace all previous rules adopted by this Board.

IT IS, THEREFORE, ORDERED, ADJUDGED AND DECREED that the Special Field Rules for the Spats Field should be and are hereby adopted and established to define the Lower Tuscaloosa "A" Sand Pool, to provide for the operation of the Spats Field Unit, Franklin and Lincoln County, Mississippi, to authorize the injection of water, secondary recovery operations, water flooding operations and to set the pool allowable all as more fully described and set forth in said Special Field Rules attached as Exhibit "A" hereto, which Rules are incorporated herein by reference.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Waller Brothers, Inc. shall acquire all other permits, if any, required by any other permitting authority.

SO ORDERED, ADJUDGED AND DECREED, this the 20th day of July, 1994.

MISSISSIPPI STATE OIL AND GAS BOARD

BY: Joseph S. Zuccaro
CHAIRMAN

EXHIBIT "A"

SPECIAL FIELD RULES FOR THE SPATS FIELD,
FRANKLIN AND LINCOLN COUNTIES, MISSISSIPPI

A. THE FOLLOWING RULES SHALL APPLY AS TO
THE LOWER TUSCALOOSA "A" SAND OIL POOL:

FIELD LIMITS:

FRANKLIN COUNTY, MISSISSIPPI

Township 5 North, Range 6 East:

Section 30: E 1/2 W 1/2 NW 1/4, E 1/2 NW 1/4
and NE 1/4.

LINCOLN COUNTY, MISSISSIPPI

Township 5 North, Range 6 East:

Section 29: W 1/2 W 1/4 NW 1/4.

1. The Lower Tuscaloosa "A" Sand Oil Pool, as used herein, shall be construed to mean those strata productive or formerly productive of oil and gas in the interval between the depth of 10,944 feet and 10,970 feet as indicated on the log for the James K. King 30-8 Unit No. 1 Well, located in the SE 1/4 of the NE 1/4 of Section 30, Township 5 North, Range 6 East, Franklin County, Mississippi, and including those productive strata which can be correlated therewith.

2. The area defined as lying within the Spats Field consists of six (6) regular governmental quarter/quarter sections of approximately 40 acres each and four (4) half quarter/quarter sections of approximately twenty (20) acres each. With respect to the Lower Tuscaloosa "A" Sand Oil Pool, the Spats Field Unit has been created by the voluntary agreement of over seventy-five percent (75%) of the operating owners and over seventy-five percent (75%) of royalty owners as required by Section 53-3-107, Miss. Code. Ann. 1972 (as amended). It is proper and necessary for the promotion of conservation to consider and treat the unit area in said pool as a single drilling and producing unit as to all tracts therein contained. As to said pool, the rules

hereinafter provided applicable to it will enable said pool to be efficiently drilled, 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.

RULE 1 - SPACING OF OIL WELLS

A. A fieldwide drilling unit is hereby established for each and all oil wells drilled and completed in the Lower Tuscaloosa "A" Sand Oil Pool as consisting of that unit area affected by the Unit Agreement, Spats Field Unit, Franklin and Lincoln Counties, Mississippi, underlain by the Lower Tuscaloosa "A" Sand Oil Pool.

B. The location of wells upon the Fieldwide Unit shall be governed by the standards of geology and petroleum engineering designed to promote the greatest ultimate recovery of hydrocarbons contained in the pool. However, no future well may be drilled or produced from said pool nearer than 330 feet from any boundary of the Fieldwide Unit, except upon permit issued by the Board after notice and hearing.

RULE 2 - ALLOCATION OF PRODUCTION

A. The allowable of said pool shall be the sum of the number of wells in the unit, including injection wells but excluding saltwater disposal and waste water disposal wells, times the then effective allowable based on depth.

B. The allowable production of the Fieldwide Unit may be produced by any well or wells on said unit 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.

RULE 3 - PRESSURE MAINTENANCE AND SECONDARY RECOVERY PROGRAM AUTHORIZED

A. Waller Brothers, Inc., as Operator of the Spats Field Unit, is hereby authorized to conduct pressure maintenance operations in the Lower Tuscaloosa "A" Sand Oil Pool of the Spats Field by the injection of gas, carbon dioxide, water or other substances. Operator may use for injection purposes exiting

wells located in said Fieldwide Unit which may be converted to injection wells or wells may be drilled on said Fieldwide Unit for such purpose provided, however, that before any additional well or wells may be used for injection purposes, said Operator must first file with the Mississippi State Oil and Gas Board a plat showing the location of such injection well or wells, the applicable information required by Statewide Rule 63, the plan proposed or adopted by it for pressure maintenance in said pool, and obtain the Board's approval thereof, after notice and hearing.

B. The conversion of producing wells to injection wells will not affect the Fieldwide Unit allowable as determined by Rule 2.

RULE 4 - AUTOMATIC CUSTODY TRANSFER SYSTEMS AUTHORIZED

Automatic custody transfer systems which automatically test, sample, measure and transfer the production from the operator to the purchaser are hereby authorized for the Spats Field.

Each such system 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 the basic sediment and water content can be determined.

Each such 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; said metering device will be compensated for temperature, will be so equipped as to provide a cumulative total of all oil transferred by such system, and will have an accuracy standard equivalent to the accuracy obtained in measurements made in calibrated stock tanks.

RULE 5 - APPLICABILITY OF STATEWIDE RULES

A. All Rules and Regulations contained in Statewide Order No. 201-51, and any amendments thereto, not specifically covered in the foregoing Special Field Rules, are hereby adopted and shall apply to said field.

B. These amended Rules and Regulations to become effective as of the date of the Board's Order adopting and establishing same.

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

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