

RE: PETITION OF SANCHEZ OIL AND GAS CORPORATION TO AMEND THE SPECIAL FIELD RULES FOR THANKSGIVING FIELD, AMITE COUNTY, MISSISSIPPI, AND OBTAIN RELATED RELIEF

MAY 09 2012

STATE OIL AND GAS BOARD  
LISA IVSHIN, SUPERVISOR

DOCKET NO. 106-2012-D

ORDER NO. 229-2012

ORDER

THIS MATTER came on to be heard at the regular April 2012 meeting of the State Oil and Gas Board on the Petition of **SANCHEZ OIL & GAS CORPORATION** (“Sanchez”), Petitioner, requesting that the Board amend the Special Field Rules for Thanksgiving Field, and grant related relief. Having considered the Petition, the evidence in support hereof, and being fully advised in the premises, the Board finds that the Petition is well-taken and should be granted. The Board also finds as follows:

1.

The Board has jurisdiction over the parties and the subject matter of the Petition. Due and legal notice of the hearing on the Petition has been given in the time and manner required by law and the rules and regulations of this Board.

2.

Petitioner is the operator of wells in Thanksgiving Field. Petitioner proposes to amend the Special Field Rules so as to define the “Upper Tuscaloosa Oil Pool,” establish spacing for the development of said pool, delete the definition of the “Lower Tuscaloosa “B” Sand Oil Pool,” delete language referencing the Lower Tuscaloosa “A” Fieldwide Unit, which was terminated by the Board by Order No. 482-2011 entered in Docket No. 272-2011-D, and make other conforming amendments.

3.

Based on the evidence presented, the Board finds that the “Upper Tuscaloosa Oil Pool” is a “pool” as defined in Miss. Code Ann. § 53-1-3 (e), and that it should be defined as follows:

The Upper Tuscaloosa Oil Pool is defined as to mean those

strata of the Upper Tuscaloosa formation productive of oil, gas and other hydrocarbons from the interval between the measured log depth of 11,126' to 11,834' on the Dual Induction – Long Spaced Sonic Log for the Sanchez Oil and Gas Corporation (originally OXY USA, Inc.) FICB A No. 1 Well which is located on the section line common to Sections 18 & 19, Township 2 North, Range 2 East, Amite County, Mississippi (API No. 23-005-20445), and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.

4.

Based on the evidence presented, the Board finds that because of the geology and other reservoir factors and characteristics of the said Upper Tuscaloosa Oil Pool, the spacing rules for each unit and for the wells that produce from the said pool should be as follows:

- (1) Each well must be located on a drilling unit consisting of 80 contiguous surface acres, or two (2) contiguous governmental quarter-quarter sections containing not less than seventy-two (72) acres or more than eighty-eight (88) acres.
- (2) Any drilling unit not composed of two (2) governmental quarter-quarter sections must be completely encompassed by the perimeter of a rectangle 1600 by 2725 feet. Provided, however, no unit shall be permitted which will create island acreage.
- (3) Each well that produces from said pool must be located at least 200 feet from the nearest exterior boundary line of the drilling unit.
- (4) Each well that produces from the said pool must be located at least 500 feet from every other drilling or producible well in the same pool.
- (5) Each such drilling unit may contain one well that produces from the said pool.
- (6) The foregoing spacing rules are subject to such exceptions as may be granted by the Board after notice and hearing.

5.

The definition of the Lower Tuscaloosa “B” Sand Oil Pool should be deleted from the Special Field Rules because no well in Thanksgiving Field is currently completed in or contemplated to be completed in that pool at any time in the future.

6.

The language referencing the Lower Tuscaloosa “A” Fieldwide Unit should be deleted from the Special Field Rules because that Unit was terminated by the Board by Order No. 482-2011 dated October 12, 2011, entered in Docket No.272-2011-D.

7.

Other conforming amendments should be made to Special Field Rules. Attached hereto as Exhibit "A" is a copy of Special Field Rules as amended herein.

8.

The proposed Amended Special Field Rules will allow for the continued and orderly development of the field; will allow the pools in the field to be effectively and efficiently drained and produced; will foster, encourage and promote the drilling of additional wells and the development and production of the said field; will prevent waste; and will safeguard, protect and enforce the coequal and correlative rights of the owners in the field.

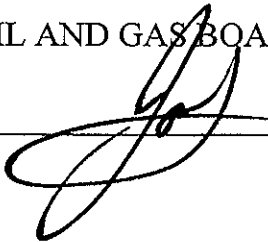
**IT IS THEREFORE, ORDERED AND ADJUDGED**, that the Petition filed herein is granted; and the proposed amendments to the Special Field Rules for Thanksgiving Field, as set forth in Exhibit "A" hereto, are granted; and the said Amended Special Field Rules are adopted and approved.

**SO ORDERED AND ADJUDGED**, this the 9th day of <sup>May</sup>~~April~~, 2012.

Respectfully submitted,

STATE OIL AND GAS BOARD OF MISSISSIPPI

By: \_\_\_\_\_



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**ATTORNEYS FOR PETITIONER**

## Exhibit "A"

### AMENDED SPECIAL FIELD RULES FOR THE THANKSGIVING FIELD IN AMITE COUNTY, MISSISSIPPI

#### FIELD LIMITS

The geographical area of Thanksgiving Field is comprised of the following lands:

In Township 2 North, Range 2 East, Amite County, Mississippi

Sections 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 27, 28, 29, 30 and 31, the NE 1/4 of Section 32; and

A tract of land described as follows: Beginning at the section corner common to Sections 17, 19, 26, 27, Township 2 North, Range 2 East, Amite County, Mississippi; run thence South 00° 20' 10" West along the section line common to said Sections 26 and 27 for 710.00 feet; thence run West for 3895.81 feet; run North for 710.00 feet, more or less, to the North line of Section 26; thence run Easterly along the North line of said Section 26 for 3895.8 feet, more or less, to the Point of Beginning; and

In Township 2 North, Range 3 East, Amite County, Mississippi

Section 20 and the W1/2 of Sections 19, 21 and 36

#### POOL DEFINITIONS

1. The Frio "A" Sand Gas Pool is defined to mean that strata of the Frio Formation productive of gas at an interval of 3039 feet to 3054 feet as indicated on the electric log of the OXY USA, Inc. - Caston 1-12 No. 1 Well, and all sands correlative to and in communication therewith of that strata productive of gas, said Well being located 2,600 feet from the North line and 1,300 feet from the East line of Section 12, Township 2 North, Range 2 East, Amite County, Mississippi.
2. The Frio "B" Sand Gas Pool is defined to mean that strata of the Frio Formation productive of gas at the interval of 2990 feet through 3003 feet as indicated on the electric log of the Allen Operating Company - Paul Boudreaux No. 1 Well and all sands correlative to and in communication with this strata productive of gas, said Well being located 153 feet from the North line and 499 feet from the East line of Section 10, Township 2 North, Range 2 East, Amite County, Mississippi.
3. The Frio "C" Sand Gas Pool is defined to mean that strata of the Frio Formation productive of gas at an interval of 3297 feet through 3327 feet as indicated on the

Allen Operating Company - Bailey No. 1 Well, and all sands correlative to and in communication with this strata productive of gas, said Well being located 1786 feet from the West line and 1317 feet from the North line of Section 12, Township 2 North, Range 2 East, Amite County, Mississippi.

4. The Frio "D" Sand Gas Pool is defined to mean that strata of the Frio Formation productive of gas at an interval of 3521 feet through 3528 feet as indicated on the Allen Operating Company - Sawyer No. 1 Well, and all sands correlative to and in communication with this strata productive of gas, said Well being located 1293 feet from the North line and 2230 feet from the West line of Section 15, Township 2 North, Range 2 East, Amite County, Mississippi.
5. The Upper Tuscaloosa Oil Pool The Upper Tuscaloosa Oil Pool is defined as to mean those strata of the Upper Tuscaloosa formation productive of oil, gas and other hydrocarbons from the interval between the measured log depth of 11,126' and 11,834' on the Dual Induction – Long Spaced Sonic Log for the OXY USA, Inc. FICB A No. 1 Well located on the section line common to Sections 18 & 19, Township 2 North, Range 2 East, Amite County, Mississippi (API No. 23-005-20445), and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.
6. The Lower Tuscaloosa "A" Sand Oil Pool is defined to mean those strata productive of oil and other hydrocarbons in the Lower Tuscaloosa Formation at the electric log interval of 12,003 feet - 12,080 feet as found in the OXY USA INC. (Cities Service Oil & Gas Corporation) - Jackson "A" No. 1 Well, located in the SE1/4 of Section 17, Township 2 North, Range 2 East, Amite County, Mississippi, and all strata productive of oil, gas, and other hydrocarbons, which can be correlated therewith and are in communication therewith.

#### **RULE 1: SPACING**

- A. Spacing for each unit and for the wells that produce from the Lower Tuscaloosa "A"

Sand Oil Pool shall be as follows:

- (1) Each well completed in that part of the Lower Tuscaloosa "A" Sand Oil Pool shall be located on a drilling unit consisting of 160 acres, or 4 contiguous governmental quarter-quarter sections containing not less than 144 nor more than 176 acres.

- (2) Each well must be completely encompassed by the perimeter of a rectangle 2,640 feet by 3,500 feet; provided, however, no unit shall be permitted which will create island acreage.
- (3) Each well that produces from said pool must be located at least 500 feet from the nearest exterior boundary line of the drilling unit.
- (4) Each well that produces from said pool must be located at least 1,000 feet from every other drilling or producible well in the same pool.
- (5) The foregoing spacing rules are subject to such exceptions as may be granted by the Board after notice and hearing.

**B.** Spacing for each unit and for the wells that produce from the Upper Tuscaloosa Oil

Pool shall be as follows:

- (1) Each well must be located on a drilling unit consisting of 80 contiguous surface acres, or two (2) contiguous governmental quarter-quarter sections containing not less than seventy-two (72) acres or more than eighty-eight (88) acres.
- (2) Any drilling unit not composed of two (2) governmental quarter-quarter sections must be completely encompassed by the perimeter of a rectangle 1600 by 2725 feet. Provided, however, no unit shall be permitted which will create island acreage.
- (3) Each well that produces from said pool must be located at least 200 feet from the nearest exterior boundary line of the drilling unit.
- (4) Each well that produces from the said pool must be located at least 500 feet from every other drilling or producible well in the same pool.
- (5) Each such drilling unit may contain one well that produces from the said pool.
- (6) The foregoing spacing rules are subject to such exceptions as may be granted by the Board after notice and hearing.

**C.** Spacing for each unit and future wells that produce from a defined Frio Pool shall

be as follows:

- (1) Shall be located on a drilling unit consisting of 160 contiguous surface acres with a tolerance of 5%, more or less, or a governmental quarter section containing not less than 144 acres or more than 176 acres or four (4) contiguous governmental quarter-quarter sections, the total acreage of which is not less than 144 or more than 176 acres, upon which no other drilling or producible well in the same gas pool is located;
- (2) any gas drilling unit formed under Rule 6(a) must be completely encompassed by the perimeter of a rectangle 2,640 feet by 3,500 feet. Provided, however, no unit shall be permitted which will create island acreage;
- (3) each well shall be located at least 1,500 feet from every other drilling or producible well in the same gas pool located in conformity with this rule; and
- (4) the well shall be located at least 750 feet from every exterior boundary of the drilling unit.
- (5) all units which are currently established on 320-acre units shall remain on such 320-acre units.

**RULE 2: SURFACE STORAGE, MEASUREMENT AND TRANSFER SYSTEMS**

A. Automatic custody transfer systems which automatically test, sample, measure, and transfer the production from the operator to the purchaser are hereby authorized for Thanksgiving Field. 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 3: APPLICABILITY OF STATEWIDE RULES**

All rules and regulations contained in the Statewide Order No. 201-51 and amendments thereto not specifically covered in the foregoing rules are hereby adopted and shall apply to Thanksgiving Field.

**\*\*\*END OF SPECIAL FIELD RULES\*\*\***