

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: PETITION OF VENTURE OIL & GAS, INC. TO ESTABLISH SPECIAL FIELD RULES FOR NORTH WINCHESTER FIELD, LOCATED IN WAYNE COUNTY, MISSISSIPPI, AND OBTAIN RELATED RELIEF

FILED FOR RECORD

SEP 28 2009

STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR

DOCKET NO. 254-2009-934

ORDER NO. 472-2009

ORDER

THIS MATTER came on to be heard at the regular September 2009 meeting of the State Oil and Gas Board on the Petition of VENTURE OIL & GAS, INC., Petitioner, requesting the Board to establish Special Field Rules for North Winchester Field, and grant related relief. The Petition was not contested. Having considered the Petition, the evidence in support thereof, 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 has drilled and completed and is the operator of a number of oil and gas wells located in that certain geographical area of Wayne County, Mississippi that Petitioner proposes to formally identify as "North Winchester Field" by the adoption of Special Field Rules. The proposed Special Field Rules are also appropriate in order to address certain aspects of the proposed "fieldwide unit" for North Winchester Field that is proposed in Docket No. 94-2009-934, wherein Petitioner has filed a petition pursuant to Miss. Code Ann. Sections 53-3-101 et seq. for approval of a Plan of Unitization for the proposed North Winchester Smackover Oil Pool Unit (the "Unit"), for enhanced recovery operations, pressure maintenance, etc., as to the "Unitized Formation" described therein.

3.

The Board should adopt Special Field Rules that identify and define the geographical area of North Winchester Field to be comprised of the following described lands and all productive extensions thereof:

In Section 33, Township 9 North, Range 6 West, Wayne County, Mississippi

The North One-Half of the Southwest One-Quarter, and
the South One-Half of the Southwest One-Quarter, and

In Section 4, Township 8 North, Range 6 West, Wayne County, Mississippi

The North One-Half of the Northwest One Quarter, and the South One Half of the Northwest One Quarter, and the North One-Half of the Southwest One Quarter, and the South One-Half of the Southwest One Quarter.

4.

The proposed Special Field Rules should define the "Smackover Oil Pool" as follows:

The Smackover Oil Pool is defined as those strata of the Upper Smackover formation, productive or formerly productive of oil and gas from the measured depth of 15,550 feet to 15,815 feet as shown by the induction log run on September 5, 2007 in the Clark 4-4 #2, KCS Resources well, located in Section 4, Township 8 North, Range 6 West, Wayne County, Mississippi, and including those strata productive of oil and gas which can be correlated therewith.

The said Smackover Oil Pool is the same interval as the "Unitized Formation" under the Plan of Unitization in Docket No. 94-2009-934.

5.

The proposed Special Field Rules will also establish spacing and production allocation requirements applicable to the Smackover Oil Pool, and prescribe certain rules that will apply to operation of the fieldwide unit that is proposed in Docket No. 94-2009-934.

6.

The proposed Special Field Rules will foster, encourage and promote the full development of the field, the pool and the fieldwide unit; will facilitate the efficient and economical operation of the pool and the fieldwide unit; will ultimately result in the recovery of more oil, gas and associated hydrocarbons from the field and the said pool; and will promote conservation of oil and gas, will prevent waste and will allow for the orderly development of the field and the said pool; and will safeguard, protect and enforce the coequal and correlative rights of the owners in the pool and in the field.

IT IS, THEREFORE, ORDERED AND ADJUDGED that the Petition filed herein is granted; the proposed Special Field Rules for North Winchester Field are approved and adopted, and Exhibit "1" hereto is a copy of the Special Field Rules as approved and adopted.

Permittee shall acquire all other permits, if any, required by any other permitting authority.

SO ORDERED AND ADJUDGED, this the 24 day of September, 2009.

STATE OIL AND GAS BOARD OF MISSISSIPPI

By:


CHAIRMAN

PREPARED BY:

Glenn Gates Taylor (MBN 7453)
C. Glen Bush (MBN 7589)
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ATTORNEYS FOR PETITIONER

EXHIBIT "1"

**SPECIAL FIELD RULES
FOR NORTH WINCHESTER FIELD
WAYNE COUNTY, MISSISSIPPI**

A. FIELD AREA

North Winchester Field is defined as that geographical area consisting of the following described lands and all productive extensions thereof:

In Section 33, Township 9 North, Range 6 West, Wayne County, Mississippi

The North One-Half of the Southwest One-Quarter, and
the South One-Half of the Southwest One-Quarter, and

In Section 4, Township 8 North, Range 6 West, Wayne County, Mississippi

The North One-Half of the Northwest One Quarter, and
the South One Half of the Northwest One Quarter, and
the North One-Half of the Southwest One Quarter, and
the South One-Half of the Southwest One Quarter.

B. POOL DEFINITIONS

The Smackover Oil Pool is defined as those strata of the Upper Smackover formation, productive or formerly productive of oil and gas from the measured depth of 15,550 feet to 15,815 feet as shown by the induction log run on September 5, 2007 in the Clark 4-4 #2, KCS Resources well, located in Section 4, Township 8 North, Range 6 West, Wayne County, Mississippi, and including those strata productive of oil and gas which can be correlated therewith.

C. RULES

RULE 1: North Winchester Smackover Oil Pool Unit

Pursuant to Miss. Code Ann. Sections 53-3-101 et seq., the Mississippi State Oil & Gas Board (the "Board") has established and approved the North Winchester Smackover Oil Pool Unit (herein, the "Smackover Fieldwide Unit" or the "Unit") as a "Unit Area" which shall be treated as a single drilling and production unit as to all of the tracts and lands included therein. The following rules shall apply to the said Unit.

A. Unit Area.

The Unit Area of the Smackover Fieldwide Unit shall consist of the following lands:

In Section 33, Township 9 North, Range 6 West, Wayne County, Mississippi: The North One-Half of the Southwest One-Quarter, and the South One-Half of the Southwest One-Quarter, and

In Section 4, Township 8 North, Range 6 West, Wayne County, Mississippi: The North One-Half of the Northwest One Quarter, and

the South One Half of the Northwest One Quarter, and the North One-Half of the Southwest One Quarter, and the South One-Half of the Southwest One Quarter.

C. Unitized Formation

The "Unitized Formation" is the Smackover Oil Pool, as defined above.

D. Unitized Substances

"Unitized Substances" are all oil, gas gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent substances, other than "Outside Substances," within or produced from the Unitized Formation.

E. Outside Substances

"Outside Substances" are all substances purchased or obtained from any source(s) other than the Unitized Formation and which are injected into the Unitized Formation.

F. Secondary, Tertiary, Pressure Maintenance and Enhanced Recovery Operations

With respect to the Unitized Formation, the operator of the Unit is authorized to conduct and carry out any secondary and/or tertiary recovery operations, pressure maintenance operations, repressuring operations, cycling operations, water flooding operations, the injection of extraneous substances, including air or gaseous injection, either separately, successively, or any combination thereof, and any other form of joint effort, whether recognized, innovative or experimental, calculated to substantially increase the ultimate recovery of oil and gas, or both, from the said Unit, and to prevent waste, as more fully set forth in the Plan of Unitization for the Unit.

G. Permitting and Spacing of Wells Within The Unit

1. Notwithstanding any other provision(s) of these Special Field Rules or any Statewide Rules to the contrary, and except as provided for below as to injection wells, the location of all wells (whether injection or production wells) within the said Unit shall be determined by the operator of said Unit, may be located anywhere within the boundaries of the Unit without regard to any otherwise applicable spacing rules, and shall be administratively permitted by the operator without notice and hearing; provided, however, no well may be drilled, injected into or produced from the Unitized Formation closer than 500 feet from any exterior boundary of the said Unit, except pursuant to a an exception and/or permit issued by the Board after notice and hearing thereon.
2. The operator of the said Unit may utilize and operate any and all existing wells located within the boundaries of the said Unit, any one or more of which wells may be converted for use as injection wells, or one or more new wells may be drilled and/or reentered on the said Unit for such purposes.
3. Each well that is proposed to be drilled as or converted to an injection well may be approved by the Board by administrative permit, without hearing, upon the operator filing with the Board a duly executed OGB Form 2, well location plat, the required fee for the permit requested, and all evidence and information required under Statewide Rule 63, and upon publication of public notice of the same for not less than twenty (20) days prior to the issuance of the administrative permit.
4. Any Unit injection well and any other non-producing well may be converted to a Unit producing well without notice and hearing, upon

the operator filing with the Board a duly executed OGB Form 2, well location plat, and the required fee for the permit requested.

H. Allowable for the Unit

The allowable for the said Unit shall be established by the Board. The allowable production of the said Unit may be produced from or by any well or wells on the said Unit and in any combination or sequence determined by the operator.

I. Measurement Of Production and Equipment For Tests

1. The operator of the said Unit is permitted to commingle production at the surface from all fieldwide and individual units for collection and sale at a central tank battery as part of its operations of the Unit. This includes a central tank battery and a central facility for oil, water, and CO₂ production, cycling and injection operations. The oil and gas production from the Unit may be commingled in a common storage system. The operator shall install a flowline, header and measurement system that allows each well to be separately and individually tested on a periodic basis, not less than once each month. If, upon a sale therefrom, a variance exists between the measurement from the common storage system and the measurement from the production of all the wells commingled in such common storage system, then such variance shall be allocated back to each of the wells producing into the common storage system proportionately to the production measured from each of the wells on the basis of the periodic tests.
2. Each producing well shall be so equipped that gas/oil ratio and bottomhole or other pressure tests may be made.
3. Each producing well shall be connected to a metering system so as to permit the adequate testing of each individual well under usual operating conditions without the necessity of closing in any other well. Each well shall be tested not less than once per month for allocation of fieldwide production and between individual units. Separators, stock tanks or measuring devices and connections thereto shall be subject to approval by the Supervisor of the Board.
4. All meters shall be downstream of the necessary separating or treating vessels. All meters shall be designed and installed in conformance with recognized metering practices and shall be subject to the approval of the Supervisor of the Board.
5. All meters and equipment affecting meter accuracy shall be kept in good working order. Each meter shall be calibrated at least once a month by means of a calibrated tank, a calibrated meter prover or a master meter. When a meter is found to deviate in its recording by more than two percent (2%), it must be adjusted to conform to the said tolerance limitation of two percent (2%) or the meter calibration factor corrected.
6. The corrected meter reading at 7:00 a.m. on the first day of each month for each meter shall be reported on the bottom of the Form 9 reporting the monthly production from the wells being measured by such meter.

RULE 2: Automatic Custody Transfer Systems Authorized

- A. Automatic custody transfer systems which automatically test, sample, measure and transfer the production from the operator to the purchaser are hereby authorized for the field. Such systems may be used to transfer production from individual leases or from common storage facilities. In the even the transfer is from such a common storage facility, the allocation of production to the leases being produced into

such common storage system will be on the basis of the relationship of the measured production from each unit to the total measured production transferred by the automatic custody transfer system.

- B. Each 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.
- C. 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. In addition to meeting all of the requirements set out in Rule 1 above regarding the use of meters, the said metering device shall be compensated for temperature, shall be so equipped as to provide a cumulative total of all oil transferred by such system, and shall have an accuracy standard equivalent to the accuracy obtained in measurement made in calibrated stock tanks.

RULE 3: 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 foregoing rules and regulations, or to grant exceptions as to all or any part of any of them.

RULE 4: Applicability of Statewide Rules.

All rules and regulations contained in Statewide Order No. 201-51, and any amendments thereto, not specifically covered by the foregoing Special Field Rules are hereby adopted and applied to North Winchester Field, but only to the extent not inconsistent or in conflict with the foregoing Special Field Rules.

- End of Special Field Rules -