

IN THE STATE OIL AND GAS BOARD OF MISSISSIPPI

FILED FOR RECORD

FEB 28 2008

STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR

RE: PETITION OF ENSIGHT III ENERGY
MANAGEMENT, LLC TO AMEND THE
SPECIAL FIELD RULES FOR THE
BENTONIA FIELD, YAZOO AND
MADISON COUNTIES, MISSISSIPPI

DOCKET NO. 60-2008-164

ORDER NO. 102-2008

ORDER

This matter came on for hearing before the State Oil and Gas Board of Mississippi (hereinafter the "Board") on the 20th day of February, 2008, on the Petition of EnSight III Energy Management, LLC (hereinafter the "Petitioner") to amend the Special Field Rules for the Bentonia Field, Yazoo and Madison Counties, Mississippi, to authorize the drilling of a maximum not to exceed three (3) wells on each eighty (80) acre oil drilling and production unit for each defined oil pool within the field; to alter or modify the spacing requirements applicable to oil wells drilled and completed within each defined oil pool within the Bentonia Field; to authorize the directional or horizontal drilling and completion of wells within the field upon administrative permit; and for related relief, said hearing being called for such purpose; and

WHEREAS, the Board finds that due, proper and legal notice of the meeting of the Mississippi State Oil and Gas Board for the purpose of considering and taking action with respect to such matter was given in the manner and way provided by law and the Rules and Regulations of this Board; that due, legal and sufficient Proofs of Publication are on file with the Board in said matter; 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 the said Board in the Hearing Room of the Mississippi State Oil and Gas Board located at 500 Greymont Avenue, Suite E, Jackson, Mississippi, commencing at 10:00 o'clock, A. M. on February 20, 2008, at which hearing all persons present who desired to be heard in said matter were heard and all testimony and documentary evidence duly considered by those present at said meeting; and

WHEREAS, the Board having considered the Petition and the evidence, and being fully advised in the premises, is of the opinion and finds that the relief requested by the Petitioner should be and the same is hereby granted. The Board further finds and determines as follows:

1.

The Board finds that the Mississippi State Oil and Gas Board has previously established and approved Special Field Rules for the Bentonia Field, Yazoo and Madison Counties, Mississippi. Those Special Field Rules were last amended by the Mississippi State Oil and Gas Board on March 21, 2001 (Order No. 109-2001, Docket No. 65-2001-164). The Board finds that those Special Field Rules establish the geographic limits of the Bentonia Field; define various oil pools within the Bentonia Field; and prescribe spacing rules applicable to oil wells drilled and completed within said pools in said field.

2.

The Board finds that RULE 2 ("POOL DEFINITIONS") of the Special Field Rules defines eight (8) oil pools as separate and distinct oil-producing pools or accumulations of hydrocarbons within the Bentonia Field. The Board finds that those eight (8) separately-defined oil pools are specifically identified as follows: the Lower Tuscaloosa Oil Pool; the Washita-Fredericksburg Oil Pool; the Upper Hosston Oil Pool; the Lower Hosston Oil Pool; the Upper Tuscaloosa Oil Pool; the Rodessa

Oil Pool; the 7500 Foot Washita-Fredericksburg Oil Pool; and the Mooringsport Oil Pool.

3.

The Board finds that those existing Special Field Rules specify that oil wells permitted for drilling within any of the hereinabove defined eight (8) oil pools within the Bentonia Field shall be developed on an 80-acre spacing pattern. Specifically, RULE 3(A.) ("SPACING OF OIL WELLS") of those Special Field Rules states that wells permitted for drilling within any of the hereinabove described eight (8) oil pools shall be drilled and developed upon a drilling and production unit comprised of a governmental half-quarter section containing not less than seventy-two (72) acres or a drilling unit consisting of not more than eighty (80) contiguous surface acres upon which no other drilling or producible well is located. In addition, the Board finds that RULE 3(A.) also presently authorizes the drilling of a maximum not to exceed two (2) wells from the same oil pool upon each individual 80-acre oil drilling and production unit within the Bentonia Field.

4.

The Board finds that the discovery well within the Bentonia Field was drilled and completed on December 28, 1960. The Board finds that the Bentonia Field has been an active producing oil field in the State of Mississippi for a period of approximately fifty (50) years. The Board finds that during that approximately one-half century, the cumulative production of oil and other hydrocarbons from the Bentonia Field totals approximately 3.70 million barrels of crude oil, all utilizing primary production methods exclusively.

5.

The Board finds that there are currently only eight (8) oil-producing wells which are presently active within the Bentonia Field. In addition, the Board finds that the daily production rates of crude oil from each of these wells is rapidly declining

and that the quantity of saltwater and associated fluids being produced in association with these wells is rapidly increasing. The Board finds that many of these wells are currently becoming economically marginal oil producing wells.

6.

The Board finds that in order to maximize the ultimate recovery of crude oil and other hydrocarbons from the Bentonia Field, it is necessary that RULE 3(A.) ("SPACING OF OIL WELLS") of the Special Field Rules be amended and revised to authorize the Petitioner to drill and complete a maximum not to exceed three (3) oil wells from each 80-acre oil drilling and production unit completed within the same pool in said field.

7.

The Board finds that authorizing a maximum not to exceed three (3) oil wells from the same pool on each 80-acre oil drilling and production unit within the Bentonia Field will maximize the ultimate recovery of oil and other hydrocarbons from the pool(s), will significantly extend the productive life of the field, and will substantially minimize the amount of otherwise recoverable crude oil left in place.

8.

In addition, the Board finds that RULE 3(A.) ("SPACING OF OIL WELLS") of the Special Field Rules currently prescribes that each oil well drilled on each 80-acre oil unit in conformity with said rules shall be located at least 100.0 feet from every exterior drilling unit boundary; shall be located at least 200.0 feet from any other wells located outside the drilling unit; and shall be located at least 500.0 feet from any other well which is situated on the same drilling unit.

9.

The Board finds that RULE 3(A.) of the Special Field Rules should be further amended and revised to provide each oil well drilled on each 80-acre oil unit in conformity with said rules must be located at least 50.0 feet from each exterior

drilling unit boundary; must be located at least 100.0 feet from any other well located outside the drilling unit; and must be located at least 250.0 feet from any other well which is situated on the same drilling unit.

10.

The Board finds that the proposed amendment and revision of the Special Field Rules to reduce the distance required for oil wells from exterior drilling unit boundaries and from other wells in the field will significantly enhance the Petitioner's ability to achieve the maximum development of the oil and other hydrocarbons underlying drilling and production units within the Bentonia Field. In addition, the Board finds that the proposed amendment and revision of the Special Field Rules regarding the distance of oil wells from exterior drilling unit boundaries and from other wells will significantly reduce the amount of otherwise recoverable oil and other hydrocarbon reserves remaining in place in said field.

11.

Specifically, the Board finds that RULE 3(A.) of the Special Field Rules should be amended and revised to state, in part, as follows:

A drilling unit is hereby established for each oil well in each of the eight (8) pools hereinabove described as an area consisting of a governmental half-quarter section containing not less than seventy-two (72) acres, or a drilling unit consisting of not more than eighty (80) contiguous surface acres, upon which no other drilling or producible well is located; provided, however, up to a maximum not to exceed three (3) wells otherwise located in conformance herewith may be located on each drilling unit and produced from the same pool with a fully daily production allowable to be assigned to each such well. Every well drilled as an oil well shall be located at least 50.0 feet from every exterior boundary of the drilling unit. Every well drilled as an oil well shall be located at least 100.0 feet from any other well located outside that drilling unit and shall be located at least 250.0 feet from every other well which is situated on that drilling unit. The distance between any two points farthest apart on the drilling unit upon which the well is located shall not exceed 3150.0 feet.

12.

In addition, the Board finds that it is necessary that the Special Field Rules be further amended and revised to authorize the Petitioner to either directionally or horizontally drill and complete wells within any of the eight (8) separately-defined oil pools within the Bentonia Field upon administrative permit (without notice and hearing) so long as said directional or horizontal wellbores otherwise comply with the proposed amended and revised spacing requirements of the Special Field Rules for said field.

13.

The Board finds that the directional or horizontal drilling and completion of oil wells within the Bentonia Field, upon administrative permit (without notice and hearing), will likewise contribute significantly to the ultimate recovery oil and other hydrocarbons from the field and will enable the Petitioner to develop a substantially enlarged drainage area with less wells and will thereby contribute to the avoidance of waste within the field.

14.

Specifically, the Board finds that the Special Field Rules for the Bentonia Field should be further amended or revised to add a new section thereto to be designated as **RULE 4 (“DIRECTIONAL OR HORIZONTAL WELLS”)** to read as follows:

RULE 4. DIRECTIONAL OR HORIZONTAL WELLS

A. The State Oil and Gas Supervisor is authorized is issue drilling permits approving the directional or horizontal drilling of oil wells within the Bentonia Field to test and produce from any of the hereinabove described eight (8) oil pools upon administrative permit, without notice and hearing, so long as the proposed drilling and production unit and both the proposed surface locations and bottomhole locations (or terminus points) of such wells on said unit are in compliance with the hereinabove described spacing rules. Such administrative drilling permits may only be approved upon the submission to the Mississippi State Oil and Gas Board of a duly executed FORM 2 (Application to Drill), a duly certified unit location plat depicting both the proposed drilling and production unit and the proposed surface

and bottomhole locations (or terminus point) of said well on said unit, the required permit application fee and such other information and documentation as may be required pursuant to the Statewide Rules and Regulations and/or policies and procedures of the Mississippi State Oil and Gas Board.

B. A directional survey shall be conducted and submitted to the Mississippi State Oil and Gas Board on each directionally or horizontally drilled and completed well and/or intentionally deviated hole prior to the setting of production casing and a duly certified copy thereof shall be furnished to the Mississippi State Oil and Gas Board within thirty (30) days thereof.

C. For the purposes of these Special Field Rules, a horizontal well is defined as a high angle directional well which results in a wellbore with 100.0 feet to 2,540.0 feet of lateral penetration.

D. For the purposes of these Special Field Rules, a directional well is defined as a well deviated from the vertical but which does not otherwise satisfy the conditions of a horizontal well.

15.

The Board further finds that the existing RULE 4 ("APPLICABILITY OF STATEWIDE RULES") of the Special Field Rules should be redesignated as a new RULE 5 thereof.

16.

The Board finds that both the working and royalty ownership interests in each of the eight (8) separately-defined oil pools under the current version of the Special Field Rules is common and uniform throughout the Bentonia Field. For this reason, the Board finds that the approval of the proposed amendments and revisions to the Special Field Rules will not operate to the detriment of any oil and gas working and/or royalty interest owner(s) within the field and will fully protect the co-equal and correlative rights of all owners within the field.

17.

The Board finds that the amendment and revision of the Special Field Rules for the Bentonia Field to authorize a maximum not to exceed three (3) wells from each separately-defined oil pool for each drilling and production unit within the field;

to alter or modify the spacing requirements applicable to said wells; and to authorize the directional or horizontal drilling of wells on administrative permit (without notice and hearing), will promote conservation, will prevent waste, will avoid the drilling of unnecessary wells; and will fully protect the co-equal and correlative rights of all parties in interest. In addition, the Board finds that the adoption and approval of the proposed amendments and revisions to the Special Field Rules will result in the ultimate recovery of oil and other hydrocarbon reserves from the Bentonia Field, Yazoo and Madison Counties, Mississippi, which would not otherwise be recovered and will significantly extend the productive life of the field.

18.

A copy of the Special Field Rules for the Bentonia Field, Yazoo and Madison Counties, Mississippi, as amended and revised, is attached hereto as **Exhibit "A"** and is made part of this Order by reference for all purposes as if fully copied herein in words and figures.

IT IS, THEREFORE, ORDERED AND ADJUDGED by the State Oil and Gas Board of Mississippi that the Special Field Rules for the Bentonia Field, Yazoo and Madison Counties, Mississippi, should be and the same are hereby amended and revised to authorize the drilling and completion of a maximum not to exceed three (3) wells from each separately-defined oil pool on each 80-acre oil drilling and production unit; to alter and/or modify the spacing requirements applicable to said wells; and to authorize the directional or horizontal drilling and completion of wells within said field upon administrative permit (without notice and hearing), all as more fully set forth on the attached **Exhibit "A"** which is incorporated herein and made a part hereof by reference for all purposes.

IT IS FURTHER ORDERED AND ADJUDGED that EnSight III Energy Management, LLC shall acquire all other permits, if any, required by any other permitting authority.

IT IS FURTHER ORDERED AND ADJUDGED that this Order shall be in force and effect from and after February 20, 2008.

ORDERED AND ADJUDGED this the 28th day of February, 2008.

MISSISSIPPI STATE OIL AND GAS BOARD

By: 

CHAIRMAN

ORDER PREPARED BY:

Howard O. Leach
MSB - No. 1119
Armstrong, Thomas, Leach, Lampton & Arledge, PLLC
Attorneys-at-Law
246 West Gallatin Street
Post Office Box 190
Hazlehurst, Mississippi 39083
Telephone: (601) 894-4061
Telecopier: (601) 894-4792

EXHIBIT "A"

SPECIAL FIELD RULES FOR THE BENTONIA FIELD YAZOO AND MADISON COUNTIES, MISSISSIPPI

1. FIELD AREA

The Bentonia Field, as used herein, is that area consisting of Sections 33 and 34, Township 10 North, Range 1 West, Yazoo County, Mississippi; and Section 4, Township 9 North, Range 1 West, Yazoo County, Mississippi; and that part of Sections 3 and 10 of Township 9 North, Range 1 West, Yazoo and Madison Counties, Mississippi, underlain by the Lower Tuscaloosa Oil Pool, the Washita-Fredericksburg Oil Pool, the Upper Hosston Oil Pool, the Lower Hosston Oil Pool, the Upper Tuscaloosa Oil Pool, the Rodessa Oil Pool, the 7500 Foot Washita-Fredericksburg Oil Pool and the Mooringsport Oil Pool, all as hereinafter defined and all productive extensions thereof.

2. POOL DEFINITIONS

A. The Lower Tuscaloosa Oil Pool in the Bentonia Field shall be construed to mean those strata of the Lower Tuscaloosa Formation productive of oil in the interval between the top of the marine shale at 6,967 feet and the top of the Lower Cretaceous at 7,178 feet as indicated on the electric log of the Humble Oil & Refining Company Dorothy Farmer No. 2 Well and all sands correlative therewith.

B. The Washita-Fredericksburg Oil Pool in the Bentonia Field shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of oil in the interval between 7,200 feet and 7,650 feet as indicated on the electric log of the Humble Oil & Refining Company Dorothy Farmer No. 2 Well and all sands correlative therewith.

C. The Upper Hosston Oil Pool in the Bentonia Field shall be construed to mean those strata of the Hosston Formation productive of oil in the interval between 10,152 feet to 10,555 feet as indicated on the dual induction log of the Coho Resources, Inc.-Thompson 3-4 Well No. 7 in Section 3, Township 9 North, Range 1 West, and all sands correlative therewith.

D. The Lower Hosston Oil Pool in the Bentonia Field shall be construed to mean those strata of the Hosston Formation productive of oil in the interval between 10,555 feet to 11,470 feet as indicated on the dual induction log of the Coho Resources, Inc.-Thompson 3-4 Well No. 7 in Section 3, Township 9 North, Range 1 West, and all sands correlative therewith.

E. The Upper Tuscaloosa Oil Pool in the Bentonia Field shall be construed to mean those strata of the Upper Tuscaloosa Formation productive of oil in the interval between 6,680 feet and 6,950 feet as indicated on the electric log of the Humble Oil & Refining Company Bentonia Oil Unit No. 2, Well No. 1, in Section 10, Township 9 North, Range 1 West, and all sands correlative therewith.

F. The Rodessa Oil Pool in the Bentonia Field shall be construed to mean those strata of the Rodessa Formation productive of oil in the interval between 9,090 feet and 9,500 feet as indicated on the electric log of Coho Resources, Inc., Thompson 3-5 No. 4 Well in Section 3, Township 9 North, Range 1 West, and all sands correlative therewith.

G. The 7500 Foot Washita-Fredericksburg Oil Pool in the Bentonia Field shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of oil in the interval between 7,500 feet and 7,650 feet as indicated on the electric log of the Coho Resources, Inc. - Farmer 3-6 No. 5 Well located in Section 3, Township 9 North, Range 1 West, Yazoo County, Mississippi, and all sands correlative therewith.

H. The Mooringsport Oil Pool in the Bentonia Field shall be construed to mean those strata of the Mooringsport Formation productive of oil in the interval between 8,872 feet and 9,084 feet as indicated on the electric log of the Coho Resources, Inc. - Farmer 3-6 No. 7 Well located 2322.0 feet from the North line and 2128.0 feet from the West line of Section 3, Township 9 North, Range 1 West, Yazoo County, Mississippi, and all sands correlative therewith.

I. The characteristics of the said Lower Tuscaloosa Oil Pool, the Washita-Fredericksburg Oil Pool, the Upper Hosston Oil Pool, the Lower Hosston Oil Pool, the Upper Tuscaloosa Oil Pool, the Rodessa Oil Pool, the 7500 Foot Washita-Fredericksburg Oil Pool and the Mooringsport Oil Pool in said field are such that a well and/or wells located as hereinafter prescribed and drilled upon a drilling unit containing approximately eighty (80) contiguous surface acres conforming to the requirements of the rules herein contained will efficiently drain and produce the recoverable oil from such unit in said pools without avoidable waste.

3. SPACING OF OIL WELLS

A. A drilling unit is hereby established for each oil well in each of the eight (8) pools hereinabove described as an area consisting of a governmental half-quarter section containing not less than seventy-two (72) acres, or a drilling unit consisting of not more than eighty (80) contiguous surface acres, upon which no other drilling or producible well is located; provided, however, up to a maximum not to exceed three (3) wells otherwise

located in conformance herewith may be located on each drilling unit and produced from the same oil pool with a full daily production allowable to be assigned to each such well. Every well drilled as an oil well shall be located at least 50.0 feet from every exterior boundary of the drilling unit. Every well drilled as an oil well shall be located at least 100.0 feet from any other well located outside that drilling unit and shall also be located at least 250.0 feet from any other well which is situated on that drilling unit. The distance between any two points farthest apart on the drilling unit upon which the well is located shall not exceed 3150.0 feet.

B. When a well is drilled at any location less than 200.0 feet from any exterior boundary of a drilling unit, a directional survey shall be run for the well before the well is completed and submitted to the Board within thirty (30) days after the making thereof.

4. DIRECTIONAL OR HORIZONTAL WELLS

A. The State Oil and Gas Supervisor is authorized to issue drilling permits approving the directional or horizontal drilling of oil wells within the Bentonia Field to test and produce from any of the hereinabove described eight (8) oil pools upon administrative permit, without notice and hearing, so long as the proposed drilling and production unit and both the surface locations and bottomhole locations (or terminus points) of such wells on said unit are in compliance with the hereinabove described spacing rules. Such administrative drilling permits may only be approved upon the submission to the Mississippi State Oil and Gas Board of a duly executed FORM 2 (Application to Drill), a duly certified unit location plat depicting both the proposed drilling and production unit and the proposed surface and bottomhole locations (or terminus point) of said well on said unit, the required permit application fee and such other information and documentation as may be required pursuant to the Statewide Rules and Regulations and/or policies and procedures of the Mississippi State Oil and Gas Board.

B. A directional survey shall be conducted and submitted to the Mississippi State Oil and Gas Board on each directionally or horizontally drilled and completed well and/or intentionally deviated hole prior to the setting of production casing and a duly certified copy thereof shall be furnished to the Mississippi State Oil and Gas Board within thirty (30) days thereof.

C. For the purposes of these Special Field Rules, a horizontal well is defined as a high angle directional well which results in a wellbore with 100.0 feet to 2,540.0 feet of lateral penetration.

D. For the purposes of these Special Field Rules, a directional well is defined as a well deviated from the vertical but which does not otherwise satisfy the conditions of a horizontal well.

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; and

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.

- END OF SPECIAL FIELD RULES -