

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

FILED FOR RECORD

MAY - 5 2011

Re: Petition Requesting Amendment of Special Field Rules for Carmichael Field in Clarke County, Mississippi

**STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR**

Docket No. 79-2011-D

Order No. 150-2011

ORDER

This day this cause came on to be heard on the Petition of Signal, LLC requesting the State Oil and Gas Board of Mississippi to enter an order amending the Special Field Rules of Carmichael Field to provide for increased density wells in the Eutaw Oil Pool and making related amendments to said Special Field Rules as set forth below. This Board, having considered the Petition and the evidence submitted in support thereof, and being fully advised in the premises, is of the opinion and finds that the relief requested by Signal, LLC should be, and the same is hereby, granted. This Board further finds and determines as follows, to-wit:

1.

Proper and legal notice of the meeting of this Board for the purpose of considering and hearing the Petition filed herein has been given in the manner and time provided by law and the rules and regulations of this Board. Legal and sufficient proofs of publication of such notice and proof of notice by personal service are on file with this Board. Signal, LLC has made a diligent effort to give the personal notice required by the statutes of the State of Mississippi and the rules and regulations of this Board. This Board has full jurisdiction of the parties and the subject matter hereof.

2.

A public hearing on the Petition filed in this docket was held by this Board at the University of Mississippi Oxford Campus, in Moot Court Room No. 1, Second Floor, Robert C. Khayat Law Center, 481 Coliseum Drive, The University of Mississippi, University, Mississippi 38677, commencing on April 20, 2011, at 10:00 o'clock a.m., at which time and place all persons who desired to be heard on said matter were heard and all testimony and the evidence were duly considered by this Board. The Petitioner, Signal, LLC, was represented at the hearing by its attorney, James M. Nix. No other parties made an appearance at the hearing of this matter.

3.

Signal, LLC is a Mississippi limited liability company, whose address is 4273 I-55 North, Suite 1-A, Jackson, Mississippi 39206. Signal, LLC is the operator of wells in Carmichael Field in Clarke County, Mississippi.

4.

Special Field Rules were adopted by this Board for Carmichael Field in 1963 pursuant to Order No. 122-63. The Special Field Rules were subsequently amended in 1967 pursuant to Order No. 129-67.

5.

There presently are seven (7) unplugged wells in Carmichael Field. The Rolison No. 2 Well (API #23-023-20614), the International Paper No. 1 Well (API #23-023-0029), the Cox-International No. 1 Well (API #23-023-00011), the Rolison No. 3 Well (API #23-023-20647), the Keeton No. C-1 Well (API #23-023-20336) and the Keeton No. B-2 Well (API #23-023-00015) are all presently completed in the Eutaw Oil Pool in Carmichael Field. The Rolison No. 1 Well (API #23-023-20702) is a disposal well in Carmichael Field. All of these wells are operated by Signal, LLC. All of the other wells in Carmichael Field have long since been plugged and abandoned.

6.

The crude oil produced from the Eutaw Oil Pool in Carmichael Field is heavy oil, with a gravity of approximately 15 to 18 degrees. The characteristics of the Eutaw Oil Pool are such that wells drilled and completed in Carmichael Field are unable to effectively drain an entire forty-acre unit. The drainage area of a Eutaw Oil Pool well in Carmichael Field is believed to be between ten and twelve acres.

7.

It is necessary that up to three (3) Eutaw Oil Pool wells be drilled on a single forty-acre unit in Carmichael Field in order to fully develop and drain the recoverable crude oil from the Eutaw Oil Pool. The Special Field Rules of Carmichael Field should be amended to provide for the drilling of up to three Eutaw Oil Pool wells on each forty-acre unit.

8.

It is necessary that Eutaw Oil Pool wells be drilled closer than 330 feet to the unit boundaries in order to efficiently space such increased density wells on each forty-acre unit and adequately drain the recoverable hydrocarbons from each unit. The Special Field Rules of Carmichael Field should be amended to provide for 100-foot spacing from

unit lines and 200-foot spacing between Eutaw Oil Pool wells on different units as the spacing for wells in the Eutaw Oil Pool in Carmichael Field.

9.

The maximum efficient rate of production from the Eutaw Oil Pool on each forty-acre unit should be established in the Special Field Rules for the Eutaw Oil Pool in Carmichael Field as a single 150 barrel allowable per forty-acre unit to be shared among all of the Eutaw Oil Pool wells on each forty-acre unit in such manner as the operator of each unit deems advisable.

10.

In order to ensure the maximum recovery of oil and other hydrocarbons from Carmichael Field and prevent waste, it is necessary that Special Field Rules for the Eutaw Oil Pool in Carmichael Field be amended as set forth below. Said amendments to the Special Field Rules of Carmichael Field will increase the ultimate recovery of hydrocarbons from the Eutaw Oil Pool in Carmichael Field. The amended Special Field Rules will promote the conservation of oil and gas in Carmichael Field and the State of Mississippi by preventing waste and safeguarding, protecting and enforcing the co-equal and correlative rights of all owners of hydrocarbons in the Eutaw Oil Pool of Carmichael Field to the extent that each such owner may recover his fair and equitable share of recoverable hydrocarbons without unnecessary expense and will foster, encourage and promote the full development of the pool.

IT IS THEREFORE ORDERED AND ADJUDGED by the State Oil and Gas Board of Mississippi that the relief requested by Signal, LLC in the Petition filed in this docket should be, and the same is hereby, granted and it is ordered that the Special Field Rules for Carmichael Field should be, and the same are hereby, amended to read as follows, to-wit:

**SPECIAL FIELD RULES
CARMICHAEL FIELD
CLARKE COUNTY, MISSISSIPPI**

The following special field rules shall apply to wells drilled in Carmichael Field as hereinafter defined:

FIELD AREA

"Carmichael Field" as used herein shall be construed to mean that area consisting of Sections 4, 5, 6, 7, 8 and 9 of Township 1 North, Range 17 East, Clarke County, Mississippi, underlain by the pool(s) defined below.

POOL DEFINITIONS

"Eutaw Oil Pool" as used herein shall be construed to mean all that geologic stratum occurring between the depths of 3,750 feet and 3,948 feet as shown on the electric log of the M. W. Berry & George Thurber, Jr. & Son - Keeton No. B-1 Well [API #23-023-00019] located in the Southwest Quarter of the Northeast Quarter (SW¼ of NE¼) of Section 6 of Township 1 North, Range 17 East, Clarke County, Mississippi, including those strata productive of oil which can be correlated therewith.

RULES

RULE 1. SPACING OF WELLS

A. Spacing for Eutaw Oil Pool wells shall be in accordance with the following increased density rules:

(1) A drilling and production unit shall be established for wells drilled to and completed in the Eutaw Oil Pool in accordance with the following criteria:

- (a) The drilling and production unit shall consist of forty (40) contiguous surface acres, or a single governmental quarter-quarter section containing not less than thirty-six (36) acres nor more than forty-four (44) acres.
- (b) Any drilling and production unit not consisting of a single governmental quarter-quarter section must be completely encompassed by the perimeter of a rectangle 1810 feet by 1445 feet.
- (c) No drilling and production unit shall be permitted which will create island acreage.

(2) Each drilling and production unit may contain up to three (3) producing wells in the Eutaw Oil Pool.

(3) Each well drilled to and completed in the Eutaw Oil Pool shall be located not less than 100 feet from every exterior boundary of the drilling and production unit.

(4) Each well drilled to and completed in the Eutaw Oil Pool shall be located not less than 200 feet from every drilling well or well completed in and producing from the Eutaw Oil Pool on a different drilling and production unit located in compliance with these spacing rules.

B. Spacing for wells that produce from all other pools shall be in accordance with the spacing requirements set forth in Statewide Order No. 201-51 and all amendments thereto.

RULE 2. ALLOWABLES

The maximum efficient rate of production (allowable) from the Eutaw Oil Pool is determined to be 150 barrels of oil per day per forty-acre unit. Said daily allowable may be shared among all of Eutaw Oil Pool wells on each forty-acre unit in such manner as the operator of the unit deems advisable.

RULE 3. COMMINGLING AND MEASUREMENT OF PRODUCTION

A. The operator of each producing well shall maintain proper separators and stock tanks and/or metering devices and such connections thereto as are necessary to continuously measure the total production from each producing well. Where metering devices are used, as herein provided, the production may be commingled with production from other wells and/or other units into a common storage system. If, upon a sale therefrom a variance exists between the measurement from the common storage system and the total measurement of 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 such common storage system proportionately to the production measured from each well.

B. The use of meters for testing and for measurement of production shall be subject to and in accordance with the following provisions:

(1) Only a volume displacement type metering device or vessel which registers the volume of fluid passed through it may be used.

(2) 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 Oil and Gas Board.

(3) No meter used for fluid production measurement shall be directly or indirectly by-passed in such manner as to permit fluid to pass into common storage without first being measured.

(4) All meters and equipment affecting meter accuracy shall be kept in good working order. Each meter shall be calibrated at least once every three months 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, it must be adjusted to conform to the said tolerance limitation of two percent or the meter calibration factor corrected.

RULE 4. APPLICABILITY OF STATEWIDE RULES

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

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 ---

IT IS FURTHER ORDERED that Signal, LLC shall acquire all such other permits, if any, required by any other permitting authority.

IT IS FURTHER ORDERED that this Order shall be effective from and after April 20, 2011.

SO ORDERED AND ADJUDGED on this the 5th day of May, 2011.

STATE OIL AND GAS BOARD OF MISSISSIPPI

By:



John R. Parker, Chairman

Prepared and submitted by:
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