

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: PETITION OF MOSBACHER ENERGY COMPANY TO AMEND THE SPECIAL FIELD RULES FOR THE COLLINS FIELD TO CHANGE THE SPACING FOR THE RODESSA OIL POOL AND TO ALLOW TWO WELLS IN EACH INDIVIDUAL UNIT IN COVINGTON COUNTY, MISSISSIPPI

FILED FOR RECORD

FEB 20 2008

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

DOCKET NO. 50-2008-167

ORDER NO. 64-2008

EMERGENCY ORDER

THIS CAUSE came to be heard on the Emergency Petition of Mosbacher Energy Company (“Petitioner”) requesting the Board to amend the Special Field Rules for the Collins Field to change the spacing for the Rodessa Oil Pool and to allow two wells in each individual unit in the Covington County, Mississippi; and

WHEREAS, the Board finds that although due, proper, and legal notice of the meeting of the Board for the purpose of considering and taking action with respect to such matter was not given in the manner required by the rules and regulations of the Board, the Board has full jurisdiction of the subject matter to hear and determine same solely as an emergency matter; and

WHEREAS, pursuant to said Notice, a public hearing was held by said Board in the Hearing Room, Suite E, 500 Greymont Avenue, Jackson, Mississippi, commencing on January 16, 2008, at 10:00 o’clock a.m. at which hearing all persons present who desired to be heard on said matter were heard and all testimony and the evidence were duly considered by those present at said meeting; and

WHEREAS, the Board has fully considered said matter and the evidence and recommendations made in said hearing and finds as follows:

1.

Petitioner is a current operator in the Field. The Special Field Rules for the Field were last adopted or amended in this Field in Docket No. 244-2003-167, Order No. 386-2003.

2.

Petitioner seeks authority to change the spacing for the defined Rodessa Oil Pool (“the Pool”) from 80 acre spacing to 320 acre spacing and to allow up to two increased density wells in the Pool as previously defined by this Board for each unit.

3.

Petitioner and others have drilled wells in this Field, many of which have penetrated the Pool. These wells have proven that the Pool drains large areas and 320 acre spacing should be adopted. The zone is below 13,000 feet and the permeability and porosity indicates that each well will drain a large area. In fact, one well previously produced over 600,000 barrels of oil from a relatively thin sand section in the Pool. Petitioner also seeks to add the ability to drill one increased density well to recover additional oil which may not be recovered by the existing well. Therefore, for engineering reasons, an amendment to the Special Field Rules to space the Pool on 320 acres and to allow up to two wells in the Pool for each unit should be granted. The increased density wells are the best possible manner to produce additional oil to protect the co-equal and correlative rights of all owners in the common source or supply.

4.

The amendment to the Special Field Rules as set forth in Exhibit "A" promotes conservation, protects the co-equal and correlative rights of all owners of all owners in interest, avoids the drilling of unnecessary wells and permits oil and gas to be produced which would not otherwise be recoverable.

IT IS, THEREFORE, ORDERED AND ADJUDGED by the State Oil and Gas Board of Mississippi that the Special Field Rules for the Collins Field are hereby amended, on an emergency basis, as follows:

**SPECIAL FIELD RULES
COLLINS FIELD
COVINGTON COUNTY, MISSISSIPPI**

A. FIELD LIMITS:

The Collins Field as used herein is that area consisting of the following described lands situation in Covington County, Mississippi, to-wit:

Township 8 North, Range 14 West

Section 19: The W $\frac{1}{2}$ of the E $\frac{1}{2}$ and the W $\frac{1}{2}$

Section 30: The Entire Section

Section 31: The NW $\frac{1}{4}$

Township 8 North, Range 15 West

Section 23: The SE $\frac{1}{4}$

Section 24: The S $\frac{1}{2}$ and the E $\frac{1}{2}$ of the NE $\frac{1}{4}$

Section 25: The Entire Section

Section 26: The Entire Section

Section 35: The E½

Section 36: The W½ and the NE¼

and all productive and correlative extensions thereof.

B. POOL DEFINITIONS

1. **The Paluxy Oil Pool** in the Collins Field shall be construed to mean those strata of the Paluxy Formation currently, formerly, or in the future productive of oil in the interval between 11,45 feet to 12,820 feet in the Pan American Petroleum Corporation - R. L. Windham No. 1 Well (a/k/a Collins Operating Unit No. 1 Well), as indicated on the electric log of said well, and all sands correlative of these strata productive of oil.

2. **The Mooringsport Oil Pool** in the Collins Field shall be construed to mean those strata of the Mooringsport Formation currently, formerly, or in the future productive of oil in the interval between 12,820 feet to 13,237 feet in the Pan American Petroleum Corporation - R. L. Windham No. 1 Well (a/k/a Collins Operating Unit No. 1 Well), as indicated on the electric log of said well, and all sands correlative of these strata productive of oil.

3. **The Rodessa Oil Pool** in the Collins Field shall be construed to mean those strata of the Mooringsport Formation currently, formerly, or in the future productive of oil in the interval between 13,375 feet to 14,025 feet in the Pan American Petroleum Corporation - R. L. Windham No. 1 Well (a/k/a Collins Operating Unit No. 1 Well), as indicated on the electric log of said well, and all sands correlative of these strata productive of oil.

4. **The Upper Cotton Valley Unitized Formation** shall be construed to mean those strata of the Upper Cotton Valley Formation currently, formerly, or in the future productive of oil and/or gas in the interval between 17,677 feet to 18,409 feet in the Mosbacher Energy Company - J.A. Gieger Estate No. 1 Well (Located 328 feet from the East line and 739 feet from the South line of Section 24 of Township 8 North, Range 15 West, Covington County, Mississippi), as indicated on the electric log of said well, and all sands correlative of these strata productive of oil and/or gas insofar as said strata lies within the Unit Area of the Upper Cotton Valley Unit as described herein.

C. SPACING OF WELLS

1. **The Paluxy Oil Pool and the Mooringsport Oil Pool.** Spacing of wells drilled and completed in the Paluxy Oil Pool and the Mooringsport Oil Pool shall be the same as provided in the Statewide Rules.

2. **The Upper Cotton Valley Unitized Formation.** Spacing of wells drilled and completed in the Upper Cotton Valley Unitized Formation shall be as set forth below.

3. **The Rodessa Oil Pool.** As to the Rodessa Oil Pool, every well drilled as a oil well:

(a) shall be located on the drilling unit consisting of:

(i) 320 contiguous surface acres; or

(ii) a governmental half-section containing not less than 300 acre or more than 340 acres; or

(iii) 8 contiguous governmental quarter-quarter sections whose total acreage is not less than 300 or more than 340 acres.

(b) any gas unit formed under Section 3(a) of this rule must be completely encompassed by the perimeter of a rectangle 3,735 feet by 5,380 feet.

Provided, however, no unit shall be permitted which will create island acreage.

- (c) each well shall be located at least 800 feet from every other drilling well or well completed in or producing from the same pool located in conformity with this rule.
- (d) each well shall be located not less than 400 feet from every exterior boundary of the drilling unit.
- (e) each 320 acre oil unit may contain up to two producing wells from the pool with a full individual allowable for each increased density well.

D. UPPER COTTON VALLEY UNIT

The following additional rules shall apply with respect to the Upper Cotton Valley Unit in Collins Field:

1. Spacing of the Wells in the Upper Cotton Valley Unitized Formation

The location of the injection and production wells drilled and completed in the Upper Cotton Valley Unitized Formation shall be selected by the Unit Operator of the Upper Cotton Valley Unit and shall be governed by the standards of geology and petroleum engineering designed to promote the greatest ultimate recovery of Upper Cotton Valley Unitized Substances from the Upper Cotton Valley Unit. However, no well may be drilled, injected into or produced from the Upper Cotton Valley Unitized Formation nearer than 500 feet to any exterior boundary of the Unit Area, except upon permit issued by the State Oil and Gas Board of Mississippi, after notice and hearing.

2. Unit Area of Upper Cotton Valley Unit

The Unit Area of the Upper Cotton Valley Unit shall consist of the following described land situated in Covington County, Mississippi, to-wit:

Township 8 North, Range 14 West

Section 19: The W $\frac{1}{2}$ of the E $\frac{1}{2}$ and the W $\frac{1}{2}$

Section 30: The Entire Section

Section 31: The NW $\frac{1}{4}$

Township 8 North, Range 15 West

Section 23: The SE $\frac{1}{4}$

Section 24: The S $\frac{1}{2}$ and the E $\frac{1}{2}$ of the NE $\frac{1}{4}$

Section 25: The Entire Section

Section 26: The Entire Section

Section 35: The E $\frac{1}{2}$

Section 36: The W $\frac{1}{2}$ and the NE $\frac{1}{4}$

3. Upper Cotton Valley Unitized Substances

The Upper Cotton Valley Unitized Substances are all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate, and all associated and constituent liquid or liquefiable hydrocarbons within or produced from the Upper Cotton Valley Unitized Formation, other than substances purchased or otherwise obtained from any

source other than the Upper Cotton Valley Unitized Formation and which are injected into the Upper Cotton Valley Unitized Formation.

4. Pressure Maintenance and Enhanced Recovery Program for Upper Cotton Valley Unit

The Unit Operator of the Upper Cotton Valley Unit is authorized to conduct and carry out enhanced recovery operations, pressure maintenance or any other method generally recognized and approved by the industry designed to increase the ultimate recovery of oil and/or gas, including, but not limited to the injection of gas, carbon dioxide, water and other extraneous substances, and any combination thereof, or any other form of joint effort calculated to substantially increase the ultimate recovery of Upper Cotton Valley Unitized Substances from the Upper Cotton Valley Unit. The Unit Operator may, for injection purposes, use existing wells located in the Upper Cotton Valley Unit which maybe converted to injection wells or wells may be drilled on the Unit Area for such purposes. Additionally, unit injection wells may be converted to unit producing wells. Any such wells drilled as injection wells or converted to injection or production wells by the Unit Operator on the Unit Area as a part of pressure maintenance and/or Board of Mississippi by administrative permit, without hearing, upon publication of public notice of the same not less than twenty (20) days prior to the issuance of the administrative permit. Before the issuance of such an administrative permit, the Unit Operator shall file with the Board a duly executed Form 2, a well location plat, the required permit fee for each such well, and all information required under Statewide Rule 63 and any other evidence and/or information as the Board may require.

E. APPLICABILITY OF STATEWIDE RULES

1. All rules and regulations contained in Statewide Order No. 201-51, and any amendments thereto, not specifically covered in the foregoing rules are hereby adopted and applied to Collins Field.

2. The Board expressly reserves the right, after notice and hearing, to alter, amend, or repeal any and all of the above rules and regulations.

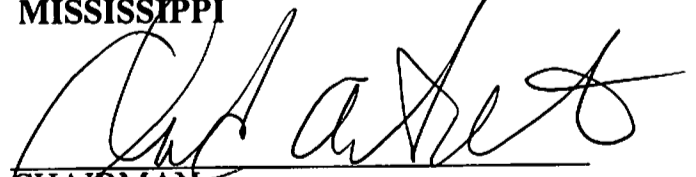
***** End of Special Field Rules *****

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

IT IS FURTHER ORDERED AND ADJUDGED that Petitioner shall acquire any other permits, if any, required by any other permitting authority.

ORDERED AND ADJUDGED this 20th day of February, 2008.

**STATE OIL AND GAS BOARD OF
MISSISSIPPI**


CHAIRMAN

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