

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

FILED FOR RECORD

RE: PETITION OF CIMAREX ENERGY CO. TO AMEND THE SPECIAL FIELD RULES IN DEXTER FIELD, WALTHALL AND MARION COUNTIES, MISSISSIPPI.

OCT - 8 2003

STATE OIL AND GAS BOARD
WALTER BOONE, SUPERVISOR

DOCKET NO. ~~278-2003-119~~

ORDER NO. 442-2003

ORDER

THIS MATTER came on for hearing before the State Oil and Gas Board on the Petition of Cimarex Energy Company to amend the Special Field Rules for Dexter Field, such hearing being called for such purpose; and

WHEREAS, the Board finds that 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 given in the manner and way provided by law and the rules and regulations of the Board; that due, legal and sufficient proofs of publication and service are on file with the Board; and that the Board has full jurisdiction of the subject matter to hear and determine same; and

WHEREAS, pursuant to said notice and service of process, public hearing was held by said Board, in the hearing room, 500 Greymont Avenue, Suite E, Jackson, Mississippi, commencing on August 20, 2003 and continued to September 17, 2003, at which hearings all persons present who desired to be heard on said matter were heard and all testimony and 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. Pursuant to Board authorization, Cimarex Energy Co. drilled its Morris No. 1 Well in the SW 1/4 of the NE 1/4 of Section 36, Township 2 North, Range 13 East, Walthall County, Mississippi, to test the Hosston and James Limestone Formations. Cimarex completed the drilling and logging of this well and has tested what appear to be productive intervals of the James Limestone of the Rodessa Formation and certain zones of the Paluxy Formation. In Docket No. 231-2003-119, Petitioner has received authority to test, simultaneously produce and commingle production from these formations.

2. The James Limestone zones encountered in the Morris No. 1 Well, have probably been produced or are potentially productive in other nearby wellbores. However, neither the James Limestone - Rodessa nor Paluxy zones tested in the Morris well appear to have been

defined in the Special Field Rules of Dexter Field, as they currently exist pursuant to Order No. 87-98, Docket No. 383-97-119. This Board has previously defined three separate Paluxy Gas Pools: The Paluxy Gas Pool, the Paluxy-3 Gas Pool, and the Lower Paluxy Gas Pool. These pools, however, are down thrown and fault separated from the potentially productive intervals of the Paluxy Formation encountered by the Cimarex-Morris No. 1 Well. There is no Rodessa or James Limestone Pool defined in the current Special Field Rules.

3. Petitioner has proposed to define, as new gas pools of Dexter Field, the Paluxy Gas Pool, North Segment and the James Lime-Rodessa Gas Pool, North Segment as follows:

The Paluxy Gas Pool, North Segment, shall be construed to mean those strata of the Lower Cretaceous group productive of gas in the interval from 11,760' to 13,910' in the Cimarex-Morris No. 1 Well, located in the NE 1/4 of Section 36, Township 2 North, Range 12 East, Walthall County, Mississippi, and all productive zones correlative therewith.

The James Lime-Rodessa Gas Pool, North Segment, shall be construed to mean those strata productive of gas in the interval between the measured depths of 14,383' to 15,050' in the Cimarex-Morris No. 1 Well, located in the NE 1/4 of Section 36, Township 2 North, Range 12 East, Walthall County, Mississippi, and all productive zones correlative therewith.

4. Because of the depth of these pools, 640-acre spacing would be required under the Special Field Rules and has, in fact, been established for at least two wells that have been productive from the James Limestone of the Rodessa Formation in Dexter Field. Petitioner has proposed that units for these two pools be established consistent with Statewide Rules for the size and configuration of the units. Given the reservoir characteristics of the James Limestone of the Rodessa Formation, one well completed in this pool cannot effectively and efficiently drain 640 acres. Thus, spacing wells under the parameters established for Statewide Rules would cause waste and reduce the amount of gas ultimately recovered from this pool. The Board finds that wells drilled to the James Lime-Rodessa Gas Pool of the North Segment should be allowed to be placed, as a regular location, at 1,000 feet or more from any unit boundary and at 2,000 feet or more from any other well completed in said pool. Further, any unit established for the development of this pool should be allowed up to two wells being produced from said pool, at full allowables, as is necessary to effectively drain the maximum recoverable production from said unit and pool.

5. The Paluxy Gas Pool is approximately 500 feet shallower than the James Lime-Rodessa Gas Pool and will normally be developed by the same wells being drilled to and completed in the James Lime-Rodessa Gas Pool. To promote the optimum development of this Pool and Field by progressive drilling, it is necessary and appropriate to establish the same spacing for the Paluxy Gas Pool, North Segment and to allow owners the opportunity to

complete in and produce from this pool out of the same wellbore utilized to develop the James Lime-Rodessa Gas Pool.

IT IS, THEREFORE, ORDERED AND ADJUDGED that the Special Field Rules of Dexter Field, Walthall and Marion Counties, Mississippi shall be and are hereby amended to read as follows:

**SPECIAL FIELD RULES
FOR THE DEXTER FIELD
WALTHALL AND MARION COUNTIES, MISSISSIPPI**

A. FIELD AREA:

The Dexter Field, as used herein, is that area consisting of the following described land, to-wit:

Township 2 North, Range 12 East
Walthall County, Mississippi

Section 34: All
Section 35: All
Section 36: All

Township 1 North, Range 12 East
Walthall County, Mississippi

Section 1: All
Section 2: All
Section 3: All
Section 10: All
Section 11: All
Section 12: All
Section 13: All
Section 14: All
Section 15: All

Township 1 North, Range 13 East
Walthall County, Mississippi

Section 6: All
Section 7: All
Section 8: All
Section 9: All
Section 16: All
Section 17: All
Section 18: All

Township 1 North, Range 13 East
Marion County, Mississippi

Section 4: All
Section 5: All

Township 2 North, Range 13 East
Marion County, Mississippi

Section 32: All
Section 33: All

Township 2 North, Range 13 East

Walthall and Marion Counties, Mississippi

Section 31: All

underlain by the hereinafter described pools, and including all productive extensions to such area.

B. POOL DEFINITIONS:

1. The Upper Tuscaloosa Gas Pool shall be construed to mean those strata productive of gas in the Upper Tuscaloosa formation in the interval from 8574' to 8844' in the Union Producing Co., et al - Lee Unit Well No. 1, located in the SW $\frac{1}{4}$ of the NW $\frac{1}{4}$ of Section 6, Township 1 North, Range 13 East, Walthall County, Mississippi, and those sands productive of gas correlative therewith.
2. The Lower Tuscaloosa Gas Pool shall be construed to mean those strata productive of gas in the Lower Tuscaloosa formation in the interval from 9410' to 9690' in the Skelly Oil Company, et al - Pittman Unit "B" Well No. 2, located in the SW $\frac{1}{4}$ of the SE $\frac{1}{4}$ of Section 1, Township 1 North, Range 12 East, Walthall County, Mississippi, and those sands productive of gas correlative therewith.
3. The Lower Tuscaloosa Oil Pool shall be construed to mean those strata productive of oil in the Lower Tuscaloosa formation in the interval 9546' to 9850' in the Union Producing Company, et al - Morris Unit "A" Well No. 1 in the NE $\frac{1}{4}$ of the NW $\frac{1}{4}$ of Section 11, Township 1 North, Range 12 East, Walthall County, Mississippi, and those sands productive of oil and correlative therewith.
4. The Dantzler Gas Pool shall be construed to mean those strata of the Lower Cretaceous group productive of gas in the interval from 9923' to 10,590' in the Skelly Oil Company, et al - Pittman B Well No. 2, located in the SW $\frac{1}{4}$ of the SE $\frac{1}{4}$ of Section 1, Township 1 North, Range 12 East, Walthall County, Mississippi, and those sands productive of gas correlative therewith.
5. The 10,900 Foot Gas Pool of the Washita-Fredericksburg Formation shall be construed to mean those strata of the Washita-Fredericksburg Formation occurring between the depths of 10,905 to 10,935 feet in the R. W. Tyson Producing Co., Inc. - Pittman "B" No. 1 Well, located in the SW $\frac{1}{4}$ of the SW $\frac{1}{4}$ of Section 6, Township 1 North, Range 12 East, Walthall County, Mississippi, and those strata productive of gas correlative therewith; and

6. The 10,950 Foot Gas Pool of the Washita-Fredericksburg Formation shall be construed to mean those strata productive of gas in the Washita-Fredericksburg Formation in the interval 10,935 feet to 10,955 feet in the R. W. Tyson Producing Co., Inc. - Pittman "D" No. 1 Well in the NE¼ of the SE¼ of Section 1, Township 1 North, Range 12 East, Walthall County, Mississippi, and those strata productive of gas and correlative therewith;

7. The 11,150 Foot Gas Pool of the Washita-Fredericksburg Formation shall be construed to mean those strata productive of gas in the Washita-Fredericksburg Formation in the interval 11,142 feet to 11,170 feet in the R. W. Tyson Producing Co., Inc. - Pittman "D" No. 1 Well in the NE¼ of the SE¼ of Section 1, Township 1 North, Range 12 East, Walthall County, Mississippi, and those strata productive of gas and correlative therewith.

8. The Upper Washita-Fredericksburg Gas Pool shall be construed to mean those strata of the Lower Cretaceous group productive of gas in the interval 10,720' to 11,330' in the Skelly Oil Company, et al - Joe Pittman A. Well No. 1 located in the NE¼ of the NE¼ of Section 7, Township 1 North, Range 13 East, Walthall County, Mississippi, and those sands productive of gas correlative therewith.

9. The Herring Sand Gas Pool of the Washita-Fredericksburg Formation shall be construed to mean those strata of the Washita-Fredericksburg Formation occurring between the depths of 11,218 feet and 11,236 feet on the Dual Induction Focused Log of the Celt Oil, Inc. - R. R. Herring Well No. 1 located 990 feet from the South line and 1650 feet from the West line of Section 2, Township 1 North, Range 12 East, Walthall County, Mississippi, and all strata productive of hydrocarbons which are in communication therewith and can be correlated therewith.

10. The 11,330' Gas Pool of the Washita-Fredericksburg Formation shall be construed to mean those strata of the Washita-Fredericksburg Formation occurring between the depths of 11,330 feet and 11,348 feet on the Dual Induction Focused Log of the Celt Oil, Inc. - Morris Well No. 1 located 1800 feet from the South line and 500 feet from the East line of the SW¼ of Section 2, Township 1 North, Range 12 East, Walthall County, Mississippi, and all strata productive of hydrocarbons which are in communication therewith and can be correlated therewith.

11. The Byrd Sand Gas Pool of the Washita-Fredericksburg Formation shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of gas in the interval 10,710' to 10,810' in the OXY USA INC. - Byrd A No.1 Well located in the S½ of

Section 12, Township 1 North, Range 12 East, Walthall County, Mississippi, and those zones productive of gas correlative therewith.

12. The Middle Washita-Fredericksburg Gas Pool shall be construed to mean those strata of the Lower Cretaceous group productive of gas in the interval 11,864' to 11,960' in the Pennzoil Producing Co. - Morris No. A-1 Well located in the NW¼ of Section 11, Township 1 North, Range 12 East, Walthall County, Mississippi, and those sands productive of gas correlative therewith.

13. The Lower Washita-Fredericksburg Gas Pool shall be construed to mean those strata of the Lower Cretaceous group productive of gas in the interval 12,120' to 12,150' in the Pennzoil Producing Co - Morris No. A-1 Well located in the NW¼ of Section 11, Township 1 North, Range 12 East, Walthall County, Mississippi, and those sands productive of gas correlative therewith.

14. The 12,070 Foot Gas Pool of the Washita-Fredericksburg Formation shall be construed to mean those strata of the Washita-Fredericksburg Formation occurring between the depths of 12,070 feet to 12,100 feet on the Dual Induction Focused Log of the R. W. Tyson Producing Co., Inc. Morris 1-11 No. 1 Well located 1650 feet from the South line and 1,650 feet from the West line of Section 1, Township 1 North, Range 12 East, Walthall County, Mississippi and all strata productive of hydrocarbons which are in communication therewith and can be correlated therewith.

15. The Paluxy Gas Pool, South Segment, shall be construed to mean those strata of the Lower Cretaceous group productive of gas in the interval from 12,170' to 13,210' in the Getty Oil Company - Pittman "C" Well No. 1 located in the NW¼ of Section 1, Township 1 North, Range 12 East, Walthall County, Mississippi, and those sands productive of gas correlative therewith, EXCEPTING THEREFROM the Paluxy-3 Gas Pool, as hereinafter defined, and the Lower Paluxy Gas Pool, as hereinafter defined.

16. The Paluxy - 3 Gas Pool, South Segment, shall be construed to mean those strata productive of gas in the interval between the measured depths of 12,346' and 12,396' in the Celt Oil, Inc. - R. R. Herring No. 1 Well located in Section 2, Township 1 North, Range 12 East, Walthall County, Mississippi, as indicated on the electric log for said well, and including those strata productive of hydrocarbons correlative therewith. (Docket No. 250-81-119, Order No. 337-81, dated July 16, 1981).

17. The Lower Paluxy Gas Pool, South Segment, shall be construed to mean those strata productive of gas in the interval between the measured depths of 12,572 feet and 12,746 feet in the Celt Oil, Inc. - Fortenberry Well No. 1 located in Section 2, Township 1 North, Range 12 East, Walthall County, Mississippi, as indicated on the dual induction log of said well, and including those strata productive of hydrocarbons correlative therewith. (Docket No. 161-82-119, Order No. 213-82, dated April 21, 1982).

18. The Paluxy Gas Pool, North Segment, shall be construed to mean those strata of the Lower Cretaceous group productive of gas in the interval from 11,760' to 13,910' in the Cimarex-Morris No. 1 Well, located in the NE 1/4 of Section 36, Township 2 North, Range 12 East, Walthall County, Mississippi, and all productive zones correlative therewith.

19. The James Lime-Rodessa Gas Pool, North Segment, shall be construed to mean those strata productive of gas in the interval between the measured depths of 14,383' to 15,050' in the Cimarex-Morris No. 1 Well, located in the NE 1/4 of Section 36, Township 2 North, Range 12 East, Walthall County, Mississippi, and all productive zones correlative therewith.

C. **RULES:**

RULE 1 - BLOWOUT PREVENTER:

1.1 High reservoir pressures exist in said pools and adequate controls and equipment to prevent blowouts are to be used.

RULE 2 - MEASUREMENT OF PRODUCTION:

2.1 The operator of each producing lease shall maintain proper separators and stock tanks or metering devices and such connections thereto as are necessary to continuously measure the total production from such lease. Where metering devices are used, as herein provided, the production may be commingled in a common storage system. And 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 leases commingled in such common storage system, then such variance shall be allocated back to each of the leases producing into common storage system proportionately to the production measured from each lease.

RULE 3 - EQUIPMENT FOR TESTS:

3.1 Each producing well shall be so equipped that gas/oil ratio tests and bottomhole or other pressure tests may be made.

3.2 The operator of each producing lease on which there are two or more productive wells shall maintain proper separators and stock tanks or metering devices and such connections thereto as will permit the adequate testing of each individual well under usual operating conditions without the necessity of closing in any other well. Such separators, stock tanks or metering devices and connections thereto shall be subject to approval by the Supervisor.

RULE 4 - USE OF METERS:

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

- (1) Only a volume or positive displacement type measuring device or vessel that registers the volume of oil passed through it in barrels or multiples thereof may be used.
- (2) 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 Oil and Gas Board.
- (3) No meter use for oil production measurement shall be directly or indirectly bypassed in such manner as to permit oil to pass into common storage without first being measured by said meter including wells on test.
- (4) 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, it must be adjusted to conform to the said tolerance limitation of two percent or the meter calibration factor corrected.
- (5) 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 5 - ALLOCATION OF PRODUCTION FROM WELLS:

5.1 Oil and gas shall be produced from all pools in this field at rates established pursuant to Statewide Rule 33, as amended by Order No. 181-78, Docket No. 269-77 and Statewide Rule 34, as amended by Order No. 182-78, Docket No. 270-77.

RULE 6 - SPACING OF WELLS:

6.1 (a) Every oil well completed in the Lower Tuscaloosa Oil Pool shall be located on a drilling unit consisting of forty (40) surface contiguous acres, or a governmental quarter-quarter section containing not less than thirty-six (36) acres or more than forty-four (44) acres, upon which no other drilling or producible well is located.

(b) Any drilling unit not a governmental quarter-quarter section must be completely encompassed by the perimeter of a rectangle 1810 feet by 1445 feet. Provided, however, no unit shall be permitted which will create island acreage.

(c) The well shall be located at least 660 feet from every other drilling or producible well from the same pool located in conformity with this rule and not less than 330 feet from every exterior boundary of the drilling unit.

6.2 (a) Every gas well completed in the Upper Tuscaloosa, Lower Tuscaloosa, Dantzler, Upper Washita-Fredericksburg, the 10,900 Foot Washita-Fredericksburg Gas Pool, the 10,950 Foot Washita-Fredericksburg Gas Pool, the 11,150 Foot Washita-Fredericksburg Gas Pool, the Byrd Sand Pools, and the 12,070 Foot Washita-Fredericksburg Gas Pool shall be located on a drilling unit consisting of (1) 320 contiguous surface areas; or (2) a governmental half section containing not less than 300 acres or more than 340 acres; or (3) eight (8) contiguous governmental quarter-quarter sections whose total acreage is not less than 300 or more than 340 acres. In any case no other well producing from the same pool shall be located on any such unit.

(b) Any gas drilling unit formed under Section 2(a) of this rule must be completely encompassed by the perimeter of a rectangle 3735 feet by 5380 feet. Provided, however, no unit shall be permitted which will create island acreage.

(c) The well shall be located at least 1,980 feet from every other drilling well or well completed in or producing from the same pool located in conformity with this rule and not less than 990 feet from every exterior boundary of the drilling unit.

6.3 (a) Every gas well completed in the Herring Sand Gas Pool of the Washita-Fredericksburg Formation, 11,330' Gas Pool of the Washita-Fredericksburg Formation, Middle

Washita-Fredericksburg, Lower Washita-Fredericksburg, and Paluxy Gas Pools shall be located on a drilling unit consisting of (1) 640 contiguous surface acres; or (2) a governmental section containing not less than 600 acres or more than 680 acres; or (3) sixteen (16) contiguous governmental quarter-quarter sections whose total acreage is not less than 600 acres or more than 680 acres. In any case, no other well producing from the same pool shall be located on any such unit.

(b) Any gas drilling unit formed under Section 3(a) of this rule must be completely encompassed by the perimeter of a rectangle 5580 feet by 6245 feet. Provided, however, no unit shall be permitted which will create island acreage.

(c) The well shall be located at least 3,000 feet from every other drilling well or well completed in or producing from the same pool located in conformity with this rule and not less than 1,500 feet from every exterior boundary of the drilling unit.

6.4 (a) Every gas well completed in the Paluxy Gas Pool, North Segment, and/or the James Lime-Rodessa Gas Pool, North Segment, shall be located on a drilling unit consisting of (1) 640 contiguous surface acres; or (2) a governmental section containing not less than 600 acres nor more than 680 acres; or (3) sixteen (16) contiguous governmental quarter-quarter sections whose total acreage is not less than 600 acres or more than 680 acres.

(b) Any gas drilling unit formed under subsection (a) of this rule must be completely encompassed by the perimeter of a rectangle 5,580' x 6,245'; provided, however, no unit shall be permitted which will create island acreage.

(c) Every well drilled to or completed pursuant to this rule shall be located at least 2,000' from every other drilling well or well completed in and producing from the same pool located in conformity with this rule and not less than 1,000' from every exterior boundary of the drilling unit.

(d) No more than two (2) wells producing from the same pool shall be located on any such unit.

6.5 With the exception of Paluxy Gas Pool, North Segment and the James Lime-Rodessa Gas Pool, North Segment, no portion of the drilling unit upon which a well is located shall be attributed, in whole or in part, to any other drilling or producible well in the same pool.

6.6 Exceptions to these spacing rules may be granted upon notice and hearing, as provided in the Statewide Rules and Regulations of this Board.

RULE 7 - APPLICABILITY OF STATEWIDE RULES:

7.1 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 the Dexter Field.

7.2 The Board expressly reserves its rights after notice and hearing to alter, amend or repeal any and all of the rules and regulations contained herein.

ORDERED AND ADJUDGED effective September 17, 2003.

MISSISSIPPI STATE OIL AND GAS BOARD

By: _____


CHAIRMAN

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