

RE: PETITION OF MOSBACHER ENERGY
COMPANY TO AMEND THE SPECIAL FIELD
RULES OF DIAMOND FIELD, WAYNE
COUNTY, MISSISSIPPI

MAR 29 2000

STATE OIL AND GAS BOARD
WALTER BOONE, SUPERVISOR

DOCKET NO. 53-2000-111

FINAL
ORDER NO. 81-2000

FINAL ORDER

THIS MATTER came on for hearing before the State Oil and Gas Board on the Petition of Mosbacher Energy Company for final authority to amend the Special Field Rules of Diamond 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, Suite E, 500 Greymont Avenue, Jackson, Mississippi, commencing on March 15, 2000, at which hearing 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. The Mosbacher-Ramey No. 1 Well was drilled in the Diamond Field in 1986 and originally completed as a commercial producer in the Smackover Oil Pool on an 80-acre unit consisting of the SW 1/4 of the NW 1/4 of Section 17 and the SE 1/4 of the NE 1/4 of Section 18, Township 9 North, Range 6 West, Wayne County, Mississippi. The Ramey No. 1 was

reworked and produced from the "Lower Upper Cotton Valley Oil Pool" between 1997 and 1999. Said well has recently been recompleted in and is now capable of commercial production from zones in the Lower Hosston Formation that have not been previously produced and are not connected with any previously defined pool in this field.

2. Petitioner has shown that the new production encountered by its Ramey No. 1 Well should be defined as follows in the Special Field Rules of Diamond Field:

The South Lower Hosston Oil Pool is defined as those strata of the Hosston Formation productive of oil in the interval between the depths of 11,210 feet and 12,000 feet measured in the Mosbacher Energy Company - Ramey No. 1 Well as indicated on the electric log of said well, and all sands correlative of those strata productive of oil. Said well is located in the SE 1/4 of the NE 1/4 of Section 18, Township 9 North, Range 6 West, Wayne County, Mississippi.

Petitioner has further shown that based on the reservoir characteristics and the previous production from this well, this new South Lower Hosston Oil Pool should be developed and produced on 80 acre spacing, consistent with the development and production of the Lower Upper Cotton Valley Oil Pool and the Smackover Oil Pool encountered in this Southern portion of Diamond Field.

3. Petitioner has further proposed to update and amend the Special Field Rules of Diamond Field to reflect all Orders affecting spacing within this field. The modernization of these Orders includes bringing forward the Special Field Rules as set forth in Order No. 288-85, incorporating the spacing requirements set forth in Order Nos. 26-87 and 524-87, and deleting rules pertaining to "measurement of production," "equipment for tests," and "use of meters" which should be covered by existing Statewide Rules. Petitioner has further proposed to amend the name of what has previously been defined as the "Lower Upper Cotton Valley Oil Pool" and the "Smackover Oil Pool" to read "South Upper Cotton Valley Oil Pool" and "South Smackover Oil Pool." This amendment is necessary to avoid confusion and ambiguity, and to reflect the geographical location of these pools within Diamond Field.

IT IS, THEREFORE, ORDERED AND ADJUDGED that the Special Field Rules of Diamond Field, Wayne County, Mississippi shall be and are hereby amended to read as follows:

**SPECIAL FIELD RULES
DIAMOND FIELD
WAYNE COUNTY, MISSISSIPPI**

A. (Adopted December 17, 1987 by Order No. 524-87. The Diamond Field is defined as that area in Section 6 and 7; SW 1/4 SW 1/4 of Section 8; W 1/2 of Section 17 less SW 1/4 SW 1/4; and NE 1/4, E 1/2 NW 1/4, and N 1/2 SE 1/4 of Section 18, Township 9 North, Range 6 West and Sections 1 and 12, Township 9 North, Range 7 West, Wayne County, Mississippi, underlain by one or more of the oil and gas pools hereinafter defined and all correlative or productive extensions thereof.

B. (Adopted December 18, 1957 by Order No. 268-57) The Glen Rose Pool as used herein is defined as those strata productive of oil in the Glen Rose formation occurring between the depths of 8,850 feet and 9,957 feet in Cenergy Exploration Company – Stanley No. 1 Well, located approximately in the center of the SE 1/4 of the SW 1/4, Section 6, T9N-R6W, Wayne County, Mississippi, or the stratigraphic equivalent in other wells.

C. (Adopted December 18, 1957 by Order No. 268-57) The Hosston Pool as used herein is defined as those strata productive of oil in the Hosston formation occurring between the depths of 9,957 feet and 11,138 feet in the said Cenergy Exploration Company – Stanley No. 1 Well, or the stratigraphic equivalent in other wells.

D. (Adopted March 20, 1985 by Order No. 103-85 and Amended Hereunder) The Lower Hosston Pool as used herein is defined as those strata productive of oil in the Hosston Formation occurring between the depths of 11,138 feet and 11,618 feet as seen in the Cenergy Exploration Company – McIlwain No. 2 Well located in the South 40 acres of Lot 4, Section 6, T9N, R6W, Wayne County, Mississippi, or the stratigraphic equivalent in other wells.

E. (Adopted July 17, 1985 by Order No. 288-85) The Upper Cotton Valley Pool as used herein is defined as those strata productive of oil in the Cotton Valley Formation occurring between the depths of 11,618 feet and 12,010 feet as seen in the Cenergy Exploration Company –

McIlwain No. 2 Well located in the South 40 acres of Lot 4, Section 6, Township 9 North, Range 6 West, Wayne County, Mississippi, or the stratigraphic equivalent in other wells.

F. (Adopted May 22, 1969 by Order No. 170-69) The 12,000 foot Cotton Valley Oil Pool is defined and shall be construed to mean those strata of the Cotton Valley formation productive of oil or gas in the intervals between 12,010 feet and 12,118 feet as seen in the Cenergy Exploration Company – McIlwain No. 2 Well located in the South 40 acres of Lot 4, Section 6, T9N-R6W, indicated on the electric log of said well and all sands correlative of these strata productive of oil.

G. (Adopted August 19, 1970 by Order No. 313-70) The 12,100 foot Cotton Valley Oil Pool shall be construed to mean those strata of the Cotton Valley formation productive of oil in the interval between 12,010 feet and 12,134 feet on the electric log of the Murphy Oil Company – Weaver “C” No. 1 Well Located in the SE 1/4 of SE 1/4 of Section 1, T9N-R7W, and all zones correlative of these strata productive of oil.

H. (Adopted October 15, 1969 by Order No. 328-69) The 12,250 foot Cotton Valley Oil Pool shall be construed to mean those strata of the Cotton Valley formation productive of oil or gas in the intervals between 12,236 feet and 12,250 feet as seen in Cenergy Exploration Company’s R. H. Gray “A” No. 2 Well located in the NW 1/4 of the SW 1/4, Section 6, T9N-R6W, indicated on the electric log of said well and all sand correlative of these strata productive of oil.

I. (Adopted July 16, 1969 by Order No. 215-69; redesignated on October 15, 1969 by Order No. 328-69) The 12,350 foot Cotton Valley Oil Pool shall be construed to mean those strata of the Cotton Valley formation productive of oil in the interval between 12,336 feet and 12,366 feet on the electric log of the Cenergy Exploration Company – R. H. Gray No. A-2 Well located in the NW 1/4 of SW 1/4, Section 6, T9N-R6W, and all zones correlative of these strata productive of oil.

J. (Adopted July 17, 1974 by Order No. 152-74) The 12,500 Cotton Valley Oil Pool shall be construed to mean those strata of the Cotton Valley formation productive of oil in the intervals between 12,406 feet and 12,700 feet subsurface on the dual induction laterlog of the Conquest Exploration Company – McIlwain 6-13 No. 1 Well and all zones correlative of these strata.

K. (Adopted October 16, 1974 by Order No. 224-74) The characteristics of the oil pools hereinabove defined in said field are such that the location and drilling of wells on units of 40 acres conforming to the requirements of the rules hereinafter contained will efficiently and adequately drain and produce the recoverable oil from each said pool without avoidable waste; provided, however, the characteristics of the Cotton Valley 12,500 foot oil pool is such that the location and drilling of wells should be on units of 80 acres conforming to the requirements of the rules hereinafter contained and said 80 acre units will sufficiently and adequately drain and produce recoverable oil from said 12,500 foot Cotton Valley Oil Pool without avoidable waste.

L. The South Lower Hosston Oil Pool is defined as those strata of the Hosston Formation productive of oil in the interval between the depths of 11,210 feet and 12,000 feet measured in the Mosbacher Energy Company - Ramey No. 1 Well as indicated on the electric log of said well, and all sands correlative of those strata productive of oil. Said well is located in the SE 1/4 of the NE 1/4 of Section 18, Township 9 North, Range 6 West, Wayne County, Mississippi.

M. The South Upper Cotton Valley Oil Pool is defined as those strata of the Cotton Valley Formation productive of oil in the interval between 12,000 feet and 12,790 feet measured depth in the Mosbacher Energy Company – Lee Beard Heirs No. 1 Well as indicated on the electric log of said well and all sands correlative of those strata productive of oil. Said well is located in the NE 1/4 of the NE 1/4, Section 18, Township 9 North, Range 6 West, Wayne County, Mississippi. (Order No. 524-87, December 17, 1987).

N. The South Smackover Oil Pool is defined as those strata of the Smackover Formation productive of oil in the interval between 14,186 feet and 14,980 feet measured depth in the Mosbacher Energy Company Ramey No. 1 Well as indicated on the electric log of said well and all sands correlative of these strata productive of oil. Said well is located in the SE 1/4 of the NE 1/4, Section 18, Township 9 North, Range 6 West, Wayne County, Mississippi. (Order No. 524-87, December 17, 1987).

RULE NO. 1. OIL POOL SPACING.

A. (Adopted July 17, 1985 by Order No. 288-85) With respect to each oil pool, other than the 12,500 foot Cotton Valley Oil Pool, South Lower Hosston Oil Pool, the South Upper Cotton Valley Oil Pool, and the South Smackover Oil Pool, every other well:

(a) Should be located on a drilling unit consisting of at least 40 contiguous surface acres, or a governmental quarter-quarter section containing not less than 36 acres or more than 44 acres upon which no other drilling or producible well is located;

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

(c) The well should be located at least 660 feet from every other drilling or producible well located in conformity with this rule;

(d) The well should be located at least 330 feet from every exterior boundary of the drilling unit;

(e) 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;

(f) If any well drilling in conformity with the provisions of this rule, or as an exception thereto, is completed in any pool defined herein as a gas well, it shall not be

produced except for a test period of not exceeding fifteen (15) days, or until authorization has been granted by the Board after notice and hearing.

B. (Adopted December 17, 1987 by Order No. 524-87) With respect to the 12,500 foot Cotton Valley Oil Pool, the South Lower Hosston Oil Pool, the South Upper Cotton Valley Oil Pool, and the South Smackover Oil Pool, every oil well:

(a) Shall be located in a drilling unit consisting of 80 surface contiguous acres, or two governmental quarter-quarter sections containing not less than 72 acres or more than 88 acres, upon which no other drilling or producible well is located;

(b) Any drilling unit not composed of two governmental quarter-quarter sections must be completely encompassed by the perimeter of a rectangle 2725 feet by 1600 feet. Provided, however, no unit shall be permitted which will create island acreage;

(c) The well should be located at least 660 feet from every other drilling or producible well located in conformity with this rule; and

(d) The well should be located at least 330 feet from every exterior boundary of the drilling unit.

RULE 2 – COMPLETION. (Adopted June 16, 1960 by Order No. 118-60)

The Cenergy-Stanley No. 1 Well located in the SE 1/4 of SW 1/4, Section 6, T9N-R6W, Wayne County, Mississippi, and the Larco-Gray No. 2 Well located in the NW 1/4 of NE 1/4, Section 7, T9N-R6W, Wayne County, Mississippi, are producing through two strings of tubing from the Glen Rose Pool and the Larco-Gray Estate No. 1 Well and the Larco-Gray Estate No. 1-A Well are twin wells on the same unit, producing from the Glen Rose Pool, and the said wells are hereby confirmed as exceptions to these rules, and the Larco-Gray Estate No. 1 Well and the Larco-Gray Estate No. 10A Well

jointly, and the Cenergy-Stanley No. 1 Well, and the Larco-Gray No. 2 Well shall be allowed to produce the same allowable as any other well completed in the Glen Rose Pool.

RULE NO. 3 – MCILWAIN UNIT. (Adopted January 21, 1987 by Order No. 26-87)

The operator of all wells in the McIlwain Unit, being the SW 1/4 of the SW 1/4 of Section 6, Township 9 North, Range 6 West, Wayne County, Mississippi, shall have the authority to simultaneously produce from any wells completed into the Glen Rose Oil Pool, any wells completed into the Hosston Oil Pool, and from the McIlwain No. 3 and McIlwain No. 5 Wells completed into the Upper Cotton Valley Oil Pool.

RULE NO. 4 - APPLICABILITY OF STATEWIDE RULES

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 said field.

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

ORDERED AND ADJUDGED this 15th of March 2000, effective March 15, 2000.

MISSISSIPPI STATE OIL AND GAS BOARD

By: 

CHAIRMAN

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