

FILED FOR RECORD

IN THE STATE OIL AND GAS BOARD OF MISSISSIPPI

JUL 28 1997

RE: PETITION OF JORDAN PRODUCTION  
COMPANY, L.L.C., TO AMEND THE  
SPECIAL FIELD RULES FOR FLORA  
FIELD, MADISON COUNTY, MISSISSIPPI

STATE OIL AND GAS BOARD  
Walter Boone, Supervisor

DOCKET NO. 190-97-5  
*Order No. 272-97*

ORDER

This day this matter come on for hearing before that State Oil and Gas Board of Mississippi on the Petition of Jordan Production Company, L.L.C., to amend the Special Field Rules for the Flora Field, Madison County, Mississippi, to authorize either injection or production wells utilizing directional or horizontal drilling techniques to be drilled on the Flora Field Unit, Flora Field, Madison County, Mississippi, upon administrative permit, without notice and hearing; to clarify the spacing requirements applicable to both injection and production wells drilled on the Flora Field unit utilizing directional or horizontal drilling techniques; and for related relief, said hearing being called for such purpose; and

WHEREAS, the Mississippi State Oil and Gas Board finding that due, proper and legal notice of the meeting of the said 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 9:30 o'clock, A.M. on July 16, 1997, at which hearing all person present who desired to be heard on said matter were heard and all testimony and documentary evidence duly considered by those present at said hearing; 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 Special Field Rules for the Flora Field, Madison County, Mississippi. These Special Field Rules establish the geographic limits of the Flora Field and define Selma Gas Rock oil pool within the field and prescribe spacing requirements applicable to wells drilled and completed in said pool. These Special Field Rules were established by the Mississippi State Oil and Gas Board on March 18, 1987 (Order No. 97-87, Docket No. 62-87-5).

2.

The Board finds that RULE 1 ("SPACING OF WELLS") of the Special Field Rules authorized the drilling of both injection and producing wells on the Flora Field Unit subject to the spacing restriction that no such well(s) may be drilled, injected into or produced from the unitized Oil Pool nearer than 330.0 feet from any exterior unit boundary of the field wide unit, except upon permit issued by the Mississippi State Oil and Gas Board, after notice and hearing. In addition, the Board finds that RULE 3 ("PRESSURE MAINTENANCE AND SECONDARY RECOVERY PROGRAM AUTHORIZED") authorizes the drilling of injection wells or the conversion of existing wells to injection wells on the Flora Field Unit, or the conversion of injection wells to producing wells on the fieldwide unit, upon permit issued by the Mississippi State Oil and Gas Board, after notice and hearing.

3.

The Board finds that the Special Field Rules should be amended to authorize the drilling of either injection or producing wells on the Flora Field Unit utilizing directional or horizontal drilling techniques upon administrative permit, without notice and hearing, provided that (1) no portion of the wellbore of any such well(s) located within the unitized interval or horizon is nearer than 330.0 feet from any exterior fieldwide unit boundary and (2) a directional survey of such well(s) is filed by the Operator with the Mississippi State Oil and Gas Board.

4.

The Board finds that the Special Field Rules should be further amended to authorize the Operator of the Flora Field Unit to drill either injection or producing wells on the fieldwide unit utilizing directional or horizontal drilling techniques upon administrative permit, without notice and

hearing, regardless of whether the surface location of such well(s) is within or outside the unit boundaries of the fieldwide unit.

5.

Specifically, the Board finds that the existing RULE 1 ("SPACING OF WELLS IN FLORA FIELD UNIT") should be amended and revised for the hereinabove specified purposes to read as follows:

1     SPACING OF WELLS IN FLORA FIELD UNIT

(A)     Notwithstanding any other provisions contained in these Special Field Rules, the location of injection and producing wells in the Flora Field Unit shall be selected by the Operator and shall be governed by the standards of geology and petroleum engineering designed to promote the greatest ultimate recovery of hydrocarbons contained in the pool. However, no well may be drilled, injected into or produced from said pool nearer than 330.0 feet from any exterior unit boundary of the fieldwide unit, except upon permit issued by the Mississippi State Oil and Gas Board, after notice and hearing.

(B)     The Operator may drill either injection or producing wells utilizing directional or horizontal drilling techniques designed to increase the ultimate recovery of hydrocarbons contained in the pool without notice and hearing; provided, however, that (1) no portion of the wellbore located within the unitized interval or horizon of any such well so drilled shall be nearer than 330.0 feet from any exterior boundary of the Flora Field Unit, except upon permit issued by the Mississippi State Oil and Gas Board, after notice and hearing, and (2) the Operator shall file a directional survey and other information required by rule or written policy of the Mississippi State Oil and Gas Board after completion.

(C)     Furthermore, the Operator may drill either injection or producing wells on the Flora Field Unit utilizing directional or horizontal drilling techniques as hereinabove described regardless of whether the surface location of such wells is within or outside the unit boundaries of the fieldwide unit.

6.

The Board finds that the amendment of the Special Field Rules to authorize both injection and producing wells utilizing directional or horizontal drilling techniques to be drilled on the Flora Field Unit upon administrative permit, without notice and hearing, and to clarify the spacing requirements applicable to such directionally or horizontally drilled wells, all as hereinafter more fully set forth on the attached Exhibit "A," 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 of the proposed amendments to the Special Field Rules will facilitate the more orderly and efficient operation and development of the

Flora Field Unit and will result in the ultimate recovery of more oil and other hydrocarbon reserves from the Flora Field.

A copy of the Special Field Rules, as amended, is attached hereto as Exhibit "A" and is made a part hereof by reference for all purposes.

IT IS, THEREFORE, ORDERED AND ADJUDGED by the State Oil and Gas Board of Mississippi that the amended Special Field Rules for the Flora Field, Madison County, Mississippi, for the hereinabove specified purposes should be and the same are hereby adopted and approved in the form more fully set forth on the attached Exhibit "A."

IT IS FURTHER ORDERED AND ADJUDGED that Jordan Production Company, L.L.C., shall acquire all other permits, if any, required by any other permitting authority.

ORDERED AND ADJUDGED this the 24<sup>th</sup> day of July, 1997.

MISSISSIPPI STATE OIL AND GAS BOARD

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EXHIBIT "A"

SPECIAL FIELD RULES FOR THE FLORA FIELD,  
MADISON COUNTY, MISSISSIPPI

- A. THE FOLLOWING RULES SHALL APPLY  
AS TO THE SELMA GAS ROCK OIL POOL:

FIELD LIMITS:

Madison County Mississippi

Township 9 North, Range 1 West

- Section 26: S ½ of NE 1/4, N ½ of SE 1/4,  
SE 1/4 of SE 1/4 and E ½ of SW 1/4 of  
SE 1/4.
- Section 35: SE 1/4, S ½ of NE 1/4, SE 1/4 of  
NW 1/4, NE 1/4 of NE 1/4 and E ½  
of NW 1/4 of NE 1/4.
- Section 36: S ½ of SW 1/4, NW 1/4 of SW 1/4,  
SW 1/4 of NW 1/4 and W ½ of NW 1/4  
of NW 1/4.

Township 8 North, Range 1 West

- Section 1: SW 1/4, W ½ of SE 1/4, W ½ of  
NE 1/4 of SE 1/4, NW 1/4, W ½ of  
NE 1/4 and W ½ of E ½ of NE 1/4.
- Section 2: E ½ of SE 1/4, NW 1/4 of SE 1/4  
and NE 1/4.

1. The Selma Gas Rock Oil Pool, as used herein, shall be construed to mean those strata productive or formerly productive of oil and gas in the interval between the depth of 4,336 feet and 4,396 feet as indicated on the Dual Induction Log for the former J. R. Anderson No. 3-A, now FFU No. 1-11 Well, located in the NE 1/4 of the SW 1/4 of Section 1, Township 8 North, Range 1 West, Madison County, Mississippi and including those productive strata which can be correlated therewith.

2. The area defined as lying within the Flora Field consists of thirty-six (36) regular governmental quarter/quarter sections of approximately 40 acres each and six half quarter/quarter sections of approximately 20 acres each. With respect to the Selma Gas Rock Oil Pool, the Flora Field Unit has been created by the voluntary agreement of over eighty-five percent (85%) of the operating owners and the requisite percentage of royalty owners required by Section 53-3-107, Miss. Code Ann. 1972, as amended. It is proper and necessary for the promotion of conservation to

consider and treat the unit area in said pool as a single drilling and producing unit as to all tracts therein contained. As to said pool, the rules hereinafter provided applicable to it will enable said pool to be efficiently drilled, and the recoverable oil and gas therein contained to be recovered with full protection of the coequal and correlative rights of all parties and without avoidable waste.

#### RULE 1 - SPACING OF OIL WELLS

A. Notwithstanding any other provisions contained in these Special Field Rules, the location of injection and producing wells in the Flora Field Unit shall be selected by the Operator and shall be governed by the standards of geology and petroleum engineering designed to promote to greatest ultimate recovery of hydrocarbons contained in the pool. However, no well may be drilled, injected into or produced from said pool nearer than 330.0 feet from any exterior unit boundary of the fieldwide unit, except upon permit issued by the Mississippi State Oil and Gas Board, after notice and hearing.

B. The Operator may drill either injection or producing wells utilizing directional or horizontal drilling techniques designed to increase the ultimate recovery of hydrocarbons contained in the pool without notice and hearing; provided, however, that (1) no portion of the wellbore located within the unitized interval or horizon of any such well do drilled shall be nearer than 330.0 feet from any exterior boundary of the Flora Field Unit, except upon permit issued by the Mississippi State Oil and Gas Board, after notice and hearing, and (2) the Operator shall file a directional survey and other information required by rule or written policy of the Mississippi State Oil and Gas Board after completion.

#### RULE 2 - ALLOCATION OF PRODUCTION

A. The allowable of said pool shall be the sum of the number of wells in the unit, including injection wells but excluding salt water disposal and waste water disposal wells, times the then effective allowable based on depth.

B. The allowable production of the fieldwide unit may be produced by any well or wells on said unit provided, however, that no well shall be operated in such manner as to cause waste as defined by the laws of Mississippi.

RULE 3 - PRESSURE MAINTENANCE AND SECONDARY  
RECOVERY PROGRAM AUTHORIZED

A. Jordan Production Company, L.L.C., as operator of the Flora Field Unit, is hereby authorized to conduct pressure maintenance operations in the Selma Gas Rock Oil Pool of the Flora Field by the injection of gas, carbon dioxide, water or other substances. Operator may use for injection purposes existing wells located in said fieldwide unit which may be converted to injection wells or wells may be drilled on said fieldwide unit for such purpose provided, however, that before any additional well or wells may be used for injection purposes, said operator must first file with the Mississippi State Oil and Gas Board a plat showing the location of such injection well or wells, the applicable information required by Statewide Rule 63, the plan proposed or adopted by it for pressure maintenance in said pool and obtain the Board's administrative permit (form 2, workover), without notice and hearing.

B. The conversion of producing wells to injection wells will not affect the fieldwide unit allowable as determined by Rule 2.

RULE 4 - AUTOMATIC CUSTODY TRANSFER SYSTEMS AUTHORIZED

Automatic custody transfer systems which automatically test, sample, measure and transfer the production from the operator to the purchaser are hereby authorized for the Flora Field.

Each such system will be equipped with a sampling device which will take a representative sample of the total production passing through the system in order that the specific gravity and the basic sediment and water content can be determined.

Each such system will be equipped with a volume displacement type metering device which registers the volume of oil passed through it in barrels or multiples thereof; said metering device will be compensated for temperature, will be so equipped as to provide a cumulative total of all oil transferred by such system and will have an accuracy standard equivalent to the accuracy obtained in measurements made in calibrated stock tanks.

RULE 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.

B. These amended Rules and Regulations to become effective as of the date of the Board's Order adopting and establishing same.

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