

Also see Order 167-05  
for complete SFR for  
FREE STATE.

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

FILED FOR RECORD

RE: PETITION OF TELLUS OPERATING GROUP,  
LLC TO AMEND THE SPECIAL FIELD RULES  
FOR FREE STATE FIELD, JONES COUNTY,  
MISSISSIPPI

JUN 15 2005

STATE OIL AND GAS BOARD  
WALTER BOONE, SUPERVISOR

DOCKET NO. 146-2005-724

ORDER NO. 219-2005

ORDER

THIS MATTER came to be heard at the regular May 2005 meeting of the State Oil and Gas Board on the Petition of TELLUS OPERATING GROUP, INC. requesting the Board to amend the Special Field Rules for Free State Field, and grant related relief. Having considered the Petition, the evidence in support thereof, and being fully advised in the premises, the Board finds that the Petition is well-taken and should be granted. The Board also finds as follows:

1.

The Board has jurisdiction over the parties and the subject matter of the Petition. Due and legal notice of the hearing on the Petition has been given in the time and manner required by law and the rules and regulations of the Board.

2.

Petitioner operates the Frankie Smith Well No. 2 (the "Well") which is located at a surface location that is 2489 feet South of the North line and 2362 feet West of the East line of Section 19, Township 8 North, Range 13 West, Second Judicial District of Jones County, Mississippi, and at a bottom hole location that is 1124 feet South of the North line and 2333 feet West of the East line of the said Section 19. The Well presently produces from what is defined as the "Sligo Oil Pool, South Segment." The definition of that pool should be amended to cover other zones and intervals that are part of the same common accumulation of oil and gas, and which should be treated as part of the same pool.

3.

The existing definition of the Sligo Oil Pool, South Segment should be amended and the definitional well should be changed so that the pool is re-named and re-defined as the “Rodessa-Sligo Oil Pool, South Segment” as follows:

The Rodessa-Sligo Oil Pool, South Segment, in Free State Field is defined as those strata of the Rodessa and Sligo Formations productive of oil, casinghead gas, and other hydrocarbons in the interval between the measured depths of 13,136 feet and 14,170 feet in the Tellus Operating Group, LLC-Frankie Smith Well No. 2, as indicated on the High Res Induction Log of that well, and including those strata productive of oil, casinghead gas, and other hydrocarbons which can be correlated therewith and are in communication therewith, said well being located at a surface location that is 2489 feet South of the North line and 2362 feet West of the East line of Section 19, Township 8 North, Range 13 West, Second Judicial District of Jones County, Mississippi.

4.

Spacing for production from the said Rodessa-Sligo Oil Pool, South Segment should be “80-acre spacing” as provided for in Statewide Rule 7.1.

5.

Petitioner also operates the Frankie Smith Well No. 4 (the “Well”) which is located at a surface location 2291 feet South of the North line and 1299 feet East of the West line of the said Section 19. The Well was drilled to a depth of 17,855 feet to test and produce the Cotton Valley Formation and all other formations and pools which were encountered. The Well was completed into an undefined pool in the Cotton Valley Formation. That pool should be defined as follows:

The Cotton Valley Oil and Gas Pool, South Segment, in Free State Field is defined as those strata of the Cotton Valley Formation productive of gas and oil in the interval between the measured depths of 16,959 feet and 17,850 feet in the Tellus Operating Group, LLC-Frankie Smith Well No. 4, as indicated on the High Res Induction Log of that well, and including those strata productive of oil and gas which can be correlated therewith and are in communication therewith, said well being located at a surface location that is 2291 feet South of the North line and 1299 feet East of the West line of Section 19, Township 8 North, Range 13 West, Second Judicial District of Jones County, Mississippi.

6.

Spacing for production from the said Cotton Valley Oil and Gas Pool, South Segment should be "640-acre spacing" as provided for in Statewide Rule 8.1.

7.

The existing definition of the "Lower Hosston Gas Pool" should be amended to change the name of the pool to the "Lower Hosston Gas Pool, South Segment," to expand the interval of the pool, and to correct the name of the definitional well from the Oryx Energy Company-Frankie Smith No. 1A Well to the Tellus Operating Group, LLC-Frankie Smith Well No. 1. The reference to the "No. 1A Well" is a mistake, because there is no such well. The amended definition of the said pool should be as follows:

The Lower Hosston Gas Pool, South Segment, in Free State Field is defined as those strata of the Lower Hosston Formation productive of gas condensate and other hydrocarbons in the interval between the measured depths of 15,850 feet and 16,385 feet in the Tellus Operating Group, LLC-Frankie Smith Well No. 4, as indicated on the High Res Induction Log of that well, and including those strata productive of gas, condensate and other hydrocarbons which can be correlated therewith and are in communication therewith, said well being located at a surface location that is 2291 feet South of the North line and 1299 feet East of the West line of Section 19, Township 8 North, Range 13 West, Second Judicial District of Jones County, Mississippi.

8.

Attached hereto as Exhibit 1 are the amended Special Field Rules amending the said Special Field Rules as proposed will allow for the orderly development of the said pool and field, will prevent waste, will protect the coequal and correlative rights of the owners in the field, and will allow the owners in the pool the opportunity to recover their fair and equitable share of production from the pool.

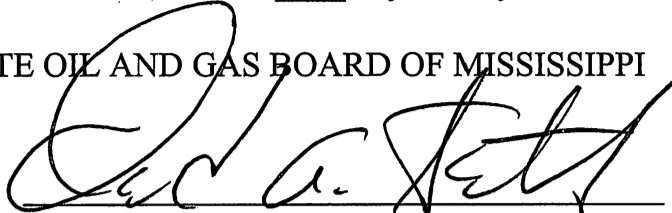
**IT IS, THEREFORE, ORDERED AND ADJUDGED** that the Petition filed herein is granted; and the Special Field Rules are amended as set forth herein; and Exhibit 1 hereto is a copy of the Special Field Rules as amended.

Permittee shall acquire all other permits, if any, required by any other permitting authority.

SO ORDERED AND ADJUDGED, this the 15<sup>th</sup> day of <sup>JUNE</sup>~~May~~, 2005.

STATE OIL AND GAS BOARD OF MISSISSIPPI

By:

  
VICE-CHAIRMAN (Acting Chairman)

**PREPARED BY:**

Glenn Gates Taylor (MBN 7453)  
C. Glen Bush (MBN 7589)  
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**ATTORNEYS FOR PETITIONER**

**Exhibit "A"**  
**SPECIAL FIELD RULES**  
**FOR THE FREE STATE FIELD IN**  
**JONES COUNTY, MISSISSIPPI**

**FIELD LIMITS**

The Free State Field is defined as that area consisting of the following described lands:

All of Sections 12, 13 and 24, Township 8 North,  
Range 14 West; and Sections 7, 8, 17, 18, 19, and  
20, Township 8 North, Range 13 West, Second Judicial  
District, Jones County, Mississippi

as underlain by the oil or gas pools herein defined, and all correlative and productive extensions thereof.

**POOL DEFINITIONS**

1. The Rodessa Oil Pool is defined as those strata of the Rodessa Formation productive of oil and casinghead gas in the interval between 13,400 feet and 13,610 feet measured depth in the Oryx Energy Company-Charles Grayson No. 1 Well as indicated on the electric log of said well, and those strata productive of oil and casinghead gas which can be correlated therewith and are in communication therewith, said well being located in Section 13, Township 8 North, Range 14 West, Second Judicial District, Jones County, Mississippi.
2. The Rodessa Oil Pool, West Segment is defined as those strata of the Rodessa Formation productive of oil and casinghead gas in the interval between 13,232 feet and 13,676 feet measured depth in the Miller-Campbell No. 1 Well as indicated on the electric log of said well, and those strata productive of oil and casinghead gas which can be correlated therewith and are in communication therewith, said well being located in Section 13, Township 8 North, Range 14 West, Second Judicial District, Jones County, Mississippi.
3. The Middle Hosston Oil Pool is defined as those strata of the Middle Hosston Formation productive of oil and casinghead gas in the interval between 15,707 feet and

15,808 feet measured depth in the Oryx Energy Company-Charles Grayson No. 1 Well as indicated on the electric log of said well, and those strata productive of oil and casinghead gas which can be correlated therewith and are in communication therewith, said well being located in Section 13, Township 8 North, Range 14 West, Second Judicial District, Jones County, Mississippi

4. The Upper Hosston Oil Pool is defined as those strata of the Upper Hosston Formation productive of oil and casinghead gas in the interval between 15,216 feet and 15,232 feet measured depth in the Oryx Energy Company-Charles Grayson No. 1 Well as indicated on the electric log of said well, and those strata productive of oil and casinghead gas which can be correlated therewith and are in communication therewith, said well being located in Section 13, Township 8 North, Range 14 West, Second Judicial District, Jones County, Mississippi.

5. The Sligo Oil Pool is defined as those strata of the Sligo Formation productive of oil and casinghead gas in the interval between 13,866 feet and 14,057 feet measured depth in the Oryx Energy Company-Charles Grayson No. 1 Well as indicated on the electric log of said well, and those strata productive of oil and casinghead gas which can be correlated therewith and are in communication therewith, said well being located in Section 13, Township 8 North, Range 14 West, Second Judicial District, Jones County, Mississippi.

6. The Lower Hosston Gas Pool, South Segment is defined as those strata of the Lower Hosston Formation productive of gas condensate and other hydrocarbons in the interval between the measured depths of 15,850 feet and 16,385 feet in the Tellus Operating Group, LLC-Frankie Smith Well No. 4, as indicated on the High Res Induction Log of that well, and those strata productive of gas, condensate and other hydrocarbons which can be correlated therewith and are in communication therewith, said well being located at a surface location that is 2291 feet South of the North line and 1299 feet East of the West line of Section 19, Township 8 North, Range 13 West, Second Judicial District

of Jones County, Mississippi.

7. The Middle Hosston Oil and Gas Pool, East Segment is defined as those strata of the Middle Hosston Formation productive of volatile oil, retrograde condensate, and casinghead gas in the interval between 14,158 feet and 15,825 feet, measured depth, in the Ellzey 17-12 No. 1 Well, as indicated on the electric log of said well, and those strata productive of volatile oil, condensate and gas which can be correlated therewith and are in communication therewith, said well being located in the E ½ of Section 18, Township 8 North, Range 13 West, Second Judicial District, Jones County, Mississippi.

8. The Middle Hosston Oil Pool, South Segment is defined as those strata of the Middle Hosston Formation productive of oil and casinghead gas in the interval between 14,190 feet and 15,128 feet, measured depth, in the Tellus-Frankie Smith No. 2 Well, as indicated on the electric log of said well, and those strata productive of oil and casinghead gas which can be correlated therewith and are in communication therewith, said well being located in the NE 1/4 of Section 19, T8N-R13W, Second Judicial District, Jones County, Mississippi.

9. The Rodessa-Sligo Oil Pool, South Segment is defined as those strata of the Rodessa and Sligo Formations productive of oil, casinghead gas, and other hydrocarbons in the interval between the measured depths of 13,136 feet and 14,170 feet in the Tellus Operating Group, LLC-Frankie Smith Well No. 2, as indicated on the High Res Induction Log of that well, and those strata productive of oil, casinghead gas, and other hydrocarbons which can be correlated therewith and are in communication therewith, said well being located at a surface location that is 2489 feet South of the North line and 2362 feet West of the East line of Section 19, Township 8 North, Range 13 West, Second Judicial District of Jones County, Mississippi.

10. The Lower Hosston Oil and Gas Pool, East Segment is defined as those strata of the Lower Hosston Formation underlying the East ½ of Section 18 and the West ½ of Section 17, Township 8 North, Range 13 West, and productive of gas, condensate and

volatile oil in the interval between 15,910 feet and 16,450 feet, measured depth, in the Ellzey No. 2 Well, as indicated on the electric log of said well, and all sands correlative of those strata and in communication therewith, productive of volatile oil, condensate and gas, the surface location of said well being located 1,234 feet from West Line and 2,411 feet from North Line of Section 17, Township 8 North, Range 13 West, Jones County, Mississippi.

11. The Cotton Valley Oil and Gas Pool, South Segment is defined as those strata of the Cotton Valley Formation productive of gas and oil in the interval between the measured depths of 16,959 feet and 17,850 feet in the Tellus Operating Group, LLC-Frankie Smith Well No. 4, as indicated on the High Res Induction Log of that well, and those strata productive of oil and gas which can be correlated therewith and are in communication therewith, said well being located at a surface location that is 2291 feet South of the North line and 1299 feet East of the West line of Section 19, Township 8 North, Range 13 West, Second Judicial District of Jones County, Mississippi.

**RULE 1 - SPACING FOR OIL POOLS**

- A. Spacing for all wells completed in and producing from the Rodessa Oil Pool or the Middle Hosston Oil Pool, or the Upper Hosston Oil Pool, or the Sligo Oil Pool, or the Middle Hosston Oil Pool, South Segment, or the Rodessa Sligo Oil Pool, South Segment, shall be the same as provided in Statewide Rule 7.1.
- B. Spacing for all wells completed in and producing from the Rodessa Oil Pool, West Segment shall be the same as provided in Statewide Rule 7.2.
- C. All wells completed in and producing from the Middle Hosston Oil Pool, South Segment, shall be located on a drilling unit consisting of contiguous whole or half quarter-quarter sections totaling not less than 240 nor more than 280 acres or 260 contiguous acres contained within a rectangle of 4750' by 3500'. All wells shall be at least 500' from any unit line and at



least 1000' from any other well producing from same pool in another unit.

**RULE 2 - SPACING OF GAS POOLS AND OIL AND GAS POOLS**

Spacing for all wells completed in and producing from the Lower Hosston Gas Pool, South Segment, or the Middle Hosston Oil and Gas Pool, East Segment, or the Lower Hosston Oil and Gas Pool, East Segment, or the Cotton Valley Oil and Gas Pool, South Segment, shall be the same as provided in Statewide Rule 8.1.

**RULE 3 - ALLOWABLE FOR MIDDLE HOSSTON OIL AND GAS POOL, EAST SEGMENT**

All wells completed in and producing from the Middle Hosston Oil and Gas Pool, East Segment, Free State Field, may produce such amount of oil and condensate that they are able to produce, not to exceed 750 barrels of oil and condensate per day, per well.

**RULE 4 - APPLICABILITY OF STATEWIDE RULES**

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 said field.

**- End of Special Field Rules -**