

**BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI**

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

**FILED FOR RECORD**

**JUL 11 2007**

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

**DOCKET NO. 210-2007-724**

**ORDER NO. 432-2007**

**ORDER**

THIS MATTER came to be heard at the regular June 2007 meeting of the State Oil and Gas Board on the Petition of **TELLUS OPERATING GROUP, LLC**, Petitioner, 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. 3 (the "Well") which is located in the Northeast One-Quarter of Section 19, Township 8 North, Range 13 West, Second Judicial District of Jones County, Mississippi. The Well encountered a pool that is presently defined as the "Middle Hosston Oil Pool, South Segment." However, the definition of that pool should be deleted and/or amended to change the definitional well, include 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, and amend the name of the pool to be called the "Middle Hosston Oil & Gas Pool, South Segment."

3.

The existing definition of the "Middle Hosston Oil Pool, South Segment" should be deleted and/or amended to replace the current name and definition of that pool with the following pool, definitional well and definition:

The Middle Hosston Oil & Gas Pool, South Segment is defined as those strata of the Middle Hosston Formation productive of oil, gas and other hydrocarbons in the interval between the measured depths of 14,240 feet and 15,800 feet in the Tellus-Frankie Smith No. 3 Well, as indicated on the electric log of said well, and those strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith, said well being located at a surface location that is 888 feet West of the East line and 2620 feet South of the North line of Section 19, Township 8 North, Range 13 West, Second Judicial District, Jones County, Mississippi.

4.

Because of the geology and other reservoir factors and characteristics of the said Middle Hosston Oil & Gas Pool, South Segment, more than one well, or increased well density, is needed in order to effectively and efficiently drain a 640-acre unit for the said pool. Therefore, the existing spacing rules for wells that produce from the said pool should be amended to provide as follows:

With respect to each well that is completed into and produces from the Middle Hosston Gas & Oil Pool, South Segment:

- (1) Each well must be located on a drilling unit consisting of 640 contiguous surface acres, or a governmental section containing not less than 600 acres or more than 680 acres, or sixteen (16) contiguous governmental quarter-quarter sections (or lots) whose total acreage is not less than 600 acres or more than 680 acres.
- (2) Each such drilling unit may contain up to four wells that produce from the said pool.
- (3) Each well that produces from the said pool must be located at least 1000 feet from every other drilling or producible well in the same pool.
- (4) Each well that produces from the said pool must be located at least 500 feet from the nearest exterior boundary line of the drilling unit.

- (5) Each well on each such drilling unit shall be granted a full gas well allowable for production from the said pool.

5.

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 14<sup>th</sup> day of ~~June~~<sup>July</sup>, 2007.

STATE OIL AND GAS BOARD OF MISSISSIPPI

By:

  
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CHAIRMAN

**PREPARED BY:**

Glenn Gates Taylor (MBN 7453)  
C. Glen Bush (MBN 7589)  
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**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 and Gas Pool, South Segment is defined as those strata of the Middle Hosston Formation productive of oil, gas and other hydrocarbons in the interval between the measured depths of 14,240 feet and 15,800 feet in the Tellus-Frankie Smith No. 3 Well, as indicated on the electric log of said well, and those strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith, said well being located at a surface location that is 888 feet West of the East line and 2620 feet South of the North line of Section 19, Township 8 North, Range 13 West, 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 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.

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

- A. 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.
- B. With respect to each well that is completed into and produces from the Middle Hosston Gas & Oil Pool, South Segment:
  - (1) Each well must be located on a drilling unit consisting of 640 contiguous surface acres, or a governmental section containing not less than 600 acres or more than 680 acres, or sixteen (16) contiguous governmental quarter-quarter sections (or lots) whose total acreage is not less than 600 acres or more than 680 acres.

- (2) Each such drilling unit may contain up to four wells that produce from the said pool.
- (3) Each well that produces from the said pool must be located at least 1000 feet from every other drilling or producible well in the same pool.
- (4) Each well that produces from the said pool must be located at least 500 feet from the nearest exterior boundary line of the drilling unit.
- (5) Each well on each such drilling unit shall be granted a full gas well allowable for production from the said pool.

**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 -**