

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: PETITION OF TIGER PRODUCTION
COMPANY, LLC, TO AMEND THE SPECIAL
FIELD RULES FOR GITANO FIELD, JONES
COUNTY, MISSISSIPPI

FILED FOR RECORD

MAR 15 2006

STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR

DOCKET NO. 32-2006-140

ORDER NO. 45-2006

ORDER

THIS MATTER came on to be heard on the Petition of TIGER PRODUCTION COMPANY, LLC, Petitioner, requesting the Board to amend the Special Field Rules for Gitano Field in order to define four new gas pools and to authorize the dual completion of wells in the 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 in this docket 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 this Board.

2.

Petitioner is the operator of several wells in Gitano Field, including the Welch-Wallace No. 2 Well (the "Well"), which is located on a 320-acre gas unit comprised of the Southeast One-Quarter of Section 5, and the Northeast One-Quarter of Section 8, all in Township 9 North, Range 13 West, Jones County, Mississippi, at a surface location 1,276 feet West of the East line and 1,410 feet North of the South line of Section 5, Township 9 North, Range 13 West, Jones County, Mississippi.

3.

The Well is presently completed into and producing from what is proposed to be defined as the "Wallace Sand Gas Pool," between the subsurface depths of 10,500 and 10,548 feet in the Well, within the Paluxy Formation. Another new pool has been discovered by the Well in the Paluxy Formation, what is proposed to be called the "Nicholson Sand Gas Pool," between the subsurface depths of 10,372 and 10,470 feet in the Well. Two other new gas pools have also been discovered by the Well within the Washita-Fredericksburg Formation, what is proposed to be defined as the

"Welch Sand Gas Pool," between the subsurface depths of 10,092 and 10,121 feet in the Well, and what is proposed to be defined as the "Cox Sand Gas Pool," between the subsurface depths of 10,026 and 10,052 feet in the Well. Log data and test data from the Well and other geological information indicate that the "Cox Sand Gas Pool," the "Welch Sand Gas Pool," the "Nicholson Sand Gas Pool" and the "Wallace Sand Gas Pool" are each completely separated from any other zone, formation or pool.

4.

The Special Field Rules for Gitano Field should be amended to define those four gas pools as follows. Existing Rule B should be amended by adding the following pool definitions:

3. The Cox Sand Gas Pool, as used herein, shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of gas between the subsurface depths of 10,026 feet and 10,052 feet as shown on the electric log run on January 17, 2005, in the Tiger Production Company, LLC - WELCH-WALLACE NO. 2 WELL, which well is located 1,276 feet West of the East line and 1,410 feet North of the South line of Section 5, Township 9 North, Range 13 West, Jones County, Mississippi, and such strata as are correlative therewith.

4. The Welch Sand Gas Pool, as used herein, shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of gas between the subsurface depths of 10,092 feet and 10,121 feet as shown on the electric log run on January 17, 2005, in the Tiger Production Company, LLC - WELCH-WALLACE NO. 2 WELL, which well is located 1,276 feet West of the East line and 1,410 feet North of the South line of Section 5, Township 9 North, Range 13 West, Jones County, Mississippi, and such strata as are correlative therewith.

5. The Nicholson Sand Gas Pool, as used herein, shall be construed to mean those strata of the Paluxy Formation productive of gas between the subsurface depths of 10,372 feet and 10,470 feet as shown on the electric log run on January 17, 2005, in the Tiger Production Company, LLC - WELCH-WALLACE NO. 2 WELL, which well is located 1,276 feet West of the East line and 1,410 feet North of the South line of Section 5, Township 9 North, Range 13 West, Jones County, Mississippi, and such strata as are correlative therewith.

6. The Wallace Sand Gas Pool, as used herein, shall be construed to mean those strata of the Paluxy Formation productive of gas between the subsurface depths of 10,500 feet and 10,548 feet as shown on the electric log run on January 17, 2005, in the Tiger Production Company, LLC - WELCH-WALLACE NO. 2 WELL, which well is located 1,276 feet West of the East line and 1,410 feet North of the South line of Section 5, Township 9 North, Range 13 West, Jones County, Mississippi, and such strata as are correlative therewith.

The Special Field Rules incorporating the amendment are attached as Exhibit 1 hereto.

5.

The Welch-Wallace No. 2 Well and potentially other future wells in Gitano Field can be dually completed so as to produce simultaneously from two different gas pools, including the Cox Sand Gas Pool, the Welch Sand Gas Pool, the Nicholson Sand Gas Pool and the Wallace Sand Gas

Pool. Petitioner has proposed that the Special Field Rules be amended to authorize the Supervisor, administratively and without notice or hearing, to issue a permit under Statewide Rule 15 for any existing or future well to be dually completed in any two defined gas pools in the field, including the Cox Sand Gas Pool, the Welch Sand Gas Pool, the Nicholson Sand Gas Pool and the Wallace Sand Gas Pool, by such method of dual completion and production as is consistent with sound conservation practices, and in accord with all other statewide rules and regulations and the other Special Field Rules for the Gitano Field.

6.

Wells completed as proposed will be able to produce the maximum recoverable hydrocarbons from the pools without surface, underground or economic waste, and without commingling any of the hydrocarbons produced from one pool with the hydrocarbons produced from the other pool. Such production can be accomplished without increasing the hazards, risks or damages incident to the production of hydrocarbons, and will avoid unnecessary use of the surface, equipment, materials and time, and will protect the coequal and correlative rights of the owners in the units and pools.

7.

The Special Field Rules for Gitano Field should be amended to provide a new Rule D.1, under "Additional Rules Applicable to Gas Wells," as follows:

D. ADDITIONAL RULES APPLICABLE TO GAS WELLS:

1. As to the Cox Sand Gas Pool, the Welch Sand Gas Pool, the Nicholson Sand Gas Pool and the Wallace Sand Gas Pool, the Supervisor may issue a permit under Statewide Rule 15, administratively and without notice or hearing, for a well to be dually completed in any two of those pools, by a method of dual completion consistent with sound conservation practices, using proper measures to protect against undue hazards, risks or damages both underground and at the surface, and in accord with all other applicable rules and regulations, upon the operator's filing of a Form 2 for the second completion with all required fees.

The Special Field Rules incorporating the amendment are attached as Exhibit 1 hereto.

8.

The production from the gas pools defined herein requires or will require the separation of liquid hydrocarbons, the storage of same, and other treating operations. Petitioner has proposed to amend the Special Field Rules to authorize the construction and operation of central separation and storage facilities to process the gas produced in Gitano Field.

9.

The treating operations required for production from the gas pools defined herein can be more efficiently and more economically done with central separation and storage facilities. The construction and operation of central separation and storage facilities to process the gas produced in the Gitano Field will prevent waste and result in substantial benefits to all concerned, and the co-equal and correlative rights of all owners and royalty owners will be protected.

10.

The Special Field Rules for Gitano Field should be amended to provide a new Rule D.2 as follows:

2. Upon written request and submission of appropriate diagrams and description of such central facilities by the operator, the Supervisor shall have the authority to approve the construction and operation of such facilities without special notice and hearing before the Board provided such central facilities comply with the following requirements:

(a) Each well connected to such facility will be provided with an individual flow line meter of a type generally accepted in the industry.

(b) Specific gravity and temperature determinations will periodically be made of the gas from each well in order to provide a basis of measurement, and all gas measurements will be corrected for specific gravity, temperature and super compressibility.

(c) All wells flowing into such facilities will be connected to the separators in such a manner as to allow periodic testing of each well under average operating conditions.

(d) The storage facilities provided at these locations will be arranged and connected to the separators in such manner as to allow periodic testing of each well under average operating conditions.

(e) The gas from each of the separation units will be measured by an orifice meter which will be calibrated periodically.

(f) All liquid hydrocarbons will be measured after production into common storage at each central facility.

(g) Allocation of liquid hydrocarbons produced into the stock tanks and salable gas allocations will be made on the basis of the gas-oil ratio of each individual well as determined through the periodic testing.

(h) All such central facilities will be operated in an orderly and prudent manner with due respect to authorized allowable, well performance, facility capacity, and other factors pertinent to the allocation to each owner or deliverance to the purchaser for the account of each owner of the gas and liquid hydrocarbons produced therefrom.

(i) For purposes of this Rule D.2, each individual completion from a dually-completed well is deemed to be a "well."

The Special Field Rules incorporating the amendment are attached as Exhibit 1 hereto.

11.

The proposed amendments will allow for the continued orderly development of the field, will prevent waste, will protect the coequal and correlative rights of the owners in the Cox Sand Gas Pool, the Welch Sand Gas Pool, the Nicholson Sand Gas Pool, the Wallace Sand Gas Pool and in the field, and will allow the owners in the pools the opportunity to recover their fair and equitable share of production from the pools.

IT IS, THEREFORE, ORDERED AND ADJUDGED that the Petition filed herein is granted; and that the Special Field Rules for Gitano Field are amended as requested herein.

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

SO ORDERED AND ADJUDGED, this the 15th day of March, 2006.

STATE OIL AND GAS BOARD OF MISSISSIPPI

By: 

CHAIRMAN

PREPARED BY:

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ATTORNEYS FOR PETITIONER

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EXHIBIT 1

SPECIAL FIELD RULES FOR THE GITANO FIELD IN JONES COUNTY, MISSISSIPPI

A. FIELD LIMITS:

The Gitano Field as used herein is that geographical area consisting of the following described lands located in the Second Judicial District of Jones County, Mississippi:

Township 9 North, Range 12 West: Sections 7, 8, 17, 18 and 19.

Township 9 North, Range 13 West: Sections 1 through 28.

B. POOL DEFINITIONS:

1. The Fault Block "A" Stanley Gas Pool in the Gitano Field shall be construed to mean those strata of the Eutaw Formation productive of hydrocarbons in the intervals between the measured depths of 6660 feet to 6765 feet as reflected on the dual induction log of the Ka-Lyn Oil & Gas, Inc. - Graham 10-8 Well No. 1 located in the SE 1/4 of the NE 1/4 of Section 10, Township 9 North, Range 13 West, Jones County, Mississippi, and those strata productive of hydrocarbons which can be correlated therewith and which are in communication therewith. (Order No. 498-87.)

2. The Fault Block "B" Stanley Gas Pool in the Gitano Field shall be construed to mean those strata of the Eutaw Formation productive of hydrocarbons in the intervals between the measured depths of 6880 feet to 6990 feet as reflected on the induction electrical log of the Nelson Gibson - Moddie Raspberry Well No. 1 located in the NW 1/4 of the SE 1/4 of Section 15, Township 9 North, Range 13 West, Jones County, Mississippi, and those strata productive of hydrocarbons which can be correlated therewith and which are in communication therewith. (Order No. 498-87.)

3. The Cox Sand Gas Pool, as used herein, shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of gas between the subsurface depths of 10,026 feet and 10,052 feet as shown on the electric log run on January 17, 2005, in the Tiger Production Company, LLC - WELCH-WALLACE NO. 2 WELL, which well is located 1,276 feet West of the East line and 1,410 feet North of the South line of Section 5, Township 9 North, Range 13 West, Jones County, Mississippi, and such strata as are correlative therewith.

4. The Welch Sand Gas Pool, as used herein, shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of gas between the subsurface depths of 10,092

feet and 10,121 feet as shown on the electric log run on January 17, 2005, in the Tiger Production Company, LLC - WELCH-WALLACE NO. 2 WELL, which well is located 1,276 feet West of the East line and 1,410 feet North of the South line of Section 5, Township 9 North, Range 13 West, Jones County, Mississippi, and such strata as are correlative therewith.

5. The Nicholson Sand Gas Pool, as used herein, shall be construed to mean those strata of the Paluxy Formation productive of gas between the subsurface depths of 10,372 feet and 10,470 feet as shown on the electric log run on January 17, 2005, in the Tiger Production Company, LLC - WELCH-WALLACE NO. 2 WELL, which well is located 1,276 feet West of the East line and 1,410 feet North of the South line of Section 5, Township 9 North, Range 13 West, Jones County, Mississippi, and such strata as are correlative therewith.

6. The Wallace Sand Gas Pool, as used herein, shall be construed to mean those strata of the Paluxy Formation productive of gas between the subsurface depths of 10,500 feet and 10,548 feet as shown on the electric log run on January 17, 2005, in the Tiger Production Company, LLC - WELCH-WALLACE NO. 2 WELL, which well is located 1,276 feet West of the East line and 1,410 feet North of the South line of Section 5, Township 9 North, Range 13 West, Jones County, Mississippi, and such strata as are correlative therewith.

C. SPACING OF GAS WELLS:

1. With respect to the Fault Block "A" Stanley Gas Pool and the Fault Block "B" Stanley Gas Pool, every gas well:

- (a) Shall be located on a drilling unit consisting of (1) 320 contiguous surface acres; 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 1(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.

- (d) The well shall be located not less than 990 feet from every exterior boundary of the drilling unit.

D. ADDITIONAL RULES APPLICABLE TO GAS WELLS:

1. As to the Cox Sand Gas Pool, the Welch Sand Gas Pool, the Nicholson Sand Gas Pool and the Wallace Sand Gas Pool, the Supervisor may issue a permit under Statewide Rule 15, administratively and without notice or hearing, for a well to be dually completed in any two of those pools, by a method of dual completion consistent with sound conservation practices, using proper measures to protect against undue hazards, risks or damages both underground and at the surface, and in accord with all other applicable rules and regulations, upon the operator's filing of a Form 2 for the second completion with all required fees.

2. Upon written request and submission of appropriate diagrams and description of such central facilities by the operator, the Supervisor shall have the authority to approve the construction and operation of such facilities without special notice and hearing before the Board provided such central facilities comply with the following requirements:

(a) Each well connected to such facility will be provided with an individual flow line meter of a type generally accepted in the industry.

(b) Specific gravity and temperature determinations will periodically be made of the gas from each well in order to provide a basis of measurement, and all gas measurements will be corrected for specific gravity, temperature and super compressibility.

(c) All wells flowing into such facilities will be connected to the separators in such a manner as to allow periodic testing of each well under average operating conditions.

(d) The storage facilities provided at these locations will be arranged and connected to the separators in such manner as to allow periodic testing of each well under average operating conditions.

(e) The gas from each of the separation units will be measured by an orifice meter which will be calibrated periodically.

(f) All liquid hydrocarbons will be measured after production into common storage at each central facility.

(g) Allocation of liquid hydrocarbons produced into the stock tanks and salable gas allocations will be made on the basis of the gas-oil ratio of each individual well as determined through the periodic testing.

(h) All such central facilities will be operated in an orderly and prudent manner with due respect to authorized allowable, well performance, facility capacity, and other factors pertinent to the allocation to each owner or deliverance to the purchaser for the account of each owner of the gas and liquid hydrocarbons produced therefrom.

(i) For purposes of this Rule D.2, each individual completion from a dually-completed well is deemed to be a "well."

E. APPLICABILITY OF STATEWIDE RULES:

1. All rules and regulations containing Statewide Order No. 201-51, and all amendments thereto, not specifically covered by the foregoing Special Field Rules are hereby adopted and shall apply to said field.

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

END OF SPECIAL FIELD RULES

Source: Order No. 498-87, Docket No. 312-87-140, dated November 19, 1987, and filed December 14, 1987.