

JUL 09 2012

STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: PETITION OF PRUET PRODUCTION CO.
TO AMEND THE SPECIAL FIELD RULES OF
GITANO FIELD, JONES COUNTY, MISSISSIPPI

DOCKET NO. 199-2012-DORDER NO. 440-2012

ORDER

THIS MATTER came on for hearing before the State Oil and Gas Board on the Petition of Pruet Production Co. to amend the Special Field Rules of Gitano 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, a public hearing was held by the Board in the hearing room, Suite E, 500 Greymont Avenue, Jackson, Mississippi, commencing on Wednesday, June 20, 2012, and the Board heard testimony and evidence regarding the request by Pruet Production Co.; and

WHEREAS, the Board has fully considered said matter and the evidence and recommendations made in said hearing and finds as follows:

1. Gitano Field is an established oil and gas producing field located in Jones County, Mississippi. The current Special Field Rules for Gitano Field were established by Order No. 11-2009, Docket No. 448-2008-140, dated January 29, 2009.
2. Since the establishment of the current Special Field Rules, Pruet has developed a new pool containing both oil and gas reserves in the southwestern part of the field with its Welch 5-15 No. 1 Well and Nicholson 5-11 No. 1 Well. Both of these wells have produced on the same 320-acre production unit, consisting of the south half of Section 5, Township 5 North, Range 13 West, Gitano Field, Jones County, Mississippi, pursuant to Order No. 39-2010 (Welch 5-15 No. 1 Well) and Order No. 337-2011 (Nicholson 5-11 No. 1 Well).
3. By Order No. 524-2009, Docket No. 324-2009-140, dated September 28, 2009, the Board granted an extended test period for the Welch 5-15 No. 1 Well to evaluate the newly discovered reservoir. By Order No. 238-2012, Docket No. 119-2012-D, the Board recently

granted an extended test period for the Nicholson 5-11 No. 1 Well to evaluate the producing characteristics of this pool in a different structural position.

4. Based on all available geological, engineering, and production information from these two wells, they appear to be producing from the same oil and gas pool that is correlative to, but fault separated from, the Nicholson Sand Gas pool, as currently defined in the Special Field Rules. The production and test data further indicate that this oil and gas pool has a significant water drive that substantially affects the type and the amount of production which can be recovered through a well, because of its structural location within the pool.

5. Based on this information, continued development of this pool, with 320-acre spacing for each development unit, will foster, encourage, and promote the development, production and utilization of the natural resources to be produced from this new pool, will maximize the amount of oil and gas that can be recovered from this pool, and will allow each owner the opportunity to obtain their coequal and correlative rights in production from this pool.

6. The Nicholson 5-11 No. 1 Well is the second well in the only 320 acre production unit established for this new pool. Approval of the continued production of these two wells on the same unit, with full allowables for each well will increase the ultimate recovery of reserves from the Pool without causing waste or reasonably avoidable drainage from another developed unit not equalized by counter drainage. Approval of additional increased density wells for this new Pool should be approved on a case-by-case basis, after notice and hearing.

7. Petitioner has proposed to amend the Special Field Rules of Gitano Field by defining this pool as the "Southwest Segment – Nicholson Sand Oil and Gas Pool," as Paragraph B.17. of the Special Field Rules and to further establish spacing for this oil and gas pool as the new Section F of the proposed Special Field Rules. The Board finds that the proposed changes are appropriate and in accordance with the evidence presented concerning this new Pool.

IT IS THEREFOR ORDERED AND ADJUDGED, that the Special Field Rules of Gitano Field should be and are hereby amended as set forth in Exhibit A to this Order and that continued production of the Welch 5-15 No 1 Well and the Nicholson 5-11 No.1 Well on the same unit, with a full allowable for each well, is hereby approved.

IT IS FURTHER ORDERED that Petitioner shall acquire all other permits, if any required by any other permitting authority.

SO ORDERED AND ADJUDGED, this the 9th day of ~~June~~ ^{July}, 2012.

MISSISSIPPI STATE OIL AND GAS BOARD

BY: 
CHAIRMAN

SUBMITTED BY:

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EXHIBIT A

**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 8,800-Foot Washita-Fredericksburg Oil Pool, as used herein, shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of oil between the subsurface depths of 8,738 feet and 8,805 feet as shown on the induction electric log run on November 23, 1966, and December 1, 1966, in the Tiger Production Company, LLC - LEE WELCH NO. 1 WELL, which well is located 330 feet South of the North line and 380 feet East of the West line of the Northwest Quarter of the Southeast Quarter of Section 5, Township 9 North, Range 13 West, Jones County, Mississippi, and such strata as are correlative therewith.

4. The 8,850-Foot Washita-Fredericksburg Oil Pool, as used herein, shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of oil between the subsurface depths of 8,840 feet and 8,862 feet as shown on the induction electric log run on November 23, 1966, and December 1, 1966, in the Tiger Production Company, LLC - LEE WELCH NO. 1 WELL, which well is located 330 feet South of the North line and 380 feet East of the West line of the Northwest Quarter of the Southeast Quarter of Section 5, Township 9 North, Range 13 West, Jones County, Mississippi, and such strata as are correlative therewith.

5. The 9,100-Foot Washita-Fredericksburg Oil Pool as used herein, shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of oil between the subsurface depths of 9,010 feet and 9,114 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 9,300-Foot Washita-Fredericksburg Oil Pool as used herein, shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of oil between the subsurface depths of 9,246 feet and 9,308 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.

7. The 9,480-Foot Washita-Fredericksburg Oil Pool as used herein, shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of oil between the subsurface depths of 9,464 feet and 9,484 feet as shown on the induction electric log run on November 23, 1966, and December 1, 1966, in the Tiger Production Company, LLC - LEE WELCH NO. 1 WELL, which well is located 330 feet South of the North line and 380 feet East of the West line of the Northwest Quarter of the Southeast Quarter of Section 5, Township 9 North, Range 13 West, Jones County, Mississippi, and such strata as are correlative therewith.

8. The 9,550-Foot Washita-Fredericksburg Oil Pool as used herein, shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of oil between the subsurface depths of 9,533 feet and 9,570 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.

9. The 9,700-Foot Washita-Fredericksburg Oil Pool, as used herein, shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of oil between the subsurface depths of 9,646 feet and 9,710 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.

10. The 9,750-Foot Washita-Fredericksburg Oil Pool, as used herein, shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of oil between the subsurface depths of 9,728 feet and 9,796 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.

11. The 9,900-Foot Washita-Fredericksburg Oil Pool, as used herein, shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of oil between the subsurface depths of 9,838 feet and 9,900 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.

12. The Cox Sand Oil 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.

13. 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. (Order No. 45-2006.)

14. The 10,210-Foot Washita-Fredericksburg Oil Pool, as used herein, shall be construed to mean those strata of the Washita-Fredericksburg Formation productive of oil between the subsurface depths of 10,206 feet and 10,222 feet as shown on the induction sonic log run on October 16, 2003, in the Tiger Production Company, LLC - LANDMARK EXPLORATION-WALLACE NO. 1 WELL, which well is located 380 feet North of the South line and 355 feet West of the East line of the Northeast Quarter of Section 8, Township 9 North, Range 13 West, Jones County, Mississippi, and such strata as are correlative therewith.

15. 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. (Order No. 45-2006.)

16. 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. (Order No. 45-2006.)

17. The Southwest Segment- Nicholson Sand Oil and Gas Pool, as used herein, shall be construed to mean those strata of the Paluxy Formation productive of oil and gas between the subsurface depths of 10,284 feet and 10,420 feet as shown on the electric log run on December 2, 2008 in the Pruet Production Co. – WELCH 5-15 NO. 1 WELL, which well is located 600 feet from the South line and 1980 feet from the East 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. SPACING OF OIL WELLS:

1. With respect to the 8,800-Foot Washita-Fredericksburg Oil Pool, the 8,850-Foot Washita-Fredericksburg Oil Pool, the 9,100-Foot Washita-Fredericksburg Oil Pool, the 9,300-Foot Washita-Fredericksburg Oil Pool, the 9,480-Foot Washita-Fredericksburg Oil Pool, the 9,550-Foot Washita-Fredericksburg Oil Pool, the 9,700-Foot Washita-Fredericksburg Oil Pool, the 9,750-Foot Washita-Fredericksburg Oil Pool, the 9,900-Foot Washita-Fredericksburg Oil Pool, the 10,210-Foot Washita-Fredericksburg Oil Pool, and the Cox Sand Oil Pool:

- (a) Each oil well shall be located on a drilling unit consisting of (1) one hundred sixty (160) contiguous surface acres; or (2) a governmental quarter section containing not less than one hundred forty-four (144) acres or more than one hundred seventy-six (176) acres; or (3) four (4) contiguous governmental quarter-quarter sections whose total acreage is not less than one hundred forty-four (144) acres or more than one hundred seventy-six (176) acres. In any case, no other well drilling to or producing from the same pool shall be located on any such unit.
- (b) Any oil drilling unit formed under section 1(a) of this rule must be completely encompassed by the perimeter of a rectangle 2,640 feet by 3,500 feet; provided, however, no unit shall be permitted which will create island acreage.
- (c) Each oil well shall be located at least 1,500 feet from every other drilling or producible well from the same pool located in conformity with this rule.
- (d) Each oil well shall be located not less than 750 feet from every exterior boundary of the drilling unit.

2. The establishment of 160-acre spacing for the above-referenced and defined oil pools shall not prejudice nor be considered precedent for the establishment of different spacing for other pools yet to be defined in Gitano Field.

3. Notwithstanding anything in these Special Field Rules to the contrary, Rule E.1 (a-d) shall not apply to the Cox-Wallace No. 1 Well located in the Northeast Quarter of the Southeast Quarter of Section 5, Township 9 North, Range 13 West, Jones County, Mississippi, or any other well located on said quarter-quarter section. All wells located on said quarter-quarter section, including the Cox-Wallace No. 1 Well, shall continue to be produced on a 40-acre unit comprised of said quarter-quarter section, provided such spacing complies with the Statewide Rules and Regulations. In the event that production is obtained from a well located on lands adjacent to said quarter-quarter section from an oil pool productive from a well located on said quarter-quarter section, and the unit for such adjacent well includes all or any part of said quarter-quarter section, the operator(s) of such adjacent well and the well located on said quarter-quarter section may simultaneously produce both wells with a full allowable for production.

F. SPACING FOR WELLS COMPLETED IN THE SOUTHWEST SEGMENT-NICHOLSON SAND OIL AND GAS POOL:

1. Every well completed in the Southwest Segment- Nicholson Sand Oil and Gas Pool:
 - (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.
 - (b) Any 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) Any 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) Any well shall be located not less than 990 feet from every exterior boundary of the drilling unit.

2. The Pruet Production Co.-Welch 5-15 No. 1 and Nicholson 5-15 No 1 Wells are permitted to produce from this Pool on the same 320-acre developed unit, with full allowables for each well.

3. More than one (1) well per drilling unit may be completed in this Pool if the Board determines, after notice and hearing, such additional well or wells will increase the ultimate recovery of reserves from the Pool without causing waste or reasonably avoidable drainage from another developed unit not equalized by counter drainage.

G. 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