

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: AMENDED PETITION OF VENTURE OIL & GAS, INC. TO AMEND THE SPECIAL FIELD RULES FOR GLADE CROSSING FIELD, LOCATED IN JONES COUNTY, MISSISSIPPI, AND OBTAIN RELATED RELIEF

FILED FOR RECORD

DEC 19 2018

STATE OIL AND GAS BOARD
JESSE NEW, SUPERVISOR

DOCKET NO. 410-2018-D

ORDER NO. 642-2018

FINAL ORDER

THIS matter came on to be heard at the regular November 2018 meeting of the State Oil and Gas Board for a final order on the Amended Petition of **VENTURE OIL & GAS, INC.** Petitioner, for authority to amend the Special Field Rules for Glade Crossing Field, and grant related relief. Having considered the Amended Petition, the evidence in support thereof, and being fully advised in the premises, the Board finds that the Amended 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 Amended 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 wells and units in Glade Crossing Field located in Jones County, Mississippi. By Order No. 938-2014 dated October 30, 2014, in Docket No. 674-2014-D, the Board adopted Special Field Rules for Glade Crossing Field to define the geographical area of the field, define the producing pools, and provide for spacing and other rules. The Special Field Rules were subsequently amended in various respects.

3.

In Docket No. 343-2018-D, which was heard at the September 2018 meeting of the Board, the Board approved, established and ordered the unit operation of the "Glade Crossing Upper Cotton Valley Fieldwide Unit" (the "Unit"), and approved the Plan of Unitization, the Unit Agreement and the Unit Operating Agreement for the Unit, as authorized by and provided for in Miss. Code Ann. Sections 53-3-101 et seq.

4.

In light of the Board's approval of the Unit, the existing Special Field Rules should be amended in several respects to acknowledge the existence of the Unit and provide for various matters that pertain to the operation of the Unit, including but not limited to spacing and the use and/or conversion of wells for production and for injection.

5.

The intervals that will be included in and encompassed by the defined "Unitized Formation" include the productive intervals of what is presently defined as the Ann Guy Sand Oil Pool. Because of that, the evidence establishes that it is no longer necessary to separately define or separately report production on the Ann Guy Sand Oil Pool. Therefore, the Special Field Rules should be amended to delete the Ann Guy Sand Oil Pool as a separately defined oil pool.

6.

Attached hereto as Exhibit "1" is a copy of the proposed Amended Special Field Rules.

7.

Based on the evidence, the Amended Special Field Rules will allow for the orderly development of the Unit and the Unitized Formation; will allow the Unitized Formation to be effectively and efficiently drained and produced; will foster, encourage and promote the drilling of additional wells and the development and production of the Unitized Formation; and will prevent waste; and will safeguard, protect and enforce the coequal and correlative rights of the owners in the Unitized Formation, the Unit and the field.

8.

To the extent necessary, the requested relief should be granted as an exception to any otherwise applicable Statewide Rules, rules, regulations and statutes.

IT IS, THEREFORE, ORDERED AND ADJUDGED, that the Amended Petition filed herein is granted; and the Special Field Rules for Glade Crossing Field are amended as more particularly set forth in Exhibit "1" to this Order, which is incorporated by reference.

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

IT IS, FURTHER ORDERED AND ADJUDGED, that this Order shall be in force and effect from and after November 21, 2018.

SO ORDERED AND ADJUDGED, this the 19th day of Dec. November, 2018.

STATE OIL AND GAS BOARD OF MISSISSIPPI

By:


CHAIRMAN

PREPARED BY:

Glenn Gates Taylor (MBN 7453)
C. Glen Bush (MBN 7589)
John H. Geary, Jr. (MBN 101540)
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ATTORNEYS FOR PETITIONER

EXHIBIT "A"

**AMENDED SPECIAL FIELD RULES
FOR GLADE CROSSING FIELD
JONES COUNTY, MISSISSIPPI**

A. FIELD LIMITS

The geographical area of Glade Crossing Field is comprised of the following lands and all productive extensions thereof:

In Township 8 North, Range 11 West, Jones County, Mississippi, Second Judicial District:

Section 14: W ½

Section 15: All

Section 16: All

Section 21: All

Section 22: All

Section 23: W ½

In Township 8 North, Range 11 West, Jones County, Mississippi, First Judicial District:

Section 26: the NW 1/4

Section 27: the N ½

Section 28: the N ½

B. POOL DEFINITIONS

1. The Hosston Oil Pool is defined to mean those strata of the Hosston Formation productive of oil, gas and other hydrocarbons between the depths of 15,120 feet and 16,355 feet on the Quad Combo log of the Venture Oil & Gas, Inc.-Holifield 21-16 Well No. 1 the surface location of which well is located 189 feet North of the South line and 366 feet West of the East line of Section 21, Township 8 North, Range 11 West, Jones County, Mississippi, and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.

2. The Cotton Valley Oil Pool is defined to mean those strata of the Cotton Valley Formation productive of hydrocarbons between the depths of 16,460 feet and 17,470 feet on

the Platform Express Log of the Venture Oil & Gas, Inc.-Ann Guy 21-8 Well No. 1, dated November 22, 2015, which well is located 2116 feet South of the North line and 387 feet West of the East line of Section 21, Township 8 North, Range 11 West, Jones County, Mississippi, in Glade Crossing Field.

3. The Unitized Formation of the Glade Crossing Upper Cotton Valley Fieldwide

Unit is defined as follows:

The "Unitized Formation" is the subsurface portion of the Unit Area described as those strata of the Cotton Valley Formation productive of Unitized Substances (as herein defined) in the interval between the measured depths of 16,438 feet and 16,735 feet on the Platform Express Array Induction Log dated August 12, 2016 for the Venture Oil & Gas, Inc. - Holifield 22-11 #1 Well, which well is located at a surface location that is 1539 feet East of the West line and 1708 feet North of the South line of Section 22, Township 8 North, Range 11 West, Jones County, Mississippi, and all strata which can be correlated therewith and are in communication therewith.

C. SPACING

1. Spacing for each unit and for the wells that produce from the Hosston Oil Pool, or the Cotton Valley Oil Pool, or the Ann Guy Sand Oil Pool shall be as follows:

- (a) Each well shall 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.
- (b) Each such unit must be completely encompassed by the perimeter of a rectangle 5580 feet by 6245 feet. Provided, however, no unit shall be permitted which will create island acreage.
- (c) Each such drilling unit may contain up to four (4) wells that produce from the said pool.
- (d) The surface location of each well may be located anywhere on a unit without regard to the distance from the unit lines. The bottom hole location of each well that produces from the said pool shall be located at least 500 feet from the bottom hole location of every other well that is completed into or producing from the said pool on the same unit; and the bottom hole location of each such well shall be located at least 500 feet from every exterior boundary line of the drilling unit.
- (e) Notwithstanding the provisions of any other rule, each well that produces from the pool may produce with an unpenalized full allowable.
- (f) The foregoing spacing rules are subject to such exceptions as

may be granted by the Board after notice and hearing.

2. By Order No. 539-2018 in Docket No. 343-2018-D, the Glade Crossing Upper Cotton Valley Fieldwide Unit was established for the “Unitized Formation.” Spacing for the Unitized Formation shall be as provided for in Section D below.

D. GLADE CROSSING UPPER COTTON VALLEY FIELDWIDE UNIT

Rule 1: Unit Area

A. The term “Unit Area” as used herein refers to the following described lands:

In Township 8 North, Range 11 West, Jones County, Mississippi

The Southwest Quarter of the Southeast Quarter of the Southwest Quarter, and the South Half of the Southwest Quarter of the Southwest Quarter, all in Section 15; the East 10 acres of the West Half of the Southwest Quarter, and the East Half of the Southwest Quarter and the Southeast Quarter, all in Section 16; the East Half of the Northwest Quarter, and the Northeast Quarter, all in Section 21; the West Half of the Northwest Quarter, and the West Half of the East Half of the Northwest Quarter, all in Section 22.

The Southeast Quarter of Section 21; the Southwest Quarter of Section 22, the Northwest Quarter of Section 27; and the Northeast Quarter of Section 28.

The East Half of the East Half of the Northwest Quarter, the West Half of the Northeast Quarter, the West Half of the Southeast Quarter, and the Southeast Quarter of the Southeast Quarter, all in Section 22; and the Northeast Quarter of Section 27.

The Unit Area may be referred to herein as the “Fieldwide Unit.”

B. For the production and development of Unitized Substances from the Unitized Formation of the Fieldwide Unit, the Unit Area is hereby established as a single producing unit for the entirety of the Unitized Formation and all intervals therein without regard to boundaries established by land, mineral and lease ownerships or the location of wells therein or thereon.

Rule 2: Unitized Formation

A. The term “Unitized Formation” shall have the meaning as set forth in Section B.4. above.

Rule 3: Unitized Substances and Outside Substances

A. The term “Unitized Substances” means all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent substances other than Outside Substances (as herein defined) within or produced from the Unitized Formation.

B. The term “Outside Substances” means all substances that are purchased or otherwise obtained from any source other than the Unitized Formation and which are

injected, reinjected, produced, recovered, recirculated, or recycled from or into the Unitized Formation, and include but not limited to natural gas, air, water, salt water, produced fluids, carbon dioxide ("CO₂"), nitrogen, and any other inert gases.

Rule 4: Unit Operations

A. With respect to the Unitized Formation, the operator of the Unit Area is authorized to conduct and carry out any secondary and/or tertiary recovery operations, pressure maintenance operations, repressuring operations, cycling operations, water flooding operations, the injection and/or recovery of Unitized Substances and Outside Substances, including CO₂, air or gaseous injection, either separately, successively, or any combination thereof, and any other form of joint effort, whether recognized, innovative or experimental, calculated to substantially increase the ultimate recovery of oil and gas, or both, from the said Unit Area, to prevent waste, all as more fully set forth in the Plan of Unitization for the Unit Area, including all "Unit Operations" that are described in the Unit Agreement.

Rule 5: Permitting and Spacing of Wells Within The Unit Area

A. Notwithstanding any other provision(s) of these Amended Special Field Rules or any Statewide Rules to the contrary, and except as provided for below as to injection wells, the location of all wells (whether injection or production wells) within the said Unit Area shall be determined by the operator of the Unit Area, may be located anywhere within the boundaries of the Unit Area without regard to any otherwise applicable spacing rules, and shall be administratively permitted by the operator without notice and hearing; provided, however, and except as otherwise allowed by an exception and/or permit issued by the Board after notice and hearing thereon, (1) no well may be produced from or injected into the Unitized Formation with a bottom hole location that is closer than two hundred fifty (250) feet from any exterior boundary of the said Unit Area, and (2) the bottom hole location of each well that produces from or injects into the Unitized Formation shall be located at least fifty (50) feet from the bottom hole location of every other well that produces from or injects into the Unitized Formation.

B. The operator of the said Unit Area may utilize and operate any and all existing wells and previously plugged wells located within the boundaries of the said Unit Area, any one or more of which wells may be utilized or converted for use as injection, production or disposal wells, or one or more new wells may be drilled and/or reentered on the said Unit Area for such purposes, whether as vertical, directional or horizontal wells.

C. Each well within the Unit Area that is proposed to be drilled as or converted to an injection well may be approved by the Board by administrative permit, without hearing, upon the operator filing with the Board a duly executed OGB Form 2, well location plat, the required fee for the permit requested, and all evidence and information required under Statewide Rule 63, and upon publication of public notice of the same for not less than twenty (20) days prior to the issuance of the administrative permit.

D. Any injection well and any other non-producing well located within the Unit Area may be converted to a producing well for the Unit Area without notice and hearing, upon the operator filing with the Board a duly executed OGB Form 2, well location plat, and the required fee for the permit requested.

Rule 6: Allowable for the Unit Area

A. The allowable for the said Unit Area shall be established by the Board. The allowable production of the said Unit Area may be produced from or by any well or wells

on the said Unit Area, individually or in any combination or sequence determined by the operator.

Rule 7: Measurement Of Production and Equipment For Tests

A. The operator of the Unit Area is permitted to commingle production at the surface from all fieldwide and individual units for collection and sale at one or more central tank battery(ies) as part of its operation of the Unit Area. This includes one or more central tank battery(ies) and central facility(ies) for oil, gas, CO₂ and water production, and treatment, processing, cycling and injection. The oil and gas production from the Unit Area may be commingled in a common storage system(s). The operator shall install a flow line, header and measurement system that allows each well to be separately and individually tested on a periodic basis. If, upon a sale therefrom, a variance exists between the measurement from the common storage system(s) and the measurement from the production of all the wells commingled in such common storage system(s), then such variance shall be allocated back to each of the wells producing into the common storage system(s) proportionately to the production measured from each of the wells on the basis of the periodic tests. Provided, however, and notwithstanding anything to the contrary, the operator shall have the right, but not the obligation, to commingle production from the Unit Area and then separate, meter and measure that production at one or more facilities located off of the Unit Area.

B. Each producing well shall be connected to a metering system so as to permit the adequate testing of each individual well under usual operating conditions without the necessity of closing in any other well. Separators, stock tanks or measuring devices and connections thereto shall be subject to approval by the Supervisor of the Board.

C. All meters shall be downstream of the necessary separating or treating vessels. All meters shall be designed and installed in conformance with recognized metering practices and shall be subject to the approval of the Supervisor of the Board.

D. All meters and equipment affecting meter accuracy shall be kept in good working order. Each meter shall be calibrated periodically as needed by means of a calibrated tank, a calibrated meter prover or a master meter.

Rule 8: Automatic Custody Transfer Systems Authorized

A. Automatic custody transfer systems which automatically test, sample, measure and transfer the production from the operator to the purchaser are hereby authorized for the Unit Area. Such systems may be used to transfer production from individual wells or from common storage facilities. In the event the transfer is from such a common storage facility, the allocation of production to the wells being produced into such common storage system will be on the basis of the relationship of the measured production from each well to the total measured production transferred by the automatic custody transfer system. Provided, however, and notwithstanding anything to the contrary, the operator shall have the right, but not the obligation, to commingle production from the Unit Area and then separate, meter and measure that production at one or more facilities located off of the Unit Area.

B. Each 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.

C. 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. In addition to meeting all of the requirements set out in Rule 7 above regarding the use of

meters, the said metering device shall be compensated for temperature, shall be so equipped as to provide a cumulative total of all oil transferred by such system, and shall have an accuracy standard equivalent to the accuracy obtained in measurement made in calibrated stock tanks.

RULE 9: 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-