

BEFORE THE STATE OIL AND GAS BOARD OF THE STATE OF MISSISSIPPI **FILED FOR RECORD**

RE: PETITION OF AMERADA HESS CORPORATION
FOR AUTHORITY TO AMEND THE SPECIAL
FIELD RULES FOR THE GREENS CREEK FIELD,
JEFFERSON DAVIS AND MARION COUNTIES,
MISSISSIPPI

AUG - 4 2000

STATE OIL AND GAS BOARD
WALTER BOONE, SUPERVISOR

DOCKET NO. 242-2000-418

ORDER NO. 382-2000

ORDER

THIS MATTER came on for hearing before the State Oil and Gas Board on the Petition of Amerada Hess Corporation to amend the Special Field Rules for Greens Creek 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, pursuant to said notice and service of process, public hearing was held by said Board, in the hearing room, 500 Greymont Avenue, Suite E, Jackson, Mississippi, commencing on July 19, 2000, at which hearing all persons present who desired to be heard on said matter were heard and all testimony and evidence were duly considered by those present at said meeting; and

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

1. The Greens Creek Field was first discovered with the successful drilling of the Board of Supervisors 16-8 No. 1 Well to the Hosston Formation in 1976. As a result of said discovery, twelve producing wells have been completed in and produced from the four Hosston Pools defined in Greens Creek Field proper. As of today, more than 150 BCF of gas has been produced from the four defined Hosston Gas Pools. No additional development units in Greens Creek Field have been created since 1982. The Field is estimated to be more than 90% depleted of recoverable reserves.

2. Today there are only two wells within the defined limits of Greens Creek Field which are still productive or capable of producing from the Hosston Formation. Those wells are the Amerada Hess-Barnes 9-10 No. 2 Well and the Amerada Hess-Board of Supervisors 16-8 No. 1 Well. Another well, the J. R. Pounds, Inc.-Rogers 28-11 Well, located in Section 28, Township 5 North, Range 19 West, Marion County, Mississippi, is listed as a well in Greens Creek Field, although it lies outside of the defined limits thereof. Although not incorporated into the Special Field Rules of Greens Creek Field, this Board, in Order No. 598-82, Docket No. 385-82-418, dated December 16, 1982, recognized that lands lying South of Sections 21 and 22, Township 5 North, Range 19 West, constituted correlative zones of the defined Hosston Gas Pools of Greens Creek Field that were separate and distinct from the main portion of Greens Creek Field. Petitioner has shown that said Order should now be reflected in the Special Field Rules of Greens Creek Field to the extent necessary to allow for different development as proposed further herein.

3. Because the four defined Hosston Gas Pools of Greens Creek Field are all substantially depleted, Petitioner has shown that one or more wellbores with horizontal completions might be drilled in order to recover additional remaining recoverable reserves in this

Field. Wellbores with horizontal completions of no less than 100 feet should be able to produce gas that cannot otherwise be recovered by the currently productive vertical wells. Further, said horizontal completions should drain larger areas essential to the final recovery stages of these reservoirs. Petitioner has shown that the maximum area in any of these Hosston Pools which should be assigned to a new well having horizontal completions of not less than 100 feet should be 1280- acres, or two complete governmental sections. 1280-acre drilling units for wells with horizontal completions are of the size and configuration necessary to foster, encourage and promote the final development, production and utilization of the natural gas capable of being produced from the Hosston Gas Pools of Greens Creek Field.

4. New wells, containing horizontal completions of not less than 100 feet, drilled to the Hosston Formation of Greens Creek Field, will be relatively expensive. Because of the depleted nature of the reservoirs in Greens Creek Field, it is not economically feasible for an operator to drill such a well solely for recovery from a single gas pool. Petitioner has proposed to amend the Special Field Rules to allow any new wells drilled in the Greens Creek Field containing horizontal completions of not less than 100 feet, to be completed in and produced from all or any of the defined Hosston Gas Pools of Greens Creek Field on a commingled basis. Authorizing the downhole commingling of these gas pools, at this late stage in the life of these reservoirs, is necessary to foster, encourage and promote the development and utilization, by progressive drilling, in the existing Hosston Pools of Greens Creek Field. Said commingling will prevent waste and will adequately protect the co-equal and correlative rights of all parties with an interest in these pools.

IT IS, THEREFORE, ORDERED AND ADJUDGED that the Special Field Rules of Greens Creek Field, Marion and Jefferson Davis Counties, Mississippi shall be and are hereby amended to read as follows:

SPECIAL FIELD RULES
FOR THE GREENS CREEK FIELD
MARION AND JEFFERSON DAVIS COUNTIES, MISSISSIPPI

A. FIELD AREA

The Greens Creek Field, as used herein, is that area consisting of the following described land, to-wit:

All of Sections 8, 9, 10, 11, 14, 15, 16 and 17, Township 5 North, Range 19 West, Jefferson Davis County, Mississippi, and Sections 21 and 22, Township 5 North, Range 19 West, Marion County, Mississippi, and all productive extensions thereof underlain by the First Hosston Gas Pool, the Harper Sand Gas Pool, the Fourth Hosston Gas Pool, the Fifth Hosston Gas Pool, all of the Hosston Formation and the Sligo Gas Pool.

B. POOL DEFINITIONS

1. The Sligo Gas Pool in the Greens Creek Field shall be construed to mean those strata productive of gas in the interval between 15,650 and 15,850 feet in the Marion Corporation-W. H. Langston Estate No. 1 Well as indicated on the electric log of said well and all sands correlative of these strata productive of gas said well being located 500 feet North of the South line and 700 feet West of the East line of Section 4, Township 5 North, Range 19 West, Jefferson Davis County, Mississippi.

2. The First Hosston Gas Pool in the Greens Creek Field shall be construed to mean those strata of the Hosston Formation productive of gas in the interval between the electric log depths of 15,870 feet and 15,944 feet in the Harkins & Company-First Mississippi-Amerada Hess-St. Joseph Petroleum Co.-Board of Supervisors No. 1 Unit 16-8 Well, as indicated on the

electric log of said well, and all sands correlative of these strata productive of gas, said well being located 2,000 feet from the North line and 820 feet from the East line of Section 16, Township 5 North, Range 19 West, Jefferson Davis County, Mississippi.

3. The Harper Sand Gas Pool in the Greens Creek Field shall be construed to mean those strata of the Hosston Formation productive of gas in the interval between the electric log depth of 16,200 feet and 16,240 feet in the J. C. Williamson No. 1 Well, as indicated on the electric log of said well, and all sands correlative of these strata productive of gas. This well is located 1,500 feet from the North line and 1,500 feet from the East line of Section 21, Township 5 North, Range 19 West, Marion County, Mississippi.

4. The Fourth Hosston Gas Pool in the Greens Creek Field shall be construed to mean those strata of the Hosston Formation productive of gas in the interval between electric log depths of 16,552 feet and 16,602 feet in the Harkins & Company – First Mississippi – Amerada Hess – Petro-Lewis – Fortenberry Unit 10-11 No. 2 Well, as indicated on the electric log of said well, and all sand correlative of those strata productive of gas, said well being located 1,688 feet from the West line and 2,500 feet from the South line of Section 10, Township 5 North, Range 19 West, Jefferson Davis, Mississippi.

5. The Fifth Hosston Gas Pool in the Greens Creek Field shall be construed to mean those strata of the Hosston Formation productive of gas in the interval between the electric log depths of 16,602 feet and 16,697 feet in the Harkins & Company-First Mississippi-Amerada Hess-St. Joseph Petroleum Co.-Board of Supervisors No. 1 Unit 16-8 Well, as indicated on the electric log of said well, and all sands correlative of these strata productive of gas, said well being located 2,000 feet from the North line and 820 feet from the East line of Section 16, Township 5 North, Range 19 West, Jefferson Davis County, Mississippi.

6. The characteristics of the Sligo Gas Pool, the First Hosston Gas Pool, the Harper Sand Gas Pool, the Fourth Hosston Gas Pool and the Fifth Hosston Gas Pool in said field are such that a vertical well located as hereinafter prescribed in Rule 1.1 and drilled upon a drilling unit consisting of 640 contiguous surface acres, or a governmental section containing not less than 600 acres or more than 680 acres, will efficiently drain and produce the recoverable gas from such units in said pools without avoidable waste.

7. The characteristics of the First Hosston Gas Pool, the Harper Sand Gas Pool, the Fourth Hosston Gas Pool and the Fifth Hosston Gas Pool in the main section of Greens Creek Field, being that part of the productive area of Greens Creek Field lying North of Sections 21 and 22, Township 5 North, Range 19 West, Marion County, Mississippi, are such that a well with horizontal completions of no less than 100 feet located as hereinafter prescribed in Rule 1.2 and drilled upon a drilling unit consisting of 1280 contiguous surface acres, or two governmental sections, each containing not less than 600 acres or more than 680 acres, will efficiently drain and produce the recoverable gas from such units in such pools without avoidable waste.

RULE 1 – SPACING OF GAS WELLS:

1.1 With respect to every vertical well drilled as a gas well to the First Hosston Gas Pool, the Harper Sand Gas Pool, the Fourth Hosston Gas Pool, the Fifth Hosston Gas Pool of the Hosston Formation, and the Sligo Gas Pool

(a) shall be located on a drilled unit consisting of 640 contiguous surface acres, or a governmental section containing not less than 600 acres or more than 680 acres, upon which no other drilling or producible well is located;

(b) any gas drilling unit not a governmental section 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) the well shall be located at least 3,000 feet from every other drilling or producible well located in conformity with this rule; and
- (d) the well shall be located not less than 1,500 feet from every exterior boundary of the unit.

1.2 With respect to every well drilled as a gas well, with horizontal completions of not less than 100 feet, being drilled to or in the First Hosston Gas Pool, the Harper Sand Gas Pool, the Fourth Hosston Gas Pool or the Fifth Hosston Gas Pool of the Hosston Formation:

- (a) shall be located on a drilled unit consisting of 1280 contiguous surface acres, or two governmental sections, each containing not less than 600 acres or more than 680 acres, upon which no other drilling or producible well with horizontal radials exceeding 500 feet as located;
- (b) any gas drilling unit not two governmental sections must be complete encompassed by the perimeter of a rectangle 11,000 feet x 6,280 feet; provided, however, no unit shall be permitted which will create island acreage;
- (c) the well shall be located at least 3,000 feet from every other drilling or producible wells located in conformity with this rule; and
- (d) the well shall be located not less than 1500 feet from every exterior boundary of the unit.

This Rule 1.2 shall not apply to any existing drilling unit lying South or West of Sections 21 and 22, Township 5 North, Range 19 West, Marion County, Mississippi, including without limitation the Rogers 28-11 and Sipp 20-9 Units.

RULE 2 – MULTIPLE COMPLETION OF GAS WELLS

2.1 With respect to any wells completed in conformance with Rule 1.2, above, all or any of the First Hosston Gas Pool, the Harper Sand Gas Pool, the Fourth Hosston Gas Pool, and the Fifth Hosston Gas Pool may be produced simultaneously from a single wellbore without further notice and hearing from the Oil and Gas Board. Any multiple completions pursuant to this rule shall be identified, by completion interval, on a completion report submitted to the Oil and Gas Board. Production from any multiply-completed well shall be identified to the Board as the “(First Pool)/(Second Pool)/(Third Pool)-Commingled.”

RULE 3 – RATABLE TAKE

2.1 Each person now or hereafter engaged in the business of purchasing oil or gas from owners, operators or producers shall purchase without discrimination in favor of one owner, operator, or producer against another in the same common source of supply.

2.2 No owner, operator or producer of oil or gas shall abuse correlative rights of any other owner, operator or producer in the common source of supply herein defined by causing unratable withdrawal therefrom or by causing undue drainage between tracts or units, resulting in one or more owners, operators, or producers producing or withdrawing more than his or its just and equitable share from the common source, with allowances to be made for deficient wells.

RULE 4 – APPLICABILITY OF STATEWIDE RULES:

3.1 All Rules and Regulations contained in Statewide Order No. 201-51, and current amendments thereto, not specifically covered in the foregoing Special Field Rules are hereby adopted and shall apply to said field.

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

ORDERED AND ADJUDGED this 19th of July 2000, effective July 19, 2000.

MISSISSIPPI STATE OIL AND GAS BOARD

By: 

CHAIRMAN

OF COUNSEL:

Jefferson D. Stewart, Esq.
Adams and Reese, LLP
Post Office Drawer 2429
Jackson, Mississippi 39225-4297
Telephone: (601) 353-3234