

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: PETITION OF TELLUS OPERATING GROUP, LLC TO ESTABLISH SPECIAL FIELD RULES FOR HIWANNEE FIELD, LOCATED IN WAYNE COUNTY, MISSISSIPPI, AND OBTAIN RELATED RELIEF

FILED FOR RECORD  
NOV 18 2010  
STATE OIL AND GAS BOARD  
LISA IVSHIN, SUPERVISOR

DOCKET NO. 400-2010-D

ORDER NO. 667-2010

ORDER

THIS MATTER came on to be heard at the regular October 2010 meeting of the State Oil and Gas Board on the petition of **TELLUS OPERATING GROUP, LLC**, Petitioner, requesting the Board to establish Special Field Rules for Hiwannee 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 is the operator of oil and gas wells located in that certain geographical area of Wayne County, Mississippi that Petitioner proposes to formally identify as "Hiwannee Field" by the adoption of special field rules that define the geographical area of the field, define the producing pools, and provide for spacing and other rules.

3.

The Board should adopt Special Field Rules for Hiwannee Field. The Special Field Rules should identify and define the geographical area of Hiwannee Field to be comprised of the following described lands and all productive extensions thereof:

In Township 10 North, Range 7 West, Wayne County, Mississippi:

In Section 8: all that part of the South One-half of the Southeast One-quarter that is lying and situated in Wayne County.

In Section 9: all that part of the Southwest One-quarter of the Southwest One-quarter that is lying and situated in Wayne County.

In Section 16: the entire Section.

In Section 17: the North One-half of the Northeast One-quarter; the East One-half of the Southwest One-quarter of the Northeast One-quarter; the Southeast One-quarter of the Northeast One-quarter; the East One-half of the Southeast One-

quarter.

In Section 20: the Northeast One-quarter of the Northeast One-quarter.

In Section 21: the North One-half of the Northwest One-quarter; the Southwest One-quarter of the Northwest One-quarter; the Northwest One-quarter of the Southwest One-quarter.

In Township 10 North, Range 7 West, Clarke County, Mississippi:

In Section 8: all that part of the South One-half of the Southeast One-quarter that is lying and situated in Clarke County.

In Section 9: all that part of the Southwest One-quarter of the Southwest One-quarter that is lying and situated in Clarke County.

Some of that geographical area has heretofore been referred to in the Board's records as "North Hiwannee," but all of that area should now be defined as being in "Hiwannee Field."

#### 4.

The pools which have been discovered in Hiwannee Field should be defined as follows:

The Smackover Gas and Oil Pool is defined to mean those strata of the Smackover Formation productive of oil, gas and other hydrocarbons in the interval between the measured depths of 14,786 feet and 15,386 feet on the Litho-Density/Comp. Neutron log of the Tellus Operating Group, LLC-Board of Education 16-14 Well No. 2 (originally drilled by Inexco Oil Company), which well is located at a surface location that is 500 feet North of the South line and 1700 feet East of the West line of Section 16, Township 10 North, Range 7 West, Wayne County, Mississippi, and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.

The Norphlet Oil Pool is defined to mean those strata of the Norphlet Formation productive of oil, gas and other hydrocarbons in the interval between the measured depths of 15,602 feet and 15,784 feet on the Compensated Neutron-Formation Density log of the Tellus Operating Group, LLC-Bishop-Cooley et al Well No. 1 (originally drilled by Inexco Oil Company), which well is located at a surface location that is 700 feet South of the North line and 1700 feet East of the West line of Section 21, Township 10 North, Range 7 West, Wayne County, Mississippi, and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.

#### 5.

Because of the geology and other reservoir factors and characteristics of the said Smackover Gas and Oil Pool, the pool should be developed on "640-acre spacing" with authority to drill more than one well per unit in order to effectively and efficiently drain a unit that is underlain by the said pool. The spacing rules for each unit and for the wells that produce from the said pool should be as follows:

- (1) 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.

- (2) 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.
- (3) Each such drilling unit may contain up to three (3) wells that produce from the said pool.
- (4) The bottom hole location of each well that produces from the said pool shall be located at least 1000 feet from the bottom hole location of every other well that is completed into or producing from the said pool; and the surface and bottom hole locations of each such well shall be located at least 250 feet from every exterior boundary line of the drilling unit.
- (5) Each well that is completed in and producing from the said pool may produce such amount of oil and condensate as the well is able to produce, not to exceed a monthly average of 1000 barrels of oil and condensate per day per well.
- (6) The foregoing spacing rules are subject to such exceptions as may be granted by the Board after notice and hearing.

## 6.

Because of the geology and other reservoir factors and characteristics of the said Norphlet Oil Pool, the pool should be developed on "160-acre spacing" with authority to drill more than one well per unit in order to effectively and efficiently drain a unit that is underlain by the said pool. The spacing rules for each unit and for the wells that produce from the said pool should be as follows:

- (1) Each well shall be located on a drilling unit consisting of four (4) contiguous quarter-quarter sections containing not less than 144 nor more than 176 acres.
- (2) Each such unit not composed of four (4) contiguous quarter-quarter sections shall contain 160 surface acres which must be completely encompassed by the perimeter of a rectangle 2640 feet by 3500 feet. Provided, however, no unit shall be permitted which will create island acreage.
- (3) Each such drilling unit may contain up to two (2) wells that produce from the said pool.
- (4) The bottom hole location of each well that produces from the said pool shall be located at least 750 feet from the bottom hole location of every other well that is completed into or producing from the said pool; and the surface and bottom hole locations of each such well shall be located at least 250 feet from every exterior boundary line of the drilling unit.
- (5) Each well that is completed in and producing from the said pool may produce such amount of oil and condensate as the well is able to produce, not to exceed a monthly average of 1000 barrels of oil and condensate per day per well.
- (6) The foregoing spacing rules are subject to such exceptions as may be granted by the Board after notice and hearing.

- (7) Provided, however, the Tellus Operating Company-Bishop-Cooley et al. Well No. 1 and its existing 80-acre unit, comprised of the North One-half of the Northwest One-quarter of Section 21, Township 10 North, Range 7 West, Wayne County, Mississippi, are approved as exceptions to the foregoing rules, and it shall not be necessary for the operator of that well and its unit to make any further filing for approval of that well or its unit so long as it is completed into the said Norphlet Oil Pool.

7.

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

8.

The proposed Special Field Rules will allow for the orderly development of the field and the said pool, will result in the establishment of drilling units for the said pool; will allow the said pool 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 said pool; and will prevent waste; and will safeguard, protect and enforce the coequal and correlative rights of the owners in the pool and in the field.

9.

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 Petition will be filed herein is granted; the geographical area that is described in paragraph 3 above is hereby defined to be "Hiwannee Field"; the proposed Special Field Rules for Hiwannee Field are approved and adopted, and Exhibit "A" hereto is a copy of the Special Field Rules as approved and adopted.

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

**SO ORDERED AND ADJUDGED**, this the 10<sup>th</sup> day of <sup>November</sup>~~October~~, 2010.

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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**ATTORNEYS FOR PETITIONER**

## EXHIBIT "A"

### SPECIAL FIELD RULES FOR HIWANNEE FIELD WAYNE COUNTY, MISSISSIPPI

#### FIELD LIMITS

The geographical area of Hiwannee Field is comprised of the following lands:

In Township 10 North, Range 7 West, Wayne County, Mississippi:

In Section 8: all that part of the South One-half of the Southeast One-quarter that is lying and situated in Wayne County.

In Section 9: all that part of the Southwest One-quarter of the Southwest One-quarter that is lying and situated in Wayne County.

In Section 16: the entire Section.

In Section 17: the North One-half of the Northeast One-quarter; the East One-half of the Southwest One-quarter of the Northeast One-quarter; the Southeast One-quarter of the Northeast One-quarter; the East One-half of the Southeast One-quarter.

In Section 20: the Northeast One-quarter of the Northeast One-quarter.

In Section 21: the North One-half of the Northwest One-quarter; the Southwest One-quarter of the Northwest One-quarter; the Northwest One-quarter of the Southwest One-quarter.

In Township 10 North, Range 7 West, Clarke County, Mississippi:

In Section 8: all that part of the South One-half of the Southeast One-quarter that is lying and situated in Clarke County.

In Section 9: all that part of the Southwest One-quarter of the Southwest One-quarter that is lying and situated in Clarke County.

#### POOL DEFINITIONS

1. The Smackover Gas and Oil Pool is defined to mean those strata of the Smackover Formation productive of oil, gas and other hydrocarbons in the interval between the measured depths of 14,786 feet and 15,386 feet on the Litho-Density/Comp. Neutron log of the Tellus Operating Group, LLC-Board of Education 16-14 Well No. 2 (originally drilled by Inexco Oil Company), which well is located at a surface location that is 500 feet North of the South line and 1700 feet East of the West line of Section 16, Township 10 North, Range 7 West, Wayne County, Mississippi, and all strata productive of oil, gas and other

hydrocarbons which can be correlated therewith and are in communication therewith.

2. The Norphlet Oil Pool is defined to mean those strata of the Norphlet Formation productive of oil, gas and other hydrocarbons in the interval between the measured depths of 15,602 feet and 15,784 feet on the Compensated Neutron-Formation Density log of the Tellus Operating Group, LLC-Bishop-Cooley et al Well No. 1 (originally drilled by Inexco Oil Company), which well is located at a surface location that is 700 feet South of the North line and 1700 feet East of the West line of Section 21, Township 10 North, Range 7 West, Wayne County, Mississippi, and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.

### **RULE 1: SPACING**

A. Spacing for each unit and for the wells that produce from the Smackover Gas and Oil Pool should be as follows:

- (1) 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.
- (2) 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.
- (3) Each such drilling unit may contain up to three (3) wells that produce from the said pool.
- (4) The bottom hole location of each well that produces from the said pool shall be located at least 1000 feet from the bottom hole location of every other well that is completed into or producing from the said pool; and the surface and bottom hole locations of each such well shall be located at least 250 feet from every exterior boundary line of the drilling unit.
- (5) Each well that is completed in and producing from the said pool may produce such amount of oil and condensate as the well is able to produce, not to exceed a monthly average of 1000 barrels of oil and condensate per day per well.
- (6) The foregoing spacing rules are subject to such exceptions as may be granted by the Board after notice and hearing.

**B.** Spacing for each unit and for the wells that produce from the Norphlet Oil Pool should be as follows:

- (1) Each well shall be located on a drilling unit consisting of four (4) contiguous quarter-quarter sections containing not less than 144 nor more than 176 acres.
- (2) Each such unit not composed of four (4) contiguous quarter-quarter sections shall contain 160 surface acres which must be completely encompassed by the perimeter of a rectangle 2640 feet by 3500 feet. Provided, however, no unit shall be permitted which will create island acreage.
- (3) Each such drilling unit may contain up to two (2) wells that produce from the said pool.
- (4) The bottom hole location of each well that produces from the said pool shall be located at least 750 feet from the bottom hole location of every other well that is completed into or producing from the said pool; and the surface and bottom hole locations of each such well shall be located at least 250 feet from every exterior boundary line of the drilling unit.
- (5) Each well that is completed in and producing from the said pool may produce such amount of oil and condensate as the well is able to produce, not to exceed a monthly average of 1000 barrels of oil and condensate per day per well.
- (6) The foregoing spacing rules are subject to such exceptions as may be granted by the Board after notice and hearing.
- (7) Provided, however, the Tellus Operating Company-Bishop-Cooley et al. Well No. 1 and its existing 80-acre unit, comprised of the North One-half of the Northwest One-quarter of Section 21, Township 10 North, Range 7 West, Wayne County, Mississippi, are approved as exceptions to the foregoing rules, and it shall not be necessary for the operator of that well and its unit to make any further filing for approval of that well or its unit so long as it is completed into the said Norphlet Oil Pool.

**RULE 2: 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 -**