

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: PETITION OF CINOCO PRODUCTION
COMPANY, INC. TO AMEND THE SPECIAL
FIELD RULES FOR THE LANGSDALE
FIELD, CLARKE AND WAYNE COUNTIES,
MISSISSIPPI

RECEIVED

JAN 18 1995

SECRETARY

DOCKET NO. 285-95-14

ORDER NO. 426-95

ORDER

THIS CAUSE came on for hearing this day upon the Petition of Cinoco Production Company, Inc., to amend the Special Field Rules for the Langsdale Field, Clarke and Wayne Counties, Mississippi, to authorize the drilling of injection wells and/or conversion of existing wells to injection wells for pressure maintenance and secondary recovery operations for the unitized Eutaw Oil Pool of the Langsdale Field upon administrative permit, without notice and hearing; to authorize the conversion of existing injection wells to fieldwide unit producing wells for the unitized Eutaw Oil Pool in the Langsdale Field Unit upon administrative permit, without notice and hearing; to authorize the drilling of either injection or producing wells for the unitized Eutaw Oil Pool in the Langsdale Field Unit utilizing directional or horizontal drilling techniques upon administrative permit, without notice and hearing; and for related relief, and based upon the evidence presented to it, the Board finds as follows:

I.

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 this Board; that due, legal and sufficient Proofs of Publication are on file with the Board in said matter; and that the Board has full jurisdiction of the subject matter to hear and determine same.

II.

On June 17, 1953, the Mississippi State Oil and Gas Board approved establishment of Special Field Rules for the Langsdale Field, in which rules (Order No. 69-53, entered in Docket No. 52-53-14) the Chalk Oil Pool and the Eutaw Oil Pool were defined. On

December 21, 1966, the Special Field Rules were amended as to the Eutaw Oil Pool (Order No. 312-66, entered in Docket No. 259-66-14). On January 15, 1975, a supplemental order was entered to enlarge the Langsdale Field Unit to its current configuration (Order No. 2275, entered in Docket No. 259-66-14). Then by order of this Board dated August 21, 1991, the Special Field Rules for the Langsdale Field were further amended to bring forward prior rules as to both the Chalk Oil Pool and Eutaw Oil Pool, including Rule III pertaining to the Langsdale Fieldwide Unit for the Eutaw Oil Pool, further authorizing the drilling of vertical and horizontal wells, but limited to the Chalk Formation (Order No. 345-91, entered in Docket No. 246-91-14). Said rules established the geographic limits of the Langsdale Field and the Langsdale Fieldwide Unit - Eutaw Oil Pool, prescribed spacing requirements for wells drilled and completed within the fieldwide unit.

III.

The unitized Eutaw Oil Pool within the Langsdale Fieldwide Unit has been voluntarily unitized for pressure maintenance and secondary recovery operations by voluntary agreements dated December 1, 1966, by and between a majority of the interested parties in said unit, said agreements comprised of a "Unit Operating Agreement, Eutaw Unit, Langsdale Field," and "Unitization Agreement, Eutaw Formation, Langsdale Field."

IV.

The voluntary unitization of the Langsdale Fieldwide Unit - Eutaw Oil Pool, including the voluntary agreements effectuating same, were approved by the Mississippi State Oil and Gas Board by order entered at the regular December, 1966, meeting of the said Board, said order being No. 312-66.

V.

Cinoco Production Company, Inc. has acquired all interest in the Langsdale Fieldwide Unit - Eutaw Oil Pool. Cinoco Production Company, Inc. is now the duly designated Operator of Langsdale Fieldwide Unit - Eutaw Oil Pool, and is authorized to carry out and conduct pressure maintenance and secondary recovery operations within the unitized Eutaw Oil Pool.

VI.

The Special Field Rules should be amended to authorize the drilling of injection wells and/or the conversion of existing wells to injection wells for the use in connection with pressure maintenance and secondary recovery operations within the fieldwide unit upon administrative permit, without notice and hearing, upon the Operator of the fieldwide unit filing with the Mississippi State Oil and Gas Board a duly executed Form 2, the required permit application fee for each such well and such other or additional information as the Board may require.

VII.

The Special Field Rules should be further amended to authorize the conversion of existing injection wells to fieldwide unit producing wells for the Langsdale Fieldwide Unit - Eutaw Oil Pool upon administrative permit, without notice and hearing, upon the Operator of the fieldwide unit filing with the Mississippi State Oil and Gas Board a duly executed Form 2, the required permit application fee for each such well, and such other or additional information as the Board may require.

VIII.

The Special Field Rules should be amended to authorize the Operator of the Langsdale Fieldwide Unit - Eutaw Oil Pool upon administrative permit, without notice and hearing, to drill either injection or producing wells on the fieldwide unit utilizing directional or horizontal techniques designed to increase the ultimate recovery of hydrocarbons contained within the Eutaw Oil Pool; provided that (1) no portion of well bore or horizontal drainhole shall be nearer than 330.0 feet from any exterior unit boundary of the fieldwide unit, except upon permit issued by the Mississippi State Oil and Gas Board, after notice and hearing, and (2) the Operator of the fieldwide unit shall file with the Mississippi State and Oil Gas Board a directional survey of the finished hole of such well(s) and other information required by rule or written policy of the Board.

IX.

The Special Field Rules should be amended to authorize the operator to conduct production tests from any well producing from the unitized Eutaw Oil Pool for a period of not more than 180 days.

X.

The amendments to the Special Field Rules, as hereinabove set forth, will promote conservation, will prevent waste, will avoid the drilling of unnecessary wells, and will fully protect the co-equal and correlative rights of all parties in interest. In addition, the adoption of the proposed amendments will facilitate a more orderly and efficient operation in the development of the unitized Eutaw Oil Pool and result in the ultimate recovery of more oil reserves from the Langsdale Field.

XI.

A copy of the Special Field Rules, as amended, is attached hereto as Exhibit "A" and is made a part hereof by reference for all purposes.

IT IS, THEREFORE, ORDERED AND ADJUDGED by the State Oil and Gas Board of Mississippi, that the amended Special Field Rules for the Langsdale Field, Clarke and Wayne Counties, Mississippi, are hereby adopted and approved in the form more fully set forth on the attached Exhibit "A" which is incorporated herein by reference and is made a part hereof for all purposes.

ORDERED, this 20th day of December, 1995.

STATE OIL AND GAS BOARD OF
MISSISSIPPI

BY: Joseph D. Zuccaro
Chairman

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EXHIBIT "A"

**AMENDED SPECIAL FIELD RULES
FOR THE EUTAW OIL POOL
AND SELMA CHALK OIL POOL
LANGSDALE FIELD
CLARKE AND WAYNE COUNTIES, MISSISSIPPI**

A. The Langsdale Field, as used herein, includes the following described lands, located in Clarke and Wayne Counties, Mississippi and Choctaw County, Alabama, to-wit:

TRACT A:

All of Section 25, Township 1 North, Range 17 East, Clarke County, Mississippi;

Section 30, Township 1 North, Range 18 East, less and except Northwest Quarter of Northwest Quarter, Clarke County, Mississippi;

Fractional Section 29, Township 1 North, Range 18 East, Clarke County, Mississippi;

Lot 1, Section 31, Township 1 North, Range 18 East, Clarke County, Mississippi;

Fractional Section 32, Township 1 North, Range 18 East, Clarke County, Mississippi;

Fractional Section 28, Township 11 North, Range 5 West, Wayne County, Mississippi;

Fractional Section 27, Township 11 North, Range 5 West, Wayne County, Mississippi;

North Quarter of Lot 1, Section 33, Township 11 North, Range 5 West, Wayne County, Mississippi;

North Quarter of Lot 1 and North Quarter of Lot 2, Section 34, Township 11 North, Range 5 West, Wayne County, Mississippi;

TRACT B:

Lots C and D, Section 22, Township 11 North, Range 5 West, Choctaw County, Alabama;

Fractional Section 27 North of Choctaw Boundary Line, Township 11 North, Range 5 West, Choctaw County, Alabama;

TRACT C:

All of Section 26, Township 1 North, Range 17 East, Clarke County, Mississippi;

and including all extensions thereof, including such extensions as may be approved by the State Oil and Gas Board of Alabama as to the Eutaw Oil Pool.

B. The Eutaw Oil Pool, as found in the Langsdale Field, Clarke and Wayne Counties, Mississippi, shall be construed to mean that geological formation encountered in the Kirby Petroleum Company (now Hunt Oil Company) - Longbell B-1, located in the center of the NW-1/4 of NW-1/4 of SW-1/4, Section 30, Township 1 North, Range 18 East, Clarke County, Mississippi, between the depths of 3,644 feet and 3,850 feet, as shown by Schlumberger electrical log, and all horizons in correlation therewith.

C. The Selma Chalk Oil Pool shall be construed to mean those strata productive of oil and other hydrocarbons in the Selma Chalk Formation at the Dual Induction Electric Log interval of 2,716 feet to 3,810 feet as found in the Whitehurst Drilling Company - Longbell No. 1 Well, located in the SW-1/4 of SW-1/4 of Section 26, Township 1 North, Range 17 East, Clarke County, Mississippi, and those sands productive of oil and other hydrocarbons correlative therewith.

**RULE I - SPACING OF OIL WELLS
FOR THE EUTAW OIL POOL**

A. A drilling unit for said pool and further extensions thereof is hereby established as an area consisting of regular quarter-quarter sections containing forty (40) acres with a tolerance of four (4) acres. Each quarter-quarter section shall be an allowable unit. Nothing contained herein shall affect drilling units and spacing of oil wells upon said units permitted by the State Oil and Gas Board prior to the date of adoption of Amended Special Field Rules.

**RULE II - DRILLING AND COMPLETION OF
WELLS FOR THE UNITIZED EUTAW OIL POOL**

All wells completed as an oil well shall be equipped with bradenheads, casingheads and Christmas tree fittings having a working pressure of not less than one thousand (1,000) pounds per square inch except wells completed as pumping wells for which this rule will not apply.

**RULE III - THE LANGSDALE FIELDWIDE
UNIT - EUTAW OIL POOL**

Notwithstanding any other provision contained in these Amended Special Field Rules, it is further provided:

The Langsdale Field Unit, encompassing Tracts A and B as described above, has been created by voluntary agreement of a majority of the interested parties in said tracts. The unit

area shall be considered and treated as a single drilling and producing unit as to all tracts therein contained, subject only to such limitations as may be required in order to protect the co-equal and correlative rights of non-joining owners. The rules hereinafter provided applicable to the Langsdale Field Unit will enable said unit area to be efficiently drained and the recoverable oil and gas underlying the unit area to be produced with full protection of the co-equal and correlative rights of all parties and without avoidable waste.

**RULE III-A - SPACING OF OIL WELLS
FOR THE UNITIZED EUTAW OIL POOL**

1. (a) A fieldwide drilling unit is hereby established for each and all oil wells drilled and completed in the Eutaw Oil Pool underlying the unit area affected by the Unitization Agreement, Eutaw Formation, Langsdale Field, Clarke and Wayne Counties, Mississippi. The unit area does not include all or any portion of any individual drilling unit as defined in subsection (b) hereof nor shall it include the net acreage therein which is attributable to any operating or royalty interest not subject to said Unitization Agreement.

(b) Each oil drilling unit heretofore or hereafter established under the provisions of statewide rules which has not qualified under Article 9 of the Unit Operating Agreement, Eutaw Unit, Langsdale Field, dated December 1, 1966, shall maintain its status as a drilling unit.

2. When used in these rules, the words "individual drilling unit" shall mean a drilling unit now or hereafter existing in the unit area created in accordance with statewide rules which has not qualified under Article 9 of the Unit Operating Agreement, Eutaw Unit, Langsdale Field, dated December 1, 1966; and the words "fieldwide unit" shall mean the entire portion of the Langsdale Unit area underlain by the Eutaw Oil Pool as herein defined, exclusive of that portion thereof included in any "individual drilling unit" and also exclusive of the net acreage therein which is attributable to any operating or royalty interest not subject to said Unitization Agreement.

3. The location of wells upon any individual drilling unit shall be governed by applicable statewide rules promulgated by the State Oil and Gas Board. The location of wells upon the fieldwide unit shall be governed by standards of geology and petroleum engineering designed to promote the greatest ultimate recovery of hydrocarbons contained in the pool.

However, no well may be drilled, injected into or produced from said pool nearer than 330 feet from any boundary of the fieldwide unit except upon permit issued by the State Oil and Gas Board after notice and hearing.

**RULE III-B - ALLOCATION OF PRODUCTION
FOR THE UNITIZED EUTAW OIL POOL**

For any well(s) drilled and completed or recompleted within the Unitized Eutaw Oil Pool, the daily production allowable for such well(s) shall be the maximum efficient rate of production to be determined by the Mississippi State Oil and Gas Board. The Operator shall have a period of not more than one hundred eighty (180) days in which to conduct production tests from any well(s) drilled and completed or recompleted within the Unitized Eutaw Oil Pool. During such one hundred eighty (180) days test period, the Operator shall be authorized to produce said well(s) at a daily maximum production rate in excess of the daily production allowable provided for such well(s) by either the Statewide Rules and Regulations and/or the Special Field Rules. At the end of said one hundred eighty (180) days test period, the Operator shall appear before the Mississippi State Oil and Gas Board for the purpose of establishing the maximum efficient rate of production for such well(s).

**RULE III-C - PRESSURE MAINTENANCE
AUTHORIZED FOR THE UNITIZED EUTAW OIL POOL**

1. The Operator of the Langsdale Field Unit, is hereby authorized to conduct pressure maintenance operations and secondary recovery operations in the Eutaw Oil Pool of the Langsdale Fieldwide Unit by the injection of gas, water or other substances.

2. The Operator may use for injection purposes existing wells located on said Langsdale Fieldwide Unit which may be converted to injection wells or wells may be drilled on said fieldwide unit for such purposes. Any such wells drilled as injection wells or converted to injection wells by the Operator on the fieldwide unit as a part of pressure maintenance and/or secondary recovery operations may be approved by the Mississippi State Oil and Gas Board on administrative permit, without notice and hearing, upon the Operator filing with the Board a duly executed FORM 2, the required permit application fee for each such well, and all evidence and information required under Statewide Rule 63. In addition, existing fieldwide unit injection wells may be converted to fieldwide unit producing wells on administrative permit, without

notice and hearing, upon the Operating filing with the Mississippi State Oil and Gas Board a duly executed FORM 2, the required permit application fee for each such well, and all other evidence and information the Board may require.

3. The Operator of the Langsdale Fieldwide Unit, may drill either injection or producing wells on the Fieldwide Unit utilizing directional or horizontal drilling techniques designed to increase the ultimate recovery of oil, gas or other hydrocarbons contained in the unitized pool upon administrative permit, without notice and hearing; provided, however, that (1) no portion of the wellbore located within the unitized interval or horizon of any such well so drilled shall be nearer than 330.0 feet from any exterior boundary of the Fieldwide Unit, except upon permit issued by the Mississippi State Oil and Gas Board, after notice and hearing, and (2) the Operator shall file a directional survey and such other information as may be required by rule or written policy of the Board upon completion.

RULE III-D - MEASUREMENT OF PRODUCTION FROM THE UNITIZED EUTAW OIL POOL

The Operator of each producing lease shall maintain proper separators and stock tanks or metering devices and such connections thereto as are necessary to continuously measure the total production from such lease. Where metering devices are used, as herein provided, the production may be commingled in a common storage system. And if, upon a sale therefrom, a variance exists between the measurement from the common storage system and the total measurement of the production of all the leases commingled in such common storage system, then such variance shall be allocated back to each of the leases producing into the common storage system proportionately to the production measured from each lease.

RULE III-E - EQUIPMENT FOR TESTS FOR THE UNITIZED EUTAW OIL POOL

Each producing well shall be so equipped that gas/oil ratio tests and bottom hole or other pressure tests may be made.

RULE III-F - USE OF METERS FOR THE UNITIZED EUTAW OIL POOL

1. Only a volume displacement type metering device or vessel which registers the volume of oil passed through it in barrels or multiples thereof may be used.

2. 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 Oil and Gas Board.

3. No meter used for oil production measurement shall be directly or indirectly by-passed in such manner as to permit oil to pass into common storage without first being measured by said meter, including wells on test.

4. All meters and equipment affecting meter accuracy shall be kept in good working order. Each meter shall be calibrated at least once a month by means of a calibrated tank, a calibrated meter prover or a master meter. When a meter is found to deviate in its recording by more than two percent (2%), it must be adjusted to conform to the said tolerance limitation of two percent or the meter calibration factor corrected.

5. The corrected meter reading at 7:00 a.m. on the first day of each month for each meter shall be reported on the bottom of the Form 9 reporting the monthly production from the wells being measured by such meter.

RULE IV - APPLICABILITY OF STATEWIDE RULES

A. All rules and regulations contained in Statewide Order No. 201-51, and amendments thereto, not specifically covered in the foregoing rules, are hereby adopted and shall apply to the Langsdale Field.

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

END OF SPECIAL FIELD RULES