

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

FILED FOR RECORD

RE: PETITION OF FLETCHER PETROLEUM
CORP. TO AMEND THE SPECIAL FIELD
RULES FOR THE MAPLE BRANCH FIELD,
MONROE AND LOWNDES COUNTIES,
MISSISSIPPI

MAR 05 2013

STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR

DOCKET NO. 58-2013-D

ORDER NO. 100-2013

ORDER

THIS CAUSE came to be heard on the Petition of Fletcher Petroleum Corp. ("Petitioner") requesting the Board amend the Special Field Rules for the Maple Branch Field, Monroe and Lowndes Counties, Mississippi; 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 required by 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, a public hearing was held by said Board in the Hearing Room, Suite E, 500 Greymont Avenue, Jackson, Mississippi, commencing on February 20, 2013, at 10:00 o'clock a.m. at which hearing all persons present who desired to be heard on said matter were heard and all testimony and the 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 Mississippi State Oil and Gas Board has previously approved the establishment of the Special Field Rules for the Field in Docket No. 74-2009-413,

Order No. 120-2009. The Amended Special Field Rules need to be adopted to prescribe certain spacing, measurement, metering, increased density, and other applicable requirements for wells drilled and completed in the Pools. The purpose of this Petition is to amend the Special Field Rules for use in the horizontal development of the Pools.

2.

The Amended Special Field Rules for the Field should be adopted for said purposes.

3.

The Amended Special Field Rules for the Field promote conservation, prevent waste, avoid the drilling of unnecessary wells, and protect the co-equal and correlative rights of all parties in interest and will result in the recovery of more oil, gas and other hydrocarbons from said field.

IT IS, THEREFORE, ORDERED AND ADJUDGED by the State Oil and Gas Board of Mississippi that the Special Field Rules for the Maple Branch Field shall be and hereby are amended as follows:

**AMENDED SPECIAL FIELD RULES
FOR THE MAPLE BRANCH FIELD
MONROE AND LOWNDES COUNTIES, MISSISSIPPI**

I. FIELD EXTENT

Maple Branch Field, as that term is used herein, shall encompass those lands in Monroe and Lowndes Counties, Mississippi described as:

TOWNSHIP 15 SOUTH, RANGE 18 WEST

Section 22: SE $\frac{1}{4}$ -- For Lewis Sand Oil Pool only
Section 27: E $\frac{1}{2}$ -- For Lewis Sand Oil Pool only
Section 35: NW $\frac{1}{4}$ and S $\frac{1}{2}$

TOWNSHIP 16 SOUTH, RANGE 17 WEST

Section 5: W $\frac{1}{2}$
Section 6: Entire

Section 7: Entire
Section 8: Entire
Section 17: Entire
Section 18: Entire
Section 19: Entire
Section 20: Entire
Section 29: Entire

TOWNSHIP 16 SOUTH, RANGE 18 WEST

Section 1: Entire
Section 2: Entire
Section 12: Entire
Section 13: Entire

II. POOL DEFINITIONS

A. The Carter Sand Gas Pool, as used herein, shall be construed to mean those strata of the Mississippian System productive of gas from the depth of 4,796 feet to 4,844 feet in the Pruet & Hughes Company-Aquitaine Oil Corporation No. 1 Crump Unit 1-6 Well, as shown by the electrical log thereof, located 2,310 feet from the north line and 2,140 feet from the east line of Section 1, Township 16 South, Range 18 West, Monroe County, Mississippi, and including the strata previously defined as the "South Carter Sand Gas Pool", plus other strata productive of gas which can be correlated therewith.

B. The Lewis Sand Oil Pool, as used herein, shall be construed to mean those strata of the Mississippian System productive of oil from the depth of 5,287 feet to 5,328 feet in the Pruet & Hughes Company-Aquitaine Oil Corporation and Kerr-McGee Corporation -P Pounders Unit No. 6-11 Well No. 1, as shown by the electrical log thereof, located 2,400 feet from the south line and 1,500 feet from the west line of Section 6, Township 16 South, Range 17 West, Monroe County, Mississippi, and including those strata productive of oil which can be correlated therewith.

C. The Sanders "A" Sand Oil Pool, as used herein, shall be construed to mean those strata of the Mississippian System productive of oil from the depth of 4,772 feet to 4,838 feet in the Pruet & Hughes Company-Aquitaine Oil Corporation and Kerr-McGee Corporation — No. 1 Lawrence Unit 7-7 Well, as shown by the electrical log thereof, said well being located 1,500 feet from the north line and 1,500 feet from the east line of Section 7, Township 16 South, Range 7 West, Monroe County, Mississippi, and including those strata productive of oil which can be correlated therewith.

D. The Sanders "B" Sand Oil Pool, as used herein, shall be construed to mean those strata of the Mississippian System productive of oil from the depth of 4,966 feet and 5,007 feet in the Bow Valley Petroleum, Inc. — Holliman 12-16 Well No. 1 located 660 feet from the east line and 660 feet from the south line in the SE/4 of Section 12, Township 16 South, Range 18 West, Lowndes County, Mississippi, as indicated on the electric log for said well, and including those strata productive of hydrocarbons which can be correlated therewith.

E. The Walker Sand Oil Pool, as used herein, shall be construed to mean those strata of the Mississippian System productive of oil from the depth of 4,370 feet to 4,389 feet in the Pruet & Hughes Company-Aquitaine Oil Corporation No. 1 Crump Unit 1-6

Well, as shown by the electrical log thereof, said well being located 2,310 feet from the north line and 2,140 feet from the west line of Section 1, Township 16 South, Range 18 West, Monroe County, Mississippi, and including those strata productive of oil which can be correlated therewith.

F. The Millerella Sand Oil Pool, as used herein, shall be construed to mean those strata of the Mississippian System productive of oil from the depth of 4,596 feet to 4,604 feet in the Pruet Production Co. — No. 1 Whitley 5-13 Well, as shown by the electrical log thereof, said well being located 1,000 feet from the south line and 1,000 feet from the west line of Section 5, Township 16 South, Range 17 West, Lowndes County, Mississippi, and including those strata productive of oil which can be correlated therewith.

G. The Lewis Sand Gas Pool, as used herein, shall be construed to mean those strata of the Mississippian System productive of gas from the depth of 5,344 feet to 5,366 feet in the Pruet Production Co.-Egger 18-1 Well No. 1, as shown by the electrical log thereof, said well being located 785 feet from the north line and 1,000 feet from the east line of Section 18, Township 16 South, Range 17 West, Lowndes County, Mississippi, and including those strata productive of gas which can be correlated therewith.

H. The Sanders "A" Sand Gas Pool, as used herein, shall be construed to mean those strata of the Mississippian System productive of gas from the depth of 4,855 feet to 4,924 feet in the Michigan Oil Company — Holliman 18-3 No. 2 Well, as shown by the dual induction log thereof, located 800 feet from the north line and 1,980 feet from the west line of Section 18, Township 16 South, Range 7 West, Lowndes County, Mississippi, and including those strata productive of gas which can be correlated therewith.

III. PRODUCING CHARACTERISTICS

The characteristics of the above-mentioned gas pools are such that one well drilled on a regularly formed drilling unit conforming to the requirements of the rules herein contained will efficiently drain and produce the recoverable gas from such unit in said pool without avoidable waste.

The characteristics of the above-mentioned oil pools are such that one well drilled on a regularly formed drilling unit conforming to the requirements of the rules herein contained will efficiently drain and produce the recoverable gas from such unit in said pool without avoidable waste.

IV. RULES

RULE I - SPACING OF ALL GAS WELLS

Every well drilled as a gas well to the Carter Sand, Lewis Sand, and Sanders "A"

Sand gas pools:

A. Shall be located on a drilling unit consisting of 320 contiguous surface acres, or eight governmental quarter-quarter sections containing not less than 300 acres or

more than 340 acres, upon which no other drilling or producible gas well is located.

B. Any gas drilling unit consisting of eight governmental quarter-quarter sections must be completely encompassed by the perimeter of a rectangle 3,735 feet by 5,380 feet. Provided, however, no unit shall be permitted which will create island acreage.

C. The well shall be located at least 1,320 feet from every other drilling or producible gas well located in conformity with this rule; and

D. The well shall be located not less than 660 feet from every exterior boundary of the unit.

RULE 2 – SPACING OF OIL WELLS

A. **Vertical Wells.** Every well drilled as a vertical oil well to the Lewis Sand Oil Pool, the Sanders "A" Sand Oil Pool, the Sanders "B" Sand Oil Pool, the Walker Sand Oil Pool, and the Millerella Sand Oil Pool:

1. Shall be located on a drilling unit consisting of governmental quarter sections containing not less than 144 acres or more than 176 acres, upon which no other drilling or producible oil well for the same oil pool is located.

2. The well shall be located at least 1320 feet from every other drilling or producible oil well for the same oil pool located in conformity with this rule; and

3. The well shall be located not less than 660 feet from every exterior boundary of the unit.

B. **Horizontal Wells.** The following spacing shall apply to horizontal wells that are permitted from each Lewis Sand Oil Pool, Sanders "A" Sand Oil Pool and Sanders "B" Sand Oil Pool Wells:

1. Each drilling unit shall be located on the drilling unit consisting of (1) not less than 288 and not more than 352 contiguous surface acres; or (2) a governmental half-section containing not less than 288 acres or more than 352 acres; or (3) eight (8) contiguous governmental quarter-quarter sections whose total acreage is not less than 288 or more than 352 acres. The word "contiguous" as used herein shall mean bordering at each other at more than one point. Any oil drilling unit formed under Section B(i) must be completely encompassed by the perimeter of a rectangle 3,735 feet by 5,380 feet provided; however, no unit shall be permitted which would create island acreage.

2. The perforations in each horizontal drainhole of each horizontal well in the Lewis Sand Oil Pool, the Sanders "A" and "B" Oil Pools shall be no closer than 330 feet from every other well that is producing from the same pool, and not less than 330 feet from every exterior boundary of the unit; provided however, the perforations in a well's horizontal drainhole may be located closer than 330 feet to another well that is located on the same unit and is producing from the same pool, if the operator of the other well executes a written waiver of the 330 foot distance requirement.

3. The surface location of a horizontal well may be located either within or outside of the unit for the well, provided that the horizontal drainhole section of the well complies with subparagraph (ii) above.

4. A directional drilling survey shall be run on each horizontal well and filed with the Board after completion of the well.

5. Each drilling unit may contain up to two horizontal wells producing from each of the Lewis Sand Oil Pool, the Sanders "A" and "B" Sand Oil Pools with each well entitled to its own separate full allowable.

C. Allowables for Horizontal Wells in the Lewis Sand Oil Pool, the Sanders "A" Sand Oil Pool and the Sanders "B" Oil Pool. The maximum allowable for a horizontal well that produces from the Lewis Sand Oil Pool, the Sanders "A" Sand Oil Pool and the Sanders "B" Oil Pool in the Field shall be 2,000 barrels of oil per day. The Operator of each such well shall have an unrestricted allowable for eighteen months after initial completion to test for maximum efficient rates.

D. Measurement for Horizontal Wells in the Lewis Sand Oil Pool, the Sanders "A" Sand Oil Pool and the Sanders "B" Oil Pool. In each case that these Rules establish distances that apply to distances from one horizontal to another horizontal, the measurements shall be made from the center of the horizontal drainhole to the center of the other drainhole.

E. Definitions for Horizontal Wells in the Lewis Sand Oil Pool, the Sanders "A" Sand Oil Pool and the Sanders "B" Oil Pool. The drainhole is defined as that portion of the wellbore drilled in the Pools between the penetration point and the terminus point. The term "penetration point" is herein defined as the point in which the well penetrates the top of the objective formation of the Pool. The "terminus point" is the final end of the drainhole within the objective formation. There shall be

no limitation on the termination point so long as the termination point is on the unit and all perforations in the drainhole are more than 330 feet from all unit lines.

RULE 3 – MEASUREMENT OF PROCEDURES AND FACILITIES

A. The Operator of each unit within the Field shall be permitted to commingle production at the surface from all individual units for collection and sale at a central tank battery in the Field as part of its normal operations. This includes a central tank battery and a central facility for oil, gas, and water operations. The oil and gas production from the units in the Field may be commingled in a common storage system. 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, not less than once each month. If, upon a sale therefrom, a variance exists between the measurement from the common storage system and the measurement from the production of all the wells commingled in such common storage system, then such variance shall be allocated back to each of the wells producing into the common storage system proportionately to the production measured from each of the wells on the basis of the periodic tests.

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

C. Each producing well shall be connected to a metering system as will permit the adequate testing of each individual well under usual operating conditions without the necessity of closing in any other well. Each well shall be tested not less than once per month for allocation of field production and between individual units. Separators, stock tanks or measuring devices and connections thereto shall be subject to approval by the Supervisor.

RULE 4 – USE OF METERS

A. The use of meters for testing and for measurement of each unit's production shall be subject to and in accordance with the following provisions:

1. All meters shall be designed and installed in conformance with recognized metering practices, but shall specifically include the Coriolis Mass Flow meters, turbine meters, or volume displacement type metering devices.

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.

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, it must be adjusted to conform to the said tolerance limitation of two percent or the meter calibration factor corrected. If the total sales meter at a Central Tank Battery Facility differs from each individual well test averages and the difference is not readily allocable to any well or wells, the difference shall be allocated proportionately to each well, equipped and flowing into the Central Tank Battery System.

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.

6. Automatic custody transfer systems which automatically test, sample, measure and transfer the production from the operator to the purchaser are hereby authorized. Such systems 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 basic sediment and water content can be determined. Each custody transfer system will be equipped with a LACT, Coriolis Mass Flow, turbine, or volume displacement type metering device which accurately registers the volume of oil passed through it in barrels or multiples thereof.

RULE 5 – TUBING, LOGS, AND FORCE INTEGRATION

A. As to the horizontal Lewis Sand Oil Pool, the Sanders "A" Sand Oil Pool and the Sanders "B" Oil Pool, each flowing oil well may be produced without production tubing as an exception to Statewide Rule 18 and any other applicable Rules, provided that the operator thereof takes proper measures to protect against any undue hazard both underground and at the surface.

B. As to any well drilled solely to produce the horizontal Lewis Sand Oil

Pool, the Sanders "A" Sand Oil Pool and the Sanders "B" Oil Pool, the operator of each such well may elect, without obtaining any further approval, to forego running any electrical logs. In the event perforating logs are run, such logs shall be provided to the Board.

C. A well which is being drilled to the horizontal Lewis Sand Oil Pool, the Sanders "A" Sand Oil Pool and the Sanders "B" Oil Pool either as an initial well, or as an increased density well under these Special Field Rules on an established unit, may have the drilling permit issued administratively, without notice and hearing, provided that the proposed well complies with these Special Field Rules and provided that the established unit has previously been force integrated pursuant to Miss. Code Ann § 53-3-7(1), as amended, if the request is simply for a simply integration and not alternate risk charges.

D. As to Lewis Sand Oil Pool, the Sanders "A" Sand Oil Pool and the Sanders "B" Oil Pool, operators may measure production on an unit instead of an individual well basis, for increased density wells on such units.

RULE 6 - TWO WELL EXCEPTION TO RULES

All rules set out herein shall apply to two wells located outside of the Field Extent of Maple Branch Field and within the Storage Area of the adjoining Buttahatchie River Gas Storage Field, said wells are as follows:

Sam J. Creekmore, Jr. No. 2, API No. 23095202100000

Creekmore Unit 36-9 No. 1, API No. 23095202800000

RULE 7 - APPLICABILITY OF STATEWIDE RULES

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

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

**** END OF SPECIAL FIELD RULES ****

IT IS FURTHER ORDERED AND ADJUDGED that this Order shall be in force and effect from and after February 20, 2013.

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

ORDERED AND ADJUDGED this 4th day of March, 2013.

STATE OIL AND GAS BOARD OF
MISSISSIPPI


CHAIRMAN

Prepared By:

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