

JUL 08 2013

STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

**RE: PETITION OF VENTEX OPERATING CORP. TO AMEND THE SPECIAL
FIELD RULES FOR MAXIE FIELD IN FORREST COUNTY, MISSISSIPPI**

**DOCKET NO. 249-2013-D
ORDER NO. 381-2013**

ORDER

This day this matter came on for hearing before the State Oil and Gas Board at its regular June 19, 2013, hearing on the Petition of Ventex Operating Corp. to amend the Special Field Rules for Maxie Field, Forrest County, Mississippi.

WHEREAS, Board finds that due, proper and legal notice of the meeting of this Board for the purpose of considering and taking action with respect to such matter was given in the manner provided by law and the rules and regulations of this Board; that due, legal and sufficient proofs of publication and personal notices are on file with the Board; and that the Board has full jurisdiction of the parties and subject matter to hear and determine this docket; and,

WHEREAS, a public hearing was held by said Board in the hearing room, 500 Greymont Avenue, Suite E, Jackson, Mississippi, commencing on June 19, 2013, at which time all persons present who desired to be heard on said matter were heard and all testimony and evidence were duly considered 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. Petitioner is operator of the W. J. Morris 5-11 No. 1 Well ("Well") located 1,496 feet from west line and 2,878 feet from north line of Section 5, Township 1 South, Range 12 West, Forrest County, Mississippi, on a gas unit consisting of the North Half of said Section 5, containing 401.8 acres.

2. The W. J. Morris 5-11 No.1 Well was initially tested in the Lower Tuscaloosa Formation but pursuant to workover permit 2013-WOP-0051 the Well was re-completed in the Midway Formation and has successfully tested gas production commencing April 26, 2013.

3. Special Field Rules for Maxie Field were last amended by Order No. 101-2012 in Docket No. 49-2012-D filed for record on March 1, 2012.

4. The Special Field Rules for Maxie Field should be amended to define the producing interval of the Midway Formation. The amendment will encourage the drilling of

additional wells and development of said interval. The name and definition of the producing interval are as follows:

The Midway Gas Pool as used herein shall be construed to mean those strata productive of gas and condensate in the interval of 5,445 feet to 5,945 feet in W. J. Morris 5-11 No. 1 Well located 1,496 feet from west line and 2,878 feet from north line of Section 5, Township 1 South, Range 12 West, Forrest County, Mississippi, as indicated on the Array Induction Log of said well, run by Schlumberger, on August 31, 2011, and all strata correlative thereto.

5. Portions of Maxie Field consist of governmental sections in excess of 800 acres, rather than the standard 640 acres. Due to geological and reservoir characteristics, as well as nonstandard governmental sections, increased density wells are needed to effectively and efficiently drain the drilling units for the producing interval. The spacing rules for the Midway Gas Pool, to be the same as the existing Consolidated Lower Tuscaloosa Interval, are established as follows:

- (1) Each drilling unit shall consist of (a) 320 contiguous surface acres or (b) a governmental half section containing not less than 300 acres or more than 403 acres, or (c) eight (8) contiguous governmental quarter-quarter sections whose total acreage is not less than 300 or more than 403 acres.
- (2) Any drilling unit formed under section 5(1) of this rule must be completely encompassed by the perimeter of a rectangle 3735 feet by 5380 feet. Provided, however, no unit shall be permitted which will create island acreage;
- (3) Each drilling unit may contain up to 10 drilled and producing wells from the Consolidated Lower Tuscaloosa Interval and Midway Gas Pool as increased density wells.
- (4) Each drilling unit shall developed subject to the following:
 - a. Each well shall be located at least 660 feet from every other drilling or producible well in the same pool.
 - b. Each well within such unit shall be located at least 330 feet from each exterior boundary of the drilling unit, except where an exception has been granted by the Board after notice and hearing.
 - c. Each increased density well shall be granted a full allowable for production.

6. The Special Field Rules currently authorize gas wells in the Selma Chalk Gas Pool and Consolidated Lower Tuscaloosa Interval to be completed without production tubing as an exception to Statewide Rule 18. Wells in the Midway Gas Pool should also be completed without production tubing. Such authority will enable easier access to the producing formation for future work, including potential dual completions. The completion of wells in the Midway Gas Pool without production tubing is not detrimental to any oil or gas bearing sands or USDWs

in the field. No waste will be committed, nor will damage or injury to the oil and gas producing strata or fresh water strata of Maxie Field take place.

7. All increased density wells authorized in Maxie Field may be force integrated pursuant to Section 53-3-7(1) Miss. Code Ann., as amended, "simple integration". After a drilling unit has once been subject to simple integration, drilling permits may be issued administratively, without notice or hearing, provided that the proposed well complies in all respects with the Special Field Rules. The ownership in each proration unit will be the same for that unit no matter the number of increased density wells drilled. Therefore, the effort to force pool each increased density well is duplicative after the first integration of the unit and wasteful of the assets of both the operator and the Board. The rule will only affect the "simple integration" of non-consenting owners. Should the operator of the unit desire to pursue the application of alternate risk charges against non-consenting owners, the operator will be required to follow the mandates of Miss. Code Ann. § 53-3-7(2), as amended, to qualify for alternate risk charges against non-consenting owners.

8. The Amended Special Field Rules of Maxie Field, which are set forth in Exhibit "A", attached hereto, will prevent waste, will avoid the drilling of unnecessary wells, will protect the co-equal and correlative rights of the owners in the Field, will allow all of the owners in the Field the right and opportunity to recover their fair and equitable share of the recoverable hydrocarbons therein, will foster and encourage the full development of the Field, will promote the conservation of hydrocarbons from the Field by preventing waste, and will enable hydrocarbons to be produced which could not otherwise be produced, thereby increasing the ultimate recovery of hydrocarbons.

9. The Special Field Rules are amended effective first date of test production from Petitioner's W. J. Morris 5-11 No.1 Well on April 26, 2013.

IT IS THEREFORE ORDERED AND ADJUDGED that the Special Field Rules for Maxie Field, Forrest County, Mississippi, attached hereto as Exhibit "A", are amended effective the first date of test production from the W. J. Morris 5-11 No.1 Well on April 26, 2013; and

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

SO ORDERED AND ADJUDGED this the 5th day of July, 2013, and effective
June 19, 2013.

STATE OIL AND GAS BOARD OF MISSISSIPPI

By: 

JAMES HEIDELBERG, Chairman

OF COUNSEL:

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**ATTORNEY FOR PETITIONER
VENTEX OPERATING CORP.**

Exhibit "A"

**SPECIAL FIELD RULES
FOR THE MAXIE FIELD
FORREST COUNTY, MISSISSIPPI**

A. FIELD AREA

The Maxie Field, as used herein, is that geographical area comprised of the following described lands, as underlain by the hereinafter defined pools and all productive extensions thereof:

Forrest County, Mississippi
Township 1 North, Range 12 West

Section 27: All
Section 28: All
Section 29: All
Section 30: All
Section 31: All
Section 32: All
Section 33: All
Section 34: All

Township 1 North, Range 13 West

Section 36: All

Township 1 South, Range 13 West

Section 1: All
Section 2: All
Section 3: All
Section 11: All
Section 12: All

Township 1 South, Range 12 West

Section 3: All
Section 4: All
Section 5: All
Section 6: All
Section 7: All
Section 8: All
Section 9: All
Section 10: All
Section 17: All
Section 18: All

Including all productive extensions thereof, and which area is underlain by the Eutaw Gas Producing Pool, the Upper Tuscaloosa Gas Producing Pool, the Lower Tuscaloosa LT-1, LT-2 and LT-3 Gas Producing Pools, the "4150 foot" Wilcox Gas Producing Pool, the "4400 foot" Wilcox gas Producing Pool, the "4700 foot" Wilcox Gas Producing Pool, the Selma Chalk Gas Pool, the Consolidated Lower Tuscaloosa Interval and the Midway Gas Pool.

B. POOL DEFINITIONS

1. The Eutaw Gas Pool as used herein shall be construed to mean those strata of Eutaw Formation productive of gas in the interval 7,015 to 7,340 feet in the Ohio Company Oil Company - Coleman & Powe A/C No. 1 Well located 1,660 feet South and 990 feet east of the Northwest Corner of Section 5, Township 1 South,

Range 12 West, Forrest County, Mississippi are correlatives of these strata and other wells to said interval.

2. The Upper Tuscaloosa Gas Pool is construed to mean those strata productive of gas and condensate in the interval of 7,358 feet to 7,765 in the Ohio Company Oil Company - Coleman & Powe A/C No. 1 Well, located 1,660 feet South and 990 feet East of the Northwest Corner of Section 5, Township 1 South, Range 12 West, Forrest County, Mississippi and all correlatives of this pool and other wells to said interval.
3. The Lower Tuscaloosa LT-1 Gas Pool is construed to mean that Sand interval between the depths of 7,917 feet and 7,959 feet as indicated in the Ohio 011 Company - Coleman & Powe A/C No. 1 Well and all correlatives thereof.
4. The Lower Tuscaloosa LT-2 Gas Pool is construed to mean that Sand interval between the depths of 8,023 feet and 8,035 feet as indicated in the Ohio 011 Company - Coleman & Powe A/C No. 1 Well and all correlatives thereof.
5. The Lower Tuscaloosa LT-3 Gas Pool is construed to mean that Sand interval between the depths of 8,079 feet and 8,155 feet as indicated in the Ohio Oil Company - Coleman & Powe A/C No. 1 Well and all correlatives thereof.
6. The "4150 foot" Wilcox Gas Pool as used herein shall be construed to mean those strata in the Wilcox Formation productive of gas and condensate in the interval of 4,152 feet to 4,160 feet in Marathon Oil Company's Unit SW 41, Well No. 1-E, located 2,854 feet North and 1,110 feet East of the Southwest Corner of Section 12, Township 1 South, Range 13 West, Forrest County, Mississippi and points correlative thereto in other wells to said interval.
7. The "4400 foot" Wilcox Gas Pool as used herein shall be construed to mean those strata in the Wilcox formation productive of gas and condensate in the interval of 4405 feet to 4425 feet in Marathon Oil Company's Unit SW 41, Well No. 3-W located 2,831 feet North and 1,045 feet East of the Southwest Corner of Section 12, Township 1 South, Range 12 West, Forrest County, Mississippi and points correlative thereto in other wells to said interval.
8. The "4700 foot" Wilcox Gas Pool as used herein shall be construed to mean those strata in the Wilcox Formation productive of gas and condensate in the interval of 4650 feet to 4720 feet in Marathon Oil Company's Unit SW 41, Well No. 2-W located 2,900 feet North and 990 feet East of the Southwest Corner of Section 12, Township 1 South, Range 12 West, Forrest County, Mississippi and points correlative thereto in other wells to said interval.
9. The Selma Chalk Gas Pool as used herein shall be construed to mean those strata in the Formation productive of gas and condensate in the interval of 5,928 feet to 7,000 feet in Laura Walters 8-11 No. 1 Well located 1,422.5 feet North and 1,320 feet East of the Southwest corner of Section 8, Township 1 South, Range 12 West, Forrest County, Mississippi and points correlative thereto in other wells to said interval.
10. The Consolidated Lower Tuscaloosa Interval as used herein shall be construed to mean those strata productive of gas and condensate in the interval of 8,145 feet to 8,742 feet in W. J. Morris 5-11 No. 1 Well located 1,496 feet from west line and 2,878 feet from north line of Section 5, Township 1 South, Range 12 West, Forrest County, Mississippi, as indicated on the Array Induction Log of said well, run by Schlumberger, on August 31, 2011, and all strata correlative thereto.
11. The Midway Gas Pool as used herein shall be construed to mean those strata productive of gas and condensate in the interval of 5,445 feet to 5,945 feet in W. J. Morris 5-11 No. 1 Well located 1,496 feet from west line and 2,878 feet from north line of Section 5, Township 1 South, Range 12 West, Forrest County,

Mississippi, as indicated on the Array Induction Log of said well, run by Schlumberger, on August 31, 2011, and all strata correlative thereto.

C. SPACING

1. With respect to the Eutaw Gas Producing Pool, the Upper Tuscaloosa Gas Producing Pool and the LT-1, LT-2 and LT3 Lower Tuscaloosa Gas Producing Pools, each, respectively, characteristics of said pools of such in evidence shows that the gas well located in conformity of Rule 8 and Statewide Order No. 201-51 of land consisting of approximately 320 contiguous surface acres will adequately drain, efficiently produce, and economically recover, the production thereupon without avoidable waste.
2. Notwithstanding any other rule or provision contained in these Special Field Rules all units in the Field which have been permitted or on which there are now producing a producible well are hereby approved and confirmed.
3. The Board expressly reserves the right, after notice and hearing, to alter, amend or appeal any or all of the foregoing rules and regulations contained herein, or to grant exceptions to all or any of them.
4. The following spacing rules shall apply solely with respect to the Selma Chalk Gas Pool:
 - (1) Each 320 acre gas unit may contain up to 16 vertically drilled producing wells from the Selma Chalk. Each 320 acre unit shall developed subject to the following:
 - (a) Each drilling unit shall consist of (i) 320 contiguous surface acres completely encompassed by the perimeter of a rectangle 3735 feet by 5380 feet, provided, however, no unit shall be permitted which will create island acreage; or (ii) a governmental half section containing not less than 300 acres or more than 402 acres, or (c) eight (8) contiguous governmental quarter-quarter sections whose total acreage is not less than 300 or more than 402 acres and is encompassed by the perimeter of a rectangle 3735 feet by 5380 feet.
 - (b) Each well shall be located at least 600 feet from every other drilling or producible well in the same pool.
 - (c) Each well within such unit shall be located at least 300 feet from each exterior boundary of the drilling unit, except where an exception has been granted by the Board after Notice and hearing.
 - (d) Each increased density well shall be granted a full allowable for production.
 - (2) There may also be established horizontal Selma Chalk proration units ("Horizontal Units") for horizontal well(s) only, each of which may contain up to 5 horizontally drilled wells producing from the Selma Chalk Gas Pool. Each such unit shall developed subject to the following:
 - (a) Each Horizontal Unit shall consist of not less than 279 and not more than 325 contiguous surface acres completely encompassed by the perimeter of a rectangle 4,060 feet by 5380 feet, provided however, no unit shall be permitted which will create island acreage.
 - (b) The interval perforated for completion shall be located at least 100 feet from each exterior boundary of the Horizontal Unit at all points of the lateral. The Board may grant an exception after Notice and hearing.

- (c) The lateral of each horizontal well shall be at least 100 feet from the laterals of all other horizontal wells and 100 feet from the well bores of all vertically drilled wells authorized in (1) above.
 - (d) For each horizontal well completed for commercial production, a complete angular deviation and directional survey of the finished hole shall be made at the expense of the operator and a certified copy of such survey shall be filed with the Board within thirty (30) days.
 - (e) Each increased density horizontal well shall be granted a full allowable for production and shall be produced simultaneously with wells producing on 320 acre units authorized in (1) above.
 - (f) The surface location of a horizontal well may be located either within or outside the unit for the Well; provided, that the horizontal drain hole section of the well complies with all other paragraphs of the Special Field Rules.
 - (g) As to horizontal gas wells, all distances shall be measured from the completion interval.
5. The following spacing rules shall apply solely with respect to the Consolidated Lower Tuscaloosa Interval and the Midway Gas Pool:
- (1) Each drilling unit shall consist of (a) 320 contiguous surface acres or (b) a governmental half section containing not less than 300 acres or more than 403 acres, or (c) eight (8) contiguous governmental quarter-quarter sections whose total acreage is not less than 300 or more than 403 acres.
 - (2) Any drilling unit formed under section 5(1) of this rule must be completely encompassed by the perimeter of a rectangle 3735 feet by 5380 feet. Provided, however, no unit shall be permitted which will create island acreage;
 - (5) Each drilling unit may contain up to 10 drilled and producing wells from the Consolidated Lower Tuscaloosa Interval and Midway Gas Pool as increased density wells.
 - (6) Each drilling unit shall developed subject to the following:
 - a. Each well shall be located at least 660 feet from every other drilling or producible well in the same pool.
 - b. Each well within such unit shall be located at least 330 feet from each exterior boundary of the drilling unit, except where an exception has been granted by the Board after notice and hearing.
 - c. Each increased density well shall be granted a full allowable for production.

D. PRODUCTION TUBING

As to the Selma Chalk Gas Pool, the Consolidated Lower Tuscaloosa Interval and the Midway Gas Pool, each flowing gas 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.

E. SELMA CHALK LOGGING REQUIREMENTS

As to any well drilled solely to test the Selma Chalk Gas Pool, the Operator of each such well may elect, without obtaining any further approval, to forego running any and all electrical logs. In the event perforating logs are run, such logs shall be provided to the Board.

F. MEASUREMENT - SELMA CHALK GAS POOL

As to any well drilled solely to test the Selma Chalk Gas Pool, all wells on one unit may be centrally measured on an unit, not individual well basis, but all production shall be allocated back to each individual well and all reports shall allocate production on an individual well basis.

**G. ADMINISTRATIVE PERMITS – SELMA CHALK GAS POOL –
CONSOLIDATED LOWER TUSCALOOSA INTERVAL – MIDWAY GAS POOL**

A well which is to be drilled as an increased density well under Rule C.4 or Rule C.5 of these Special Field Rules may have the drilling permit issued administratively, without notice or hearing, provided that the proposed well complies in all respects with these Special Field Rules and provided that the established unit has previously been force integrated pursuant to Section 53-3-7(1) Miss. Code Ann., as amended, “simple integration”.

H. APPLICABILITY OF STATEWIDE RULES

1. All statewide rules and regulations of this Board, and any amendments thereto, not specifically covered in the foregoing Special Field Rules, are hereby adopted and shall apply in said Field.
2. These rules and regulations shall become effective as of the date set out in the order adopting these rules.

End of Special Field Rules