

MAY 03 2013

STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: PETITION OF J. R. POUNDS, INC. TO AMEND
THE SPECIAL FIELD RULES FOR POOL CREEK
FIELD, LOCATED IN JONES COUNTY,
MISSISSIPPI, AND OBTAIN RELATED RELIEF

DOCKET NO. 149-2013-D

ORDER NO. 235-2013

ORDER

THIS MATTER came on to be heard at the regular April 2013 meeting of the State Oil and Gas Board on the Petition of **J. R. POUNDS, INC.**, Petitioner, requesting the Board to amend the Special Field Rules for Pool Creek 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 the following:

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 wells and units in Pool Creek Field located in Jones County, Mississippi.

3.

The evidence establishes that during the years 1961 to 1966, the Board entered a series of orders that first established and then amended Special Field Rules for Pool Creek Field. Since 1966 there has been additional development in the field, and there needs to be further development. A consolidation and amendment of the Special Field Rules will encourage and facilitate additional development of the field and the pools that underlie it.

4.

The Board finds that the existing Special Field Rules should be amended in certain respects, including to revise certain existing pool definitions, add new pool definitions, and provide for spacing. In particular, the Special Field Rules should differentiate between those pools that are "Upthrown" and those which are "Downthrown" of a principal fault in the field.

5.

The proposed amended Special Field Rules should be approved and adopted. The amendments include, but are not limited to, the addition of new "Downthrown" pool definitions as follows:

A. The **Downthrown-Rodessa Oil Pool** is defined to mean those strata of the Rodessa Formation productive of oil, gas and other hydrocarbons in the interval between the measured depths of 10,550 feet and 11,009 feet on the electric log of the J. R. Pounds, Inc.- Blue Well No. 2, located 330 feet South of the North line and 660 feet West of the East line of the Southwest One-Quarter of the Northeast One-Quarter of Section 22, Township 9 North, Range 10 West, Jones County, Mississippi, and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.

B. The **Downthrown-Pine Island Oil Pool** is defined to mean those strata of the Pine Island Formation productive of oil, gas and other hydrocarbons in the interval between the measured depths of 11,010 feet and 11,249 feet on the electric log of the said J. R. Pounds, Inc.- Blue Well No. 2, and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.

C. The **Downthrown-Sligo Oil Pool** is defined to mean those strata of the Sligo Formation productive of oil, gas and other hydrocarbons in the interval between the measured depths of 11,250 feet and 11,547 feet on the electric log of the said J. R. Pounds, Inc.- Blue Well No. 2, and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.

D. The **Downthrown-Upper Hosston Oil Pool** is defined to mean those strata of the Hosston Formation productive of oil, gas and other hydrocarbons in the interval between the measured depths of 11,548 feet and 11,979 feet on the electric log of the said J. R. Pounds, Inc.- Blue Well No. 2, and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.

E. The **Downthrown-Lower Hosston Oil Pool** is defined to mean those strata of the Hosston Formation productive of oil, gas and other hydrocarbons in the interval between the measured depths of 11,980 feet and 12,780 feet on the electric log of the said J. R. Pounds, Inc.- Blue Well No. 2, and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.

6.

The evidence establishes that, because of the geology, depths, and other pertinent reservoir factors, each of the said "Downthrown" pools should be developed on "160-acre" spacing as follows:

- (a) The 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 upon which well no other well drilling to or producing from the same pool is located.
- (b) Any drilling 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.
- (c) Each well shall be located not less than 330 feet from every exterior boundary of the drilling unit, and not less than 660 feet from every other well drilling to or producing from the same pool.
- (d) Each such unit may contain up to four wells that produce from the same pool.
- (e) Each well on each such drilling unit shall be granted a full well allowable for production from the said pool.

7.

The Board finds that good cause exists for the amendments to provide for an exception for the J. R. Pounds, Inc. - Weems et al 22-2 Well No. 2 and its existing production unit, as set forth in proposed Rule C.3.2.

8.

The proposed amendments to the Special Field Rules will allow for the additional development of the field; will allow the field to be effectively and efficiently developed, drained and produced; will foster, encourage and promote the drilling of additional wells and the development and production of the field; and will prevent waste; and will safeguard, protect and enforce the coequal and correlative rights of the owners in the Unit and 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 filed herein

is granted; and the Special Field Rules for Pool Creek Field are amended as proposed, as more particularly set forth in Exhibit "A" to this Order, which is incorporated by reference.

SO ORDERED AND ADJUDGED, this the 2nd day of ^{the}~~April~~, 2013.

STATE OIL AND GAS BOARD OF MISSISSIPPI

By: _____

CHAIRMAN

PREPARED BY:

Glenn Gates Taylor (MBN 7453)
C. Glen Bush (MBN 7589)
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ATTORNEYS FOR PETITIONER

EXHIBIT "1"

**AMENDED SPECIAL FIELD RULES
FOR POOL CREEK FIELD
JONES COUNTY, MISSISSIPPI**

A. FIELD LIMITS

The geographical area of Pool Creek Field is comprised of the following described lands and all productive extensions thereof:

In Township 9 North, Range 10 West, Jones County, Mississippi

Section 13: All

Section 14: All

Section 15: All

Section 22: All

Section 23: All

Section 24: All

Section 25: All

Section 26: All

Section 27: All

all lying and being situated in Township 9 North, Range 10 West, Jones County, Mississippi.

B. POOL DEFINITIONS

1. The **Upthrown-Rodessa Oil Pool** is defined to mean those strata of the Rodessa Formation productive of oil, gas and other hydrocarbons in the interval between the measured depths of 10,472 feet and 10,853 feet on the electrical log of the Placid Oil Company - J. N. McGill Well No. 1, located 660 feet from the East line and 660 feet from the South line of the Northwest One-Quarter of the Northwest One-Quarter (NW 1/4 NW 1/4) of Section 23, Township 9 North, Range 10 West, Jones County, Mississippi, and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.

2. The **Upthrown-Pine Island Oil Pool** is defined to mean those strata of the Pine Island Formation productive of oil, gas and other hydrocarbons in the interval between the measured depths of 10,853 feet and 11,080 feet on the electrical log of the said Placid Oil Company - J. N. McGill Well No. 1, and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.

3. The **Upthrown-Sligo Oil Pool** is defined to mean those strata of the Sligo

Formation productive of oil, gas and other hydrocarbons in the interval between the measured depths of 11,080 feet and 11,370 feet on the electrical log of the said Placid Oil Company - J. N. McGill Well No. 1, and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.

4. The **Upthrown-Hosston Oil Pool** is defined to mean those strata of the Hosston Formation productive of oil, gas and other hydrocarbons in the interval between the measured depths of 11,312 feet and 11,621 feet on the electrical log of the Texaco, Inc.- Alfred Foote Well No. 1, located 480 feet from the South line and 1980 feet from the East line of Section 15, Township 9 North, Range 10 West, Jones County, Mississippi, and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.

5. The **Upthrown-Cotton Valley Oil Pool** is defined to mean those strata of the Cotton Valley Formation productive of oil, gas and other hydrocarbons in the interval between the measured depths of 12,500 feet to 12,880 feet on the electric log of the Placid Oil Company - A. Foote 15-15 Well, located in the Southwest Quarter of the Southeast Quarter of Section 15, Township 9 North, Range 10 West, Jones County, Mississippi, and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.

6. The **Upthrown-Smackover 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 12,923 feet and 13,520 feet on the electric log of the Placid Oil Company - Weems 22-1 Well, located 730 feet South and 330 feet West of the Northeast corner of the Northeast Quarter of Northeast Quarter of Section 22, Township 9 North, Range 10 West, Jones County, Mississippi, and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.

7. The **Dowthrown-Rodessa Oil Pool** is defined to mean those strata of the Rodessa Formation productive of oil, gas and other hydrocarbons in the interval between the measured depths of 10,550 feet and 11,009 feet on the electric log of the J. R. Pounds, Inc.- Blue Well No. 2, located 330 feet South of the North line and 660 feet West of the East line of the Southwest One-Quarter of the Northeast One-Quarter of Section 22, Township 9 North, Range 10 West, Jones County, Mississippi, and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.

8. The **Downthrown-Pine Island Oil Pool** is defined to mean those strata of the Pine Island Formation productive of oil, gas and other hydrocarbons in the interval between the measured depths of 11,010 feet and 11,249 feet on the electric log of the said J. R. Pounds, Inc.- Blue Well No. 2, and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.

9. The **Downthrown-Sligo Oil Pool** is defined to mean those strata of the Sligo Formation productive of oil, gas and other hydrocarbons in the interval between the measured depths of 11,250 feet and 11,547 feet on the electric log of the said J. R. Pounds, Inc.- Blue Well No. 2, and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.

10. The **Downthrown-Upper Hosston Oil Pool** is defined to mean those strata of the Hosston Formation productive of oil, gas and other hydrocarbons in the interval between the measured depths of 11,548 feet and 11,979 feet on the electric log of the said J. R. Pounds, Inc.- Blue Well No. 2, and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.

11. The **Downthrown-Lower Hosston Oil Pool** is defined to mean those strata of the Hosston Formation productive of oil, gas and other hydrocarbons in the interval between the measured depths of 11,980 feet and 12,780 feet on the electric log of the said J. R. Pounds, Inc.- Blue Well No. 2, and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.

C. SPACING FOR OIL POOLS

1. As to every well that is completed in and produces from the Uptthrown-Cotton Valley Oil Pool or the Uptthrown-Smackover Oil Pool:

- (a) The well shall be located on a drilling unit consisting of a governmental half-quarter section, containing not less than 72 acres, or on a drilling unit consisting of not more than 80 surface contiguous acres, upon which no other drilling or producible well is located.
- (b) The well shall be located at least 990 feet from every other drilling or producible well located in the Pool Creek Field.
- (c) The well shall be located at least 330 feet from every exterior boundary of the drilling unit.
- (d) The distance between any two points farthest apart on the drilling unit upon

which the well is located shall not exceed 3,200 feet.

2. As to every well that is completed in and produces from the Upthrown-Rodessa Oil Pool, or the Upthrown-Pine Island Oil Pool, or the Upthrown-Sligo Oil Pool, or the Upthrown-Hosston Oil Pool, the well shall be located on a drilling unit that complies with Statewide Rule 7.3.

3.1. Except as provided for in Paragraph 3.2. below, as to every well that is completed in and produces from the Downthrown-Rodessa Oil Pool, or the Downthrown-Pine Island Oil Pool, or the Downthrown-Sligo Oil Pool, or the Downthrown-Upper Hosston Oil Pool, or the Downthrown-Lower Hosston Oil Pool:

- (a) The 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 upon which no other well no other well drilling to or producing from the same pool is located.
- (b) Any drilling 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.
- (c) Each well shall be located not less than 330 feet from every exterior boundary of the drilling unit, and not less than 660 feet from every other well drilling or producing from the same pool.
- (d) Each such unit may contain up to four wells that produce from the said pool.
- (e) Each well on each such drilling unit shall be granted a full well allowable for production from the said pool.

3.2. The J. R. Pounds, Inc.-Weems et al 22-2 Well No. 2 is located 330 feet South of the North line and 330 feet West of the East line of the Northwest One-Quarter of the Northeast One-Quarter of Section 22, Township 9 North, Range 10 West, Jones County, Mississippi, on a unit comprised of the said Northwest One-Quarter of the Northeast One-Quarter of Section 22, and it produces from the Downthrown-Rodessa Oil Pool. That well and its unit are approved and confirmed as exceptions to the spacing rules that otherwise apply to that well, its unit and the pool it produces from.

4. For purposes of the foregoing rules, "contiguous" means bordering each other at more than one point.

D. AUTOMATIC CUSTODY TRANSFER SYSTEMS AUTHORIZED

1. Automatic custody transfer systems which automatically test, sample, measure and transfer the production from the operator to the purchaser are hereby authorized for the Unit Area. Such systems may be used to transfer production from individual wells or from common storage facilities. In the event the transfer is from such a common storage facility, the allocation of production to the wells being produced into such common storage system will be on the basis of the relationship of the measured production from each well to the total measured production transferred by the automatic custody transfer system. Provided, however, and notwithstanding anything to the contrary, the operator shall have the right, but not the obligation, to commingle production from the Unit Area and then separate, meter and measure that production at one or more facilities located off of the Unit Area.

2. Each system 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 the basic sediment and water content can be determined.

3. Each such system will be equipped with a volume displacement type metering device which registers the volume of oil passed through it in barrels or multiples thereof. The said metering device shall be compensated for temperature, shall be so equipped as to provide a cumulative total of all oil transferred by such system, and shall have an accuracy standard equivalent to the accuracy obtained in measurement made in calibrated stock tanks.

E. SPECIAL FIELD RULES AND STATEWIDE RULES

1. In the event of any conflict or inconsistency between any provision(s) of these Amended Special Field Rules and any prior or other orders or rules of the Board, these Amended Special Field Rules shall control.

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, or to grant exceptions as to all or any part of any of them.

3. All rules and regulations contained in Statewide Order No. 201-51, and any amendments thereto, not specifically covered by the foregoing Amended Special Field Rules are hereby adopted and applied to the Unit Area, but only to the extent not inconsistent or in conflict with the foregoing Amended Special Field Rules.

- End of Amended Special Field Rules -