

DEC 19 2012

STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR

IN THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: PETITION OF DAY DREAMS RESOURCES, LLC,
TO ESTABLISH SPECIAL FIELD RULES FOR SALT
LAKE FIELD IN ADAMS COUNTY, MISSISSIPPI

DOCKET NO. 458-2012-D

ORDER NO. 862-2012ORDER

This day this matter came on for hearing before the State Oil and Gas Board at its regular December 19, 2012, hearing on the Petition of Day Dreams Resources, LLC, to establish Special Field Rules for Salt Lake Field in Adams County, Mississippi.

WHEREAS, a public hearing was held by said Board in the hearing room, 500 Greymont Avenue, Suite E, Jackson, Mississippi, commencing on December 19, 2012, 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, 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 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, the Board has fully considered said matter and the evidence and recommendations made in said hearing and finds as follows:

1. That by order No. 178-2010 in Docket 3-2010 filed for record on May 19, 2010, this Board established a 688.6 acre exception oil unit ("Unit") for the drilling of Petitioner's Wallace, et al. No. 1 Well ("Well") consisting of the following described land in Adams County, Mississippi:

From the corner common to Sections 31, 32, and 33 (northeast corner of Section 33), T6N-R3W, Adams County, Mississippi, being on the westerly boundary of New Era Plantation, go S 27° 37' W along said westerly boundary for 11,700.00 feet to the point of beginning, being a corner on the easterly boundary of within described tract.

Thence from said point of beginning, go S 02° 00' E for 1,000.00 feet; thence S 17° 20' W for 2,000.00 feet; thence S 65° 30' W for 2,300.00 feet; thence N 77° 38' W for 3,456.10 feet to the boundary between the Coleman Lease and the Brown Lease; thence S 29° 05' W along said boundary for 450 feet, more or less, to the boundary between the State of Mississippi and the State of Louisiana; thence in a general northwesterly direction along said state boundary for 1,129 feet, more or less; thence leaving said state boundary, go N 28° 00' E along the boundary

between the Brown Lease and the Hodges Lease for 4,900 feet, more or less; thence N 87° 40' E for 4,689.50 feet; thence S 02° 00' E for 1,800.00 feet to the point of beginning.

Within described tract containing 688.6 Acres, more or less, situated in Accretions to T6N-R3W and T6N-R4W, Adams County, Mississippi. Being further described as Portion of Parcels 1, 2, 3, 4, and 5, Group "A", Tax Map No. 85 of the records of Adams County, Mississippi.

2. That Petitioner has drilled the Well and established production in the Wilcox Formation. Petitioner proposes to establish Special Field Rules for Salt Lake Field ("Field") in order to define the field limits of Salt Lake Field, to define the producing interval in the Wilcox Formation, and to establish rules for production therefrom.

3. That the field limits of Salt Lake Field should be established as being the same as those originally established for the Unit, described as follows:

From the corner common to Sections 31, 32, and 33 (northeast corner of Section 33), T6N-R3W, Adams County, Mississippi, being on the westerly boundary of New Era Plantation, go S 27° 37' W along said westerly boundary for 11,700.00 feet to the point of beginning, being a corner on the easterly boundary of within described tract.

Thence from said point of beginning, go S 02° 00' E for 1,000.00 feet; thence S 17° 20' W for 2,000.00 feet; thence S 65° 30' W for 2,300.00 feet; thence N 77° 38' W for 3,456.10 feet to the boundary between the Coleman Lease and the Brown Lease; thence S 29° 05' W along said boundary for 450 feet, more or less, to the boundary between the State of Mississippi and the State of Louisiana; thence in a general northwesterly direction along said state boundary for 1,129 feet, more or less; thence leaving said state boundary, go N 28° 00' E along the boundary between the Brown Lease and the Hodges Lease for 4,900 feet, more or less; thence N 87° 40' E for 4,689.50 feet; thence S 02° 00' E for 1,800.00 feet to the point of beginning.

Within described tract containing 688.6 Acres, more or less, situated in Accretions to T6N-R3W and T6N-R4W, Adams County, Mississippi. Being further described as Portion of Parcels 1, 2, 3, 4, and 5, Group "A", Tax Map No. 85 of the records of Adams County, Mississippi.

4. That the Wilcox Formation Producing Interval should be defined as those strata of the Wilcox Formation productive of oil and casinghead gas in the interval between 4,370 feet and 7,200 feet measured depth in the Wallace et al. No. 1 Well, as indicated on the Array Induction Sonic Gamma Ray SP Log of said well as recorded by Schlumberger on October 13, 2010, and all sands correlative of this strata productive of oil and casinghead gas, the surface location and bottom hole location of said well being located as follows:

From the northeast corner of Section 33, T6N-R3W, Adams County, Mississippi, go southwesterly along the line between Section 31 and 33 and an extension thereof for 13,323 feet; thence go northwesterly at right angles for 1,777 feet to the Surface Location; thence go S 52° 03' 19" W for 675 feet to the Bottom Hole

Location in the Mississippi River in Accretions, T6N-R4W, Adams County, Mississippi.

5. That more than half of the Field is situated in the Mississippi River. Most, if not all, of the likely bottom hole locations are situated below the Mississippi River. That part of the Field situated above the top of the Mississippi River Bank affords drill site locations during periods of low river stages but is subject to being under water for long periods of the year. Further, the portion of the Field above the top bank of the Mississippi River is itself accreted land, portions of which consist of sloughs which also flood during periods of high river stages. There are no suitable locations for production facilities on the Field. In order to reach a serviceable location for a production facility, a flow line of approximately three miles has been constructed and required the crossing of water features. Because of the distance of the flow line and the nature of the topography crossed, it is difficult to separately meter the well drilled and the wells to be drilled. Due to the hostile topography in around the Field, the Special Field Rules should be approved in order to govern drilling in and production from Salt Lake Field.

6. That Salt Lake Field for the Wilcox Formation Producing Interval should be developed on spacing consisting of eighty (80) contiguous surface acres lying within a rectangle of 2,640 feet by 3,500 feet, provided that no island acreage will be created. All producing perforations for said wells shall be not less than 660 feet apart and shall be no closer than 330 feet from each exterior line of each drilling unit. Surface locations may be situated off the drilling units and the wells be drilled by directional drilling methods, subject to applicable leases and/or agreements.

7. That due to the difficulty of separate metering of the wells planned for the Wilcox Formation Producing Interval, all wells completed in the Wilcox Formation Producing Interval shall be exempted from metering required by Statewide Rule 21 and that production from said wells may be commingled into a common storage facility and transported by a single set of flow lines. In lieu of metering, each well in the Field will be flow tested once in each month. Monthly production will be allocated to each well based upon the flow test.

8. That the adoption of the Special Field Rules for the Salt Lake Field, as set forth in Exhibit "A" hereto, will promote the orderly development of the Wilcox Formation Producing Interval, will promote conservation and prevent waste, will protect and enforce the co-equal and

correlative rights of all parties, will avoid the drilling of unnecessary wells, and permit hydrocarbons to be produced from the field which would not otherwise be recoverable.

IT IS, THEREFORE, ORDERED AND ADJUDGED that Petitioner's request to establish Special Field Rules for Salt Lake Field in Adams County, Mississippi, attached as Exhibit "A", is hereby granted, in accordance with the law; 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 19th day of December, 2012, and effective December 19, 2012

MISSISSIPPI STATE OIL AND GAS BOARD

By: 

JAMES HEIDELBERG, Chairman

OF COUNSEL:

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**ATTORNEY FOR PETITIONER
DAY DREAMS RESOURCES, LLC**

EXHIBIT "A"

SPECIAL FIELD RULES SALT LAKE FIELD ADAMS COUNTY, MISSISSIPPI

RULE 1: FIELD LIMITS

The Salt Lake Field is defined as that area consisting of the following described lands, to wit:

From the corner common to Sections 31, 32, and 33 (northeast corner of Section 33), T6N-R3W, Adams County, Mississippi, being on the westerly boundary of New Era Plantation, go S 27° 37' W along said westerly boundary for 11,700.00 feet to the point of beginning, being a corner on the easterly boundary of within described tract.

Thence from said point of beginning, go S 02° 00' E for 1,000.00 feet; thence S 17° 20' W for 2,000.00 feet; thence S 65° 30' W for 2,300.00 feet; thence N 77° 38' W for 3,456.10 feet to the boundary between the Coleman Lease and the Brown Lease; thence S 29° 05' W along said boundary for 450 feet, more or less, to the boundary between the State of Mississippi and the State of Louisiana; thence in a general northwesterly direction along said state boundary for 1,129 feet, more or less; thence leaving said state boundary, go N 28° 00' E along the boundary between the Brown Lease and the Hodges Lease for 4,900 feet, more or less; thence N 87° 40' E for 4,689.50 feet; thence S 02° 00' E for 1,800.00 feet to the point of beginning.

Within described tract containing 688.6 Acres, more or less, situated in Accretions to T6N-R3W and T6N-R4W, Adams County, Mississippi. Being further described as Portion of Parcels 1, 2, 3, 4, and 5, Group "A", Tax Map No. 85 of the records of Adams County, Mississippi.

RULE 2: POOL DEFINITIONS

The Wilcox Formation Producing Interval is defined as those strata of the Wilcox formation productive of oil and casinghead gas in the interval between 4,370 feet and 7,200 feet measured depth in the Wallace et al. No. 1 Well, as indicated on the Array Induction Sonic Gamma Ray SP Log of said well as recorded by Schlumberger on October 13, 2010, and all sands correlative of this strata productive of oil and casinghead gas, the surface location and bottom hole location of said well being located as follows:

From the northeast corner of Section 33, T6N-R3W, Adams County, Mississippi, go southwesterly along the line between Section 31 and 33 and an extension thereof for 13,323 feet; thence go northwesterly at right angles for 1,777 feet to the Surface Location; thence go S 52° 03' 19" W for 675 feet to the Bottom Hole Location in the Mississippi River in Accretions, T6N-R4W, Adams County, Mississippi.

RULE 3: SPACING OF WELLS

With respect to oil wells completed in the Wilcox Formation Producing Interval, each well drilled will be located as hereinafter prescribed and drilled upon a drilling unit containing 80 contiguous acres. Every well drilled as an oil well in this oil pool:

- (a) shall be located on a drilling unit consisting of eighty (80) contiguous surface acres upon which no other drilling or producible well is located; the word "contiguous" as used herein shall mean bordering each other at more than one point;

(b) bottom hole location in Wilcox Formation Producing Interval shall be located at least 660 feet from bottom hole location of every other drilling or producible well located in the Salt Lake Field in the same defined oil pool;

(c) bottom hole location in Wilcox Formation Producing Interval shall be located at least 330 feet from every exterior boundary of the drilling unit; and

(d) each 80 acre drilling unit must be completely encompassed by the perimeter of a rectangle 2,640 feet by 3,500 feet, provided however, no unit shall be permitted which will create island acreage; and

(e) a large part of the Field Limits defined above lie under the Mississippi River, therefore the surface location of any well may be located off the producing unit and the well bore intentionally deviated, provided that the producing perforations of each well are at least 660 feet from the producing perforations of every other drilling or producible well in the Wilcox Formation Producing Interval, and provided that the intervals perforated for completion shall also be located at least 330 feet from each exterior boundary of the drilling unit; and

(d) when a well is directionally deviated from its normal course for any reason, a complete angular deviation and directional survey of the finished hole (when completed either as a dry hole or a well capable of production or, at the option of the operator, by deviation and directional survey measured and recorded while drilling) 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 of the completion of said directional survey.

RULE 4: MEASUREMENT OF PRODUCTION

All wells completed in the Wilcox Formation Producing Interval are exempt from metering required by Statewide Rule 21 and production from said wells may be commingled into a common storage facility and transported by a single set of flow lines. In lieu of metering, each well in the Field will be flow tested once in each month. Monthly production will be allocated to each well based upon the flow test.

RULE 5: ALLOWABLES

All wells completed in the Wilcox Formation Producing Interval are granted a full allowable.

RULE 6: APPLICABILITY OF STATEWIDE RULES

All rules and regulations contained in Statewide Order No. 201-51 and amendments thereto, not in conflict with the foregoing, shall apply to said field until such time as these Special Field Rules may be altered or amended. The Board expressly reserves the right, after notice and hearing, to alter or amend or repeal any and all of the foregoing regulations.

***** End of Special Field Rules *****