

**BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI**

**FILED FOR RECORD**

**Re: Amendment of the Special Field Rules of Sandy Hook Field in Marion and Pearl River Counties, Mississippi**

**MAR 30 2009**

**STATE OIL AND GAS BOARD  
LISA IVSHIN, SUPERVISOR**

**DOCKET NO. 82-2009-27**

**ORDER NO. 145-2009**

**ORDER**

This day this cause came on to be heard on the Petition of Skrivanos Engineering, Inc. filed in this docket requesting the State Oil and Gas Board of Mississippi to enter an order amending the Special Field Rules of Sandy Hook Field. This Board, having considered the Petition and the evidence submitted in support thereof, and being fully advised in the premises, is of the opinion and finds that the relief requested by Skrivanos Engineering, Inc. should be, and the same is hereby, granted. This Board further finds and determines as follows, to-wit:

1.

Proper and legal notice of the meeting of this Board for the purpose of considering and hearing the Petition filed herein has been given in the manner and time provided by law and the rules and regulations of this Board. Legal and sufficient proofs of publication of such notice and proof of notice by personal service are on file with this Board. Skrivanos Engineering, Inc. has made a diligent effort to give the personal notice required by the statutes of the State of Mississippi and the rules and regulations of this Board. This Board has full jurisdiction of the parties and the subject matter hereof.

2.

A public hearing on the Petition filed in this docket was held by this Board in Suite E, 500 Greymont Avenue, Jackson, Mississippi, commencing on March 18, 2009, at 10:00 o'clock a.m., at which time and place all persons who desired to be heard on said matter were heard and all testimony and the evidence were duly considered by this Board. Skrivanos Engineering, Inc. was represented at the hearing by its attorney, James M. Nix. No other parties made an appearance at the hearing of this matter.

3.

This Board has adopted Special Field Rules for Sandy Hook Field, which were last amended by this Board in Order No. 39-92, entered in Docket No. 29-92-27. Said Special Field Rules specifically define the Lower Tuscaloosa Gas Pool as a separate and distinct pool.

4.

The Lower Tuscaloosa Gas Pool in Sandy Hook Field is economically marginal since the majority of the recoverable reserves have been previously produced from said pool.

5.

Skrivanos Engineering, Inc. recently re-entered, re-drilled and re-completed the P. H. Pittman No. 2 Well [API number 23-091-00237], renamed as the "SHGU 12 No. 1 Well", and established production in the Lower Tuscaloosa formation. The productive interval in the P. H. Pittman No. 2 Well is a productive extension of the Lower Tuscaloosa Gas Pool of Sandy Hook Field.

6.

The existing Special Field Rules of Sandy Hook Field define the Lower Tuscaloosa Gas Pool as follows, to-wit:

"The Lower Tuscaloosa Gas Pool, as used herein, shall be construed to mean those strata productive of gas and/or other hydrocarbons in the Tuscaloosa formation underlying said field in the interval between the depths of 8,825 feet and 8,914 feet subsea level, and those sands productive of gas and/or other hydrocarbons which are correlative to and in communication therewith, including all productive extensions thereof."

7.

In order to more properly define the productive pool, the definition of the Lower Tuscaloosa Gas Pool in the Special Field Rules of Sandy Hook Field should be amended to read as follows, to-wit:

"The Lower Tuscaloosa Gas Pool, as used herein, shall be construed to mean those strata productive of gas and/or other hydrocarbons in the interval between the measured depths of 8,820 feet and 9,140 feet, as indicated on the electric log of the Ernest R. Ford et al No. 2 Well (renamed as the SHGU 13 No. 1 Well), located in Section 13 of Township 1 North, Range 18 West, Marion County, Mississippi, and those sands productive of gas and/or other hydrocarbons which are correlative to and in communication therewith, including all productive extensions thereof."

8.

Under the existing Special Field Rules of Sandy Hook Field, spacing for wells completed in the Lower Tuscaloosa Gas Pool allows only a single Lower Tuscaloosa Gas Pool well on each 320-acre gas unit and said spacing rules require that the wells be located at least 660 feet from every exterior boundary of the 320-acre unit and at least 1320 feet from every other well completed in the pool.

9.

The Lower Tuscaloosa Gas Pool in Sandy Hook Field is faulted, stratigraphically complex and extremely lenticular in nature. The characteristics of the Lower Tuscaloosa

Gas Pool in Sandy Hook Field are virtually identical to the characteristics of the Lower Tuscaloosa formation in Hub Field, a field located a few miles North of Sandy Hook Field. Because of the nature of the Lower Tuscaloosa Gas Pool in Sandy Hook Field, a single well completed in the Lower Tuscaloosa Gas Pool is unable to produce all of the recoverable hydrocarbons from said pool under a 320-acre unit.

10.

In order to recover all producible reserves in the Lower Tuscaloosa Gas Pool in Sandy Hook Field, it is necessary that the Special Field Rules of Sandy Hook Field be amended so as to allow up to six (6) producing wells to be drilled in the Lower Tuscaloosa Gas Pool within each 320-acre Lower Tuscaloosa unit with each of the increased density wells granted a full allowable.

11.

It also is necessary that the Special Field Rules of Sandy Hook Field be amended so as to allow the drilling and completion of wells in the Lower Tuscaloosa Gas Pool not less than 330 feet from every exterior boundary of the 320-acre unit, not less than 330 feet from every other drilling well or well completed in the Lower Tuscaloosa Gas Pool on the same 320-acre unit, and not less than 660 feet from every other regularly located drilling well or well completed in or producing from the Lower Tuscaloosa Gas Pool on a different 320-acre unit.

12.

In order to minimize the economic costs and environmental disturbances, the Special Field Rules of Sandy Hook Field should be further amended with respect to the Lower Tuscaloosa Gas Pool so as to allow the surface commingling of production from wells producing from said pool within each separate 320-acre unit in a common storage system.

13.

In order to economically justify the drilling of new wells into the Lower Tuscaloosa Gas Pool, it is necessary that the Special Field Rules of Sandy Hook Field be further amended to allow the tubingless completion of wells in the Lower Tuscaloosa Gas Pool. Due to the relatively shallow depth, low pressure production, and with the proper casing and other equipment utilized, completion of wells in the Lower Tuscaloosa Gas Pool without tubing will not adversely affect any underground reservoir, any underground source of drinking water, the environment, or cause any undue hazard at the surface, underground or otherwise.

14.

This Board previously has approved similar rules with respect to the Lower Tuscaloosa formation in Hub Field, which has allowed the Lower Tuscaloosa formation to be fully developed in Hub Field.

15.

It is necessary that the existing Special Field Rules for Sandy Hook Field be amended as set below herein in order to increase the ultimate recovery of hydrocarbons from the Lower Tuscaloosa Gas Pool in Sandy Hook Field. Such amendment of the Special Field Rules for Sandy Hook Field will promote the conservation of oil and gas of Sandy Hook Field and the State of Mississippi by preventing waste and safeguarding, protecting and enforcing the co-equal and correlative rights of all owners of hydrocarbons in the field to the extent that each such owner may recover his fair and equitable share of recoverable hydrocarbons without unnecessary expense and will foster, encourage and promote the full development of the field.

IT IS THEREFORE ORDERED AND ADJUDGED by the State Oil and Gas Board of Mississippi that the relief requested by Skrivanos Engineering, Inc. should be, and the same is hereby, granted and it is ordered that the Special Field Rules for Sandy Hook Field should be, and the same are hereby, amended to read as follows, to-wit:

**SPECIAL FIELD RULES  
SANDY HOOK FIELD  
MARION AND PEARL RIVER COUNTIES, MISSISSIPPI**

**A. FIELD AREA**

The Sandy Hook Field, as used herein, is that area consisting of the following described land, to-wit:

Sections 10, 11, 12, 13, 14, 23 and 24 of Township 1 North, Range 18 West; Sections 18, 19, 30 and 31 of Township 1 North, Range 17 West; and Sections 16, 22, 24, 26 and 27 of Township 1 North, Range 14 East; all located in Marion and Pearl River Counties, Mississippi;

underlain by the hereinafter described pools, and including all productive extensions to such area.

**B. POOL DEFINITIONS**

1. The **Lower Tuscaloosa Gas Pool**, as used herein, shall be construed to mean those strata productive of gas and/or other hydrocarbons in the interval between

the measured depths of 8,820 feet and 9,140 feet, as indicated on the electric log of the Ernest R. Ford et al No. 2 Well (renamed as the SHGU 13 No. 1 Well), located in Section 13 of Township 1 North, Range 18 West, Marion County, Mississippi, and those sands productive of gas and/or other hydrocarbons which are correlative to and in communication therewith, including all productive extensions thereof.

2. The **Paluxy Gas Pool**, as used herein, shall be construed to mean those strata productive of gas and/or other hydrocarbons in the Paluxy formation underlying said field in the interval between the measured depths of 11,527 feet and 11,790 feet, as reflected on the dual induction log for the Sandy Hook Gas Unit 13-A No. 1 Well, located in Section 24 of Township 1 North, Range 18 West, Marion County, Mississippi, and those sands productive of gas and/or other hydrocarbons which are correlative to and in communication therewith, including all productive extensions thereof.

3. The **James Limestone Gas Pool**, as used herein, shall be construed to mean those strata productive of gas and/or other hydrocarbons in the interval between the measured depths of 14,296 feet and 14,362 feet, as indicated on the electric log for the Sandy Hook Gas Unit 28 No. 1 Well, located in Section 16 of Township 1 North, Range 14 East, Marion County, Mississippi, and those sands productive of gas and/or other hydrocarbons which are correlative to and in communication therewith, including all productive extensions thereof.

### **C. SPACING OF WELLS**

1. Spacing for wells that produce from the Lower Tuscaloosa Gas Pool shall be according to the following increased density rules:

(a) A drilling unit is hereby established for each and all wells drilled in the Lower Tuscaloosa Gas Pool as an area consisting of a governmental one-half section containing not less than 300 surface acres or 320 contiguous surface acres having no two points thereon more distant than 6,300 feet. Provided, however, no drilling unit shall be permitted which will create island acreage.

(b) Each drilling unit may contain up to six (6) producing wells from the Lower Tuscaloosa Gas Pool and each increased density well shall be entitled to a full allowable.

(c) Every well drilled in the Lower Tuscaloosa Gas Pool shall not be less than 330 feet from any exterior boundary of the unit and shall be not less than 330 feet

from every other drilling well or well completed in or producing from the same pool on the same unit.

(d) All wells drilled in the Lower Tuscaloosa Gas Pool shall be located at least 660 feet from every other drilling or producible well in the same pool on a different unit located in conformity with this rule.

2. Spacing for gas wells that produce from the Paluxy Gas Pool shall be according to the following rules:

(a) A drilling unit is hereby established for each and all gas wells in the Paluxy Gas Pool as an area consisting of a governmental one-half section containing not less than 300 surface acres or 320 contiguous surface acres having no two points thereon more distant than 6,300 feet. Provided, however, no drilling unit shall be permitted which will create island acreage.

(b) Every well drilled as a gas well in the Paluxy Gas Pool shall not be less than 660 feet from any exterior boundary of the unit.

(c) All wells drilled as a gas well in the Paluxy Gas Pool shall be located at least 1,320 feet from every other drilling or producible well in the same pool located in conformity with this rule.

3. As to all drilling units formed with respect to pools other than the Lower Tuscaloosa Gas Pool and the Paluxy Gas Pool, the statewide spacing rules shall apply.

**D. DRILLING, COMPLETION AND SURFACE COMMINGLING**

1. High reservoir pressures exist in the Paluxy Gas Pool and the James Limestone Gas Pool, and adequate controls to prevent blowouts are necessary.

2. Each well completed in the Lower Tuscaloosa Gas Pool may be completed and 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.

3. The operators of wells producing from the Lower Tuscaloosa Gas Pool may commingle production from wells producing from said pool within each separate 320-acre unit in a common storage system. The operators of such wells shall maintain proper metering devices as are necessary to continuously measure the total production from each such well. 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 wells commingled in such common storage system, such variance shall be allocated back

to each of the wells producing into such common storage system proportionately to the production measured from each well.

**E. APPLICABILITY OF STATEWIDE RULES**

1. All rules and regulations contained in the Statewide Order No. 201-51 and amendments thereto not specifically covered by the foregoing rules are hereby adopted and shall apply to Sandy Hook Field.

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

- - - - end of Special Field Rules - - - -

IT IS FURTHER ORDERED that this Order shall be effective from and after March 18, 2009.

SO ORDERED AND ADJUDGED on this the 30<sup>th</sup> day of March, 2009.

STATE OIL AND GAS BOARD OF MISSISSIPPI

By: \_\_\_\_\_



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