

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: PETITION OF TELLUS OPERATING GROUP,
LLC TO ESTABLISH SPECIAL FIELD RULES
FOR STAMPEDE FIELD, LOCATED IN SMITH
COUNTY, MISSISSIPPI, AND OBTAIN RELATED
RELIEF

FILED FOR RECORD

AUG 15 2009

STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR

DOCKET NO. 238-2009-945

ORDER NO. 394-2009

ORDER

THIS MATTER came on to be heard at the regular July 2009 meeting of the State Oil and Gas Board on the Petition of **TELLUS OPERATING GROUP, LLC**, Petitioner, requesting the Board to establish Special Field Rules for Stampede 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 as follows:

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 this Board.

2.

Petitioner has drilled and completed and is the operator of a number of oil and gas wells located in that certain geographical area of Smith County, Mississippi that Petitioner now proposes to formally identify as "Stampede Field" by the adoption of special field rules. In the course of drilling the said wells, Petitioner discovered a new oil and gas pool that should be defined in the proposed special field rules, with provisions made for spacing that will permit increased density wells.

3.

The Board should adopt Special Field Rules for Stampede Field that identify and define the geographical area of Stampede Field to be comprised of the following described lands and all productive extensions thereof:

Beginning at the Northeast corner of the West Half of the East Half of the West Half of Section 29, Township 2 North, Range 7 East, Smith County, Mississippi; thence Southerly along the East line of the West Half of the East Half of the West Half of said Section 29 for 3812.6 feet, more or less; thence Westerly along the drilling unit now assigned to the Tellus Operating Group, LLC, Tellus 29-13, No. 1 Well and its extension for 5280.0 feet, more or less; thence Northerly and parallel to the East lines of Sections 19 and 30, Township 2 North, Range 7 East, Smith County, Mississippi for 5280.0 feet, more or less; thence Easterly and parallel to the South lines of said Section 19 and Section 20, Township 2 North, Range 7 East, Smith County, Mississippi for 5280.0 feet, more or less; thence Southerly along the East line of the West Half of the East Half of the West Half of said Section 20 for 1467.4 feet, more or less; to the Point of Beginning. The above described lands are situated in Sections 19, 20, 29 and 30, Township 2 North, Range 7 East, Smith County, Mississippi and comprise 640.0 acres, more or less.

Beginning at the Northeast corner of the Southeast Quarter of Section 31, Township 2 North, Range 7 East; run thence Southerly along the East line of said Section 31 for 1228.3 feet, more or less; thence Westerly and parallel to the North line of said Section 31 for 1795.0 feet, more or less; thence Northerly and parallel to the East lines of said Section 31 and Section 30, Township 2 North, Range 7 East, Smith County, Mississippi for 5340.0 feet more or less; thence Easterly and parallel to the South lines of said Section 30 and Section 29, Township 2 North, Range 7 East, Smith County, Mississippi for 6245.0 feet, more or less; thence Southerly and parallel to the West lines of said Section 29 and Section 32, Township 2 North, Range 7 East, Smith County, Mississippi for 4110.0 feet, more or less; thence Westerly along the South line of the North Half of said Section 32 for 4450.0 feet, more or less; to the Point of Beginning. The above described lands are situated in Section 29, 30, 31 and 32, Township 2 North, Range 7 East, Smith County, Mississippi and comprise 640.0 acres, more or less.

The South One-Half of Section 32, Township 2 North, Range 7 East; and the East One-Half of the West One-Half of the Northwest One-Quarter; the East One-Half of the Northwest One-Quarter; and the Northeast One-Quarter; all in Section 5, Township 1 North, Range 7 East; and the West One-Half of the West One-Half of the Northwest One-Quarter of Section 4, Township 1 North, Range 7 East; all of which lands are situated in Smith County, Mississippi, and comprise 640.0 acres, more or less.

4.

The new oil and gas pool which has been discovered in Stampede Field should be defined as follows:

The Cotton Valley Oil and Gas 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 14,090 feet and 17,243 feet on the electric log of the Tellus Operating Group, LLC-Tellus Stampede 5-3 Well No. 1 (originally named the Tellus-Anadarko 5-3 Well No. 1), which well is located at a surface location that is 277 feet South of the North line and 1881 feet East of the West line of Section 5,

Township 1 North, Range 7 East, Smith County, Mississippi, and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.

5.

Because of the geology and other reservoir factors and characteristics of the said Cotton Valley Oil and Gas Pool, Petitioner should be allowed to develop the said defined pool on "640-acre spacing" with authority to drill more than one well per unit in order to effectively and efficiently drain a unit that is underlain by the said pool. Therefore, the spacing rules for each unit and for the wells that produce from the said defined pool should provide and authorize spacing and increased density wells as follows:

- (1) Each well shall be located on a drilling unit consisting of 640 contiguous surface acres, or a governmental section containing not less than 600 acres or more than 680 acres, or sixteen (16) contiguous governmental quarter-quarter sections (or lots) whose total acreage is not less than 600 acres or more than 680 acres.
- (2) Each such drilling unit may contain up to six (6) wells that produce from the said pool.
- (3) The surface location of each well that produces from the said pool shall be located at least 100 feet from every exterior boundary line of the drilling unit; and the bottom hole location of each such well shall be located at least 500 feet from every exterior boundary line of the drilling unit, and at least 1000 feet from the bottom hole location of every other well that produces from the said pool.
- (4) Each well that is completed in and producing from the said pool may produce such amount of oil and condensate as the well is able to produce, not to exceed a monthly average of 1000 barrels of oil and condensate per day per well.

6.

The proposed Special Field Rules will allow for the orderly development of the field and the said pool, will result in the establishment of drilling units for the said pool; will allow the said pool to be effectively and efficiently drained and produced; will foster, encourage and promote the drilling of additional wells and the development and production of the said pool; and will prevent waste; and will safeguard, protect and enforce the coequal and correlative rights of the owners in the pool and in the field.

7.

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; the proposed Special Field Rules for Stampede Field are approved and adopted, and Exhibit "1" hereto is a copy of the Special Field Rules as approved and adopted.

Permittee shall acquire all other permits, if any, required by any other permitting authority.

SO ORDERED AND ADJUDGED, this the 19th day of ^{August} ~~July~~, 2009.

STATE OIL AND GAS BOARD OF MISSISSIPPI

By:


CHAIRMAN

PREPARED BY:

Glenn Gates Taylor (MBN 7453)
C. Glen Bush (MBN 7589)
COPELAND, COOK, TAYLOR & BUSH, P.A.
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1062 Highland Colony Parkway
P. O. Box 6020
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ATTORNEYS FOR PETITIONER

EXHIBIT "1"

SPECIAL FIELD RULES FOR STAMPEDE FIELD SMITH COUNTY, MISSISSIPPI

FIELD LIMITS

Stampede Field is defined as that geographical area consisting of the following described lands and all productive extensions thereof:

Beginning at the Northeast corner of the West Half of the East Half of the West Half of Section 29, Township 2 North, Range 7 East, Smith County, Mississippi; thence Southerly along the East line of the West Half of the East Half of the West Half of said Section 29 for 3812.6 feet, more or less; thence Westerly along the drilling unit now assigned to the Tellus Operating Group, LLC, Tellus 29-13, No. 1 Well and its extension for 5280.0 feet, more or less; thence Northerly and parallel to the East lines of Sections 19 and 30, Township 2 North, Range 7 East, Smith County, Mississippi for 5280.0 feet, more or less; thence Easterly and parallel to the South lines of said Section 19 and Section 20, Township 2 North, Range 7 East, Smith County, Mississippi for 5280.0 feet, more or less; thence Southerly along the East line of the West Half of the East Half of the West Half of said Section 20 for 1467.4 feet, more or less; to the Point of Beginning. The above described lands are situated in Sections 19, 20, 29 and 30, Township 2 North, Range 7 East, Smith County, Mississippi and comprise 640.0 acres, more or less; and

Beginning at the Northeast corner of the Southeast Quarter of Section 31, Township 2 North, Range 7 East; run thence Southerly along the East line of said Section 31 for 1228.3 feet, more or less; thence Westerly and parallel to the North line of said Section 31 for 1795.0 feet, more or less; thence Northerly and parallel to the East lines of said Section 31 and Section 30, Township 2 North, Range 7 East, Smith County, Mississippi for 5340.0 feet more or less; thence Easterly and parallel to the South lines of said Section 30 and Section 29, Township 2 North, Range 7 East, Smith County, Mississippi for 6245.0 feet, more or less; thence Southerly and parallel to the West lines of said Section 29 and Section 32, Township 2 North, Range 7 East, Smith County, Mississippi for 4110.0 feet, more or less; thence Westerly along the South line of the North Half of said Section 32 for 4450.0 feet, more or less; to the Point of Beginning. The above described lands are situated in Section 29, 30, 31 and 32, Township 2 North, Range 7 East, Smith County, Mississippi and comprise 640.0 acres, more or less; and

The South One-Half of Section 32, Township 2 North, Range 7 East; and the East One-Half of the West One-Half of the Northwest One-Quarter; the East One-Half of the Northwest One-Quarter; and the Northeast One-Quarter; all in Section 5, Township 1 North, Range 7 East; and the West One-Half of the West One-Half of the Northwest One-Quarter of Section 4, Township 1 North, Range 7 East; all of which lands are situated in Smith County, Mississippi, and comprise 640.0 acres, more or less.

POOL DEFINITIONS

1. The Cotton Valley Oil and Gas 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 14,090 feet and 17,243 feet on the electric log of the Tellus Operating Group, LLC-Tellus Stampede 5-3 Well No. 1 (originally named the Tellus-Anadarko 5-3 Well No. 1), which well is located at a surface location that is 277 feet South

of the North line and 1881 feet East of the West line of Section 5, Township 1 North, Range 7 East, Smith County, Mississippi, and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith.

RULE 1: SPACING

A. Spacing for each well that is completed in and produces from the Cotton Valley Oil and Gas Pool shall be as follows:

- (1) Each well shall be located on a drilling unit consisting of 640 contiguous surface acres, or a governmental section containing not less than 600 acres or more than 680 acres, or sixteen (16) contiguous governmental quarter-quarter sections (or lots) whose total acreage is not less than 600 acres or more than 680 acres.
- (2) Each such drilling unit may contain up to six (6) wells that produce from the said pool.
- (3) The surface location of each well that produces from the said pool shall be located at least 100 feet from every exterior boundary line of the drilling unit; and the bottom hole location of each such well shall be located at least 500 feet from every exterior boundary line of the drilling unit, and at least 1000 feet from the bottom hole location of every other well that produces from the said pool.

RULE 2: ALLOWABLE

A. Each well that is completed in and producing from the Cotton Valley Oil and Gas Pool may produce such amount of oil, condensate and associated casinghead gas as the well is able to produce, not to exceed a monthly average of 1000 barrels of oil and condensate per day per well.

RULE 3: APPLICABILITY OF STATEWIDE RULES

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

- End of Special Field Rules -