

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

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

FILED FOR RECORD

MAY 18 2010

STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR

DOCKET NO. 126-2010-945

ORDER NO. 213-2010

ORDER

THIS MATTER came on to be heard at the regular April 2010 meeting of the State Oil and Gas Board on the Petition of **TELLUS OPERATING GROUP, LLC**, Petitioner, for authority to amend the 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 is the operator of wells and units in Stampede Field and related lands located in Smith County, Mississippi. By Order No. 394-2009 dated August 19, 2009, entered in Docket No. 238-2009-945, the Board adopted Special Field Rules for Stampede Field to define the Cotton Valley Oil and Gas Pool, establish spacing, and provide for related matters for the development of that pool.

3.

Petitioner believes that a field unit should now be formed in order to more effectively and efficiently produce the said pool as a unitized formation. Petitioner filed a companion docket, Docket No. 75-2010-945, wherein Petitioner has petitioned the Board pursuant to Miss. Code Ann. § 53-3-101 et seq. to establish and order the unit operation of the Stampede Fieldwide Unit (the "Unit") for the further development and production of the said Cotton Valley Oil and Gas Pool as the "Unitized Formation." The said Unit will conduct secondary and/or tertiary recovery operations to enhance the recovery of hydrocarbons from the Unitized Formation, operations that will include the injection of carbon dioxide ("CO₂") into

the proposed Unitized Formation.

4.

In light of the Petition to establish the proposed Unit, and because of various improvements that have occurred over time in enhanced recovery methods and other oilfield techniques and operations, the Board finds that the existing Special Field Rules should be amended in several respects, including but not limited to enlarging the geographical area of the field to be the same as the geographical area of the proposed Unit which is to be comprised of the following described lands:

In Township 2 North, Range 7 East, Smith County, Mississippi

- Section 18: The South One-Half of the South One-Half
- Section 19: All
- Section 20: The South 1,467 feet of the Southwest One-Quarter
- Section 29: The West One-Half and the South 1392.5 feet of the Southeast One-Quarter
- Section 30: The East Three-Fourths
- Section 31: The East One-Half
- Section 32: All
- Section 33: The West One-Half of the Southwest One-Quarter

In Township 1 North, Range 7 East, Smith County, Mississippi

- Section 3: The South One-Half of the Southwest One-Quarter
- Section 4: The Northwest One-Quarter of the Northwest One-Quarter; the South One-Half of the Northwest One-Quarter; the Southwest One-Quarter; 10 acres on the West side of the Northwest One-Quarter of the Southeast One-Quarter; and the South One-Half of the Southeast One-Quarter
- Section 5: All except the West One-Half of the Southwest One-Quarter
- Section 8: The North 2041.5 feet of the Northwest One-Quarter
- Section 9: The North One-Half; the Southeast One-Quarter and the Northeast One-Quarter of the Southwest One-Quarter
- Section 10: All except the North One-Half of the Northeast One-Quarter
- Section 11: The Southwest One-Quarter of the Southwest One-Quarter
- Section 13: The West One-Half of the Southwest One-Quarter
- Section 14: All
- Section 15: The North Three-Fourths

5.

Based on the evidence presented, the Board finds that the proposed Amended Special Field Rules will allow for the orderly development of the proposed Unit and the proposed Unitized Formation; will allow the said Unitized Formation 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 Unitized Formation; and will prevent waste; and will safeguard, protect and enforce the coequal and correlative rights of the owners in the Unitized Formation, the Unit and the field.

6.

To the extent necessary, the requested relief should be granted as an exception to any otherwise applicable Statewide Rules, regulations and statutes.

IT IS, THEREFORE, ORDERED AND ADJUDGED, that the Petition filed herein is granted, the proposed Amended Special Field Rules for Stampede Field are approved and adopted, and Exhibit "1" hereto is a copy of the Amended 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 ^{May}~~April~~, 2010.

STATE OIL AND GAS BOARD OF MISSISSIPPI

By:  _____
Vice CHAIRMAN

PREPARED BY:

Glenn Gates Taylor (MBN 7453)
C. Glen Bush (MBN 7589)
COPELAND, COOK, TAYLOR & BUSH, P.A.
600 Concourse, Suite 100
1076 Highland Colony Parkway
P. O. Box 6020
Ridgeland, Mississippi 39158
601-856-7200

ATTORNEYS FOR PETITIONER

EXHIBIT "1"

**AMENDED SPECIAL FIELD RULES
FOR STAMPEDE FIELD
SMITH COUNTY, MISSISSIPPI**

A. FIELD LIMITS

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

In Township 2 North, Range 7 East, Smith County, Mississippi

- Section 18: The South One-Half of the South One-Half
- Section 19: All
- Section 20: The South 1,467 feet of the Southwest One-Quarter
- Section 29: The West One-Half and the South 1392.5 feet of the Southeast One-Quarter
- Section 30: The East Three-Fourths
- Section 31: The East One-Half
- Section 32: All
- Section 33: The West One-Half of the Southwest One-Quarter

In Township 1 North, Range 7 East, Smith County, Mississippi

- Section 3: The South One-Half of the Southwest One-Quarter
- Section 4: The Northwest One-Quarter of the Northwest One-Quarter; the South One-Half of the Northwest One-Quarter; the Southwest One-Quarter; 10 acres on the West side of the Northwest One-Quarter of the Southeast One-Quarter; and the South One-Half of the Southeast One-Quarter
- Section 5: All except the West One-Half of the Southwest One-Quarter
- Section 8: The North 2041.5 feet of the Northwest One-Quarter
- Section 9: The North One-Half; the Southeast One-Quarter and the Northeast One-Quarter of the Southwest One-Quarter
- Section 10: All except the North One-Half of the Northeast One-Quarter
- Section 11: The Southwest One-Quarter of the Southwest One-Quarter
- Section 13: The West One-Half of the Southwest One-Quarter
- Section 14: All
- Section 15: The North Three-Fourths

B. POOL DEFINITION

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.

C. STAMPEDE FIELDWIDE UNIT

Rule 1: Unit Area

A. "Unit Area" as used herein consists of those lands that are described in the Field Limits set forth above and all productive extensions thereof. The Unit Area may be referred to as the "Stampede Fieldwide Unit."

B. For the production and development of Unitized Substances from the Unitized Formation, the Unit Area is hereby established as a single producing unit for the entirety of the Unitized Formation and all intervals therein without regard to boundaries established by land, mineral and lease ownerships or the location of wells therein or thereon.

Rule 2: Unitized Formation

A. "Unitized Formation" as used herein is the subsurface portion of the Unit Area that is described as 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 3: Unitized Substances and Outside Substances

A. "Unitized Substances" are all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent substances other than "Outside Substances" (as herein defined) within or produced from the Unitized Formation.

B. "Outside Substances" are all substances that are purchased or otherwise obtained from any source other than the Unitized Formation and which are injected, recovered from or reinjected into the Unitized Formation, and include but are not limited to natural gas, air, water, salt water, produced fluids, carbon dioxide ("CO₂"), nitrogen, and other inert gases.

Rule 4: Unit Operations

A. With respect to the Unitized Formation, the operator of the Unit Area is authorized to conduct and carry out any secondary and/or tertiary recovery operations, pressure maintenance operations, repressuring operations, cycling operations, water flooding operations, the injection of Unitized Substances and Outside Substances, including CO₂, air or gaseous injection, either separately, successively, or any combination thereof, and any other form of joint effort, whether recognized, innovative or experimental, calculated to substantially increase the ultimate recovery of oil and gas, or both, from the said Unit Area, and to prevent waste, all as more fully set forth in the Plan of Unitization for the Unit Area, including all "Unit Operations" that are described in the Unit Agreement.

Rule 5: Permitting and Spacing of Wells Within The Unit Area

A. Notwithstanding any other provision(s) of these Amended Special Field Rules or any Statewide Rules to the contrary, and except as provided for below as to injection wells, the location of all wells (whether injection or production wells) within the said Unit Area shall be determined by the operator of the Unit Area, may be located anywhere within the boundaries of the Unit Area without regard to any otherwise applicable spacing rules, and shall be administratively permitted by the operator without notice and hearing; provided, however, no well may be drilled, injected into or produced from the Unitized Formation closer than 100 feet from any exterior boundary of the said Unit Area, except pursuant to an exception and/or permit issued by the Board after notice and hearing thereon.

B. The operator of the said Unit Area may utilize and operate any and all existing wells located within the boundaries of the said Unit Area, any one or more of which wells may be converted for use as injection wells, or one or more new wells may be drilled and/or reentered on the said Unit Area for such purposes.

C. Each well within the Unit Area that is proposed to be drilled as or converted to an injection well may be approved by the Board by administrative permit, without hearing, upon the operator filing with the Board a duly executed OGB Form 2, well location plat, the

required fee for the permit requested, and all evidence and information required under Statewide Rule 63, and upon publication of public notice of the same for not less than twenty (20) days prior to the issuance of the administrative permit.

D. Any injection well and any other non-producing well located within the Unit Area may be converted to a producing well for the Unit Area without notice and hearing, upon the operator filing with the Board a duly executed OGB Form 2, well location plat, and the required fee for the permit requested.

Rule 6: Allowable for the Unit Area

A. The allowable for the said Unit Area shall be established by the Board. The allowable production of the said Unit Area may be produced from or by any well or wells on the said Unit Area, individually or in any combination or sequence determined by the operator.

Rule 7: Measurement Of Production and Equipment For Tests

A. The operator of the Unit Area is permitted to commingle production at the surface from all fieldwide and individual units for collection and sale at one or more central tank battery(ies) as part of its operation of the Unit Area. This includes one or more central tank battery(ies) and central facility(ies) for oil, gas, CO₂ and water production, and treatment, processing, cycling and injection. The oil and gas production from the Unit Area may be commingled in a common storage system(s). The operator shall install a flowline, header and measurement system that allows each well to be separately and individually tested on a periodic basis. If, upon a sale therefrom, a variance exists between the measurement from the common storage system(s) and the measurement from the production of all the wells commingled in such common storage system(s), then such variance shall be allocated back to each of the wells producing into the common storage system(s) proportionately to the production measured from each of the wells on the basis of the periodic tests. 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.

B. Each producing well shall be connected to a metering system so as to permit the adequate testing of each individual well under usual operating conditions without the necessity of closing in any other well. Separators, stock tanks or measuring devices and connections thereto shall be subject to approval by the Supervisor of the Board.

C. All meters shall be downstream of the necessary separating or treating vessels. All meters shall be designed and installed in conformance with recognized metering practices and shall be subject to the approval of the Supervisor of the Board.

D. All meters and equipment affecting meter accuracy shall be kept in good working order. Each meter shall be calibrated periodically as needed by means of a calibrated tank, a calibrated meter prover or a master meter.

Rule 8: Automatic Custody Transfer Systems Authorized

A. 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.

B. 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.

C. 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. In addition to meeting all of the requirements set out in Rule 7 above regarding the use of meters, 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.

Rule 9: Amendment of Special Field Rules

A. 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.

B. 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.

Rule 10: Applicability of Statewide Rules

A. 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 -