

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

**Re: Petition Concerning Amendment of Special Field
Rules of Tiger Field, Jones and Perry Counties,
Mississippi**

Docket No. 426-2009-333

Order No. 674-2009

FILED FOR RECORD

DEC - 4 2009

STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR

EMERGENCY ORDER

This cause came on to be heard on the Emergency Petition of Sundown Energy LP requesting the State Oil and Gas Board of Mississippi to enter an emergency order at the November 18, 2009 hearing, effective for a period not to exceed forty-five (45) days from the effective date thereof, amending the Special Field Rules of Tiger Field so as to authorize the downhole commingling and simultaneous production of the Hosston Gas Pool and the Upper Cotton Valley Gas Pool in said field and granting related relief. This Board, having considered the Petition and the evidence submitted in support thereof, and being fully advised in the premises, finds and determines as follows, to-wit:

1.

This Board has full jurisdiction of the subject matter hereof. A public hearing was held by this Board in Suite E, 500 Greymont Avenue, Jackson, Mississippi, commencing on November 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 evidence presented were duly considered by this Board.

2.

Sundown Energy LP is a Texas limited partnership, whose principal place of business is Two Galleria Tower, 13455 Noel Road, Suite 2000, Dallas, Texas 75240. Sundown Energy LP is the operator of several wells in Tiger Field, Jones and Perry Counties, Mississippi.

3.

Special Field Rules previously have been adopted by this Board for Tiger Field. These Special Field Rules were last amended by this Board in Order No. 67-97, entered in Docket No. 42-97-333.

4.

The Special Field Rules of Tiger Field define the Hosston Gas Pool and the Upper Cotton Valley Gas Pool as separate and distinct pools. The U.S.A. 33-10 No. 1 Well, the Reeder 4-11 No. 1 Well, the Green 33-14 No. 1 Well, the Dennis 33-12 No. 1 Well, the Masonite 4-3 No. 1 Well and the Moore-Dennis 33-3 No. 1 Well presently are completed in the Hosston Gas Pool. The Reeder 4-12 No. 1 Well presently is completed in the Upper Cotton Valley Gas Pool. The F. Reeder 4-4 No. 1 Well presently is completed in the Hosston Gas Pool and the Upper Cotton Valley Gas Pool with commingled downhole production from these pools.

5.

Pursuant to Order No. 388-97, entered in Docket No. 283-97-333, Apache Corporation recompleted the F. Reeder 4-4 No. 1 Well in 1997 so as to commingle downhole and simultaneously produce both the Hosston Gas Pool and the Upper Cotton Valley Gas Pool through the same string of tubing. The F. Reeder 4-4- No. 1 Well has produced over 100,000 barrels of condensate and over 200,000 mcf of gas since the downhole commingling began in late 1997.

6.

In order to enhance and optimize the recovery of hydrocarbons from Tiger Field and to economically drain the maximum amount of the recoverable reserves from said field, the Special Field Rules of Tiger Field should be amended so as to authorize the simultaneous production and downhole commingling of hydrocarbons in the Hosston Gas Pool and the Upper Cotton Valley Gas Pool through a single string of tubing in all wells in Tiger Field.

7.

The Hosston Gas Pool and the Upper Cotton Valley Gas Pool in Tiger Field are compatible with each other and have similar pressures and characteristics. The Hosston Gas Pool and the Upper Cotton Valley Gas Pool in Tiger Field each produce gas and condensate from depths below 13,500 feet, exhibit depletion drive mechanisms and produce for many years before depleting. Wells completed in the Hosston Gas Pool and the Upper Cotton Valley Gas Pool in Tiger Field require artificial lift mechanisms to recover their full economic potential which are much more costly to maintain at the depths from which the wells produce.

8.

Downhole commingling of the Hosston Gas Pool and the Upper Cotton Valley Gas Pool in Tiger Field will enhance ultimate recovery from said pools by (i) extending the

economic life of the productive intervals because of the combined gas and condensate volumes available as the formations near depletion, (ii) will shorten the productive life of each such well, thereby reducing the risks of mechanical failures, and (iii) will minimize the risk of mechanical risks resulting from the lose of wellbores during attempted recompletions from a depleted zone formation later in the life of the well tubulars.

9.

The simultaneous production of the Hosston Gas Pool and the Upper Cotton Valley Gas Pool in Tiger Field through a single tubing string will not increase the hazards, risks or dangers incident to the production of hydrocarbons and all oil, gas and fresh water sands encountered by wellbores will continue to be protected.

10.

As shown by the successful downhole commingling of the Hosston Gas Pool and the Upper Cotton Valley Gas Pool in the F. Reeder 4-4- No. 1 Well, the simultaneous production of the Hosston Gas Pool and the Upper Cotton Valley Gas Pool through a single string of tubing is in all respects consistent with sound conservation practices and will enable the production of all recoverable hydrocarbons from the Hosston Gas Pool and the Upper Cotton Valley Gas Pool in Tiger Field in an orderly, efficient and economic manner without underground waste.

11.

Sundown Energy LP currently is in the process of recompleting the Green 33-14 No. 1 Well. Sundown Energy LP desires to run a perforated or slotted liner in said well so as to be able to commingle downhole and simultaneously produce both the Hosston Gas Pool and the Upper Cotton Valley Gas Pool through the same string of tubing in said well. It is anticipated that the workover operations on the Green 33-14 No. 1 Well will be completed and the recompletion rig will be released before the regular December 16, 2009 hearing of the Board.

12.

There is no difference in the royalty, overriding royalty and/or working interest ownerships between the Hosston Gas Pool and the Upper Cotton Valley Gas Pool throughout Tiger Field. Therefore, the downhole commingling of these pools will not adversely affect any working interest, mineral, royalty or overriding royalty owner in Tiger Field.

13.

The existing Special Field Rules for Tiger Field should be amended as proposed by Sundown Energy LP so as to increase the ultimate recovery of hydrocarbons from the Hosston Gas Pool and the Upper Cotton Valley Gas Pool in Tiger Field. The amendment of the Special Field Rules for Tiger Field as proposed by Sundown Energy LP will promote the conservation of hydrocarbons of Tiger 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. Furthermore, the proposed amendment of the Special Field Rules for Tiger Field will foster, encourage and promote the full development of the field.

14.

Sundown Energy LP is in the process of drilling the Clark Trust 9-11 No. 1 Well in Tiger Field. Sundown Energy LP desires to run a perforated or slotted liner in the Clark Trust 9-11 No. 1 Well so as to be able to commingle downhole and simultaneously produce both the Hosston Gas Pool and the Upper Cotton Valley Gas Pool through the same string of tubing in said well. It is anticipated that the drilling and completion of the Clark Trust 9-11 No. 1 Well also will be finished before the regular December 16, 2009 hearing of the Board.

15.

It was necessary that this matter be heard by the Board on an emergency basis at the November 18, 2009 hearing in order to prevent waste. Emergency action was required to be taken by the Board with respect to the Petition filed in this docket in order that the Green 33-14 No. 1 Well and the Clark Trust 9-11 No. 1 Well can be completed so as to simultaneously produce and downhole commingle the Hosston Gas Pool and the Upper Cotton Valley Gas Pool through a single string of tubing while the completion rigs are on site. Waste would result if the completion rigs were released and then were required to be brought back after the December 16, 2009 hearing.

IT IS THEREFORE ORDERED AND ADJUDGED by the State Oil and Gas Board of Mississippi that the emergency relief requested by Sundown Energy LP in the Emergency Petition filed in this docket should be, and the same is hereby, granted and it is ordered that the Special Field Rules for Tiger Field should be, and are hereby, amended as set forth below.

SPECIAL FIELD RULES
TIGER FIELD
JONES AND PERRY COUNTIES, MISSISSIPPI

FIELD LIMITS:

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

In Perry County, Mississippi

The entirety of Sections 4, 5, 8 and 9 and the West Half of Section 3, all in Township 5 North, Range 10 West.

In Jones County, Mississippi

The entirety of Sections 28, 32 and 33, the West Half of Section 34 and the East Half of Section 29, all in Township 6 North, Range 10 West.

together with all productive extensions thereof, underlain by the Hosston Gas Pool and/or the Upper Cotton Valley Gas Pool, as hereinafter defined.

POOL DEFINITIONS:

A. The **Hosston Gas Pool** in Tiger Field shall be construed to mean those strata of the Hosston Formation productive of hydrocarbons in the interval between the electric log depths of 13,720 feet and 15,255 feet as found in the Union Oil Company of California -- L. N. Moore - E. J. Dennis, et al, No. 1 Well [API No. 23-067-20061] as indicated on the electric log of said well, and all sands correlative of said strata productive of hydrocarbons, said well being located 990 feet from the North line and 2140 feet from the West line of Section 33 of Township 6 North, Range 10 West, Jones County, Mississippi.

B. The **Upper Cotton Valley Gas Pool** in Tiger Field shall be construed to mean those strata of the Cotton Valley Formation productive of hydrocarbons in the interval between the electric log depths of 15,062 feet and 15,825 feet as found in the Apache Corporation -- Reeder 4-12 No. 1 Well [API No. 23-111-20119] as indicated on the electric log of said well, and all sands correlative of said strata productive of hydrocarbons, said well being located 1739 feet from the South line and 940 feet from the West line of Section 4 of Township 5 North, Range 10 West, Perry County, Mississippi.

C. The characteristics of the Hosston Gas Pool and the Upper Cotton Valley Gas Pool in this field are such that downhole commingling and simultaneous production of said pools through a single string of tubing and the drilling and production of up to two (2) wells in each of these pools, located as hereinafter described and drilled upon a drilling unit conforming to the requirements of the rules herein contained, will efficiently

and economically drain and produce all recoverable hydrocarbons from such units in said pools without avoidable waste.

RULE 1 - SPACING OF GAS WELLS:

Each gas well drilled and completed in the Hosston Gas Pool and/or the Upper Cotton Valley Gas Pool:

- (a) shall be located on a unit consisting of 320 contiguous surface acres, or a governmental half-section containing not less than 300 acres nor more than 340 acres;
- (b) any unit not a governmental half-section must be completely encompassed by the perimeter of a rectangle 3735 feet by 5380 feet; provided, however, that no unit shall be permitted which will create island acreage;
- (c) each such well shall be located at least 1500 feet from every other drilling well or well producing from the same pool located in conformity with this rule;
- (d) each such well shall be located not less than 750 feet from every exterior boundary of the unit, except those wells heretofore drilled at special exception locations which do not comply with this rule shall be unaffected thereby; and
- (e) each unit may contain up to two (2) producing wells from each of the Hosston Gas Pool and the Upper Cotton Valley Gas Pool and each increased density well shall be entitled to a full allowable from said pools.

RULE 2 - COMMINGLING OF HOSSTON AND UPPER COTTON VALLEY GAS POOLS:

Production of hydrocarbons from the Hosston Gas Pool may be commingled downhole with production of hydrocarbons from the Upper Cotton Valley Gas Pool and produced through a single string of tubing. All such commingled production shall be reported to the Board as being production from the "Commingled Hosston and Upper Cotton Valley Gas Pools."

RULE 3 - APPLICABILITY OF STATEWIDE RULES:

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

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 and to grant exceptions to the same.

-- End of Special Field Rules --

IT IS FURTHER ORDERED that this Emergency Order shall be effective for a period of no longer than forty-five (45) days from the date hereof and shall expire when the Final Order (made after notice and hearing hereon) becomes effective.


IT IS FURTHER ORDERED that this matter shall be set down for a final hearing at the regular December, 2009 meeting of this Board, which will be held at 10:00 o'clock a.m. on the 16th day of December, 2009, in Suite E, 500 Greymont Avenue, Jackson, Mississippi 39202, and the Board shall, and the same does, retain jurisdiction of this matter for such final order as it shall deem proper upon a full hearing hereon.

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

SO ORDERED AND ADJUDGED on this the 4th day of December, 2009.

STATE OIL AND GAS BOARD OF MISSISSIPPI

By:


David A. Scott, Chairman

Prepared and submitted by:
James M. Nix
JONES AND NIX, PLLC
Post Office Box 55601
Jackson, Mississippi 39296-5601
Phone (601) 948-6800