

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

FILED FOR RECORD

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

SEP 21 2016

STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR

DOCKET NO. 104-2016-D

ORDER NO. 341-2016

ORDER

THIS MATTER came on to be heard at the regular August 2016 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 Trenton 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 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 the Tellus Operating Group, LLC -USA 6-7 Well No. 1 (also known as the Trenton USA 6-7 Well No. 1) (the "Well"). The Board-approved exception unit for the Well is comprised of approximately 978.5 acres (the "Unit") and is described on Exhibit 1 hereto which is incorporated by reference. The Well was directionally drilled at a surface location that is 1479 feet West of the East line and 2062 feet South of the North line of Section 6, Township 3 North, Range 7 East, Smith County, Mississippi to a bottom hole location that is 2315 feet South of the North line and 2613 feet East of the West line of said Section 6. Petitioner spudded the Well in January 2013 and drilled it to a total depth of 17,401 feet. During July 2013, the Well was completed in the Smackover Formation as a gas well. The Well produced from the Smackover Formation until January 2016. During March 2016, the Well was worked over and completed uphole into productive intervals in the Cotton Valley Formation. The Well has discovered an oil pool that should be defined.

3.

The Board should adopt Special Field Rules for Trenton Field that identify and define

the geographical area of the field, define the new oil pool, and provide for spacing and other rules. The geographical area of the field should be defined to be comprised of the following described lands located in Smith County, Mississippi, and all productive extensions thereof:

Township 4 North, Range 7 East

Section 31: The South One-half, and the South One-half of the North One-half.

Township 3 North, Range 7 East

Section 6: The entire section.

Section 7: The North One-half.

4.

The new pool which has been discovered by the Well should be defined as follows:

The Cotton Valley Oil Pool is defined to mean those strata of the Cotton Valley Formation productive of oil, gas and other hydrocarbons between the measured depths of 13,412 feet and 16,352 feet on the logs for the Tellus Operating Company, LLC-USA 6-7 Well No. 1 (also known as the Trenton USA 6-7 Well No. 1), and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith. The surface location of the said well is 1479 feet West of the East line and 2062 feet South of the North line of Section 6, Township 3 North, Range 7 East, Smith County, Mississippi.

5.

Based on the geology and other reservoir factors and characteristics of the said Cotton Valley Oil Pool, the Board finds that the said pool should be developed on the existing Unit until such time as it is advisable to form a fieldwide unit. The spacing rules for the Unit and for the wells that produce from the said Cotton Valley Oil Pool should be as follows:

- (1) The Unit may contain up to six (6) wells that produce from the pool.
- (2) The surface location of each well that produces from the pool may be located anywhere on the Unit without regard to the distance from any exterior boundary line of the Unit or to the surface location of any other well on the Unit.
- (3) The bottom hole location of each well on the Unit shall be located at least 100 feet from every exterior boundary line of the Unit and at least 1000 feet from the bottom hole location of every other well that is completed into or producing from the pool on the Unit
- (4) The foregoing spacing rules are subject to such exceptions as may be granted by the Board after notice and hearing.

6.

Attached hereto as Exhibit 2 is a copy of the Special Field Rules as adopted.

7.

Based on the evidence presented, the Board finds that 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.

8.

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 Trenton Field are approved and adopted, and Exhibit 2 hereto is a copy of the Special Field Rules as adopted.

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

IT IS, FURTHER ORDERED AND ADJUDGED, that this Order shall be in force and effect from and after August, 2016.

SO ORDERED AND ADJUDGED, this the 21st day of Sept., 2016.

STATE OIL AND GAS BOARD OF MISSISSIPPI

By:


CHAIRMAN

PREPARED BY:

Glenn Gates Taylor (MBN 7453)
C. Glen Bush (MBN 7589)
John H. Geary, Jr. (MBN 101540)
COPELAND, COOK, TAYLOR & BUSH, P.A.
600 Concourse, Suite 100
1076 Highland Colony Parkway
P. O. Box 6020
Ridgeland, Mississippi 39158
601-856-7200
601-856-7626 (facsimile)

ATTORNEYS FOR PETITIONER

EXHIBIT 1

DESCRIPTION OF THE UNIT

The Unit is comprised of the following described lands located in Smith County,

Mississippi:

Township 4 North, Range 7 East

Section 31: the Southwest One-quarter; the West One-half of the Southeast One-quarter; and the South One-half of the Southeast One-quarter of the Southeast One-quarter.

Township 3 North, Range 7 East

Section 6: the North One-half; the Southeast One-quarter; the East One-half of the Southwest One-quarter; and the North One-half of the Northwest One-quarter of the Southwest One-quarter.

Section 7: the North One-half of the Northeast One-quarter; and the Southeast One-quarter of the Northeast One-quarter.

The Unit contains 978.5 acres, more or less.

-End of Exhibit 1-

EXHIBIT 2

**SPECIAL FIELD RULES
FOR TRENTON FIELD
SMITH COUNTY, MISSISSIPPI**

Field Limits

The geographical area of Trenton Field is comprised of the following lands located in Smith County, Mississippi:

Township 4 North, Range 7 East

Section 31: The South One-half, and the South One-half of the North One-half.

Township 3 North, Range 7 East

Section 6: The entire section.

Section 7: The North One-half.

Pool Definitions

1. The **Cotton Valley Oil Pool** is defined to mean those strata of the Cotton Valley Formation productive of oil, gas and other hydrocarbons between the measured depths of 13,412 feet and 16,352 feet on the logs for the Tellus Operating Group, LLC-USA 6-7 Well No. 1 (also known as the Trenton USA 6-7 Well No. 1) (the "Well"), and all strata productive of oil, gas and other hydrocarbons which can be correlated therewith and are in communication therewith. The surface location of the Well is 1479 feet West of the East line and 2062 feet South of the North line of Section 6, Township 3 North, Range 7 East, Smith County, Mississippi.

Rule 1: Spacing

A. The Board heretofore approved an exception unit for the Well that is comprised of approximately 978.5 acres (the "Unit") and is described on Exhibit 1 hereto which is incorporated by reference. The Cotton Valley Oil Pool should be developed on the Unit until such time as it is advisable to form a fieldwide unit. The spacing rules for the Unit and for the wells that produce from the said Cotton Valley Oil Pool on the Unit should be as follows:

- (1) The Unit may contain up to six (6) wells that produce simultaneously from the said pool.
- (2) The surface location of each well that produces from the pool may be located anywhere on the Unit without regard to the distance from any exterior boundary line of the Unit or to the surface location of any other well on the Unit.
- (3) The bottom hole location of each well on the Unit shall be located at least 100 feet from every exterior boundary line of the Unit and at least 1000 feet from the bottom hole location of every other well that is completed into or producing from the pool on the Unit
- (4) The foregoing spacing rules are subject to such exceptions as may be granted by the Board after notice and hearing.

B. Because the Unit has also been force integrated pursuant to Miss. Code Ann. Section 53-3-7(1), each additional well drilled on the Unit to produce the Cotton Valley Oil Pool may have the drilling permit issued administratively, without notice and hearing, provided that the proposed well complies with the spacing rules of these Special Field Rules and alternate charges are not sought for the well.

Rule 2: Allowables

Each well drilled on the Unit that produces from the Cotton Valley Oil Pool shall be entitled to produce with its own separate unpenalized full allowable.

Rule 3: Measurement Of Production and Equipment For Tests

A. The operator of the Unit is permitted to commingle production at the surface from all wells for collection and sale at one or more central tank battery(ies) as part of its operation of the Unit. This includes one or more central tank battery(ies) and central facility(ies) for oil, gas, and water production, and treatment, processing, cycling and injection. The oil and gas production from the Unit 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 and then separate, meter and measure that production at one or more facilities located on or off of the Unit.

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 4: 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. 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 and then separate, meter and measure that production at one or more facilities.

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 3 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 5: Amendment of Special Field Rules

A. In the event of any conflict or inconsistency between any provision(s) of these Special Field Rules and any prior or other orders or rules of the Board, these 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 6: 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 Special Field Rules are hereby adopted and applied to the field and the Unit, but only to the extent not inconsistent or in conflict with the foregoing Special Field Rules.

-End of Special Field Rules-