

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

FILED FOR RECORD

SEP 3 1993

RE: PETITION OF HUGHES-RAWLS CORPORATION
TO ESTABLISH THE LOWER SMACKOVER
FIELDWIDE OIL UNIT IN VOSSBURG
FIELD, JASPER COUNTY, MISSISSIPPI

STATE OIL AND GAS BOARD
A. BROWN, Secretary

DOCKET NO. 140-93-345

ORDER NO. 258-93

ORDER

THIS MATTER came on for hearing on Petition of Hughes-Rawls Corporation of Jackson, Mississippi, requesting the Board to establish the Lower Smackover Fieldwide Oil Unit in Vossburg Field, in Jasper County, Mississippi, pursuant to Miss. Code Ann. §53-3-101, et seq. (Supp. 1988) and, the Board finds that due and legal notice of the meeting of this Board and the hearing of this Petition has been given in the manner and time required by law and the rules and regulations of this Board, that notice required by Order No. 3-90 of this Board has been given in the time and manner required and due and proper proofs of publication and proof of personal notice are on file with this Board; that the Board has full jurisdiction of the parties and the subject matter, and having considered the evidence presented in support of the Petition, this Board is of the opinion that the relief prayed for should be granted.

The Board further finds as follows:

1.

The Unit Area consists of the following described lands comprising 351 acres, more or less, located in Jasper County, Mississippi:

NE 1/4; E 1/2 of NW 1/4 less and except 1 acre, more or less, described as beginning at the SW corner of SE 1/4 of NW 1/4 and North along the West line of said forty a distance of 414 feet to a point on the South margin of a gravel road, thence South 55° East along the South margin of said road a distance of 160 feet, thence South a distance of 225 feet to a point on the South line of said forty, thence run West along the South line of said forty a distance of 130 feet to the point of beginning; the NE 1/4 of SE 1/4; the East 8 acres of the NW 1/4 of the SE 1/4; the NW 1/4

of SE 1/4 less the East 8 acres and less that part lying South of the North right of way lines of I-59 and of the county road, also known as the Paulding-Vossburg Road; and a tract containing 3 acres, more or less, described as beginning at the NE corner of the SW 1/4 and run South 453.90 feet to the North R.O.W. line of the Paulding-Vossburg Public Road, thence run along said R.O.W. as follows: North 49° 05' 14" West 250.40 feet, North 54° 45' West 146.81 feet, North 57° 07' West 377.91 feet to the North line of said forty thence run East 626.48 feet to the point of beginning. All in Section 33, Township 2 North, Range 13 East.

W 1/2 of SW 1/4 of NW 1/4 and W 1/2 of NW 1/4 of SW 1/4 of Section 34, Township 2 North, Range 13 East.

2.

The Unitized Formation consists of those strata of the Lower Smackover Formation productive of oil between the electric log interval of 15,562 feet-15,688 feet as found in the Getty Oil Company - L. B. Melvin 33-8 No. 1 Well located 500 feet from the West line and 500 feet from the South line of the SE 1/4 of NE 1/4 of Section 33, Township 2 North, Range 13 East, Jasper County, Mississippi, and includes those strata productive of Unitized Substances which can be correlated with and/or are in communication therewith.

3.

Unit operation of the Unitized Formation for the Lower Smackover Fieldwide Oil Unit in the Vossburg Field is necessary in order to effectively carry out secondary recovery, pressure maintenance, repressuring operations, cycling operations, waterflooding operations, the injection of extraneous substances, and any combination thereof, or any other form of joint effort calculated to substantially increase the ultimate recovery of oil or gas, or both, from the fieldwide unit and to prevent waste as defined by Miss. Code Ann. §53-1-3, as amended. Such unit operations, as applied to the common source of supply, are feasible and will prevent waste and will, with reasonable probability, result in the recovery of substantially more oil or gas, or both, from the Vossburg Lower Smackover Fieldwide Oil Unit than would otherwise be recovered.

4.

The Unit Operating Agreement and Unit Agreement dated January 1, 1993, and submitted to this Board as Exhibits "A" and "B" to the Petition, are approved by the Board and the Board finds that these documents contain the provisions which satisfy the requirements of Miss. Code Ann. §53-3-105 of the Miss. Code of 1972, as amended. The Board further finds that the plan of unitization, the Unit Agreement and the Unit Operating Agreement are fair and reasonable under all of the circumstances and protect the rights of all interested parties. These documents, and the proposed operations thereunder, will protect the correlative rights of all interested parties.

5.

The operations contemplated by the Unit Agreement call for pressure maintenance operations by injection of water or other substances as defined in the Unit Agreement. Such operations shall be conducted in compliance with the rules and regulations adopted by this Board to the end that the quantity of Unitized Substances ultimately recoverable may be increased and waste prevented. Unit operations shall be conducted with diligence and in accordance with good engineering and production practices without decreasing the ultimate recovery of Unitized Substances or causing damage to the Unitized Formation.

6.

The estimated additional cost incident to conducting unit operations will not exceed the value of estimated additional recovery of oil and gas. The cost of unit operations shall not be borne by any royalty owners.

7.

Production of Unitized Substances from the Unit Area shall be allocated to the respective owners in accordance with the tract participation factor allocated to each tract as set forth in Exhibit "A" to the Unit Agreement. The tract participation of each tract is based upon the tract participation factor which is determined by dividing the number of acre feet of original

hydrocarbon pore volume in the Unitized Formation underlying a designated tract divided by the total acre feet of original hydrocarbon pore volume within the Unit Area. The Board finds that this formula is reasonable and permits persons otherwise entitled to share in and benefit by the production from each separately owned tract to receive, in lieu thereof, their fair, equitable and reasonable share of the unit production and other benefits. This formula represents that proportionate part of unit production that the contributing value of each tract for oil and gas purposes in the Unit Area and each tract's contributing value to the Unit bears to the total of all like values of all tracts in the unit, taking into account all pertinent engineering, geological and operating factors that are reasonably susceptible of determination.

8.

Wells and equipment to be used in unit operations shall be inventoried and evaluated by methods to be determined by the working interest owners. Upon approval by the working interest owners of inventory and evaluation, each working interest owner shall be credited with the value of its interest in all wells and equipment taken over under Section 10.1 of the Unit Operating Agreement and shall be charged with an amount equal to that obtained by multiplying the total value of all wells and equipment taken over under Section 10.1 of the Unit Operating Agreement by the working interest owners' unit participation. If the charge against any working interest owner is greater than the amount credited to that working interest owner, the resulting net charge shall be an item of unit expense, chargeable against the working interest owner. If the credit to any working interest owner is greater than the amount charged against the working interest owner, the resulting net credit shall be paid to the working interest owner by the unit operator out of funds received by it in settlement of the net charges.

9.

All costs and expenses of unit operation, including investment, past and prospective, shall be borne by the working interest

owners of each tract in the same proportion that each tract shares in unit production. Each owner's interest in the Unit Area shall be responsible for his proportionate share of expenses and the Unit Operator will have a lien to secure payment of each owner's share of expenses in addition to any other rights given the Unit Operator in the Unit Agreement or Unit Operating Agreement. When any working interest owner fails to pay his proportionate part of expenses when due and interest thereon at the legal rate, then all of that owner's interest in the unit production and equipment may be foreclosed in the same manner and under the same procedure provided for in the foreclosure of mortgages in Chancery Court, all as provided in Article 11 of the Unit Operating Agreement. A transfer or conversion of any owner's interest or any portion of an owner's interest, however accomplished after the effective date of this Order, shall not relieve the transferred interest of the Operator's lien on the transferred interest for the cost and expense of unit operations, past or prospective, or divest the Unit Operator of any other rights or security interest granted the Unit Operator in the Unit Agreement or Unit Operating Agreement.

10.

The Unit Operator shall be Spooner Petroleum Company and it may resign at any time. The Unit Operator may be removed at any time by the affirmative vote of 90% of the working interest owners remaining after excluding the voting interest of the Unit Operator. Resignation or removal of the Unit Operator will become effective three (3) months after the resignation or removal unless a successor unit operator has taken over unit operations prior to the expiration of that period. Upon the resignation or removal of the unit operator, a successor unit operator shall be selected by working interest owners and if the removed unit operator fails to vote, or votes only to succeed itself, the successor unit operator shall be selected by the affirmative vote of the working interest owners having 75% or more of the voting interest remaining after excluding the voting interest of the removed Unit Operator.

11.

As of the date of this Order, the plan of unitization and the agreements incorporating the provisions of §53-3-105 of the Miss. Code, have been signed or, in writing, ratified, adopted or approved by the working interest owners or lessees in excess of 98.98% in interest on the basis of and in proportion to the surface acreage content of the Unit Area. Additionally, as of the date of this Order, the Plan of Unitization and the agreements incorporating the provisions of §53-3-105 have been signed or, in writing, ratified, adopted or approved by in excess of 95.47% (exclusive of royalty interest owned by lessees or by subsidiaries or successors in title of any lessee) in interest of the royalty owners on the basis of, and in proportion to, the surface acreage content of the Unit Area.

12.

Unit operations shall become effective September 1, 1993 at 7:00 o'clock a.m. and unit operations shall terminate according to Article 15 of the Unit Agreement approved by the Board.

13.

The boundaries of the Unit Area are approved and the Lower Smackover Oil Pool (the Unitized Formation) has been reasonably developed according to spacing pattern approved by this Board as a sufficient number of wells have been drilled to a sufficient depth at such locations as are necessary for a determination of the Unit Area and the development of the Lower Smackover Oil Pool. Within the Unitized Area, there are two tracts which have not been drilled. One tract contains three acres, triangular in shape, in the Northeast corner of the NE 1/4 of SW 1/4 of Section 33, designated as Tract No. 4 and the other tract is the W 1/2 of NW 1/4 of SW 1/4 of Section 34, which comprises the N 1/2 of Tract No. 7, containing 20 acres. Neither of these tracts has been drilled or included within a drilling unit. It is not economically feasible to establish drilling units for these smaller undrilled tracts which are included within the Unit Area and it is not practical to drill wells on these separate parcels; consequently,

the requirement that each drilling unit of the Unit Area be drilled is waived.

14.

Petitioner has submitted to this Board Special Field Rules for the Vossburg Field in Jasper County, Mississippi, a true and correct copy of which is attached hereto as Exhibit "A". These Rules are found to be fair and reasonable and will prevent waste and protect co-equal and correlative rights of owners in the defined pools. These Rules are hereby approved and adopted.

IT IS, THEREFORE, ORDERED that the Vossburg Lower Smackover Oil Unit described in this Order is hereby established and unit operations in accordance with the Unit Agreement and Unit Operating Agreement are authorized effective September 1, 1993, at 7:00 o'clock a.m. as to the Unitized Formation.

IT IS FURTHER ORDERED that the Unit Agreement and Unit Operating Agreement submitted to this Board for the Vossburg Lower Smackover Oil Unit are hereby approved and the Special Field Rules for the Vossburg Field in Jasper County, Mississippi are approved.

IT IS FURTHER ORDERED that Spooner Petroleum Company be and it is hereby authorized to conduct unit operations in accordance with this Order, the Unit Agreement, Unit Operating Agreement and the Special Field Rules.

IT IS FURTHER ORDERED that the Operator shall secure any other permits which may be required.

ORDERED AND ADJUDGED, this 18th day of August, 1993.

THE STATE OIL AND GAS BOARD OF MISSISSIPPI

By: _____

Joseph S. Juccaro
CHAIRMAN

SPECIAL FIELD RULES
FOR THE VOSSBURG FIELD IN
JASPER COUNTY, MISSISSIPPI

A. The Vossburg Field, as used herein, is that area included within the following described lands located in Jasper County, Mississippi, to-wit:

NE-1/4; E-1/2 of NW-1/4 less and except 1 acre, more or less, described as beginning at the SW corner of SE-1/4 of NW-1/4 and run North along the West line of said forty a distance of 414 feet to a point on the South margin of a gravel road, thence run South 55 degrees East along the South margin of said road a distance of 160 feet, thence South a distance of 225 feet to a point on the South line of said forty, thence run West along the South line of said forty a distance of 130 feet to the point of beginning; the NE-1/4 of SE-1/4; the East 8 acres of the NW-1/4 of the SE-1/4; the NW-1/4 of SE-1/4 less the East 8 acres and less that part lying South of the North right of way lines of I-59 and of the county road, also known as the Paulding-Vossburg Road; and a tract containing 3 acres, more or less, described as beginning at the NE corner of the SW-1/4 and run South 453.90 feet to the North R.O.W. line of the Paulding-Vossburg Public Road, thence run along said R.O.W. as follows: North 49 degrees 05 minutes 14 seconds West 250.40 feet, North 54 degrees 45 minutes West 146.81 feet, North 57 degrees 07 minutes West 377.91 feet to the North line of said forty, thence run East 626.48 feet to the point of beginning. All in Section 33, Township 2 North, Range 13 East.

W-1/2 of SW-1/4 of NW-1/4 and W-1/2 of NW-1/4 of SW-1/4 of Section 34, Township 2 North, Range 13 East.

B. SMACKOVER A OIL POOL: The Smackover A Oil Pool shall be construed to mean those strata of the Smackover "A" Formation productive of oil in the interval between 14,692 feet and 14,834 feet in the Getty Oil Company - J. B. Reed, et al 33-10 Well No. 1, located 805 feet South and 510 feet East of the Northwest corner of the W-1/2 of the SE-1/4 of Section 33, Township 2 North, Range 13 East, Jasper County, Mississippi, as indicated on electric log of said well and all intervals correlative of said strata productive of hydrocarbons.

C. SMACKOVER B OIL POOL: The Smackover B Oil Pool shall be construed to mean those strata of the Smackover "B" Formation

EXHIBIT

"A"

productive of oil in the interval between 15,156 feet and 15,377 feet in the Getty Oil Company - J. B. Reed, et al 33-10 Well No. 1, located 805 feet South and 510 feet East of the Northwest corner of the W-1/2 of the SE-1/4 of Section 33, Township 2 North, Range 13 East, Jasper County, Mississippi, as indicated on electric log of said well and all intervals correlative of said strata productive of hydrocarbons.

D. UNITIZED LOWER SMACKOVER OIL POOL: The Lower Smackover Oil Pool shall be construed to mean those strata of the Smackover Formation productive of Unitized Substances at the electric log interval of 15,562 feet-15,688 feet as found in the Getty Oil Company - L. B. Melvin 33-8 No. 1 Well located 500 feet from the West line and 500 feet from the South line of the SE-1/4 of NE-1/4 of Section 33, Township 2 North, Range 13 East, Jasper County, Mississippi, including those strata productive of Unitized Substances which can be correlated with and/or are in communication therewith as found under the above described unit area.

RULE I - SPACING OF OIL WELLS FOR THE SMACKOVER
A AND SMACKOVER B OIL POOLS

A. With respect to the Smackover A Oil Pool and the Smackover B Oil Pool, every oil well drilled to or completed in said pools shall be located on a drilling unit established in conformance with the configuration and spacing requirements set forth in Statewide Rule 7.1 or Statewide Rule 7.2.

RULE II - SPACING OF WELLS IN THE VOSSBURG FIELD UNIT

A. A fieldwide drilling unit is hereby established for each and all of the oil wells drilled and completed or to be drilled and completed in the Unitized Lower Smackover Oil Pool consisting of that area affected by the Unitization Agreement for the Vossburg Field and underlain by said pool. The unit area for said pool shall be treated as a single drilling and producing unit as to all tracts therein contained. The location of injection and production wells in the fieldwide unit shall be

selected by the Operator and shall be governed by the standards of geology and petroleum engineering designed to promote the greatest ultimate recovery of hydrocarbons contained in the pool.

RULE III - PRESSURE MAINTENANCE AND SECONDARY RECOVERY PROGRAM

A. The Operator of the Vossburg Fieldwide Unit is hereby authorized to conduct and carry out secondary recovery, pressure maintenance, repressuring operations, cycling operations, waterflooding operations and injection of saltwater and extraneous substances into the Unitized Substances or any combination thereof, or any other form of joint effort calculated to substantially increase the ultimate recovery of oil or gas, or both, from the fieldwide unit as authorized by the Plan of Unitization approved by the State Oil and Gas Board of Mississippi. The Operator may use for injection purposes existing wells located on the fieldwide unit which may be converted to injection wells or wells may be drilled in said fieldwide unit for such purposes. Any such wells drilled as injection wells or converted to injection wells by Operator on the fieldwide unit as part of pressure maintenance and/or secondary recovery operations may be approved by the Mississippi State Oil and Gas Board on administrative permit, without notice and hearing, with the Operator filing with the Board a duly executed Form 2, the required permit fee for each such well and all evidence and information required under Statewide Rule 63.

RULE IV - ALLOCATION OF PRODUCTION

A. The allowable for the Vossburg Fieldwide Unit shall be established by the Mississippi State Oil and Gas Board. The allowable of production for the fieldwide unit may be produced from any well or wells on the unit; provided, however, no well shall be operated in such a manner as to cause waste as defined by the laws of the State of Mississippi and the rules and regulations of this Board.

RULE V - SURFACE STORAGE, MEASUREMENT
AND TRANSFER SYSTEMS

A. The Operator of the Vossburg Fieldwide Unit may maintain such separators, stock tanks, metering devices, connections and storage facilities as it deems necessary to accurately measure the total production from the fieldwide unit. Separate measurement of storage for the wells and leases within the fieldwide unit shall not be required.

B. Automatic custody transfer systems which automatically test, sample, measure and transfer the production from the Operator to the Purchaser are hereby authorized in the fieldwide unit. Such systems 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 basic sediment and water content can be determined. Each custody transfer system will be equipped with a volume displacement metering device which registers the volume of oil passing through it in barrels or multiples thereof.

RULE VI - 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 shall apply to the field.

RULE VII

A. The Board expressly reserves the right, after notice and hearing, to alter, amend or repeal any and all of the foregoing Special Field Rules or to grant exceptions to all or any part thereof.