

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: PETITION OF KCS RESOURCES, INC. TO
ESTABLISH SPECIAL FIELD RULES AND AN
MER FOR SOUTH WINCHESTER FIELD,
WAYNE COUNTY, MISSISSIPPI.

FILED FOR RECORD

OCT - 1 2007

STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR

DOCKET NO. 325-2007-929

FINAL

ORDER NO. 620-2007

FINAL ORDER

THIS MATTER came on for hearing before the State Oil and Gas Board on the Petition of KCS Resources, Inc. for authority to establish Special Field Rules and an MER for South Winchester Field; such hearing being called for such purpose; and

WHEREAS, the Board finds that due, proper and legal notice of the meeting of the Board for the purpose of considering and taking action with respect to such matter was given in the manner and way provided by Mississippi Code Ann. § 53-3-7(2)(Supp. 1998) and the rules and regulations of the Board; that due, legal and sufficient proofs of publication and service are on file with the Board; and that the Board has full jurisdiction of the subject matter to hear and determine same; and

WHEREAS, a public hearing was held by the Board in the hearing room, Suite E, 500 Greymont Avenue, Jackson, Mississippi, commencing on Wednesday, September 19, 2007, and the Board heard testimony and evidence regarding the request by KCS Resources, Inc.; and

WHEREAS, the Board has fully considered said matter and the evidence and recommendations made in said hearing and finds as follows:

1. In the fall of 2006, Petitioner completed its Board of Education 16-11 No. 1 Well as the discovery well of an oil pool in the Smackover Formation of what is now known as South Winchester Field. Petitioner has since completed and is now producing from the North and South offsets in the Smackover Formation.
2. From information obtained from this development and production, Petitioner has requested that Special Field Rules for South Winchester Field be established by the Board in which the Board (a) defines the aerial extent of the field, (b) defines and establishes spacing for development of the Smackover Oil Pool as discovered herein, and (c) establishes an MER of 900 BO/Day, at a GOR of 2,750 CF/BO or less, for any wells completed in the Smackover Oil Pool of South Winchester Field.
3. Pursuant to Statewide Rule 33 and 35, Petitioner has requested that the maximum allowable production of oil in the South Winchester Field be established at an MER of 900 BO/day, at a GOR of 2,750 CF/BO or less, for any well completed in the Smackover Oil Pool of this Field.

4. The evidence available to date indicates that the maximum efficient rate for production from the Smackover Oil Pool of South Winchester Field is not less than 900 BO/day, at a GOR of 2,750 SCF/BBL or less. The rate of production in this type of reservoir is independent of ultimate recovery and the higher rate would more effectively and efficiently deplete the reservoir. Once the reservoir pressure reaches "bubble point," it is expected that the GOR should begin to increase, at which point it is appropriate for a GOR restriction, similar to Statewide Rule 40. However, because of the reservoir characteristics demonstrated in this reservoir, the GOR restriction should be 2,750 SCF/BBL, instead of the 2,000 SCF/BBL restriction imposed by Statewide Rule 40.

5. Allowing the wells completed in the Smackover Oil Pool of this field to produce at the MER stated above will foster, encourage and promote the development, production and utilization of natural resources of oil and gas within this field without waste, and will permit this pool to be produced up to its maximum efficient rate of production, while avoiding waste and protecting the co-equal and correlative rights of the owners in this common source of supply.

6. By Emergency Order No. 592-2007 entered in this docket at the August 15, 2007 hearing, this Board granted Petitioner the right to continue to test the Board of Education 16-11, the Board of Education 16-14 No. 1 and the Kelly 21-4 No. 1 wells at production rates in excess of Statewide Rule 35 oil allowable, pending the Board's decision in this Docket.

IT IS, THEREFORE, ORDERED AND ADJUDGED that final authority is hereby granted for the extended test period for its Board of Education 16-11, Board of Education 16-14, and Kelly 21-4 No. 1 wells at rates in excess of the Statewide Rule 35 oil allowable; and that the Special Field Rules of South Winchester Field, Wayne County, Mississippi shall be and are hereby adopted as set forth in Exhibit A, hereto, with the establishment of the maximum daily allowable of oil to be produced by any well completed in the Smackover Oil Pool of South Winchester Field at the MER of 900 barrels of oil per day, at a GOR of 2,750 CF/BO or less.

IT IS FURTHER ORDERED, that Petitioner shall acquire all other permits, if any, required by any other permitting authority.

ORDERED AND ADJUDGED this 15th of ~~September~~ ^{OCTOBER}, effective September 19, 2007.

MISSISSIPPI STATE OIL AND GAS BOARD

By: 

CHAIRMAN

OF COUNSEL:

Jefferson D. Stewart, Esq.
Adams and Reese, LLP
Post Office Drawer 2429
Jackson, Mississippi 39225-4297
Telephone: (601) 353-3234

John A. Smith

EXHIBIT A

**SPECIAL FIELD RULES FOR
SOUTH WINCHESTER FIELD
WAYNE COUNTY, MISSISSIPPI**

A. SOUTH WINCHESTER FIELD.

The South Winchester Field as used herein will consist of the following lands underlain by productive strata of the Smackover Oil Pool, as hereinafter defined, and all productive extensions thereof.

TOWNSHIP 8 NORTH, RANGE 6 WEST

Section 16: S $\frac{1}{2}$ NW $\frac{1}{4}$ and SW $\frac{1}{4}$

Section 20: SE $\frac{1}{4}$ NE $\frac{1}{4}$

Section 21: N $\frac{1}{2}$ NW $\frac{1}{4}$ and SW $\frac{1}{4}$ NW $\frac{1}{4}$

B. SMACKOVER OIL POOL.

The Smackover Oil Pool of the South Winchester Field as used herein shall be construed to mean those strata of the Smackover Formation productive of oil in the electric log interval between 15,370 feet to 15,570 feet as seen in the KCS Resources, Inc. – Board of Education No. 16-14 No. 1 Well, located in the SE $\frac{1}{4}$ of the SW $\frac{1}{4}$ of Section 16, Township 8 North, Range 6 West, Wayne County, Mississippi, and all strata correlative to and in communication therewith.

RULE 1 – SPACING FOR SMACKOVER OIL POOL.

Every well drilled to or completed in the Smackover Oil Pool as an oil well:

- (a) shall be located on a drilling unit of two contiguous quarter-quarter sections containing not less than 72 nor more than 88 acres, or on a drilling unit consisting of 80 contiguous surface acres, upon which no other well drilling to or producing from the same pool is located;
- (b) any drilling unit not composed of two contiguous quarter-quarter sections must be completely encompassed by the perimeter of a rectangle 1600 feet x 2,725 feet; provided that no unit shall be permitted which shall create island acreage;
- (c) the well shall be located at least 660 feet from every other well drilling to or completed in the same pool located in conformity with this rule and;
- (d) the well shall be located at least 330 feet from every exterior boundary of the drilling unit.

EXHIBIT A

RULE 2 – MAXIMUM DAILY OIL AND GAS ALLOWABLE.

Based on the demonstrated maximum efficient rate of flow of oil from the Smackover Oil Pool, any well completed in said Pool shall be entitled to produce oil at a rate of 900 barrels of oil per day, at a GOR of 2,750 CF/BD or less. The daily gas limit for any well producing from this Pool shall be 2,475 MCF, which is obtained by multiplying the maximum daily oil allowable (900 BO) with a GOR of 2,750 CF/BO.

RULE 3 – APPLICABILITY OF STATEWIDE RULES.

All rules and regulations contained in the Statewide Rules, as currently amended, not specifically covered in the foregoing Special Field Rules shall continue to apply to South Winchester Field.