

IN THE STATE OIL AND GAS BOARD OF MISSISSIPPI

IN RE: DOCKET NO. 44-73-303

Wolf Creek Field
Wayne County,
Mississippi

PETITION OF PRUET & HUGHES
COMPANY FOR THE ADOPTION OF
SPECIAL FIELD RULES, WOLF
CREEK FIELD, WAYNE COUNTY,
MISSISSIPPI

ORDER NO. 88-73

This day this cause came on for hearing at the regular April, 1973 meeting of the State Oil and Gas Board of Mississippi upon application of Pruet & Hughes Company of Jackson, Mississippi, for and on behalf of itself and a majority of the owners of the oil, gas and other minerals in and to the hereinafter described lands for the adoption of Wolf Creek Field Special Field Rules, Wayne County, Mississippi, and for other relief as set forth in said petition.

The State Oil and Gas Board finds that due and legal notice of the meeting of the Board for the purpose of considering the above petition has been given in the manner and form provided by law and the rules and regulations of this Board, and that due and proper proofs of all legal and required notices are on file with this Board in this cause, and that said Board has full jurisdiction of this cause and of the parties and the right to hear said cause and determine the same at this meeting of the Board, and the Board having heard the evidence of witnesses, both oral and documentary, further finds that the petitioner has filed a properly verified petition requesting authority to obtain the relief as hereinafter set forth.

1.

The Board further finds that a vast majority of the owners of separate holdings consisting of oil, gas and mineral leases have heretofore executed a "Unit Agreement" and a "Unit Operating Agreement" and that a vast majority of the owners other than owners of operating interests have executed a "Unit Agreement", all of which cover and affect the Smackover Oil Pool of the Wolf Creek Field underlying the unit area described as follows, to-wit:

Commencing at the Southwest corner of Section 23, Township 10 North, Range 8 West, Wayne County, Mississippi; thence run east along the south line of Section 23 for a distance of 2640.0 feet to the line common to Lots 3 and 4; thence run North along the line common to Lots 3 and 4 for a distance of 3071.62 feet, more or less, to the Northwest corner of Lot 3, said point hereinafter referred to as the point of beginning; thence run West along the south line of Lot 2 for a distance of 824.97 feet, more or less, to the Southwest Corner of said Lot 2; thence run North along the west line of Lot 2 for a distance of 891.0 feet, more or less, to the Northwest Corner of said Lot 2; thence run west along a west extension of the North line of said Lot 2 for a distance of 55.26 feet to a point; thence run north and parallel to the west line of Lot 1 for a distance of 1320 feet, more or less, to a point on the north line of said Section 23 and on the south line of Section 14, Township 10 North, Range 8 West, Wayne County, Mississippi; thence run west along the said south line of Section 14 for a distance of 439.74 feet, more or less, to the southeast corner of Lot 2 of Section 14; thence run north along the east line of said Lot 2 of Section 14 for a distance of 2832.08 feet, more or less, to the common line between Wayne and Clarke Counties, Mississippi; thence run in a northeasterly direction along said county line for a distance of 3939.51 feet, more or less, to the east line of said Section 14; thence run south along the east line of Section 14 for a distance of 2979.71 feet, more or less, to the northeast corner of said Section 23; thence run south along the east line of Section 23 for a distance of 3965.12 feet, more or less, to the southeast corner of Lot 9; thence run in a westerly direction along the south line of Lot 9 for a distance of 1884.35 feet, more or less, to the southwest corner of said Lot 9; thence run in a westerly direction across Lot 3 and parallel to the south line of Section 23 for a distance of 735.45 feet, more or less, to a point on the west line of

said Lot 3; thence run north along the west line of said Lot 3 for a distance of 1751.02 feet, more or less, to the point of beginning and containing in the aggregate, 564.07 acres, more or less, Wayne County, Mississippi.

The "Unit Agreement" and the "Unit Operating Agreement" were entered into for the purpose of the conservation of oil and gas, to protect the co-equal and correlative rights of the owners in and to the oil and gas in the Wolf Creek Field Unit Area, for the prevention of waste and for the enhancement of the recovery of hydrocarbons from said Smackover Oil Pool of the Wolf Creek Field. These agreements were filed with this Board under Docket No. 22-73-303 and were approved by this Board, after proper notice and hearing, by Order No. 42-73 on February 21, 1973. Under the aforesaid agreements, Pruet & Hughes Company was designated as the operator of the Wolf Creek Field Unit, and the Unitized Interval was defined as the subsurface portion of the Unit Area between the top and the base of the upper Smackover porosity which stratum occurs between electrical log depths of 15,474 feet to 15,800 feet in the Pruet & Hughes No. 1 Stanley Unit 23-7 Well, located 3278 feet North of the South line and 3641 feet East of the West line of Section 23, Township 10 North, Range 8 West, Wayne County, Mississippi, or stratum correlative with this interval in other wells in the field.

2.

The Board further finds that in order to effectuate the purposes of said agreements and achieve the conservation objectives to be obtained under the unit basis of operations and to enable the unit operator to undertake and effectuate such pressure maintenance and secondary recovery program of the Smackover Oil Pool of the unitized area as may be necessary or proper to prevent avoidable waste and enhance ultimate recovery from the unit area, it is

necessary and proper to adopt the Special Field Rules hereinafter set forth, and that the adoption of said Special Field Rules will promote conservation as provided by the statutes and the rules and regulations applicable to the production of oil and gas; that they will safeguard, protect and enforce the co-equal and correlative rights of the owners in the common source or pool; and that they will in all probability substantially increase the ultimate recovery of the hydrocarbons in the Smackover Oil Pool of the Wolf Creek Field.

IT IS, THEREFORE, ORDERED AND ADJUDGED that the Special Field Rules for the Wolf Creek Field be and they are hereby adopted as follows, to-wit:

SPECIAL FIELD RULES FOR WOLF CREEK FIELD IN
WAYNE COUNTY, MISSISSIPPI

A. The Smackover Oil Pool as used herein shall be construed to mean those strata productive of oil occurring between the depths of 15,474 feet to 15,800 feet as shown on the electrical log for the Pruet & Hughes No. 1 Stanley Unit 23-7 Well, located 3278 feet North of the South line and 3641 feet East of the West line of Section 23, Township 10 North, Range 8 West, Wayne County, Mississippi.

B. A well completed in said pool on a tract of land containing contiguous surface acres of not more than eighty-eight (88) acres nor less than seventy-two (72) acres and located at least 500 feet from any exterior boundary of such tract, will efficiently drain and produce the recoverable oil from such tract without avoidable waste and is the efficient drainage area for said well.

C. The Smackover Oil Pool in the Wolf Creek Field has been unitized by voluntary agreement in order to effectuate a program of pressure maintenance and secondary recovery to increase the ultimate recovery from

the pool, and it is necessary and proper for the promotion of conservation to consider and drill said Smackover Oil Pool as a single drilling and producing unit as to all tracts contained therein, subject only to such limitations as may be required in order to protect the co-equal and correlative rights of all owners in those tracts who have not voluntarily consented to join in the Wolf Creek Field Unit.

RULE 1 - DRILLING UNITS

A. With respect to the Smackover Oil Pool of the Smackover Formation, a drilling unit is hereby established for each and all oil wells as consisting of the entirety of the area underlain by subject pool within the Unit Area affected by the unitization agreements of the Wolf Creek Field; except that portion thereof included in units as defined in the next paragraph hereof.

Each oil drilling unit heretofore or hereafter established in said pool with respect to which any ownership of an operating or royalty interest has not been made subject to the Unitization Agreement creating Wolf Creek Field shall maintain its status as a drilling unit, and any such unit shall be referred to in these Rules as "individual drilling unit". The words "fieldwide unit" as used herein shall be construed to mean the entire portion of the Wolf Creek Field other than that portion thereof included in any individual drilling unit.

The location of wells upon any individual drilling unit shall be covered by applicable statewide rules promulgated by this Board. The location of wells upon the fieldwide unit shall be governed by standards of geology and petroleum engineering designed to promote the greatest ultimate recovery of the hydrocarbons contained in the pool. However, no well on the fieldwide unit may be drilled nearer than 500 feet from any exterior boundary of the fieldwide unit, or nearer than 500 feet to any individual drilling unit,

except upon permit issued by the Board after notice and hearing.

RULE 2 - ALLOCATION OF PRODUCTION

A. The maximum efficient daily rate of production shall be determined and fixed by the Board after notice and hearing, and the same shall constitute said pool's daily allowable. Until the Board establishes such daily allowable, the daily allowable for said pool shall be the sum of the per well depth allowables for all wells in the Unit Area as set forth in applicable Statewide Rules and Regulations.

B. The daily allowable shall be allocated as follows: To each individual drilling unit there shall be allocated that proportionate part of said pool's daily allowable that the surface acreage content of such individual drilling unit bears to the total surface acreage contained within all such individual drilling units plus the total surface acreage contained within the fieldwide unit. The remainder of the daily allowable shall be allocated to the fieldwide unit. The former drilling units comprising the fieldwide unit created hereby and the individual drilling units shall, for allowable allocation purposes, be deemed to contain 80 acres.

C. Any individual drilling unit which is not capable of producing, without committing waste, the allowable assigned to it under Rule 2 (B) shall be considered a deficient unit. The difference between the allowable assigned to a deficient unit and that which it is capable of producing, without waste, shall be distributed to the non-deficient individual drilling units and the fieldwide unit on the surface acreage basis of apportionment prescribed in said Rule 2(B).

D. The daily allowable production for the fieldwide unit may be produced by any well or wells located on the Unit Area, provided, however,

that no well shall be operated in such a manner as to cause waste as defined by the Laws of the State of Mississippi, and provided that no fieldwide unit well directly offsetting a well on an individual drilling unit shall be allowed to produce more than twice the daily allowable assigned to wells on non-deficient individual drilling units.

**RULE 3 - SECONDARY RECOVERY AND PRESSURE MAINTENANCE
AUTHORIZED**

A. The Operators of the Wolf Creek Field Unit may conduct secondary recovery and pressure maintenance operations in the Smackover Oil Pool of said field by the injection of water, gas or other like substances. Said operators may use the existing wells on the Fieldwide Unit as unit oil wells, as unit injection wells, or as water supply wells, or any combination thereof, and may drill and operate additional wells for the same utilization; provided, however, that a permit for the recompletion or drilling of each of said wells will be issued by the Board upon the filing of Form 2 with the information required by Statewide Rule 45.

B. The conversion of any existing wells to injection wells or water supply wells shall not adversely affect the fieldwide daily allowable provided for in Rule 2 above.

RULE 4 - MEASUREMENT OF PRODUCTION

A. The Unit Operators shall maintain proper metering devices and such connections therewith as are necessary to measure the total production from the Wolf Creek Field Unit. Production from individual drilling units shall be separately measured by proper separators and stock tanks or metering devices to measure the total production therefrom. Where metering devices are used, as herein provided, the production may be commingled in a common storage system, and if, upon a sale therefrom, a variance exists

between the measurement from the common storage system and the total measurement of the production of all the units commingled in such common storage system, then such variance shall be allocated back to each of the individual drilling units and the fieldwide unit producing into the common storage system proportionately to the production measured from each.

RULE 5 - EQUIPMENT FOR TESTS

A. Each producing well shall be so equipped that gas/oil ratio tests and bottom hole or other pressure tests may be made, and so equipped as to permit the adequate testing of each producing well under usual operating conditions without the necessity of closing in any other well.

RULE 6 - AUTOMATIC CUSTODY TRANSFER SYSTEMS AUTHORIZED

A. Automatic custody transfer systems which will automatically test, sample, measure and transfer the production from the Operator to the purchaser are hereby authorized. Such systems may be used to transfer production from units or from common storage facilities as authorized in Rule 4 above. In the event the transfer is from such a common storage facility, the allocation of production to the units (individual drilling units and fieldwide unit) being produced into such common storage system will be on the basis of the relationship of the measured production from each unit to the total measured production transferred by the automatic custody transfer system.

B. Rule 2 through 6 shall become effective as of the effective date of unitization, as that term is defined in the Unitization Agreement and the Unit Operating Agreement, Wolf Creek Field, Wayne County, Mississippi.

C. The Board expressly reserves the right, after notice and hearing, to alter, amend, supplement or repeal any and all of the foregoing rules

and regulations.

D. All applicable Statewide Rules and Regulations not in conflict with the foregoing Special Field Rules shall apply to the Wolf Creek Field.

ORDERED AND ADJUDGED this the 18th day of April, 1973.

STATE OIL AND GAS BOARD OF MISSISSIPPI

By W. Scott Thompson
Chairman