STATEWIDE RULES AND REGULATIONS

RULE 4. APPLICATION TO DRILL

(a) Before any person shall commence the drilling of any well in search of oil or gas, such person shall file in duplicate with the Board on Form 2 his application for a permit to drill, accompanied by a certified plat and by a fee of **six** hundred dollars (**$600**), payable to the State Oil and Gas Board. When two (2) or more separately owned tracts of land are embraced within the unit for which the permit is sought, the application shall affirmatively state whether or not there are separately owned tracts in the drilling unit for which the permit is sought, and if so, whether or not the person owning the drilling rights therein and the rights to share in the production there from have agreed to develop their lands as a drilling unit and to the drilling of the well, as contemplated by Section 53-3-7, Mississippi Code of 1972. If drilling operations have not commenced within **twelve (12)** months after date of issuance, the permit shall become void. If the application complies in all respects with the rules and regulations of the Board relating thereto, a permit shall be issued promptly by the Supervisor The issuance of said permit shall constitute the establishment of the drilling unit as designated in said application and shall likewise constitute the approval of the well location set out in said permit. On good cause shown, the unit may be altered by the Board after notice and hearing.

If the application for permit does not comply in all respects with the rules and regulations of the Board relating thereto, said application shall be disallowed, and the Supervisor shall promptly notify the applicant of the reason or reasons for said disallowance.

(b) The operator of each well that has been permitted and drilled but not plugged and reported as plugged as required by Rule 28(B)(3)(d) shall, for each such well, pay an annual fee of $100.00 to the Emergency Plugging Fund of the Mississippi State Oil & Gas Board. The per well annual fee is due and payable by the operator of the well on July 1st of each year for each well which is then permitted and drilled but not plugged and reported as plugged as required by Rule 28(B)(3)(d). Any such payment of the annual fee provided for herein shall be accompanied by an attachment listing the field name, API #, and well name of each well covered by said payment

In the event of non-payment of said annual fees by August 15th of any given year, the Board may, in addition to any other means of enforcement allowed under the statutes, rules and regulations of the Board, suspend the permit, suspend the Form 8 (Authorization to Transport Oil or Gas) and/or suspend the Form 9-A (Inactive Well Status) on the subject well and/or any other wells operated by the subject operator. Any such suspension may be carried out by the Supervisor without further action from the Board. After such suspension, reinstatement shall require payment by the subject operator of the delinquent fee plus five percent (5%) penalty per month for each month or portion of a month after July that the fee remains unpaid.

(c) **Financial Responsibility.**

(1) As a prerequisite to any person or persons hereafter being issued a permit to drill under the provisions of this Rule, or upon filing of an Oil & Gas Board Form 2 requesting Change of Operator of any well, said person(s) shall file with the Board proof of financial responsibility in such form as is acceptable to the Supervisor in an amount as hereinafter set forth, in accordance with the rules, regulations, and orders of the Board and with the laws of the State of Mississippi. **Likewise, the Operator of each unplugged well permitted by this Board prior to August 1, 1998 shall file with the Board such proof of financial responsibility. The amount of the financial responsibility instrument for these wells permitted prior to August 1, 1998 shall be in the amount required in this Rule 4. Failure to provide such proof of financial responsibility on or before January 1, 2009 for unplugged wells permitted prior to August 1, 1998, may subject such wells to immediate plugging.** Such financial responsibility instrument shall be payable to the Emergency Plugging Fund of the Mississippi State Oil & Gas Board, for each such well, and shall be executed by such person(s) as principal, and by some surety approved by the Board or by the Supervisor. Each such financial responsibility instrument shall be conditioned that, if such well is drilled, such person(s) shall properly plug and abandon such well in accordance with the provisions of Rule 28 of the Statewide Rules & Regulations, and other statutes, rules, regulations, permits and orders of the Board.

(2) The amount of such financial responsibility instrument shall be in accordance with the following relationship of footage:

Depth in feet	Amount required
Zero to 10,000	**$20,000**
10,001 -- 16,000	**$30,000**
16,001 or More	**$60,000**

Provided, further, the Board, in its reasonable discretion for good cause, after notice and hearing, on its own motion or on motion of any interested party, may require proof of a different amount of surety because of environmentally sensitive conditions at the drill site or for other justifiable reasons and may determine any existing financial responsibility instrument to be inadequate and may require the filing of a new and different instrument or an appropriate amendment to a previously filed instrument. The amount of such instrument required may be more or less than hereinabove set forth, the hearing upon such matter shall be conducted in the same manner as any other hearing before the Board.

Any such financial responsibility instrument filed with the Board, including any amendment thereto, must set forth the correct legal name and address of the principal and the surety thereto and must be countersigned by a Mississippi agent of such surety, setting forth the correct legal name of such agent and such agent's company affiliation and correct business address.

(3) Provided further, however, the Board may allow the filing of a blanket financial responsibility instrument by an operator in the amount of One Hundred Thousand Dollars (**$**100,000.00**)** in a form acceptable to the Supervisor. Such application for blanket coverage shall be accompanied by an attachment listing field name, API# and well name for each well covered by said blanket bond. The Board, after notice and hearing, may in its reasonable discretion for justifiable and good cause, require the filling of a blanket financial responsibility instrument of a different amount superseding any previous order by the Board. Any such blanket financial responsibility instrument shall have the same requirement as set forth hereinabove for single wells except that blanket financial responsibility instruments may apply to more than one well and the amount of such blanket coverages may not be required to be in accordance with the aforesaid relationship of footage.

(d) In lieu of the financial responsibility instrument required by sub-sections (c)(1) and (c)(2) above, an operator may satisfy the requirements of that sub-section by paying to the Emergency Plugging Fund a nonrefundable annual fee equal to five percent of the amount of the financial responsibility instrument that otherwise would be required under subsections (c)(1) and (c)(2) hereof. An operator complying with the requirements of subsections (c)(1) and (c)(2) hereof by payment of the nonrefundable annual fee as provided in this subsection, must do so as to each well to be covered regardless of whether the operator would have qualified for blanket coverage under subsection (c)(3) and without regard for the limits set forth in subsection (c)(3).

(e) Before any person shall commence the drilling of a stratigraphic test or any well below the freshwater level (other than an oil or gas well or an injection well), such person shall file in duplicate with the Board on Form 2 his application for permit to drill, accompanied by a fee of **six** hundred dollars ($**6**00), payable to the State Oil and Gas Board. If the application complies in all respects with the rules and regulations of the Board relating thereto, a permit shall be issued promptly by the Supervisor. If drilling operations have not commenced within **twelve** (**12**) months after date of issuance, the permit shall become void.

If the application for permit does not comply in all respects with the rules and regulations of the Board relating thereto, said application shall be disallowed, and the Supervisor shall promptly notify the applicant of the reason or reasons for the disallowance.

(f) Before any person shall commence the drilling of, or conversion to, an injection well, such person shall file in duplicate with the Board on Form 2 his application for permit to drill, accompanied by a fee of **six** hundred dollars ($**6**00), payable to the State Oil and Gas Board. If the application complies in all respects with the rules and regulations of the Board relating thereto, a permit shall be issued by the Supervisor upon approval by the State Oil and Gas Board, after notice and hearing. If drilling operations have not commenced within **twelve** (**12**) months after date of Issuance, the permit shall become void.

(g) Before any person shall commence operations to reenter an abandoned well or to convert it to an injection well, such person shall file in duplicate with the Board on Form 2 his application to rework, accompanied by a fee of **six** hundred dollars (**$6**00), payable to the State Oil and Gas Board. If the application complies in all respects with the rules and regulations of the Board relating thereto, a permit shall be issued by the Supervisor upon approval by the State Oil and Gas Board, after notice and hearing. If workover operations have not commenced within **twelve** (**12**) months after date of issuance, the permit shall become void.

(h) Before any person shall commence operations to rework an operating well or injection well to recomplete to another zone, formation or reservoir, such person shall file in duplicate with the Board on Form 2 his application to rework, accompanied by a fee of one hundred dollars ($100), payable to the State Oil and Gas Board. If the application complies in all respects with the rules and regulations of the Board relating thereto, a permit shall be issued by the Supervisor. If workover operations have not commenced within six (6) months after date of issuance, the permit shall become void.