

**§ 53-1-1. DECLARATION OF POLICY.**

It is hereby declared to be in the public interests to foster, encourage, and promote the development, production, and utilization of the natural resources of oil and gas in the State of Mississippi; and to protect the public and private interests against the evils of waste in the production and utilization of oil and gas by prohibiting waste as herein defined; to safeguard, protect and enforce the co-equal and correlative rights of owners in a common source or pool of oil and gas to the end that each such owner in a common pool or source of supply of oil and gas may obtain his just and equitable share of production therefrom; and to obtain, as soon as practicable, consistent with the prohibition of waste, the full development by progressive drilling of other wells in all producing pools of oil and gas or of all pools which may hereafter be brought into production of such, within the state, until such pool is fully defined.

It is not the intent nor the purpose of this law to require or permit the proration or distribution of the production of oil and gas among the fields and pools of Mississippi on the basis of market demand. It is the intent and purpose of this law to permit each and every oil and gas pool in Mississippi to be produced up to its maximum efficient rate of production, subject to the prohibition of waste as herein defined, and subject further to the enforcement and protection of the co-equal and correlative rights of the owners of a common source of oil and gas, so that each common owner may obtain his just and equitable share of production therefrom.

SOURCES: Codes, 1942, § 6132-01; Laws, 1948, Ch. 256, § 1.

### § 53-1-3. DEFINITIONS.

Unless the context otherwise requires, the words defined in this section shall have the following meaning when found in Sections 53-1-1 to 53-1-47, inclusive, and in Sections 53-3-3 to 53-3-21, inclusive:

(a) "Board" shall mean the State Oil and Gas Board as created by Section 53-1-5.

(b) "Person" shall mean any individual, corporation, partnership, association, or any state, municipality, political subdivision of any state, or any agency, department, or instrumentality of the United States, or any other entity, or any officer, agent, or employee of any of the above.

(c) "Oil" shall mean crude petroleum oil and all other hydrocarbons, regardless of gravity, which are produced at the well in liquid form by ordinary production methods and which are not the result of condensation of gas. (See also Section 53-1- 71)

(d) "Gas" shall mean all natural gas, whether hydrocarbon or nonhydrocarbon or any combination or mixture thereof, including hydrocarbons, hydrogen sulphide, helium, carbon-dioxide, nitrogen, hydrogen, casinghead gas, occluded natural gas from coal seams, compressed air and all other hydrocarbons not defined as oil in subsection (c) above.

(e) "Pool" shall mean an underground reservoir containing a common accumulation of oil or gas or both. Each zone of a general structure which is completely separated from any other zone in the structure is included in the term "pool" as used herein.

(f) "Field" shall mean the general area which is underlaid or appears to be underlaid by at least one (1) pool; and "field" shall include the underground reservoir or reservoirs containing oil or gas or both. The words "field" and "pool" mean the same thing when only one (1) underground reservoir is involved; however, "field", unlike "pool", may relate to two (2) or more pools.

(g) "Owner" shall mean the person who has the right to drill into and produce from any pool and to appropriate the production either for himself or for himself and another or others; "royalty owner" shall mean any person who possesses an interest in the production but who is not an "owner" as herein defined.

(h) "Producer" shall mean the owner of a well or wells capable of producing oil or gas or both.

(i) "Product" shall mean any commodity made from oil or gas, and shall include refined crude oil, processed crude petroleum, residuum from crude petroleum, cracking stock, uncracked fuel oil, fuel oil, treated crude oil, residuum, casinghead gasoline, natural gas, gasoline, naphtha, distillate, gasoline, kerosene, waste oil, blended gasoline, lubricating oil, blends or mixtures of oil with one (1) or more liquid products or by-products derived from oil or gas, and blends or mixtures of two (2) or more liquid products or by-products derived from oil, condensate, gas or petroleum hydrocarbons, whether hereinabove enumerated or not.

(j) "Underground Injection Program" shall mean a program regulating the injection of any fluids produced or fluids associated with the exploration, storage and/or production of oil and/or gas and being among those other laws relating to the conservation of oil and gas as referred to in Section 53-1-17(a).

(k) "Illegal oil and illegal gas" shall mean oil or gas which has been produced within the State of Mississippi from any well during any time that the well has produced in excess of the amount allowed by law or by any rule, regulation or order of the board. "Illegal product" shall mean any product derived, in whole or in part, from illegal oil or illegal gas.

(l) "Waste" shall mean and include the following:

(i) The inefficient, excessive, or improper use or dissipation of reservoir energy; and the locating, spacing, drilling, equipping, operating or producing of any oil or gas well or wells in a manner which results or tends to result in reducing the quantity of oil or gas ultimately to be recovered from any pool in this state.

(ii) The inefficient storing of oil; and the locating, spacing, drilling, equipping, operating or producing of any oil or

gas well or wells in a manner causing or tending to cause unnecessary or excessive surface loss or destruction of oil or gas.

(iii) Abuse of the correlative rights and opportunities of each owner of oil or gas in a pool due to non-uniform, disproportionate, or unratable withdrawals causing undue drainage between tracts of land or resulting in one or more owners in such pool producing more than his just and equitable share of the production from such pool.

(iv) Producing oil or gas in such manner as to cause unnecessary channeling of water or gas or both or coning of water.

(v) The operation of any oil well or wells with an inefficient gas-oil ratio.

(vi) The drowning with water of any stratum or part thereof capable of producing oil or gas.

(vii) The creation of unnecessary fire hazards.

(viii) The escape into the open air, from a well producing both oil and gas, of gas in excess of the amount which is necessary in the efficient drilling or operation of the well.

(ix) Permitting gas produced from a gas well to escape into open air.

(x) The use of gas from gas wells, except sour gas, for the manufacture of carbon black, except and unless the board shall find that there are no adequate pipeline connections to otherwise market the gas.

(m) "Drainage unit" or "drilling unit" shall mean the maximum area in a pool which may be assigned to one (1) well so as to produce the reasonably recoverable oil or gas in such area, shall be established by statewide rules or by special field rules of the board, and shall be of such size and configuration as will foster, encourage and promote the development, production and utilization of the natural resource of oil and gas.

(n) "Developed area" or "developed unit" shall mean a drainage unit having a well completed therein which is capable of producing oil or gas in paying quantities.

(o) A "certificate of compliance" shall mean a certificate issued by the board showing compliance with the conservation laws of the state, and conservation rules, regulations and orders of the board, prior to connection with a pipeline.

(p) A "certificate of clearance" shall mean a permit for the transportation or the delivery of oil, gas or products, approved and issued or registered under the authority of the board.

(q) "Supervisor" or "State Oil and Gas Supervisor" shall mean the officer appointed by the State Oil and Gas Board pursuant to Section 53-1-7.

(r) "Orphan well" shall mean any oil or gas well in the state, including Class II wells, which has not been properly plugged according to the requirements of the statutes, rules and regulations governing same and for which a responsible party such as an owner or operator cannot be located or for which, for whatever reason, there is no other party which can be forced to plug the well.

(s) "Refined hydrocarbons" shall mean any refined petroleum products.

(t) "Oil field exploration and production wastes" shall mean:

(i) Any liquid, gaseous, solid, naturally occurring radioactive, or other substance(s), including but not limited to, any chemical, produced water, sludge, oil-water emulsion, oil field brine, waste oil, sediment, scale or other waste substance(s);

(ii) Any equipment or any other related apparatus containing or contaminated with such substance(s) as set forth in subparagraph (i) above; or

(iii) Any land or structures containing or contaminated with such substance(s) as set forth in subparagraph (i)

above, which is associated with, produced by, or used in the exploration, drilling, and/or production of oil, gas or other minerals within the territorial limits of the State of Mississippi.

(u) "Noncommercial disposal of oil field exploration and production waste" shall mean the storage, treatment, recovery, processing, disposal or acceptance of oil field exploration and production waste which is not commercial oil field exploration and production waste disposal as defined in Section 17-17-3.

SOURCES: Laws, 1979, Ch. 344; reenacted, Laws, 1982, Ch. 485, § 2, eff from and after July 1, 1982; § (r) added, Underground Injection Program repositioned to (j); (k), (l), (m), (n), (o), (p), (q) were also repositioned per House Bill 1268 signed by Governor Mabus on 3-15-91; (t) added per House Bill 1391 signed by Governor Fordice 3-95.

Cross references-

As to powers and duties of State Oil and Gas Board,  
see § 53-1-17.

As to payment of interest on royalty proceeds which have not been disbursed, see § 53-3-39.

**§ 53-1-5. BOARD CREATED.**

(1) There is hereby created and established a board to be known as the State Oil and Gas Board composed of five (5) members: one (1) member shall be appointed by the Lieutenant Governor for a term of four (4) years, and one (1) member shall be appointed by the Attorney General of the State of Mississippi for a term of four (4) years, which said two (2) members shall be appointed, one (1) from each of the United States District Court districts. From and after the effective date of Senate Bill No. 2577, 1992 Regular Session, such appointments by the Lieutenant Governor and the Attorney General shall be from the state at large rather than each United States district court district. Three (3) members of whom shall be appointed by the Governor, one (1) from each of the Supreme Court Districts for terms of the following duration: One (1) member from the First Supreme Court District for a term of two (2) years; one (1) member from the Second Supreme Court District for a term of four (4) years; and one (1) member from the Third Supreme Court District for a term of six (6) years.

At the expiration of the term of the members appointed by the Lieutenant Governor and Attorney General, each successor member shall be appointed for a term of four (4) years by the incumbent of the respective office. At the expiration of a term for which each of the original appointments of the Governor is made, each successor member shall be appointed for a term of six (6) years.

In the event of a vacancy, the Governor, Lieutenant Governor or Attorney General, as the case may be, shall, by appointment, fill such unexpired term. All members shall be confirmed by the Senate. Each member shall be eligible for reappointment at the discretion of the appointing officer. The board shall elect from its number a chairman and a vice-chairman. Each member of the board shall be a citizen of the United States, and a resident of the State of Mississippi, and a qualified elector therein, of integrity and sound and nonpartisan judgment. Each member shall qualify by taking the oath of office and shall hold office until his successor is appointed and qualified. The board shall establish its principal office at Jackson, Mississippi, at which the records of the board shall be kept.

Each member of the board shall receive as compensation for his services an annual salary of Seven Thousand Two Hundred Dollars (\$7,200.00), except the chairman of the board who shall receive as compensation for his services an annual salary of Nine Thousand Six Hundred Dollars (\$9,600.00). The receipt of said compensation shall not entitle members of the board to receive or be eligible for any state employee group insurance or retirement benefits.

(2) The board shall meet and hold hearings at such times and places as may be found by the board, or a majority thereof, to be necessary to carry out its duties. A majority of the board shall constitute a quorum, and three (3) affirmative votes shall be necessary for adoption or promulgation of any rule, regulation or order. Any member who shall not attend three (3) consecutive regular meetings of the board, for any reason other than illness of such member, shall be removed from office by the Governor. The chairman of the board shall notify the Governor in writing when any such member has failed to attend three (3) consecutive regular meetings.

(3) Where a question which has been presented or has arisen to be acted upon by the board directly affects the interest of a member or members of the board, such member or members shall recuse himself or themselves from acting upon such question.

(4) The board shall adopt an official seal, and may sue and be sued.

**SOURCES:** reenacted and amended, Laws, 1982, Ch. 485, § 3; 1983, Ch. 536, § 4, eff from and after January 1, 1984.

## Cross references-

As to powers and duties of State Oil and Gas Board,  
see § 53-1-17.

As to surface mining and reclamation of land, see §§ 53-7-1 et seq.

As to the duty of the board to administer and enforce provisions relating to surface mining and reclamation of land, see § 53-7-19.

As to supreme court districts, see § 9-3-1.

As to copies of maps or plats of state's territorial waters, made and adopted for mineral leasing purposes, see § 29-7-3.

As to representation on the Mississippi Energy and Transportation Advisory Council, see § 57-39-5.

## **§ 53-1-7. STATE SUPERVISOR.**

The board shall appoint a State Oil and Gas Supervisor, herein called supervisor, who shall be a competent and qualified administrator and receive as compensation for his services an annual salary to be fixed by law. The supervisor shall be solely responsible for the administration of the offices of the State Oil and Gas Board and shall be charged with the duty of enforcing Sections 53-1-1 through 53-1-47, and Sections 53-3-3 through 53-3-165, and all rules, regulations and orders duly adopted by the board. The supervisor shall be ex officio secretary of the board and shall give bond, in such sum as the board may direct, with corporate surety to be approved by the board, conditioned that he will well and truly account for all funds coming into his hands as such secretary. He shall remit to the State Treasurer all monies collected by him as such secretary for deposit in trust for the use of the board in a special fund known as the Oil and Gas Conservation Fund to be expended as provided by law.

The supervisor shall devote his entire time to his official duties.  
In addition, it shall be the supervisor's duty and responsibility to:

- (a) Supervise and manage all personnel of the offices of the Oil and Gas Board.
- (b) Formulate the duties and responsibilities of every staff employee in detail, including written job descriptions and written policies and procedures for performing staff tasks.
- (c) Outline a detailed method of preparing, and devise a systematic procedure for the filing of reports by field inspectors.
- (d) Formulate written policies and procedures for the effective and efficient operation of the office, and present these policies and procedures to the board for promulgation.
- (e) Supervise the provision of technical support and assistance to the board in its decision-making capacity.

**SOURCES:** reenacted and amended, Laws, 1982, Ch. 485, § 4, eff from and after July 1, 1982.

**Cross references-**

As to powers and duties of State Oil and Gas Board, see § 53-1-17.

As to requirements for transportation of petroleum substances, see §§ 53-3-201 et seq.

**§ 53-1-9. EMPLOYEES.**

The supervisor shall have the authority, and it shall be his duty, to employ geologists, petroleum engineers, field inspectors and any other personnel necessary to carry out the duties and responsibilities fixed upon him. No person shall be permanently employed by the board who is not a resident and qualified elector of the State of Mississippi.

**SOURCES:** reenacted and amended, Laws, 1982, Ch. 485, § 5, eff from and after July 1, 1982.

Cross references-

As to powers and duties of State Oil and Gas Board,  
see § 53-1- 17.

**§ 53-1-11. ATTORNEY FOR BOARD.**

The Attorney General shall be the attorney for the board and for the supervisor. However, the board may, from any funds available, retain additional counsel to assist the Attorney General. Any member of the board, or the secretary thereof, shall have the power to administer oaths to any witness in any hearings, investigations or proceedings contemplated by this chapter or by any other law of this state relating to the conservation of oil and gas.

**SOURCES:** reenacted and amended, Laws, 1982, Ch. 485, § 6, eff from and after July 1, 1982.

Cross references-

As to powers and duties of State Oil and Gas Board,  
see § 53-1- 17.



**§ 53-1-13. ELIGIBILITY TO SERVE ON BOARD.**

No person while engaged in the business of, or in the employ of, or holding an official connection or position with, any person, firm, partnership, corporation or association engaged in the business of buying or selling mineral leases or minerals, drilling wells in search of oil or gas, producing, transporting, refining or distributing crude oil or natural gas in this state, or any other state, shall be eligible as a member of the board or as an employee thereof.

**SOURCES:** Codes, 1942, § 6132-66; Laws, 1948, Ch. 256, § 3d; 1950, Ch. 220, § 1.

Cross references-

For another section derived from same 1942 code section, see § 53-1-7.

**§ 53-1-15. EXPENSES.**

Each member of the board, its employees, and the supervisor shall be reimbursed for necessary and reasonable traveling expenses while traveling on the business of the board upon a signed itemized statement thereof approved by the board. The board may incur the necessary and reasonable expenses for the purpose of carrying out its duties and responsibilities as fixed by law.

SOURCES: Codes, 1942, § 6132-07; Laws, 1948, Ch. 256, § 3e; 1950, Ch. 220, § 1.

## § 53-1-17. POWERS OF BOARD.

(1) The board shall have jurisdiction and authority over all persons and property necessary to enforce effectively the provisions of this chapter and all other laws relating to the conservation of oil and gas.

(2) The board shall have the authority, and it shall be its duty, to make such inquiries as it may think proper to determine whether or not waste, over which it has jurisdiction, exists or is imminent. In the exercise of such power the board shall have the authority to collect data; to make investigations and inspections; to examine properties, leases, papers, books and records, including drilling records and logs; to examine, check, test and gauge oil and gas wells, tanks, refineries, and modes of transportation; to hold hearings; to require the keeping of records and the making of reports; and to take such action as may be reasonably necessary to enforce the provisions of Sections 53- 1-1 through 53-1-47, inclusive, and Sections 53-3-1 through 53-3- 21, inclusive.

(3) The board shall have the authority, and it shall be its duty, to make, after notice and hearing as hereinafter provided, such reasonable rules, regulations and orders as may be necessary from time to time in the proper administration and enforcement of the provisions of Sections 53-1-1 through 53-1-47, inclusive, and Sections 53-3-1 through 53-3-21, inclusive, and to amend the same after due notice and hearing, including but not limited to rules, regulations and orders for the following purposes:

(a) To require that the drilling, casing and plugging of wells be done in such a manner as to prevent the escape of oil or gas out of one stratum to another; to prevent the intrusion of water into an oil or gas stratum from a separate stratum; to prevent the pollution of freshwater supplies by oil, gas or saltwater; and generally to prevent waste as herein defined. The duty is hereby imposed upon the State Oil and Gas Board to make suitable and adequate rules and regulations, subject to the approval of the Mississippi Commission on Environmental Quality, requiring the disposal of waste products such as, but not limited to, mud, acids, saltwater, or any corrosive products brought to the surface from any oil, gas or condensate well in this state, to prevent seepage, overflow, or damage and injury to the topsoil or surface. The Commission on Environmental Quality shall have the exclusive authority to regulate the commercial disposal of such waste products pursuant to Section 17-17-47. However, the board shall have the exclusive authority to regulate and promulgate rules and regulations pertaining to commercial and noncommercial Class II underground injection wells. It is the policy of the state not only to conserve minerals but to conserve and protect its surface lands for agriculture, timber, and any and all other beneficial purposes, and the destruction of surface lands where reasonable means of their protection exist shall no longer be permitted.

(b) To require the making of reports showing the location of oil and gas wells; to require the filing, within thirty (30) days from the time of the completion of any wells drilled for oil or gas, of logs and drilling records.

(c) To require adequate proof of financial responsibility in a form acceptable to the board and conditioned for the performance of the duties outlined in paragraphs (a) and (b) of this subsection, including the duty to plug each dry or abandoned well.

(d) To prevent the drowning by water of any stratum or part thereof capable of producing oil or gas in paying quantities and to prevent the premature and irregular encroachment of water which reduces, or tends to reduce, the total ultimate recovery of oil or gas from any pool.

(e) To require the operation of wells with efficient gas- oil ratios, and to fix the limits of such ratios.

(f) To prevent "blowouts", "caving", and "seepage" in the sense that conditions indicated by such terms are generally understood in the oil and gas business.

(g) To prevent the creation of unnecessary fire hazards.

(h) To identify the ownership of all oil and gas wells producing leases, refineries, tanks, plants, structures, and storage and transportation equipment and facilities.

(i) To regulate the shooting, perforating and chemical treatment of wells.

(j) To regulate secondary recovery methods, including the introduction of gas, air, water or other substances

into producing formations.

(k) To regulate the spacing of wells and to establish drilling units.

(l) To allocate and apportion the production of oil or gas, or both, from any pool or field for the prevention of waste as herein defined, and to allocate such production among or between tracts of land under separate ownership in such pool on a fair and equitable basis to the end that each such tract will be permitted to produce not more than its just and equitable share from the pool. The owners and producers of each discovery well located in a new field or pool shall certify to the Oil and Gas Board an itemized list of the expenses incurred in the actual drilling of such well. The Oil and Gas Board shall investigate such cost and shall certify the amount found by them to be correct. The discovery well shall not be liable to the restrictions of Sections 53-1-1 through 53-1-47, inclusive, and Sections 53-3-1 through 53-3-21, inclusive, until the cost of drilling such well shall have been recovered in oil or gas from said discovery well. Such cost having been recovered, the discovery well shall be subject to the terms of said sections as are other wells in the field.

(m) To prevent, so far as is practicable, reasonably avoidable drainage from each developed unit which is not equalized by counter-drainage.

(n) To require all of those making settlements with the owners of oil or gas interests to render statements to such owners showing the quantity and gravity purchased and the price per barrel of oil or one thousand (1,000) cubic feet of gas.

(o) To require, either generally or with respect to particular areas, certificates of clearance in connection with the transportation or delivery of oil, gas, or any product thereof.

(p) To promulgate rules and regulations governing the safety of storage of gas, liquefied petroleum gases, refined hydrocarbons and/or oil in underground storage wells, but the jurisdiction of the State Oil and Gas Board regarding safety shall cease upon reaching header on flow line beyond associated wellhead facilities, which includes the wellhead, manual and automatic safety valves, automatic shut-in safety devices, flow lines from wellhead to header, brine lines, and tanks or pits and flares.

(q) To make such determinations of oil and/or natural gas maximum lawful ceiling prices as allowed by federal or state law.

(4) In order to carry out its duties and responsibilities as fixed by law, the board is authorized and empowered to purchase, own and operate automobiles in the number and in the manner specified in Section 25-1-85. The board is further authorized and empowered to purchase, in the manner specified by law, operate and maintain in good order the necessary and suitable equipment required to install a complete radio base station, including mobile units to be installed in automobiles owned by the board.

(5) The board shall have the authority, and it shall be its duty, to promulgate official policies of the board.

(6) The board shall continue to have the power to make rules, regulations and orders necessary to prevent and protect against discrimination in the purchase, production and sale of oil and gas and against the unratable withdrawal of same, including as provided in Statewide Rule 48.

(7) Notwithstanding any other provision contained in the Laws of the State of Mississippi, the board shall have exclusive jurisdiction and authority, and it shall be its duty, to make, after notice and hearing as hereinafter provided, such reasonable rules, regulations, standards and orders, and to issue such permits as may be necessary, to regulate the use, management, manufacture, production, ownership, investigation and noncommercial disposal of oil field exploration and production waste in order to prevent, eliminate or reduce waste by pollution to acceptable levels in order to protect the public health, safety and the environment.

SOURCES: Laws, 1975, Ch. 419, § 1; reenacted and amended, Laws, 1982, Ch. 485, § 9; 1983, Ch. 359, § 1, Ch. 506, eff from and after July 1, 1983.

Editor's Note-

Section 1, Ch. 359, Laws, 1983, amended this section. Subsequently, Ch. 506, § 1, Laws, 1983, also amended this section without reference to Ch. 506. As set out above, this section contains the language of Ch. 506,

which represents the latest legislative expression on the subject.

Cross references-

As to promulgation of regulations for transportation of petroleum substances, see § 53-3-201.

As to exclusive authority of State Oil and Gas Board to make rules and regulations pertaining to disposal of oil field waste deposits under solid wastes disposal law, see § 17-17-47.

As to jurisdiction of board regarding underground storage of gases in reservoirs dissolved in salt beds, see § 75-57-13.

**§ 53-1-19. RULES OF PROCEDURE BEFORE BOARD; SHORTHAND REPORTER; ORIGINAL TRANSCRIPT OF TESTIMONY.**

The board shall prescribe its rules of order or procedure in hearings or other proceedings before it and it shall promptly furnish without charge copies thereof upon request. By appropriate order entered on its minutes, the board shall appoint a competent shorthand reporter to be present throughout all public hearings held by it, who shall be sworn by the board faithfully to discharge his duties. The board shall have the same control and authority over the reporter for the board that the chancery judge exercises over the court reporter for the chancery court; and the duties of the reporter for the board shall be the same as those fixed by statute for court reporters in Mississippi insofar as said statutes may be applicable. The original transcript of testimony taken in the hearing before the Oil and Gas Board and reduced to writing by the reporter for the board shall be ample evidence of such proceedings and, on appeal to the chancery court, the original of such transcript of testimony shall be used in the chancery court.

Further, in the event of an appeal from the chancery court to the Supreme Court, such original transcript of testimony taken before the Oil and Gas Board shall be likewise used in the Supreme Court. The reporter for the Oil and Gas Board shall prepare a sufficient number of copies of such transcript of testimony before the Oil and Gas Board as will permit a copy of same to be on file with the Oil and Gas Board and another copy to be on file at all times with the chancery clerk in event of an appeal to the Supreme Court.

**SOURCES:** Codes, 1942, § 6132-11; Laws, 1948, Ch. 256, § 7a; 1950, Ch. 220, § 2; 1958, Ch. 185, § 1a.

**Cross references-**

As to court reporters and court reporting generally, see Chapter 13 of Title 9.

As to appeals to chancery court by those aggrieved by any final rule, regulation or order of State Oil and Gas Board, see § 53-1-39.

**§ 53-1-21. PUBLIC HEARING.**

No rule, regulation, or order and no change, renewal, or extension thereof, shall, in the absence of an emergency, be made by the board except after a public hearing upon at least ten (10) days' notice, which notice may be given by publication in some newspaper of general circulation in the state and also in a newspaper of general circulation in the county or counties in which pools are located, in the manner and form as may be prescribed by the board, or by such other method as may be prescribed by the board by general rule. Such public hearing shall be held at such time and at such place as may be prescribed by the board, and any person having any interest in the subject matter shall be entitled to be heard.

**SOURCES:** Codes, 1942, § 6132-12; Laws, 1948, Ch.256, § 7b; 1950, Ch. 220, § 2; 1958, Ch. 185, § 1b.

Cross references-

As to newspapers in which legal notices may be published, see § 13-3-31.

As to proof of publication of legal notices, see § 13-1-143.

**§ 53-1-23. EMERGENCY RULES, REGULATIONS, OR ORDERS.**

In the event an emergency is found to exist by the board, which, in its judgment, requires the making, changing, renewal, or extension of a rule, regulation, or order without first having a hearing, such emergency rule, regulation, or order shall have the same validity as if a hearing with respect to the same had been held after due notice. The emergency rule, regulation or order permitted by this section shall remain in force no longer than forty-five (45) days from its effective date, and, in any event, it shall expire when the rule, regulation, or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation or order becomes effective.

**SOURCES:** Codes, 1942, § 6132-13; Laws, 1948, Ch. 256, § 7c; 1950, Ch. 220, § 2; 1958, Ch. 185, § 1c.

**Cross References-**

As to powers and duties of State Oil and Gas Board,  
see § 53-1- 17.



**§ 53-1-25. NOTICE AND SERVICE OF PROCESS.**

In any instance, the board may give notice by personal service, in which event written notice thereof may be issued by any member of the board or by the supervisor, and service thereof may be made by any officer authorized to serve process or by any agent of the board in the same manner as is provided by law for the service of summons in civil actions in the chancery courts of this state. Proof of the service by such officer or agent shall be by written certificate of the person making personal service.

SOURCES: Codes, 1942, § 6132-14; Laws, 1948, Ch. 256, § 7d; 1950, Ch. 220, § 2; 1958, Ch. 185, § 1d.

Cross references-

As to service of summons generally, see § 13-3-33.

**§ 53-1-27. RECORD OF RULES, REGULATIONS AND ORDERS.**

All rules, regulations, and orders made by the board shall be in writing and shall be entered in full by the secretary of the board in a book to be kept for such purpose by the board, which shall be a public record and open to inspection at all times during reasonable office hours. A copy of any rule, regulation, or order, certified by a member of the board, or the secretary thereof, shall be received in evidence in all courts of this state with the same effect as the original.

**SOURCES:** Codes, 1942, § 6132-15; Laws, 1948, Ch. 256, § 7e; 1950, Ch. 220, § 2; 1958, Ch. 185, § 1e.

**Cross References-**

As to powers and duties of State Oil and Gas Board, see § 53-1- 17.

**§ 53-1-29. REQUEST FOR HEARING.**

Any interested person shall have the right to have the board call a hearing for the purpose of taking action in respect to any matter within the jurisdiction of the board by making a request therefor in writing. Upon the receipt of any such request, the board promptly shall call a hearing thereon, and, after such hearing and with all convenient speed, and in any event within thirty (30) days after the conclusion of such hearing, shall take such action with regard to the subject matter thereof as it may deem appropriate.

SOURCES: Codes, 1942, § 6132-16; Laws, 1948, Ch. 256, § 7f; 1950, Ch. 220, § 2; 1958, Ch. 185, § 1f.

Cross References-

As to powers and duties of State Oil and Gas Board,  
see § 53-1- 17.

**§ 53-1-31. RECORDS; INSPECTION BY PUBLIC.**

The permanent records of the board shall be available, upon request, for inspection by the public in accordance with the established procedures of the office of the Oil and Gas Board and during reasonable office hours. All well logs, casing records, compiled data and other information shall be properly indexed and suitably recorded in the permanent records of the board.

**SOURCES:** reenacted and amended, Laws, 1982, Ch. 485. § 16, eff from and after July 1, 1982.

Cross references-

As to powers and duties of State Oil and Gas Board,  
see § 53-1- 17.

**§ 53-1-35. SUBPOENA OF WITNESSES; CONTEMPT.**

(a) The board, or any member thereof, or the supervisor is hereby empowered to issue subpoenas for witnesses, to require their attendance and the giving of testimony before the board, and to require the production of such books, papers, and records in any proceeding before the board as may be material upon questions lawfully before the board. Such subpoenas shall be served by the sheriff or any other officer authorized by law to serve process in this state. No person shall be excused from attending and testifying, or from producing books, papers, and records before the board or a court, or from obedience to the subpoena of the board, or any member thereof, or the supervisor or a court on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture. However, nothing herein contained shall be construed as requiring any person to produce any books, papers, or records, or to testify in response to any inquiry, not pertinent to some question lawfully before such board or court for determination. No natural person shall be subject to criminal prosecution or to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he may be required to testify or produce evidence, documentary or otherwise, before the board or court, or in obedience to any such subpoena, but no person testifying shall be exempt from prosecution and punishment for perjury committed in so testifying.

(b) In case of failure or refusal on the part of any person to comply with any subpoena issued by the board, or any member thereof, or the supervisor, or in case of the refusal of any witness to testify or answer to any matter regarding which he may be lawfully interrogated, the judge of the chancery court of the county of the residence of such person, if a resident of Mississippi, or the judge of the chancery court of the county in which the land lies, or any portion thereof, out of which the controversy arises, if such person is not a resident of the State of Mississippi, on application of the board, or any member thereof, or the supervisor, may, in term time or vacation, issue an attachment for such person and compel him to comply with such subpoena and to attend before the board and produce such documents, and give his testimony upon such matters, as may be lawfully required; and such court shall have the power to punish for contempt as in case of disobedience of like subpoenas issued by or from such court, or for a refusal to testify therein.

SOURCES: Codes, 1942, § 6132-19; Laws, 1948, Ch. 256, § 8b, c.

Cross references-

As to subpoenas of witnesses in civil cases generally, see § 13-3-93.

As to subpoenas of witnesses in criminal cases generally, see § 99-9-11.

As to service of subpoenas in civil cases, see § 13-3-101.

As to service of subpoenas in criminal cases, see § 99-9-17.

**§ 53-1-37. SERVICE OF NOTICES AND PROCESS UPON BOARD.**

All notices or other process authorized or required to be served upon the board may be served upon the supervisor or upon any member of the board.

SOURCES: Codes, 1942, § 6132-20; Laws, 1948, Ch. 256, § 8d.

**§ 53-1-39. APPEALS TO CHANCERY COURT.**

(a) In addition to other remedies now available, the state, or any interested person aggrieved by any final rule, regulation or order of the board, shall have the right, regardless of the amount involved, of appeal to the chancery court of the First Judicial District of Hinds County, Mississippi, or to the chancery court of the county in which all or a part of appellant's property affected by such rule, regulation or order is situated, which shall be taken and perfected as hereinafter provided, within thirty (30) days from the date that such final rule, regulation or order is filed for record in the office of the board; and the said chancery court may affirm such rule, regulation or order, or reverse same for further proceedings as justice may require. All such appeals shall be taken and perfected, heard and determined either in term time or in vacation on the record, including a transcript of pleadings and testimony, both oral and documentary, filed and heard before the board, and such appeal shall be heard and disposed of promptly by the court as a preference cause. In perfecting any appeal provided by this section, the provisions of law respecting notice to the reporter and the allowance of bills of exception, now or hereafter in force respecting appeals from the chancery court to Supreme Court shall be applicable. However, the reporter shall transcribe his notes and file the transcript of the record with the board within thirty (30) days after approval of the appeal bond.

(b) Upon the filing with the board of a petition for appeal to the chancery court, it shall be the duty of the board, as promptly as possible, and in any event within sixty (60) days after approval of the appeal bond, to file with the clerk of the chancery court to which the appeal is taken, a copy of the petition for appeal and of the rule, regulation or order appealed from, and the original and one (1) copy of the transcript of the record of proceedings in evidence before the board. After the filing of said petition, the appeal shall be perfected by the filing with the clerk of the chancery court to which the appeal is taken of bond in the sum of five hundred dollars (\$500.00) with two (2) sureties or with a surety company qualified to do business in Mississippi as the surety, conditioned to pay the cost of such appeal; said bond to be approved by any member of the board or by the supervisor, or by the clerk of the court to which such appeal is taken. The perfection of an appeal shall not stay or suspend the operation of any rule, regulation or order of the board, but the judge of the chancery court to which the appeal is taken may award a writ of supersedeas to any rule, regulation or order of the board after five (5) days' notice to the board and after hearing. Any order or judgment staying the operation of any rule, regulation or order of the board shall contain a specific finding, based upon evidence submitted to the chancery judge and identified by reference thereto, that great or irreparable damage would result to the appellant if he is denied relief, and the stay shall not become effective until a supersedeas bond shall have been executed and filed with and approved by the clerk of the court or the chancery judge, payable to the state. The bond shall be in an amount fixed by the chancery judge and conditioned as said chancery judge may direct in the order granting the supersedeas.

Appeals of rules, regulations or orders of the board pending in the circuit court prior to July 1, 1988, shall proceed in the circuit court having jurisdiction under the appropriate statutes and rules applicable to such cases in the circuit courts. Appeal of rules, regulations or orders of the board on or after July 1, 1988, shall be perfected in the appropriate chancery court and shall proceed under the statutes and rules applicable to such cases in the chancery courts.

SOURCES: Codes, 1942, § 6132-24; Laws, 1948, Ch. 256, § 12a, b; 1958, Ch. 185, § 2a, b.

Cross references-

As to appointment of shorthand reporter by State Oil and Gas Board, see § 53-1-19.

**§ 53-1-41. INJUNCTIONS AGAINST BOARD.**

(a) No temporary restraining order or injunction of any kind shall be granted against the board, or against any agent, employee or representative of said board restraining the board, or any of its agents, employees or representatives, from enforcing any statute of this state relating to conservation of oil and gas, or any of the provisions of Sections 53-1-1 to 53-1- 47, inclusive, and Sections 53-3-1 to 53-3-21, inclusive, or any rule, regulation or order made thereunder, except after due notice to said board, and to all other defendants, and after a hearing at which it shall be clearly shown to the court that the act done or threatened is without sanction of law, or that the provision of law, or the rule, regulation or order complained of, is invalid, and that, if enforced against the complainant, will cause an irreparable injury. With respect to any order or decree granting temporary injunctive relief, the nature and extent of the probable invalidity of the statute, or of any provision of the aforesaid sections, or of any rule, regulation or order thereunder involved in such suit, must be recited in the order or decree granting the temporary relief, as well as a clear statement of the probable damage relied upon by the court as justifying temporary injunctive relief.

(b) No temporary injunction, or temporary restraining order of any kind against the board, or its agents, employees or representatives, shall become effective until the complainant shall execute a bond in such amount and upon such conditions as the court may direct.

SOURCES: Codes, 1942, § 6132-25; Laws, 1948, Ch. 256, § 12c, d; 1958, Ch. 185, § 2c, d.



**§ 53-1-43. SUITS TO RESTRAIN VIOLATIONS OR THREATENED VIOLATIONS.**

(a) Whenever it shall appear that any person is violating or threatening to violate any statute of this state with respect to the conservation of oil and gas, or any provision of Sections 53- 1-1 to 53-1-47, inclusive, and Sections 53-3-1 to 53-3-21, inclusive, or any rule, regulation or order made by the board thereunder, and fails or refuses to cease such violation or threats of violation on notice so to do, by the board or supervisor, the board may bring suit against such person in the chancery court in the county of the residence of the defendant, or in the county of the residence of any defendant, if there be more than one (1) defendant, or in the county where the violation is alleged to have occurred or is threatened, to restrain such person from continuing such violation or from carrying out the threat of violation. In such suit, the board may obtain injunctions, prohibitory and mandatory, including temporary restraining orders and preliminary injunctions, as the facts may warrant, including, when appropriate, an injunction restraining any person from moving or disposing of any illegal oil, illegal gas, illegal condensate, or illegal product.

(b) In the event the board should fail to bring suit within ten (10) days to enjoin any actual or threatened violation of any statute of this state with respect to the conservation of oil and gas, or of any provision of Sections 53-1-1 to 53-1-47, inclusive, and Sections 53-3-1 to 53-3-21, inclusive, or of any rule, regulation or order made thereunder, then any person or party in interest adversely affected by such violation, and who has notified the board in writing of such violation, or threat thereof, and has requested the board to sue, may, to prevent any or further violation, bring suit for that purpose in the chancery court of any county in which the board could have brought suit, and the board shall be made a party to such suit.

(c) The board may utilize the provisions of Section 85-7-132, Mississippi Code of 1972, in prosecuting violations of Sections 53-1-1 through 53-1-47 and Sections 53-3-1 through 53-3-21, or any rule, regulation or order made by the board thereunder.

SOURCES: Codes, 1942, § 6132-26; Laws, 1948, Ch. 256, § 13.

**§ 53-1-45. APPEALS TO SUPREME COURT.**

An appeal may be taken, in accordance with the general laws of the State of Mississippi relating to appeals, from any judgment of the circuit court or decree of any chancery court in any appeal proceeding brought under authority of this section; and such appeal, when docketed in the Supreme Court, shall be placed on the preference docket of such court, and may be advanced as such court may direct.

SOURCES: Codes, 1942, § 6132-27; Laws, 1948, Ch. 256, § 14.

## § 53-1-47. PENALTY FOR VIOLATIONS.

(a)(i) Any person, who, for the purpose of evading the provisions of Sections 53-1-1 through 53-1-47, inclusive, or any rule, regulation or order made thereunder, shall make or cause to be made any false entry, statement of fact or omission in any report required by such sections or by any rule, regulation or order thereunder or in any account, record or memorandum kept in connection with the provisions thereof or who, for such purpose, shall mutilate, alter, conceal or falsify any such report, account, record or memorandum, shall be subject to a penalty of not more than Ten Thousand Dollars (\$10,000) per day for each day of such violation to be assessed by the board. In determining the amount of the penalty, the board shall consider the factors specified in subsection (d) of this section. Such penalties shall be assessed according to the procedures set forth in subsection (b) of this section.

(ii) Any person who, for the purpose of evading the provisions of Sections 53-1-1 through 53-1-47, inclusive, or any rule, regulation or order made thereunder, shall intentionally make or cause to be made any false entry, statement of fact or omission in any report required by said sections or by any rule, regulation or order thereunder or in any account, record or memorandum kept in connection with the provisions thereof or who, for such purpose, shall mutilate, alter, conceal or falsify any such report, account, record or memorandum shall be deemed guilty of a misdemeanor and shall be subject, upon conviction in any court of competent jurisdiction, to a fine of not less than Five Hundred Dollars (\$500.00) nor more than One Thousand Dollars (\$1,000.00) or imprisonment for a term of not less than ten (10) days nor more than six (6) months for each such violation, or both such fine and imprisonment.

(b) Any person who violates any provision of Sections 53-1-1 through 53-1-47, inclusive, or Sections 53-3-1 through 53-3-33, and 53-3-39 through 53-3-165 or any lawful rule, regulation or order of the board made hereunder, shall, in addition to any penalty for such violation that is otherwise provided for herein, be subject to a penalty of not to exceed Ten Thousand Dollars (\$10,000.00) per day for each day of such violation to be assessed by the board.

When any charge is filed with the board charging any person with any such violation, the board shall issue an order directing such person to appear before the board at the time and place specified in such order, which date shall be not less than ten (10) days after the date of such order, and a copy of such order shall be mailed to the person charged by certified mail, return receipt requested, and a copy of such order and the return receipt evidencing delivery thereof shall be filed in the cause or a copy of such order may be served as process is served in the courts of this state, and at the time and place fixed by the board, or at such other time and place as the board may by proper order fix, the board shall hear and consider all proper and lawful proof and evidence offered and shall render its verdict according to the law and the evidence. Such hearings shall be held by not less than three (3) members of the board and a unanimous verdict of all members hearing such charge shall be necessary for conviction and in the event of a conviction, all members of the board hearing such cause must agree on the penalty assessed.

The Attorney General, by his designated assistant, shall represent the board in all such proceedings and shall rule on any objection to proof or evidence offered. The Attorney General shall also designate a member of his staff to present evidence and proof of such violation in the event such charge is contested.

All penalties assessed by the board under the provisions of this section shall have the force and effect of a judgment of the circuit court and shall be enrolled in the office of the circuit clerk and execution may be issued thereon. All such penalties paid or collected shall be paid to the State Treasurer for credit to the special Oil and Gas Board Fund.

Any person adjudged guilty of any such violation shall have the right of appeal in accordance with the provisions of § 53-1-39.

The payment of any penalty as provided herein shall not have the effect of changing illegal oil into legal oil, illegal gas into legal gas or illegal product into legal product, nor shall such payment have the effect of authorizing the sale or purchase or acquisition or the transportation, refining, processing or handling in any other way of such illegal oil, illegal gas or illegal product.

(c) Any person who aids or abets any other person in the violation of any provision of Sections 53-1-1 through 53-1-47, inclusive, or Sections 53-3-1 through 53-3-21, inclusive, or any rule, regulation or order made thereunder, shall be subject to the same penalties as are prescribed herein for the violation by such other person.

(d) In determining the amount of the penalty under subsection (a), (b) or (c) of this section, the board shall consider at a minimum the following factors:

(i) The willfulness of the violation;

(ii) Any damage to water, land or other natural resources of the state or their users;

(iii) Any cost of restoration and abatement;

(iv) Any economic benefit to the violator as a result of noncompliance;

(v) The seriousness of the violation, including any harm to the environment and any harm to the health and safety of the public; and

(vi) Any prior violation by such violator.

(e) The Board is authorized to utilize the provisions of Section 85-7-132 to enforce penalties provided by this section.

This act shall take effect and be in force from and after its passage.

SOURCES: reenacted and amended, Laws, 1982, Ch. 485, § 24, eff from and after July 1, 1982.

Cross references-

As to powers and duties of State Oil and Gas Board, see § 53-1- 17.

As to the applicability of § 53-1-47 concerning violations by a producer or operator of an oil or gas well as to reports, etc., see § § 53-3-35, 53-3-37.

**§ 53-1-71. DEFINITIONS FOR §§ 53-1-73 to 53-1-77.**

The term "barrel of oil" shall be forty-two (42) United States standard gallons corrected to sixty (60) degrees Fahrenheit and all measurements for volume shall be in one hundred percent (100%) strappings.

"Cubic foot of gas" shall be that volume of gas which occupies one (1) cubic foot of space at a pressure of ten (10) ounces above an assumed atmospheric pressure of fourteen and four-tenths (14.4) pounds per square inch corrected to sixty (60) degrees Fahrenheit flowing temperature.

The term "person" shall mean any natural person, corporation, association, partnership, receiver, trustee, guardian, executor, administrator, fiduciary, representative of any kind, or any other group acting as a unit, and the plural as well as the singular number.

In addition to the customary meaning of oil, the term "oil" shall include any type of salvaged crude oil which, after any treatment, becomes marketable.

SOURCES: reenacted without change, Laws, 1982, Ch. 485, § 25; 1983, Ch. 503, § 2, eff from and after July 1, 1983.

**§ 53-1-73. TAX IMPOSED TO PAY FOR ADMINISTRATION EXPENSES.**

For the purposes of paying the costs and expenses incurred in connection with administration and enforcement of the Oil and Gas Conservation Laws of the State of Mississippi and of the rules, regulations and orders of the State Oil and Gas Board, there is hereby levied and assessed against each barrel of oil produced and saved in the State of Mississippi a charge not to exceed sixty (60) mills on each barrel of such oil, and against each one thousand (1,000) cubic feet of gas produced, saved, and sold a charge not to exceed six (6) mills on each one thousand (1,000) cubic feet of gas. The State Oil and Gas Board shall fix the amount of such charge in the first instances, and may, from time to time, change, reduce or increase the amount thereof, as in its judgment the charges against the fund may require, but the amounts fixed by said board shall not exceed the limits hereinabove prescribed; and it shall be the duty of the board to make collection of such assessments. All monies so collected shall be used exclusively to pay the expenses and other costs in connection with the functioning of the State Oil and Gas Board and the administration of the Oil and Gas Conservation Laws of the State of Mississippi now in force or hereafter enacted and rules, regulations and orders of said board.

SOURCES: Laws, 1972, Ch. 482, § 1; 1975, Ch. 342; 1980, Ch. 525; reenacted and amended, Laws, 1982, Ch. 485, § 26; 1983, Ch. 473, eff from and after July 1, 1997.

**§ 53-1-75. PERSONS LIABLE.**

The persons owning an interest (working interest, royalty interest, payments out of production or any other interest) in the oil or gas subject to the charge provided for in Section 53- 1-73 shall be liable for such charge in proportion to their ownership at the time of production. The charge so assessed and fixed in Section 53-1-73 shall be payable monthly and the persons hereinafter required to remit such charge shall remit the sum so due to the board on or before the 25th day of the month next following the month in which the production occurs out of which the assessment arises; such remittance to comply with any rules and regulations which may be adopted by the board in regard thereto.

Such remittances with respect to all production against which any assessment hereunder is levied shall be made by the following persons:

(a) With respect to assessments against oil or gas purchased in this state at the well, under any contract or agreement requiring payment for such production to the respective persons owning any interest therein (including working interests, royalty interests, payments out of production or any other interests in such production), by the person purchasing such production.

(b) With respect to any oil or gas purchased in this state at the well without any contract or agreement requiring payment for such production to respective persons owning an interest therein, and with respect to any oil or gas produced from any well but not sold at said well, by the operator of the well from which the production is obtained.

The persons remitting the charge as herein provided are hereby authorized, empowered and required to deduct from any amounts due the persons owning an interest in the oil or gas at the time of production the proportionate amount of such charge before making payment to such owners.

SOURCES: Codes, 1942, § 6132-42; Laws, 1948, Ch. 318, § 2.

**§ 53-1-77. OIL AND GAS CONSERVATION FUND.**

(1) The State Oil and Gas Supervisor, as ex officio secretary of such board, shall remit to the State Treasurer all monies collected by reason of the assessments made and fixed under the provisions of Section 53-1-73, and the State Treasurer shall deposit all such monies in a special fund known as the "Oil and Gas Conservation Fund," which is hereby continued in effect.

(2) All monies on deposit in the Oil and Gas Conservation Fund on April 10, 1948, and all monies hereafter deposited in such fund, shall be held in trust for the use of the board to pay the expenses and costs incurred in connection with the administration and enforcement of the Oil and Gas Conservation Laws of the State of Mississippi and the rules, regulations and orders of the State Oil and Gas Board issued thereunder. Disbursements shall be made from such fund only upon requisition of the State Oil and Gas Supervisor, as approved and allowed by the board, and which requisitions shall be supported by itemized statements thereto attached showing the purpose or purposes of such expenditures. Such requisitions shall be drawn upon the State Auditor, who shall issue a warrant upon said fund. Such warrants so issued shall be paid by the State Treasurer upon presentation.

(3) The State Oil and Gas Supervisor, as ex officio secretary of the Oil and Gas Board, shall submit, within ten (10) days, after the convening of each session of the Legislature, to the Legislature a detailed report of all receipts, expenditures and balance on hand, of funds coming to the Oil and Gas Board from any source whatsoever.

(4) In the event that at any particular time, the Oil and Gas Conservation Fund contains an amount greater than Two Hundred Thousand Dollars (\$200,000.00) more than the current fiscal year's estimated budget, the amount of the excess may be used by the board and at the board's discretion, to plug any oil or gas well, including any Class II well, in the state which has been determined by the board to represent an eminent threat to the environment and which has been determined by the board to be an "orphan" well.

(5) The board shall have the authority, in its discretion, to use whatever legal means available to it to attempt to collect any amounts so expended from any responsible party. Any amounts so collected shall be returned to the Oil and Gas Board's Emergency Plugging Fund created herein.

(6) Amounts of surplus in the Oil and Gas Conservation Fund of over Two Hundred Thousand Dollars (\$200,000.00) shall be transferred to a separate special fund of the Oil and Gas Board to be known as the Emergency Plugging Fund, for the proper plugging of wells pursuant to this section. The supervisor shall have the authority, and it shall be his duty to transfer any amounts in the Emergency Plugging Fund back to the Oil and Gas Conservation Fund in the event and to the extent to which the Oil and Gas Conservation Fund should at any time contain less than a Two Hundred Thousand Dollars (\$200,00.00) surplus.

(7) For purposes of this act, orphan well means any oil or gas well in the state, including Class II wells, which has not been properly plugged according to the requirements of the statutes, rules and regulations governing same and for which a responsible party such as an owner or operator cannot be located or for which, for whatever reason, there is no other party which can be forced to plug the well.

SOURCES: Codes, 1942, § 6132-43; Laws, 1948, Ch. 318, § 3; Laws, 1991 (House Bill 1268, signed by Governor Mabus on 3-15-91), §§ 4, 5, 6, 7.



**§ 53-1-101. AUTHORITY TO CONTRIBUTE TO INTERSTATE OIL COMPACT COMMISSION.**

The State Oil and Gas Board may pay annually out of the funds of the board the annual membership dues payable to the Interstate Oil Compact Commission for the membership of the State of Mississippi in that organization. The State Oil and Gas Board may pay the reasonable and necessary travel expenses incurred by the members and staff of the State Oil and Gas Board and by the designee appointed by the Governor to the Interstate Oil Compact Commission for travel to meetings of the commission to the extent those expensed are payable by law.

SOURCES: Laws 1950 ch. 217 § 1; 1977, ch. 378; Reenacted without change 1982, ch. 485, § 29; Reenacted 1990 ch. 357 § 29 eff from and after passage (approved March 13 1990).

SOURCES: Reenacted without change Laws 1991 ch. 340 § 29; Laws 1997 ch. 347 § 1 eff from and after July 1, 1997.

**§ 53-1-201. REPEAL OF §§ 53-1-1 THROUGH 53-1-47, 53-1-71 THROUGH 53-1-77 AND 53-1-101.**

Section 53-1-201, Mississippi Code of 1972, which repealed Sections 53-1-1 through 53-1-47, 53-1-71 through 53-1-77 and 53-1-101, Mississippi Code of 1972, the sections of law that create the State Oil and Gas Board and prescribe its powers and duties, is repealed. (House Bill 1071, signed by Governor Mabus on 3-11-91)

Cross references-

As to Mississippi Agency Review Law, see Chapter 9 of Title 5.

**§ 53-3-1. DEFINITIONS FOR CERTAIN SECTIONS.**

Unless the context otherwise requires, words and terms appearing in Sections 53-3-3 to 53-3-21, inclusive, shall have the meaning attributed to them in Section 53-1-3.

**§ 53-3-3. WASTE UNLAWFUL.**

Waste of oil or gas as defined in Section 53-1-3 is hereby made unlawful.

SOURCES: Codes, 1942, § 6132-09; Laws, 1932, Ch. 117; 1948, Ch. 256, § 5.

**§ 53-3-5. DRILLING AND PRODUCTION REGULATED.**

(a) The State Oil and Gas Board shall have the power and authority and it shall be its duty, after due notice and a hearing, to regulate the drilling and location of wells in any pool and the production therefrom so as to prevent reasonably avoidable net drainage from each developed unit (that is, drainage which is not equalized by counterdrainage) so that each owner in a pool shall have the right and opportunity to recover his fair and equitable share of the recoverable oil and gas in such pool.

(b) For the prevention of waste, to protect and enforce the correlative rights of the owners in a pool, and to avoid the augmenting and accumulation of risks arising from the drilling of an excessive number of wells, or the reduced recovery which might result from too small a number of wells, the board shall, after a hearing, establish a drilling unit or units for each pool. The establishment of a unit for gas shall be limited and apply only to the production of gas and not oil.

(c) Each well permitted to be drilled upon any drilling unit shall be drilled in accordance with the rules and regulations promulgated by the board and in accordance with a spacing pattern fixed by the board for the pool in which the well is located with such exceptions as may be reasonably necessary where it is shown, after notice, and upon hearing, that the unit is partly outside the pool or, for some other reason, a well otherwise located on the unit would be nonproductive, or topographical conditions are such as to make the drilling at such location unduly burdensome. Whenever an exception is granted, the board shall take such action as will offset any advantage which the person securing the exception may have over other producers by reason of the drilling of the well as an exception, but no well drilled and completed as an exception to prescribed footage limitations for the reason that a portion of the drilling unit upon which such well is located is partly outside the pool or productive horizon shall be allocated a reduced daily production allowable whenever it shall be demonstrated to the satisfaction of the board that the productive acreage underlying such drilling unit is equal to, or more than, the reasonable minimum amount of productive acreage which would underlie such drilling unit under the minimum conditions which would permit the drilling of a well thereon so located as to comply with all applicable footage limitations. Each well drilled and completed as an exception to prescribed footage limitations for the reason that a portion of such drilling unit is partly outside the pool or productive horizon shall be allocated a reduced daily production allowable whenever it cannot be demonstrated to the satisfaction of the board that the productive acreage underlying such drilling unit is equal to, or more than, the minimum amount of productive acreage which would underlie such drilling unit under the minimum conditions which would permit the drilling of a well thereon so located as to comply with all applicable footage limitations. Such reduced allowable shall be allocated in proportion to the relationship which the productive acreage, as determined by the board, bears to the reasonable minimum amount of productive acreage which would underlie such drilling unit under the minimum conditions which would permit the drilling of a well thereon so located as to comply with all footage limitations applicable to such drilling unit. The reasonable minimum amount of productive acreage shall be determined for all purposes as if each oil well drilling unit were a regular governmental quarter-quarter section, comprising forty (40) acres, more or less, and as if each gas well drilling unit were a regular governmental one-half section, comprising three hundred twenty (320) acres, more or less, and shall be calculated for the purpose of each oil well drilling unit as being the total acreage which would be encompassed within a triangular-shaped area bounded on two (2) sides by the exterior boundaries of such forty-acre drilling unit meeting at a 90 degree angle corner and on the third side by a straight line running on a 45 degree angle through a location point situated at the minimum distance out of such corner as shall be in accordance with prescribed oil well drilling unit footage limitations and intersecting each of such two (2) exterior boundaries at 45 degree angles, and shall be calculated for the purposes of each gas well drilling unit as being the total acreage which would be encompassed within a triangular-shaped area bounded on two (2) sides by the exterior boundaries of such three hundred twenty-acre drilling unit meeting at a 90 degree angle corner and on the third side by a straight line running on a 45 degree angle through a location point situated at the minimum distance out of such corner as shall be in accordance with prescribed gas well drilling unit footage limitations and intersecting each of such two (2) exterior boundaries at 45 degree angles. Should drilling units for any field or area be established so as to permit the drilling of oil or gas wells on smaller or larger units than 40-acre or 320-acre drilling units then, in such event, the same method of determining the reasonable minimum amount of productive acreage shall be applied to the consideration of such oil or gas drilling units with respect to the size of, and the prescribed footage limitations applicable to, such drilling units.

(d) Except where otherwise provided, any allocation or apportionment of production shall be made on the basis

of and in proportion to the surface acreage content of the drilling units prescribed for the producing horizons for the pools so that each such prescribed unit shall have equal opportunity to produce the same daily allowable, and any special unit of less than the prescribed amount of surface acreage shall be allowed to produce only in the proportion that the surface acreage content of any such special unit bears to the surface acreage content of the regular prescribed unit. In the event any well in attempting to make its allowable should be operated in a way that would commit waste as herein defined, or to the detriment of the field as a whole, the allowable for any such well shall be subject to adjustment.

SOURCES: Codes, 1942, § 6132-21; Laws, 1948, Ch. 256, § 9; 1956, Ch. 164, § 1.

### § 53-3-7. INTEGRATION OF INTERESTS; POOLING AGREEMENTS AND ORDERS.

(1)(a) When two (2) or more separately owned tracts of land are embraced within an established drilling unit, or when there are separately owned interests in all or part of an established drilling unit, the persons owning the drilling rights therein and the rights to share in the production therefrom may validly agree to integrate their interests and to develop their lands as a drilling unit. Where, however, such persons have not agreed to integrate their interests, the board may, for the prevention of waste or to avoid the drilling of unnecessary wells, require such persons to integrate their interests and to develop their lands as a drilling unit. All orders requiring such pooling shall be made after notice and hearing, and shall be upon terms and conditions that are just and reasonable, and will afford to the owner of each tract the opportunity to recover or receive his just and equitable share of the oil and gas in the pool without unnecessary expense.

The portion of the production allocated to the owner of each tract included in a drilling unit formed by a pooling order shall, when produced, be considered as if it had been produced from such tract by a well drilled thereon.

(b) Except as otherwise provided for in this section, in the event such pooling is required, the cost of development and operation of the pooled unit chargeable by the operator to the other interested owner or owners shall be limited to the actual expenditures required for such purpose, not in excess of what are reasonable, including a reasonable charge for supervision. In the event that the operator elects to proceed under the provisions of this subsection (1)(b), and does not elect to seek alternate charges as provided for in this section, the notice procedure followed shall be in accordance with Section 53-1-21, Mississippi Code of 1972.

(c) For the purposes of this section, as to a drilling unit, the term "nonconsenting owner" shall mean an owner of drilling rights which the owner has not agreed, in writing, to integrate in the drilling unit. The owner may own other drilling rights in the unit which the owner has agreed, in writing, to integrate in the unit and thereby also be a "consenting owner" as to the interest which the owner has agreed to integrate in the unit.

(2)(a) In the event that one or more owners owning not less than thirty-three percent (33%) of the drilling rights in a drilling unit has voluntarily consented to the drilling of a unit well thereon, and the operator has made a good faith effort to (i) negotiate with each nonconsenting owner to have said owner's interest voluntarily integrated into the unit, (ii) notify each nonconsenting owner of the names of all owners of drilling rights who have agreed to integrate any interests in the unit, (iii) ascertain the address of each nonconsenting owner, (iv) give each nonconsenting owner written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation, and the estimated cost of the proposed operation, and (v) offer each nonconsenting owner the opportunity to lease or farm out on reasonable terms, or to participate in the cost and risk of developing and operating the unit well involved, on reasonable terms, by agreeing in writing, then the operator may petition the board to allow it to charge alternate charges (alternate to and in lieu of the charges provided for in subsection (1)(b) of this section).

(b) Any such petition on which alternate charges may be ordered by the board shall include a statement which shall name all nonconsenting real parties in interest in said proposed drilling unit, as of a date not more than ninety (90) days prior to the filing of the petition, giving each such person's name, and address if known; and if any owner's address is not known, the operator shall state in its petition that such person's address is unknown after diligent search and inquiry. Only those parties served with actual or constructive notice as set forth hereinbelow will be subject to any alternate charges allowed by the board.

(c) Upon the filing of a petition on which alternate charges may be ordered, the petitioner shall have prepared, and furnish to the board with said petition, a notice to each and all nonconsenting real parties in interest whose address is unknown, whether such person be a resident of the State of Mississippi or not, which the board shall have published, noticing each such person to appear before a regular meeting of the board sufficiently distant in time to allow thirty (30) days to elapse between the date of the last publication of said notice as hereinafter provided, and the date of the regular meeting of the board to which each such person is noticed. Said notice shall also notice all unknown heirs or devisees of deceased owners, if any there be, and all unknown persons owning drilling rights in said proposed drilling unit. The notice shall be substantially in the following form, to wit:

NOTICE TO APPEAR BEFORE THE

## STATE OIL AND GAS BOARD

To (inserting the name of such person or persons, whose address is unknown), and all such unknown heirs or devisees and all such unknown owners, whose names and addresses remain unknown after diligent search and inquiry.

You are noticed to appear before the State Oil and Gas Board at its regular term, being on the day of , 19 to show cause if any you can why the petition of (Operator) being Petition No. in said board and seeking to force integrate and pool all interests in (description of Unit by legal description)\_should not be granted.

(the time) Said meeting of said board shall be held at (the then hearing room of said Oil and Gas Board) on the above date at .

This day of , A.D. .

Supervisor

(d) The publication of notice to nonconsenting real parties in interest whose address is unknown after diligent search and inquiry shall be made once in each week during three (3) successive weeks in a public newspaper of the county or counties in which the proposed drilling unit is located, if there be such a newspaper. If there is not such a county newspaper, then the said publication of notice shall be published in a newspaper having general circulation in the State of Mississippi. The period of publication shall be deemed to be completed at the end of twenty-one (21) days from the date of the first publication, provided there have been three (3) publications made as hereinabove required.

(e) Upon the filing of a petition on which alternate charges may be ordered, the petitioner shall also have prepared, and shall furnish to the board, a notice which shall be substantially in the form set out above, to each nonconsenting real party in interest whose address is known, together with addressed and stamped envelopes, and the board shall mail each notice by certified mail, return receipt requested, sufficiently distant in time to allow thirty (30) days to elapse between the date of the mailing of said notice and the date of the regular meeting of the board at which said petition will be the first scheduled to be heard.

(f) Petitioner shall also advance to the board at the time of the filing of said petition the cost of publication and mailing of notices as set out above which shall be established by the board. Said costs of publication and mailing of notices shall be considered as part of the costs of operation which are chargeable to the nonconsenting owner's nonconsenting share of production as set forth in paragraph (g) of this subsection (2).

(g) In the event a pooling order is issued by the board, and any nonconsenting owner does not subsequently agree in writing as provided for herein, and if the operations on the existing or proposed well which are described in the pooling order are actually commenced within one hundred eighty (180) days after the pooling order is issued by the board, and thereafter with due diligence and without undue delay, the existing or proposed well is actually completed as a well capable of producing oil, gas and/or other minerals in quantities sufficient to yield a return in excess of monthly operating costs, then, subject to the limitations set out in this section, the operator and/or the appropriate consenting owners shall be entitled to receive as alternate charges (alternate to and in lieu of the charges provided for in subsection (1)(b) of this section; provided, however, that in no event shall the operator and/or the appropriate consenting owners be entitled to recover less than such charges provided in subsection (1)(b) of this section) the share of production from the well attributable to the nonconsenting owner's nonconsenting interests in the unit established or subsequently reformed for production therefrom, until the point in time when the proceeds from the sale of such share, calculated at the well, or the market value thereof if such share is not sold, after deducting production and excise taxes, which operator will pay or cause to be paid, and the payment required by this paragraph (g) shall equal the sum of:

(i) One hundred percent (100%) of the nonconsenting owner's nonconsenting share of the cost of any newly acquired surface equipment beyond the wellhead connections including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping; and

(ii) Two hundred fifty percent (250%) of that portion of the costs and expenses of operations provided for in the pooling order, and two hundred fifty percent (250%) of that portion of the cost of newly acquired equipment in



the well, including wellhead connections, which would have been chargeable to the nonconsenting owner's nonconsenting share thereof; provided, however, when a mineral interest that is severed from the surface estate is owned by a nonconsenting owner or when a mineral interest is subject to an oil and gas lease that is owned by a nonconsenting owner, the payment under this subparagraph (ii) shall be three hundred percent (300%); and

(iii) One hundred percent (100%) of the nonconsenting owner's nonconsenting share of the cost of operation of the well commencing with first production and continuing to such point in time.

Whenever a drilling unit established by a pooling order issued by the board under subsection (2) of this section is to be reformed or altered by the board for good cause, after notice and hearing, then the interest of any nonconsenting owner listed in the pooling order who received notice of the application to reform or alter the unit and had not agreed in writing as provided for herein shall remain subject to the charges set forth in this subsection (2)(g) with respect to its interest in the reformed or altered unit. If there is any nonconsenting owner within a proposed reformed or altered unit who has not been previously provided the information and offers set forth in subparagraphs (ii) through (v) of subsection (2)(a) of this section which was sent to the owners, and if the applicant for an order of reformation or alteration of such unit provides to the nonconsenting owner the information and offers set forth in subparagraphs (ii) through (v) of subsection (2)(a) of this section at the same time and in the same manner as such nonconsenting owners receive notice of the application to reform or alter the drilling unit, then the interest of any nonconsenting owner listed in the pooling order for the reformed or altered unit who does not agree in writing as provided for herein shall be subject to the charges set forth in this subsection (2)(g) with respect to its interest in the reformed or altered unit.

Whenever any one (1) operator has filed for alternate charges on two (2) drilling units, which units are direct, partially direct or diagonal offsets one to the other, such operator may not file a petition for alternate charges, as distinguished from the charges provided by subsection (1)(b), as to any additional units which are direct, partially direct or diagonal offsets to the said first two (2) units of that operator until said operator has drilled, tested and completed the first two (2) such wells, as wells capable of production or completed as dry holes or either, and has filed completion reports on said first two (2) wells with the board, or the permits for such well or wells have expired if one or both of them be not drilled.

The pooling order, if issued, shall provide that each nonconsenting owner shall be afforded the opportunity to participate in the development and operation of the well in the pooled unit as to all or any part of said owner's interest on the same cost basis as the consenting owners by agreeing in writing to pay that part of the costs of such development and operation chargeable to said nonconsenting owner's interest, or to enter into such other written agreement with the operator as the parties may contract, provided such acceptance in writing is filed with the board within twenty (20) days after the pooling order is filed for record with the board.

The pooling order shall provide that the well be drilled on a competitive contract, arms length, basis; provided, however, that the operator may employ its own tools or those of affiliates, but charges therefor shall not exceed the prevailing rates in the area.

(h) Within sixty (60) days after the completion of any operation on which alternate charges have been ordered, the operator shall furnish any nonconsenting owner who may request same an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing and equipping the well for production; or, at its option, the operator, in lieu of an itemized statement of such costs of operation, may submit detailed monthly statements of said costs. Each month thereafter, during the time the operator and/or consenting parties are being reimbursed, the operator shall furnish any nonconsenting owner who may request same with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's production during the preceding month. Any amount realized from the sale or other disposition of equipment acquired in connection with any such operation which would have been owned by a nonconsenting owner had it participated therein as to its nonconsenting interest shall be credited against the total unreturned costs of the work done and of the equipment purchased in determining when the interest of such nonconsenting owner shall be owned by said nonconsenting owner as above provided; and if there is a credit balance, it shall be paid to such nonconsenting owner. From the point in time provided for in paragraph (g) of this subsection (2), each nonconsenting owner shall own the same interest

in such well, the material and equipment in or pertaining thereto, and the production therefrom as such nonconsenting owner would have been entitled to had it participated in the drilling, reworking, deepening and/or plugging back of said well. Thereafter, except as otherwise provided in this section, the operator shall be entitled to charge each nonconsenting owner such nonconsenting owner's proportionate part of all reasonable costs incurred by the operator in operating the unit well and the unit, including a reasonable charge for supervision, and in the event such nonconsenting owner fails to pay such proportionate share of such costs within thirty (30) days after receipt by the nonconsenting owner of a valid invoice, the operator shall be entitled to receive such nonconsenting owner's share of production until such time as such unpaid share of costs shall have been recovered by the operator.

(i) In the event that a leased interest is subject to an order of pooling and integration, and the operator and/or the appropriate consenting owners are entitled to alternate charges as provided by paragraph (g) this subsection (2), and if there be no reasonable question as to good and merchantable title to the royalty interest, the lessor of said lease shall be paid, by the operator or purchaser of production, the proceeds attributable to said lessor's contracted royalty, not to exceed an amount of three-sixteenths (3/16) of the proceeds attributable to the nonconsenting owner's proportionate share of production. Nothing herein contained shall affect or diminish in any way the responsibility of the nonconsenting owner to account for the payment of any royalty or other payment, not paid as herein provided, which may burden or be attributable to the interest owned by such nonconsenting owner.

(3) When production of oil or gas is not secured in paying quantities as a result of such integration or pooling of interests, there shall be no charge payable by the nonconsenting owner or owners as to such owner's nonconsenting interest.

(4) In the event of any dispute relative to costs, the board shall determine the proper costs, after due notice to all interested parties and a hearing thereon. Appeals may be taken from such determination as from any other order of the board.

(5) The State Oil and Gas Board shall in all instances where a unit has been formed out of lands or areas of more than one (1) ownership, require the operator when so requested by an owner, to deliver to such owner or his assigns his proportionate share of the production from the well common to such drilling unit; but where necessary, such owner receiving same shall provide at his own expense proper receptacles for the receipt or storage of such oil, gas or distillate.

(6) Should the persons owning the drilling or other rights in separate tracts embraced within a drilling unit fail to agree upon the integration of the tracts and the drilling of a well on the unit, and should it be established that the board is without authority to require integration as provided in this section, then, subject to all other applicable provisions of this chapter, and of Chapter 1 of this title, the owner of each tract embraced within the drilling unit may drill on his tract; but the allowable production from such tract shall be such proportion of the allowable production for the full drilling unit as the area of such separately owned tract bears to the full drilling unit.

(7) The State Oil and Gas Board, in order to prevent waste and avoid the drilling of unnecessary wells, may permit (1) the cycling of gas in any pool or portion thereof or (2) the introduction of gas or other substance into an oil or gas reservoir for the purpose of repressuring such reservoir, maintaining pressure or carrying on secondary recovery operations. The board shall permit the pooling or integration of separate tracts or separately owned interests when reasonably necessary in connection with such operations.

(8) Agreements made in the interest of conservation of oil or gas, or both, or for the prevention of waste, between and among owners or operators, or both, owning separate holdings in the same field or pool, or in any area that appears from geologic or other data to be underlaid by a common accumulation of oil or gas, or both, and agreements between and among such owners or operators, or both, and royalty owners therein, for the purpose of bringing about the development and operation of the field, pool or area, or any part thereof, as a unit, and for establishing and carrying out a plan for the cooperative development and operation thereof, when such agreements are approved by the board, are hereby authorized and shall not be held or construed to violate any of the statutes of this state relating to trusts, monopolies, or contracts and combinations in restraint of trade.

This act shall not affect any drilling units formed prior to the effective date of this act under Section 53-3-7, Mississippi Code of 1972, as previously written, and this act shall not abrogate or amend any contracts in existence prior to the effective date of this act.

This act shall take effect and be in force thirty (30) days from and after its passage.

SOURCES: Codes, 1942, § 6132-22; Laws, 1948, Ch. 256, § 10; 1950, Ch. 220, § 3.

**§ 53-3-9. ALLOWABLE PRODUCTION; METERS.**

(a) Whenever the State Oil and Gas Board has fixed for the purpose of preventing waste, as defined in Section 53-1-3, the total amount of oil or gas which may be produced in any pool in this state at an amount less than that amount which the pool can produce, the board shall allocate or apportion the allowable production among the producers in the pool on a reasonable basis so as to prevent reasonably avoidable drainage from each developed unit which is not equalized by counter-drainage, and so that each producer will have the opportunity to produce or receive his just and equitable share, as above set forth.

(b) After the effective date of any rule, regulation, or order of the State Oil and Gas Board fixing the allowable production of oil or gas, or both, for any pool, no person shall produce from any well, lease, or property more than the allowable production which is applicable; nor shall such amount be produced in a different manner than that which may be authorized.

(c) The State Oil and Gas Board shall require interested persons, firms, or corporations to place uniform meters of a type approved by the board wherever the board may designate on all pipelines, flow lines, gathering systems, barge terminals, loading racks, refineries, or other places deemed necessary or proper to prevent waste and the transportation of illegally produced oil or gas; such meters at all times shall be under the supervision and control of the board, and it shall be a violation of Sections 53-1-1 to 53-1-47, inclusive, and Sections 53-3-1 to 53-3-21, inclusive, for any person, firm or corporation to refuse to attach or install such meter when ordered to do so by the board.

SOURCES: Codes, 1942, § 6132-23; Laws, 1948, Ch. 256, § 11.

Cross references-

As to exemption of petroleum products meters under supervision of State Oil and Gas Board from the Weights and Measures Law, see § 75-27-3.

**§ 53-3-11. NOTICE OF DRILLING OF WELLS; PERMITS; SURETY OR CASH BOND FOR NONRESIDENT; SECRETARY OF STATE AS AGENT FOR NONRESIDENT FOR SERVICE OF PROCESS; LIMITATION OF ACTION FOR DAMAGES.**

(1) Any person desiring or proposing to drill any well in search of oil or gas, before commencing the drilling of any such well, shall notify the Oil and Gas Supervisor upon such form as the board may prescribe. The drilling of any well for oil or gas is hereby prohibited until such notice is given and a permit therefor is issued.

(2)(a) Before any nonresident not qualified to do business in this state is issued a permit pursuant to subsection (1) of this section, such nonresident shall file with the Secretary of State, on a form prescribed by him, a surety or cash bond in a sum of not less than ten thousand dollars (\$10,000.00), or in a greater amount if so approved by the Secretary of State, conditioned that such sum be paid to the State of Mississippi for the benefit of all persons interested, their legal representatives, attorneys or assigns, in the event the operator of such well shall fail to reasonably restore the land and improvements of the surface estate as a result of mineral exploration and/or production, or in the event the operator shall fail to properly plug a dry or abandoned well in the manner prescribed by the rules of the board. Such bond shall be executed by the operator listed in the drilling permit and, in case of a surety bond, by a corporate surety licensed to do business in the State of Mississippi. Such bond shall cover all subsequent drilling permits issued to such nonresident operator and shall be for a term coextensive with the terms of the permits.

(b) The Secretary of State is hereby designated as the agent upon whom process may be served in any action against such nonresident operator to recover damages to the surface estate arising from mineral exploration and/or production. Any such action for damages shall be commenced within six (6) years next after the closing of the well.

(3) A person issued a permit to drill an oil or gas well under this section is required to provide notice of the intended drill site location prior to commencing operations. The notice shall be sent by United States certified mail to the taxpayer shown on the most recent county ad valorem tax receipt available in the office of the tax collector of the county in which the well site is located, and shall be posted to the mailing address shown on that ad valorem tax receipt. The notice shall include a copy of the unit plat showing the proposed well location. The notification requirement of this subsection (3) shall apply only to permits to drill new wells and shall not apply to well reentries, recompletions or reworking operations on existing or previously permitted wells. Failure to give the notice provided for in this subsection (3) shall not invalidate the well permit.

(4) The drilling of any well, which is not in accordance with a spacing pattern fixed by the board, is hereby prohibited until and unless a permit is issued by the board after notice and hearing.

SOURCES: Laws, 1983, Ch. 439, eff from and after July 1, 1983, amendment eff from and after July 1, 1998.

Cross references-

As to powers and duties of State Oil and Gas Board, see § 53-1-17.

**§ 53-3-13. PERMIT FEE; DISPOSITION OF FEES.**

(1) Any person securing a permit to drill a well in search of oil or gas under the provisions of Section 53-3-11 shall pay to the Oil and Gas Supervisor a fee of three hundred dollars (\$300.00) upon and for the issuance of such permit. A lesser sum may be paid if the State Oil and Gas Board shall adopt a rule fixing the amount to be paid at a sum less than three hundred dollars (\$300.00). Any such permit, when issued and the fee paid thereon, shall be good for a period of six (6) months from the date thereof; and in the event drilling has commenced within the said six (6) months, the permit shall be good for the life of the well so commenced, unless during the course of drilling or production the operator is changed. In the event a change of operators from that listed in the drilling permit is desired, the operator so listed and the proposed new operator shall apply to the State Oil and Gas Board for authority to change operators on forms to be prescribed by order of the State Oil and Gas Board. The fee for such change of operators shall be one hundred dollars (\$100.00) per change, or some lesser sum as may be fixed by order of the board.

(2) The State Oil and Gas Supervisor, as ex officio secretary of the State Oil and Gas Board, shall remit to the State Treasurer all monies collected by reason of the assessments made, fixed and authorized under the provisions of the first paragraph of this section, and the State Treasurer shall deposit all such monies in a special fund as the "Oil and Gas Conservation Fund".

SOURCES: Laws, 1977, Ch. 487; 1978, Ch. 520, § 14; 1982, Ch. 485, § 31, eff from and after July 1, 1982.

Cross references-

As to powers and duties of State Oil and Gas Board, see § 53-1-17.

**§ 53-3-15. CERTIFICATE OF COMPLIANCE REQUIRED BEFORE CONNECTION WITH PIPELINES; CANCELLATION.**

Owners or operators of oil or gas wells shall, before connecting with any oil or gas pipeline, secure from the State Oil and Gas Board a certificate showing compliance with the conservation laws of the state and conservation rules, regulations and orders of the board. No operator of a pipeline shall connect with any well until the owner or operator of such well shall furnish a certificate from the board that such conservation laws and such rules, regulations and orders have been complied with. This section shall not prevent a temporary connection of not more than seven (7) days' duration with any well in order to take care of production and prevent waste until opportunity shall have been given the owner or operator of such well to secure such certificate.

The State Oil and Gas Board shall have the power to cancel any certificate of compliance issued under the provisions of this section when it appears, after due notice and hearing, that the owner or operator of a well covered by the provisions of same has violated or is violating, in connection with the operation of said well or the production of oil or gas therefrom, any of the oil or gas conservation laws of this state or any of the rules, regulations or orders of the board promulgated thereunder. Upon notice from the board to the operator of any pipeline connected to any such oil or gas well that the certificate of compliance with reference to such well has been cancelled by the board, the operator of such pipeline shall disconnect from such well and it shall be unlawful for the operator of such pipeline to transport oil or gas therefrom until a new certificate of compliance has been issued by the board. It shall be unlawful for the owner or operator of any well to produce oil or gas therefrom (except as to a temporary connection as hereinabove provided), unless there is in effect a certificate of compliance covering such well.

SOURCES: Codes, 1942, § 6132-31; Laws, 1948, Ch. 256, § 17.

**§ 53-3-17. ILLEGAL TRANSACTIONS.**

The sale, purchase, or acquisition, or the transportation, refining, processing, or handling in any other way of illegal oil, illegal gas, or illegal product is hereby prohibited.

Unless and until the State Oil and Gas Board provides for certificates of clearance, or some other method, so that any person may have an opportunity to determine whether any contemplated transaction of sale, purchase, or acquisition, or of transportation, refining, processing, or handling in any other way, involves illegal oil, illegal gas, or illegal product, no penalty shall be imposed for the sale, purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of illegal oil, illegal gas, or illegal product, except under circumstances hereinafter stated. Penalties shall be imposed by the board for each transaction prohibited in this section when the person committing the same knows that illegal oil, illegal gas, or illegal product is involved in such transaction or when such person could have known or determined such fact by the exercise of reasonable diligence or from facts within his knowledge. However, regardless of lack of actual notice or knowledge, penalties as provided in Section 53-1-47 shall apply to any sale, purchase, or acquisition, and to the transportation, refining, processing, or handling in any other way, without a certificate of clearance, of illegal oil, illegal gas, or illegal product, where administrative provision is made for identifying the character of the commodity as to its legality. It shall likewise be a violation for which penalties shall be imposed for any person to sell, purchase, or acquire, or to transport, refine, process, or handle in any other way any oil, gas or any product without complying with any rule, regulation, or order of the board relating thereto.

SOURCES: Codes, 1942, § 6132-32; Laws, 1948, Ch. 256, § 18.



### **§ 53-3-19. PROCEDURE FOR SEIZURE AND SALE OF ILLEGAL GAS AND OIL AS CONTRABAND.**

Apart from, and in addition to, any other remedy or procedure which may be available to the State Oil and Gas Board, or any penalty which may be sought against or imposed upon any person with respect to violations relating to illegal oil, illegal gas, or illegal product, all illegal oil, illegal gas and illegal product shall, except under such circumstances as are stated herein, be contraband and shall be seized and sold, and the proceeds applied as herein provided. Such sale shall not take place unless the court shall find, in the proceeding provided for in this paragraph, that the commodity involved is contraband. Whenever the board believes that illegal oil, illegal gas or illegal product is subject to seizure and sale, as provided herein, it shall, through the Attorney General, bring a civil action in rem for that purpose in the circuit court of the county where the commodity is found, or the action may be maintained in connection with any suit or cross-action for injunction or for penalty relating to any prohibited transaction involving such illegal oil, illegal gas or illegal product. Any interested person who may show himself to be adversely affected by any such seizure and sale shall have the right to intervene in such suit to protect his rights.

The action referred to above shall be strictly in rem and shall proceed in the name of the state as plaintiff against the illegal oil, illegal gas or illegal product mentioned in the complaint, as defendant, and no bond or bonds shall be required of the plaintiff in connection therewith. Upon the filing of the complaint, the clerk of the court shall issue a summons directed to the sheriff of the county, or to such officer or person as the court may authorize to serve process, requiring him to summon any and all persons (without undertaking to name them) who may be interested in the illegal oil, illegal gas or illegal product mentioned in the complaint to appear and answer within thirty (30) days after the issuance and service of such summons. The summons shall contain the style and number of the suit and a very brief statement of the nature of the cause of action. It shall be served by posting one (1) copy thereof at the courthouse door of the county where the commodity involved in the suit is alleged to be located and by posting another copy thereof near the place where the commodity is alleged to be located. Copy of such summons shall be posted at least five (5) days before the return day stated therein, and the posting of such copy shall constitute constructive possession of such commodity by the state. A copy of the summons shall also be published once each week for three (3) weeks in some newspaper published in the county where the suit is pending or having a bona fide circulation therein. No judgment shall be pronounced by any court condemning such commodity as contraband until after the lapse of five (5) days from the last publication of said summons. Proof of service of said summons, and the manner thereof, shall be as provided by general law.

Where it appears by a verified pleading on the part of the plaintiff, or by affidavit, or affidavits, that grounds for the seizure and sale exist, the clerk, in addition to the summons, shall issue an order of seizure, which shall be signed by the clerk and bear the seal of the court. Such order of seizure shall specifically describe the illegal oil, illegal gas, or illegal product, so that the same may be identified with reasonable certainty. It shall direct the sheriff to whom it is addressed to take into his custody, actual or constructive, the illegal oil, illegal gas or illegal product, described therein, and to hold the same subject to the orders of the court. Said order of seizure shall be executed as a writ of attachment is executed. No bond shall be required before the issuance of such order of seizure, and the sheriff shall be responsible upon his official bond for the proper execution thereof. For his service hereunder, the sheriff shall receive a fee as in like cases of seizure of personal property and to be assessed as other cost in the cause.

Sales of illegal oil, illegal gas or illegal product, seized under the authority of this section, and notice of such sales, shall be in accordance with the laws of this state relating to the sale of personal property under execution. For his services hereunder the sheriff shall receive a fee and expenses in like sales of personal property to be paid out of the proceeds of the sale, or sales, to be fixed by the court ordering such sale.

The court may order that the commodity be sold in specified lots or portions, and at specified intervals, instead of being sold at one time. Title to the amount sold shall pass as of the date of the act which is found by the court to make the commodity contraband. The judgment shall provide for payment of the proceeds of the sale into the State Oil and Gas Fund, after first deducting the costs in connection with the proceedings and sale, and after paying to any royalty owner intervening as an interested party in the suit, the value of his interest in the said oil or gas, provided he has established his title to the said oil or gas royalty interest. The amount sold shall be treated as legal oil, legal gas or legal product, as the case may be, in the hands of the purchaser, but the purchaser and the commodity shall be subject to all applicable laws, and rules, regulations and orders with

respect to further sale or purchase or acquisition, and with respect to the transportation, refining, processing, or handling in any other way, of the commodity purchased.

The producer, owner, or any other party contesting the validity of any such seizure and having an interest in securing the release of the seized oil, gas or other product, may obtain the release thereof upon furnishing a bond issued by a corporate surety company, duly qualified to do business in the state in an amount double the current market value of the oil, gas or other product held under seizure, which bond shall be conditioned and approved in the same manner as a replevin bond.

Nothing in this section shall deny or abridge any cause of action a royalty owner, or a lien holder, or any other claimant, may have, because of the forfeiture of the illegal oil, illegal gas, or illegal product, against the person whose act resulted in such forfeiture. All oil, gas or other illegal product sold as provided in this section shall be sold in like cases of personal property sold under execution.

**SOURCES:** Codes, 1942, § 6132-33; Laws, 1948, Ch. 256, § 19.

**Cross references-**

As to sheriffs' fees generally, see § 25-7-19.

As to sales of personal property under execution generally, see §§ 13-3-161, 13-3-165, 13-3-169.

As to defendant's replevin bond, see § 11-37-19.

As to plaintiff's replevin bond, see § 11-37-25.

**§ 53-3-21. PENALTIES FOR VIOLATIONS OF §§ 53-3-3 to 53-3-19.**

Any person who violates any of the provisions of Sections 53-3-3 to 53-3-19, inclusive, or any rule, regulation or order made thereunder, shall be subject to the penalties and punishment set forth in Section 53-1-47.

**§ 53-3-23. FLEXIBLE OIL OR GAS DRILLING UNITS.**

(1) Whenever a drilling unit for oil or gas is formed comprised entirely of lands within the State of Mississippi, with one or more unit boundaries being the center of the main navigable channel of the Mississippi River or any other navigable river constituting the boundary between the State of Mississippi and another state, such unit shall be a flexible unit. The size and shape of such unit shall change as the boundary line between the states changes.

(2) Subsequent changes in the acreage content of such unit occasioned by the shifting of the state boundary line shall not occasion a reduction in the allowable acreage allocated to such unit.

(3) This section shall cover and include oil and gas units which have been heretofore formed or which may be hereafter formed.

**SOURCES:** Codes, 1942, § 6132-23.5; Laws, 1958, Ch. 186, §§ 1-4.

Cross references-

For a definition of term "navigable waters", see § 1-3-31.

**§ 53-3-25. APPLICATION FOR PERMIT TO DRILL IN SEARCH OF OIL OR GAS.**

(1) Before any person shall commence the drilling of any well in search of oil or gas, such person shall file with the board his application for a permit to drill, accompanied by a certified plat and by a fee of three hundred dollars (\$300.00), 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 therefrom have agreed to develop their lands as a drilling unit and to the drilling of the well, as contemplated by Section 53-3-7. If drilling operations have not commenced within six (6) 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.

SOURCES: Laws, 1982, Ch. 485, § 32(1), eff from and after July 1, 1982.

**§ 53-3-27. APPLICATION TO COMMENCE DRILLING OF STRATIGRAPHIC TEST OR WELL BELOW FRESHWATER LEVEL.**

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 injection well), such person shall file with the board his application for a permit to drill, accompanied by a fee of three hundred dollars (\$300.00), or some lesser sum as may be fixed by order of the board, 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 the application for a 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.

SOURCES: Laws, 1982, Ch. 485, § 32(2), eff from and after July 1, 1982.

**§ 53-3-29. APPLICATION TO COMMENCE DRILLING AN INJECTION WELL.**

Before any person shall commence the drilling of an injection well, such person shall file with the board his application for a permit to drill, accompanied by a fee of Three Hundred Dollars (\$300.00), or some lesser sum as may be fixed by order of the board, 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.

SOURCES: Laws, 1982, Ch. 485, § 32(3), eff from and after July 1, 1982.

**§ 53-3-31. APPLICATION TO REWORK ABANDONED WELL TO AN INJECTION WELL.**

Before any person shall commence operations to rework an abandoned well to an injection well, such person shall file with the board his application to rework, accompanied by a fee of Three Hundred Dollars (\$300.00), or some lesser sum as may be fixed by order of the board, 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.

SOURCES: Laws, 1982, Ch. 485, § 32(4), eff from and after July 1, 1982.



**§ 53-3-33. APPLICATION TO REWORK OPERATING WELL.**

Before any person shall commence operations to rework an operating well to recomplete to another zone, formation or reservoir, such person shall file with the board his application to rework, accompanied by a fee of one hundred dollars (\$100.00), or some lesser sum as may be fixed by order of the board, 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.

SOURCES: Laws, 1982, Ch. 485, § 32(5), eff from and after July 1, 1982.

**§ 53-3-35. REPORTS BY PRODUCER OR OPERATOR OF OIL OR GAS WELL; MONTHLY INDIVIDUAL WELL STATUS REPORT; PRODUCER'S MONTHLY REPORT; DELIVERABILITY TEST; CALIBRATED STOCK TANK.**

(1) Each producer or operator of an oil or gas well shall furnish for each month a "monthly individual well status report", setting forth complete information and data indicated thereon. Such report for each month shall be prepared and filed according to the instructions on a form published by the board for such reports, on or before the first day of the second month following the month during which the production was made.

(2) Each operator or producer of oil or gas shall furnish for each month a "producer's monthly report", setting forth complete information and data indicated thereon. Such report for each month shall be prepared and filed with the board on a form published by the board for such reports, according to the instructions on said form, on or before the first day of the second month following the month during which the production was made.

(3)(a) A deliverability test of each producing gas well shall be made in conformity with schedules issued by the board. Such test shall be an actual test to determine whether or not the well is capable of producing efficiently any allowable that may reasonably be expected to be assigned to it, and if the well is not found to be capable, then the test shall determine the maximum rate at which the well may efficiently be produced. The method of testing used shall be one acceptable to the board. A report of each test so required shall be promptly furnished to the board on a form published by the board for such reports. Any operator may make such additional deliverability tests at any time and report such tests to the board in the same manner as required tests are reported. Deliverability shall be determined by the latest test information furnished to the board.

(b) Each oil well and each oil completion of a multiply- completed well shall be tested by the operator once during each calendar month during each calendar year in a calibrated stock tank. The result of such tests shall be reported in writing within thirty (30) days after the end of each month to the State Oil and Gas Board on a form published by the board for such test results.

SOURCES: Laws, 1982, Ch. 485, § 33(1-3), eff from and after July 1, 1982.

**§ 53-3-37. PENALTIES FOR VIOLATIONS CONCERNING REPORTS.**

Any person who shall violate any of the provisions of Section 53-3-35 regarding the filing of reports by failing to file such reports on a timely basis, or by the willful, knowing or fraudulent execution of a report which contains a false entry or statement of fact, or an omission of fact, shall be subject to a penalty of not more than One Thousand Dollars (\$1,000.00) for each violation. Provided, however, the same procedure for notice and hearing as that found in subsection (b) of Section 53-1-47 shall be followed in cases of violations of Section 53-3-35.

SOURCES: Laws, 1982, Ch. 485, § 33(4), eff from and after July 1, 1982.

**§ 53-3-39. PAYMENT OF INTEREST ON ROYALTY PROCEEDS WHICH HAVE NOT BEEN DISBURSED.**

Purchasers of oil or gas production from any oil or gas well shall be liable for the payment of interest on royalty proceeds which have not been disbursed to the royalty owners from and after one hundred twenty (120) days following the date of the first sale of oil or gas. The rate of interest shall be eight percent (8%) per annum and shall be computed from the date of one hundred twenty (120) days after such first sale; however, from and after July 1, 1992, the rate of interest shall be the greater of eight percent (8%) per annum or two percent (2%) above the federal discount rate in effect as of the second day of January of each year during which interest on such royalty proceeds is payable, except in those instances where the royalty proceeds cannot be paid because the title thereto is not marketable, in which case the rate of interest on a per annum basis shall be equal to the federal reserve discount rate in effect as of the second day of January of each year during which interest on the royalty proceeds is payable. The accrued interest shall be paid to the royalty owners at the time of the payment of the accrued royalty proceeds, such rate of interest to be displayed on the disbursement document. As used herein, "first sale" shall mean the first commercial sale of production after completion of the well and shall not include sales of oil or gas during initial testing prior to completion of the well.

Whenever the disbursement of royalty proceeds is suspended for any reason whatsoever, the purchasers of production shall be liable for the payment of interest on the royalty proceeds which have been suspended. Except as otherwise provided, the rate of interest shall be eight percent (8%) per annum and shall be computed from the date that the royalty payments were halted or suspended; provided, however, that if such date is less than one hundred twenty (120) days after the first sale of oil or gas, then such interest shall be computed from the date of one hundred twenty (120) days after such first sale. From and after July 1, 1992, the rate of interest shall be the greater of eight percent (8%) per annum or two percent (2%) above the federal discount rate in effect as of the second day of January of each year during which interest on such royalty proceeds is payable, except in those instances where the royalty proceeds are suspended because the title thereto is not marketable, in which case the rate of interest on a per annum basis shall be equal to the federal reserve discount rate in effect as of the second day of January of each year during which interest on the royalty proceeds is payable. The accrued interest shall be paid to the royalty owners at the time of the payment of the suspended royalty proceeds, such rate of interest to be displayed on the disbursement document.

The purchaser of production from a well shall be exempt from the provisions of this section and the operator and/or the owner of the right to drill and to produce under an oil and/or gas lease shall be substituted for the purchaser herein where the operator and/or the owner and purchaser have entered into an arrangement where the royalty proceeds are paid by the purchaser to the operator and/or the owner who assumes responsibility of paying the proceeds to the royalty owners legally entitled thereto. Where the operator and/or the owner of the drilling rights are substituted herein for the purchaser, the interest provided for hereinabove shall accrue from the date set forth hereinabove or from the date of such operator and/or owner's receipt of the proceeds of such production, whichever is the later date.

Provided, further, that as to royalty payments regularly disbursed in the normal course of business, nothing in this section shall be construed to require the payment of interest on royalty payments disbursed to the royalty owners no later than sixty (60) days after the end of the calendar month within which such royalty production was sold. Provided further, that whenever the aggregate of one hundred twenty (120) days' accumulation of monthly proceeds payable to any royalty owner does not exceed one hundred dollars (\$100.00), no interest shall accrue or be payable thereon, provided that the disbursement of such accumulated proceeds be made to the royalty owner no later than once each 120-day period.

For the purposes of this section, marketability of title shall be determined in accordance with real property law governing title to oil and gas interests as recognized at the time the royalty payments were suspended or not paid.

The provisions of this section which require payment of interest on royalty proceeds which have not been disbursed may not be waived or reduced by a royalty owner entitled to such interest payment unless said royalty owner shall attest to a statement which shall be typed in bold print on a separate form and attached

to the relevant division order contract as to the royalty owner's interest. Such statement shall be set out as follows:

I, (royalty owner's name) hereby agree to waive the statutory right given me to receive interest on royalty proceeds as provided by Section 53-3-39, Mississippi Code of 1972, from (purchaser or operator and/or owner of right to drill), which is due me as evidenced from the attached division order contract. This is the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
(royalty owner's signature)

The words "owner", "oil", "gas" and "royalty owner" used in this section shall have the meanings attributed to them in Section 53-1-3, Mississippi Code of 1972.

SOURCES: Laws, 1983, Ch. 477, § 1, eff from and after July 1, 1983.

Editor's Note-

Section 2 of Laws, 1983, Ch. 477, eff from and after July 1, 1983, provides as follows:

"SECTION 2. This act shall have prospective application only and interest shall accrue hereunder only after the effective date of this act. This act shall take effect and be in force from and after July 1, 1983".

Section 1 and 2 as amended by S. B. No. 2791 to take effect and be in force from and after July 1, 1985.

## § 53-3-41. DEFINITIONS.

(1) For the purposes of this section, the following terms shall have the meanings ascribed herein:

(a) "Oil and gas production" means any oil, natural gas, condensate of either, natural gas liquids, other gaseous, liquid or dissolved hydrocarbons, sulfur or helium, or other substance produced as a by-product of adjunct to their production, or any combination of these, which is severed, extracted or produced from the ground, the seabed or other submerged lands within the jurisdiction of the State of Mississippi. Any such substance, including recoverable or recovered natural gas liquids, which is transported to or in a natural gas pipeline or natural gas gathering system, or otherwise transported or sold for use as natural gas, or is transported or sold for the extraction of helium or natural gas liquids is gas production. Any such substance which is transported or sold to persons and for purposes not included in the foregoing natural gas definition is oil production.

(b) "Interest owner" means a person owning an entire or fractional interest of any kind or nature in oil or gas production at the time of severance, or a person who has an express, implied or constructive right to receive a monetary payment determined by the value of oil or gas production or by the amount of production.

(c) "Royalty owner" means any person who possesses any interests in the production, but who is not an owner as defined in Section 53-1-3(g).

(d) "Disbursing agent" shall mean that person who, pursuant to an oil and gas lease, operating agreement, purchase contract, or otherwise, assumes the responsibility of paying royalty proceeds derived from a well's oil and gas production to the royalty owner or owners legally entitled thereto. A first purchaser shall not be deemed to be the disbursing agent unless the first purchaser expressly assumes such responsibility in the purchase contract.

(e) "First purchaser" means the first person who purchases oil or gas production from the interests owners after the production is severed and may include the operator if the operator acts as a purchaser of production attributable to other interest owners.

(f) An "operator" is a person engaged in the business of severing oil or gas production from the ground, whether for himself alone, for other persons alone or for himself and others.

(2) Whenever a disbursing agent has not disbursed the royalty proceeds derived from the well's production to the royalty owner within one hundred twenty (120) days following the date of first sale of oil or gas in the event the disbursing agent is a first purchaser of oil or gas, or within one hundred twenty (120) days following the date the disbursing agent receives the proceeds from such production if the disbursing agent is not the first purchaser, such royalty owner shall have a lien to secure the payment of the royalty proceeds. The lien shall attach to the proceeds from such production received by the disbursing agent attributable to the royalty owner's interest.

(3) The lien provided by this section shall be effective against a third party only from the time a financing statement evidencing such lien is filed in the same manner as financing statements evidencing security interests in minerals are filed in accordance with the provisions of Section 75-9-401.

(4) The lien provided by this section shall expire one (1) year after it becomes effective against a third party, unless judicial proceedings have been commenced to assert it or unless insolvency proceedings have been commenced by or against the disbursing agent, in which event the lien shall remain effective until termination of the insolvency proceedings or until expiration of the one-year period, whichever occurs later.

(5) Whenever there is a conflict between a lien under this section and a security interest under Title 75, Chapter 9, the lien or security interest first to be filed has priority. Liens provided for in this section shall have priorities among themselves according to priority in time of filing of such liens.

(6) The filing required by this section shall be a financing statement as provided for in Section 75-9-402 and shall be subject to the provisions of Sections 75-9-402 through 75-9-405, except that in order for the filing to be sufficient, it shall not be necessary for the debtor to sign the financing statement, and the filing shall be effective

for a period of only one (1) year from the date of filing.

(7) This section does not impair an operator's right to set off or withhold funds from other interest owners as security for or in satisfaction of any debt or security interest. This section does not impair a disbursing agent's right to withhold funds in the event a question is raised concerning the title or ownership of, or right to sell, the oil or gas production. In case of a dispute between interest owners, a good-faith tender by the disbursing agent of funds to the person the interests owners shall agree on, or to a court of competent jurisdiction in the event of litigation or bankruptcy, shall operate as a tender of the funds to both.

(8) Nothing in this section shall be construed to enlarge or diminish the rights and obligations provided to or imposed on interest owners, royalty owners, disbursing agents, first purchasers, or operators by contract or otherwise by law. The sole purpose of this section is to provide royalty owners a lien under the conditions provided herein.

SOURCES: Laws, 1986, ch. 466, eff from and after July 1, 1986.

**§ 53-3-51. AGREEMENTS FOR CO-OPERATIVE DEVELOPMENT AND OPERATION UNDER LEASES BY PUBLIC OFFICERS.**

(1) The State Mineral Lease Commission, the county boards of supervisors, the mayors and boards of aldermen, the mayor and councilmen, the trustees of agricultural high schools and junior colleges, the trustees of any common school districts, consolidated school districts, special consolidated school districts and separate school districts, and all other state boards, state officers, state agents, and the boards and officers of all political subdivisions of the State of Mississippi, who manage and control mineral and royalty interests, and are authorized by law to execute oil, gas or mineral leases thereon, are hereby authorized and empowered to execute, on behalf of the state or of such political, municipal, or other subdivision or agency thereof, agreements covering any lease or leases now in effect or which may hereafter be granted, and the mineral and royalty interests thereunder, for establishing and carrying out the co-operative development and operation of common accumulations of oil and gas, or both, in all or any portion of a field or area which appears from geological or other data to contain such common accumulations of oil or gas, or both, including the right and power to pool, consolidate and unitize the land covered by any lease or leases, now in effect or which may hereafter be granted, in its entirety or as to any stratum or strata or any portion or portions thereof, with other lands and leases in the immediate vicinity thereof, for the purpose of joint development and operation of the entire consolidated premises as a unit. Such agreements include, but are not limited to, all types of secondary recovery methods and operations, and operations known as cycling, recycling, pressure maintenance, repressuring, and water flooding, and the storage, processing and marketing of gas and all by-products of such operations.

(2) When any mineral or royalty interest belonging to the state, or to any political subdivision or agency thereof, is included within the provisions of such unitization or other agreement, as authorized in subsection 1 hereof, the oil, gas and mineral lease on such interest shall be considered to be amended thereby to conform to such agreement, and such lease shall not terminate as long as the agreement continues in force. No such agreement shall provide for the payment of royalty on any basis which is less favorable to the state, or any such subdivision thereof, than the basis on which royalty is computed to other royalty owners.

(3) The agreements herein authorized as to field-wide unitization shall not become effective until approved by the State Oil and Gas Board by an order duly entered on the minutes of said board, and when so approved shall become fully valid and binding.

(4) The provisions of this section shall be cumulative of other existing laws not in conflict herewith.

SOURCES: Codes, 1942, § 6132-51; Laws, 1950, Ch. 209, §§ 1-5.

Cross references-

As to leases of state-owned lands for oil, gas, and minerals, see § 29-7-3.

As to leases of county and municipal lands and minerals for oil, gas, and mineral exploration and development, see §§ 17-9-1 et seq.

As to counties conveying land for state park purposes leasing retained mineral interests, see § 19-7-21.

As to leases of agricultural high school lands for oil, gas, and minerals, see § 37-27-29.

As to leases of school district lands for oil, gas, and mineral exploration and development, see § 37-7-305.



**§ 53-3-71. CONSTRUCTION AND OPERATION OF FACILITIES FOR EXPLORATION, PRODUCTION, OR TRANSPORTATION OF OIL OR GAS IN NAVIGABLE WATERS.**

Any person, firm or corporation duly authorized to engage in the exploration or production of oil, gas or other minerals under the provisions of Chapter 7, Title 29, Mississippi Code of 1972, and any person, firm or corporation duly authorized to engage in the transportation of oil, gas and other minerals under the provisions of Sections 29-1-101 to 29-1-105, Mississippi Code of 1972, shall have the right to construct, operate and maintain facilities incident to such operations in any of the navigable waters of the state upon obtaining from the State Oil and Gas Board a permit for the construction, operation and maintenance of such facilities.

SOURCES: Codes, 1942, § 6132-61; Laws, 1968, Ch. 262, § 1, eff from and after September 1, 1968.

Cross references-

For a definition of the term "navigable waters", see § 1-3-31.

**§ 53-3-73. FEE FOR PERMIT.**

Any person, firm or corporation applying for a permit to construct a facility under Sections 53-3-71 to 53-3-75 shall pay to the State Oil and Gas Supervisor a fee of five hundred dollars (\$500.00).

SOURCES: Codes, 1942, § 6132-62; Laws, 1968, Ch. 262, § 2, eff from and after September 1, 1968.

**§ 53-3-75. RESTRICTIONS AND PROHIBITIONS.**

The right to construct, operate and maintain any facility as described in Section 53-3-71 in, on, under or across land which is submerged or wherever the tide may ebb and flow shall be subject to the following:

- (a) The paramount right of the United States to control commerce and navigation;
- (b) The right of the public to make free use of the waters; and
- (c) The restrictions and prohibitions contained in Section 81 of the Mississippi Constitution of 1890, as same may be amended.

SOURCES: Codes, 1942, § 6132-63; Laws, 1968, Ch. 262, § 3, eff from and after September 1, 1968.

**§ 53-3-101. APPLICATIONS.**

The State Oil and Gas Board upon the application of any interested person shall, after notice as herein provided, hold a hearing to consider the need for the operation as a unit of an entire field, or of an entire pool or pools, or of any portion or portions or combinations thereof, within a field, for the production of oil or gas or both, in order to increase the ultimate recovery thereof or to prevent waste. The board may reopen the hearing provided in this section at any time prior to the final order adjudicating that the requirements of Section 53-3-107 have been satisfied.

SOURCES: Laws, 1972, Ch. 365, § 1, eff from and after passage (approved April 24, 1972).

**§ 53-3-103. OIL AND GAS BOARD MAY ORDER UNIT OPERATION.**

The State Oil and Gas Board may issue an order requiring such unit operation, if it finds that:

- (a) Unit operation of the field or of any pool or pools, or of any portion or portions or combinations thereof within the field, is reasonably necessary in order to effectively carry on secondary recovery, pressure maintenance, repressuring operations, cycling operations, water flooding operations, 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 unit so formed, or to prevent waste as defined in Section 53-1-3; and
- (b) One or more method of unitized operation as applied to such common source of supply or portion thereof is feasible and will prevent waste or will with reasonable probability result in the recovery of substantially more oil or gas, or both, from the unit so formed than would otherwise be recovered; and
- (c) The plan of unitization and the agreements effectuating same are fair and reasonable under all of the circumstances and protect the rights of all interested parties; and
- (d) The correlative rights of interested parties will be protected; and
- (e) The estimated additional cost incident to conducting such operation will not exceed the value of the estimated additional recovery of oil and gas and such cost of unit operation shall not be borne by the royalty owners.

The operators of such unit shall have drilled a sufficient number of wells to a sufficient depth and at such locations as may be necessary for the board to approve the boundaries of the unit and determine that the field, pool or pools have been reasonably developed according to a spacing pattern approved by the board. No field unitization shall be approved by the board until each drilling unit of the field has been drilled; however, the board is hereby authorized to waive the requirement that each and every drilling unit be drilled upon a finding of fact that it is not economically feasible for a specific drilling unit to be drilled.

SOURCES: Laws, 1972, Ch. 365, § 2, eff from and after passage (approved April 24, 1972).

**JUDICIAL DECISIONS**

With respect to the requirement that each drilling unit of a field must be drilled before field unitization can be approved, drilling of a commercially productive well is not necessary; rather, drilling of a dry hole may satisfy the requirement. *Petro Grande, Inc. v Texas Pacific Oil Co.* (Miss) 338 So 2d 808.

### **§ 53-3-105. PROVISIONS AND REQUIREMENTS OF BOARD'S ORDER.**

The order issued by the State Oil and Gas Board shall be fair and reasonable under all of the circumstances and shall protect the rights of interested parties and shall include:

- (a) A description of the geographical area and a description of the pool or pools, or of any portion or portions or combinations thereof affected which together constitute and are herein termed the "unit area".
  - (b) A statement of the nature of the operations contemplated.
  - (c) A formula for the allocation among the separately owned tracts in the unit area of all the oil or gas, or both, produced and saved from the unit area, and not required in the conduct of such operation, which formula must expressly be found reasonable to permit persons otherwise entitled to share in or benefit by the production from such separately owned tracts to receive, in lieu thereof, their fair, equitable and reasonable share of the unit production or other benefits thereof. A separately owned tract's fair, equitable and reasonable share of the unit production shall be that proportionate part of unit production that the contributing value of such tract for oil and gas purposes in the unit area and its 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.
  - (d) A provision for adjustment among the owners of the unit area (not including royalty owners) of their respective investment in wells, tanks, pumps, machinery, materials, equipment and other things and services of value attributable to the unit operations. The amount to be charged unit operations for any such item shall be determined by the owners of the unit area (not including royalty owners), but if said owners of the unit area are unable to agree upon the amount of such charges, or to agree upon the correctness thereof, the board shall determine them after due notice and hearing thereon, upon the application of any interested party. The amount charged against the owner of a separately owned tract shall be considered expense of unit operation chargeable against such tract. The adjustments provided for herein may be treated separately and handled by agreements separate from the unitization agreement. The expense of dry holes drilled within the unit area prior to the effective date of an order of the board, as determined by Section 53-3-107, shall not be chargeable as investment under subsection (c) of Section 53-3-109, unless such dry hole is used in the unit operation, in which event its value to the unit shall be charged as investment.
  - (e) A provision that the costs and expenses of unit operation, including investment past and prospective, shall be borne by the owner or owners (not entitled to share in production free of operating costs and who in the absence of unit operation would be responsible for the expenses of developing and operating) of each tract in the same proportion that such tracts share in unit production. Each owner's interest in the unit area shall be responsible for his proportionate share thereof, and the unit operator shall have a lien thereon to secure payment of such share. When any owner fails to pay his part thereof when due and interest thereon at the legal rate, then all of such owner's interest in the unit production and equipment may be foreclosed in the same manner and under the same procedures provided for the foreclosure of mortgages in chancery court.
- A transfer or conversion of any owner's interest or any portion thereof, however accomplished after the effective date of the order creating the unit, shall not relieve the transferred interest of said operator's lien on said interest for the cost and expense of unit operations, past or prospective.
- (f) The designation of, or a provision for the selection of a successor to the unit operator. The conduct of all unit operations by the unit operator, and the selection of a successor to the unit operator, shall be governed by the terms and provisions of the unitization agreements.
  - (g) The time the unit operation shall become effective and the manner in which, and the circumstances under which, the unit operation shall terminate.

(h) A requirement that all oil and/or gas contained in a unit area shall be produced and sold as rapidly as possible without decreasing the ultimate recovery of such oil and/or gas or causing damage to the reservoir.

SOURCES: Laws, 1972, Ch. 365, § 3, eff from and after passage (approved April 24, 1972).

## **JUDICIAL DECISIONS**

Act required that surface acreage content be used as basis for allocating production between appellant, individual drilling unit, and a unitized drilling unit; allocation on the basis of contributing value to the unit could be applied only to allocate production among the members of the unitized drilling unit. Texas Pacific Oil Co. v Petro Grande, Inc. (Miss) 328 So 2d 660.

**§ 53-3-107. WHEN ORDER BECOMES EFFECTIVE.**

An order requiring unit operations pursuant to Section 53-3-103, Mississippi Code of 1972, shall not be effective unless and until the plan of unitization and the agreements incorporating the provisions of section 53-3-105 have been signed or, in writing, ratified, adopted or approved by the owners or lessees of at least seventy-five per cent (75%) in interest on the basis of and in proportion to the surface acreage content of the unit area under the terms of the order and the agreement incorporating the provisions of section 53-3-105 has been signed or, in writing, ratified, adopted or approved by at least seventy-five per cent (75%) (exclusive of royalty interests 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 and the board has made a finding to that effect, either in the order or in a supplemental order. In the event the required percentages have not signed, ratified or approved the respective agreements within twelve months from and after the date of such order, it shall be automatically revoked.

SOURCES: Codes, 1942, § 6132-104; Laws, 1964, Ch. 236, § 4, eff from and after passage (approved June 5, 1964).



**§ 53-3-109. AMENDMENT OF ORDERS; EXTENSION OF UNITS AND INCLUSION OF ADDITIONAL POOLS.**

(a) The state oil and gas board, after notice and hearing, by entry of new or amending orders, may from time to time enlarge the unit area by approving agreements adding to the unit operation a pool or pools or any portion or portions or combinations thereof not theretofore included, and extensions of existing pools. Any such agreement, in providing for allocation of production from the unit area, shall first allocate to each pool or portion thereof so added a portion of the total production of oil or gas, or both, from all pools affected within the unit area, as enlarged, such allocation to be based on the relative contribution which such added pool or portion or extensions thereof are expected to make, during the remaining course of unit operations, to the total production of oil or gas, or both, to the unit as enlarged. The production so allocated to each added pool or portion thereof shall be allocated to the separately owned tracts in the added unit area on the basis of the relative contribution of each such tract, as provided in paragraph (c) of section 53-3-105. The remaining portion of unit production shall be allocated among the separately owned tracts within the previously established unit area in the manner provided by the unitization agreement. Orders promulgated under this paragraph shall become operative at 7:00 a.m. on the first day of the month next following the day on which the order becomes effective under the provisions of paragraph (b) of this section.

(b) An order promulgated by the board under paragraph (a) of this section shall not become effective unless and until (1) all of the terms and provisions of the plan of unitization and the unitization agreement relating to the extension or enlargement of the unit area or to the addition of a pool or portions thereof or extensions of existing pools to unit operations have been fulfilled and satisfied and evidence thereof has been submitted to the board, and (2) the extension or addition effected by such order has been agreed to in writing by the owners or lessees of at least seventy-five per cent (75%) in interest on the basis of and in proportion to the surface acreage content of the area or pools or portions thereof or extensions of existing pools to be added to the unit operation by such order and also by at least seventy-five per cent (75%) (exclusive of royalty interests 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 in the area or pools or portions thereof or extensions of existing pools to be added to the unit operation by such order, and evidence thereof has been submitted to the board, and (3) the owners of the existing unit have agreed in the manner provided in § 53-3-107 or in accordance with the terms of the unitization agreement, to the extension or addition. In the event all of the above requirements are not fulfilled within twelve months from and after the date of such order, it shall be automatically revoked.

(c) After the operative date of an order promulgated under this section, costs and expenses of operation of the unit, as enlarged, shall be governed by paragraph (e) of section 53-3-105. Adjustment among the owners of the unit area, as enlarged, (not including royalty owners) of their respective investments in wells, tanks, pumps, machinery, materials, equipment, and other things and services of value attributable to the operation of the unit area, as enlarged, shall be governed by paragraph (d) of section 53-3-105.

SOURCES: Codes, 1942, § 6132-105; Laws, 1964, Ch. 236, § 5, eff from and after passage (approved June 5, 1964).

**§ 53-3-111. HOW PRODUCTION ALLOCATED.**

The portion of unit production allocated to a separately owned tract within the unit area shall be deemed, for all purposes, to have been actually produced from such tract, and operations with respect to any tract within the unit area shall be deemed for all purposes to be the conduct of operations for the production of oil or gas, or both, from each separately owned tract in the unit area. However, when an oil, gas and mineral lease contains land partially within and partially without said unit area, the unit agreement and production from the unit shall have no force and effect on lands lying outside of such unit area and failure of the lessee or lessees thereof to drill and develop such lands lying outside said unit area within one (1) year or during the term of the lease, whichever is a longer period of time, from the date of determination of the unit area by the State Oil and Gas Board shall render such lease or leases on lands lying outside said unit area void and of no force and effect, unless otherwise held by production other than from unit production.

SOURCES: Laws, 1972, Ch. 365, § 4, eff from and after passage (approved April 24, 1972).

**§ 53-3-113. AUTHORITY OF UNIT OPERATOR; PRODUCTION BY OTHERS PROHIBITED.**

From and after the effective date of an order of the board entered under the provisions of Sections 53-3-101 to 53-3-119, the operation of any well producing from the unit area defined in the order by persons other than the unit operator or persons acting under the unit operator's authority, or except in the manner and to the extent provided in such plan of unitization, shall be unlawful and is hereby prohibited.

SOURCES: Codes, 1942, § 6132-107; Laws, 1964, Ch. 236, § 7, eff from and after passage (approved June 5, 1964).

**§ 53-3-115. TIME AND MANNER OF GIVING NOTICE.**

The notice provided for in Sections 53-3-101 to 53-3-119 shall be given in the time and manner as required by law and the rules and regulations of the Oil and Gas Board for hearings by said board and shall be completed at least thirty (30) days before the date set for the hearing.

The secretary of the board shall, in addition thereto, mail a notice not less than thirty (30) days prior to the date set for the hearing to all persons owning the interests in the land within the unit area which said secretary by due diligence can ascertain. The failure of said secretary, however, to mail said notice to any such owner shall not affect the validity of any hearing held pursuant to the notice published in accordance with the preceding paragraph, or any rule, regulation, or order issued pursuant to such hearing.

**SOURCES:** Codes, 1942, § 6132-108; Laws, 1964, Ch. 236, § 8, eff from and after passage (approved June 5, 1964).

Cross references-

As to public hearings of State Oil and Gas Board, see § 53-1-21.

As to appeals generally to circuit court from final rules, regulations or orders of State Oil and Gas Board, see § 53-1-39.

**§ 53-3-117. ADMINISTRATION OF §§ 53-3-101 to 53-3-119.**

In administering Sections 53-3-101 to 53-3-119, the Oil and Gas Board shall be governed and controlled by the declaration of policy set out in Sections 53-1-1 et seq., and except as otherwise herein expressly provided, all proceedings held under Sections 53-3-101 to 53-3-119, including the filing of petitions, the giving of notices, the conduct of hearings and the entry of orders and appeals therefrom, shall be governed and controlled by the procedure provided for by Sections 53-1-1 to 53-1-47, inclusive, and Sections 53-3-1 to 53-3-21, inclusive, and the rules and regulations promulgated by the Oil and Gas Board pursuant to said sections. The definition of the terms used in Sections 53-3-101 to 53-3-119 shall be controlled by definitions contained in 53-1-3, and the rules and regulations promulgated by the Oil and Gas Board pursuant to Sections 53-1-1 to 53-1-47, inclusive, and Sections 53-3-1 to 53-3-21, inclusive, unless a definition appearing in Section 53-1-3 is entirely inconsistent with the meaning and purpose of the term as used in Sections 53-3-101 to 53-3-119, in which event such term shall be given that meaning that is harmonious with and tends to effectuate the purposes of Sections 53-3-101 to 53-3-119.

SOURCES: Codes, 1942, § 6132-109; Laws, 1964, Ch. 236, § 9, eff from and after passage (approved June 5, 1964).

**§ 53-3-119. COURT REVIEW OF ORDER OF OIL AND GAS BOARD BY APPEAL TO THE CHANCERY COURT.**

Any interested person adversely affected by any provision of Sections 53-3-101 to 53-3-119 or by any rule, regulation or order made by the State Oil and Gas Board thereunder, or by any act done or threatened thereunder, may obtain court review and seek relief by appeal, which appeal shall be to the chancery court of the county wherein the land involved, or any part thereof, is situated. The term "interested person" as used herein shall be interpreted broadly and liberally and shall include all mineral and royalty owners. Any interested party may appeal to the chancery court of the county wherein the land involved or any part thereof is situated, if appeal be demanded within thirty (30) days from the date that such rule, regulation or order of the board is filed for record in the office of the board.

Such appeal may be taken by filing notice of the appeal with the State Oil and Gas Board, whereupon the board shall, under its certificate, transmit to the court appealed to all documents and papers on file in the matter, together with a transcript of the record, which documents and papers together with said transcript of the record shall be transmitted to the clerk of the chancery court of the county to which the appeal is taken.

Except as hereinabove provided, such appeal shall be made in accordance with the provisions of Sections 53-1-39 and 53-1-41.

SOURCES: Laws, 1972, Ch. 365, § 5, eff from and after passage (approved April 24, 1972).

**§ 53-3-151. DEFINITIONS.**

As used in Sections 53-3-151 to 53-3-165: (a) "underground storage" shall mean storage in an underground reservoir, stratum or formation of the earth; (b) "natural gas" shall mean gas of sufficient purity to be capable of use for residential purposes; (c) "native gas" shall mean gas which previously has not been withdrawn from the earth, or which, having been withdrawn, is injected into a reservoir for purposes other than underground storage; and (d) "compressed air" shall mean any nonhydrocarbon gas; and (e) "State Oil and Gas Board" or "board" shall mean the State Oil and Gas Board of Mississippi.

SOURCES: Codes, 1942, § 6132-131; Laws, 1971, Ch. 436, § 1, eff from and after passage (approved March 24, 1971).

**§ 53-3-153. LEGISLATIVE DECLARATION.**

The underground storage of natural gas or compressed air which promotes the conservation thereof, which permits the building of large quantities of natural gas or compressed air in reserve for orderly withdrawal in periods of peak demand, making natural gas or compressed air more readily available to the consumer, or which provides more uniform withdrawal from various gas or oil fields, is in the public interest and welfare of this state and is for a public purpose.

SOURCES: Codes, 1942, § 6132-132; Laws, 1971, Ch. 436, § 2, eff from and after passage (approved March 24, 1971).



**§ 53-3-155. UNDERGROUND STORAGE AUTHORIZED PURSUANT TO BOARD'S ORDER.**

The use of an underground reservoir, stratum or formation as a reservoir for the storage of natural gas or compressed air as an appliance or appurtenance in connection with the conveying, transmission or distribution of natural gas or compressed air is hereby authorized, provided that the State Oil and Gas Board shall first enter an order, after notice and hearing pursuant to the provisions of Sections 53-1-19 to 53-1-31, inclusive, approving any such proposed underground storage of natural gas or compressed air upon finding as follows:

- (a) That the underground stratum or formation sought to be used as a reservoir for the injection, storage and withdrawal of natural gas or compressed air is suitable and feasible for such use and in the public interest, and is not an oil reservoir capable of commercial production;
- (b) That a majority interest of all rights of the surface interest and a majority interest of all interests in the underground stratum or formation have consented to such use in writing;
- (c) That the use of the underground stratum as a reservoir for the storage of natural gas or compressed air will not contaminate other formations containing fresh water, oil, gas or other commercial mineral deposits; and
- (d) That the proposed storage will not endanger lives or property.

SOURCES: Codes, 1942, § 6132-133; Laws, 1971, Ch. 436, § 3, eff from and after passage (approved March 24, 1971).

**§ 53-3-157. PROTECTION AGAINST POLLUTION AND ESCAPE OF NATURAL GAS; PROPERTY RIGHTS.**

The State Oil and Gas Board shall issue such orders, rules and regulations as may be necessary for the purpose of protecting any such underground storage reservoir, stratum or formation against pollution or against the escape of natural gas or compressed air therefrom, including such necessary rules and regulations as may pertain to the drilling into or through such underground storage reservoir, stratum or formation.

All natural gas or compressed air which has previously been reduced to possession, and which is subsequently injected into an underground storage reservoir, stratum or formation shall at all times be deemed the property of the injector, his successors and assigns, and in no event shall such natural gas or compressed air be subject to the right of the owner of the surface of the lands or of any mineral interest therein under which such underground storage reservoir, stratum or formation shall lie or be adjacent to or of any person other than the injector, his successors and assigns, to produce, take, reduce to possession, waste or otherwise interfere with or exercise any control thereover; provided, that the State Oil and Gas Board shall have entered an order, either before or after the enactment hereof, approving such underground storage reservoir, stratum or formation.

SOURCES: Codes, 1942, § 6132-134; Laws, 1971, Ch. 436, § 4, eff from and after passage (approved March 24, 1971).

**§ 53-3-159. RIGHT OF EMINENT DOMAIN.**

Any company, person or association of persons, municipality, association of municipalities, public utility district, or natural gas district, incorporated or organized for the purpose of building or constructing pipelines and appliances for the conveying and distribution of oil or gas and authorized by law in Section 11-27-47, Mississippi Code of 1972, to exercise eminent domain rights with respect thereto, is hereby empowered, after obtaining approval of the State Oil and Gas Board as herein required, to exercise the right of eminent domain, in the manner provided by law, to acquire all surface and subsurface rights necessary and useful for the purpose of storing natural gas or compressed air in any underground reservoir, stratum or formation, pursuant to the provisions hereof. Such power shall be exercised under the procedure provided by Chapter 27, Title II, Mississippi Code of 1972, provided that:

- (a) No gas-bearing sand, stratum or formation shall be subject to appropriation by eminent domain unless the condemnor shall show, to the satisfaction of the board, that such sand, stratum or formation has a greater value or utility as a natural gas or compressed air storage reservoir for the purpose of insuring an adequate supply of natural gas or compressed air for consumers, or for the conservation of natural gas or compressed air, than for the production of the native gas which remains therein;
- (b) Adequate and fair compensation for any native gas which is appropriated by eminent domain and which is otherwise capable of being commercially produced shall be included in that hereinabove provided for; and
- (c) No rights or interests in underground reservoirs, strata or formations acquired for the injection, storage and withdrawal of natural gas or compressed air by a party who has eminent domain rights under Section 11-27-47, Mississippi Code of 1972, and who has obtained an order from the Oil and Gas Board under the provisions of Section 53-3-155, shall be subject to appropriation hereunder.

SOURCES: Codes, 1942, § 6132-135; Laws, 1971, Ch. 436, § 5, eff from and after passage (approved March 24, 1971).

**§ 53-3-161. RIGHT OF LANDOWNER TO DRILL AND MAKE OTHER USE OF LAND.**

The right of condemnation granted by Section 53-3-159, shall be without prejudice to the right of the owner of said land or of other rights or interests therein to drill or bore through the underground reservoir, stratum or formation so appropriated in such manner as shall comply with orders, rules and regulations of the State Oil and Gas Board issued for the purpose of protecting underground storage reservoirs, strata or formations against pollution and against the escape of natural gas or compressed air therefrom, and shall be without prejudice to the rights of the owners of said lands or other rights or interests therein as to all other uses thereof.

SOURCES: Codes, 1942, § 6132-137; Laws, 1971, Ch. 436, § 7, eff from and after passage (approved March 24, 1971).

**§ 53-3-163. ACTION FOR PROVABLE DAMAGES.**

If any property owner whose interest has been acquired under the provisions of Sections 53-3-151 to 53-3-165, either through negotiation or through eminent domain proceedings, shall file a legal action for provable damages as a result of alleged negligent use of property acquired by the condemnor, the proof of said damages shall constitute a prima facie case of negligence on the part of the condemnor.

SOURCES: Codes, 1942, § 6132-138; Laws, 1971, Ch. 436, § 10, eff from and after passage (approved March 24, 1971).

**§ 53-3-165. STORAGE IN OFFSHORE WATERS PROHIBITED.**

No provisions of Sections 53-3-151 to 53-3-165 shall operate so as to authorize the establishment of underground storage of natural gas or compressed air in the offshore waters of the State of Mississippi.

SOURCES: Codes, 1942, § 6132-136; Laws, 1971, Ch. 436, § 6, eff from and after passage (approved March 24, 1971).

**§ 53-3-201. REQUIRED DOCUMENTATION FOR TRANSPORTATION OF CRUDE OIL.**

The State Oil and Gas Board shall adopt regulations to require any corporation, association, partnership or person in possession of crude petroleum oil or any substance containing any quantity of crude oil or any sediment, water or brine produced in association with the exploration and/or production of oil or gas, or both, being transported or for transportation from or to any storage, disposal, processing, or refining facility to possess specific documentation which substantiates the right to be in possession of such substance. The regulations shall require such documentation to include:

- (a) The identity of the operator and the location of the lease from which originated the crude petroleum oil or any substance including any sediment, water or brine produced in association with the exploration or production of oil or gas, or both, if it is purportedly being or to be transported from a lease;
- (b) The identity of the operator and the location of the storage facility from which or to which the crude petroleum oil or any substance, including any sediment, water or brine produced in association with the exploration or production of oil or gas, or both, is being or is to be transported;
- (c) The identity of the operator and the location of the disposal, processing or refining facility to which the crude petroleum oil or any substance, including any sediment, water or brine produced in association with the exploration and production of oil or gas, or both, is being or is to be transported;
- (d) The estimated percentage of crude petroleum oil being or to be transported; and
- (e) The volume of crude petroleum oil being or to be transported; and
- (f) Any additional information the Supervisor of the State Oil and Gas Board finds necessary or appropriate.

**SOURCES:** Laws, 1983, Ch. 511, § 2, eff from and after April 12, 1983.

Cross references-

As to State Oil and Gas Board generally, see § 53-1-1 et seq.

As to Supervisor of State Oil and Gas Board, see § 53-1-7.

**§ 53-3-203. ENFORCEMENT; PENALTY.**

Any law enforcement officer or the Supervisor of the State Oil and Gas Board or his designated employees may at any time inspect and for probable cause impound oil or any substance as defined in Section 53-3-201 and the vehicle transporting it, pending being furnished with the documentation as required by Section 53-3-201 or other proof of ownership or right to possession, whenever (a) he has reasonable cause to examine the documentation, (b) the transporter lacks such documentation or the documentation is substantially at variance with the fact, or (c) the lawful severance and maintenance tax has not been paid on any part of such product. Furthermore, any transporter who does not possess the documentation as required by Section 53-3-201 or other proof of ownership or right to possession shall be fined an amount equal to the market value of the substance being transported but not less than two thousand dollars (\$2,000.00), the market value of such substance to be determined by the State Oil and Gas Board. Any such fine paid or collected shall be paid to the State Treasurer for credit to the Special Oil and Gas Board Fund.

SOURCES: Laws, 1983, Ch. 511, § 3, eff from and after April 12, 1983.

Cross references-

As to requirement that state officials pay over funds received to state treasury, see § 7-9-21.



### § 17-17-3. DEFINITIONS.

***For purposes of this chapter, the following words shall have the definitions ascribed herein unless the context requires otherwise:***

- (a) "Agency" means any controlling agency, public or private, elected, appointed or volunteer, controlling and supervising the collection and/or disposal of solid wastes
- (b) "Ashes" means the solid residue from burning of wood, coal, coke or other combustible materials used for heating, or from incineration of solid wastes, but excepting solid residue the storage or disposition of which is controlled by other agencies.
- (c) "Commercial hazardous waste management facility" means any facility engaged in the storage, treatment, recovery or disposal of hazardous waste for a fee and which accepts hazardous waste from more than one (1) generator. A facility (i) which is designed principally for treatment of aqueous hazardous wastes and residue; and (ii) which is situated within an industrial park or area; and (iii) which disposes of no hazardous waste within the State of Mississippi shall not constitute a commercial hazardous waste management facility for purposes of Section 17-17-151(3)(a) only.
- (d) "Commercial nonhazardous solid waste management facility" means any facility engaged in the storage, treatment, processing or disposal of nonhazardous solid waste for compensation or which accepts nonhazardous solid waste from more than one (1) generator not owned by the facility owner.
- (e) "Commercial oil field exploration and production waste disposal" means storage, treatment, recovery, processing disposal or acceptance of oil field exploration and production waste from more than one (1) generator or for a fee.
- (f) " Commercial purpose" means for the purpose of economic gain.
- (g) "Commission" means the Mississippi Commission on Environmental Quality.
- (h) "Composting or compost plant" means an officially controlled method or operation whereby putrescible solid wastes are broken down through microbic action to a material offering no hazard or nuisance factors to public health or well-being.
- (i) "Department" means the Mississippi Department of Environmental Quality.
- (j) "Disposal" means the discharge, deposit, injection, dumping, spilling, leaking or placing of any solid waste or hazardous waste into or on any land or water so that such solid waste or hazardous waste or any constituent thereof may enter the environment or be emitted into the air or discharge into any waters, including groundwaters.
- (k) "Executive director" means the Executive Director of the Mississippi Department of Environmental Quality.
- (l) "Garbage" means putrescible animal and vegetable wastes resulting from the handling, preparation, cooking and consumption of food, including wastes from markets, storage facilities, handling and sale of produce and other food products, and excepting such materials that may be serviced by garbage grinders and handled as household sewage.
- (m) "Hazardous wastes" means any waste or combination of waste of a solid, liquid, contained gaseous, or semisolid form which because of its quantity, concentration or physical, chemical or infectious characteristics, may (i) cause, or significantly contribute to an increase in mortality or an increase in serious irreversible or incapacitating reversible illness; or (ii) pose a substantial present or potential hazard to human health or the environment when improperly treated, stored, transported, disposed of, or otherwise managed which are listed by the Environmental Protection Agency as hazardous wastes which exceed the threshold limits set forth in waste. Such wastes include, but are not limited to, those wastes which are toxic, corrosive, flammable, irritants, strong sensitizers, or which generate pressure through decomposition, heat or other means. Such wastes do not include those radioactive materials regulated pursuant to the Mississippi Radiation Protection Law of 1976,

appearing Section 45-14-1 et seq.

(n) "Hazardous waste management" means the systematic control of the collection, source separation, storage, transportation, processing, treatment, recovery and disposal of hazardous waste.

(o) "Head" means the head of the Office of Pollution Control of the Mississippi Department of Environmental Quality or his designee.

(p) "Health department" means the Mississippi State Health Department and every county or district health department. "Health officer" means the state or affected county health officer or his designee.

(q) "Manifest" means the form used for identifying the quantity, composition, origin, routing and destination of hazardous waste during its transport.

(r) "Office" means the Office of Pollution Control of the Mississippi Department of Environmental Quality.

(s) "Open dump" means any officially recognized place, land or building which serves as a final depository for solid wastes, whether or not burned or buried, which does not meet the minimum requirements for a sanitary landfill, except approved incinerators, compost plants and salvage yards.

(t) "Permit board" means the permit board created by Section 49-17-28.

(u) "Person" means any individual, trust, firm, joint-stock company, public or private corporation (including a government corporation), partnership, association, state, or any agency or institution thereof, municipality, commission, political subdivision of a state or any interstate body, and includes any officer or governing or managing body of any municipality, political subdivision, or the United States or any officer or employee thereof.

(v) "Pollution Emergency Fund" means the fund created under Section 49-17-68.

(w) "Rubbish" means nonputrescible solid waster (excluding ashes) consisting of both combustible and noncombustible wastes. Combustible rubbish includes paper, rags cartons, wood, furniture, rubber, plastics, yard trimmings, leaves and similar materials. Noncombustible rubbish includes glass, crockery, metal cans, metal furniture and like materials which will not burn at ordinary incinerator temperatures (not less than 1600 degrees F.)

(x) "Sanitary landfill" means a controlled area of land upon which solid waste is deposited, and is compacted and covered with no on-site burning of wastes, and so located, contoured, drained and operated so that it will not cause an adverse effect on public health or the environment.

(y) "Solid wastes" means any garbage, refuse, sludge from a waste treatment plant, water, supply treatment plant or air pollution control facility and other discarded material, including solid, liquid, semisolid or contained gaseous material resulting from industrial, commercial, mining and agricultural operations, and from community activities, but does not include solid or dissolved material in domestic sewage, or solid or dissolved materials in irrigation return flows or industrial discharges which are point sources subject to permits under Section 402 of the Federal Water Pollution Control Act, as amended (86 Stat. 880), or source, special nuclear or byproduct material as defined by the Atomic Energy Act of 1954.

(z) "Storage" means the containment of wastes, either on a temporary basis or for a period of years, except as provided in 40 C.F.R. 263.12, in such a manner as not constitute disposal of such wastes.

(aa) "Transport" means the movement of wastes from the point of generation to any intermediate points, and finally to the point of ultimate storage or disposal.

(bb) "Treatment" means any method, technique or process, including neutralization, designed to change the physical, chemical or biological character or composition of any solid waste in order to neutralize such character or composition of any solid waste, neutralize such waste or render such waste, safer for transport, amenable for recovery, amenable for storage or reduced in volume.

(cc) "Treatment facility" means a location at which waste is subjected to treatment and may include a facility where waste has been generated.

(dd) "Unauthorized dump" means any collection of solid wastes either dumped or placed on any property either public or private, whether or not regularly used. An abandoned automobile, large appliance, or similar large item of solid waste shall be considered as forming an unauthorized dump within the meaning of this chapter, but not the careless, scattered littering of smaller individual items as tires, bottles, cans and the like. An unauthorized dump shall also mean any solid waste disposal site which does not meet the regulatory provisions of this chapter.

SOURCES: Laws, 1974, ch. 573, § 2; 1979, ch. 491, § 1; 1981, ch.528, § 2; 1982, ch. 411, § 1; 1988, ch. 311, § 1; 1990, ch. 536, § 1; 1991, ch. 494 § 21; 1991, ch. 605 § 3; 1994, ch. 543, § 2, eff from and after July 1, 1994.

Cross references--

Disposal of hazardous wastes, see § 17-17-5.

Exclusion of hazardous wastes from exemption granted to individuals disposing of solid wastes on their own lands, see § 17-17-13.

Mississippi Regional Solid Waste Management Authority Act, see §§ 17-17-301 et seq.

Application of definition of hazardous waste in this section to Hazardous Waste Facility Siting Act, see § 17-18-5.

Department of Environmental Quality, §§ 49-2-1 et seq.

Procedures for publication, adoption, amendment or repeal of rules and regulations necessary to implement this section, see § 49-17-25.

**§ 17-17-47. EXCLUSIVE AUTHORITY OF OIL AND GAS BOARD TO MAKE RULES AND REGULATIONS PERTAINING TO DISPOSAL OF OIL FIELD WASTE PRODUCTS.**

(1) Notwithstanding any other provisions contained in this chapter, the state oil and gas board shall continue to exercise the exclusive authority to make rules and regulations and issue permits governing the noncommercial disposal of oil field waste products and shall continue to exercise the exclusive authority to regulate Class II underground injection wells in accordance with the provisions of section 53-1-17; provided, however, that to the extent that such oil field exploration and production waste products may likewise constitute hazardous wastes under the provisions of this chapter, such rules and regulations shall be subject to the approval of the commission in order to insure that they are consistent with the requirements of this chapter and the Resource Conservation and Recovery Act of 1976 (Public Law 94-580).

(2) The commission shall have the exclusive authority to regulate the commercial disposal of oil field exploration and production waste products subject to limitations set out in subsection (1) of this section.

**SOURCES:** Laws, 1979, ch. 491, § 7; 1981, ch. 528, § 11, eff from and after July 1, 1981.

**Cross references-**

**As to procedures for obtaining hearing before the commission for violation under this section, see § 17-17-43 and §§ 49-17-31 through 49-17-41.**

**As to crime of nuclear sabotage, see § 97-25-57.**

**See § 53-1-17.**

## § 27-17-423. LOCAL PRIVILEGE TAX ON DRILLING RIGS.

(1) Wherever the words "drilling rig" are used in this section the same shall be construed to mean the machinery, equipment, tools and appliances usual and necessary in the drilling of wells in exploring for, attempting to obtain and obtaining production of oil, gas, sulphur, salt or any other minerals, but limited to the following:

- (a) Derricks or masts and subbases.
- (b) Draw works, rotary table, crown and traveling blocks, swivel hooks, Kelly joints, drive bushing, elevators and blow out equipment.
- (c) Drill stem and accessories and drill bits.
- (d) Engines, gas, butane, steam, diesel and their subbases.
- (e) Electric generators and motors and equipment.
- (f) Drives and controls and indicators.
- (g) Boilers and boiler feed equipment.
- (h) Tanks.
- (i) Pumps and mud equipment.
- (j) Rig houses.
- (k) Coring and swabbing equipment.
- (l) Tools and lumber actively in use with the rig.
- (m) Similar machinery, equipment and tools used in lieu of any listed above or forming an integral part thereof.

*Each of the enumerated items making up the "drilling rig" shall be identified by disclosing the manufacturer's name, model and serial number when available.*

(2) Every owner or operator of a drilling rig or drilling rigs used, or which may be used, for the purpose of exploring for, attempting to obtain or obtaining production of oil, gas, sulphur, salt or any other minerals in this state shall first apply for and procure from the tax collector of the county in which such rig is to be operated a privilege license authorizing him to operate such drilling rig in the State of Mississippi, and the amount of tax hereinafter set forth is hereby imposed for the privilege of operating such drilling rig. A license shall be obtained by such operator for each well drilled prior to the drilling thereof; the amount of the license fee for each well shall be based upon the schedule hereinafter set forth applied to the total depth for which a permit is obtained from the State Oil and Gas Board.

(3) Upon each person, firm or corporation owning for operating a drilling rig for the purpose of exploring for, attempting to obtain or obtaining production of oil, gas, sulphur, salt or any other minerals, there is hereby levied a privilege tax for the use of each drilling rig and for each well drilled by said rig as follows:

- (a) Upon a well drilled to a total depth not exceeding 7,000 feet - 1.01 Cents per foot for each foot to be drilled.
- (b) Upon every well drilled to a total depth exceeding 7,000 feet - 4.21 Cents per foot for each foot to be drilled.

*Payment shall be made upon the total depth of the well drilled, regardless of whether production is obtained from the well or not and regardless of whether production is obtained from a higher stratum or not.*

*If any person, firm or corporation shall pay the privilege tax hereon on as many as eight (8) wells drilled to a depth of not exceeding seven thousand (7,000) feet in any one (1) calendar year, then no additional privilege taxes shall be assessed or collected against such drilling rig for the calendar year for which such tax is paid regardless of how many additional wells should be drilled.*

*In the event any person, firm or corporation shall pay the privilege tax hereon on as many as four (4) wells drilled to a depth exceeding seven thousand (7,000) feet in any one (1) calendar year, then no additional privilege taxes shall be assessed or collected against such drilling rig for the calendar year for which such tax is paid, regardless of how many additional wells should be drilled during such calendar year.*

*In order for any person, firm or corporation to secure the exemption from additional taxes as provided in this subsection, such person, firm or corporation shall obtain statements in writing from the State Oil and Gas Board that such person, firm or corporation has drilled as many as eight (8) wells of not exceeding seven thousand (7,000) feet within the calendar year or has drilled as many as four (4) wells to a depth exceeding seven thousand (7,000) feet within the calendar year, and that the drilling rig is therefore entitled to the exemption from further additional tax as provided in this subsection.*

(4) The privilege license shall identify the drilling rig upon which it is issued, and there shall be attached to such license an inventory of the rig. The license shall identify the location of the well for the drilling on which the license was issued. The person utilizing such rig shall keep such license with the rig for the purpose of exhibiting it at any time.

(5) The license issued shall not authorize the person to whom issued to operate any drilling rig other than the rig upon which it is issued and which is described therein. Such license shall be good, valid and usable for the drilling rig to which it is applicable as the same may be maintained and repaired or portions thereof replaced or renewed during the period for which it is issued, regardless of any changes of ownership thereof. The date of any parties to any changes of ownership thereof shall be noted upon the back of the original license issued to the taxpayer and signed by the original taxpayer or the purchaser, and such notation shall operate as a transfer of the privilege license as to the use of such drilling rig.

(6) The tax hereby imposed is levied upon drilling, owning or operating a drilling rig in the State of Mississippi, and there is hereby affixed a lien upon the drilling rig for the payment of the privilege tax; and upon the failure to pay such tax, the tax collector of the county may proceed to enforce the lien for the payment of the tax. If the tax is not paid within a period of twenty (20) days after the completion of the well there is hereby imposed a penalty of fifty percent (50%) of the tax due, which amount shall be collected in the same manner as the tax is collected. The sheriff is hereby authorized to levy upon and seize any property of the person, firm, corporation or association from whom such tax is due, including choses (sic) in action or any other form of indebtedness to which the remedies might apply. The sheriff shall be entitled to the same fees for his services in executing such seizure as are now allowed by law for service of warrants, to be collected in the same manner as now provided by law for like service.

(7) The State Tax Commission and the State Oil and Gas Board shall furnish to the tax collector all information available to them to assist in the enforcement and collection of the tax levied in this section.

(8) The taxes collected hereunder shall be paid into the general fund of the county unless the board of supervisors of the county shall, in its discretion, provide that the funds shall be distributed into the different tax funds of the county or of any taxing district or districts therein which, in the board's discretion, would have received taxes from the drilling rig involved had the same been taxed ad valorem.

SOURCES: Laws, 1989, ch. 507, § 1, eff from and after July 1, 1989.

Cross References-

Exemption of certain drilling rigs from ad valorem taxes, see § 27-31-41.

**§ 27-25-501. WHENEVER USED IN THIS ARTICLE, THE FOLLOWING WORDS AND TERMS SHALL HAVE THE DEFINITION AND MEANING ASCRIBED TO THEM IN THIS SECTION, UNLESS THE INTENTION TO GIVE A MORE LIMITED MEANING IS DISCLOSED BY THE CONTEXT.**

(a) "Tax commission" means the Tax Commission of the State of Mississippi.

(b) "Commissioner" means the Chairman of the State Tax Commission.

(c) "Annual" means the calendar year or the taxpayer's fiscal year when permission is obtained from the commissioner to use a fiscal year as a tax period in lieu of a calendar year.

(d) "Value" means the sale price, or market value, at the mouth of the well. If the oil is exchanged for something other than cash, or if there is no sale at the time of severance, or if the relation between the buyer and the seller is such that the consideration paid, if any, is not indicative of the true value or market price, then the commissioner shall determine the value of the oil subject to tax, considering the sale price for cash of oil of like quality. With respect to salvaged crude oil as hereinafter defined, the term "value" shall mean the sale price or market value of such salvaged crude oil at the time of its sales after such salvaged crude oil has been processed or treated so as to render it marketable.

(e) "Taxpayer" means any person liable for the tax imposed by this article. With respect to the tax imposed upon salvaged crude oil as hereafter defined, the term "taxpayer" shall mean the person having title to the salvaged crude oil at the time it is being processed or treated so as to render it marketable.

(f) "Oil" means petroleum, other crude oil, natural gasoline, distillate, condensate, casinghead gasoline, asphalt or other mineral oil which is mined, or produced, or withdrawn from below the surface of the soil or water in this state. Any type of salvaged crude oil which, after any treatment, becomes marketable shall be defined as crude oil which has been severed from the soil or water.

(g) "Severed" means the extraction or withdrawing from below the surface of the soil or water of any oil, whether such extraction or withdrawal shall be by natural flow, mechanically enforced flow, pumping or any other means employed to get the oil from below the surface of the soil or water, and shall include the withdrawing by any means whatsoever of oil upon which the tax has not been paid, from any surface reservoir, natural or artificial, or from a water surface. Provided, however, that in the case of salvaged crude oil, "severed" means the process of treating such oil so that it will become marketable and the time of severance shall occur upon completion of said treatment.

(h) "Person" means any natural person, firm, copartnership, joint venture, association, corporation, estate, trust or any other group, or combination action as a unit, and the plural as well as the singular number.

(i) "Produce" means any person owning, controlling managing or leasing any oil property, or oil well, and any person who produces in any manner any oil by taking it from the earth or water in this state, and shall include any person owning any royalty or other interest in any oil or its value, whether produced by him, or by some other person on his behalf, either by lease contract or otherwise.

(j) "Engaging in business" means any act or acts engaged in (personal or corporate) by producers, or parties at interest, the result of which, oil is severed from the soil or water, for storage, transport or manufacture, or by which there is an exchange of money, or goods, or thing of value, for oil which has been or is in process of being severed, from the soil or water.

(k) "Barrel" for oil measurement, means a barrel of forty-two (42) United States gallons of two hundred thirty-one (231) cubic inches per gallon, computed at a temperature of sixty (60) degrees Fahrenheit.

(l) "Production" means the total gross amount of oil produced, including all royalty or other interest; that is, the amount for the purpose of the tax imposed by this article shall be measured or determined by tank tables compiled to show one hundred percent (100%) of the full capacity of tanks without deduction for overage or losses in handling. Allowance for any reasonable and bona fide deduction for basic sediment and water, and for correction temperature to sixty (60) degrees Fahrenheit will be allowed. If the amount of oil produced has been measured or determined by tank tables compiled to show less than one hundred percent (100%) of the full

capacity of tanks, then such amount shall be raised to a basis by one hundred percent (100%) for the purpose of the tax imposed by this article.

(m) "Gathering system" means the pipelines, pumps and other property used in gathering oil from the property of which it is

produced, the tanks used for storage at a central place loading racks and equipment for loading oil into tank cars or other transporting media, and all other equipment and appurtenances necessary to a gathering system for transferring oil into trunk pipelines.

(n) "Discovery well" means any well capable of producing oil from a single pool in which a well has not been previously produced in paying quantities after testing, capable of producing.

(o) "Developments wells" means all oil producing wells other than discovery wells and replacement wells.

(p) "Replacement well" means a well drilled on a drilling and /or production unit to replace another well which is drilled in the same unit and completed in the same pool.

(q) "Three-dimensional seismic" means data which is regularly organized in three (3) orthogonal directions and this suitable for interpretation with a three-dimensional software package on an interactive work station.

(r) "Two-year inactive well" means any oil or gas well certified by the State Oil and Gas Board as having not produced oil or gas in more than a total of thirty (30) days during a twelve (12) consecutive month period in the two (2) years before the date of certification, including wells that (i) were previously producing, (ii) were injection wells that have not been plugged or abandoned or (iii) are active injection wells.



## § 27-25-503. PRIVILEGE TAXES ON OIL.

(1) Except as otherwise provided herein, there is hereby levied, to be collected hereafter, as provided herein, annual privilege taxes upon every person engaging or continuing within this state in the business of producing, or severing oil, as defined herein, from the soil or water for sale, transport, storage, profit or for commercial use. The amount of such tax shall be measured by the value of the oil produced, and shall be levied and assessed at the rate of six percent (6%) of the value thereof at the point of production. However, such tax shall be levied and assessed at the rate of three percent (3%) of the value of the oil at the point of production on oil produced by an enhanced oil recovery method in which carbon dioxide is used, provided, that such carbon dioxide is transported by pipeline to the oil well site and on oil produced by any other enhanced oil recovery method approved and permitted by the State Oil and Gas Board on or after April 1, 1994, pursuant to Section 53-3-101 et seq.

(2) The tax is hereby levied upon the entire production in this state regardless of the place of sale or to whom sold, or by whom used, or the fact that the delivery may be made to points outside the state, and the tax shall accrue at the time such oil is severed from the soil, or water, and in its natural, unrefined or unmanufactured stated.

(3) (a) Oil produced from a discovery well for which drilling or re-entry commenced on or after April 1, 1994, but before July 1, 1999, shall be exempt from the taxes levied under this section for a period of five (5) years beginning on the date of first sale of production from such well, provided that the average monthly sales price of such oil does not exceed Twenty-five Dollars (\$25.00) per barrel. The exemption for oil produced from a discovery well as described in this paragraph (a) shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be exempt for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective. Oil produced from development wells or replacement wells drilled in connection with discovery wells for which drilling commenced on or after January 1, 1994, but before July 1, 1999, shall be assessed at the rate of three percent (3%) of the value of the oil at the point of production for a period of three (3) years. The reduced rate of assessment of oil produced from development wells or replacement wells as described in this paragraph (a) shall be repealed from and after January 1, 2003, provided that any such production for which drilling commenced before January 1, 2003, shall be assessed at the reduced rate for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(b) Oil produced from a discovery well for which drilling or re-entry commenced on or after July 1, 1999, shall be assessed at the rate of three percent (3%) of the value of the oil at the point of production for a period of five (5) years beginning on the date of first sale of production from such well, provided that the average monthly sales price of such oil does not exceed Twenty Dollars (\$20.00) per barrel. The reduced rate of assessment of oil produced from a discovery well as described in this paragraph (b) shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be assessed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective. Oil produced from development wells or replacement wells drilled in connection with discovery wells for which drilling commenced on or after July 1, 1999, shall be assessed at the rate of three percent (3%) of the value of the oil at the point of production for a period of three (3) years. The reduced rate of assessment of oil produced from development wells or replacement wells as described in this paragraph (b) shall be repealed from and after January 1, 2003, provided that any such production for which drilling commenced before July 1, 2003, shall be assessed at the reduced rate for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(4) (a) Oil produced from a development well for which drilling commenced on or after April 1, 1994, but before July 1, 1999, and for which three-dimensional seismic was utilized in connection with the drilling of such well shall be assessed at the rate of three percent (3%) of the value of the oil at the point of production for a period of five (5) years, provided that the average monthly sales price of such oil does not exceed Twenty-five Dollars (\$25.00) per barrel. The reduced rate of assessment of oil produced from a development well as described in this paragraph (a) and for which three-dimensional seismic was utilized shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be assessed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective.

(b) Oil produced from a development well for which drilling commenced on or after July 1, 1999, and for which three-dimensional seismic was utilized in connection with the drilling of such well shall be assessed at the rate of three percent (3%) of the value of the oil at the point of production for a period of five (5) years, provided that the average monthly sales price of such oil does not exceed Twenty Dollars (\$20.00) per barrel. The reduced rate of assessment of oil produced from a development well as described in this paragraph (b) and for which three-dimensional seismic was utilized shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be assessed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective.

(5) (a) Oil produced before July 1, 1999, from a two-year inactive well as defined in Section 27-25-501 shall be exempt from the taxes levied under this section for a period of three (3) years beginning on the date of first sale of production from such well, provided that the average monthly sales price of such oil does not exceed Twenty-five dollars (\$25.00) per barrel. The exemption for oil produced from an inactive well shall be repealed from and after July 1, 2003, provided that any such production which began before July 1, 2003, shall be exempt for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(b) Oil produced on or after July 1, 1999, from a two-year inactive well as defined in Section 27-25-501 shall be exempt from the taxes levied under this section for a period of three (3) years beginning on the date of first sale of production from such well, provided that the average monthly sales price of such oil does not exceed Twenty Dollars (\$20.00) per barrel. The exemption for oil produced from an inactive well shall be repealed from and after July 1, 2003, provided that any such production which began before July 1, 2003, shall be exempt for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(6) (a) As used in this subsection the term "marginal well" means:

- (i) A well producing a monthly average of twenty (20) barrels of oil a day or less from a depth of seven thousand five hundred (7,500) feet or less; or
- (ii) A well producing a monthly average of forty (40) barrels of oil a day or less from a depth that is more than seven thousand five hundred (7500) feet.

(b) The owner of a marginal well shall be entitled to a refund of two-thirds (2/3) of the taxes he pays monthly pursuant to this section on oil produced from such well if the average monthly sales price of oil he produces from such well does not exceed Twelve Dollars (\$12.00) per barrel. In order to receive the refund provided for in this subsection the owner shall present the State Tax Commission with a statement from the State Oil and Gas Board certifying that the well is a marginal well within the meaning of this subsection., The State Tax Commission shall then determine the average monthly sales price of the oil sold from such well and pay the refund to the owner if it determines that the owner is eligible for such refund. Funds for such refund shall come from the General Fund.

(c) This subsection (6) shall stand repealed from and after July 1, 2003.

(7) The State Oil and Gas Board shall have the exclusive authority to determine the qualification of wells defined in paragraphs (n) through (r) of Section 27-15-501.

**§27-25-701. WHENEVER USED IN THIS ARTICLE, THE FOLLOWING WORDS AND TERMS SHALL HAVE THE DEFINITION AND MEANING ASCRIBED TO THEM IN THIS SECTION, UNLESS THE INTENTION TO GIVE A MORE LIMITED MEANING IS DISCLOSED BY THE CONTEXT:**

(a) "Tax commission" means the Tax Commission of the State of Mississippi.

(b) "Commissioner" means the Chairman of the State Tax Commission.

(c) "Annual" means the calendar year or the taxpayer's fiscal year when permission is obtained from the commissioner to use a fiscal year or the taxpayer's fiscal year when permission is obtained from the commissioner to use a fiscal year as a tax period in lieu of a calendar year.

(d) "Value" means the sale price, or market value, at the mouth of the well. If the gas is exchanged for something other than cash, or if there is not sale at the time of severance, or if the relation between the buyer and the seller is such that the consideration paid, if any, is not indicative of the true value of market price, then the commissioner shall determine the value of the gas subject to tax, considering the sale price for cash of gas of like quality in the same or nearest gas-producing field.

(e) "Taxpayer" means any person liable for the tax imposed by this article.

(f) "Gas" means natural and casinghead gas and any gas or vapor taken from below the surface of the soil or water in this state, regardless of whether produced from a gas well or from a well also productive of oil or any other product.

(g) "Casinghead gas" means any gas or vapor indigenous to an oil stratum and produced from such stratum with oil.

(h) "Severed" means the extraction or withdrawing by any gas or vapor indigenous to an oil stratum and produced from such stratum with oil.

(i) "Person" means any natural person, firm, copartnership, joint adventure, association, corporation, estate, trust, or any other group, or combination acting as a unit, and the plural as well as the singular number.

(j) "Producer" means any person, owning controlling, managing or leasing any oil or gas property, or oil or gas well, and any person who produces in any manner any gas by taking it from the earth or water in this state, and shall include any person owning any royalty or other interest in any gas or its value, whether produced by him, or by some other person on his behalf, either by lease contract or otherwise.

(k) "Engaging in business" means any act or acts engaged in (personal or corporate) by producers, or parties at interest, the result of which gas is severed from the soil or water, for storage, transport or manufacture, or by which there is an exchange of money, or goods, or thing of value, for gas which has been or is in process of being severed from the soil or water.

(l) "Production" means the total gross amount of gas produced, including all royalty or other interest; that is, the amount for the purpose of the tax imposed by this article shall be measured or determined by meter readings showing one hundred percent (100%) of the full volume expressed in cubic feet at a standard base and flowing temperature of sixty (60) degrees Fahrenheit and at the absolute pressure at which the gas is sold and purchased; correction to be made for pressure according to Boyle's law, and for specific gravity according to the gravity at which the gas is sold and purchased or if not so specified, according to test made by the balance method.

(m) "Gathering system" means the pipelines, compressors, pumps, regulators, separators, dehydrators, meters, metering installations and all other property used in gathering gas from the well from which it is produced if such properties are owned by other than the operator, and all such properties, if owned by the operator, beyond the first metering installation that is nearest the well.

(n) "Discovery well" means any well capable of producing gas from a single pool in which a well has not been previously produced in paying quantities after testing.

(o) "Developments wells" means all gas producing wells other than discovery wells and replacement wells.

(p) "Replacement wells" means a well drilled on a drilling and/or production unit to replace another well which is drilled in the same unit and completed in the same pool.

(q) "Three-dimensional seismic" means data which is regularly organized in three (3) orthogonal directions and thus suitable for interpretation with a three-dimensional software package on an interactive work station.

(r) "Two-year inactive well" means any oil or gas well certified by the State Oil and Gas Board as having not produced oil or gas in more than a total of thirty (30) days during a twelve (12) consecutive month period in the two (2) years before the date of certification, including wells that (i) were previously producing, (ii) were injection wells that have not been plugged or abandoned or (iii) are active injection wells.

**§ 27-25-703. Privilege tax levied; exemptions.**

**[Until July 1, 2004, this section shall read as follows:]**

(1) Except as otherwise provided herein, there is hereby levied, to be collected hereafter, as provided herein, annual privilege taxes upon every person engaging or continuing within this state in the business of producing, or severing gas, as defined herein, from below the soil or water for sale, transport, storage, profit or for commercial use. The amount of such tax shall be measured by the value of the gas produced and shall be levied and assessed at a rate of six percent (6%) of the value thereof at the point of production, except as otherwise provided in subsection (4) of this section.

(2) The tax is hereby levied upon the entire production in this state, regardless of the place of sale or to whom sold or by whom used, or the fact that the delivery may be made to points outside the state, but not levied upon that gas, lawfully injected into the earth for cycling, repressuring, lifting or enhancing the recovery of oil, nor upon gas lawfully vented or flared in connection with the production of oil, nor upon gas condensed into liquids on which the oil severance tax of six percent (6%) is paid; save and except, however, if any gas so injected into the earth is sold for such purposes, then the gas so sold shall not be excluded in computing the tax. The tax shall accrue at the time the gas is produced or severed from the soil or water, and in its natural, unrefined or unmanufactured state.

(3) Natural gas and condensate produced from any wells for which drilling is commenced after March 15, 1987, and before July 1, 1990, shall be exempt from the tax levied under this section for a period of two (2) years beginning on the date of first sale of production from such wells.

(4) (a) Any well which begins commercial production of occluded natural gas from coal seams on or after March 20, 1990, and before July 1, 1993, shall be taxed at the rate of three and one-half percent (3-1/2%) of the gross value of the occluded natural gas from coal seams at the point of production for a period of five (5) years after such well begins production.

(b) Any well which begins commercial production of occluded natural gas from coal seams on or after July 1, 2004, and before July 1, 2007, shall be taxed at the rate of three percent (3%) of the gross value of the occluded natural gas from coal seams at the point of production for a period of five (5) years beginning on the date of the first sale of production from such well.

(5) (a) Natural gas produced from discovery wells for which drilling or re-entry commenced on or after April 1, 1994, but before July 1, 1999, shall be exempt from the tax levied under this section for a period of five (5) years beginning on the earlier of one (1) year from completion of the well or the date of first sale from such well, provided that the average monthly sales price of such gas does not exceed Three Dollars and Fifty Cents (\$3.50) per one thousand (1,000) cubic feet. The exemption for natural gas produced from discovery wells as described in this paragraph (a) shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be exempt for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective. Natural gas produced from development wells or replacement wells

drilled in connection with discovery wells for which drilling commenced on or after January 1, 1994, shall be assessed at a rate of three percent (3%) of the value thereof at that of production for a period of three (3) years. The reduced rate of assessment of natural gas produced from development wells or replacement wells as described in this paragraph (a) shall be repealed from and after January 1, 2003, provided that any such production for which drilling commenced before January 1, 2003, shall be assessed at the reduced rate for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(b) Natural gas produced from discovery wells for which drilling or re-entry commenced on or after July 1, 1999, shall be assessed at a rate of three percent (3%) of the value thereof at the point of production for a period of five (5) years beginning on the earlier of one (1) year from completion of the well or the date of first sale from such well, provided that the average monthly sales price of such gas does not exceed Two Dollars and Fifty Cents (\$2.50) per one thousand (1,000) cubic feet. The reduced rate of assessment of natural gas produced from discovery wells as described in this paragraph (b) shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be assessed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective. Natural gas produced from development wells or replacement wells drilled in connection with discovery wells for which drilling commenced on or after July 1, 1999, shall be assessed at a rate of three percent (3%) of the value thereof at the point of production for a period of three (3) years. The reduced rate of assessment of natural gas produced from development wells or replacement wells as described in this paragraph (b) shall be repealed from and after January 1, 2003, provided that any such production for which drilling commenced before January 1, 2003, shall be assessed at the reduced rate for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(6) (a) Gas produced from a development well for which drilling commenced on or after April 1, 1994, but before July 1, 1999, and for which three-dimensional seismic was utilized in connection with the drilling of such well, shall be assessed at a rate of three percent (3%) of the value of the gas at the point of production for a period of five (5) years, provided that the average monthly sales price of such gas does not exceed Three Dollars and Fifty Cents (\$3.50) per one thousand (1,000) cubic feet. The reduced rate of assessment of gas produced from a development well as described in this subsection and for which three-dimensional seismic was utilized shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be assessed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective.

(b) Gas produced from a development well for which drilling commenced on or after July 1, 1999, and for which three-dimensional seismic was utilized in connection with the drilling of such well, shall be assessed at a rate of three percent (3%) of the value of the gas at the point of production for a period of five (5) years, provided that the average monthly sales price of such gas does not exceed Two Dollars and Fifty Cents (\$2.50) per one thousand (1,000) cubic feet. The reduced rate of assessment of gas produced from a development well as described in this paragraph (b) and for which three-dimensional seismic was utilized shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be assessed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective.

(7) (a) Natural gas produced before July 1, 1999, from a two-year inactive well as defined in [Section 27-25-701](#) shall be exempt from the taxes levied under this section for a period of three (3) years beginning on the date of first sale of production from such well, provided that the average monthly sales price of such gas does not exceed Three Dollars and Fifty Cents (\$3.50) per one thousand (1,000) cubic feet. The exemption for natural gas produced from an inactive well as described in this subsection shall be repealed from and after July 1, 2003, provided that any such production which began before July 1, 2003, shall be exempt for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(b) Natural gas produced on or after July 1, 1999, from a two-year inactive well as defined in [Section 27-25-701](#) shall be exempt from the taxes levied under this section for a period of three (3) years beginning on the date of first sale of production from such well, provided that the average monthly sales price of such gas does not exceed Two Dollars and Fifty Cents (\$2.50) per one thousand (1,000) cubic feet. The exemption for natural gas produced from an inactive well as described in this paragraph (b) shall be repealed from and after July 1, 2003, provided that any such production which began before July 1, 2003, shall be exempt for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(8) The State Oil and Gas Board shall have the exclusive authority to determine the qualification of wells defined in paragraphs (n) through (r) of [Section 27-25-701](#).

**[From and after July 1, 2004, this section shall read as follows:]**

(1) Except as otherwise provided herein, there is hereby levied, to be collected hereafter, as provided herein, annual privilege taxes upon every person engaging or continuing within this state in the business of producing, or severing gas, as defined herein, from below the soil or water for sale, transport, storage, profit or for commercial use. The amount of such tax shall be measured by the value of the gas produced and shall be levied and assessed at a rate of six percent (6%) of the value thereof at the point of production, except as otherwise provided in subsection (4) of this section.

(2) The tax is hereby levied upon the entire production in this state, regardless of the place of sale or to whom sold or by whom used, or the fact that the delivery may be made to points outside the state, but not levied upon that gas, including carbon dioxide, lawfully injected into the earth for cycling, repressuring, lifting or enhancing the recovery of oil, nor upon gas lawfully vented or flared in connection with the production of oil, nor upon gas condensed into liquids on which the oil severance tax of six percent (6%) is paid; save and except, however, if any gas so injected into the earth is sold for such purposes, then the gas so sold shall not be excluded in computing the tax, unless such gas is carbon dioxide which is sold to be used and is used in Mississippi in an enhanced oil recovery method, in which event there shall be no severance tax levied on carbon dioxide so sold and used. The tax shall accrue at the time the gas is produced or severed from the soil or water, and in its natural, unrefined or unmanufactured state.

(3) Natural gas and condensate produced from any wells for which drilling is commenced after March 15, 1987, and before July 1, 1990, shall be exempt from the tax levied under this section for a period of two (2) years beginning on the date of first sale of production from such wells.

(4) Any well which begins commercial production of occluded natural gas from coal seams on or after March 20, 1990, and before July 1, 1993, shall be taxed at the rate of three and one-half percent (3-1/2%) of the gross value of the occluded natural gas from coal seams at the point of production for a period of five (5) years after such well begins production.

(5) (a) Natural gas produced from discovery wells for which drilling or re-entry commenced on or after April 1, 1994, but before July 1, 1999, shall be exempt from the tax levied under this section for a period of five (5) years beginning on the earlier of one (1) year from completion of the well or the date of first sale from such well, provided that the average monthly sales price of such gas does not exceed Three Dollars and Fifty Cents (\$3.50) per one thousand (1,000) cubic feet. The exemption for natural gas produced from discovery wells as described in this paragraph (a) shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be exempt for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective. Natural gas produced from development wells or replacement wells drilled in connection with discovery wells for which drilling commenced on or after January 1, 1994, shall be assessed at a rate of three percent (3%) of the value thereof at the point of production for a period of three (3) years. The reduced rate of assessment of natural gas produced from development wells or replacement wells as described in this paragraph (a) shall be repealed from and after January 1, 2003, provided that any such production for which drilling commenced before January 1, 2003, shall be assessed at the reduced rate for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(b) Natural gas produced from discovery wells for which drilling or re-entry commenced on or after July 1, 1999, shall be assessed at a rate of three percent (3%) of the value thereof at the point of production for a period of five (5) years beginning on the earlier of one (1) year from completion of the well or the date of first sale from such well, provided that the average monthly sales price of such gas does not exceed Two Dollars and Fifty Cents (\$2.50) per one thousand (1,000) cubic feet. The reduced rate of assessment of natural gas produced from discovery wells as described in this paragraph (b) shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be assessed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective. Natural gas produced from development wells or replacement wells drilled in connection with discovery wells for which drilling commenced on or after July 1, 1999, shall be assessed at a rate of three percent (3%) of the value thereof at the point of production for a period of three (3) years. The reduced rate of assessment of natural gas produced from development wells or replacement wells as described in this paragraph (b) shall be repealed from and after January 1, 2003, provided that any such production for which drilling commenced before January 1, 2003, shall be assessed at the reduced rate for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.



(6) (a) Gas produced from a development well for which drilling commenced on or after April 1, 1994, but before July 1, 1999, and for which three-dimensional seismic was utilized in connection with the drilling of such well, shall be assessed at a rate of three percent (3%) of the value of the gas at the point of production for a period of five (5) years, provided that the average monthly sales price of such gas does not exceed Three Dollars and Fifty Cents (\$3.50) per one thousand (1,000) cubic feet. The reduced rate of assessment of gas produced from a development well as described in this subsection and for which three-dimensional seismic was utilized shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be assessed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective.

(b) Gas produced from a development well for which drilling commenced on or after July 1, 1999, and for which three-dimensional seismic was utilized in connection with the drilling of such well, shall be assessed at a rate of three percent (3%) of the value of the gas at the point of production for a period of five (5) years, provided that the average monthly sales price of such gas does not exceed Two Dollars and Fifty Cents (\$2.50) per one thousand (1,000) cubic feet. The reduced rate of assessment of gas produced from a development well as described in this paragraph (b) and for which three-dimensional seismic was utilized shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be assessed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective.

(7) (a) Natural gas produced before July 1, 1999, from a two-year inactive well as defined in [Section 27-25-701](#) shall be exempt from the taxes levied under this section for a period of three (3) years beginning on the date of first sale of production from such well, provided that the average monthly sales price of such gas does not exceed Three Dollars and Fifty Cents (\$3.50) per one thousand (1,000) cubic feet. The exemption for natural gas produced from an inactive well as described in this subsection shall be repealed from and after July 1, 2003, provided that any such production which began before July 1, 2003, shall be exempt for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(b) Natural gas produced on or after July 1, 1999, from a two-year inactive well as defined in [Section 27-25-701](#) shall be exempt from the taxes levied under this section for a period of three (3) years beginning on the date of first sale of production from such well, provided that the average monthly sales price of such gas does not exceed Two Dollars and Fifty Cents (\$2.50) per one thousand (1,000) cubic feet. The exemption for natural gas produced from an inactive well as described in this paragraph (b) shall be repealed from and after July 1, 2003, provided that any such production which began before July 1, 2003, shall be exempt for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(8) The State Oil and Gas Board shall have the exclusive authority to determine the qualification of wells defined in paragraphs (n) through (r) of [Section 27-25-701](#).

**Sources:** Codes, 1942, § 9417.5-02; Laws, 1948, ch. 447, § 2; Laws, 1984, ch. 451, § 2; Laws, 1987, ch. 428, § 2; Laws, 1988, ch. 485, § 2; Laws, 1989, ch. 520, § 2; Laws, 1990, ch. 439, § 1; Laws, 1994, ch. 545, § 4; Laws, 1995, ch. 531, § 4; Laws, 1999, ch. 460, § 2; Laws, 1999, ch. 523, § 2, eff from and after passage (approved Apr. 15, 1999.)

**§ 27-31-41. EXEMPTION OF CERTAIN DRILLING RIGS.**

There is hereby exempted from all ad valorem taxes becoming a lien on or after January 1, 1989, each drilling rig for which there has been procured a privilege license (as required in Section 27-17-423) in exploring for, attempting to obtain, or obtaining production of oil, gas, sulphur, salt or any other minerals whether such operation is continued from year to year or not. This exemption shall not apply to material or equipment in supply depots or yards or to additional equipment not utilized as a necessary part of the drilling rig which has been operated in Mississippi under a local privilege license properly procured.

SOURCES: Laws, 1989, ch. 507, § 2, eff from and after July 1, 1989.

**§ 75-57-13. UNDERGROUND STORAGE OF GASES IN RESERVOIRS DISSOLVED IN SALT BEDS.**

It is expressly provided that, subsequent to the issuance of a permit by the Mississippi State Oil and Gas Board permitting the creation of such spaces, compressed air, liquefied compressed gases, refined hydrocarbons, oil and/or gas, and those liquefied compressed gases known as butane or propane, or mixtures thereof, may be stored in artificially formed underground storage spaces where such cavities are dissolved in salt beds. The oil and gas board shall exercise jurisdiction over safety precautions regarding the storage and transmission of the compressed air, liquefied compressed gases, refined hydrocarbons, oil and/or gas only while it is underground and in the associated wellhead facilities as prescribed and set out in Section 53-1-17(c)(16)

[Note: Now Section 53-1-17(3)(p)]. The fire marshal shall be responsible for promulgating and enforcing safety standards beyond the associated wellhead facilities, during transmission above ground and while the compressed air, liquefied compressed gases, refined hydrocarbons, oil and/or gas is stored above ground.

**SOURCES:** Laws, 1975, ch. 419, § 2; 1980, chs. 416, § 3; 561, § 29; 1982, ch. 408, § 5, eff from and after July 1, 1982.

Cross references-

See § 53-1-17.

**§ 75-58-1. SHORT TITLE.**

(1) This chapter shall be known as the "Mississippi Natural Gas Marketing Act."

**SOURCES:** Laws, 1991, Ch. 490 § 1, Eff from and after July 1, 1991.

Cross references -

State Oil and Gas Board generally, see §§53-3-1 et seq.

Utilization of oil and gas fields and pools, see §§53-3-101 et seq.

**Federal Aspects -**

Natural Gas Act, see 15 USCS §§717 et seq.

**Research and Practice References -**

38 Am Jur 2d, Gas and Oil §§ 229 et seq.

58 CJS, Mines and Minerals §§ 229 et seq.

9 Am Jur Legal Forms 2d, Oil and Gas, §§ 129:1 et seq.

**§ 75-58-3. LEGISLATIVE INTENT AND PURPOSE.**

It is the intent and purpose of this chapter to protect the rights of all owners of natural gas wells and wells producing casinghead gas; to afford all such owners an opportunity to extract their fair share of gas; to provide that the Operator of a well producing natural gas and a well producing casinghead gas shall market the gas of all owners thereof except the gas owned by an owner electing that the Operator shall not market his gas; to hold Operators acting in compliance with the provisions of this act harmless from any suit at law or in equity related hereto, and to provide that an Operator shall be entitled to recover marketing expenses and transportation costs associated with the sale or transportation of an owner's gas. It is not the intent or purpose of this act to create and this act shall not be construed to create a partnership or association for state or federal taxation purposes.

**§ 75-58-5. APPLICABILITY OF CHAPTER; SAFE HARBOR PROVISION.**

(a) Applicability. This act shall apply to all natural gas wells and wells producing casinghead gas in Mississippi which are permitted on and after the effective date of this act. This act shall also apply to wells to a pool unitized pursuant to Section 53-3-7 or Section 53-3-101 et seq., Mississippi Code of 1972, after the effective date of this act and shall not be applicable to natural gas wells or wells producing casinghead gas in a pool unitized prior to the effective date of this act unless the Operator desires to comply with the act pursuant to Section 3(b). Nothing contained in this act shall prohibit or inhibit the unitization of a field or pool.

(b) Safe Harbor Provision. The Operator of a well permitted prior to the effective date of this act or the Operator of a field or pool unitized prior to the effective date of this act pursuant to Section 53-3-7 or Section 53-3-101 et seq., Mississippi Code of 1972, who desires to comply with the provisions of this act may bring such well or unitized field or pool within the provisions of this act by giving all Non-Operators notice of his intent to comply with the provisions of this act. Unless a Non-Operator so notified delivers to the Operator's office a written notification rejecting such an offer to have the provisions of this act held applicable to his proportionate interest within thirty (30) days after the Operator has placed such notice in the United States mail postage prepaid, the provisions of this act and all benefits accruing to an Operator hereunder shall be deemed applicable to such Non-Operator's proportionate interest. Only the Operator or successor Operator of a well permitted prior to the effective date of this act or field or pool unitized prior to the effective date of this act may initiate such action as is necessary to bring such well or unitized field or pool within the provisions of this act. In no event shall this provision be deemed to affect any existing contract between the owners of a well or unitized field or pool.

**§ 75-58-7. DEFINITIONS.**

For purposes of this act, the following terms shall have the meanings ascribed to them herein:

- (a) "Board" shall mean the State Oil and Gas Board as created by Section 53-1-5 et seq., Mississippi Code of 1972.
- (b) "Person" shall mean any individual, corporation, partnership, association, or any state, municipality, political subdivision of any state, or any agency department, or instrumentality of the United State, or any other entity, or any officer, agent, or employee of any of the above.
- (c) "Oil" shall mean crude petroleum oil and all other hydrocarbons, regardless of gravity, which are produced at the well in liquid form by ordinary production methods and which are not the result of condensation of gas.
- (d) "Gas" shall mean all natural gas, whether hydrocarbon or nonhydrocarbon or any combination or mixture thereof, including hydrocarbons, hydrogen sulphide, helium, carbon-dioxide, nitrogen, hydrogen, casinghead gas, occluded natural gas from coal seams, and all other hydrocarbons not defined as oil in Section 4(c) above. For the purposes of this act only, the term Gas shall not include Gas which is consumed in operations on a well or which is vented or lost.
- (e) "Operator" is defined as the Party designated by the Board as the operator of the well.
- (f) "Non-operator" shall mean an Owner, as defined by Section 53-1-3, Mississippi Code of 1972, who is not designated as the Operator.
- (g) "Consenting Non-operator" is defined as a Non-operator who has affirmatively elected to have the Operator market such Non-operator's share of Gas or is deemed to have consented to have the Operator market such Non-operator's share of Gas.
- (h) "Nonconsenting Non-operator" is defined as a Non-operator who has affirmatively elected to market his share of Gas and not have the Operator market his share of Gas.
- (i) "Net Proceeds" is defined as the total amount of money received from the sale of Gas, less (i) costs incident to marketing and transportation of Gas incurred by the Operator to third parties and (ii) severance, privilege, maintenance or other taxes measured on or by production.
- (j) "Direct Cost" is defined as a cost actually incurred by the Operator in the marketing of Gas from a well.
- (k) "Balancing Party" shall include Operators and Non-operators as defined in this act as well as other interest owners who have exercised a right to take production in kind.
- (l) "Underproduction" shall mean the volumetric amount by which volume of Gas taken by a Balancing Party in any month is less than such party's Entitlement for such month.
- (m) "Overproduction" shall mean the volumetric amount by which volume of Gas taken by a Balancing Party in any month is greater than such party's Entitlement for such month.
- (n) "Cumulative Underproduction" shall mean the total Underproduction attributable to a Balancing Party, as adjusted so as to reflect any cash balancing as provided by Section 7(c), and any Makeup Gas taken for volumetric balancing.
- (o) "Cumulative Overproduction" shall mean the total Overproduction attributable to a Balancing Party, as adjusted so as to reflect any cash balancing as provided by Section 7(c), and any Makeup Gas taken for volumetric balancing.
- (p) "Underproduced Party" shall mean a Balancing Party credited with Cumulative Underproduction.
- (q) "Overproduced Party" shall mean a Balancing Party charged with Cumulative Overproduction.



(r) "Makeup Gas" shall mean the volume of Gas an Underproduced Party is entitled to take for volumetric balancing, in addition to its Entitlement.

(s) "Entitlement" shall mean a Balancing Party's percentage interest in the well multiplied by the well's actual production of Gas.

(t) "Long-term Contract" is a gas purchase agreement which contractually commits Gas for a term greater than one year from the date of initial deliveries of Gas thereunder;

(u) "Short-term Contract" is a gas purchase agreement other than a Long-term Contract;

(v) "Qualifying Long-term Contract" is an offer by a buyer of Gas to enter into a Long-term Contract with Consenting Non-operators which contains the same (i) pricing conditions, (ii) buyer purchase obligations and (iii) expiration date as the Long-term Contract executed by the Operator.

SOURCES: Laws, 1991, Ch. 490 § 4, Eff from and after July 1, 1991.

**§ 75-58-9. DUTIES AND RESPONSIBILITIES OF OPERATORS MARKETING GAS OF NON-OPERATORS; PAYMENTS.**

(a) On or before ten (10) days after the filing with the Board of the initial test results for a Gas well or Oil well capable of producing Gas in commercial quantities, the Operator shall furnish, by United States mail, postage prepaid, a copy of the initial test results for the well filed with the Board to all Non-operators owning a record title interest in the production unit for such well as of a date not more than ninety (90) days prior to the filing with the Board of the application to drill.

Upon furnishing the initial test results to all Non-operators, the Operator shall file with the Board a list of all Non-operators. Should the address of any Non-operator be unknown to the Operator after diligent search and inquiry, the Operator shall so notify the Board, and any such Non-operator shall be deemed for all purposes of this act as a Consenting Non-operator.

(b) The Operator shall market the Gas of all Non-operators in a well subject to this act except as follows: (1) any Non-operator (a "Nonconsenting Non-operator") who delivers a written notification to Operator's office within thirty (30) days after the mailing to such Non-operator the test results required by Section 5(a) that such Non-operator will be responsible for and will market its share of Gas and (2) as otherwise provided herein. After the thirty (30) day notice period has expired, Operator shall send a notice to the Board identifying which Non-operators have elected to be or have been deemed to be Consenting Non-operators and which Non-operators have elected to be Nonconsenting Non-operators. The Operator shall have no obligation to market the Gas attributable to any Nonconsenting Non-operator.

(c) In fulfilling Operator's responsibility to market Consenting Non-operator's gas pursuant to Section 5(b), Operator has the continuing option of marketing Consenting Non-operator's share of Gas pursuant to a Short-term Contract or submitting a Qualifying Long-term Contract to the Consenting Non-operators.

Should Operator desire to market Consenting Non-operators' share of Gas under a Long-term Contract in a well which is subject to this act on or after the date upon which the application to drill the well is filed with the Board, Operator shall submit by United States mail, postage prepaid, to the Consenting Non-operators a Qualifying Long-term Contract. Should a Consenting Non-operator not accept such offer by executing and delivering to the Operator at Operator's office the Qualifying Long-term Contract within thirty (30) days after the date that Operator placed the Qualifying Long-term Contract in the United States mail, then and in such event, the offer to purchase shall be deemed to have expired and such Consenting Non-operator shall be deemed to have become a Non-Consenting Non-operator at the expiration of such thirty (30) day period, and Operator shall thereafter have no further obligation to market the Gas owned by that Consenting Non-operator. The Operator shall furnish to the buyer the Qualifying Long-term Contract executed by the Consenting Non-operators, and shall furnish to the Board a notice designating those Consenting Non-operators which have become Nonconsenting Non-operators. Save and except where the buyer of Gas is contractually obligated to Operator to offer a Qualifying Long-term Contract to the consenting Non-operators, nothing herein contained shall be deemed to constitute an obligation on the part of any buyer of Gas to offer a Qualifying Long-term Contract. This Act shall not be construed to enlarge or alter in any way any purchaser's obligations under any gas purchase contract.

In marketing Consenting Non-operator's share of gas under a Short-term Contract, Operator shall market the Gas of the Consenting Non-operators upon such terms and conditions as a reasonable prudent operator would market such Gas; provided, however, that in fulfilling such obligation, Operator shall incur no liability to the Consenting Non-operator save and except as to acts of willful misconduct or gross negligence. In the event Operator intends to market Consenting Non-operator's share of Gas under a Short-term Contract with an affiliate or subsidiary of Operator, Operator shall so notify the Consenting Non-operators.

(d) Any Consenting Non-operator shall have the right to become a Nonconsenting Non-operator by delivering to operator a written notice thereof at least sixty (60) days prior to any yearly anniversary of the date that the Operator filed the initial test results with the Board. Such an election shall become effective on the later to occur of: (i) the next anniversary of the date that the Operator filed the initial test results with the Board, or (ii) the expiration date of the gas purchase agreement then covering the Consenting Non-operator's share of Gas. Operator shall thereafter have no further obligation to market the Gas owned by any Consenting Non-operator

electing to become a Nonconsenting Non-operator. Operator shall furnish to the Board a notice identifying any Consenting Non-operator who has elected to become a Nonconsenting Non-operator.

(e) Should a change of Operator occur with respect to a well which is subject to this act, the successor Operator shall furnish to all Consenting Non-operators within thirty (30) days after assuming operations of such well a notice of change of Operator.

Any Consenting Non-operator shall have the right to become a Nonconsenting Non-operator by furnishing to the successor Operator a written notice advising the successor Operator of same within thirty (30) days after the Operator places in the United States mail, postage prepaid, the notice required by Section 5(e), with such Consenting Non-operator to become a Nonconsenting Non-operator effective on the later to occur of (i) the expiration date of the gas purchase agreement then covering such Consenting Non-operator's share of Gas, or (ii) the first day of the second month after the date of the Consenting Non-operator's written notice to the successor Operator. Operator shall send a notice to the Board identifying any Consenting Non-operators who have elected to become Nonconsenting Non-operators.

As to the remaining Consenting Non-operators, the successor Operator shall market the Gas of such Consenting Non-operators in accordance with the terms and provisions of this act.

(f) The Net Proceeds from the sale of the Consenting Non-operator's share of Gas production shall be paid by the buyer to the Operator. The Operator shall not be responsible for the payment of any taxes or encumbrances with respect to the Net Proceeds except as specifically provided herein. The Operator shall pay, for and on behalf of itself and the Consenting Non-operators, any severance, privilege and/or maintenance taxes due on the production of Gas marketed by the Operator. Save and except as otherwise provided in this act, or by law, the Net Proceeds derived from the first sale of the Consenting Non-operator's share of Gas shall be paid by the Operator to the Consenting Non-operators within one hundred twenty (120) days after the date of receipt by the Operator of the Net Proceeds derived for such first sale of production and thereafter no later than sixty (60) days after the date of receipt by the Operator of the Net Proceeds for subsequent production of the Consenting Non-operator's share of Gas. Save and except as provided by Section 53-3-7, Mississippi Code of 1972, the Consenting Non-operators shall be and shall remain responsible for the payment of any proceeds due any royalty, overriding royalty and/or production payment which burden and/or encumber the interest of such Consenting Non-operators, and the Operator shall have no liability to any owner of royalty, overriding royalty and/or production payment which burdens and or encumbers the interest of the Non-operators where the Operator pays the Net Proceeds derived from the sale of the Consenting Non-operator's share of Gas as herein provided. The Operator and the Consenting Non-operators shall have no liability to any owner of royalty, overriding royalty and/or production payment which burdens and/or encumbers the interest of the Nonconsenting Non-operators.

(g) A Non-operator's rights under this act shall not be affected by his status as a consenting or nonconsenting owner under Section 53-3-7, Mississippi Code of 1972; provided, however, during any period of the recovery of cost or alternate charges, the share of production from the pooled unit well attributable to the nonconsenting owner;s nonconsenting interests therein shall be delivered to his purchaser or market, if any, with the proceeds received therefrom to be paid by the purchaser to the Operator for the account of the Operator and the appropriate consenting owners; if, however, the nonconsenting owner does not have a purchaser or market which is taking the production, then such share of production shall be sold by the Operator to the Operator's purchaser or market, with the proceeds received therefrom to be paid by the purchaser to the Operator for the account of the Operator and the appropriate consenting owners.

SOURCES: Laws, 1991, ch. 490, § 5, eff from and after July 1, 1991.

Cross references -

Rate of interest, and institution of interpleader action by operator exposed to multiple liability in payment of net proceeds, see § 75-58-15.

Right of operators and non-operators to enter into private agreements relating to matters provided for in chapter, see §75-58-17.

**§ 75-58-11. DUTIES, RESPONSIBILITIES, ETC. OF OPERATORS AND NON-OPERATORS;  
RELATIONSHIP BETWEEN OPERATORS AND NON-OPERATORS.**

(a) Each Consenting Non-operator shall be responsible for and shall pay to the Operator that Consenting Non-operator's share of direct and actual marketing expenses relating to the marketing of Consenting Non-operator's Gas, including, but not limited to, capital expenses, third-party transportation costs, pipeline penalties, fines, refunds, reimbursements, adjustments, Direct Costs, and contractual liabilities to third parties. Consenting Non-operators shall not be liable for damages resulting from Operator's gross negligence or willful misconduct in fulfilling Operator's obligations under this act. Nothing in this act shall be construed so as to impose any liability upon Consenting Non-operators except as provided by this act. In addition, each Consenting Non-operator shall pay to Operator a marketing fee in an amount equal to two and one-half percent (2 1/2%) of Consenting Non-operator's monthly Net Proceeds; provided, however, the sum of all marketing fees received by Operator from all Consenting Non-operators in a well shall not exceed Five Hundred Dollars (\$500.00) per month, per well, as adjusted for inflation as herein provided. If the sum of the marketing fee, when based upon the above percentage of Net Proceeds, would exceed the limitation herein provided, as adjusted for inflation, then each Consenting Non-operator's marketing fee shall be determined by dividing its percentage ownership in the well by the total percentage ownership of all Consenting Non-operators in that well, and multiplying the resultant number by currently effective well limitation. The well limitation of Five Hundred Dollars (\$500.00) per month, per well shall be effective through January 31, 1993, and each February 1 thereafter, the well limitation shall be adjusted for inflation by dividing the Consumer Price Index for All Urban Consumers (as published by the United States Department of Labor) for the prior calendar year by the same Consumer Price Index for calendar year 1991, and multiplying the resultant number by Five Hundred Dollars (\$500.00). This calculation shall be performed and results published by the Mississippi Oil and Gas Board. At the election of Operator, Operator may deduct the marketing fees prior to paying the Net Proceeds to the Consenting Non-operators, or Operator may submit invoices to the Consenting Non-operators for the marketing fees.

(b) If the Operator has obtained a transportation contract with a third party prior to the date on which the application to drill is filed with the Board and said contract contains a capacity or volume limitation, then the Operator has the option of (1) having the Consenting Non-Operator participate in this preexisting transportation contract (however, if the preexisting transportation contract contains a discount to the Operator which is not generally available, then the Operator may charge the Consenting Non-operator the undiscounted transportation tariff applicable to the transaction) or (2) make a good faith effort to secure a separate transportation contract for Consenting Non-operator's share of gas. If the Operator has obtained a transportation contract with a third party prior to the date on which application to drill is filed and said contract contains a provision which prevents Operator from shipping Consenting Non-operator's Gas under that transportation contract, then Operator shall make a good faith effort to secure a separate transportation contract for Consenting Non-operator's share of Gas. If the Operator secures a separate transportation contract for Consenting Non-operator's share of Gas, then Consenting Non-operator shall be liable to the Operator for the actual cost of securing the separate transportation contract.

(c) This act shall not be construed as imposing fiduciary duties upon an Operator marketing the Gas of a Consenting Non-operator or creating a fiduciary relationship between the Operator and a Consenting Non-operator.

(d) An Operator shall in no event be held liable to any Non-operator for any liability, damage, loss, cost or expense relating to the marketing of Gas resulting from or arising out of any act or omission of the Operator when the Operator is acting in compliance with the terms and conditions of this act, except in the case of fraud, gross negligence or willful misconduct on the part of Operator.

(e) Any sums due under this act from Consenting Non-operators to Operator shall be paid to Operator within thirty (3) days after receipt of demand from Operator. In addition to the rights of the Operator to collect all sums due, the Operator has the right to deduct from the Net Proceeds received for any Consenting Non-operator's share of Gas produced from a well, any amount owed with respect to that well by that Consenting Non-operator by virtue of this act.

SOURCES: Laws, 1991, ch. 490, § 6, eff from and after July 1, 1991.

Cross references -

Miscellaneous Statutes Pertaining to Oil, Gas and Other Minerals

Responsibility of parties for production costs and expenses, see § 75-58-13.

Right of operators and non-operators to enter into private agreements relating to matters provided for in chapter, see § 75-58-17.

**§ 75-58-13. GAS IMBALANCES; OPERATOR STATEMENTS; CASH BALANCING; OIL AND OTHER MINERALS; COSTS AND EXPENSES; DELIVERABILITY TESTS.**

(a) Gas Imbalances. Notwithstanding anything to the contrary in this Section, if any Balancing Party takes and disposes of less than its Entitlement during any calendar month, then the volume not taken by such party may be taken by any other party or parties as allocated by the Operator.

(b) Operator Statements. Not less frequently than quarterly, the Operator shall furnish the Balancing Parties a written statement showing (1) the total volume of Gas taken by each party during the month or months being reported; (2) the Makeup Gas taken by each party during the month or months; (3) the cumulative volume of gas taken by each party as of the end of that month or months; and (4) the Cumulative Overproduction or Cumulative Underproduction, if any, of each party for the time period being reported, as adjusted by any cash balancing as provided by Section 7(c) of this act. The Operator statement shall be current as of the production month which falls two months prior to the time the Operator statement is issued. Makeup Gas taken by an Underproduced Party shall be credited to the account of the Underproduced Party in the order of accrual of Underproduction.

(c) Cash Balancing. Any Overproduced Party has the right, but not the obligation, exercisable not more frequently than once a year, to cash balance its Cumulative Overproduction with Underproduced Parties. After permanent cessation of production, each Overproduced Party shall be required to cash balance with Underproduced Parties. In order to cash balance, the Overproduced Party shall first furnish a statement to the Underproduced Parties and to the Operator showing the volume and value of the Cumulative Overproduction, based upon the Net Proceeds actually received by the Overproduced Party for the Cumulative Overproduction, less (i) two and one-half percent (2 1/2%) of the Net Proceeds received by the Overproduced Party for the Cumulative Overproduction, and (ii) the direct and actual marketing expenses and transportation costs attributable to the Cumulative Overproduction. Within sixty (60) days after issuance of the statement as described above, the Overproduced Party shall pay each Underproduced Party in accordance with the statement and without interest. To the extent any values used to calculate a cash settlement hereunder are subject to a refund by the Overproduced Party pursuant to law, regulation or governmental order, the Underproduced Party receiving such cash settlement shall, prior to payment thereof, agree in writing to indemnify the Overproduced Party against the Underproduced Party's proportionate part of any refund, including interest which the Overproduced Party shall be required to make.

(d) Volumetric Balancing. Each Underproduced Party shall have the right to take Makeup Gas during a month after first giving the Operator and all other Non-operators written notice at least fifteen (15) days before the beginning of a calendar month.

The right of all Underproduced Parties to take Makeup Gas shall be limited to the lesser of (1) ten percent (10%) of the Overproduced Party's Entitlement of gas or (2) fifty percent (50%) of the Underproduced Party's interest in the well. If two or more Underproduced Parties desire to take Makeup Gas during the same month and the combined volume they desire to take exceeds the volume available as Makeup Gas, then the Underproduced Parties shall share the Makeup Gas in proportion to their Cumulative Underproduction. In no event shall any Overproduced Party be allocated less than ninety percent (90%) of that Overproduced Party's Entitlement. Makeup Gas taken by an Underproduced Party shall be credited to the account of the Underproduced Party in the order of accrual of Underproduction.

(e) Oil and Other Minerals. Regardless of the volume of Gas actually taken by an Balancing Party, such party shall share in the production of Oil, condensates and other minerals separated in the facilities operated for the production of Oil and Gas from the well. Operator and Non-operators shall share in and own the production of all Oil as produced and saved, notwithstanding such party's status as an Overproduced Party or Underproduced Party.

(f) Costs and Expenses. Regardless of the volume of Gas actually taken by an Balancing Party, such party shall bear costs and expenses as otherwise provided in agreements between the parties or as provided by law.

(g) Deliverability Tests. At the request of any Balancing Party, Operator shall, subject to operational constraints, produce the entire well stream for a deliverability test not to exceed seventy-two (72) hours in duration if

required under such requesting party's Gas purchase agreement. The Gas produced and delivered during such deliverability test shall be allocated to the Balancing Parties on the basis of their Entitlement, provided, however, that should any purchaser of Gas owned by the Balancing Parties not requesting such deliverability test fail or refuse to accept such Gas or any part thereof, then and in such event, the Gas not so taken shall be allocated as Overproduction to the Balancing Party requesting the deliverability test.

**SOURCES:** Laws, 1991, ch. 490, § 6, eff from and after July 1, 1991.

Cross references -

Application of this section to definitions of "Cumulative Underproduction" and "Cumulative Overproduction", see § 75-58-7.

Responsibility of parties of marketing costs and expenses, see § 75-58-11/

Rate of interest and institution of interpleader action by party exposed to multiple liability in payment of proceeds for cash balancing, see § 75-58-15.

Right of operators and non-operators to enter into private agreements relating to matters provided for in chapter, see § 75-58-17.

**§ 75-58-15. INTEREST OF PAYMENTS; INTERPLEADER ACTIONS; JURISDICTION OVER DISPUTES.**

(a) Interest. Should any Person fail to make any payment required under this act when the same is due, interest shall accrue at the rate of twelve percent (12%) per annum from the date due until paid, provided, however, should Operator fail to remit payment of Net Proceeds to any Consenting Non-operator within the time herein provided because the title of such Consenting Non-operator is not marketable, the rate of interest as to the Net Proceeds attributable to such Consenting Non-operator shall be five percent (5%) accruing from the date when due until the title is rendered marketable. Marketability of title shall be determined in accordance with the then current legally recognized real property law governing title to oil and gas interests. Where the title to a Balancing Party's interest is not marketable, and where all claimants to such interest are not Consenting Non-operators, Operator may refuse to produce and deliver any Gas attributable to such interest until such time as the title is rendered marketable. Gas attributable to such interest shall be allocated as Underproduction.

(b) Interpleader. An Operator shall have the right to initiate an action of interpleader when the Operator may be exposed to double or multiple liability in the payment of Net Proceeds. Upon deposit with the court of the Net Proceeds plus accrued interest thereon as of the date of such deposit as provided by this act, Operator shall thereafter be relieved of all liability relating to the Net Proceeds and accrued interest so deposited with the court. Operator shall be entitled to deduct and/or receive from the Net Proceeds and accrued interest all reasonable costs incurred by Operator in such action of interpleader. An Overproduced Party desiring to cash balance shall also have the right to initiate an action of interpleader where such Overproduced Party may be exposed to double or multiple liability in the payment of proceeds for cash balancing. Upon deposit with the court of the proceeds for cash balancing, such Overproduced Party shall thereafter be relieved of all liability relating to such proceeds so deposited with the court. The Overproduced Party shall be entitled to deduct and/or receive from the proceeds for cash balancing all reasonable costs incurred by such Overproduced Party in such action of interpleader.

(c) Jurisdiction Over Disputes. Jurisdiction and venue for any proceeding brought pursuant to this act shall be in the Chancery Court of the First Judicial District for Hinds County, Mississippi, or in the chancery court of any county in which all or part of the unit for the well is situated.

SOURCES: Laws, 1991, ch.490, §8, eff from and after July 1, 1991.



**§ 75-58-17. RIGHT OF OPERATORS AND NON-OPERATORS TO ENTER INTO PRIVATE AGREEMENTS;  
EFFECT OF AGREEMENTS.**

Nothing in this act shall be construed to limit the right of Operators and Non-operators to enter into agreements providing for marketing of Gas, marketing fees, balancing of any other matter addressed by this act. Any such valid agreement shall supersede the provisions of this act to the extent said agreement addresses matters covered in this act.

SOURCES: Laws, 1991, ch. 490, § 9, eff from and after July 1, 1991.

**§ 75-58-19. DISCLOSURE TO THIRD PARTIES BY NON-OPERATORS OF DOCUMENTS OR INFORMATION RECEIVED FROM OPERATORS.**

All Non-operators who receive information relating to a gas purchase agreement from an Operator in connection with or as required by this act shall hold and treat each document as confidential and shall not disclose such documents or the terms thereof to third parties, except those persons required to see said documents in order to decide whether a Non-operator should become a Consenting Non-operator or Nonconsenting Non-operator. The provisions of this Section 10 shall have no application to any gas purchase agreement executed by the Non-operator.

SOURCES: Laws, 1991, ch. 490, § 9, eff from and after July 1, 1991.

**§ 75-58-21. EFFECT OF CHAPTER UPON PRE-EXISTING CONTRACTUAL RIGHTS AND DUTIES.**

This act does not affect contractual rights and duties existing before the effective date of this act. [This act shall take effect and be in force from and after July 1, 1991.]

SOURCES: Laws, 1991, ch. 490, § 9, eff from and after July 1, 1991.

**§ 85-7-132. TO PROVIDE A LIEN IN FAVOR OF THE OIL AND GAS BOARD TO ENFORCE VIOLATIONS.**

Every building, well or structure of any kind, and any fixed machinery, gearing or other fixture that may or may not be used or connected therewith, and all fixtures and equipment in the producing unit assigned such well by the Oil and Gas Board shall be liable for any penalty, civil fine or other expense arising from the violation of any statute of this state with respect to the conservation of oil and gas, or any provision of Sections 53-1-1 through 53-1-47 and Sections 53-3-1 through 53-3-21, or any rule, regulation or order made by the board thereunder. The Oil and Gas Board may use the provisions of this chapter to enforce any such lien. The Oil and Gas Board shall perfect such lien in the county or counties where the property or equipment involved in the violation is located. Such lien shall take effect as to purchasers or encumbrancers for a valuable consideration without notice thereof only from the time of filing notice of such lien as provided by Section 85-7-133.

## **RULE 1. HEARINGS**

Hearings before the Mississippi State Oil & Gas Board shall be called by the Board for the purpose of taking any action in respect to any matter within its jurisdiction upon its own motion or upon the request or application of any interested party.

Upon receipt of a proper written request or petition for hearing, the Board shall place the request or petition on the docket, call a hearing within thirty (30) days after proper notice of the hearing and after such hearing and with all convenient speed, and in any event within thirty (30) days after the conclusion of the hearing, shall take action with regard to the subject matter thereof. In extra-ordinary cases, the Board may take matters under advisement no longer than three regular Board meetings to gather additional evidence it may need in order to render its final decision.

Regular monthly meetings shall be open to the public and shall be held by the Board on the third Wednesday of each month in Jackson, Mississippi, at a time and place specified by the Board by entry on its minutes unless otherwise ordered by the Board.

Where circumstances permit, the Board, after sounding the docket, shall first call up and dispose of all motions and non-contested matters.

Subject to other provisions of these Rules, interested parties shall have the right to be heard at all hearings and to present witnesses and other evidence whether or not represented by legal counsel or technical assistance.

## **RULE 2. PETITIONS OR REQUESTS FOR HEARING**

Petitions or requests for hearing shall be written and may be in the form of a letter, shall be brief and concise, shall state in general terms the matter upon which action of the Board is desired, the interest of the applicant or person making the request, the relief sought, and the reasons therefor. An original and one copy of the request or petition shall be filed but failure to file a copy shall not be grounds to reject the request or petition.

Any such petition or request for hearing shall be accompanied by a filing fee in the amount of \$100.00. The filing fee must be paid prior to the assignment of a docket number and therefore prior to placement on the Board's docket. Said filing fee is nonrefundable. Payment of the filing fee can be made in any form currently allowed by the Board's regulations concerning the cost of research and copying of Board records.

### **RULE 3. DOCKETS AND FILE PROCEDURES**

The State Oil and Gas Supervisor (Supervisor) shall maintain a Docket Book and all petitions, and requests for hearings called on the motion of the Board shall be docketed and given a docket number, and a file carrying such number shall be opened by the Supervisor. All petitions for hearing, a copy of the notice of hearing, together with proof(s) of its publication, the originals of all instruments, documents, plats and other data except exhibits prefiled pursuant to Rule 17, filed with the Board in connection with the hearing or the subject matter thereof, a transcript (if any) of all evidence taken at the hearing and the originals or copies of all correspondence with the Board concerning such hearing on the subject matter thereof shall be marked with the docket number of the hearing and placed and kept in the file carrying such number. The Docket Book and all files pertaining to hearings shall be open to the public at all reasonable times but shall not be removed from the custody of the Board or its employees. Copies of all such instruments, documents, plats, other data, and correspondence shall be furnished to any interested party upon payment of the cost of making such copies. All notices of hearing shall refer to the docket number thereof. Copies of petitions for hearing shall be furnished by the Supervisor to any person upon request and upon payment of the cost of making such copies.

## **RULE 4. NOTICE OF HEARING**

Notice of public hearing held by the Board shall be given in the following manner:

**(A) NOTICE BY PUBLICATION.** Unless otherwise provided or required by statute or rule of this Board, notice of all hearings of the Board shall be given by publishing notice thereof at least twenty (20) days before the date of hearing in a newspaper published daily in Jackson, Mississippi, of general circulation in the state, and in a newspaper of general circulation in the county or counties in which the lands and pools involved are located whether published in or out of the county; provided that notice of a hearing on a statewide rule or order affecting all pools in the state shall be published twice in a newspaper published daily in Jackson, Mississippi, of general circulation in the state, the first publication appearing at least twenty (20) days before the date of hearing, and the second publication appearing at least ten (10) days before the hearing, and no other publication shall be necessary for such hearing.

The Supervisor shall maintain a general mailing list and shall place thereon the names and addresses of all persons, firms or corporations who make request in writing to be included on such list. Each person, firm and corporation on such mailing list shall be mailed at the address listed a copy of the monthly docket, and other notices of general interest as determined by the Supervisor. The failure to mail a copy to any such persons, firm or corporation shall not affect the validity of any hearing held pursuant to the notice published in accordance with these rules or any rule, regulation or order issued pursuant to such hearing.

**(B) PERSONAL NOTICE.** In all the instances noted below, the petitioner shall also give personal notice which shall be written notice specified in Rule 4 (C) below.

*(1) PETITIONS FOR EXCEPTION LOCATION AND INTENTIONAL DEVIATION.* Notice of hearing a petition to authorize a well to be drilled for oil or gas at a location other than that authorized by rule or order of the Board (an exception location) or to approve the intentional deviation of a well shall be given by the petitioner to the operator of each adjoining or cornering unit toward which the well location is proposed to be moved or deviated.

*(2) PETITIONS TO AMEND OR REFORM ESTABLISHED DRILLING OR DEVELOPED UNITS.* Notice of hearing a petition to amend or reform an established drilling unit upon which a well has been spudded or reform a developed unit shall be given by the petitioner to (1) each Owner, (as defined in Statewide Rule 2[p]) in the established unit and (2) each Owner in the proposed amended or reformed unit. Determination of an Owner shall be from the public land records within 90 days prior to filing a Petition to reform or amend an established unit.

*(3) PETITIONS TO ESTABLISH OR AMEND ALLOWABLES.* Notice of hearing a petition to establish (by adoption of Special Field Rules or otherwise) or change the allowable for any developed unit shall be given by the petitioner to the Operator (as defined in Statewide Rule 2[r]) of each well completed in the same pool in the same field.

*(4) PETITIONS FOR FORCED POOLING.*

(a) Notice of hearing a petition to require the owners in an established or proposed drilling or developed unit to integrate or pool and develop their tracts or interests with other tracts or interests as a drilling or developed unit pursuant to § 53-3-7(1)(a and b), Miss. Code of 1972 (force integration), shall be given by the petitioner to each non-consenting Owner. For the purposes of this rule, a "non-consenting Owner" shall mean an owner of drilling rights which has not agreed, in writing, to be integrated in the unit.

(b) Notice of hearing a petition to require the owners in an established or proposed drilling or developed unit to integrate or pool and to develop their tracts or interests with other tracts or interests as a drilling or developed unit, pursuant to § 53-3-7(2), Miss Code of 1972 (force integration with alternate charges), shall be given in accordance with the provisions of said section.

*(5) PETITIONS FOR VOLUNTARY AND COMPULSORY UNITIZATION.*

(a) Notice of hearing a petition to approve a voluntary plan for unitized operations shall be given by the petitioner to the Operator of each well in a unit adjoining or cornering the voluntary unit and, as to a voluntary unit which does not cover the entire pool in the same field, to the Operator of each well in the pool in the same field not included in the voluntary



unit.

(b) Notice of hearing a petition for a compulsory unit established pursuant to §§ 53-3-101 to 53-3-119, Miss. Code of 1972, shall be made in accordance with the provisions of said sections.

(6) *PETITIONS TO ESTABLISH OR AMEND SPECIAL FIELD RULES.* Notice of hearing a petition to establish or amend special field rules shall be given by the petitioner to the Operator of each well within the proposed or established field.

(7) *PETITIONS TO DETERMINE THE REASONABLENESS OF WELL COSTS.* Notice of hearing a petition pursuant to § 53-3-7(4) Miss. Code of 1972, to determine the reasonableness of an Operator's costs for the drilling, completing and operating a well shall be given by the petitioner to (1) the Operator, if not the petitioner, and (2) the other Owners, if any, responsible for such costs whose names have been given to the petitioner by the Operator. Prior to filing the petition, the petitioner shall request in writing from the Operator, and the Operator shall furnish to the petitioner within thirty (30) days after receipt of the request, the names and mailing addresses known to the Operator of all parties responsible for well costs.

(8) *PETITIONS REGARDING MULTIPLE WELLS ON A UNIT.* Notice of hearing a petition to drill, produce or operate more than one well on the same unit perforated in or producing from the same pool shall be given by the petitioner to each Operator of each unit currently producing from the same pool in the same field.

(9) *PETITIONS REGARDING DOWN HOLE COMMINGLING.* Notice of hearing a petition to commingle down hole production of oil or gas from more than one pool in a single well in the same field shall be given by the petitioner to each Operator of each unit currently producing from any pool in the same field for which commingling is proposed.

(10) *PETITIONS FOR INJECTION WELLS.* Notice of hearing a petition to operate an Underground Injection Control Class II Well, pursuant to Statewide Rule 63, shall be given by the petitioner (applicant) in accordance with the provisions of Statewide Rule 63 and personal notice to all Operators of wells producing oil or gas (or having previously produced and not plugged and abandoned) from the pool or pools into which the injection will be made.

(11) *PETITION FOR UNIT EXCEPTION.* Notice of hearing a petition for an exception to unit size or configuration shall be given by the Petitioner to the Operator of each adjoining or cornering unit.

### **(C) MANNER AND TIME OF PERSONAL NOTICE.**

(1) Whenever personal notice is required to be given in writing, the form and content of such notice shall be sufficient if it is the same as the published notice or, if in a different form, the notice contains the same information.

(2) When, pursuant to the provisions of Rule 4(B) above, the petitioner is required to give personal notice to any person, such notice shall be given at least twenty-five (25) days prior to the date of the hearing unless a greater period of time is required by another rule.

(3) In those cases where notice is to be given by the petitioner, the petitioner shall make a reasonably diligent effort to determine the name and mailing address of each such person. If, after the exercise of reasonable diligence, the petitioner is unable to determine the name and mailing address of any person upon whom notice is to be served by the petitioner, the publication provided for in Rule 4(A) above, shall be effective as service upon such person.

(4) If the petitioner shall fail to give notice in conformity with the provisions in Rule 4(B) upon any person whom the petitioner is required to give notice, the Board, may, nevertheless, proceed to hear the petition if it is shown to the satisfaction of the Board that the person in question had actual knowledge of the hearing of the petition at least ten (10) days prior to the date of the hearing.

(5) A copy of the petition shall be attached to the notice.

(6) Personal notice required to be given may be given in any manner used in written business communications including, but not limited to, ordinary first class mail, expedited delivery such as express mail and air express services, facsimile transmission, hand delivery, electronic mail and

Western Union mailgram except as otherwise required by statute or statewide rule.

(7) Notice shall be deemed given when sent.

(8) The time period and manner provided for herein for the giving of notice may be waived in writing by any person as to that person's interest only.

(9) Except where expressly required to the contrary by applicable statutes, where personal notice is provided for in these rules the name or names of the person or persons to whom notice is being given need not appear in the notice. It shall be sufficient for such person or persons to be referred to generally such as, for example, "owners", "persons" and "operators".

(10) Notice required to be given to an Operator shall mean the Operator as reflected by the Board's records for wells producing, drilling or permitted not more than forty-five (45) days prior to the filing of the petition.

(11) Failure to give notice as provided for in Rule 4(C) shall not affect the validity, effectiveness or legality of any order or action of the Board provided the Board determines the petitioner has made a reasonably diligent effort to give the personal notice required herein.

**(D) FORM AND CONTENT OF NOTICE BY PUBLICATION AND PERSONAL NOTICE.** The notice shall be substantially in the following form:

STATE OIL AND GAS BOARD OF MISSISSIPPI

NOTICE: To all owners and persons interested in the following described lands:

(here describe lands by legal description and field, if any)

Take notice (insert name of party or parties requesting hearing) has filed a petition (or application) with the State Oil and Gas Board of Mississippi under Docket No. \_\_\_\_\_

requesting that (here relief requests).

The petition will be heard by the Board at \_\_\_ o'clock\_ . m. on the day of , 20\_\_ , in \_\_\_  
\_\_\_\_\_ Jackson, Mississippi, at which time and place you may appear and contest said matter.

If you intend to contest the docket or request a continuance you must notify the Board and the petitioner's representative of your intention in writing not later than 5 p.m. on Tuesday, \_\_\_ day of \_\_, 20 \_\_, \_  
(seven (7) days prior to the date stated above for the hearing). Failure to so notify the Board and the petitioner shall be a waiver of your right to contest or request continuance.

You are advised the Board may adopt orders concerning a petition which may differ from the relief requested by the petitioner and Board will enter such order or orders as in its judgment may be appropriate in accordance with the evidence presented.

Supervisor State Oil and Gas Board

**(E) PROOF OF NOTICE BY PUBLICATION AND PERSONAL NOTICE.** Proof of notice by publication shall be by affidavit of the publisher or editor (or his duly authorized agent) of the newspaper in which publication is made. Proof of notice other than by publication shall be either by testimony or by affidavit of the Board's staff member or the petitioner or petitioner's agent or attorney. If, in the exercise of reasonable diligence as provided in Rule 4(C), above, the petitioner is unable to obtain the name and the mailing address of any person or person upon whom personal notice is to be given by the petitioner, the testimony presented or the affidavit filed by the petitioner shall so state.

## **RULE 5. CONTINUANCE OF HEARINGS**

- (A) All motions for continuance of contested matters shall state the reason for continuance.
- (B) Parties other than petitioner who desire to continue a matter must (1) notify by telephone the petitioner or the petitioner's representative set forth in the petition and the Board of the motion for continuance not later than 5 p.m. on Tuesday of the week which precedes the regular monthly Board Meeting; and (2) mail or deliver a copy of the motion for continuance to said petitioner's representative and the Board not later than 5 p.m. on Tuesday of the week which precedes the regular monthly Board Meeting.
- (C) On any contested matter, Petitioner desiring a continuance must request a continuance not later than 5 p.m. on Thursday of the week which precedes the regular monthly Board Meeting by notifying the Board and anyone who has filed a notice of contest. This notice shall be by telephone, followed by written notice, mailed or delivered to the Board and any contesting party or his representative on the same day.
- (D) On any noncontested matter, petitioner may move for a continuance at the docket call at the regular meeting for cause stated.
- (E) Petitioner and any other interested party may waive the notice requirements of paragraphs 5(B) and 5(C), supra, and agree to a continuance.
- (F) The time limit for argument on motions for continuance shall be set by the Board at the time the motion is heard. Movant shall present his argument first and may reserve part of his time for rebuttal.
- (G) As a general rule no more than one continuance of a docket will be granted at the request of a person other than petitioner.
- (H) The foregoing notwithstanding, the Board may grant continuances in exceptional circumstances even though there has not been compliance with paragraphs 5(a) through 5(e).
- (I) Once proper notice of a hearing has been given, additional notice shall not be required for any continuance of that hearing.

## **RULE 6. CONTESTED HEARINGS**

### **(A) NOTICE OF CONTEST.**

- (1) If an interested person desires to contest a petition or docket, then not later than 5 p.m. on Tuesday of the week which precedes the regular monthly Board Meeting the contestant shall deliver to the petitioner's representative set forth in the petition and to the Board a written "notice of contest" setting forth that the petition or docket will be contested, the name and address of the contestant, and a brief statement of the known reason(s) for the contest but failure to state all reasons will not be a waiver of the right to contest. If the written notice of contest cannot be actually delivered by the said deadline, then the notice requirement may be satisfied if on or before the said deadline contestant (a) gives the said petitioner's representative and the Board verbal notice (by telephone or in person) of the contents of the written notice and (b) transmits the required written notice so that it is to be received by said petitioner's representative and by the Board by the close of business on the next working day.
- (2) A notice of contest may be combined with a motion to continue and/or a motion to dismiss, or any other responsive pleading.
- (3) Absent good cause shown, the failure to give the notice of contest as provided in 6(A)(1) above shall be deemed to be a waiver of the right to contest.
- (4) For purposes of Rule 6 (A), a statement or writing in opposition to a petition shall not be considered a contest unless the person in opposition intends to cross examine witnesses and/or introduce evidence.

### **(B) EXCHANGE OF WITNESS LISTS AND EXHIBITS.**

- (1) Not later than Thursday of the week which precedes the regular monthly Board Meeting at which the petition is to be heard, the petitioner and contestant(s) shall exchange a copy of proposed exhibits, and a list of may call witnesses and their areas of expertise. At this time, the contestant shall file his exhibits with the Board. (2) If it becomes necessary for a party to substitute a witness, the party shall promptly give the opposing party(ies) notice of the substitution by the most expeditious means, including telephone.(3) The parties may agree in writing to shorten or lengthen the time(s) for the exchange of witness lists and exhibits, or even to dispense with the exchange. Additionally, the Board may enter a scheduling order which sets the time(s) for said exchange.
- (4) If a continuance of a petition or docket is agreed to, then the time periods for exchanging exhibits and witness lists shall apply to the hearing at which the petition or docket is scheduled to be heard.

### **(C) CONDUCT OF CONTESTED HEARING.**

- (1) In general, a contested hearing shall follow this order: opening statements, petitioners' case, contestants' case, petitioners' rebuttal, closing statements.

### **(D) PREHEARING CONFERENCE.**

- (1) The Supervisor or the Chairman of the Board may after exhibits have been exchanged between or among the parties, call for a prehearing conference with or between the parties to a contested docket. The prehearing conference may be noticed to be held before the Supervisor or the Board or one or more staff members or such other person(s) as the notice may designate. The parties to a contested docket shall be given reasonable advance notice of the prehearing conference by the most expeditious means, including by telephone. All prehearing conferences shall be held in Jackson, Mississippi unless the Supervisor or the Chairman of the Board, designates a place other than Jackson.
- (2) The prehearing conference may be called for any purpose(s), including to identify and narrow the issues of fact and questions of law, if any, simplify the proof and, if possible, resolve the contest.
- (3) Any party to a contested docket may request that the Supervisor or the Chairman of the Board call a prehearing conference, the actual calling of which shall be in the discretion of the Supervisor or the Chairman of the Board, as the case may be.

### **(E) SCHEDULING ORDER.**

RULES OF ORDER AND PROCEDURE FOR HEARINGS BEFORE BOARD

(1) The Board may enter such scheduling order(s) in a contested docket as it deems necessary or advisable including orders setting prehearing conference(s), and providing for the exchange of exhibits, witness lists and the filing of briefs.

(2) Any party to a contested docket may request the entry of a scheduling order, the entry of which shall be at the discretion of the Board.

## **RULE 7. EMERGENCY HEARINGS**

Emergency action may be taken by the Board without notice and hearing in the event the Board finds immediate action is necessary in order to prevent waste, to prevent irreparable injury or for some other cause, but each emergency rule, regulation and order shall provide that it will remain in force no longer than forty-five (45) days from its effective date. Immediately upon entering an emergency rule, regulation or order, the Board shall call a hearing on the subject matter thereof, and such hearing shall be held prior to the expiration of the emergency rule, regulation or order.

**RULE 8. EX PARTE COMMUNICATIONS**

After the announcement of, or notice of intention to contest any petition or application for relief submitted to this Board, there shall be no ex parte contacts relating to the facts or merits of the petition between (a) any person acting on behalf of the petitioner or applicant for the relief desired or any person opposed to the application or petition and (b) any person with the State Oil and Gas Board of Mississippi who exercises any responsibility in relation to whether the application or petition is granted or denied.

## **RULE 9. HEARING PROCEDURES**

The hearings shall be opened with the call of the docket. The request for hearing, the notice or notices thereof and proof of the due publication of the notice or notices of the hearing shall be made a part of the record of the hearing. Opening and closing statements may be made by the party or parties involved in a hearing.

## **RULE 10. ORDERS OF THE BOARD**

(A) The prevailing party in any hearing before the Board shall prepare a proposed Order for review and approval by the Board which shall specify findings of fact and conclusions of law. If an uncontested matter is denied the Board shall inform the party of the reasons for the denial so that the party can prepare the Order. Upon written request of any party to a contested docket, the Board shall include in its Order or separately render written findings of fact and conclusions of law setting forth the reasons for the Board's decision. The request may be made either before or after the hearing.

(B) For all uncontested matters that have been approved by the Board whether by affidavit or after a hearing, the petitioner shall prepare and mail or hand deliver a proposed order to the Board not later than 5 p.m. Monday following the regular Board Meeting if heard and decision made on Wednesday or 5 p.m. Tuesday if heard and/or decision made on the Thursday following the Wednesday of docket call after the hearing.

(C) For all contested matters before the Board, the prevailing party shall mail or hand deliver to the Board and all parties participating in the hearing a proposed order not later than 5 p.m. Wednesday following the regular Board Meeting if heard and decision made on Wednesday or 5 p.m. Thursday if heard and/or decision made on the Thursday following the Wednesday of docket call for the prevailing party to deliver a proposed order to other participating parties after the hearing on the matter concludes. The parties receiving the proposed order shall prepare and mail or hand deliver any objections in writing not later than 5 p.m. on Tuesday following the aforementioned Wednesday or 5 p.m. on Wednesday following the aforementioned Thursday to respond with objections to proposed order, if any, after receipt. If the parties cannot agree as to the form of the Order, the Board shall determine the proper form and inform the prevailing party who shall incorporate any necessary changes and submit the order for the Board.

(D) On all matters heard by the Board, the signed Order shall be filed with the Board with all deliberate speed but in no event more than thirty (30) days after the final decision.



## **RULE 10. ORDERS OF THE BOARD**

(A) The prevailing party in any hearing before the Board shall prepare a proposed Order for review and approval by the Board which shall specify findings of fact and conclusions of law. If an uncontested matter is denied the Board shall inform the party of the reasons for the denial so that the party can prepare the Order. Upon written request of any party to a contested docket, the Board shall include in its Order or separately render written findings of fact and conclusions of law setting forth the reasons for the Boards decision. The request may be made either before or after the hearing.

(B) For all uncontested matters that have been approved by the Board whether by affidavit or after a hearing, the petitioner shall prepare and mail or hand deliver a proposed order to the Board not later than 5 p.m. Monday following the regular Board Meeting if heard and decision made on Wednesday or 5 p.m. Tuesday if heard and/or decision made on the Thursday following the Wednesday of docket call after the hearing.

(C) For all contested matters before the Board, the prevailing party shall mail or hand deliver to the Board and all parties participating in the hearing a proposed order not later than 5 p.m. Wednesday following the regular Board Meeting if heard and decision made on Wednesday or 5 p.m. Thursday if heard and/or decision made on the Thursday following the Wednesday of docket call for the prevailing party to deliver a proposed order to other participating parties after the hearing on the matter concludes. The parties receiving the proposed order shall prepare and mail or hand deliver any objections in writing not later than 5 p.m. on Tuesday following the aforementioned Wednesday or 5 p.m. on Wednesday following the aforementioned Thursday to respond with objections to proposed order, if any, after receipt. If the parties cannot agree as to the form of the Order, the Board shall determine the proper form and inform the prevailing party who shall incorporate any necessary changes and submit the order for the Board.

(D) On all matters heard by the Board, the signed Order shall be filed with the Board with all deliberate speed but in no event more than thirty (30) days after the final decision.

**RULE 11. TRANSCRIPT OF HEARING**

The Board shall, from time to time, by order entered on its minutes appoint a competent shorthand reporter. All hearings of the Board shall be recorded by a reporter appointed by the Board and sworn by the Board faithfully to discharge his/her duties in accordance with law and the direction of the Board.

**RULE 12. SUBPOENAS**

In any proceeding before the Board, the Board in its discretion, may issue subpoenas requiring the attendance of witnesses and the production of books, papers and records material to the matters lawfully before the Board at the designated place of hearing.

**RULE 13. PROOF OF NOTICE AND SERVICE**

The petition or request for the hearing, the notice or notices thereof and the proof of the due publication or service of notice or notices of the hearing shall automatically become a part of the record.

**RULE 14. WITNESSES**

All witnesses shall be required to testify under oath, administered by a member of the Board or the Supervisor, to tell the truth, the whole truth and nothing but the truth; all witnesses shall be subject to direct and cross-examination by any member of the Board, Board Staff or by any party or parties interested in the hearing or by their representatives.

**RULE 15. AFFIDAVITS**

(A) Where an application has been filed with the Board for authority to multiply complete or to tubingless complete an oil or gas well in connection with other surface or subsurface mechanical connections and installations and where legal notice of the hearing of said application has been given as required by law and the rules of the Board and where said application is not contested when called for hearing by the Board, then the Board may receive in evidence on said hearing affidavits, exhibits and duly executed Board forms as to the manner in which said multiple or tubingless completions are to be made, provided, however, that the Board has previously approved a similar completion for the field, pool or pools in question after a notice and hearing or witnesses in person.

(B) Where an application for an injection well and system has been filed with the Board and where legal notice has been given as required by law and the Board's rules and where said application is not contested when called for hearing, then affidavits, exhibits and Board forms may be received in evidence at the hearing as to the manner in which said injection well and system is to be completed and regardless of whether or not the Board has previously approved, after notice and hearing of witnesses, a similar application for the pool or field.

(C) Where an application for force integration of a drilling unit has been filed with the Board and when legal notice has been given as required by law and when said application is not contested when called for hearing, then affidavits, exhibits and Board forms may be received in evidence at the hearing. The Board reserves the right to reject any and all such affidavits and exhibits and to require the affiant or affiants to appear in person and testify at the hearing.

(D) Where an application for reformation of a regular drilling unit which complies in all respects with the existing Statewide Rules and Regulations into another unit which similarly complies, and where there is no change in ownership whereby any party would be adversely affected, and where no island acreage would be created thereby, when legal notice has been given as required by law and said application is not contested when called for hearing, then affidavits, exhibits and Board forms may be received in evidence at the hearing. The Board reserves the right to reject any and all such affidavits and exhibits and to require the affiant or affiants to appear in person and testify at the hearing.

(E) Where an application for the directional drilling of a well for topographic reason(s) which encounters the pay zone(s) at a regular location within a regular unit has been filed with the Board and when legal notice has been given as required by law and when said application is not contested when called for hearing, then affidavits, exhibits and Board forms may be received in evidence at the hearing. The Board reserves the right to reject any and all such affidavits and exhibits and to require the affiant or affiants to appear in person and testify at the hearing.

(F) Where an application for an exception location on a regular unit for reason(s) of topographic and/or surface obstructions has been filed with the Board and when legal notice has been given as required by law and when said application is not contested when called for hearing, then affidavits, exhibits and Board forms may be received in evidence at the hearing. The Board reserves the right to reject any and all such affidavits and exhibits and to require the affiant or affiants to appear in person and testify at the hearing.

(G) Where an application for the surface commingling where the ownership is the same for each well has been filed with the Board and when legal notice has been given as required by law and when said application is not contested when called for hearing, then affidavits, exhibits and Board forms may be received in evidence at the hearing. The Board reserves the right to reject any and all such affidavits and exhibits and to require the affiant or affiants to appear in person and testify at the hearing.

(H) In all other non-contested matters or in contested matters where those parties who appear in person at the hearing agree thereto, affidavits may be received in evidence. The Board reserves the right to reject any and all such affidavits and to require the affiant to appear in person.

(I) The following applies to the filing of affidavit in Rule 15. The party(ies) planning to submit a petition by affidavit shall file the original and three (3) copies of the affidavit with appropriate exhibits with the Board not later than 5 p.m. on Monday of the week which precedes the day of the Hearing. The original with the appropriate exhibits shall be filed with the Board Reporter upon the call of the docket for proper marking and entered into the record. All materials shall have the proper docket number upon each item. The original and three copies sent to the Board along with the proper exhibits shall not be held as confidential, unless confidentiality is requested in writing by the Petitioner at the time of filing. If confidentiality is requested, the exhibits will not be part of the public record and will not be available for public inspection.



**RULE 16. EVIDENCE**

The materiality, relevancy and competency of any testimony shall be subject to challenge by any party to the hearing or by any member of the Board or Board staff. When so interposed, such objections shall be acted upon by the Chairman or by the Acting Chairman, his ruling thereon being subject to change by a majority vote of the board members then sitting.



**RULE 17. EXHIBITS**

One copy of all exhibits to be used by Petitioner in its direct presentation at the hearing before the Board shall be prefiled with the Supervisor not later than 5 p.m. on Monday of the week which precedes the day of the Hearing. This prefiled copy is for staff use only and will not be part of the public record nor be available for public inspection. At least nine (9) copies of said exhibit shall be presented at the time of the hearing.

**RULE 18. IN CONFORMITY WITH STATUTES**

These rules are in addition to and supplement those statutory provisions which may be applicable to hearings before the Board.

**RULE 19. EFFECTIVE DATE**

The foregoing Amended Rules of Order and Procedure shall be in full force and effect in all future proceedings before the Board commencing February 1, 1998. This Order supersedes former Rules of Order and Procedure for Hearing before the Board adopted in Order No. 201-51, as amended, Order No. 3-90, as amended by Order No. 430-90. The Board may, from time to time, after notice and hearing, repeal, amend or supplement these Rules of Order and Procedure.

**RULE 20. RULES AFFECTING MEDIA COVERAGE**

Television camera personnel and media photographers may not disturb the decorum of the Board hearing. Video cameras and photographers shall be positioned in the hearing room as directed by the Board or the Supervisor and may not move to another location until Board recesses or breaks. No artificial lighting or flash attachments may be used and no disruptive noise will be permitted.

## **RULE 1. SCOPE OF RULES**

The rules and regulations hereby adopted and hereinafter set out are general rules of statewide application and shall apply to all fields; provided, however, special rules, applicable to particular areas or subject matter, shall prevail over these general rules only to the extent that they are in conflict therewith.

## **RULE 2. DEFINITIONS**

Unless the context otherwise requires, the words hereinafter defined shall have the following meaning when found in these rules, to-wit:

- (a) "Board" shall mean the State Oil & Gas Board created by Chapter 256 of the Laws of 1948.
- (b) "Person" shall mean any individual, corporation, partnership, association, or any state, municipality, political subdivision of any state, or any agency, department, or instrumentality of the United States, or any other entity, or any officer, agent, or employee of any of the above.
- (c) "Oil" shall mean crude petroleum oil and all other hydrocarbons, regardless of gravity, which are produced at the well in liquid form by ordinary production methods and which are not the result of condensation of gas.
- (d) "Gas" shall mean all natural gas, including casinghead gas, and all other hydrocarbons not defined as oil in subsection (c) above, or as condensate in subsection (f) below.
- (e) "Casinghead Gas" shall mean any gas or vapor, or both gas and vapor, indigenous to an oil pool and produced from such pool with oil.
- (f) "Condensate" shall mean liquid hydrocarbons which, at the time of discovery, existed in the gaseous state in the reservoir.
- (g) "Barrel of Oil" shall mean forty-two (42) United States gallons of oil, computed at sixty (60) degrees Fahrenheit, with deductions for the full amount of basic sediment, water, and other impurities, present, ascertained by centrifugal or other recognized and customary test.
- (h) For the purpose of reporting, a "Cubic Foot of Gas" shall mean volume of gas expressed in cubic feet and computed at a base pressure of ten (10) ounces per square inch above the average barometric pressure of 14.4 pounds per square inch (15.025 psia), at a standard base temperature of sixty (60) degrees Fahrenheit.
- (i) "Gas Well" shall mean any well the production from which is predominantly gas or condensate, or both.
- (j) "Oil Well" shall mean any well capable of producing oil and which is not a gas well as defined herein.
- (k) "Bottom Hole Pressure" shall mean the pressure in pounds per square inch at or near the face of the producing pool which is measured by means of a pressure recording instrument or any other scientific instrument, recognized by the oil and gas industry, with readings corrected to a predetermined datum plane.
- (l) "Day" shall mean a period of twenty-four (24) consecutive hours from 7 A.M. one day to 7 A.M. the following day.
- (m) "Month and Calendar Month" shall mean the period of interval of time from 7 A.M. on the first day of any month of the calendar to 7 A.M. on the first day of the next succeeding month of the calendar.
- (n) "Pool" shall mean an underground reservoir containing a common accumulation of oil or gas or both. Each zone of a general structure which is completely separated from any other zone in the structure is included in the term "pool" as used herein.
- (o) "Field" shall mean the general area which is underlaid or appears to be underlaid by at least one pool; and "field" shall include the underground reservoir or reservoirs containing oil or gas or both. The words "field" and "pool" mean the same thing when only one underground reservoir is involved; however, "field," unlike "pool," may relate to two (2) or more pools.
- (p) "Owner" shall mean the person who has the right to drill into and produce from any pool, and to appropriate the production either for himself or for himself and another or others. "Royalty Owner" shall mean any person who possesses an interest in the production but who is not an "owner" as herein defined.
- (q) "Producer" shall mean the owner of a well or wells capable of producing oil or gas or both.

- (r) "Operator" shall mean any person who, duly authorized, is in charge of the development of a lease or the operation of a producing well.
- (s) "Transporter" shall mean any person except a railroad company who transports oil or gas.
- (t) "Pressure Maintenance" shall mean the introduction of gas or liquid for the purpose of maintaining the pressure of the reservoir.
- (u) "Supervisor" shall mean the State Oil and Gas Supervisor of Mississippi.
- (v) "Product" shall mean any commodity made from oil or gas and shall include refined crude oil, processed crude petroleum, residuum from crude petroleum, cracking stock, uncracked fuel oil, fuel oil, treated crude oil, residuum, casinghead gasoline, natural gas gasoline, naphtha, distillate, gasoline, kerosene, waste oil, blended gasoline, lubricating oil, blends or mixtures of oil with one or more liquid products or by-products derived from oil or gas, and blends or mixtures of two (2) or more liquid products or by-products derived from oil, condensate, gas or petroleum hydrocarbons, whether hereinabove enumerated or not.
- (w) "Illegal Oil and Illegal Gas" shall mean oil or gas which has been produced within the State of Mississippi from any well during any time that the well has produced in excess of the amount allowed by law or any rule, regulation or order of the Board. "Illegal Product" shall mean any product derived, in whole or part, from illegal oil or illegal gas.
- (x) "Waste" shall mean and include the following:
- (1) The inefficient, excessive, or improper use of dissipation of reservoir energy; and the locating, spacing, drilling, equipping, operating or producing of any oil or gas well or wells in a manner which results or tends to result in reducing the quantity of oil or gas ultimately to be recovered from any pool in this state.
  - (2) The inefficient storing of oil; and the locating, spacing, drilling, equipping, operating or producing of any oil or gas well or wells in a manner causing or tending to cause unnecessary or excessive surface loss or destruction of oil or gas.
  - (3) Abuse of the correlative rights and opportunities of each owner of oil or gas in a pool due to non-uniform, disproportionate, or unratable withdrawals causing undue drainage between tracts of land or resulting in one or more owners in such pool producing more than his just and equitable share of the production from such pool.
  - (4) Producing oil or gas in such manner as to cause unnecessary channeling of water or gas or both or coning of water.
  - (5) The operation of any oil well or wells with an inefficient gas-oil ratio.
  - (6) The drowning with water of any stratum or part thereof capable of producing oil or gas.
  - (7) The creation of unnecessary fire hazards.
  - (8) The escape into the open air, from a well producing both oil and gas, for gas in excess of the amount which is necessary in the efficient drilling or operation of the well.
  - (9) Permitting gas produced from a gas well to escape into open air.
  - (10) The use of gas from gas wells, except sour gas, for the manufacture of carbon black, except and unless the Board shall find that there are no adequate pipeline connections to otherwise market the gas.
- (y) "Drainage Unit" or "Drilling Unit" shall mean the maximum area in a pool which may be drained efficiently by one (1) well so as to produce the reasonable maximum recoverable oil or gas in such area.
- (z) "Developed Area" or "Developed Unit" shall mean a drainage unit having a well completed therein which is capable of producing oil or gas in paying quantities.

- (aa) A "Certificate of Compliance" shall mean a certificate issued by the Board showing compliance with the conservation laws of the State, and conservation rules, regulations and orders of the Board, prior to connection with a pipeline.
- (bb) A "Certificate of Clearance" shall mean a permit for the transportation or the delivery of oil, gas or products, approved and issued or registered under the authority of the Board.
- (cc) "Driller's Log" shall mean the written record progressively describing the strata, water, oil or gas encountered in drilling a well.
- (dd) "Wildcat Well" shall mean a drilling well in an unproven area.
- (ee) "Stratum" shall mean a layer of rock more or less similar throughout, a lithological unit.
- (ff) "Seismograph Shot Holes" shall mean those holes used in reflection and refraction seismic exploratory work only.
- (gg) "Core Drilled Holes" shall mean those holes used only for sub-surface mapping of shallow formation marker horizons.
- (hh) "Stratigraphic Tests" shall mean those holes drilled to secure information regarding sedimentary strata (including potential oil and gas reservoir rocks) and structural conditions.
- (ii) "Underground Injection Program" shall mean a program regulating the injection of any fluids produced or fluids associated with the exploration, storage and/or production of oil and/or gas and being among those other laws relating to the conservation of oil and gas as referred to in Section 53-1-17(a).
- (jj) "Special Field Rules" shall mean rules, superseding statewide rules, adopted by the board, after notice and hearing, that promote development and production of oil and gas for a particular field, or portion thereof. These rules may include, but are not limited to, pool definitions, geographical limits, well spacing, drilling requirement, production unit sizing, allowable production rates and special permitting procedures.



### **RULE 3. NAMING OF FIELDS**

The Board will name all oil and gas fields in the State. Unless good reasons to the contrary appear, the Board will accept the recommendation of names made by the Mississippi Geological Society.

## **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 three hundred dollars (\$300), 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 therefrom 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 six (6) 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. 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, all 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:

Amount

Depth in feet required

---

Zero to 10,000 \$10,000

10,001- 16,000 15,000

16,001- 20,000 30,000

20,001 or more 50,000

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 filing 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 three hundred dollars (\$300), 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 six (6) 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 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 three hundred dollars (\$300), 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 six (6) months after date of issuance, the permit shall become void.

(g) Before any person shall commence operations to rework an abandoned well 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 three hundred dollars (\$300), 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 six (6) 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.

## **RULE 5. TRANSFER OF PERMIT**

(a) Each person who succeeds to the rights under a permit shall, within ten (10) days after the rights are acquired, notify the Board in writing thereof.

(b) Wells approved for unit operations under a designated operator after notice and hearing by the Board shall be exempt from payment of a second permit fee.

(c) In the event a change of operators from that listed in the drilling permit is desired, the operator so listed and the proposed new operator shall apply to the State Oil and Gas Board for authority to change operators on Form 2. This can be designated on separate Form 2's or both may sign the same Form 2. The change of operator fee of one hundred dollars (\$100) shall be paid by either party. If the administration of the operation of a well is by an agent or other person(s), then all reports must be filed in the name of the Oil and Gas Board designated owner or operator. A letter to the supervisor of the Oil and Gas Board verifying the authority of the person(s) filing the report to act as the agent of or on behalf of the Oil and Gas Board designated owner or operator is required. The foregoing letter must be filed with the supervisor and shall be either notarized or witnessed by not less than two subscribing witnesses. The Oil and Gas Board designated owner or operator is responsible for the operation of the well and filing of all reports.

## **RULE 6. IDENTIFICATION OF WELL**

Every well permitted by the Oil and Gas Board shall have posted on the derrick during drilling, or in a conspicuous place near the well bore after completion and on the tank battery, a sign in reasonably large and clear lettering with the following information:

- a) Operator of Record as carried at the Oil and Gas Board;
- b) API number as assigned by the Oil and Gas Board;
- c) Field name as designated by Oil and Gas Board and/or designation as a wildcat;
- d) Section, Township and Range;
- e) Well name and number as carried at the Oil and Gas Board;
- f) Telephone number for any emergency associated with the well and/or facility.

Wells in existence at the time of passage of this rule shall be brought into compliance with this rule within 180 days of passage.

## **RULE 7. SPACING OF OIL WELLS**

1. With respect to each pool occurring in the discovery well, the top of which is encountered below a measured depth of 12,000 feet below the surface, and in the Pennsylvanian and older formations with respect to each pool occurring in the discovery well, the top of which is encountered below a measured depth of 3,500 feet below the surface, every oil well:

(a) Shall be located on a drilling unit consisting of eighty (80) contiguous surface acres, or two (2) contiguous governmental quarter-quarter sections containing not less than seventy-two (72) acres or more than eighty-eight (88) acres, upon which no other drilling or producible well is located. The word "contiguous" as used herein shall mean bordering each other at more than one point;

(b) Any drilling unit not composed of two (2) governmental quarter-quarter sections must be completely encompassed by the perimeter of a rectangle 1600 feet by 2725 feet. Provided, however, no unit shall be permitted which will create island acreage;

(c) The well shall be located at least 1,000 feet from every other drilling well or well completed in or producing from the same pool located in conformity with this rule; and

(d) The well shall be located at least 500 feet from every exterior boundary of the drilling unit.

2. However, with respect to each pool occurring in the discovery well, the top of which is encountered below a measured depth of 12,000 feet below the surface, the State Oil and Gas Supervisor may permit 160 acre units for such pools if such unit size will promote and encourage the orderly development of the pool. Every oil well drilled in such pool:

a) Shall be located on a drilling unit of four (4) contiguous quarter-quarter sections containing not less than 144 nor more than 176 acres upon which no other well drilling to or producing from same pool is located.

b) Any drilling unit not composed of four (4) contiguous quarter-quarter sections shall contain 160 surface acres which must be completely encompassed by perimeter of a rectangle 2640 feet by 3500 feet provided, however, no unit shall be permitted which will create island acreage.

c) Each well shall be located at least 1500 feet from every drilling or producible well from the same pool and not less than 750 feet from every exterior boundary of the drilling unit.

3. With respect to all other pools, every oil well:

(a) Shall be located on a drilling unit consisting of forty (40) contiguous surface acres, or a governmental quarter-quarter section containing not less than thirty-six (36) acres or more than forty-four (44) acres, upon which no other drilling or producible well is located. The word "contiguous" as used herein shall mean bordering each other at more than one point.

(b) Any drilling unit not a governmental quarter-quarter section must be completely encompassed by the perimeter of a rectangle 1810 feet by 1445 feet. Provided, however, no unit shall be permitted which will create island acreage.

(c) The well shall be located at least 660 feet from every other drilling well or well completed in or producing from 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 unit.

4. No portion of the drilling unit upon which a well is located shall be attributed, in whole or in part, to any other drilling or producible well in the same pool.

5. If any well drilled in conformity with the provisions of this rule, or as an exception thereto, is completed as a gas well, it shall not be produced except for a test period of not exceeding forty-five (45) days, or in compliance

with applicable special field rules, or until authorization has been granted by the Board after notice and hearing.



## **RULE 8. SPACING OF GAS WELLS**

1. With respect to each pool occurring in the discovery well, the top of which is encountered below a measured depth of 12,000 feet below the surface, and in the Pennsylvanian and older formations with respect to each pool occurring in the discovery well, the top of which is encountered below a measured depth of 3,500 feet below the surface, every gas well:

(a) Shall be located on a drilling unit consisting of (1) 640 contiguous surface acres; or (2) a governmental section containing not less than 600 acres or more than 680 acres; or (3) sixteen (16) contiguous governmental quarter-quarter sections whose total acreage is not less than 600 acres or more than 680 acres. In any case, no other well producing from the same pool shall be located on any such unit. The word "contiguous" as used herein shall mean bordering each other at more than one point.

(b) Any gas drilling unit formed under section 1(a) of this rule must be completely encompassed by the perimeter of a rectangle 5580 feet by 6245 feet. Provided, however, no unit shall be permitted which will create island acreage.

(c) The well shall be located at least 3,000 feet from every other drilling well or well completed in or producing from the same pool located in conformity with this rule; and

(d) The well shall be located not less than 1,500 feet from every exterior boundary of the drilling unit.

2. With respect to each pool occurring in the Oligocene and younger Formations, the top of which is encountered in the discovery well above a measured depth of 5,000 feet below the surface, the State Oil and Gas Supervisor may permit one hundred sixty (160) acre units for such pools if such unit size will promote and encourage the orderly development of the pool. Every gas well drilled in such pool:

a) shall be on a drilling unit consisting of (1) one hundred sixty (160) contiguous surface acres, or (2) a governmental quarter section containing not less than one hundred forty-four (144) acres or more than one hundred seventy-six (176) acres. In any case, no other well producing from the same pool shall be located on any such unit. The word "contiguous" as used herein shall mean bordering each other at more than one point.

b) Any gas drilling unit formed under Section 2(a) of this Rule must be completely encompassed by the perimeter of a rectangle 2640 feet & 3500 feet. Provided, however, no unit shall be permitted which will create island acreage;

c) The well shall be located at least fifteen hundred (1500) feet from every other drilling well or well completed in or producing from the same pool located in conformity with this Rule; and

d) The well shall be located not less than seven hundred fifty (750) feet from every exterior boundary of the drilling unit.

3. With respect to all other pools, every gas well:

(a) Shall be located on a drilling unit consisting of (1) 320 contiguous surface acres; or (2) a governmental half-section containing not less than 300 acres or more than 340 acres; or (3) eight (8) contiguous governmental quarter-quarter sections whose total acreage is not less than 300 or more than 340 acres. In any case, no other well producing from the same pool shall be located on any such unit. The word "contiguous" as used herein shall mean bordering each other at more than one point.

(b) Any gas drilling unit formed under section 3(a) of this rule must be completely encompassed by the perimeter of a rectangle 3735 feet by 5380 feet. Provided, however, no unit shall be permitted which will create island acreage.

(c) The well shall be located at least 1,980 feet from every other drilling well or well completed in or producing from the same pool located in conformity with this rule; and

(d) The well shall be located not less than 990 feet from every exterior boundary of the drilling unit.

4. No portion of the drilling unit upon which a well is located shall be attributed, in whole or in part, to any other well drilling in or producing from the same pool.

5. If any well is completed as a gas well in the gas cap of a pool productive of oil, or if any well drilled as a gas well is productive from or completed in an oil pool, it shall not be produced except for a test period not exceeding forty-five (45) days, or in compliance with applicable special field rules, or until authorization has been granted by the Board after notice and hearing.

## **RULE 9. EXCEPTIONS TO SPACING RULES**

The Board may grant an exception to any spacing rule whenever the Board shall determine, after notice and hearing, and the facts clearly support the determination, that the unit is partly outside the pool, or, for some other reason, a well so located on the unit would be non-productive or topographical conditions are such as to make the drilling at such location unduly burdensome. Application for an exception on Form 2 shall be accompanied by a plat or sketch drawn to the scale of not smaller than one (1) inch equaling 1000 feet, accurately showing to scale the property on which the permit is sought, all other completed, drilling and permitted wells on this property, and all adjoining surrounding properties and wells. The application shall be verified by some person acquainted with the facts.

Whenever an exception is granted, the Board shall take such action as will offset any advantage which the person securing the exception may have over any other producers by reason of the drilling of the well as an exception, and so that drainage from developed units to the tract with respect to which the exception is granted will be prevented or minimized and the producer of the well drilled as an exception will be allowed to produce no more than his just and equitable share of the oil and gas in the pool. If the drilling unit is of less acreage than that prescribed by the applicable spacing rule as a regular drilling unit, such special unit shall be allowed to produce only in the proportion that the acreage content of such special unit bears to the acreage content of the regular prescribed unit.

## **RULE 10. SEALING OFF STRATA**

- (a) No stratum upon being penetrated shall be drilled or left open, except at the direction of the Supervisor, without the application of mud-laden fluid or other means to prevent the escape of oil or gas while further drilling in or through such stratum.
- (b) All fresh waters and waters of present or probable future value for domestic, commercial, or stock purposes shall be confined to their respective strata and shall be adequately protected.
- (c) Before any oil or gas well is completed as a producer, all oil, gas and water strata above and below the producing horizon shall be sealed or separated in order to prevent their contents from passing into other strata.

## **RULE 11. SURFACE CASING**

The minimum amount of surface or first-intermediate casing to be set shall be determined from the following table:

### **Proposed Total Minimum Casing**

#### **Depth-Feet Requirements-Feet**

0-2500 200'

2500-6000 200' + 8% of proposed  
depth in excess of 2500'

6000-7000 480' + 10% of proposed  
depth in excess of 6000'

7000-8000 580' + 15% of proposed  
depth in excess of 7000'

8000-9000 730' + 20% of proposed  
depth in excess of 8000'

9000-Deeper 930' + 25% of proposed  
depth in excess of 9000'

Casing shall be cemented with 500 sacks of cement or cement- admix or circulated to the surface, whichever is the lesser.

Casing shall be tested at a pressure equivalent to one pound (1 lb.) per sq. inch per foot of casing set with a maximum test pressure of 1,000 lbs. per sq. inch.

Cement or cement-admix shall be allowed to stand a minimum of twelve (12) hours under pressure before initiating test or drilling plug. "Under pressure" is complied with if one (1) float valve is used, or if pressure is held otherwise.

The proposed surface casing program for any well is to be presented with the filing of Form No. 2, "Application to Drill."

Prior to the spudding of any well, exceptions may be granted to the above minimum casing requirements upon submission of proper evidence and subject to the joint approval of the Supervisor and Chief Engineer of the Board. In event this approval for an exception to the minimum casing requirements is denied, the operator may seek further relief before the Board after notice and hearing.

In case an operator decides to drill deeper after drilling to his initial proposed total depth, he may secure relief to the above minimum casing requirements just as though his original intent was to drill the well as an exception to the minimum casing requirements, provided, however, that such exception is approved by the Supervisor and Chief Engineer.

## **RULE 12. PRODUCING CASING**

All oil and gas wells shall be completed with a string of casing which shall be properly cemented at a sufficient depth adequately to protect the oil- or gas-bearing pool. In every case no less cement shall be used than the calculated amount necessary to fill the annular space to a point 500 feet above the shoe. Cement shall be allowed to stand at least a total of twenty-four (24) hours before drilling plug.

Before drilling the cement plug in the string of casing of any well, the casing shall be tested at a pressure in pounds per square inch calculated by multiplying the length in feet of a producing string by two-tenths (.2) with the maximum test pressure required, unless otherwise ordered by the Board, not to exceed fifteen hundred (1500) pounds per square inch.

If at the end of thirty (30) minutes the pressure gauge shows a drop of ten percent (10%) of the test pressure or more, such corrective measures must be taken as will insure that the producing string of casing is so set and cemented that it will hold the pressure for thirty (30) minutes without a drop of more than ten percent (10%) of the test pressure on the gauge.

The Board may, at its discretion, require that the operator give sufficient notice prior to conducting casing tests so that a Board representative may be present at such time as either the surface or producing casing is tested in any well.

## **RULE 13. BLOWOUT PREVENTERS**

In drilling areas where high pressures are likely to exist and on all wildcat wells, all proper and necessary precautions shall be taken for keeping the well under control, including the use of blowout preventers and high pressure fittings attached to properly anchored and cemented casing strings.

## **RULE 14. DEVIATION OF HOLE AND DIRECTIONAL SURVEY**

- (a) Each operator shall file on Form No. 3 a record of all deviation tests taken.
- (b) No well shall cross drilling unit lines unless permit is obtained from the Board after notice and hearing.
- (c) Except as set forth in paragraphs (d), (e) and (f) hereof, no well may be directionally deviated from its normal course unless authorization so to do is first obtained from the Board after notice and hearing.
- (d) Intentional deviations of short distances necessary to straighten the hole, sidetrack junk, or correct other mechanical difficulties may be accomplished without the issuance of a permit, but the operator shall immediately notify the Board by letter, telegram or facsimile (followed by letter) of the fact thereof.
- (e) Intentional deviations may be accomplished without notice and hearing where the application for permit and location plat duly filed with the Board verifies that the unit configuration, surface location, proposed bottomhole location and all perforations in between, comply with the spacing requirements in Rules 7 and 8 or any special field rules adopted for the field in which said well is located.
- (f) In the event an operator in good faith commences and proceeds with the drilling of a properly permitted well and thereafter, for reasons acceptable to the operator, desires to directionally deviate the well from its normal course, he may do so at his own risk, first notifying the Board by letter or telegram of the fact thereof. On the completion of such well as a producer, the operator must immediately apply for a permit from the Board on notice and hearing for approval of such intentional deviation. Pending such approval, the Board may assign a temporary allowable only to such well.
- (g) In cases of directionally deviated drilling, the Board shall have the right to assess appropriate allowable penalties to prevent undue drainage from offset properties and to adjust possible inequities caused by the directional drilling.
- (h) When a well is directionally deviated from its normal course for any reason, a complete angular deviation and directional survey of the finished hole shall be made at the expense of the operator and a certified copy of such survey shall be filed with the Board within thirty (30) days.
- (i) The Board shall have the right to make or to require any operator to make a directional survey of any hole at such operator's expense. The Board shall also have the right to require an operator to make a directional survey of any hole at the request of an offset operator, if, in the Board's opinion, such is necessary, but at the expense and risk of said offset operator unless it is found that such well is completed at a point outside the operator's drilling unit.
- (j) All producible wells drilled which are an exception to the spacing rules under Statewide Rule 9 shall have directional surveys made to the total depth of the hole before setting the final string of casing. A certified copy of such directional survey shall be filed with the Board by the operator within thirty (30) days from the making thereof. This requirement may be waived by the State Oil and Gas Supervisor, with the concurrence of the Chief Engineer, upon acceptable proof filed by the operator, whether by inclination survey or otherwise, that the bottomhole location did not cross any unit boundaries.
- (k) For purposes of this rule, the term "deviation" shall mean any intentional directional change in a well's normal course of any degree, including, but not limited to, those which are horizontal.



## **RULE 15. MULTIPLE AND DUAL COMPLETIONS**

(a) No well shall be permitted to produce either oil or gas from different pools through the same string of casing and no well shall be completed with the casing open to one (1) pool and the tubing open to another, unless a permit is obtained from the Board after notice and hearing.

(b) No well shall be permitted to produce from different pools until the pools have been defined and a permit is obtained from the Board after notice and hearing. When an application for a permit is filed to multiply complete after the pools have been so defined, the Supervisor shall have the authority, in his discretion, to issue a temporary permit which shall be good for a period of forty-five (45) days or until a permit shall be authorized or denied by the Board after notice and hearing.

(c) After the pools have been defined, applications to multiply complete may be presented on affidavit unless there is an objection to such procedure by the Board or any interested party. If such an objection is not filed with the Supervisor at least five (5) days prior to the date for hearing, the applicant shall have the right to a continuance until the next regular meeting of the Board.

## **RULE 16. FIRE HAZARDS**

- (a) Anything that might constitute a fire hazard and which is not used, or useful, in the operation of the well, tanks, separator or other equipment shall be removed to a distance of at least 100 feet from the well location, tanks and separators. All heaters, treaters and other fired vessels shall be located at least 100 feet from all vessels handling or storing crude oil.
- (b) All open hole drill stem tests shall be completed in the daylight hours before sunset. Completed shall mean the closing of the drill stem test tool valve. No well shall be swabbed into production except during daylight hours, except in known low pressure areas or except where reasonable safety precautions have been taken to prevent fire or blowout.
- (c) Oil shall not be stored in earthen reservoirs or in open receptacles.

## **RULE 17. FIRES, LEAKS & BLOWOUTS**

All persons operating any oil, gas or injection well or pipeline, or receiving tank, storage tank, or receiving and storage receptacle into which produced fluid is produced, received or stored, or through which produced fluid is piped or transported, shall immediately notify the Board by letter giving full details concerning all fires which occur at such oil, gas or injection well or tank or receptacle on their property, and all such persons shall immediately report all tanks or receptacles struck by lightning and any other fire which destroys oil or gas, and shall immediately report any breaks or leaks in or from tanks or receptacles and pipelines from which produced fluid or gas is escaping or has escaped. In all such reports, the location shall be given by section, township, range and property. Such report shall likewise specify what steps have been taken or are in progress to remedy the situation reported; and shall detail the quantity of produced fluid or gas lost, destroyed, or permitted to escape. In case any tank or receptacle is permitted to run over, the amount running over shall be reported as in the case of a leak. The report hereby required as to produced fluid losses shall be necessary only in case such loss exceeds one (1) barrel in the aggregate.

## **RULE 18. WELL HEAD CONNECTIONS**

Well head connections of flowing wells shall have a test pressure at least equivalent to 125% of the calculated pressure in the reservoir from which production is expected.

Each flowing oil well shall be equipped with and be produced through tubing not larger than two and one-half (2-1/2) inches in nominal diameter and four (4) inches for gas wells and shall be equipped with master valve.

## **RULE 19. SEPARATORS**

Each flowing well must be produced through an oil and gas separator or treater of a type generally used in the industry.

**RULE 20. CHOKES**

Each flowing well shall be equipped with adequate choke or bean to control properly the flowing of the well.

## **RULE 21. A. MEASUREMENT OF PRODUCTION:**

The operator of each producing lease shall maintain proper separators and stock tanks or metering devices and such connections thereto as are necessary to measure the total production from such lease. 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 leases commingled in such common storage system, then such variance shall be allocated back to each of the leases producing into the common storage system proportionately to the production measured from each lease.

## **B. EQUIPMENT FOR TESTS:**

(1) Each producing well shall be so equipped that gas/oil ratio tests and bottom hole or other pressure tests may be made.

(2) The operator of each producing lease on which there are two (2) or more producing wells shall maintain proper separators and stock tanks or metering devices and such connections thereto as will permit the adequate testing of each individual well under usual operating conditions without the necessity of closing in any other well. Such separators, stock tanks or metering devices and connections thereto shall be subject to approval by the Supervisor.

## **C. USE OF METERS:**

The use of meters for testing and for measurement of lease production shall be subject to and in accordance with the following provisions:

(1) Only a volume displacement type metering device or vessel which registers the volume of oil passed through it in barrels or multiples thereof may be used.

(2) 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 Oil and Gas Board.

(3) No meter used for oil production measurement shall be directly or indirectly bypassed in such manner as to permit oil to pass into common storage without first being measured.

(4) All meters and equipment affecting meter accuracy shall be kept in good working order. Each meter shall be calibrated at least once a month by means of a calibrated tank, a calibrated meter prover or a master meter. When a meter is found to deviate in its recording by more than two percent (2%), it must be adjusted to conform to the said tolerance limitation of two percent (2%) or the meter calibration factor corrected.

(5) The meter reading and meter calibration factor in use at 7:00 a.m. on the first day of each month for each meter shall be reported on the bottom of the Form 9 reporting the monthly production from the wells being measured by such meter.

## **D. AUTOMATIC CUSTODY TRANSFER SYSTEMS AUTHORIZED:**

Automatic custody transfer systems which 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 individual leases or from common storage facilities as authorized in Rule 21 A above. In the event the transfer is from such a common storage facility, the allocation of production to the leases being produced into such common storage system will be on the basis of the relationship of the measured production from each lease to the total measured production transferred by the automatic custody transfer system.

Each such 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.

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 21 C above which deals with the use of meters, said metering device will be compensated for temperature, will be so equipped as to provide a cumulative total of all oil transferred by such system and will have an accuracy standard equivalent to the accuracy obtained in the measurements made in calibrated stock tanks.



**RULE 22. VACUUM PUMPS AND AIR LIFTS**

The use of vacuum pumps or other devices for the purpose of putting a vacuum on any gas- or oil-bearing pool is prohibited. Air lift devices shall be used only on order of the Board and after notice and hearing.

## **RULE 23. WELL COMPLETION AND RECOMPLETION**

(a) Within thirty (30) days after the completion or recompletion of a well drilled for oil or gas, a completion report on Form No. 3 shall be filed with the Board. Immediately thereafter the Board shall, if such well is a producer, designate the well as an oil or a gas well.

(b) The detail of formations penetrated information on the reverse side of Form 3 shall be completed prior to submission of the Form 3 provided, however, that required core analysis data, of the type normally furnished by commercial laboratories, and drill stem test data may be submitted under separate cover and requested to be held confidential, provided, however, such core analysis data and drill stem test data obtained on stratigraphic tests shall be filed with the Board within six (6) months of well completion. Such request shall be noted on the reverse of the Form 3. Such data will be kept confidential for a period of six (6) months from the date the Form 3 is filed, or should have been filed. If subsequently requested by the person filing said data, the Supervisor shall extend the period of confidentiality an additional six (6) months or for stratigraphic tests, from the date the data is filed. The Board may, after notice and hearing, grant an additional extension of the confidentiality period.

(c) No well permitted as a stratigraphic test or core hole drilled below freshwater level shall be completed as a producing well until an application is filed and a permit is granted in the same manner and form as provided by applicable rules and regulations for applications and permits for drilling for oil and gas with proper indication being made on said application and permit that the well in question has been drilled as a stratigraphic test or core hole below freshwater level. The well shall be subject to all rules and regulations applicable to wells drilled in search of oil and gas.

## **RULE 24. WELL LOGS**

(a) At least one electric log shall be run in each well and shall be filed with the Board within thirty (30) days of completion of the well, with Form 3, or within 60 days after log is run, whichever is the earlier date. This will include an electrical correlation log consisting of the spontaneous potential or gamma ray and induction resistivity surveys, or equivalent, and covering that portion of the wellbore from total depth to the base of the surface casing, specifically displayed on a one inch: one hundred foot scale, a two inch: one hundred foot scale and a five inch: one hundred foot scale. One copy of all additional open hole electrical, mechanical and radioactive logs run in the well shall be filed with the Board within said filing period, provided, however, that logs obtained on stratigraphic tests shall be filed with the Board within six (6) months. This shall not include any interpretative, computer-analyzed or computer-interpreted logs run in the well. It shall, however, include the raw data curves from a dipmeter if run in the well. The Supervisor of the Board may, for good cause and at the discretion of the Supervisor, waive the requirement that one electric log be run from total depth to the base of the surface casing.

(b) If requested by the person filing, the data filed in accord with subsection (a) above shall be kept confidential for a period of six (6) months from the date on which it should have been filed. If subsequently requested in writing by the person filing said data, the Supervisor shall extend the period of confidentiality an additional six (6) months, for a total period of confidentiality not to exceed one (1) year from the date it should have been filed. The Board may, after notice and hearing, grant an additional extension of the confidentiality period.

(c) At the expiration of time in which any log or logs shall be held as confidential by the Board as provided under subsection (b) above, said log or logs shall be placed in the open files of the Board and any party or firm shall have the right to examine and/or request copies of said logs or surveys to be reproduced by photography or other means not injurious to said logs or surveys. Any party or firm requesting reproduced copies of logs or surveys shall file a written request with the Supervisor specifying the logs or surveys to be copied. Upon written approval from the Supervisor, the reproduction work shall be done by proper employees of the State Oil and Gas Board. The cost of reproduction shall be established by the Board on a per page, per inch, per foot, or other established and published cost basis. Under no circumstances shall the Board's file copies of logs or surveys be allowed to be removed from the Board files by any party or firm who is not an employee of the Board. Use and reproduction of logs and surveys shall be in accordance with the statement of general policy in effect at that time.

## **RULE 25. REWORK AND RECOMPLETION**

After a well has once been completed, it shall not be deepened or plugged back, except for ordinary maintenance operations, without first giving five (5) days written notice to the Supervisor of the character of the work proposed and the time when it will begin, except in an emergency as set out in these rules. The application shall be given on Form No. 2 prepared by the Board. The Supervisor shall notify the applicant in writing whether the contemplated work is approved or disapproved. In the case of an emergency, the application may be made orally or by telegraph, and the Supervisor may orally or by telegraph authorize the work; however, written application must be filed within five (5) days after emergency authorization is given, even though the work has already been commenced or completed, and a written permit shall be issued which shall contain the emergency authorization.

**RULE 26. REPORT OF SHOOTING OR TREATING**

Within thirty (30) days after the shooting or chemical treatment of an oil or gas well recompleted in the same pool, the owner, producer, or operator in charge of the work shall file with the Board a report on Form No. 3.

## **RULE 27. APPLICATION TO PLUG**

Any drilling well completed as a dry hole, from which the rig is to be moved away, shall be mudded and cemented, provided, however, that authorization to the contrary has not been given by the Board.

Before any work is commenced to abandon any well drilled for the discovery of oil or gas, the owner or operator thereof shall give written notice to the Board of his intent to abandon such well on Form No. 6, along with a proposed procedure for plugging said well, prior to beginning operations of plugging said well. Upon receipt of such notice, the Board may issue plugging permit and may send a duly authorized representative to the location specified to be present at the time indicated in such notice, to witness the plugging of such well. In the case of an emergency, the application may be made orally or by telegraph, and the Supervisor may orally or by telegraph authorize the work; however, written application must be filed within five (5) days after emergency authorization is given even though the work has already been commenced or completed and a written permit shall be issued which shall contain the emergency authorization.

Plugging operations shall begin within 120 days of approval of the Form 6 and shall proceed with due diligence until completed, however, an extension of time may be granted by the Board for good cause shown upon public notice and hearing.

No surface or production casing shall be pulled from any abandoned well without first filing Form No. 6 and upon completion of said work, report on Form No. 7 the manner in which the well was plugged and the amount of pipe pulled.

## **RULE 28. PLUGGING AND ABANDONMENT**

Each abandoned hole or well shall be plugged by or on behalf of the owner, operator or producer who is in charge of the well and responsible therefor.

A. Schedule of Abandonment and Reporting on Form No. OGB 9-12-15-Z and Form No. 9-A.

### **1. Dry Holes**

All wells drilled for oil or gas and found to be dry prior to or after the effective date of this order shall be plugged within one hundred twenty (120) days after operations have been completed thereon or one hundred twenty (120) days after the effective date of this order, whichever is later, unless an extension of time is granted by the Supervisor.

### **2. All Other Wells**

a. All wells wherein production operations or use as a service well have ceased on or after the effective date of this order shall continue to be reported on Form No. OGB 9-12-15-Z with the appropriate notation that the well is off production or no longer in use as a service well along with the date of last production or date the service well ceased to be used. After six (6) months, if such a well has not been restored to production or use as a service well, it shall thereafter be reported by the operator on the semiannual "Inactive Well Status Report" (Form No. 9-A). Form No. 9-A shall be filed with the Supervisor showing the status of such well as of April 1st and October 1st of each year (report to be filed no later than April 25th and October 25th). Within six (6) months of the filing of an "Inactive Well Status Report" (Form No. 9-A) the operator shall either: (i) properly plug and abandon the well in accordance with all applicable rules and regulations concerning same; or, (ii) return the well to production operations or use as a service well; or, (iii) submit a request to the Supervisor for a six (6) month extension of the well's "Inactive Well" status. Any request for such a six (6) month extension of the well's "Inactive Well" status shall be accompanied by a new "Inactive Well Status Report" (Form No. 9-A) indicating thereon that it is a request for an extension of a previously filed form. The request shall also be accompanied by information acceptable to the Supervisor concerning the reasons for the request (i.e. proof of the well's future utility, etc.) Any further extension of "Inactive Well" status beyond the one extension that may be granted at the discretion of the Supervisor may be granted only by the Board after notice and hearing and, if granted, may be for such period as the Board, in its discretion, deems appropriate. Any well granted "Inactive Well" status must continue to be reported on Form No. OGB 9-12-15-Z showing the date of last production or the date the well ceased to be used as a service well, together with a notation showing the well is carried on Form No. 9-A, "Inactive Well Status Report" until the well is plugged and abandoned.

b. The "Inactive Well Status Report" shall list the field, well name, well number and other pertinent data and provide an appropriate column to classify such well as having either (1) future utility, or (2) no future utility. If the well is classified as having future utility, the operator shall specify such utility by completing the appropriate column on the form. Wells so classified shall be reviewed periodically by the Supervisor who, at his discretion, may require an operator to supply additional information to justify the classification.

c. All such wells classified on the "Inactive Well Status Report" (Form No. 9-A) by either the operator or the Supervisor as having no future utility shall be plugged within one hundred twenty (120) days from the date of such classification unless an extension of time is otherwise granted by the Supervisor.

d. Notwithstanding anything above to the contrary, all such wells within designated secondary and tertiary recovery projects do not have to be reported on the "Inactive Well Status Report" if the designated secondary or tertiary recovery project is listed on the Form No. OGB 9-12-15-Z beside each inactive well reported therein.

### **3. Administrative Interpretation**

For purposes of administering the heretofore mentioned paragraphs, it is understood that:

a. A wellbore which is completed in more than one common source of supply (multiple completions) shall not be considered as ceasing to produce and shall not be reported on the "Inactive Well Status Report" as long as there is production from or operations in any completion in the wellbore.

- b. Failure to file the semiannual "Inactive Well Status Report" and to indicate the date the well was last produced or utilized may subject the well to immediate plugging.
- c. Any interested party at any time shall have the right to review by the Board upon notice and hearing with respect to the administration of any provision hereof.
- d. A designated secondary or tertiary recovery project shall be considered to be a fieldwide unit approved by the Board for operation pursuant to Mississippi Code Annotated Section 53-3-100, et seq., and which is currently being operated under Special Field Rules which provide for secondary recovery, pressure maintenance, cycling operations, water flood, tertiary recovery, or any combination thereof.

## B. Procedure For Plugging

Plugging shall be in accordance with the permit issued as provided for in the preceding rule and unless the permit or Form No. 6 sets forth the method and procedure of plugging the well, the following shall be applicable:

1. With reference to the following, mud shall mean a mud fluid or weighted salt water fluid of sufficient weight to offset the hydrostatic pressure of any of the formations penetrated and cement shall mean cement or a proper cement-admix recognized by and of accepted use in industry.
2. All uncased holes shall be plugged in the following manner. The hole shall be filled with mud, and cement plugs of not less than one hundred (100) feet in length shall be placed to protect each producible pool and a cement plug must be placed approximately fifty (50) feet below all freshwater-bearing strata, together with additional cement plugs to properly protect all uncased freshwater-bearing sands. Further, a cement plug of not less than one hundred (100) feet shall be placed at the bottom of the surface pipe and a plug shall be placed at the surface of the ground in a manner as not to interfere with soil cultivation.
3. All wells in which production casing has been set shall be plugged as follows:
  - a. If the production casing is not to be immediately pulled, a cement or bridging plug shall be placed near the bottom of the casing string and in such position as to protect any producible pool, and the top of the hole shall be properly capped in order to prevent the intrusion of foreign material into the well.
  - b. Where the production casing is to be pulled, a cement or bridge plug shall be placed near the bottom of the production string so as to properly protect any producible pool and the hole filled with mud up to the point where the production casing is severed. The hole shall be filled with mud and a cement plug of not less than one hundred (100) feet in length shall be placed at approximately fifty (50) feet below all freshwater-bearing strata, together with additional cement plugs to properly protect all uncased freshwater-bearing sands. Further, a cement plug of not less than one hundred (100) feet shall be placed at the bottom of the surface pipe and a plug shall be placed at the surface of the ground in a manner as not to interfere with soil cultivation.
  - c. The operator shall have the option as to the method of placing cement or cement-admix in the hole by (1) dump bailer, (2) pumping through tubing, casing, or drill pipe, (3) pump and plug, or (4) other method approved by the Board.
  - d. Within thirty (30) days after the plugging of any well, the owner, operator, or producer responsible therefor who plugged, or caused to be plugged, the well shall file an affidavit on Form No. 7 with the Board, setting forth in detail the method used in plugging the well and a record of any casing removed.



**RULE 29. PLUGGING SEISMIC SHOT HOLES, CORE DRILLED HOLES, AND STRATIGRAPHIC TESTS**

Before any hole is abandoned which was drilled for seismic, core, and other exploratory purposes, and which penetrated below all freshwater strata, it shall be the duty of the owner or driller of any such hole to plug it in such manner as to protect properly all freshwater-bearing strata and to file with the Board within sixty (60) days after the plugging well, on Form No. 7, a record of the manner in which the well was plugged to protect the freshwater-bearing strata.

**RULE 30. PLUGGING TO PERMIT USE OF FRESHWATER**

When any well to be plugged may safely be used as a freshwater well and such utilization is desired by the landowner, the well need not be filled above the required sealing plug set below freshwater; provided that written authority for such use is secured from the landowner and filed with the Board.

## **RULE 31. PERMITS-CASING PULLERS AND BONDS, TANK CLEANERS**

(a) Before any person shall hereafter engage in the business of pulling casing from any oil or gas well in this state for compensation, or shall hereafter engage in the business of purchasing abandoned wells, with intention of salvaging casing therefrom, such person shall apply for and obtain from the Board a permit to engage in such business. Before the Board shall issue any such permit, such person shall be required to file with the Board a bond executed by such person, as principal, and some surety company satisfactory to the Board as surety in the principal sum of \$10,000.00 conditioned that such sum shall be paid the State of Mississippi for the use and benefit of the Board, in the event the principal shall fail to plug an oil or gas well from which

the principal pulls casing in the state without complying with the rules of the Board.

The Board shall issue said permits for a term not less than one (1) year, nor more than three (3) years, and the bond shall be for a term co-extensive with the term of the permit. No permit shall be transferable.

The Board shall revoke the permit of any person if, after notice and hearing, it is ascertained by the Board that such person has failed to comply with the statutes of the state, or the rules and regulations of the Board.

(b) Before any person shall engage in the business of removing tank sediments from storage tanks, he must apply on Form No. 16 for a permit to clean each separate tank and shall file Form No. 8, Certificate of Compliance, in order to sell the reclaimed oil or residue.

## **RULE 32. REGULATION OF PRODUCTION**

As soon as practicable, the production of oil and gas in all common sources of supply will be controlled or regulated as the facts may warrant, as provided for in Chapter 256 of Laws of 1948. The Board on its own motion may, or at the request of any interested party shall, call hearings to determine the maximum efficient rate at which the several pools in the state can produce oil and gas without waste.

### **RULE 33. ALLOWABLE HEARINGS**

Except in those fields where special rules provide otherwise, hearings to establish or change the allowable production of oil in any field shall be held whenever called by order of this Board and also whenever any interested party may petition the Board for such a hearing; provided, however, that no such hearing for such purpose shall be held until at least thirty (30) days' notice.

Hearings to establish allowable production of gas shall be held semi-annually.

## **RULE 34. RATE OF OIL AND GAS PRODUCTION**

**A. Oil:** The daily oil allowable per drilling unit, as determined by the Board, must be produced on a monthly basis from the well to which said allowable is allocated, and in the event the well does not have the capacity to produce its total allowable, then it may produce such amount of oil less than its allowable that it is able to produce.

No oil well shall produce during any 24-hour period more than twice its daily allowable except during prescribed testing periods. In recognition of the difficulty of producing the allowable to the exact number of barrels, the allowable production may be exceeded for any month by an amount equal to not more than three (3) days' allowable production, provided that the cumulative amount of such excess production shall not exceed three (3) days' current allowable production at the end of any month.

**B. Gas:** The Mississippi State Oil and Gas Board shall set the maximum allowable gas withdrawal rates from each gas-producing pool. The allocation of allowables to all wells in a nonassociated gas pool will be determined from the maximum efficient rate of production from such pool as established by the State Oil and Gas Board, after notice and hearing, whether called by order of this Board or upon petition filed by any interested party. It is the intent and purpose of this rule to permit each and every gas pool in the state to be produced up to its maximum efficient rate of production, subject to the prohibition of waste and the protection of the co-equal and correlative rights of the owners of a common source of supply.

Semi-annual gas deliverability tests will be made by the operator of each gas well as required by Statewide Rule 41. Opportunity to witness the deliverability tests must be given to the State Oil and Gas Board by filing written notice with the Board at least five (5) days in advance of the testing. The results of these tests shall be furnished the Board on Form No. 4-A on or before February 20 and on or before August 20 of each year. Semi-annual gas allowables will be established for each gas well each March and September taking into consideration (1) the rate at which each gas pool can be efficiently produced as determined from deliverability tests, and (2) all other facts that are pertinent for the purpose of preventing waste and protecting correlative rights of owners. No well shall produce at a rate higher than its maximum efficient rate. Allowables less than the maximum deliverability may be assigned by the State Oil and Gas Board.

An operator completing a new gas well or placing an old well on production after recompletion, rework, or stimulation shall test the well and file the results of such test with the Board on Form No. 4-A and obtain a temporary allowable prior to producing said well for any purpose other than the well test. The well will be assigned a new allowable on the next gas allowable schedule.

The daily gas allowable allocated to a gas producing unit may not be transferred to another gas producing unit. In the event the well does not have the capacity to produce its total allowable, then it may produce such amount of gas less than its allowable that it is able to produce.

In addition to the allowable assigned each gas well in each pool in the field, it shall be permitted to produce that quantity of gas necessary for use as fuel and light in lease operations in the field.

Any gas well whose cumulative production status is below the cumulative allowable for such well in any pool on the last day of March of any year, as shown by the Production Status Report prepared during the month of May covering production through the month of March of each year, shall have the next ensuing six (6) months, beginning April 1 of each year, in which to produce such cumulated underproduction in addition to its regular monthly allowables. At the end of such six (6) months' makeup period, any cumulative underproduction which has not been made up shall be cancelled.

In making up such underproduction, no well shall be produced at a rate in excess of the amount shown on the latest deliverability test filed with the Board for said well, or produced in such manner that waste is occasioned thereby or that may be detrimental to the well or the pool or field as a whole.

In like manner, any gas well whose cumulative production status is in excess of the cumulative allowables for such well on the last day of March of any year, as shown by the Production Status Report prepared during the month of May covering production through the month of March of each year, shall cut its production for the next ensuing six (6) months, beginning April 1 of each year, below the regular monthly allowables so as to bring its

production in balance with its allowables at the end of such makeup period. If, however, such overproduction is not made up by the end of such makeup period, effective December 1 of each year, the well shall be closed in until all overproduction is in balance with the allowed production.

When a well's overproduction or underproduction equals three (3) times its current monthly allowable, the Board may, after notice and hearing, take such action as it deems necessary and proper to protect the co-equal and correlative rights of producers and owners in the field.

Upon proper showing of emergency contemplated in and provided by Section 53-1-23, Mississippi Code of 1972, the Board may, without notice and hearing, by entry of appropriate emergency order, increase, decrease, suspend, or eliminate the allowable assigned to a well or pool, taking such action in connection therewith as it deems necessary and proper to protect the co-equal and correlative rights of producers and owners in the field and to prevent waste.

## **RULE 35. ADJUSTED OIL WELL ALLOWABLE**

(a) If a newly completed oil well comes into production during any allowable period, or if any oil well is placed back into production after having been removed from the allowable schedule, such well may produce, during the remainder of such allowable period, only an allowable equivalent to that assigned, for the remainder of such allowable period, to any regular allowable unit in the field; provided, however, if such well is located on a unit smaller than the regular drilling unit prescribed by the Board for the field, such well shall be permitted to produce during the remainder of such allowable period, only that proportion of the allowable assigned, for the remainder of such allowable period, to such a regular allowable unit as the acreage in the smaller unit bears to the acreage in a regular allowable unit. The Board reserves the right to adjust such allowable, and, if such allowable is reduced, to charge the overproduction against the future production of such well.

(b) Pending the fixing of the maximum efficient rate of production for an oil well completed in a non-allocated pool, unless the Board, after notice and hearing, either heretofore or hereafter, expressly finds that allowables shall not be imposed on a particular pool, the allowable shall be based upon the depth of the completion zone and shall be as follows:

### **Depth Maximum Allowable**

0 - 7,000 feet 150 BOPD

7,000 - 8,000 feet 200 BOPD

8,000 - 9,000 feet 250 BOPD

9,000 - 10,000 feet 300 BOPD

10,000 - 12,000 feet 350 BOPD

12,000 - 14,000 feet 400 BOPD

Below - 14,000 feet 500 BOPD

However, in order to prevent waste and protect co-equal and correlative rights of all parties, the depth of the zone in which the discovery well of a pool is completed shall be used in determining the depth allowable of additional wells in that pool until an MER is established by the Board after notice and hearing.



**RULE 36. CANCELLATION OF OIL ALLOWABLE**

When any oil well shall go off production for any reason and as a result thereof becomes incapable of producing its allowable for any monthly period, or when any oil well becomes incapable of producing its full daily allowable on a monthly basis, same shall be reported to the Board within ten (10) days and a letter of cancellation or adjustment of allowable for that well shall be issued to the operator, a copy thereof to be mailed to the transporter.

## **RULE 37. CERTIFICATE OF COMPLIANCE**

(a) Each producer or operator of any well shall execute under oath, in triplicate, and file with the Board a "Producer's Certificate of Compliance and Authorization to Transport," Form No. 8, for each well.

(b) Whenever there shall occur a change in operating ownership of any drilling unit within the state, or whenever there shall occur a change of transporter from any drilling unit within the state, or there shall occur a change in the producing pool, a new Form No. 8 shall be executed and filed in accordance with the instruction appearing on such form, except that in the case of temporary change in transporter involving less than the production of one (1) month, the producer may, in lieu of filing a new certificate, notify the Board and the transporter then authorized by certificate on file with the Board, by letter, of the estimated amount to be moved by the temporary transporter and the name of such temporary transporter, and a copy of such notice shall also be furnished such temporary transporter.

(c) In no instance shall the temporary transporter move any greater quantity than the estimated amount shown in said notice.

(d) The certificate, when properly executed and approved by the Board, shall constitute authorization to the pipeline or other transporter to transport from the drilling unit named therein; provided this section shall not prevent the production or transportation in order to prevent waste, pending execution and approval of said certificate. Permission for the transportation of such production shall be granted in writing to the producer and transporter at the discretion of the Board.

(e) The certificate shall remain in force and effect until:

1. The operating ownership of the drilling unit changes, or
2. The transporter is changed, or
3. The producing pool is changed, or
4. The permit is cancelled by the Board.

**RULE 38. BOTTOM HOLE PRESSURE TESTS**

The Board may require bottom hole pressure surveys of the pools within the state at such times as it may designate, and such surveys shall be reported to the Board.

## **RULE 39. REPORT OF WELL STATUS**

Each producer or operator of an oil or gas well shall furnish for each month a "Monthly Individual Well Status Report," setting forth complete information and data indicated thereon. Such report for each month shall be prepared and filed, according to the instructions on Form No. OGB 9-12-15-Z, on or before the first day of the second month following the month during which the production was made.

## **RULE 40. GAS-OIL RATIOS**

Any oil well producing with a gas-oil ratio in excess of two thousand (2000) cubic feet of gas per barrel of oil produced shall be allowed to produce daily only that volume of gas obtained by multiplying the normal unpenalized daily oil allowable by two thousand (2000) cubic feet. The gas volume thus obtained shall be known as the daily gas limit of such well. The daily oil allowable of such well shall then be determined by dividing its daily gas limit, obtained as herein provided, by its producing gas-oil ratio in cubic feet per barrel of oil produced.

## **RULE 41. DELIVERABILITY AND ROUTINE PRODUCTION TESTS**

(a) A deliverability test of each producing gas well shall be made in conformity with schedules issued by the Board. Such test shall be an actual test to determine whether or not the well is capable of producing efficiently any allowable that may reasonably be expected to be assigned to it, and, if the well is not found to be capable, then the test shall determine the maximum rate at which the well may efficiently be produced. The method of testing used shall be one acceptable to the Board. A report of each test so required shall be furnished to the Board upon Form No. 4-A within fifteen (15) days after the test is completed. Any operator may make such additional deliverability tests at any time and report such tests to the Board in the same manner as required tests are reported. Deliverability shall be determined by the latest test information furnished to the Board.

(b) Each oil well and each oil completion of a multiple-completed well shall be tested by the Operator once during each calendar month during each calendar year in a calibrated stocked tank.

## **RULE 42. PRODUCER'S MONTHLY REPORT**

Each operator or producer of oil or gas shall furnish for each month a "Producer's Monthly Report," setting forth complete information and data indicated thereon. Such report for each month shall be prepared and filed with the Board on Form No. OGB 9-12-15-Z, according to the instructions on said form, on or before the first day of the second month following the month during which the production was made.

### **RULE 43. TAKER'S REPORT OF GAS**

All gas produced from gas wells within the state which is taken into a fuel system, transmission system or other system (except gas taken into a gasoline cycling or other extraction plant gathering system which is required to be represented on the "Gasoline or Other Extraction Plant Monthly Report," Form No. 11) shall be reported monthly on Form No. 12, "Monthly Gas Report," by the person taking such gas from the well. Such report shall be filed on or before the first day of the second month following the month during which the production was made. Casinghead gas taken from the lease shall be reported by the taker on said Form No. 12.



**RULE 44. PLANT PROJECTS, CYCLING PLANTS, ETC.**

No pressure maintenance plant, cycling plant, gas-return plant, salt water disposal system, or similar plant or project shall operate until authorized by the Board after notice and hearing.

## **RULE 45. WASTE BY POLLUTION OF AIR, SURFACE WATERS AND SOILS PROHIBITED**

### **I. Scope and Policy:**

Pursuant to Chapter 301, General Laws of 1970, these rules and regulations are hereby promulgated to prevent waste by pollution of air, fresh waters and soils. These rules shall be effective throughout the State of Mississippi and are for the purpose of prevention of waste by pollution of air, fresh waters and soils.

### **II. Definitions:**

A. Fresh water for the purpose of administering of these rules and regulations shall mean surface or subsurface water in its natural state useful for domestic, livestock, irrigation, industrial, municipal, and recreational purposes.

B. Soil shall mean any substance on which trees, grass, crops, or other vegetation may grow, down to not less than the depth of the water table.

C. Fresh water stratum shall mean a stratum from which fresh water may be produced in known sufficient quantities and at a cost making its use feasible as fresh water.

D. Deleterious substance shall mean any chemical, salt water, oil field brine, waste oil, waste emulsified oil, basic sediment, and injurious substances produced or used in the drilling, development, producing, refining, and processing of oil, gas, sulphur, and other minerals.

### **III. Prevention and Elimination of Waste by Pollution:**

A. Waste by pollution of air, fresh waters, and soils is prohibited as hereinafter set out.

B. Crude oil, waste oil, oil sludge, oil-water emulsion, or oil-bearing mixtures of any kind, and all other liquid, gaseous, solid, radioactive, or other deleterious substances which may pollute or tend to pollute the air, soils, or any waters of the state shall be disposed of in such a manner as to prevent, eliminate or reduce waste by pollution to acceptable levels.

C. All produced gas recovered at separators, heater-treaters, storage tanks, or similar separation vessels not sold, used as fuel, or serving any other useful purpose, that is being vented and the emissions exceed applicable standards, shall be flared through a flare stack, with a permanent pilot, if necessary, to insure continuous burning, or processed in a manner so that emissions do not exceed applicable standards. Flare stacks shall extend no less than six (6) feet above ground level and shall be located no less than one hundred (100) feet from all well locations, vessels handling or storing crude oil, or other combustible substances, or any other potential fire hazard.

D. All produced non-combustible gas recovered at separators, heater-treaters, storage tanks, or similar separation vessels, such as carbon dioxide (CO<sub>2</sub>), etc., which is not being used for a useful purpose, in lieu of flaring shall be returned to the subsurface stratum from which it was originally produced or to a stratum approved by the Supervisor if emissions to the atmosphere would exceed applicable standards.

### **E. Earthen Pits:**

1. The use of earthen pits shall be phased out and discontinued except as hereinafter provided. All earthen pits abandoned during the three (3) years prior to the adoption of this Rule by the Mississippi State Oil and Gas Board shall be emptied of fluids, in a manner that will not violate water quality standards, backfilled, leveled and compacted by January 1, 1978. All other earthen pits upon abandonment or at the time of the expiration of a valid permit or extension thereof covering same, shall immediately be emptied of all fluids, backfilled, leveled and compacted. These provisions do not apply to any earthen pit which has been abandoned and not in use for more than three (3) years prior to the adoption of this Rule by the State Oil and Gas Board.

Penalties as provided for in Section 53-1-47 of the Mississippi Code of 1972 may be assessed for using any earthen pit without a valid permit issued by the Supervisor of the State Oil and Gas Board being currently in

effect.

2. The Supervisor of the State Oil and Gas Board may issue permits for the use of certain earthen pits, but no permit shall be valid for a period of more than two (2) years from the date of issuance, unless renewed by the Supervisor. Regardless of the type of permit issued, it must be renewed at least every two (2) years, or more often if so stated on the permit, or provided for by the Rules and Regulations promulgated by this Board.

A general plan for disposal of pit contents shall accompany the application for any pit permit including a drilling reserve pit.

All permits now in existence issued by the Supervisor for the use of earthen pits shall expire within two (2) years from the date of the adoption of this rule by the State Oil and Gas Board, unless so provided otherwise, and must then be renewed by the Supervisor.

The Supervisor of the State Oil and Gas Board may issue a permit for the construction of certain earthen pits. Permits may be issued for five (5) types of earthen pits, as follows:

#### Temporary Salt Water Storage Pits:

This type of pit is temporary and is permitted only if no other means of storing or disposing of salt water is available. For example, a new discovery well might be located in an area remote from possible salt water disposal wells.

#### Emergency Pits:

This type of earthen pit is intended for emergency conditions, including the rupture or failure of other facilities.

#### Burn Pits:

This type of pit is intended for use as a place to burn tank bottoms and other refuse products that cannot be handled practicably in any other way.

#### Well Test Pits:

This type of pit is contemplated as a small pit used to test a producing well for a short period of time.

#### Drilling Reserve Pits (Mud Pits):

A special permit is not required for Drilling Reserve Pits, because an approved Form No. 2 (Permit to Drill) constitutes the permit for the Drilling Reserve Pits. This type of pit is subject to strict stipulations as to backfilling when drilling is completed. (See below).

3. The following conditions govern Temporary Salt Water Storage Pits:

(a) The pit shall be lined with an impervious material acceptable to the Supervisor or his field representative and so constructed that salt water stored will not cause waste by pollution of fresh waters or contamination of soils beyond the confines of the pit. The pit shall be protected from surface waters by dikes and by drainage ditches, where needed, and no siphons or openings shall be placed in the walls or dikes.

(b) A representative of the State Oil and Gas Board must be given an opportunity to inspect a pit prior to use.

(c) The fluid level shall never rise to within one (1) foot of the top of the pit walls or dikes and shall be kept below this level by emptying the pit of fluids in a manner compatible with Section III-E-9.

(d) Only produced water shall be intentionally placed in the pit. Such water shall contain no more than the traces of oil remaining after separation with normal field facilities.

(e) The pit shall be identified with a sign (minimum of one (1) foot square) placed conspicuously near the pit containing the name of the operator, the location of the pit (section, township, range, and county), and the

permit number issued by the Supervisor.

(f) When the use of the pit is to be discontinued, the Supervisor shall be notified in writing. When abandoned, the pit shall be emptied of fluids, backfilled, leveled and compacted.

4. The following conditions govern Emergency Pits:

(a) The pit shall be protected from surface waters by dikes and by drainage ditches, where needed, and no siphons or openings shall be placed in the walls or dikes that would permit the escaping of the contents of the pit so as to cause waste, pollution or contamination.

(b) A representative of the State Oil and Gas Board must be given an opportunity to inspect a pit prior to use.

(c) The fluid level shall never rise to within one (1) foot of the top of the pit walls or dikes.

(d) No produced water shall be intentionally placed in the pit except as provided in (g) below. Its intended use is for emergencies only.

(e) The pit shall be identified with a sign (minimum of one (1) foot square) placed conspicuously near the pit containing the name of the operator, the location of the pit (section, township, range, and county), and the permit number issued by the Supervisor.

(f) When the use of the pit is to be discontinued, the Supervisor shall be notified in writing. When abandoned, the pit shall be emptied of fluids, backfilled, leveled and compacted.

(g) Said pits may be used in the event of a salt water disposal or water injection system failure, but each such use shall not exceed a period of sixty (60) days. The operator shall advise the Supervisor or his field representative within seventy-two (72) hours after commencement and completion of such emergency use. Within two (2) weeks after the emergency period, the pit shall be emptied so as to contain not more than two (2) feet of water and inspected by a representative of the State Oil and Gas Board for future emergency use.

5. The following conditions govern Burn Pits:

(a) Shall be constructed in such a manner as to limit fire hazard to a minimum, and in no case shall they be located less than one hundred (100) feet from a well location, tank battery, separator, heater-treater, or any and all other equipment that may present a fire hazard.

(b) Shall be constructed so as to prevent the escape of any of the contents and to prevent waste, pollution or contamination of fresh water, either surface or subsurface, or soils or property beyond the confines of the pit.

(c) Shall have a continuous embankment surrounding the pit sufficiently above the surface to prevent surface water from running into the pit.

(d) The pit shall be identified with a sign (minimum of one (1) foot square) placed conspicuously near the pit containing the name of the operator, the location of the pit (section, township, range, and county), and the permit number issued by the Supervisor.

(e) A representative of the State Oil and Gas Board must be given an opportunity to inspect a pit prior to use.

(f) Any burning process shall be carried out in conformance with the Mississippi Air Quality Regulations. Notification, as required by said regulations, shall be made to the Mississippi State Oil and Gas Board.

(g) No brine-water, radioactive material, except industry-accepted and license-approved radioactive material utilized in oil field operations, and radioactive material naturally occurring in the produced fluids, or other noncombustible waste products shall be placed in the pit, except water or emulsion which may be associated with crude oil swabbed or otherwise produced during test operations, or during tank cleaning operations.

(h) The fluid level shall never rise to within two (2) feet of the top of the pit walls or dikes.

(i) When a pit is to be abandoned, the Supervisor shall be notified in writing. When abandoned, the pit shall be emptied of fluids, backfilled, leveled and compacted.

(j) In between uses as a burn pit, the fluid level shall be kept at a suitable low level by periodically emptying the pit fluids in a manner compatible with Section III-E-9 (below).

6. The following conditions govern Well Test Pits:

(a) Shall be constructed in such a manner as to limit fire hazard to a minimum, and in no case shall they be located less than one hundred (100) feet from a well location, tank battery,

separator, heater-treater, or any and all other equipment that may present a fire hazard.

(b) Shall be constructed so as to prevent the escape of any of the contents and to prevent waste, pollution or contamination of fresh water, either surface or subsurface, or soils or property beyond the confines of the pit.

(c) Shall have a continuous embankment surrounding the pit sufficiently above the surface to prevent surface water from running into the pit.

(d) The pit shall be identified with a sign (minimum of one (1) foot square) placed conspicuously near the pit containing the name of the operator, the location of the pit (section, township, range, and county), and the permit number issued by the Supervisor.

(e) A representative of the State Oil and Gas Board must be given an opportunity to inspect a pit prior to use.

(f) Any burning process shall be carried out in conformance with the Mississippi Air Quality Regulations. Notifications, as required by said regulations, shall be made to the Mississippi State Oil and Gas Board.

(g) The fluid level shall never rise to within two (2) feet of the top of the pit walls or dikes.

(h) When a pit is to be abandoned, the Supervisor shall be notified in writing. When abandoned, the pit shall be emptied of fluids, backfilled, leveled and compacted.

7. Conditions Governing Reserve Pits for Drilling Operations:

(a) Mud Pits used in connection with drilling operations shall be sited and constructed so as to prevent the escape of any of the pit contents.

(b) The pit shall be protected from surface waters by dikes and drainage ditches.

(c) No siphons or openings shall be placed in the walls or dikes that would permit the escaping of the pit contents.

(d) The fluid level shall never rise to within two (2) feet of the top of the pit walls or dikes.

(e) Upon completion of drilling operations, mud pits shall be emptied of fluids, backfilled, leveled and compacted within three (3) months. Extensions may be granted by the Supervisor where warranted.

(f) Pit fluids may be discharged to the land surface and/or streams, after notifying the Oil and Gas Board field representative, if mud contents meet the criteria below and proper approval is secured from the Department of Natural Resources:

Chlorides 500 mg/l or less

PH Between 6.0 and 9.0

Suspended Solids 100 mg/l or less

Specific Conductance 1000 Micromhos/cm or less

COD 250 mg/l or less

Zinc 5.0 mg/l or less

Chromium (total) 0.5 mg/l or less

Phenol 0.1 mg/l or less

(g) Mud Pits may be used as well test pits upon compliance with Section 6, above, and with the concurrence of the field representative of the Oil and Gas Board.

#### 8. Revocation of Pit Permits:

Should the Supervisor of the State Oil and Gas Board determine that the continued operation of a pit or pits would result in waste by pollution of fresh water or water courses, or contamination of soils outside the confines thereof, he may prohibit further use of the pit or pits until the conditions causing or likely to cause such waste by such pollution have been corrected. If corrective measures are not satisfactorily completed within thirty (30) days, the Supervisor may revoke the pit permit. Penalties as provided for in Section 53-1-47 of the Mississippi Code of 1972 may be assessed.

When a pit permit is revoked, the pit shall be emptied of fluids within two (2) weeks and backfilled, leveled, and compacted within thirty (30) days or additional penalties may be assessed.

#### 9. Disposal During Drilling Operations:

Drilling muds and fluids and other waste products and deleterious substances used in conjunction with drilling operations may be disposed of by injection into sub-surface strata containing a dissolved solids content greater than 10,000 ppm, or as approved by the Supervisor, and void of oil, gas and fresh water, during the progress of or following drilling operations only, provided authorization is granted by the Supervisor of the State Oil and Gas Board.

#### 10. Waiver of Pit Backfilling Requirements:

In those instances wherein the owner of the surface lands and the operator of a producing well, an abandoned well, or a drilled well have reached agreement for payment in lieu of restoration of the premises, and when in such cases it is established that all potential contaminants have been removed, leaving only the earthen pit, then after examination by a representative of the State Oil and Gas Board, the Supervisor of said Board is authorized to waive requirements for backfilling and compacting upon receipt by the Supervisor of an agreement executed by the surface owner(s) assuming all responsibility and liability for the pit.

#### F. Impervious Containers:

Impervious containers shall be used in lieu of pits in areas where it is impossible or impractical to construct a pit, or to protect waters used for public water supply, shellfish harvesting, recreation, or fish and wildlife. Where impervious containers are used, the contents shall be removed and properly disposed of within ninety (90) days following usage.

#### G. Penalty.

Any operator failing to comply with the provisions of this rule shall be subject to the penalty provided for violation of the rules of the Oil and Gas Board.

#### IV. Suspension of Operations:

Should the Supervisor of the State Oil and Gas Board determine that the continued operation of a well, wells or associated treating, handling or storage facilities would cause waste, pollution or contamination of air, surface water, a USDW or soils, he will immediately prohibit further operation of the well, wells or associated facilities and may suspend the operator's Certificate of Compliance (Form 8) to transport oil, gas or other products until such time as it is determined by the Supervisor that the operator is in compliance with all rules and regulations

of the Board.

#### V. Validity:

Should any section, subsection or other provision of this rule be declared by a court of competent jurisdiction to be invalid, that decision shall not affect the validity of the rule as a whole or any part thereof, other than the part so declared to be invalid, this Board hereby declaring that it would have adopted those parts of this rule which are valid and omitted any parts which may be invalid, if it had known that such part or parts were invalid at the time of the adoption of this rule.

## **RULE 46. EXTRACTION PLANT REPORTS**

Each operator of a gasoline plant, cycling plant or any other plant at which gasoline, butane, propane, condensate, kerosene, oil or other liquid products are extracted from gas within the state shall furnish for each calendar month a "Gasoline or Other Extraction Plant Monthly Report," Form No. 11, containing the information indicated by such form respecting gas and products involved in the operation of each plant during each month.

Such reports for each month shall be prepared and filed, according to instructions on the form, on or before the first day of the second month following the month during which the production was made.



## **RULE 47. FLUID INJECTION REPORTS**

Every person injecting gas or fluid into the earth shall make a monthly report to the Board on Form No. 14, provided by the Board, showing the quantities of all oil, gas and water injected during the month covered by the report, the injection pressure and injection rate for each injection well, and identifying the underground reservoir or reservoirs into which the injection is made.

In addition, those injection wells operating pursuant to Subsection 63(7)(B) shall also report the tubing-casing annulus pressure.

Such reports for each month shall be prepared and filed according to instructions on the form on or before the first day of the second month following the month for which the report is being filed.

**RULE 48. RATABLE TAKE**

Each person now or hereafter engaged in the business of purchasing oil or gas from owners, operators, or producers shall purchase without discrimination in favor of one owner, operator, or producer against another in the same common source of supply.

## **RULE 49. LEGAL STOCK**

Each producer or operator is prohibited from delivering illegal oil to any transporter, and each transporter is prohibited from removing any illegal oil. Each transporter shall maintain necessary records of lease allowables and quantities of oil removed from the leases to which he is connected, whereby he can determine the calculated quantity of legal oil on hand at the close of each calendar month with respect to such leases. The calculated quantity of legal oil on hand with respect to any lease shall be determined for each succeeding month by adding to the quantity of legally produced oil on hand at the first of the month, the scheduled allowable quantity of oil for the respective lease for the current month, as established by the Board, less the quantity of oil removed from the respective lease tanks during the current month. If the calculated balance so determined is less than the actual gauged quantity on hand as reported in "Producer's Monthly Report," Form No. OGB 9-12-15-Z, the transporter shall not remove during the month any oil in excess of the calculated legal balance so established plus the allowable for the month. If the actual quantity of oil on hand with respect to a particular lease equals or is less than the quantity of legal oil established by the above method, the transporter may remove any part of all of such quantity of oil during the current month. Where the actual quantity of oil on hand with respect to a particular lease is less than the calculated quantity of legal oil established by the above method, the transporter, in determining the quantity of legal oil for the next succeeding month, shall substitute the actual quantity on hand for the calculated quantity on hand.

Where there is more than one transporter moving oil from the same lease, the producer or operator and transporters are required to furnish to each other information as to the quantity of oil on hand, the quantity transported from lease tanks and any additional information necessary to establish to the satisfaction of each person involved the legal status of the oil produced.

Where transporter disconnects from a particular lease or ceases to remove oil therefrom and another transporter connects to such lease or begins to take oil therefrom, during a month, the transporter who ceases to take oil shall furnish the connecting transporter a certified statement, under oath, showing the legal quantity of oil on hand 7:00 A.M. the first day of such month, the scheduled allowable to the date disconnected, and the quantity of oil moved from the particular lease during the current month. In such case, the producer or operator shall furnish to the connecting transporter a certified statement, under oath, showing the lease stock on hand 7:00 A.M. the date of new connection. No connecting transporter shall move oil from any such lease until

after it shall have received such statements, except with the written permission of the Board.

In cases where crude oil is transported from lease to final destination by a combination haul, that is, truck and pipeline, the responsibility of securing the certificate of compliance and authorization to transport oil from lease shall be determined by which of the two carriers takes custody of the oil at the lease tankage. Custody of the oil shall have been accomplished when the transporter issues a receipt ticket for the oil at the lease tankage. The carrier issuing the receipt ticket at the lease tank shall be the carrier named in the certificate of compliance.

## **RULE 50. TRANSPORTER'S & STORER'S REPORT**

Each transporter of oil within the state shall furnish for each calendar month a "Transporter's and Storer's Monthly Report," Form No. 10, containing complete information and data indicated by such form respecting stocks of oil on hand and all movements of oil by pipe line, within the state, and all movements of oil by watercraft or by trucks or other conveyances except railroads, from leases to storers or refiners; between transporters within the state; between storers within the state; between refiners within the state; and between storers and refiners within the state. Each storer of oil within the state shall furnish for each calendar month a "Transporter's and Storer's Monthly Report," Form No. 10, containing complete information and data indicated by such form, respecting the storage of oil within the state. The Transporter's and Storer's Reports shall be filed on or before the first day of the second month following the month for which the report is being filed.

## **RULE 51. REFINER'S REPORT**

Each refiner of oil within the state shall furnish for each calendar month a "Refiner's Monthly Report," Form No. 13, containing the information and data indicated by such form respecting oil and products involved in such refiner's operations. Such report shall be filed on or before the first day of the second month following the month for which the report is being filed.

## **RULE 52. NOTICE TO TRANSPORTER OF VIOLATIONS**

The Board shall notify in writing any transporter of oil, gas or condensate of the failure of any producer or operator to comply with any Statewide or Special Field Rule and such transporter so notified shall refrain thereafter from transporting oil, gas or condensate from the property in question until notified in writing by the Board of such producer's or operator's compliance.

**RULE 53. SERVICE COMPANY REPORT**

When a service company, other than the drilling contractor, cements, perforates, or acidizes, either before or after completion of a well, the service company shall furnish the Board with legible exact copies of reports furnished the owner of the well.

The Board may require that it be furnished with copies of reports of other services performed.

## **RULE 54. ORGANIZATION REPORT**

Every person acting as principal or as agent for another or who is independently engaged in the production, storage, transportation (except by railroads), refining, reclaiming, treating, marketing, processing of, or scientific exploration for crude oil or natural gas shall immediately file on Form No. 1 under oath with the Board a statement giving the following information: The name under which such business is being operated or conducted; the name and post office address of such person and the business or businesses in which he is engaged; the plan or organization and, in case of a corporation, the law under which it is chartered; and the names, titles and post office addresses of the principal officers thereof, including the manager or agent, and the names and the post office addresses of all directors thereof; of a partnership, the names, titles and post office addresses of the partners.

Immediately after any change occurs as to facts stated in the report filed, a supplementary report, under oath, shall be filed with the Board with respect to such change. In any event, from and after the effective date of this rule, every person identified above shall file a Form 1 with current and accurate information on an annual basis and no less than one year from the date of the last Form 1 filed by such person. After the initial Form 1 is filed with the Board, annual filings thereafter may be made by indicating that the information on the previously filed form has not changed or by indicating only such information as has changed since the last form was filed. All such persons identified above who have previously filed a Form 1 shall file a new Form 1 within one year of the effective date of this rule and shall make annual filings thereafter in accordance with the provisions set forth above.



## **RULE 55. IDENTIFICATION OF FACILITIES**

Every person owning, operating or controlling any refinery, tank farm, cycling plant, repressuring or pressure maintenance facilities, extraction plant or pipeline pumping station shall, at all times, during the operation thereof, maintain on the premises near each such facility a sign, in reasonably large and clear lettering, showing the name of the person owning and operating such facility.

## **RULE 56. RECORDS**

All producers, transporters, storers, refiners, gasoline or other extraction plant operators and initial takers of gas within the state shall make and keep appropriate books and records covering their operations in the state from which they may be able to make and substantiate the reports required by the Board. Such books, records and copies of said reports and notices required by the Board shall be kept on file and available for inspection by the Board for a period of at least two (2) years.

## **RULE 57. ADOPTION OF FORMS**

The forms hereinafter listed and attached to these rules as exhibits 1 to 19 and Form Z, inclusive, are hereby adopted and made a part of these rules for all purposes and the same shall be used and the information required thereby shall be furnished as directed by the Board's rules in the giving of notice and in making of reports and requests to the Board, said amended forms being numbered and entitled as follows:

### **Form No. Title**

1 Organization Report

2 Application for Permit to Drill, Workover or Change Operator

3 Well Completion or Recompletion Report and Well Log

4-A Gas Well Deliverability Test

6 Notice of Intention to Plug and Abandon

6-a Application for Multiple Completion

6-b Packer Setting Report

6-c Packer Leakage Test

7 Plugging Record

8 Operator's Certificate of Compliance

and Authorization to Transport Oil or Gas from Drilling Unit

9-12-

15-Z Producer's Monthly Report for Oil & Gas Wells

10 Transporter's and Storer's Monthly Report

11 Gasoline Plant or Pressure Maintenance Plant

Monthly Report

12 Gas Purchaser's Monthly Report

13 Refiner's Monthly Report

14 Monthly Report on Fluids Injected

16 Permit to Clean Tank

17 Well Test Report

18 Application for Earthen Pit

19 Certificate of Compliance for

Hydrogen Sulfide Operations

Copies of printed forms will be supplied upon request.

**RULE 58. SPECIAL FIELD RULES NOT REVOKED**

The adoption of these rules shall not revoke any special field rules now in force and which are applicable to particular fields or pools.

## **RULE 59. REVOCATION OF PRIOR RULES**

Upon the effective date of these rules, all statewide rules now in force shall be revoked and these rules shall govern; provided, however, such revocation of rules heretofore in force shall not validate any prior violation.

The Board may, after notice and hearing, repeal, amend or supplement these statewide rules.

**RULE 60. EFFECTIVE DATE**

These rules and regulations shall be in full force and effect on and after January 1, 1952.

ORDERED this the 19th day of November, 1951.

STATE OIL AND GAS BOARD

/s/ James McClure, Chairman

## **RULE 61. FIREWALLS**

(a) Each permanent oil tank or battery of oil tanks now or hereafter located in the State of Mississippi, other than provided for in B and C below, must be surrounded by a dike (or firewall) or retaining wall of sufficient height and size so that the volume enclosed shall be equal to one hundred fifty (150) percent of the capacity of the largest tank in said battery; provided, however, that in such areas where such dikes (or firewalls) or retaining walls would be impractical or impossible to construct, and the operator has devised a plan which serves the same purposes, the Supervisor of the Oil and Gas Board may, upon proper written application, waive in whole or in part the requirement of the construction of such walls.

(b) In water, swamp or marsh areas where the building of firewalls is impractical or impossible, and the requirement thereof has been waived by the Supervisor upon proper written application, permanent tanks shall be placed on an impervious base and surrounded by an impervious gutter to catch all of the oil and other waste products which, upon escape, may cause a fire hazard or pollution. A sump shall be provided to catch the runoff from the gutters. Provided, however, if upon proper written application to the Supervisor, the operator has devised a plan which serves the same purposes, the Supervisor may, after being presented with said plan and approving same, waive this requirement in whole or in part.

(c) Tanks for the accumulation of liquid hydrocarbons not falling into the above categories (A and B above) and all facilities for the loading and transportation of liquid hydrocarbons by truck must be surrounded by a retaining wall or must be suitably ditched to a collecting sump, either to be of sufficient capacity to contain the potential spillage to prevent the possibility of pollution of surrounding areas.

(d) With respect to tank batteries and loading facilities existing on the effective date of this rule, the operator shall have a period of six (6) months from the effective date of this rule in which to comply with this rule.

## **RULE 62. STORAGE TANKS, SOUR CRUDE OIL**

On all storage tanks or batteries of storage tanks where there is stored, either permanently or temporarily, crude oil, distillate or condensate produced from an oil well or a gas well where any hydrogen sulphide (H<sub>2</sub>S) is produced in conjunction with the fluid such that the vapor or fumes from such liquid, when measured in the free gas space inside the tank, has a hydrogen sulphide (H<sub>2</sub>S) concentration in excess of twenty (20) ppm, as measured using a hydrogen sulphide (H<sub>2</sub>S) detection device of a type capable of measuring hydrogen sulphide concentrations ranging from zero (0) to fifty (50) ppm, the following safety provisions shall pertain, in addition to all other applicable statewide or special field rules:

- A. All access hatches to the tanks capable of being readily operable shall be kept closed securely at all times except when necessary for such hatches to be open for inspection and gauging.
- B. All stairways or ladders leading from ground level to the top of each of such tank or tanks shall have installed thereon a gateway or doorway permanently affixed in such a manner as to impede further ascent of such ladder or gangway to the top of such tank or tanks except through the open gate or door. The gateways or doorways shall be kept securely locked except when necessary to gauge or inspect such tanks.
- C. All fumes and vapor in such tank or tanks shall be suitably recovered in a vapor recovery unit or flared to the atmosphere. If flared to the atmosphere, fumes and vapor shall be flared through a flare stack with a permanent pilot attached thereon so that the emissions do not exceed applicable air quality standards.
- D. Vapor recovery units shall be suitably provided with standby facilities for flaring of fumes and vapors to the atmosphere in the event of an upset. Such standby venting and flaring facilities shall be the same as those provided for in Paragraph C above.
- E. A self-contained breathing apparatus shall be worn and used by all personnel passing through the gateway or doorway provided in Paragraph B above at all times while on the ladder or on top of the tank or tanks.
- F. All such storage tanks and the nearby surrounding area shall be conspicuously marked and posted in a manner advising of the presence of potentially lethal fumes and vapors.
- G. This rule shall take effect on and after July 1, 1971; provided, however, that owners and operators of existing installations shall have sixty (60) days from said date in which to comply with these rules without incurring any penalty.
- H. Penalty: Any person, firm or corporation willfully violating any of these rules and regulations shall be punished as provided by law.
- I. Provided, however, that storage tank or tanks within the boundaries of a petroleum refinery or petrochemical plant shall be exempt from the provisions of this rule.



## **RULE 63. UNDERGROUND INJECTION CONTROL**

### **Definitions**

Unless the context otherwise requires, the words hereinafter defined shall have the following meaning when found in this rule, to wit:

(a) "Area of review" means the area surrounding an injection well described according to the criteria set forth in EPA Underground Injection Control program regulations, 40 C.F.R. Section 146.06 (1984) or in the case of an area permit, the project area plus a circumscribing area the width of which is either 1/4 of a mile or a number calculated according to the criteria set forth in EPA Underground Injection Control program regulations, 40 C.F.R. Section 146.06 (1984).

(b) "Confining zone" means a geological formation, group of formations, or part of a formation that is capable of limiting fluid movement above an injection zone.

(c) "Exempted aquifer" means an aquifer or its portion that meets the criteria in the definition of "underground source of drinking water" but which has been exempted according to the procedures set forth in EPA Underground Injection Control program regulations, 40 C.F.R. Section 144.7(b) (1983).

(d) "Fluid" means material or substance which flows or moves whether in a semisolid, liquid sludge, gas, or any other form or state.

### **1. Prohibition of Unauthorized Injection**

A. Any underground injection, except as authorized by permit or rule issued under this Class II Program is prohibited. The construction or conversion of any well required to have a permit is prohibited until the permit is issued. Injection fluids authorized for injection under this Class II Program include those:

1) which are brought to the surface in connection with conventional oil and natural gas drilling and production and may be commingled with waste waters from gas processing plants which are an integral part of production operations, unless those fluids are classified as hazardous waste at the time of injection;

2) for enhanced recovery of oil and natural gas; and

3) for storage of hydrocarbons which are liquid at standard temperature and pressure.

B. Underground injection permits shall be issued only when the operator shows that there will be no endangerment of an underground source of drinking water.

1) Underground injection endangers drinking water sources if such injection may result in the presence of any contaminant in underground water, which supplies or can reasonably be expected to supply any public water system, and if the presence of such contaminant may result in such system's not complying with any

National Primary Drinking Water Regulation or may otherwise adversely affect the health of persons.

2) "Underground Source of Drinking Water (USDW)" shall mean an aquifer or its portion:

a) which currently supplies any public water system(s); or

b) which contains a sufficient quantity of ground water to supply a public water system; and

i) currently supplies drinking water for human consumption; or

ii) contains fewer than 10,000 mg/l total dissolved solids (10,000 ppm); and

**c) which is not an exempted aquifer.**

**C. Existing enhanced recovery injection, produced fluid disposal or liquid hydrocarbon storage wells operating under permits issued by the State Oil and Gas Board (Board) are authorized by rule and not required to reapply for a new permit. However, these wells are subject to the mechanical integrity, confinement of fluids, operating, monitoring and reporting, pressure limitation, casing, cementing, plugging and abandonment, and financial responsibility requirements of this rule (63) or Rule 64 as applicable. The State Oil and Gas Board can require that individual wells be permitted on a case by case basis.**

**D. The provisions and requirements of this rule shall apply to underground injection by Federal Agencies, State Agencies, or any other party, whether or not occurring on property owned or leased by the United States.**

## **E. Financial Responsibility**

### **1) New Permits**

**Upon the effective date of this rule, no new permit for an enhanced recovery injection well, produced fluid disposal well or liquid hydrocarbon storage well shall be issued to an operator until the requirements of this Sub-Part E (Financial Responsibility) are met.**

### **2) Existing Permits**

**All existing holders of permits issued by the Board for operation of enhanced recovery injection wells, produced fluid disposal wells or liquid hydrocarbon storage wells shall be required to show cause why the permit should not be revoked by the Board after notice and hearing, unless the holder of the permit meets the requirements of this Sub-Part E (Financial Responsibility) by May 31, 1989.**

### **3) Proof of Financial Responsibility**

**All applicants for enhanced recovery injection wells, produced fluid disposal wells or liquid hydrocarbon storage wells must submit evidence to assure that the resources necessary to close, plug and abandon the injection wells are available. This surety must be in a form approved by the Supervisor, and must provide assurance of financial responsibility in the amount of the total estimated plugging costs. If the surety is in the form of a Letter of Credit or Surety Bond, it shall be issued by a financial institution approved by the Supervisor. Evidence of financial responsibility accepted by the Board must be maintained by the operator on an annual basis.**

## **2. Notice and Hearing**

**A. The applicant shall give notice to all parties in interest and the surface owner, without having to name such parties or surface owner, (applicant shall identify and submit on a list with the Permit application, the names and addresses of all owners of record of land within the AOR), by publishing notice of the application in a newspaper of general circulation in this state and also in a newspaper of general circulation in the county where the well will be located and in the manner and form approved by the Board. If the application is for the initial application for fluid injection into a producing reservoir (pool), such notice by publication shall also be given to all operators of wells in the producing reservoir (pool) without having to name such operators. The applicant shall file proof of publication prior to the hearing or administrative approval. See Rules of Order and Procedure for Hearings Before Board.**

**B. A hearing shall be held on all applications provided, however, that where said application is not contested when called for hearing, then sworn affidavits, exhibits and Board forms may be received in evidence at the hearing as to the manner in which the injection well, or wells, which are the subject of the application, are to be completed and regardless of whether or not the Board has previously approved, after notice and hearing of witnesses, a similar application for the pool or field.**

**Applications requesting exceptions to this rule (63) shall require testimony before the Board to justify**

such exceptions. Any exception(s) granted and allowed by the Board after notice and hearing shall provide that the operator must show that such exception(s) shall not endanger any USDW.

### 3. Duration of Permits

A. Permits authorizing injection into enhanced recovery injection, produced fluid disposal and liquid hydrocarbon storage wells shall remain valid for the life of the well unless revoked by the Board for cause, after notice and hearing, or unless mechanical integrity is lost as prescribed in Part 7 of this rule (63). Loss of mechanical integrity will automatically suspend permit authorization. If mechanical integrity is not restored and a concurrent or subsequent mechanical integrity test passed within ninety (90) days, after written notice from the Supervisor, the operator shall be required to show cause at a hearing before the Board why the permit should not be cancelled and the well be plugged and abandoned in accordance with Part 10 of this rule (63).

B. A permit authorizing underground injection may be modified, revoked and re-issued after modifications, or cancelled during its term for cause after notice and hearing. This may be at the request of any interested person or at the Board's initiative. All requests shall be in writing and shall contain facts or reasons supporting the request.

C. A permit may be modified, revoked and re-issued, or terminated after notice and hearing, if:

- 1) there is a substantial change of conditions in the enhanced recovery injection, produced fluid disposal or liquid hydrocarbon storage operations, or there are substantial changes in the information originally furnished; or
- 2) information as to the permitted operation indicates that the cumulative effects on the environment are detrimental, such as endangerment of USDW's; or
- 3) there are violations of the terms and provisions of the permit; or
- 4) the operator has misrepresented any material facts during the permit issuance process.

### 4. Transfer of Permits

Permits authorizing enhanced recovery injection, produced fluid disposal or liquid hydrocarbon storage wells may be transferred from one operator to another, without notice and hearing, upon the filing of the Oil and Gas Board Form No. 2, Change of Operator, with the appropriate fee, proof of financial responsibility of new operator as stated in Part 1 (E)(3) of this rule (63), and approval by the Supervisor. All permit conditions shall apply to the new operator including financial responsibility as stated in Part 1(E) of this rule (63), and approval by the Supervisor. All permit conditions shall apply to the new operator.

### 5. Application Requirements (Individual Well or Project) for New Enhanced Recovery Injection or Produced Fluid Disposal Wells

(Note: liquid hydrocarbon storage well requirements are detailed in Rule 64).

[A new injection well is any well not presently permitted as a Class II Well, regardless of whether it has ever been permitted as such.]

A. The application for a new enhanced recovery injection or produced fluid disposal well shall be made on Oil and Gas Board Form No. 2 and the proposed plan of work attached, and which shall contain the following information:

- 1) name of operator, field name and well name and number, section, township and range;
- 2) geologic name, depth interval and lithologic description of the injection zone;
- 3) geologic name and lithologic description of the confining zone or zones and depth interval(s);

- 4) size, grade and length of all casing strings and amount, type and grade of cement used to cement each string in place and hole size;**
- 5) size, grade and length of tubing and packer setting depth;**
- 6) estimated average and maximum injection pressure;**
- 7) estimated average and maximum injection rate;**
- 8) source of the injected fluid, and an analysis of the injected fluid;**
- 9) depth and geologic name of the deepest underground source of drinking water in the field and all other underground sources of drinking water;**
- 10) depth and geologic name of shallowest zone in the field commercially productive of hydrocarbons;**
- 11) a schematic drawing depicting surface and down-hole equipment and construction features;**
- 12) area of review**
  - a) calculations shall be made and filed with the Board showing calculated radius of pressure influence for the well's expected injection parameters, using the methods proposed in the U. S. Department of Commerce National Technical Information Service, P. 680-100498 titled Radius of Pressure Influence of Injection Wells. A map shall be submitted with the individual well or project permit application for which the permit is sought which shows the applicable area of review within the calculated radius (for individual wells - calculated radius from the well; for an area permit for enhanced recovery projects - the project area plus a circumscribing area the width of which is the calculated radius); or**
  - b) a map shall be submitted with the individual well or project permit application for which the permit is sought which shows the applicable area of review (for individual wells - one-quarter (1/4) mile radius; for an area permit for enhanced recovery projects - the project area plus a circumscribing area the width of which is one-quarter (1/4) mile).**
  - c) a topographic map (or other map if a topographic map is unavailable) extending one mile beyond the property boundaries of the source depicting the facility and each of its intake and discharge structures; each of its hazardous waste treatment, storage, or disposal facilities; each well where fluids from the facility are injected underground; and those wells, springs, and other surface water bodies, and drinking water wells listed in public records or otherwise known to the applicant within a quarter mile of the facility property boundary."**
  - d) the application for the approval of an enhanced recovery injection or disposal well shall include the following information:**
    - i) within the area of review, the map must show location, well name and number of any existing producing wells, injection wells, abandoned wells and dry holes;**
    - ii) identification of each operator of a producing well within the area of review;**
    - iii) only information of public record is required to be included on the map.**
    - iv) corrective action for wells which are improperly sealed, completed, or abandoned, the applicant shall also submit a plan consisting of such steps or modifications as are necessary to prevent movement of fluid into underground sources of drinking water ("corrective action").**
- 13) for produced fluid disposal wells, a certification from the applicant that the proposed injection zone is non-productive of oil or gas and is not an underground source of drinking water; a sample of formation fluid shall be obtained and an analysis of such fluid sample supplied to the Board upon completion of the well;**

**14) whether the system is open or closed;**

**15) information submitted with the application showing that injection into the proposed zone will not initiate fracturing in the confining zone or cause any movement of fluids into any USDW; the proper demonstration by the applicant that the pressure in the well at the depth of injection will not exceed seventy-five per cent (75%) of the calculated fracture pressure of the formation or upon proper demonstration and submission of evidence, that a sufficient thickness of overlying strata exists between the injection zone and the lowermost USDW to prevent fracturing into the USDW. Calculations shall accompany this submission of evidence that demonstrate that the maximum injection pressure will not initiate fracturing in the designated confining zone of a Class II Well.**

**16) a copy of an electric log or radioactive log of the well, if available; in the case of an undrilled well, submit a geologic description of the zone to be used for injection, the approximate depth of the proposed zone and an electric log or radioactive log of the nearest well available.**

**B. A plan for plugging and abandoning the well in compliance with Part 10 of this rule (63) and the estimated cost of such plugging and abandoning operation shall be submitted along with the proof of financial responsibility required in Part 1:E of this rule (63).**

#### **6. Construction Requirements for New or Converted Enhanced Recovery Injection and Produced Fluid Disposal Wells**

**A. Each new enhanced recovery injection or produced fluid disposal well shall be completed, equipped, operated and maintained in a manner designed to assure confinement of fluids to the interval(s) approved.**

**B. All new enhanced recovery injection or produced fluid disposal wells shall be sited in such fashion that they inject into a formation which is separated from any USDW by a confining zone that is free of known open faults or fractures within the area of review that are potential flow conduits.**

**C. All newly drilled enhanced recovery injection or produced fluid disposal wells shall be cased with surface or intermediate casing and cemented to a point at least one hundred feet (100') into the first confining unit immediately below the lowermost USDW, or through the entire thickness of the confining unit, whichever is less, unless long-string casing has cement circulated to the surface, to prevent the movement of fluids into or between underground sources of drinking water. The surface or intermediate casing shall have cement circulated to the surface with uncontaminated returns. If cement is not circulated to the surface, a cement evaluation log acceptable to the Board shall be run to evaluate cement adequacy. If the cement is not adequate after setting, additional cement shall be block-squeezed or added to top off the casing to surface. The circulation of cement or cement evaluation log must be witnessed and attested to by the operator and the cementing company. The operator shall file Oil and Gas Board Form 3 (Well Completion Report) documenting the circulation of uncontaminated cement or adequacy of cement. The long-string casing shall also have cement behind it through a confining zone for at least one hundred feet (100') in an interval between the lowermost USDW and the injection zone. The casing and cement used in the construction of each newly drilled well shall be designed to comply with all requirements of this rule for the life expectancy of the well.**

**D. The requirements of Part 6:C shall not apply to existing or newly converted wells if:**

**1) the wells were cased and cemented in compliance with existing rules of the Oil and Gas Board in existence at the time the well was originally drilled; and**

**2) injection will not result in the movement of fluids into an underground source of drinking water as defined in this rule (63) Part 1(B)(2).**

**E. Each new or converted enhanced recovery injection or produced fluid disposal well shall be equipped with tubing set on a mechanical packer. The packer shall be set below the lowermost USDW and at least 100 feet below the top of competent cement behind the long string casing. In addition, the**

**packer shall be set no more than 150 feet above the top perforations.**

**F. The wellhead shall be equipped so that tubing and annulus pressures can be recorded for monthly monitoring reports (obtained from monitored pressure data) by having above-ground pressure observation valves on the tubing and for each annulus of the well; said valves shall be equipped with operable one-half inch (1/2") female fittings.**

**G. The operator shall not proceed with any down-hole work on a new enhanced recovery injection or produced fluid disposal well until the operator has notified the State Oil and Gas Board and has received written permission from the Supervisor. No work shall commence until the Oil and Gas Board Field Inspector has been given adequate notification in order to be able to witness the work.**

#### **H. Logging Requirements**

**1) For new wells drilled as enhanced recovery injection or produced fluid disposal wells,**

**a) if open-hole logs of a nearby well that would reasonably be expected to depict the same lithology were not run through the lowermost USDW, the new well shall be logged from the surface to total depth before casing is set; or**

**b) if logs exist from a nearby well that would reasonably be expected to depict the same lithology, the new well need only be logged below the surface casing before long string casing is run; and**

**c) appropriate logs as approved by the Board and other tests shall be conducted during the drilling and construction of new enhanced recovery injection or produced fluid disposal wells and shall be submitted to the Supervisor along with a descriptive report interpreting the results of that portion of those logs and tests which specifically relate to (1) a USDW and the confining zone adjacent to it, and (2) the injection formation and adjacent formations prepared by a knowledgeable log analyst.**

**2) For existing wells or dry holes converted to enhanced recovery injection or produced fluid disposal wells,**

**a) copies of all logs not on file with the State Oil and Gas Board shall be submitted with the permit application, where available;**

**b) copies of Gamma Ray Correlation Logs and Cement Bond Logs shall be submitted, including Gamma Ray Correlation and Cement Bond Log for intervals squeeze cemented, where required.**

**3) For all enhanced recovery injection wells and produced fluid disposal wells,**

**a) other logs such as Temperature Logs, Porosity Logs, Fracture Finder Logs or Density Logs shall be submitted, if available or required by the Board;**

**b) a portion of the Dual Induction Log shall be annotated to show:**

**i) the base of the lowermost USDW;**

**ii) the top and bottom of the injection zone;**

**iii) the perforated interval;**

**iv) the upper and lower confining zones;**

**v) the top of cement behind the injection casing (verified by appropriate log(s) or calculations); and**

**vi) the location of the packer.**

#### **I. Testing Requirements:**

Before operating any new or converted enhanced recovery injection or produced fluid disposal well, the tubing/casing annulus or the long string casing shall be tested under the supervision of the Oil and Gas Board at a pressure of 500 psig or the maximum authorized injection pressure, whichever is less, provided no testing pressure shall be less than 300 psig. The well shall have passed the Mechanical Integrity Test if there is a pressure loss of no greater than three per cent (3%) for a duration one-half (1/2) hour. Any leaks in excess of three per cent (3%) pressure loss over one-half (1/2) hour shall be considered a significant leak.

## 7. Mechanical Integrity

A. An injection well has mechanical integrity if:

- 1) there is no significant leak in the casing, tubing or packer as defined in Part 6:I of this rule (63);
- 2) there is no significant fluid movement into an underground source of drinking water through vertical channels adjacent to the well bore.

B. One of the following methods must be used to evaluate the absence of significant leaks as defined in Part 6:I under Part 7:A(1) above:

- 1) pressure test with liquid;
- 2) Monitoring of annulus pressure.

C. Unless cement was circulated to the surface with uncontaminated returns and documented by a Form No. 3, Well Completion Report, filed with the Mississippi State Oil & Gas Board, one of the following methods must be used to demonstrate the absence of significant fluid movement under Part 7:A.(2) above:

- 1) cementing records, including cement squeezes acceptable to the Board, demonstrating the presence of adequate cement to prevent such migration; and a Cement Bond Log demonstrating the presence of adequate cement and adequate bonding to prevent such migration; or
- 2) the results of a Radioactive Tracer Survey (RTS) witnessed, after adequate notification, by a representative of the Board will be accepted in conjunction with cementing records which demonstrate the presence of adequate cement to prevent migration.

D. Each enhanced oil recovery injection or produced fluid disposal well shall demonstrate mechanical integrity at least once every five (5) years. The Supervisor shall prescribe a schedule and mail notification to the operator to allow for orderly and timely compliance with this requirement.

E. The operator shall notify the Supervisor at least forty-eight (48) hours prior to any testing. Testing shall not commence before the end of the forty-eight (48) hour period unless authorized by the Supervisor.

F. A complete record of all Mechanical Integrity Tests shall be made out, verified and placed on file with the Oil and Gas Board within thirty (30) days after testing.

## 8. Operating Requirements

A. Injection shall not commence in any Class II Well until all permit requirements have been reviewed and approved by the Supervisor of the State Oil and Gas Board or his designee.

B. Injection pressure at the well head shall not exceed the maximum pressure allowed by the permit. All wells shall not exceed calculated fracture pressure (enhanced recovery wells can be excepted after notice and hearing).

C. Injection between the outermost string of casing protecting underground sources of drinking water and the well bore (borehole) is prohibited.

**D. If the operator or the Supervisor determines that operation may cause fluid to enter an unauthorized stratum or escape to the land surface, the operator shall shut in the well immediately. The operator shall notify the Supervisor by telephone within twenty-four (24) hours of such occurrence. Injection into the well shall not be resumed until the Supervisor has determined that the well is in compliance with all material permit conditions. If such compliance is not achieved within ninety (90) days, after written notice by the Supervisor, the operator shall be required to show cause at a hearing before the Board why the permit should not be cancelled and the well be plugged and abandoned in accordance with Part 10 of this rule (63).**

**E. After the completion or recompletion of any well as an enhanced recovery injection or produced fluid disposal well, the operator shall file Form No. 3 (Well Completion Report) setting forth all pertinent information. Actual information shall be submitted for those items that were estimated or approximated in the permit application.**

### **9. Monitoring and Reporting Requirements**

**A. The operator shall monitor the nature of the injected fluids at time intervals sufficiently frequent to yield data representative of their characteristics and observe injected pressure, flow rate, and cumulative volume at least with the following frequencies:**

**i) weekly for produced fluid disposal operations;**

**ii) monthly for enhanced recovery operations; with the results of (i) and (ii) being reported monthly on Oil and Gas Board Form 14.**

**B. All reports submitted to the Oil and Gas Board shall be signed by a duly authorized representative of the operator and notarized when indicated on the form.**

**C. The operator of a new enhanced recovery injection or produced fluid disposal well shall give written notification to the Supervisor within thirty (30) days after injection or disposal is commenced.**

**D. The operator shall notify the Supervisor of permanent cessation of injection if an injection well or project is to be removed from service for a period of six (6) months or more and give reasons or justification for such cessation of injection. Said permission shall not exceed one (1) year. After one (1) year, the well, or wells in a project, shall be plugged and abandoned as outlined in Part 10 of this rule (63). The operator may request a hearing for an extension exceeding one (1) year. Wells required for standby service, provided they pass a mechanical integrity test and meet all requirements for wells in active service, are exempt from the plugging requirements of this paragraph.**

**E. The operator shall, within thirty (30) days, notify the Supervisor of the date injection into an enhanced recovery injection or produced fluid disposal well or project is permanently terminated and the reason therefor. The permit authorizing the well or project shall expire at this time. Notification of project termination must be accompanied by an individual well status report for all project injection wells.**

**F. Mechanical failures or down-hole problems which indicate an enhanced recovery injection or produced fluid disposal well is not directing fluids into the authorized injection zone may be cause to shut in the well. If this condition may endanger a USDW, the operator shall orally notify the Supervisor within twenty-four (24) hours.**

**Written notice of this failure shall be submitted to the Supervisor within five (5) days of the occurrence, additionally a plan for testing and/or repairing the well shall be submitted within thirty (30) days of the occurrence. Any mechanical down-hole well work performed on the well shall be witnessed by an oil and gas inspector unless such witnessing is waived by the Supervisor. Mechanical failures will be treated as loss of mechanical integrity, and provisions of Part 3:A of this rule (63) will apply.**

**G. The operator shall retain records of all monitoring information for a period of three (3) years.**



**H. The operator shall monitor the nature of the injected fluids to obtain data representative of their characteristics at least once**

**within the first year of the authorization and, thereafter, when changes in the fluid occur.**

### **10. Plugging and Abandoning**

**A. Prior to abandoning an enhanced recovery injection or produced fluid disposal well, the well shall be plugged in a manner which will not allow the movement of fluids either into or between underground sources of drinking water by:**

- 1) isolating the injection zone from the well bore by the use of cement plugs; and**
- 2) such other cement plugs as are deemed necessary by the Board to properly plug the well.**

**B. Placement of the cement plugs shall be accomplished by one of the following:**

- 1) the Balance-Plug Method;**
- 2) the Dump Bailer Method;**
- 3) the Two-Plug Method; or**
- 4) an alternative method, approved by the Supervisor, which will reliably provide a comparable level of protection to underground sources of drinking water.**

**C. The well to be abandoned shall be in a state of static equilibrium with the mud weight equalized top to bottom, either by circulating the mud in the well at least once or by a comparable method prescribed by the Supervisor, prior to the placement of the cement plug(s).**

### **11. Notification of Down-hole Work**

**When any produced fluid disposal well permit has been issued by the Board, the operator shall not proceed with any down-hole work on such well or the reworking of any existing produced fluid disposal well, including, but not limited to, any cementing, setting of packer, the running or pulling of tubing or any work involving subsurface equipment, until the operator has notified the Supervisor of the State Oil and Gas Board and has received from the Supervisor written permission to proceed with any such work. The Supervisor may, in his discretion and in lieu of such written permission, have his representative present to observe and inspect any such work, in which event the representative shall file a written report thereof. Notification as to the time, date and place of the work must be given at least forty-eight (48) hours prior to commencing the work, unless waived by the Supervisor.**

### **12. Annular Disposal**

**The Board may approve annular disposal of produced fluids for a period of not more than one (1) year, after notice and hearing provided that the outermost casing is properly cemented through the lowermost USDW. The applicant shall provide the Board a Radioactive Tracer Survey (accompanied by an interpretation of the survey by the company which performed the test) to prove that the injected fluid is entering the permitted zone and there are no leaks in the casing. The applicant shall furnish the Board an economic study of the well and the economics of alternative methods of disposal of the produced fluids. No permit for annular injection will be granted where a viable economic alternative is found to exist.**

### **13. Exemption of Aquifers**

**After notice and opportunity for public hearing, the Board may identify (by narrative description, illustrations, maps or other means) and describe in geographic and/or geometric terms (such as vertical and lateral limits and gradient) which are clear and definite, all aquifers, or parts thereof, which**

**the Board proposes to designate as exempted aquifers for purpose of Class II Underground Injection. In order to be designated as an exempted aquifer, the following criteria must be met:**

**A. The aquifer does not currently serve as a source of drinking water; and**

**B. The aquifer cannot now, and will not in the future, serve as a source of drinking water because:**

**1) It is mineral producing, hydrocarbon producing or geothermal energy producing or can be demonstrated by a permit applicant, as part of a permit application for a Class II operation, to contain minerals or hydrocarbons that, considering their quantity and location, are expected to be commercially producible; or**

**2) It is situated at a depth or location which makes recovery of water for drinking water purposes economically or technologically impractical; or**

**3) It is so contaminated that it would be economically or technologically impractical to render that water fit for human consumption; or**

**4) It is located over a Class III Well mining area subject to subsidence or catastrophic collapse; or**

**C. The total dissolved solids content of the ground water is more that 3000 and less that 10,000 mg/l and it is not reasonably expected to supply a public water system;**

**D. the aquifer exemption is approved with the concurrence of the Mississippi Department of Natural Resources and the Mississippi State Board of Health.**

#### **14. Suspension of Operations**

**Should the Supervisor of the State Oil and Gas Board determine that the continued operation of a well, wells or associated treating, handling or storage facilities would cause waste, pollution or contamination of air, surface water, a USDW or soils, he will immediately prohibit further operation of the well, wells or associated facilities and may suspend the operator's Certificate of Compliance (Form 8) to transport oil, gas or other products until such time as it is determined by the Supervisor that the operator is in compliance with all rules and regulations of the Board.**

#### **15. Penalty**

**Any person, firm or corporation violating any of these rules and regulations shall be punished as provided by Section 53-1-47 of the Mississippi Code Annotated, 1972.**

#### **16. Exceptions**

**The Board, after notice and hearing, may grant an exception to any construction or operating provision of this rule upon proof of good cause. The operator must clearly demonstrate that this exception will not endanger a USDW. No exception shall be granted by the Board which would be a violation of any Federal Regulation and/or State of Mississippi Statute.**

#### **17. Effective Date**

**This order supersedes Order No. 395-87 of the State Oil and Gas Board, dated September 17, 1987, and these rules and regulations shall take effect and be in force from and after April 20, 1989, except where otherwise provided.**

#### **18. Validity**

**Should any section, subsection or other provision of this rule be declared by a court of competent jurisdiction to be invalid, that decision shall not affect the validity of the rule as a whole or any part thereof, other than the part so declared to be invalid, this Board hereby declaring that it would have adopted those parts of this rule which are valid and omitted any parts which may be invalid, if it had**

**known that such part or parts were invalid at the time of the adoption of this rule.**

## **Rule 64. UNDERGROUND STORAGE WELLS OF LIQUEFIED COMPRESSED GASES, CRUDE OILS, REFINED HYDROCARBONS, COMPRESSED AIR AND NATURAL GASES IN RESERVOIRS DISSOLVED IN SALT BEDS**

### Permits

1. The permit for the drilling, development and continued operation of artificially formed underground liquefied compressed gas, crude oils, refined hydrocarbons, compressed air or natural gas storage space, where such cavity is dissolved in salt beds, may be issued only after notice and hearing by the State Oil and Gas Board, in the form and manner required by statutes and rules of this Board. Storage of lubricating oils, hazardous materials, nuclear, and/or radioactive materials shall not be permitted. Oil and Gas Board Form 2 and 2A shall accompany each permit application.

### General Design and Construction of Underground Storage Cavern

2. Prior to the design and construction of an underground storage cavern, an engineer and/or geologist experienced in the development and/or operation of a salt cavern storage facility shall perform an investigation to determine the feasibility of such a storage system at a particular site. The data obtained during the feasibility investigation shall be considered in the design of a solution mined underground storage system and such data filed with the Board.

3. Design shall be performed by or under the supervision of an engineer or geologist, as defined in paragraph 2, and shall include such factors, among others, as: type of storage use, location of the cavern(s), number of caverns, cavern capacity, and maximum development diameter of the cavern(s). The design shall assure that project development can be conducted in a reasonable, prudent and systematic manner; and shall stress physical and environmental safety and the prevention of waste. The design and solutioning shall be continually reviewed throughout the construction phase to take into consideration pertinent additional detailed subsurface information, and shall include provisions for protection from damage caused by hydraulic shock. The Board shall be advised of any test or surveys conducted during the construction phase and copies made available to the Board as soon as practicable.

4. Each solution mined storage cavern developed after the adoption of these rules shall be washed with a blanket material in place in order to prevent uncontrolled leaching of the cavern roof. Blanket material is defined as any non-corrosive material which is immiscible with water, and lighter than water, e.g. propane, diesel oil.

5. Storage operations utilizing fresh water to displace product shall be conducted in such a manner that the washing of the cavern will not result in uncontrolled increase of the cavern diameter or capacity, or washing the cavern roof.

### Cavern Operating Pressures

6. The maximum and minimum operating pressure of a storage cavern shall be determined by an engineer, as defined in paragraph 2, after considering the geological characteristics of the dome. The maximum allowable operating pressure (gauge) at the production casing seat or cavern roof, whichever is the shallowest, shall not exceed 0.9 psi per foot of overburden.

7. The storage cavern shall not be subjected to pressures in excess of this maximum operating pressure even for short periods of time (including pressure pulsation peaks, abnormal operating condition, etc.).

### Volume Verification

8. Each salt dome solution mined cavern developed after the adoption of these rules shall be washed to its initial design capacity, as approved by the Board. Such capacity shall be verified by a method approved by the Board, and such information shall be filed with the Board prior to the utilization of the cavern for storage of product. The cavern may be enlarged to a capacity equal to the maximum size approved by the Board and verified by a method approved by the Board and such information shall be filed with the Board within 30 days for continued operation.

9. All solution mined storage caverns in use at the time these rules are adopted shall have the capacity verified within one year from the effective date of these rules. In any event, each solution cavern shall have the capacity verified at least once every five (5) years. A copy of any and all surveys or tests run to verify capacity shall be filed with the Board within 30 days.

#### Location of Underground Storage Cavern

10. Each solution mined cavern developed after the adoption of these rules shall be located as follows:

(a) The wellhead and borehole shall be located so that the walls of the storage cavern at maximum development diameter shall be no less than 100 feet from the property boundary of the lands included in the storage project on which the caverns are located, and no less than 300 feet in any direction from the edge of the salt mass.

(b) The minimum separation of adjacent walls of storage caverns as measured in any direction shall be established by an engineer, as defined in paragraph 2, considering

(1) the salt properties,

(2) the elevation of the top and bottom of the adjacent caverns,

(3) their maximum development diameter relative to the spacing of the caverns, and

(4) other considerations deemed appropriate for the specific site; but, in no case shall such separation at any time be less than 200 feet.

In the event the separation of the adjacent walls of storage caverns becomes less than 200 feet, the Board will be advised and a variance requested. Proof that the caverns can be safely operated with less than a 200-foot minimum separation between caverns must be presented to justify the variance.

11. Storage caverns in use at the time these rules are adopted are subject to the following:

(a) The surface location measured from the wellhead of a solution cavern well shall be no less than 100 feet from the nearest property line.

(b) Caverns' extremities shall be no less than 50 feet from the property of others who have not consented to subsurface storage under their land nor from the side wall of any other cavern.

#### Casing Program

12. All casing strings shall be centralized throughout the interval to be cemented. Casing and cementing programs shall comply with appropriate provisions of Statewide Rules 10, 11 and 12, except as specifically provided below.

(a) Each new storage well shall be completed with a double string of casing into the salt, one casing string being an intermediate string, the other being the final (production) cemented string.

(b) The intermediate cemented casing string shall have adequate tensile and collapse strengths for the setting depth. This string shall be cemented from casing seat (bottom of casing) set into the salt, to ground surface or 150% of calculated cement volume to fill the annular space; however, in every case it shall be cemented a sufficient distance to prevent migration of the stored products into zones of porosity or permeability in the overburden. Cement slurries shall be compatible with the salt formation and cementing shall be placed by the plug and displacement method. The casing cement job shall be documented by an affidavit from the cementing company showing the amount and type of cementing materials and the method of placement. If the casing string is to be installed by welding, it shall be of a weldable grade such as API 5L Grade B or an ASTM weldable grade.

(c) The final (production) cemented casing string shall have adequate tensile and collapse strengths for the setting depth. This string shall be cemented from casing seat (bottom of string) to ground surface and shall be

set a minimum of 300 feet into the salt. A variance may be requested on cementing, but in every case sufficient cement shall be used to bring cement up into the intermediate casing. Cement slurries shall be compatible with the salt formation and cementing shall be placed by the plug and displacement method. The casing cement job shall be documented by an affidavit from the cementing company showing the amount and type of cementing materials and method of placement. All cementing and service reports shall be filed with the Board within 30 days. If the casing string is to be installed by welding, it shall be of a weldable grade such as API 5 L Grade B or an ASTM weldable grade. Casing string welders shall be qualified under either Section 3 of API 1104 specification or Section IX of the ASTM Boiler and Pressure Vessel Code for the thickness to be welded. In addition to a visual inspection of the completed weld a x-ray or ultrasonic inspection shall be run on at least 10% of the string. The record of the inspection shall be available for review by the State Oil and Gas Board. Defective welds shall be ground, rewelded and reinspected.

(d) The final (production) cemented casing string shall be hydrostatically pressure tested before drilling out the plug (shoe). The test pressure applied at the surface shall be a minimum of 200 psi. However, the test pressure when measured at the surface shall not cause pressure at the casing seat to exceed 0.9 psi per foot of depth. The test pressure shall be maintained for a minimum of one hour to verify casing integrity and absence of leaks.

(e) The casing seat and cement of final cemented casing string shall be hydrostatically tested after drilling out. At least 10 feet of salt below the casing shall be penetrated prior to this test. The test pressure calculated at the casing seat shall equal the maximum operating pressure at that point. However, the test pressure shall not exceed 0.9 psi per foot of depth. The test pressure shall be maintained for a minimum of one hour.

(f) All tests required by this section shall be prepared and supervised by an engineer, as defined in paragraph 2, and a report of these test results attested to and filed with the Board within 30 days.

#### Cavern Mechanical Integrity Test

13. Storage Caverns in use at the time these rules are adopted shall be tested for mechanical integrity within one year from the effective date of these rules, and at least every five years thereafter. Each new storage cavern shall be tested for mechanical integrity prior to storing product and at least every five (5) years thereafter.

14. (a) Liquified Compressed Gas, Crude Oils or Refined Hydrocarbons Storage Cavern - (a) prior to the test the cavern must approach stability with regard to cavern temperature and salt dissolution. For test purposes, the cavern can be considered stable and the test commenced when the shut-in brine pressure changes less than 10 psig in 24 hours.

(b) A natural gas or compressed air storage cavern shall be considered stable when the well head pressure variations can reasonably be shown to closely correlate to ambient temperature changes. Recording temperature gauges shall be used for both wellhead and ambient temperatures and shall be calibrated prior to use.

15. Prior to testing a cavern a detailed testing procedure shall be submitted to the Board for approval. The testing procedure used must be at least as stringent as the following:

The wellhead, cased borehole, and storage cavern shall be pressure tested as a unit using product, or a material with equivalent or lesser viscosity and density injected to a depth below the production casing seat. Test pressure at the wellhead shall be equal to:

(a) such pressure as will produce the expected maximum operating pressure at the production casing seat. Calculation of the expected maximum operating pressure shall consider the maximum depth to the product-brine interface and maximum flowing conditions; or,

(b) caverns used for storage of natural gas or compressed air under pressure shall demonstrate mechanical integrity of the cavern and casing by monitoring shut-in pressure at the surface for a minimum period of 24 hours after stabilization. Beginning and ending pressures shall vary no more than three (3%) percent, with adjustment made for temperature changes.

In no case shall the test pressure cause the pressure at the production casing seat to exceed the maximum allowable pressure of 0.9 psi/foot of overburden.

16. All cavern mechanical integrity tests shall be prepared and supervised by an engineer, as defined in paragraph 2, and reports filed with the Board within 30 days.

17. The operator shall give sufficient notice prior to conducting cavern integrity tests so that a Board representative may be present.

### Wellhead and Flowlines

18. All wellhead components (casinghead, tubinghead, etc.), valves, and fittings shall be of steel having primary service pressure ratings sufficient to exceed maximum operating pressure conditions computed at the wellhead. Wellhead, flowlines, valves, and all related connections shall have a test pressure rating at least equivalent to 150% of the maximum operating pressure. All valves shall be periodically inspected and maintained in good working order.

19. Each flowline connected to the wellhead shall be equipped with a manually operated positive shut-off valve located on the wellhead. The water and brine side of the wellhead shall have the same pressure rating as the product side.

20. Each flowline connected to the wellhead shall be equipped with an automatic shut-in safety valve located within ten (10) feet of the positive shut-off manual wellhead valve. These automatic valves shall be configured for Fail-Safe Closed operation, i.e. valve will close automatically upon any of the following conditions:

- (1) loss of control signal,
- (2) loss of valve operator supply pressure,
- (3) thermal (fire) activation (when fusible elements are used they should have a melting point not exceeding 250F),
- (4) signal from safety control sensing device, or
- (5) manual activation of emergency shutdown system.

21. (a) Liquified Compressed Gas, Crude oils and Refined Hydrocarbons - One or more safety control sensing device(s) shall be installed in the product flowline to prevent exceeding the maximum cavern operating pressure, and to prevent the escape of product due to flowline rupture. One or more safety control sensing devices(s) shall be installed in the brine flowline to prevent exceeding the maximum cavern operating pressure, and to prevent the escape of product.

(b) Natural Gas and Compressed Air - One or more safety control sensing device(s) shall be installed in the product flowline to prevent exceeding the maximum cavern operating pressure, and to prevent the escape of product.

22. Flowlines connected to the wellhead which are used exclusively for water or brine injection for product displacement may be equipped with a check valve of adequate pressure rating in lieu of the automatic shut-in safety valve.

23. An alarm shall be installed to alert on-sight personnel whenever an automatic shut-in on any well occurs. Such a system shall be maintained in operable condition at all times.

24. For a liquified compressed gas or refined hydrocarbons storage cavern, a product/brine separation system and a continuous flare system shall be installed at or near each brine pit or any other location on the brine system where the uncontrollable escape of product may occur.

25. The safety control system, separation system, and flare system utilized shall be approved by the Supervisor

of the State Oil and Gas Board (hereinafter referred to as the "Supervisor").

### Metal Tanks and Impervious Containers

26. Metal tanks and impervious containers other than earthen pits used for storage or holding of brine water solutions shall be completely surrounded by a dike (or firewall) or retaining wall of sufficient height and size so that the volume enclosed shall be equal to 150% of the capacity of the largest tank or container inside the firewall; provided, however, that in areas where such dikes (or firewalls) or retaining walls would be impractical or impossible to construct and the operator has devised a plan which serves the same purposes, the Supervisor may, upon proper written application, waive in whole or in part the requirement of the construction of such walls.

### Rework (Well Work)

27. An Application to Rework, Form No. 2, stating thereon the exact workover procedure, shall be filed with and approved by the Supervisor prior to the commencement of such work. A Completion Report, Form No. 3, shall be filed within thirty (30) days following completion of the well work.

28. No downhole or wellhead work shall be done prior to notifying the Board. Such notification shall allow sufficient time for the Supervisor, at his discretion, to have his representative present to observe the work. Verbal authorization from the Field Inspector of the area, Field Director, UIC Coordinator or the Supervisor, may be issued for work conducted under atmospheric or controlled pressure conditions.

### Safety Practices

29. Personnel experienced and/or trained in the operation of salt cavern storage shall be present at the facility or other control site to monitor the operation when product is being injected or withdrawn from the storage cavern.

In the event that crude oil, containing in excess of 5 ppm of Hydrogen Sulfide, is stored in underground storage caverns, the site location will be adequately marked denoting the presence of Hydrogen Sulfide. Directional wind socks will be installed at all locations where the product has access to the atmosphere.

When injecting crude oil containing more than 5 ppm Hydrogen Sulfide into the underground storage cavern all applicable portions of Statewide Rule 66 shall apply, and the brine displaced will be discharged to brine storage through a flare system.

30. Appropriate safety precaution signs shall be displayed and unauthorized personnel kept out of the storage area. Each storage wellhead shall be visibly marked with an appropriate identifying sign.

31. The wellhead shall be protected from trespassers and accidental physical damage by a method approved by the Supervisor.

32. Each company operating a solution cavern storage well shall conduct a semi-annual safety inspection of such facility and file with the Board a written report consisting of the inspection procedure and results within thirty (30) days following the inspection. Such inspections shall be conducted during the months of January and July of each year. The operator shall notify the Board at least five (5) days prior to such inspections so that a representative of the Supervisor may be present to witness the inspections. Inspections shall include, but not be limited to, the following:

- (a) Operation of all manual valves
- (b) Operation of all automatic shut-in safety valves including sounding or alarm devices
- (c) Flare system installation (liquefied compressed gas, crude oils, and refined hydrocarbons)
- (d) Earthen brine pits, tanks, firewalls, and related equipment
- (e) Flowlines, manifolds, and related equipment



(f) Warning signs, safety fences, etc.

33. Additional inspections may be made by the Supervisor or his representatives. All local operators' logs called for by this rule shall be subject to inspection at this time.

Financial Responsibility, Plugging and Abandonment.

34. Prior to commencement of plugging operations a Notice of Intention to Plug and Abandon, Form No. 6, shall be filed with and approved by the Supervisor. The Notice of Intention to Plug and Abandon shall state the exact method proposed to plug the well, and shall also provide the depth to the top of the cavern. If the proposed method to plug does not meet requirements at the discretion of the Supervisor, then the Supervisor shall specify the method in which the well shall be plugged. After properly plugging and securing the well the Plugging Record, Form 7, shall be filed with the Board within 30 days.

35. In addition to the requirements of Statewide Rule 28B the plugging procedure shall include the following:

(a) Cavern shall be filled with water to remove product from the cavern.

(b) All suspended casing shall be removed from the well.

(c) Place a plug in the cemented casing string so that it is within the salt section near the cavern roof isolating the well from the cavern.

(d) Cement from the plug to a distance of fifty (50) feet above the top of the caprock. Allow the cement to set. Tag the top of the cement to determine the location of the top of the cement. Test casing to 1000 PSI (minimum) for a period of 30 minutes. Any leaks detected shall be repaired prior to continuing plugging operation. The Supervisor may grant an exception to the testing of the casing and allow the entire casing string to be cemented to the surface with the appropriate grade of cement.

(e) Cement from fifty (50) feet below the lowermost USDW to the surface.

(f) Cut all casing strings off at least three (3) feet below ground level. Weld a steel plate of at least three eighths (3/8) inch thickness over the top of the casing strings.

(g) Cover casing with soil and restore the location.

(h) The operator shall demonstrate Financial Responsibility acceptable to the Board in the amount of one hundred thousand dollars (\$100,000) for each storage cavern. Refer to Oil and Gas Board, Rule 63 1E 3 for proofs of Financial Responsibility acceptable to the Board. This Financial Responsibility shall be provided to the Board at the time of permit application and/or change of operator.

(i) The operator shall within ninety (90) days of the adoption of this rule by the Board demonstrate Financial Responsibility acceptable to the Board in the amount of four hundred thousand dollars (\$400,000) for each pit (brine or other) associated in any way with the operations of their storage cavern facilities. Refer to Oil and Gas Board Rule 63 1E 3 for Proof of Financial Responsibility acceptable to the Board. Any pit not properly permitted and/or used in the operation of the facility shall be properly closed within one hundred eighty (180) days of adoption of this rule by the Board.

36. All operators shall immediately notify the Supervisor by telephone and followup with a letter giving full details concerning fires, leaks and blowouts that are directly related to the storage cavern.

37. In addition to the above, the following Statewide Rules with amendments or special requirements noted shall be in force and effect:

(a) Statewide Rule 4. Application to Drill

(b) Statewide Rule 5. Transfer of Permit

(c) Statewide Rule 6. Identification of Well

(d) Statewide Rule 24. Well logs

(e) Statewide Rule 45. Waste by Pollution of Air, Fresh Waters and Soils Prohibited.

(f) Statewide Rule 47. Fluid Injection Reports. Form No. 14A shall be filed each month stating thereon the following information for each individual well:

1. Saltwater Disposal Wells:

a. Amount of saltwater (brine) injected during the month.

b. Injection pressure, reservoir and depth data.

2. Liquefied Compressed Gas, Crude Oils, Refined Hydrocarbons, Compressed Air and Natural Gas Storage Cavern:

a. Kind or type of product stored.

b. Amount (barrels or MCF) of product injected into the well during the month.

c. Amount (barrels or MCF) of product removed from the well during the month.

d. Total amount (barrels or MCF) of product stored in the well at the end of the month.

e. The estimated cavern capacity (barrels or cubic feet).

(g) Statewide Rule 54. Organization Report

(h) Statewide Rule 55. Identification of Facilities

(i) Statewide Rule 56. Records

(j) Statewide Rule 63. Underground Injection Control

(k) Statewide Rule 66. Operations Involving Hydrogen Sulfide

### Suspension of Operations

38. Should the Supervisor of the State Oil and Gas Board determine that the continued operation of liquefied compressed gas, crude oils, refined hydrocarbons, compressed air or natural gas storage caverns or associated wellhead facilities (wellhead, valves, brine tanks or pits and flares) would cause unsafe operating conditions, waste, pollution or contamination to air, fresh water or soil, he may immediately prohibit further operation of the well or associated wellhead facilities until such time as it is determined by the Supervisor that the operator is in compliance with all rules and regulations of the Board.

### Board Filings

39. All tests, surveys, and reports required by these rules shall be filed with the Board within 30 days after such tests and surveys are conducted.

### Penalty

40. Any person, firm or corporation violating any of these rules and regulations shall be punished as provided by law.

### Exceptions

41. The Board expressly reserves the right, after notice and hearing, to alter, amend, repeal, or grant exceptions to any or all of the foregoing rules and regulations.

#### Annual Facility Fees

42. For each facility an annual fee will be assessed in the amount of one hundred (\$100) dollars plus fifty (\$50) dollars per unplugged storage cavern and fifty (\$50) dollars per unplugged bringing well associated with storage caverns. These fees shall be due each January beginning January 1991.

#### Validity

43. Should any section, subsection or other provision of this rule be declared by a court of competent jurisdiction to be invalid, that decision shall not affect the validity of the rule as a whole or any part thereof, other than the part so declared to be invalid, this Board hereby declaring that it would have adopted those parts of this rule which are valid and omitted any parts which may be invalid, if it had known that such part or parts were invalid at the time of the adoption of this rule.

#### Effective Date

44. These rules and regulations shall take effect and be in force from and after February 19 , 1992\_, except where otherwise provided.

The Board expressly reserves the right, after notice and hearing, to alter, amend, or repeal said Rule 64 - Underground Storage Wells of Liquefied Compressed Gases, Crude Oils, Refined Hydrocarbons, Compressed Air, or Natural Gases in Reservoirs Dissolved in Salt Beds - of the Statewide Rules and Regulations as amended.

## **Rule 65. TRANSPORTATION OF CRUDE OIL OR ANY SUBSTANCE CONTAINING ANY QUANTITY OF CRUDE OIL**

Any corporation, association, partnership or person in possession of crude petroleum oil or any substance containing any quantity of crude oil or any sediment, water or brine produced in association with the exploration and/or production of oil or gas, or both, being transported or for transporting from or to any storage, disposal, processing or refining facility shall possess specific documentation which substantiates the right to be in possession of such substance. Such documentation shall include the following:

(a) The identity of the operator and the location of the lease from which originated the crude petroleum oil or any substance, including any sediment, water or brine produced in association with the exploration or production of oil or gas, or both, if it is purportedly being or to be transported from a lease;

(b) The identity of the operator and the location of the storage facility from which or to which the crude petroleum oil or any substance, including any sediment, water or brine produced in association with the exploration or production of oil or gas, or both, is being or is to be transported.

(c) The identity of the operator and the location of the disposal processing or refining facility to which the crude petroleum oil or any substance, including any sediment, water or brine produced in association with the exploration and production of oil or gas, or both, is being or is to be transported.

(d) The estimated percentage of crude petroleum oil in the substance, sediment, water or brine produced in association with the exploration or production of oil or gas, or both, which is being or is to be transported.

(e) The volume of crude petroleum oil being or to be transported; and

(f) Any additional information the Supervisor of the State Oil and Gas Board finds necessary or appropriate.

Any law enforcement officer or the Supervisor of the State Oil and Gas Board or his designated employees may at any time inspect and for probable cause impound oil or any substance containing any quantity of crude oil or any sediment, water or brine produced in association with the exploration and/or production of oil or gas, or both, and the vehicle transporting it, pending being furnished with the documentation as required above or other proof of ownership or right to possession, whenever

(a) he has reasonable cause to examine the documentation,

(b) the transporter lacks such documentation or the documentation is substantially at variance with the face, or

(c) the lawful severance and maintenance taxes have not been paid on any part of such product.

Any transporter who does not possess the proper documentation, on proof thereof, shall be assessed a penalty as provided by law.

## **Rule 66. OPERATIONS INVOLVING HYDROGEN SULFIDE**

Preventative measures shall be taken to control the effects of hydrogen sulfide (H<sub>2</sub>S) at all operations where H<sub>2</sub>S concentrations in the gas stream are equal to 100 ppm or more. Such operations shall include, but may not be limited to drilling, working over, testing, producing, gathering, metering, processing, storing, transporting, and injecting.

### (1) Definitions.

In addition to the definitions set forth in State Oil and Gas Board Order No. 201-51, Rule 2, unless the context otherwise requires, the following words shall have the meanings indicated when used within this rule.

- (a) Radius of exposure: That radius constructed with the point of escape as its starting point and its length calculated as provided for in Paragraph (10)(b).
- (b) Area of exposure: The area within a circle constructed with the point of escape as its center and the radius of exposure as its radius.
- (c) Public area: Shall include but not be limited to a dwelling, place of business, church, school, hospital, school bus stop, government building, a public road, all or any portion of a park, city, town, village, or other similar area that can expect to be populated.
- (d) Public road: Any federal, state, county, or municipal street or road owned or maintained for public access or use.
- (e) Sulfide stress cracking: The cracking phenomenon which is the result of corrosive action of hydrogen sulfide on susceptible metals under stress.
- (f) Facility modification: Any change in the operation, such as an increase in throughput, in excess of the currently permitted capacity; or any change that would increase the radius of exposure.
- (g) Public infringement: A public area and/or a public road has been established within an area of exposure to the degree that such infringement would change the applicable requirements of this rule to those operations responsible for creating the area of exposure.
- (h) Contingency plan: A written document that shall provide an organized plan of action for alerting and protecting the public within an area of exposure following the accidental release of a potentially hazardous volume of hydrogen sulfide.
- (i) Civil authorities shall include but not be limited to the following agencies:

Governor, Assistant to Governor, local Government Emergency Management/Civil Defense agency, Mississippi Adjutant General, Mississippi National Guard, Mississippi Emergency Management Agency, Bureau of Pollution Control, Red Cross, Mississippi State Department of Health, Department of Public Safety, and such other agencies as in the discretion of the Supervisor of Oil and Gas deems advisable.

### (2) Operator Responsibility.

- (a) It shall be the responsibility of each operator to conduct operations in accordance with Paragraph (3) through (8) below. Paragraph (9) requires each operator to file a Certificate Of Compliance For Hydrogen Sulfide Operations (Certificate) for each operation that handles or could reasonably be expected to encounter sour oil and/or gas.
- (b) Exemptions to Paragraph (3) through (8) may be obtained by filing a Certificate with the Supervisor as directed under Paragraph (10) below.
- (c) Variances to or waivers from the specifications of this rule may be granted by the Supervisor upon showing a good cause by the operator.

### (3) Safety Program.

A safety program shall be established and maintained to promote safety procedures. All personnel that are assigned, contracted, or employed shall be instructed as to hazards of H<sub>2</sub>S, including physiological responses and the application of first aid to victims of H<sub>2</sub>S exposure.

### (4) Equipment and Materials.

All equipment and materials that will be exposed, or can reasonably be expected to be exposed to H<sub>2</sub>S, shall be designed and maintained in accordance with specifications evolved through technology of the latest state-of-the-art to resist damage caused by hydrogen sulfide stress cracking, embrittlement, or corrosion.

### (5) Warning Systems.

#### (a) Warning signs.

1. For above-ground and fixed surface facilities, the operator shall post, where permitted by law, clearly visible warning signs on public streets or roads which provide direct access to facilities.
2. On offshore facilities, the operator shall display clearly visible warning signs on at least two sides of the rig and at points of access to the rig or platform.
3. In populated areas such as townsites and cities where the use of signs is not considered to be acceptable, an alternate warning plan may be approved upon written request to the Supervisor.

#### (b) Monitors and Alarms.

1. Unless otherwise approved by the Supervisor, each drilling, workover, test, or plant facility shall have an H<sub>2</sub>S monitoring system which activates visible alarms when the concentration of H<sub>2</sub>S exceeds 10 parts per million (ppm) in air and audible alarms when the concentration of H<sub>2</sub>S exceeds 20 parts per million (ppm) in the air. This system shall be capable of sensing a minimum of 5 ppm in the air.

(i) As a minimum, H<sub>2</sub>S sensors for onshore drilling and workover rigs shall be located at the rig floor, bell nipple, shale shaker, and mud pits; for offshore drilling and workover rigs, the sensors shall be located at the rig floor, bell nipple, shale shaker, mud pits, and living quarters.

(ii) For drilling operations, this monitor and alarm system shall be on site and operational prior to penetrating the H<sub>2</sub>S bearing zone in accordance with the time specified in the contingency plan and approved by the Supervisor. Said equipment shall be on site and operational prior to commencing all other operations involving H<sub>2</sub>S.

2. As approved by the Supervisor, the operator of each gathering system, production well, and injection well shall install and maintain in operable condition safety devices to include automatic shut-down devices designed to prevent the undetected continuing escape of hydrogen sulfide.

3. The operator of each unplugged inactive well shall establish safety procedures, as approved by the Supervisor, which are designed to prevent the undetected continuing escape of hydrogen sulfide.

(c) Wind Direction Equipment. Wind direction equipment shall be installed at prominent locations on or near the drilling, workover, test, or plant facility to indicate the wind direction at all times and the safe upwind areas in the event H<sub>2</sub>S becomes present in the atmosphere.

#### (d) Danger Signals.

1. Danger signals consisting of signs and flags shall be displayed in a manner visible to all traffic approaching the facility. All signals shall be illuminated under conditions of limited visibility when in use. If illumination is not feasible, signals must be constructed of reflective material or covered with reflective paint so they will be readily

visible from other light sources such as automobiles. Danger signals shall be displayed to indicate the following operational conditions and requirements:

(i) Possible danger - green - When the concentration of H<sub>2</sub>S

is less than 10 ppm in air;

(ii) Moderate danger - yellow - When the concentration of H<sub>2</sub>S reaches 10 ppm in air. If the concentration of H<sub>2</sub>S reaches 20 ppm in air, breathing apparatus shall be worn by all personnel and all nonessential personnel shall proceed to the safe briefing areas;

(iii) Extreme danger - red - When the concentration of H<sub>2</sub>S reaches 50 ppm in air. All nonessential personnel shall be evacuated, immediate notification shall be given to local civil authorities, and traffic in the immediate vicinity of the facility shall be diverted. The State Oil and Gas Board and other appropriate governmental agencies shall be notified as soon as possible when conditions of extreme danger exist.

#### (6) Training Requirements.

(a) Each operator whose operations are subject to this rule shall provide training of personnel responsible for his operations. An attendance list of these training sessions shall be maintained by the operator.

(b) The training of personnel shall include the following elements:

1. Safety precautions;
2. Operation of safety equipment and life support systems;
3. Corrective action and shutdown procedures;
4. Effect on metal components of the system.

#### (7) Personnel Safety Equipment.

(a) Breathing apparatus shall be provided and be readily accessible. A minimum requirement shall be to provide self-contained breathing equipment for all personnel that could be exposed to H<sub>2</sub>S concentrations in excess of 10 parts per million (ppm) in air.

(b) Where H<sub>2</sub>S concentrations reach 20 ppm in air, a system of breathing air manifolds, hoses, and masks shall be provided. A rechargeable cascade air bottle system shall be provided to refill individual bottles of breathing air. Additional equipment such as a first aid kit, nose cups, ear plugs, spectacle kits, portable H<sub>2</sub>S detectors, retrieval ropes and harnesses, chalk boards, note pads, bull horns, flashing lights, resuscitators, and a litter shall also be available.

(c) For drilling operations, the equipment specified in Paragraphs (7)(a) and (7)(b) shall be on site and operational prior to penetrating the H<sub>2</sub>S bearing zone in accordance with the time specified in the contingency plan and approved by the Supervisor. Said equipment shall be on site and operational prior to commencing all other operations involving H<sub>2</sub>S.

(d) Explosion-proof ventilation devices shall be provided in critical work areas of the drilling, workover, test, or plant facility and be multidirectional and capable of dispersing H<sub>2</sub>S vapors.

(e) If H<sub>2</sub>S is detected, frequent inspections of all areas of poor ventilation shall be made with an H<sub>2</sub>S detector instrument, and personal H<sub>2</sub>S detectors shall be made available to personnel.

#### (8) Contingency Plan.

(a) Operations that handle gas containing 100 ppm H<sub>2</sub>S or more in the gas stream must formulate a

contingency plan unless exempted under Paragraph (10). Unless otherwise approved, a contingency plan should be filed (in triplicate) with the Supervisor within 30 days of the approval of the drilling permit application. The contingency plan must be approved by the Supervisor prior to commencing the following operations;

1. Penetrating the H<sub>2</sub>S bearing zone during drilling operations.
2. Working over or recompleting a well in an H<sub>2</sub>S bearing zone;
3. Testing or putting on permanent production a well that is completed in an H<sub>2</sub>S bearing zone;
4. Producing hydrocarbons bearing H<sub>2</sub>S into a pipeline or gathering system;
5. Starting up a plant or facility that will remove H<sub>2</sub>S from production;
6. Implementing any modification to an existing operation or facility which increases the radius of exposure in a public area or results in a change of the applicable requirements of this rule.

(b) A contingency plan shall include a plat or aerial photograph covering the area of exposure or an area having a radius of one mile, whichever is greater. The plat shall include the location of the well, plant, or corridor showing all good roads, residences, public areas and places, areas of low elevation where H<sub>2</sub>S might accumulate, the direction of prevailing winds, oil and gas wells, separators, heaters, corridors of gathering or pipeline systems, pumping stations, plants, refineries, transformer stations, and other manmade structures or features that may be of importance. An index list of houses and places of business with telephone numbers and names and numbers of residents and employees as well as the identification of residents needing assistance in evacuation shall accompany the plan. This index list shall be limited to those houses and places of business located within a radius of one mile. The radius about the well, plant, or corridor may be extended beyond one mile if deemed necessary by the operator, or at the request of the Supervisor. The plan shall also include:

1. Information about the safety program established in Paragraph (3), the training requirements in Paragraph (6), the personnel safety equipment required in Paragraph (7), the location of briefing areas, and responsibilities of personnel during different operational conditions;
2. A description of the warning systems required in Paragraph (5) to include number, location, and detection limits of all monitors as well as the schedules for calibrating and testing said systems;
3. For drilling operations, a specification of the time at which the warning systems required in Paragraph (5) and the personnel safety equipment required in Paragraph (7) will be on site and operational;
4. Procedures to evacuate residences, businesses, and public places;
5. Procedures to divert traffic in the immediate vicinity and to notify the local civil authorities, the State Oil and Gas Board, and other appropriate governmental agencies;
6. Procedures to evacuate non-essential personnel from the well and/or facility in the event attempts to control the well and/or facility are unsuccessful;
7. A list including names, addresses, and telephone numbers of the closest hospitals, ambulance services, medical personnel, and other individuals or facilities that could assist in the event of an emergency;
8. The name, address, and telephone number of the individual in charge of administering the plan;
9. Any other information that the operator deems appropriate;
10. Other information deemed necessary by the Supervisor.

(c) A new or amended contingency plan shall be filed with the Supervisor when any significant change in public exposure caused by public infringement of an existing radius of exposure requires such changes to be made. Otherwise, the contingency plan for each facility shall be reviewed and updated on an annual basis. Any



updates, revisions, and/or amendments to a contingency plan shall be submitted to the Supervisor within 30 days of the plan's anniversary date or within 30 days of the date an operator becomes aware of the public infringement, as applicable. If there are no changes, an annual statement of review shall be filed with the Supervisor.

(d) The filing requirement may be waived if a current plan has previously been submitted and is in compliance with the requirements set forth herein. Plans filed prior to the effective date of this rule must be reviewed and modified, if necessary, to obtain compliance with this Paragraph within 180 days of said effective date.

(e) Unless previously provided, copies of the approved contingency plan shall be provided to local civil authorities prior to commencing any one of the operations set forth in Paragraph (8)(a) and be readily available at the drilling, workover, test, or plant facility.

(9) Certificate Of Compliance For Hydrogen Sulfide Operations.

(a) A Certificate shall be filed in triplicate with the Supervisor for each facility or operation subject to any requirement of this rule.

(b) The Certificate shall certify that the operator has complied, or will comply, with the applicable requirements of this rule.

(c) For drilling operations, the Certificate shall be filed with the Supervisor as a part of the application to drill. For facilities involving other types of H<sub>2</sub>S operation, as set forth in Paragraph (8)(a), the Certificate shall be filed with and approval granted by the Supervisor prior to commencing those operations.

(d) A Certificate shall be filed for existing facilities or operations within 180 days of the effective date of this rule.

(e) A new or amended Certificate shall be required if there is a change in public exposure caused by public infringement of an existing radius of exposure resulting in a change in the applicable provisions of this rule, not described by the existing Certificate. The operator shall file the new or amended certificate within 30 days after an operator becomes aware of such infringement.

(f) A new or amended Certificate shall be required if there is a modification of an existing operation or facility which increases the radius of exposure in a public area or results in a change in the applicable provisions of this rule not described by the existing Certificate. The operator shall file the new or amended Certificate at least 10 days prior to initiating the operation or construction. Approval of the Certificate must be granted by the Supervisor prior to commencing that operation or construction.

(g) Each facility or operation for which a Certificate has been approved shall be recertified by the operator on an annual basis. The recertification shall be filed with the Supervisor within 30 days of the anniversary date of the most recently approved Certificate for that facility or operation.

(10) Rule Exemptions. Exemptions from Paragraphs (3) through (8) may be obtained by filing the Certificate as directed below:

(a) Each operator must determine the hydrogen sulfide concentration in the gaseous mixture in an operation or system.

1. Tests shall be made in accordance with standards as set by American Society for Testing and Methods (ASTM) Standard D-2385-66, or Gas Processors Association (GPA) Plant Operation Test Manual C-1, GPA Publication 2265-68, as revised, or other methods approved by the Supervisor.

2. Tests of vapor accumulation in storage tanks may be made with National Institute of Occupational Safety and Health (NIOSH) approved colormetric tubes.

(b) To obtain an exemption from this rule, the radius of exposure must be determined, except in the cases of storage tanks, using the following Pasquill-Gifford equation, or by other methods satisfactory to the Supervisor:

For determining the radius of exposure:

$X = \{(1.589) (\text{mole fraction } H_2S) (Q)\}^{.6258}$  Where: X=radius of exposure in feet for 100 ppm  $H_2S$  concentration

Q = maximum volume determined to be available for escape in standard cubic feet per day

$H_2S$  = mole fraction of hydrogen sulfide in the gaseous mixture available for escape (i.e. for 1%  $H_2S$  (volume basis), mole fraction is .01)

(c) The volume used as the escape rate in determining the radius of exposure shall be that specified below, as applicable:

1. The maximum daily volume rate of gas containing hydrogen sulfide handled by that system for which the radius of exposure is calculated.
2. For existing gas wells, the estimated maximum open flow potential shall be used.
3. For new wells drilled in developed areas, the escape rate shall be determined by using the estimated maximum flow potential of adjacent wells in the field.
4. The escape rate used in determining the radius of exposure shall be corrected to standard conditions of 15.025 psia and 60°F.

(d) For drilling of a well in an area where insufficient data exist to calculate a radius of exposure but where hydrogen sulfide may be expected, then a radius of exposure equal to one-half mile shall be assumed. A lesser-assumed radius may be considered upon written request setting out the justification for same.

(e) Storage tanks which are utilized as part of a production operation and which are operated at or near atmospheric pressure are exempt from Paragraphs (3) and (5) through (8); however, where the vapor accumulation has a hydrogen sulfide concentration in excess of 500 ppm, the storage tanks shall be subject to the following:

1. Storage tanks are exempt from Paragraphs (5), 7b,c,d, and e), and (8) only;
2. A warning sign shall be posted on or within 50 feet of the facility to alert the general public of the potential danger;
3. Fencing, as a security measure, is required when storage tanks are located inside the limits of a townsite or city or where conditions cause the storage tanks to be exposed to the public.

(f) Operations with a radius of exposure less than 50 feet are exempt from Paragraphs (3) through (8) upon filing the Certificate.

(g) Provided no public area is included, operations with a radius of exposure greater than 50 feet and less than one-half mile are exempt from Paragraphs (5)(b) through (8) upon filing the Certificate.

(h) Operations with a radius of exposure that either is greater than 50 feet and includes a public area or is equal to or greater than one-half mile are not eligible for an exemption under this Paragraph.

## **Rule 67. UNDERGROUND STORAGE OF NATURAL GAS AND AIR IN RESERVOIRS**

### **1. Definitions**

As used herein, unless the context clearly indicates otherwise:

- A. "Underground Storage" shall mean storage in an underground reservoir, stratum or formation of the earth;
- B. "Reservoir" shall mean a porous stratum of the earth or porous zone of a general structure which is completely separated from any other porous zone and is capable of being used for underground storage of natural gas and/or air;
- C. "Natural Gas" shall mean gas of a sufficient purity to be capable of use for residential purposes;
- D. "Native Gas" shall mean gas which has not been withdrawn from the earth, or which, having been withdrawn, is injected into a reservoir for purposes other than underground storage;
- E. "Air" shall mean any non-hydrocarbon gas;
- F. "Underground Storage Facility" or "Facility" shall mean the underground storage reservoir, the well bore tubular goods and the wellhead and related equipment to the last positive shut-off valve before the gathering line or flowline;
- G. "Gathering Line" or "Flowline" shall mean the line between the last positive shut-off valve at the wellhead to the pipeline or header where two or more such lines converge;
- H. "State Oil and Gas Board" or "Board" shall mean the State Oil and Gas Board of Mississippi;
- I. "Supervisor" shall mean the duly appointed State Oil and Gas Supervisor;
- J. "Cushion Gas" shall mean the volume of gas required as permanent storage inventory to maintain adequate reservoir pressure for meeting minimum gas deliverability demands throughout the withdrawal season (also called "base gas");
- K. "Storage Area" shall mean the total surface area of the storage reservoir plus any buffer zone approved by the board as necessary to insure reservoir integrity; and
- L. "Working gas" shall mean the portion of the storage volume that can be removed from a storage reservoir for deliveries and still maintain pressure sufficient to meet design deliverability.

### **2. Permits**

A. The permit for the drilling, development and continued operation of a facility for underground storage of natural gas or air may be issued only after notice and hearing by the State Oil and Gas Board, in the form and manner required by the statutes and rules of this Board. Storage of hazardous, nuclear and/or radioactive materials shall not be permitted. Oil and Gas Board Form 2 shall accompany each permit application.

### **3. General Design and Construction of Underground Storage Facility.**

A. Prior to the design and construction of an underground storage facility, an engineer and/or geologist experienced in the development and/or operation of an underground storage facility shall perform an investigation to determine the feasibility of such a facility at a particular site and in a particular reservoir. The data obtained during the feasibility investigation shall be considered in the design of the storage facility and such data filed with the Board as a part of the permit application.

B. Design shall be performed by or under the supervision of an engineer or geologist as defined in paragraph A, above and shall include such factors, among others, as: Type of storage use, location of storage wells, number of storage wells, number and location of observation wells, if any, number and location of plugged and abandoned wells penetrating the storage reservoir, capacity of the storage reservoir, and the geological name of the storage reservoir. The design shall assure that project development can be conducted in a reasonable, prudent and systematic manner; and shall stress physical and environmental safety and the prevention of waste. The design and construction shall be continually reviewed throughout the construction phase to take into consideration pertinent additional subsurface data. The Board shall be advised of any tests or surveys conducted during the construction phase and copies made available to the Board as soon as practicable.

#### 4. Underground Storage Operating Pressures

A. The maximum and minimum operating pressures of an underground storage facility shall be determined by an engineer as defined in Paragraph 3-A, after consideration of the geologic characteristics of the formation. The maximum allowable stabilized reservoir pressure (gauge) shall be no greater than 75% of the fracture pressure of the formation as determined by a step rate test or as calculated by a qualified engineer, by a method acceptable to the Board.

B. The storage reservoir shall not be subjected to pressures in excess of the calculated fracture pressure even for short periods of time.

#### 5. Volume Verification

A. Each underground storage facility developed after adoption of this rule shall have the storage volume calculated using acceptable reservoir engineering methods and such information shall be filed with the Board as a part of the permit application. Storage volume shall include working gas, native gas, cushion gas and/or air.

B. Refinement of actual reservoir volumes determined after continued operation shall be filed with the Board.

#### 6. Casing Program

A. All wells drilled for the purpose of storage after the adoption of this rule shall comply with the following casing program:

1) All casing strings shall be centralized throughout the interval to be cemented. Casing and cementing programs shall comply with appropriate provisions of Statewide Rules 10, 11 and 12, except as specifically provided below:

a) Surface casing shall be cemented with 150% of the calculated volume to circulate cement to the surface;

b) If the surface casing setting depth is below the lowermost Underground Source of Drinking Water, the final (production) casing shall be cemented with sufficient volume to fill the annular space to a point 500 feet above the top of the storage reservoir, otherwise the casing string shall be cemented to the surface;

c) All casing used in storage wells shall be casing of appropriate API Standards for the pressures to be encountered and shall be new casing or reconditioned casing of new quality; and

d) Emplacement of cement in the production casing shall be verified by Cement Bond Log, Cement Evaluation Log or other logs approved by the Supervisor.

2) All casing strings shall be tested, after sufficient cement setting time (usually 24 hours)

to a pressure equal to 1 psi per foot of casing set with a maximum test pressure of 1000 psi gauge measured at the surface.

3) All tests and logs required by this section shall be prepared and supervised by a qualified Engineer and a report of test results and copies of logs filed with the Board within thirty (30) days of date the log is run or the test conducted.

B. The requirements of Paragraph 6A shall not apply to existing or newly converted wells if:

- 1) The wells were cased and cemented in compliance with existing rules of the Oil and Gas Board in existence at the time the well was originally drilled; and
- 2) Injection will not result in the movement of fluids into an Underground Source of Drinking Water as defined in Rule 63, Part 1(B)(2).

C. Storage Well Mechanical Integrity Test:

- 1) Storage wells existing at the time this rule is adopted shall have mechanical integrity verified by a method approved by the Supervisor within two (2) years from the effective date of this rule and at least every five (5) years thereafter. Each new storage well shall be tested for mechanical integrity prior to storing gas or air and verified at least every five (5) years thereafter.
- 2) All storage well mechanical integrity tests and/or verifications shall be prepared and supervised by a qualified Engineer and reports filed with the Board within thirty (30) days.
- 3) The operator shall give sufficient notice prior to conducting a mechanical integrity test so a Board representative may be present.

D. All wells drilled through the storage reservoir within a storage area for any purpose other than storage after the adoption of this rule shall comply with the following casing program:

- 1) All surface and intermediate casing strings shall be centralized through the interval to be cemented. Casing and cementing programs shall comply with appropriate provisions of Statewide Rules 10, 11, and 12 except as specifically provided below or otherwise approved by the Supervisor.
  - a) Surface casing shall be cemented with 150% excess over calculated volume needed to circulate cement to the surface.
  - b) If the surface casing setting depth is below the lowermost Underground Source of Drinking Water, an intermediate casing string shall be set approximately 100 feet below the base of the storage reservoir and cemented with sufficient volume of cement to fill the annular space to a point 500 feet above the top of the storage reservoir, otherwise the casing string shall be cemented to the surface.
  - c) All surface and intermediate casing shall be of appropriate API Standards for the pressures to be encountered and shall be new casing or reconditioned casing of new quality.
  - d) Emplacement of cement in the intermediate string shall be verified by Cement Bond Log, Cement Evaluation Log or other logs approved by the Supervisor.
- 2) All surface and intermediate casing strings shall be tested, after sufficient cement setting time (usually 24 hours), to a pressure equal to 1 psi per foot of casing set with a maximum test pressure of 1000 psi gauge measured at the surface.
- 3) All tests and logs required by this section shall be prepared and supervised by a qualified Engineer and a report of test results and copies of logs shall be filed with the

Board within thirty (30) days of date of test or log.

4) No well shall be drilled through a storage reservoir or its stratigraphic equivalent within a storage area except upon notice and hearing before the Oil and Gas Board.

## 7. Wellhead and Flowlines

A. All wellhead components (casing head, tubing head, etc.) valves and fittings shall be of steel having primary service pressure ratings sufficient to exceed the maximum operating pressures computed at the wellhead. Wellhead, valves and all related connections shall have a test pressure rating at least equivalent to 150% of the maximum operating pressure. All valves shall be periodically inspected and maintained in good working order.

B. Each flowline connected to the wellhead shall be equipped with a manually operated positive shut-off valve located on the wellhead.

C. Each flowline or gathering line shall be constructed in conformance with the provisions of CFR Title 49, part 192 - Transportation of Natural and Other Gas by Pipeline.

## 8. Rework (Well Work)

A. An application for workover, Form No. 2, stating thereon the exact workover procedure for any down-hole work on tubular goods or the reservoir, shall be filed and approved by the Supervisor prior to the commencement of such work. A Completion Report, Form No. 3, shall be filed within thirty (30) days following completion of the well work.

B. No downhole work shall be done prior to notifying the Board. Such notification shall allow sufficient time for the Supervisor, at his discretion, to have his representative present to observe the work. Verbal authorization from the Field Inspector of the area, Field Director, UIC Coordinator or the Supervisor may be issued for work conducted under atmospheric or controlled pressure conditions.

## 9. Safety Practices

A. Personnel experienced and/or trained in the operation of Underground Storage Facilities shall monitor the facility or control site when natural gas or air is being injected or withdrawn from any storage well.

B. The wellheads and related equipment and controls shall be protected from trespassers and accidental physical damage by a method approved by the Supervisor.

C. Each company operating an underground storage facility shall conduct a semi-annual safety inspection of such facility and file with the Board a written report consisting of the inspection procedure and results within thirty (30) days following the inspection. Such inspections shall be conducted during the months of January and July of each year. The operator shall notify the Board at least five (5) days prior to such inspections so that a representative of the Supervisor may be present to witness the inspections. Inspections shall include, but not be limited to, the following:

- 1) operation of all manual valves,
- 2) operation of all automatic shut-in safety valves, if applicable,
- 3) wellheads and related equipment, and
- 4) warning signs, safety fences, etc., if applicable.

D. Additional inspections may be made by the Supervisor or his representatives. All operators logs called for by this rule shall be subject to inspection at this time.

E. All operators shall immediately notify the Supervisor by telephone and follow-up with a letter giving full details concerning fires, leaks and blowouts directly related to the storage facility.

10. In addition to the above, the following Statewide Rules, with amendments or special requirements noted, shall be in force and effect:

A. Statewide Rule 4 - Application to Drill, Workover, or Change Operator.

B. Statewide Rule 5 - Transfer of Permit.

C. Statewide Rule 6 - Identification of Well.

D. Statewide Rule 24 - Well Logs.

E. Statewide Rule 45 - Waste by Pollution of Air, Fresh Waters and Soils Prohibited.

F. Statewide Rule 47 - Fluid Injection Reports, Form No. 14B shall be filed each month stating thereon the following information for each facility:

1) Monthly maximum injection pressure.

2) Amount (MMCF at 15.025 psia & 60°F) of gas or air injected during the month.

3) Amount (MMCF at 15.025 psia & 60°F) of gas or air withdrawn during the month.

4) Total amount (MMCF at 15.025 psia & 60°F) of gas or air in storage at end of month.

5) Estimated maximum reservoir storage capacity (MMCF at 15.025 psia and 60°F).

G. Statewide Rule 54 - Organization Report

H. Statewide Rule 55 - Identification of Facilities

I. Statewide Rule 56 - Records

J. Statewide Rule 63 - Underground Injection Control if facility contains a Saltwater Disposal Well.

11. Suspension of Operations

Should the Supervisor of the State Oil and Gas Board determine that the continued operation of an Underground Storage Facility would cause unsafe operating conditions, waste or pollution of air, fresh water or soil, he may immediately prohibit further operation of a well or associated facilities until such time as it is determined by the Supervisor that the operator is in compliance with all rules and regulations of the Board.

12. Board Filings

All tests, surveys and reports required by these rules shall be filed with the Board within thirty (30) days after such tests and surveys are conducted.

13. Proof of Financial Responsibility

Proof of Financial Responsibility for each well in a storage facility shall be provided in the form and manner prescribed in Statewide rule 63, E, (3). Financial Responsibility for Storage Wells existing at the time this rule is adopted shall be provided to the Board within one hundred eighty (180) days of adoption of this rule.

#### 14. Penalty

Any person, firm or corporation violating any of these rules and regulations shall be punished as provided by law.

#### 15. Exceptions

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

#### 16. Annual Facility Fees

For each facility an annual fee will be assessed in the amount of one hundred (\$100) dollars plus fifty (\$50) dollars per unplugged storage well and fifty (\$50) dollars for each unplugged salt water disposal well. These fees shall be due each July beginning July 1993.

#### 17. Validity

Should any section, sub-section or other provision of this rule be declared by a court of competent jurisdiction to be invalid, that decision will not affect the validity of the rule as a whole or any part thereof, other than the part so declared to be invalid, this Board hereby declaring that it would have adopted those parts of the rule which are valid and omitted any parts which may be invalid, if it had known such part or parts were invalid at the time of adoption of this rule.

#### 18. Effective Date

These rules and regulations shall take effect and be in force from and after March 17, 1993, except where otherwise provided.

The Board expressly reserves the right, after notice and hearing, to alter, amend or repeal said Rule 67 - Underground Storage of Natural Gas and Air in Reservoirs - of the Statewide Rules and Regulations, as amended.



## **Rule 68 - DISPOSAL OF NATURALLY OCCURRING RADIOACTIVE MATERIALS (NORM) ASSOCIATED WITH THE EXPLORATION AND PRODUCTION OF OIL AND GAS**

### **I. Definitions**

For purposes of this Rule:

- A. Ambient Exposure Rate shall mean an indication of the potential for a human to incur a radiation dose. Ambient exposure rates are measured in units of " millirem per hour" or " microrentgen per hour" at a height of one meter (three feet) above a horizontal land surface and 0.3 meter (one foot) from the midpoint of a horizontal or vertical equipment surface. A microR meter with an internal or external probe is generally used for this measurement.
- B. Board shall mean the State Oil and Gas Board.
- C. Clean fill shall mean soil with radiological characteristics that cannot be distinguished from background.
- D. Equipment shall mean tanks, valves, tubing, rods, pumps, tools, and other equipment commonly used at field exploration/production sites.
- E. Landspreading shall mean an action that involves blending of soil to achieve NORM concentrations that are at or below the release criteria (see "Surface Landspreading" and "Subsurface Landspreading").
- F. Naturally occurring radioactive material (hereinafter "NORM") shall mean any nuclide which is radioactive in its natural physical state (i.e., not man-made), but does not include byproduct, source or special nuclear material nor does it include radioactive materials continuously contained within the closed system of exploration and production of oil and gas, including, but not limited, to produced saltwater.
- G. Surface Landspreading shall mean the raking or tilling of non-homogeneous surface NORM deposits within a discrete land area in order to achieve a homogeneous distribution of NORM over the top six inches of soil within that land area.
- H. Subsurface Landspreading shall mean the blending of NORM with clean fill prior to its placement in an impacted area in order to achieve a homogeneous distribution of NORM throughout the blended volume. The impacted area is then covered with soil or other materials after placement of the blended volume.
- I. Additional relevant definitions are as given in Rule 69.

### **II. General Provisions**

- A. Disposal of NORM will be handled in accordance with this Rule, Rule 28, Rule 69 and/or Rule 63 of the Statewide Rules and Regulations.
- B. All necessary forms and any requested schematics shall be executed to show placement of NORM in the well bore of plugged back wells and abandoned wells and during subsurface/surface landspreading, also in accordance with other Statewide Rules and Regulations as they may apply.
- C. Proper permitting for Radioactive Waste Transportation shall be obtained through the Mississippi Emergency Management Agency in accordance with its rules and regulations concerning same.

### **III. Information**

- A. Any property subject to a valid oil and gas lease, any surface property in which the Operator owns an interest, and/or any dry, abandoned or plugged back oil and/or gas well may be considered as a potential disposal site for NORM, subject to further provisions contained herein.
- B. Each owner, operator and/or producer of a well shall be responsible for the proper disposal of NORM in accordance with all applicable rules and regulations of all appropriate state or federal authorities.
- C. In order to qualify for disposal pursuant to this Rule, the NORM must have been derived from the exploration and production of oil and gas within the territorial area of the State of Mississippi.

#### IV. Acceptable Methods of Disposal

- A. Placement between cement plugs; or
- B. Encapsulation in pipe then placed between cement plugs; or
- C. Mixed with gel or mud (slurried) and placed between cement plugs; or
- D. Slurried then placed into a formation; or
- E. Surface landspreading; or
- F. Subsurface landspreading; or
- G. Disposal offsite at a licensed low level radioactive waste or NORM disposal facility; or
- H. Any options other than the ones listed above will be evaluated for possible approval by the State Oil & Gas Board Technical staff.

#### V. Limitations and Conditions

##### A. General

1. The NORM to be disposed of in accordance with this Rule shall only be from oil and/or gas exploration and production activities carried out within the territorial area of the state of Mississippi.
2. No person may dispose of oil and gas NORM waste without a permit.
3. Disposal of NORM through landspreading shall only occur in areas where published literature or site-specific determinations indicate that the ground water table is equal to or greater than five (5) feet below the bottom of the disposal area.
4. Locations utilized for NORM disposal through landspreading shall not be situated in 25-year flood plains as defined by published literature or determined through site-specific topographic surveys.
5. The operator shall notify the Supervisor at least forty-eight (48) hours prior to beginning disposal operations, unless waived by the Supervisor, in order that his representative may be present to observe and inspect any such work, in which event the representative shall file a report thereof.

## B. Down-hole Disposal

1. Any NORM not continuously contained within the closed system of exploration and production of oil and gas shall be injected or placed into cased holes which have at least one hundred (100) feet of casing set below the base of the Underground Source of Drinking Water (USDW) and properly cemented to protect the USDW and have at least two (2) sand sections behind the casing below the USDW. Any well in which the NORM is not encapsulated must meet all the criteria of Rule 63 of the Statewide Rules and Regulations and be properly permitted as a Class II UIC Well before injection begins.
2. A minimum of a 100-foot plug shall be placed immediately below the USDW. Unless there is proof of adequate cement behind the casing, the casing shall be perforated 100 feet below the USDW and shall be squeezed with a sufficient amount of cement calculated to provide 100 feet of cement in the annulus and leave a 100-foot plug in the casing.
3. The cement plug immediately above and below the NORM shall be a minimum of 100 feet in length. A cast iron bridge plug may be utilized with a minimum of 20 feet of cement placed on top of the bridge plug. All abandoned wells which contain disposed NORM shall be permanently marked by a steel plate at the top of the casing. This marker shall contain the well name, API number, date of plugging and the fact that NORM waste exists in the well. All cement used in the well bore above NORM placement shall be standard color-dyed red with iron oxide.
4. The interval of well casing above the packer in which NORM is to be injected shall be pressure tested to a minimum of 500 psig for 30 minutes for integrity. More than 3% pressure loss in 30 minutes constitutes loss of integrity. Loss of integrity shall be treated as set forth in Rule 63, Part 3A. The injection tubing string shall be pressure tested to a minimum pressure of 1 ½ times (150%) the intended surface injection pressure. A test chart of the injection string testing shall be maintained by the operator. All tests shall be conducted under the supervision of the State Oil and Gas Board Supervisor or his representative.
5. NORM shall not be used as admixtures in cements used for well plugs.
6. The Plugging Report shall show the size, grade, weight per foot, outside diameter of impacted tubing, and the depth of the top and bottom of the tubing, the diameter of the coupling, and whether the tubing is free or secured in cement, a bridge plug or a retainer.

## C. Landspreading

1. Shall not be performed with materials that exhibit ambient exposure rates in excess of 600 microR per hour above background.
2. Shall not be performed in areas where the general area exposure rate is significantly elevated above background due to the presence of equipment.
3. Is permitted only:
  - a. At the site of origin, limited to that portion of the surface of land reasonably necessary, excluding lease roads, used for the conduct of producing operations of a well; or
  - b. At surface property in which the Operator owns fee title to the entirety of the surface estate.
4. Shall require the performance of a pre- and post-landspreading survey of the impacted land area as described in Rule 69, with the results thereof submitted to the State Oil and Gas Board on Board Form 21 (or equivalent).

## VI. Procedures

## A. Down-hole Disposal

1. Request for down-hole disposal of NORM must be submitted by petition to the State Oil & Gas Board, and shall include the following:
  - a. Source(s) of NORM identified by operator, field, well name(s) and, if known, the producing formation.
  - b. Type(s) of NORM (pipe scale, contaminated soil, basic sediments, etc.)
  - c. Volume of NORM to be disposed of reported in cubic feet, barrels, or length and diameter of tubing.
  - d. Radiation level(s) in microrentgens per hour ( $\mu\text{R/hr}$ ).
  - e. Disposal methodology
2. Accompanying the petition shall be a proposed well schematic showing the proposed work upon completion, along with a completed Form 6 and an affidavit concerning the proposed NORM disposal and its compliance with all applicable rules and regulations. This proposal should be a reflection of what will be submitted in the final plugging report. The petitioner must give public notice of the hearing on the petition and such notice shall state that the well will be utilized for the disposal of NORM produced with exploration and production waste.
3. If tubing is to be placed between plugs, but not secured in cement, then the top joint of the tubing string that contains NORM shall be left with a top coupling. All tubing shall be placed in the well and not dropped into the well.
4. The plug immediately above the NORM shall be tagged unless a bridge plug or cement retainer is used.

## B.

### Landspreading

1. Surface Landspreading:
  - a. Surface landspreading shall be performed by raking or tilling deposits of NORM within the top six inches of soil.
  - b. A survey of the impacted land area shall then be performed to demonstrate that the ambient exposure rate at any given point in the impacted area does not exceed eight (8) microR per hour above background.
  - c. The completed Board Form 21 shall document conformance with Section V.A.3 and 4 ("Limitations and Conditions"), as well as with the requirements of section VI.B.1.a and b ("Surface Landspreading").

## 2. Subsurface Landspreading:

- a. Subsurface landspreading shall be performed by blending NORM with clean fill prior to placing the blended volume into the area of interest or creating an area of subsequent layers.
  - b. The blended volume shall be placed in the area of interest in layers of not greater than six (6) inches, not to exceed three (3) feet of total blended volume thickness.
  - c. A survey of each layer shall be performed to ensure the ambient exposure rate does not exceed eight (8) microR per hour above background at any point prior to the addition of subsequent layers.
  - d. If the impacted and filled area is then covered with soil or other materials, a final survey of the impacted area shall then be performed.
  - e. The completed Board Form 21 shall document conformance with Section V.A.3 and 4 ("Limitations and Conditions"), as well as with the requirements of section VI.B.2.b, c and d ("Subsurface Landspreading").
3. The work duration for landspreading, using the operational methodology described above, shall not exceed 100 hours per calendar year for a single individual. If it is anticipated that extended stay times might occur, the operator shall complete one of the following:
- a. Take actions to reduce the dose rate to which personnel are exposed (i.e., increase distance, shielding, and/or dust controls); or
  - b. Establish a radiation protection program pursuant to Mississippi Department of Health regulations.

## VII. Exceptions

Exceptions to any of the above listed limitations, conditions and criteria may be allowed after consultation with the State Oil & Gas Board staff and upon proper Notice and Hearing of a petition filed with the Board requesting same.

## VIII. Penalty for violations

In accordance to State Statute 53-1-47, any person who violates any provision of this rule shall be subject to a penalty of not to exceed Ten Thousand Dollars (\$10,000.00) per day for each day of such violation to be assessed by the Board.

## IX. Effective Date

This Statewide Rule 68, Board Order Number 253-99, shall take effect and be in force from and after sixty days from being filed with the Secretary of State's Office.

## X. Validity

Should any section, subsection or other provision of this rule be declared by a court of competent jurisdiction to be invalid, the decision shall not affect the validity of the rule as a whole or any part thereof, other than the part so declared to be invalid, this Board hereby declaring that it would have adopted those parts of this rule which are valid and omitted any parts which may be invalid, if it had known that such part or parts were invalid at the time of the adoption of this rule.

## **Rule 69. CONTROL OF OIL FIELD NATURALLY OCCURRING RADIOACTIVE MATERIALS (NORM)**

### **1. Purpose and Scope**

- a. This rule provides regulations for control of oil field NORM to ensure that radiation exposures of workers and members of the general public resulting from oil field NORM are prevented, eliminated or reduced to acceptable levels in order to protect the public health, safety and environment.
- b. No person shall receive, possess, use, transfer, own or acquire NORM as defined herein except as authorized in this section or as otherwise provided by State and Federal Regulations.
- c. This rule applies to NORM that has been derived from the exploration and production activities of oil and gas operations within the territorial area of the State of Mississippi at oil and gas production facilities which, on or after July 1, 1995, were properly permitted by the Oil & Gas Board and which, on or after July 1, 1995, were active or properly reported as inactive on Oil & Gas Board Form 9-A.
- d. It is the understanding of the Oil & Gas Board that the intent of the legislature is that location sites surrounding oil and gas production facilities which were abandoned prior to July 1, 1995 and/or not permitted by the Oil & Gas Board will continue to be regulated in the manner in which such sites were regulated prior to July 1, 1995.

### **2. Definitions**

- a. 29 CFR 1910 - Department of Labor, Title 29, Code of Federal Regulations, Section 1910.96, "Ionizing Radiation".
- b. 49 CFR - Department of Transportation, Title 49, Code of Federal Regulations, Subchapter C, "Hazardous Materials Regulations".
- c. Accessible Locations - Locations and areas at an exploration/production facility that can be readily occupied by a human.
- d. Activity - Disintegration rate of a radioactive material stated in dps, becquerels,  $\mu\text{Ci}$ , nCi, pCi, or other acceptable units.
- e. ANSI-N323 - American National Standards Institute, ANSI-N323-1978, "Radiation Instrumentation Test and Calibration", 1978.
- f. Approval - An act of endorsing or adding positive authorization or both.
- g. Background - the ambient radiation field to which we are exposed daily, originating from cosmic rays, naturally-occurring radionuclides ( $^{40}\text{K}$ , etc.) and human endeavors (fallout, fuel cycle, etc.). This radiation field is variable and causes a survey meter to respond in the absence of NORM.
- h. Board - The State Oil and Gas Board.
- i. Caution Sign - Caution signs shall have the words "Caution - N.O.R.M. - Potential Health Risk" on the upper panel in three (3) inch upper-case yellow letters on a black background, and the words "No Trespassing - Authorized Personnel Only" on the lower panel in two (2) inch upper-case black letters on a yellow background.
- j. Detector - A material or device that is sensitive to radiation and can produce a response signal suitable for measurement or analysis. A detector coupled to a ratemeter forms a radiation detection instrument.
- k. Exploration/Production Site or Facility - A location where oil and/or gas production activities occur.
- l. Exposure Rate - An indication of the potential for a human to incur a radiation dose. Exposure rates are measured in units of "microrentgen per hour" at a height of one meter (three feet) above a horizontal land surface and 0.3 meter (one foot) from the midpoint of a horizontal or vertical equipment

surface. A microR meter with an internal or external probe is generally used for this measurement. For unrestricted release of equipment, the rates shall be measured at a distance of 2.5 centimeters (one inch) from the equipment surface.

m. Equipment - Tanks, valves, tubing, rods, pumps, tools, and other equipment commonly used at oil field exploration/production sites.

n. Gas - All natural gas, whether hydrocarbon or nonhydrocarbon or any combination or mixture thereof, including hydrocarbons, hydrogen sulfide, helium, carbon dioxide, nitrogen, hydrogen, casing-head gas, occluded natural gas from coal seams, compressed air and all other hydrocarbons not defined as "oil".

o. Location Site or Sites - The surface of a property in close proximity to production wells, production equipment, or the location of known releases of production scale or sludge containing NORM.

p. May - The word *may* is used to denote permission.

q. MEMA - Mississippi Emergency Management Agency Form RAD 5-2, Form RAD 5-3 and RAD 5-4.

r. Milliroentgen per hour (mR/hr) - A unit of gamma exposure rate. In the oil field, one mR/hr shall be equivalent to 1,000 microR per hour ( $\mu$ R/hr).

s. Millirem (mrem) - A unit of radiation dose. In the oil field, one mrem shall be equivalent to 1,000 microrem ( $\mu$ rem).

t. Mississippi Department of Health Regulations - Regulations for Control of Radiation in Mississippi, Part 801.

u. NORM - Technologically-enhanced naturally-occurring radioactive materials consisting, primarily, or  $^{226}\text{Ra}$  (and daughter radiations) and  $^{228}\text{Ra}$  (and daughter radiations) that are derived from the exploration and production activities of oil and gas operations within the territorial area of the State of Mississippi.

v. Oil - Crude petroleum oil and all other hydrocarbons which are produced at a well in liquid form by ordinary production methods and which are not the result of condensation of gas.

w. Operator - Any person who, duly authorized, is in charge of the development of a lease or the operation of a producing well.

x. Producer - An owner of drilling rights in property subject to this rule who has acquired its rights in said property for the purposes of developing, producing or otherwise utilizing the natural resources of oil and gas.

y. Property - Lands lying within an area recognized by the Oil and Gas Board as being within a "Field" as defined in Miss. Code. Ann. § 53-1-3(f).

z. Radiation Detection Instrument - A device, consisting of a detector and a ratemeter, that detects and records the characteristics of ionizing radiation.

aa. Radiation Surveyor - An individual who has training and experience in the following: Radioactivity measurements, monitoring techniques, and the use of instruments; conducting radiological surveys and evaluating results; evaluating exploration/production facilities for proper operations from a radiological safety standpoint; and familiarity with Board rules and regulations.

bb. Ratemeter - A read-out device that, when used with a detector forms a radiation detection instrument.

cc. Radioactive Material - Any solid, liquid or gaseous substance which emits radiation spontaneously.

dd. Radioactive Material Storage Area - An area where radioactive materials are stored or handled and

where working conditions in the general area normally include consideration of radiological constituents as described in 29 CFR 1910.96 and Mississippi Department of Health Regulations.

ee. Release criterion (criteria) - A level of exposure rate or surface count rate, below which an item, device or property may be released for unrestricted use.

ff. Restricted Use - Equipment, components, materials, land areas (property), and other items that, by virtue of their levels of fixed and/or removable NORM are maintained under the control of the operator or transferred to another producer for similar use.

gg. Rule 68 - Oil and Gas Board Statewide Rule 68, "Disposal of Naturally Occurring Radioactive Materials (NORM) Associated with the Exploration and Production of Oil and Gas".

hh. Shall - The word *shall* is to be understood as a requirement.

ii. Should - The word *should* is to be understood as a recommendation.

jj. Surface Disintegration Rate - An indication of the amount of radioactivity deposited on the surface of equipment. Surface disintegration rates are measured in units of "disintegrations per minute per 100 cm<sup>2</sup> area," with the window entrance of a Geiger counter radiation detector positioned approximately one (1) centimeter from the surface of interest. The surface disintegration rate is obtained by multiplying the count rate of the detector by the following correction factor:

where "eff" is the detector counting efficiency, determined from instrument calibration, and "Area" is the active area of the detector in units of "square centimeter."

kk. Survey - Evaluation of the radiological conditions at location sites incident to the production, use, release or presence of NORM.

ll. Total Effective Dose Equivalent (TEDE) - The sum of the deep dose equivalent (for external exposures) and the committed effective dose equivalent (for internal exposures). The TEDE is generally expressed in units of "millirem".

mm. Unrestricted Use - Equipment, components, materials, land areas (property), and other items that may be used, transferred, sold, or disposed of without regard for their radiological constituents.

### 3. Standard

a. Oil field exploration and production sites shall be operated and released in a fashion that ensures a TEDE of less than 100 millirem per calendar year due to exploration/production activities for workers and members of the general public.

b. Operations or operating site conditions that may cause workers or members of the general public to exceed 100 millirem TEDE in a calendar year due to exploration/production activities shall be controlled pursuant to Mississippi Department of Health regulations.

### 4. Surveys

a. Operators shall perform surveys of location sites, as necessary, to evaluate:

i. The magnitude of exposure rates in the vicinity of equipment;

ii. The magnitude of exposure rates above ground surfaces; and

iii. Radiological conditions in the event of non-routine circumstances including, but not limited to, equipment repairs, equipment maintenance, site maintenance, accidents and spills any of which result in release of production scales or sludges onto the surface.

b. All surveys shall be performed by a radiation surveyor.



- c. Ground surface surveys shall be performed in accordance with generally accepted survey practices and, at a minimum, shall report the maximum readings for each 1 meter x 1 meter grid area over the well head, tank battery site, heater treater site, all surface pipe areas and other areas of the location site where contamination is likely to occur. Elsewhere on the location site, the maximum readings for each 10 meter x 10 meter grid area shall be reported.
- d. All surveys shall be documented on Board Form No. 21 or on a form that contains equivalent information to Board Form No. 21.
- e. Surveys shall be performed with a radiation detection instrument in accordance with the following requirements:
  - i. Radiation detection instruments shall be of sufficient sensitivity and accuracy to assess the radiation exposure rates from NORM found at exploration/production sites.
  - ii. Instruments shall be calibrated according to the guidelines of ANSI-N323 at least once every 12 months and following any repairs to the ratemeter and/or detector, with a radiation source traceable to the National Institute of Standards and Technology.
  - iii. The battery status and the response of the instrument to radiation from a check source shall be checked and recorded prior to the day's use.
- f. If a survey documented on Board Form No. 21 (or equivalent) has not been performed at a location site, an initial survey shall be performed within one (1) year of the effective date of this Rule for wells permitted on or before the effective date of this Rule. For wells which are permitted after the effective date of this Rule, the initial survey shall be performed prior to the start of exploration/production operations and again two (2) years after the start of exploration/production operations.
- g. After the initial survey of location sites, routine surveys shall be performed every five (5) years during exploration/production activities if the maximum exposure rate recorded in the last survey exceeds 50 microR per hour above background. Otherwise, they shall be performed every ten (10) years.
- h. Surveys shall also be performed as necessary to evaluate radiological conditions in the event of non-routine circumstances as described in Section 4.a.iii. above.

## 5. Criteria for Site Operations

- a. Personnel performing work at an exploration/production facility shall be trained in the hazards of the workplace pursuant to 29 CFR 1910.96(i).
- b. Site access shall be controlled as follows:
  - i. Access to an exploration/production site with exposure rates in excess of 250 microR per hour above background in accessible locations shall be controlled by posting Caution Signs at the perimeter of the property which shall be visible from any and all accessible locations.
  - ii. Access to an exploration/production site with exposure rates in excess of 700 microR per hour above background in accessible locations shall be controlled by fencing the immediate area with a five foot high field fence or chain-link fence and by posting Caution Signs on the fence. The fence shall be located to restrict maximum exposure rates to 250 microR per hour above background.
  - iii. Access to an exploration/production site with exposure rates in excess of 5,000 microR per hour above background in accessible locations shall be controlled by fencing the immediate area with a five foot high field fence or chain-link fence, posting Caution Signs on the fence, and posting signs as required in 801.D.903(c) of the Mississippi Department of Health Regulations and 29 CFR 1910.96 at the location(s) where 5,000 microR per hour

is exceeded.

iv. The limits contained in subsections (i) through (ii) are based on limited stay times. If it is anticipated that extended stay times might occur, the operator shall complete one of the following:

(1) Take actions to reduce the dose rate to which personnel are exposed (e.g., time, distance, shielding); or

(2) Establish a radiation protection program pursuant to Mississippi Department of Health regulations.

v. Operators shall be responsible for notifying all contractor personnel of the dose rates present at the facility(ies) where work will be performed. Once notified, the contractor shall be responsible for compliance with this rule.

vi. An operator may request an exception to the fencing requirements set forth above. Any such request shall be in writing to the Supervisor. Upon good cause shown, the Supervisor, in his or her discretion, may grant such an exception. Such written request and any response thereto shall be made a part of the applicable well file(s).

c. Site maintenance shall be controlled as follows:

i. Maintenance activities at sites with a maximum exposure rate of less than 50 microR per hour above background shall require no controls.

ii. Maintenance activities at sites with a maximum exposure rate in excess of 50 microR per hour above background shall require the prudent use of dust masks, or water sprays or other dust control methods as appropriate.

iii. Land maintenance and equipment maintenance/repair that may cause workers or contract personnel to exceed 100 millirem TEDE in a calendar year shall require control/licensing pursuant to Mississippi Department of Health Regulations.

## 6. Release of Property

a. Transfer to another producer.

i. Property may be transferred to another producer without regard for its radiological constituents.

ii. Copies of the most recent radiation survey documents shall be transmitted by the operator to the new producer prior to the property transfer.

b. Release for unrestricted use.

i. A production site may be released for unrestricted use after:

(1) All equipment contaminated to levels above the release criteria in 7.b.i. and 7.b.ii. has been removed from the property;

(2) A survey of the location site surface demonstrating that the property does not exhibit an exposure rate at any discrete point in excess of 50 microR per hour above background has been completed, documented, and furnished to the site owner; and

(3) A survey on the location site of exposure rates in at least five (5) boreholes per acre, with a minimum of three (3) boreholes per site, showing a maximum exposure rate less than 200 microR per hour including background. At least one (1) borehole shall be drilled at the location of the maximum surface exposure rate measurement. All boreholes shall be at least one meter deep, and shall be measured at 0.15 meter

intervals.

ii. Land area remediation may be performed by the following methodologies in order to achieve the release criteria listed in 6.b.i.(2):

(1) No action;

(2) Excavating and transferring discrete areas of soil to a radioactive material storage area or for disposal under Rule 68; or

(3) Other remedial actions as approved, in advance, by the Board.

## 7. Criteria for Release of Equipment

a. Equipment may be transferred to another producer without regard for its radiological constituents.

b. Equipment that is released for unrestricted use shall:

i. Exhibit a surface disintegration rate on accessible internal and external surfaces of no greater than an equivalent of 2,000 dpm per 100 cm<sup>2</sup> above background; and

ii. Exhibit an exposure rate at a distance of 2.5 centimeters (1 inch) from the equipment surface of no greater than 25 microR per hour above background.

## 8. Records

a. The following records shall be maintained by the operator at the local operations office for the duration of operations at the site:

i. Site survey records;

ii. Instrument calibration records;

iii. Material transfer records; and

iv. Records setting forth the qualifications of the radiation surveyor.

b. The form of records may be paper copy or film copy of an original paper form.

c. Electronic records shall have an associated paper copy.

d. All such records shall be maintained by the operator for a minimum of ten (10) years after a property has been released for unrestricted use.

## 9. Exceptions

Except where otherwise stated, exceptions to any part of the above rule may be allowed upon good cause shown and upon proper Notice and Hearing of a petition filed with the Board requesting same.

## 10. Effective Date

This Statewide Rule (Rule 69), Board Order Number 73-96 shall take effect and be in force from and after June 1, 1996.

## 11. Validity

Should any section, subsection or other provision of this rule be declared by a court of competent jurisdiction to be invalid, that decision shall not affect the validity of the rule as a whole or any part thereof, other than the part so declared to be invalid, this Board hereby declaring that it would have adopted those parts of this rule which are valid and omitted any parts which may be invalid, if it had known that such part of parts were invalid at the

time of the adoption of this rule.

**RULES AND REGULATIONS GOVERNING OIL AND GAS DRILLING, PRODUCING AND PIPELINE OPERATIONS IN SUBMERGED OFFSHORE LANDS OF THE STATE OF MISSISSIPPI.**

**RULE OS-1. SCOPE OF RULES**

The rules and regulations hereby adopted and hereinafter set out are general rules of statewide application and shall apply to all fields; provided, however, special rules, applicable to particular areas or subject matter shall prevail over these general rules only to the extent that they are in conflict therewith.

## **RULE OS-2. Definitions**

In addition to the definitions set forth in State Oil and Gas Board Order No. 201-51, Rule 2, unless the context otherwise requires, the following words shall have the meanings indicated when found in these Offshore (OS) Rules:

(a) "Board" shall mean the State Oil and Gas Board created by Chapter 256 of the Laws of 1948.

(b) "Supervisor" shall mean the State Oil and Gas Board Supervisor of Mississippi.

(c) "Submerged Offshore Lands" shall mean all lands overlain by the waters of the Gulf of Mexico, Mississippi Sound, bays and other waters connected thereto which are directly affected by the tides in the Gulf of Mexico to the extent that such lands and waters lie within the territorial jurisdiction of the State of Mississippi. For the purpose of implementation of these rules and regulations, the State Oil and Gas Board reserves the authority to classify lands as "Submerged" or "Nonsubmerged".

(d) "Waters" shall mean the water superjacent to Submerged Offshore Lands.

## **RULE OS-3. MARKING OF WELLS, PLATFORMS AND FIXED STRUCTURES**

The operator shall comply with the following requirements:

### 1. Identification of Platforms, Fixed Structures

Platforms and structures, other than individual wellhead structures, shall be identified at two diagonal corners of the platform or structure by a sign with letters and figures not less than twelve (12) inches in height with the following information: The name of lease operator, the name of the county, the block number in which the platform or structure is located and the platform or structure designation. The information shall be abbreviated as in the following example:

"The Blank Oil Company operates 'C' platform in Block 60 in Harrison County, Mississippi."

The identifying sign on the platform would show:

"BOC-Har.-60-C."

### 2. Identification of Single Well Structures and Small Structures.

Single well and small structures may be identified with one (1) sign only, with letters and figures not less than (3) three inches in height. The information shall be abbreviated as in the following example:

"The Blank Oil Company operates Well No. 1, which is equipped with a protective structure, in Block 60 in Hancock County, Mississippi."

The identifying sign on the protective structure would show:

"BOC-Han.-60-No. 1."

### 3. Identification of Wells

The State lease and well number shall be painted on, or a sign affixed to, each singly completed well. In multiply completed wells each completion shall be individually identified at the wellhead. All identifying signs shall be maintained in a legible condition.

## **RULE OS-4. APPLICATION TO DRILL AND DRILLING PROCEDURES**

All exploratory wells drilled for oil and gas shall be drilled in accordance with the provisions of this order. Initial development wells drilled for oil and gas shall be drilled in accordance with the provisions of this order which shall continue in effect until special field rules are issued. After special field rules have been established by the Board after notice and hearing, development wells shall be drilled in accordance with such rules.

Where sufficient geologic and engineering information is obtained through exploratory drilling, operators may petition the Board for a hearing to establish special field rules, but the operator(s) shall make such application before more than five (5) development wells have been drilled in the field. Each Application to Drill, submitted in duplicate, for exploratory wells and development wells not covered by special field rules shall include the following information:

- (a) A statement that all zones which contain oil, gas or fresh water shall be fully protected by casing and cement.
- (b) The complete, integrated casing (size, weight, grade and setting depth), cementing (quantity and kind), mud (weight, viscosity and water loss), and blowout prevention program (number, kind, pressure rating and accompanying equipment).
- (c) Surface location and projected bottom-hole location in feet from the lease boundaries.
- (d) Elevation of the derrick floor (or KB), water depth and depth to which the well is proposed to be drilled.
- (e) Estimated depths to the top of significant paleontological and/or lithological markers.
- (f) If on a platform, information as to how many wells have been drilled and how many more are presently planned from the platform.
- (g) Two (2) copies of a certified plat on a scale of 2,000 feet to the inch, showing surface and subsurface location of the proposed well and all other wells previously drilled in the vicinity for which information is available.
- (h) An exploratory drilling or development plan for the lease must accompany the application. If such a plan has been submitted, make a statement to that effect indicating the date submitted and/or approved.

**Note:** A company well prognosis, covering any of the above items, will be acceptable if attached to the application.

An Application to drill must be covered by an exploratory drilling or development plan for the lease. These plans shall be submitted to the Supervisor for approval. Each exploratory plan for the leased area shall include (1) a description of drilling vessels, platforms or other structures showing the location, the design and the major features thereof, including features pertaining to pollution prevention and control, and (2) the general location of each well drilled or to be drilled including surface and projected bottom-hole location. Where warranted and after consultation with the operator, the Supervisor may request additional information pertaining to any anticipated abnormal pressured formations, anticipated formation tops and structural data. Each development plan shall include the same type of information as prescribed for the exploratory plan, also incorporating necessary revisions.

In supplying the information for (1), refer to Rule OS-8 and OS-9 for guidance. To simplify submittals and to avoid duplication we suggest that every effort be made to incorporate the application for approval of platforms or fixed structures required by rule OS-9 in the development plans. Also, the filing of the emergency plan and the approval of pollution equipment and location as required for each lease under Rule OS-8 should be incorporated, likewise, in both the exploratory and development plans. We realize that the emergency plan and type and location of equipment may be a general company plan that will cover all leases. In this event, after the initial filing and approval, it could be referred to in subsequent submittals, modifying as necessary. In addition,



an application for establishment of, or modification of, special field rules may be an appropriate part of the development plans. The Application to Drill and accompanying location plat would supply most of the information required under (2). Each plan should specify the time interval covered by such plan, and a revised plan shall be submitted and approved prior to the expiration of the existing plan.

In addition to the above, the Application to Drill shall include the integrated casing, cementing, mud and blowout prevention program for the well and shall comply with the following requirements:

### 1. Well Casing and Cementing

The Application to Drill shall contain a statement that all zones which contain oil, gas or fresh water shall be fully protected by casing and cement. For the purpose of this rule, the several casing strings in order of normal installation are drive or structural casing, conductor casing, surface casing, intermediate casing and production casing. All depths refer to true vertical depth (TVD).

#### A. Drive or Structural Casing

This casing shall be set by drilling, driving or jetting to a minimum depth of 100 feet below the waters' floor or to such greater depth required to support unconsolidated deposits and to provide hole stability for initial drilling operations. If drilled in, the drilling fluid shall be a type that will not pollute the waters, and a quantity of cement sufficient to fill the annular space back to the waters' floor must be used.

#### B. Conductor and Surface Casing - General Principles

Determination of proper casing setting depths shall be based upon all geologic factors including the presence or absence of hydrocarbons and water depths on a well-for-well basis. The setting depths of all casing strings shall be determined by taking into account formation fracture gradients and hydrostatic pressure to be contained within the well bore. The conductor and surface casing shall be new pipe or reconditioned pipe that has been tested and inspected to verify a new condition.

##### (1) Conductor Casing

This casing shall be set in accordance with the table below. A quantity of cement sufficient to fill the annular space back to the waters' floor must be used. The cement may be washed out or displaced to a depth of forty (40) feet below the waters' floor to facilitate casing removal upon well abandonment.

##### (2) Surface Casing

This casing shall be set at a depth in accordance with the table below and cemented in a manner necessary to protect all fresh water sands and provide well control until the next string of casing is set. This casing shall be cemented with a quantity sufficient to fill the calculated annular space back to the waters' floor. Whenever there are any indications of improper cementing, such as lost returns, cement channeling or mechanical failure of equipment, a temperature or cement bond survey shall be run, either before or after remedial cementing, to aid in determining whether the casing is properly cemented. Where warranted, the Supervisor may specify that a temperature or cement bond survey be run on any or all wells. If the annular space is not adequately cemented by the primary operation, the operator shall either squeeze cement or recement the shoe after drilling out.

##### (3) Conductor and Surface Casing Setting Depths

These strings of casing shall be set at the depths specified in the following table subject to minor variation to permit the casing to be set in a competent bed; provided, however, that the conductor casing shall be set before drilling into shallow formations known to contain oil or gas or, if unknown, upon encountering such formations. These casing strings shall be run and cemented prior to drilling below the specified setting depths. For those wells which may encounter abnormal pressure conditions, after consultation with the operator, the Supervisor may vary the setting depths to exceed the ranges specified below.

#### **Required Setting Depth Below Waters' Floor (TVD in feet)**

**Proposed Total Depth****of Well or Depth of****First Full String of****Intermediate Casing****(TVD) Casing in Feet Surface Casing Conductor Casing****from Rotary Table Minimum Maximum Minimum Maximum**

0 - 7,000 1,500 - 2,500 300 - 800

7,000 - 9,000 1,750 - 3,000 400 - 800

9,000 - 11,000 2,250 - 3,500 500 - 900

11,000 - 13,000 3,000 - 4,000 600 - 900

13,000 - Below 3,500 - 4,500 700 - 1,000

**C. Intermediate Casing**

This string of casing shall be set when required by anticipated abnormal pressure, mud weights, sediment and other well conditions. The intermediate casing shall be new pipe or reconditioned pipe that has been tested and inspected to verify a new condition. A quantity of cement sufficient to cover and isolate all hydrocarbon zones and to isolate abnormal pressure intervals from normal pressure intervals shall be used. If a liner is used as an intermediate string, the cement shall be tested by a fluid entry or pressure test to determine whether a seal between the liner top and next larger string has been achieved. The test shall be recorded on the driller's log. When such liner is used as production casing, it shall be extended to the surface and cemented to avoid surface casing being used as production casing.

**D. Production Casing**

This string of casing shall be set before completing the well for production. The production casing shall be new pipe or reconditioned pipe that has been tested and inspected to verify a new condition. It shall be cemented in a manner necessary to cover or isolate all zones which contain hydrocarbons, but in any case, a calculated volume sufficient to fill the annular space at least 500 feet above the uppermost producible hydrocarbon zone must be used. When a liner is used as production casing, the testing of the seal between the liner top and next larger string shall be conducted as in the case of intermediate liners.

**E. Pressure Testing**

Prior to drilling the plug after cementing, all casing strings, except the drive or structural casing, shall be pressure tested as shown in the table below. This test shall not exceed the working pressure of the casing. The surface casing shall be tested with water in the top 100 feet of the casing. If the pressure declines more than ten percent (10%) in thirty (30) minutes, or if there is other indication of a leak, the casing shall be recemented, repaired or an additional casing string run, and the casing shall be tested again in the same manner.

**Casing String Minimum Pressure****Test (psi)**

Conductor 200

Surface 1,000

Intermediate 1,500 or 0.2 psi/ft.,

whichever is greater

Liner 1,500 or 0.2 psi/ft.,

whichever is greater

Production 1,500 or 0.2 psi/ft.,

whichever is greater

After cementing any of the above strings, drilling shall not be commenced until a time lapse of:

(1) Twenty-four (24) hours, or

(2) Eight (8) hours under pressure for conductor casing string. Twelve (12) hours under pressure for all other strings. (Cement is considered under pressure if one (1) or more float valves are employed and are shown to be holding the cement in place or when other means of holding pressure are used.)

All casing pressure tests shall be recorded on the driller's log.

## 2. Blowout Prevention Equipment

Blowout preventers and related well control equipment shall be installed, used and tested in a manner necessary to prevent blowouts. Prior to drilling below the conductor casing, blowout prevention equipment shall be installed and maintained ready for use until drilling operations are completed as follows:

### A. Conductor Casing

Before drilling below this string, at least one (1) remotely controlled bag-type blowout preventer and equipment for circulating the drilling fluid to the drilling structure or vessel shall be installed. To avoid formation fracturing from complete shut-in of the well, a large diameter pipe with control valves shall be installed on the conductor casing below the blowout preventer so as to permit the diversion of hydrocarbons and other fluids; except that when the blowout preventer assembly is on the waters' floor, the choke and kill lines shall be equipped to permit the diversion of hydrocarbons and other fluids.

### B. Surface Casing

Before drilling below this string, the blowout prevention equipment shall include a minimum of : (1) three (3) remotely controlled, hydraulically operated blowout preventers with a working pressure which exceeds the maximum anticipated surface pressure, including one (1) equipped with pipe rams, one (1) with blind rams and one (1) bag-type; (2) a drilling spool with side outlets, if side outlets are not provided in the blowout preventer body; (3) a choke manifold; (4) a kill line; (5) a fill-up line.

### C. Intermediate Casing

Before drilling below this string, the blowout prevention equipment shall include a minimum of: (1) four (4) remotely controlled, hydraulically operated blowout preventers with a working pressure which exceeds the maximum anticipated surface pressure, including at least one (1) equipped with pipe rams, one (1) with blind rams and one (1) bag-type; (2) a drilling spool with side outlets, if side outlets are not provided in the blowout preventer body; (3) a choke manifold; (4) a kill line; and (5) a fill-up line.

### D. Testing

Ram-type blowout preventers and related control equipment shall be tested with water to the rated working pressure of the stack assembly or to the working pressure of the casing, whichever is the lesser, (1) when installed; (2) before drilling out after each string of casing is set; (3) not less than once each week while drilling; and (4) following repairs that require disconnecting a pressure seal in the assembly. The bag-type blowout preventer shall be tested to seventy percent (70%) of the above pressure requirements.

While drill pipe is in use, ram-type blowout preventers shall be actuated to test proper functioning once each trip, but in no event less than once each day. The bag-type blowout preventer shall be actuated on the drill pipe once each week. Accumulators or accumulators and pumps shall maintain a pressure capacity reserve at all times to provide for repeated operation of hydraulic preventers. A blowout prevention drill shall be conducted weekly for each drilling crew to insure that all equipment is operational and that crews are properly trained to carry out emergency duties. All blowout preventer tests and crew drills shall be recorded on the driller's log.

#### E. Other Equipment

An inside blowout preventer assembly (back pressure valve) and drill string safety valve in the open position shall be maintained on the rig floor at all times while drilling operations are being conducted. Separate valves shall be maintained on the rig floor to fit all pipe in the drill string. A Kelly cock shall be installed below the swivel, and an essentially full opening Kelly cock shall be installed at the bottom of the Kelly of such design that it can be run through the blowout preventers.

### 3. Mud Program - General

The characteristics, use and testing of drilling mud and the conduct of related drilling procedures shall be such as are necessary to prevent the blowout of any well. Quantities of mud materials sufficient to insure well control shall be maintained readily accessible for use at all times.

#### A. (1) Mud Control

Before starting out of hole with drill pipe, the mud shall be circulated with the drill pipe just off bottom until the mud is properly conditioned except under the conditions in subparagraph 3. A(2) below. When coming out of the hole with drill pipe, the annulus shall be filled with mud before the mud level drops below 100 feet, and a mechanical device for measuring the amount of mud required to fill the hole shall be utilized. The volume of mud required to fill the hole shall be watched, and any time there is an indication of swabbing, or influx of formation fluids, the necessary safety device(s) required in subparagraph 2(E) above shall be installed on the drill pipe, the drill pipe shall be run to bottom and the mud properly conditioned. The mud shall not be circulated and conditioned except on or near bottom, unless well conditions prevent running the pipe to bottom. The mud in the hole shall be circulated or reverse circulated prior to pulling drill stem test tools from the hole.

(2) It will not be required that the mud at the bottom of the hole be circulated out prior to removing the drill pipe from the hole, provided that in every case the driller's log contains proper documentation that: (a) There was no indication of influx of formation fluids prior to starting to remove the pipe from the hole; (b) The weight of the returning mud is sufficient to contain formation pressures; and (c) Other mud properties recorded on the daily drilling log are within the specified ranges at that stage of the hole to perform their required functions.

(3) In those cases when the hole is circulated, the driller's log should be so noted.

#### B. Mud Testing Equipment

Mud testing equipment shall be maintained on the drilling platform at all times, and mud tests shall be performed daily, or more frequently as conditions warrant. Suitable mud test records must be kept and made available to the Supervisor's representative upon his request.

The following mud system monitoring equipment must be installed (with derrick floor indicators) and used throughout the period of drilling after setting and cementing the conductor casing:

(1) Recording mud tank level indicator to determine mud tank volume gains and losses. This indicator shall include a visual or audio warning device.

(2) Mud volume measuring device for accurately determining mud volumes required to fill the hole on trips.

(3) Mud return indicator to determine that returns essentially equal the pump discharge rate.

## **RULE OS-5. PLUGGING AND ABANDONMENT OF WELLS**

The operator shall comply with the following minimum plugging and abandonment procedures which have general application to all wells drilled for oil and gas. Plugging and abandonment operations must not be commenced prior to obtaining approval from an authorized representative of the Board. Where not in conflict with this rule or special field rules, Statewide Rules 27 and 28 shall be followed:

### **(1) Permanent Abandonment**

#### **A. Isolation in Uncased Hole**

In uncased portions of wells, cement plugs shall be spaced to extend 100 feet below the bottom to 100 feet above the top of any oil, gas and fresh water zones so as to isolate them in the strata in which they are found and to prevent them from escaping into other strata.

#### **B. Isolation of Open Hole**

Where there is open hole (uncased and open into the casing string above) below the casing, a cement plug shall be placed in the deepest casing string by (1) or (2) below, or in the event lost circulation conditions exist or are anticipated, the plug may be placed in accordance with (3) below:

(1) A cement plug placed by displacement method so as to extend a minimum of 100 feet above and 100 feet below the casing shoe.

(2) A cement retainer with effective back pressure control set not less than fifty (50) feet, nor more than 100 feet, above the casing shoe with a cement plug calculated to extend at least 100 feet below the casing shoe and fifty (50) feet above the retainer.

(3) A permanent type bridge plug set within 150 feet above the casing shoe with fifty (50) feet of cement on top of the bridge plug. This plug shall be tested prior to placing subsequent plugs.

#### **C. Plugging or Isolating Perforated Intervals**

A cement plug shall be placed opposite all open perforations (perforations not squeezed with cement) extending a minimum of 100 feet above and 100 feet below the perforated interval or down to a casing plug whichever is less. In lieu of the cement plug, a bridge plug set at a maximum of 150 feet above the open perforations with fifty (50) feet of cement on top may be used, provided the perforations are isolated from the hole below.

#### **D. Plugging of Casing Stubs**

If casing is cut and recovered, a cement plug 200 feet in length shall be placed to extend 100 feet above and 100 feet below the stub. A retainer may be used in setting the required plug.

#### **E. Plugging of Annular Space**

No annular space that extends to the waters' floor shall be left open to drilled hole below. If this condition exists, the annulus shall be plugged with cement.

#### **F. Surface Plug Requirement**

A cement plug of at least 150 feet, with the top of the plug 150 feet or less below the waters' floor, shall be placed in the smallest string of casing which extends to the surface.

#### **G. Testing of Plugs**

The setting and location of the first plug below the top 150-foot plug will be verified by either (1) placing a minimum pipe weight of 15,000 pounds on the plug, or (2) testing with a minimum pump pressure of 1,000 psig with no more than a ten percent (10%) pressure drop during a fifteen (15) minute period.

## H. Mud

Each of the respective intervals of the hole between the various plugs shall be filled with mud fluid of sufficient density to exert hydrostatic pressure exceeding the greatest formation pressure encountered while drilling such interval.

### 2. Clearance of Location

All casing and piling shall be severed and removed to at least fifteen (15) feet below the waters' floor, and the location shall be dragged to clear the well site of any obstructions.

### 3. Temporary Abandonments

Any drilling well which is to be temporarily abandoned shall be mudded and cemented as required for permanent abandonment except for requirements F and I of Paragraph 1 above. When casing extends above the waters' floor, a mechanical bridge plug (retrievable or permanent) shall be set in the casing between fifteen (15) and 200 feet below the waters' floor.

## **RULE OS-6. INSTALLATION OF SUBSURFACE SAFETY DEVICE**

The operator shall comply with the following requirements. All departures from the requirements specified in this rule shall be subject to approval by the Supervisor. All applications for approval under the provisions of this rule shall be submitted to the Supervisor. References in this rule to approvals, determinations or requirements are to those given or made by the Supervisor or his delegated representative:

### **1. Installation**

All tubing installations open to hydrocarbon-bearing zones shall be equipped with a subsurface-controlled or a surface - or other remotely controlled subsurface safety device, to be installed at a depth of 100 feet or more below the waters' floor unless, after application and justification, the well is determined to be incapable of flowing oil or gas. These installations shall be made as required in Subparagraph A below within two (2) days after stabilized production is established, and during this period of time the well shall not be left unattended while open to production.

#### **A. New Wells**

All tubing installations in wells shall be equipped with a surface or other remotely controlled subsurface safety device; provided, that wells with a shut-in tubing pressure of 4,000 psig or greater shall be equipped with a subsurface-controlled subsurface safety device in lieu of a surface or other remotely controlled subsurface safety device unless a surface or other remotely controlled subsurface safety device is approved or required. When the shut-in tubing pressure declines below 4,000 psig, a surface or other remotely controlled subsurface safety device shall be installed when the tubing is first removed and reinstalled.

#### **B. Shut-in Wells**

A tubing plug shall be installed in lieu of, or in addition to, other subsurface safety devices if a well has been shut-in for a period of six (6) months. Such plugs shall be set at a depth of 100 feet or more below the waters' floor. All retrievable plugs installed shall be of the pump-through type. All wells perforated and completed, but not placed on production, shall be equipped with a subsurface safety device or tubing plug within two (2) days after completion.

#### **C. Injection Wells**

Subsurface safety devices as required in Subparagraph A above shall be installed in all injection wells unless, after application and justification, it is determined that the well is incapable of flowing oil or gas, which condition shall be verified annually.

### **2. Technological Advancement**

As technological research, progress and product improvement result in increased effectiveness of existing safety devices or the development of new devices or systems, such devices or systems may be required or used upon application, justification and approval. Applications for routine use shall include evidence that the device or system has been field-tested at least once each month for a minimum of six (6) consecutive months, and that each test indicated proper operation.

### **3. Testing and Inspection**

Subsurface safety devices shall be designed, adjusted, installed and maintained to insure reliable operation. During testing and inspection procedures, the well shall not be left unattended while open to production unless a properly operating subsurface safety device has been installed in the well.

#### **A. Surface-Controlled Subsurface Safety Devices**

Each surface or other remotely controlled subsurface safety device installed in a well shall be tested in place for proper operation when installed and thereafter at intervals not exceeding six (6) months. If the device does not operate properly, it shall be removed, repaired and reinstalled or replaced and tested to insure proper

operation.

## B. Subsurface-Controlled Subsurface Safety Devices

Each subsurface-controlled subsurface safety device installed in a well shall be removed, inspected and repaired or adjusted as necessary and reinstalled at intervals not exceeding six (6) months; provided, that such removable devices set in a landing nipple shall be removed, inspected and repaired or adjusted as necessary and reinstalled at intervals not exceeding twelve (12) months. Each velocity-type device shall be designed to close at a flow rate not to exceed the larger of either 150 percent of, or 200 BFPD above, the most recent well-test rate which equals or exceeds the approved production rate. The above closing flow rate shall not exceed the calculated capacity of the well to produce against a flowing wellhead pressure of fifty (50) psig.

Each preset tubing-pressure-actuated device shall be designed to close prior to reduction of the flowing wellhead pressure to fifty (50) psig.

## C. Tubing Plugs

A shut-in well equipped with a tubing plug shall be inspected for leakage by opening the well to possible flow at intervals not exceeding six (6) months. If sustained liquid flow exceeds 400 cc/min., or gas flow exceeds fifteen (15) cu.ft./min., the plug shall be removed, repaired and reinstalled or an additional tubing plug installed to prevent leakage.

## 4. Temporary Removal

Each wireline or pumpdown-retrievable subsurface safety device may be removed, without further authority or notice, for a routine operation for a period not to exceed fifteen (15) days. The well shall be clearly identified as being without a subsurface safety device and shall not be left unattended while open to production. The provisions of this paragraph are not applicable to the testing and inspection procedures in Paragraph 3 above.

## 5. Additional Protective Equipment

All tubing installations in which a wireline or pumpdown- retrievable subsurface safety device is to be installed shall be equipped with a landing nipple, with flow couplings or other protective equipment above and below, to provide for setting of the subsurface safety device. All wells in which a subsurface safety device or tubing plug is installed shall have the tubing- casing annulus packed off above the uppermost open casing perforations. The control system for all surface-controlled subsurface safety devices shall be an integral part of the platform shut-in system, or of an independent remote shut-in system.

## 6. Departures

All departures (or waivers) shall be applied for in writing to the Supervisor. All applications for departures shall include a detailed statement of the well conditions, efforts made to overcome any difficulties and proposed alternate safety measures.

## 7. Emergency Action

All tubing installations open to hydrocarbon-bearing zones and not equipped with a subsurface safety device as permitted by this rule shall be clearly identified as not being so equipped, and a subsurface safety device or tubing plug shall be available at the field location. In the event of an emergency, such as an impending hurricane, such device or plug shall be promptly installed within the limits of practicability, due consideration being given to personnel safety.

## 8. Records

The operator shall maintain the following records for a minimum period of one (1) year for each subsurface safety device and tubing plug installed, which records shall be available to any authorized representative of the Board:



## A. Field Records

Individual well records shall be maintained at or near the field and shall include, as a minimum, the following information:

- (1) A record which will give design and other information, i.e., make, model, type, spacers, bean and spring size, pressure, etc.
- (2) Verification of assembly by a qualified person in charge of installing the device and installation date.
- (3) Verification of setting depth and all operational tests as required in this order.
- (4) Removal date, reason for removal and reinstallation date.
- (5) A record of all modifications of design in the field.
- (6) All mechanical failures or malfunctions, including sandcutting, of such devices, with notation as to cause or probable cause.
- (7) Verification that a failure report was submitted.

## B. Other Records

The following records, as a minimum, shall be maintained at the operator's office:

- (1) Verified design information of subsurface- controlled subsurface safety devices for the individual well.
- (2) Verification of assembly and installation according to design information.
- (3) All failure reports.
- (4) All laboratory analysis reports of failed or damaged parts.
- (5) Quarterly failure-analysis report.

## 9. Reports

Well completion reports (Form No. 3) and any subsequent reports of workover (Form No. 3) shall include the type and the depth of the subsurface safety devices and tubing plugs installed in the well or indicate that a departure has been granted.

To establish a failure-reporting and corrective-action program as a basis for reliability and quality control, each operator shall submit a quarterly failure-analysis report to the Supervisor, identifying mechanical failures by lease and well, make and model, cause or probable cause of failure and action taken to correct the failure. The reporting period shall begin the first day of the month following the date of this order. The reports shall be submitted by February 28, May 31, August 31 and November 30 for the periods ending January 31, April 30, July 31 and October 31 of each year.

## **RULE OS-7. PROCEDURE FOR COMPLETION OF OIL AND GAS WELLS**

### **1. Wellhead Equipment and Testing Procedures**

#### **A. Wellhead Equipment**

All completed wells shall be equipped with casingheads, wellhead fittings, valves and connections with a rated working pressure equal to or greater than the surface shut-in pressure of the well. Connections and valves shall be designed and installed to permit fluid to be pumped between any two strings of casing. Two master valves shall be installed on the tubing in wells with a surface pressure in excess of 5,000 pounds per square inch. All wellhead connections shall be assembled and tested, prior to installation, by a fluid pressure which shall be equal to the rated test pressure of the fitting to be installed.

#### **B. Testing Procedure**

Any wells showing sustained pressure on the casinghead, or leaking gas or oil between the production casing and the next larger casing string, shall be tested in the following manner: The well shall be killed with water or mud and pump pressure applied. Should the pressure at the casinghead reflect the applied pressure, the casing shall be condemned. After corrective measures have been taken, the casing shall be tested in the same manner. This testing procedure shall be used when the origin of the pressure cannot be determined otherwise.

### **2. Storm Choke**

All completed wells shall meet the requirements prescribed in Rule OS-6.

### **3. Procedures for Multiple or Tubingless Completions**

#### **A. Multiple Completions**

The rules and regulations governing all multiple completions shall be the same as set forth in Statewide Rule 15, Multiple and Dual Completions, and any other applicable Statewide Rules, and shall include the following:

(1) Information shall be submitted on required form showing top and bottom of all zones proposed for completion or alternate completion, including a partial electric log and a diagrammatic sketch showing such zones and equipment to be used.

(2) When zones approved for multiple completion become intercommunicated the operator shall immediately repair and separate the zones after approval is obtained.

#### **B. Tubingless Completions**

(1) All tubing strings in a multiple completed well shall be run to the same depth below the deepest producible zone.

(2) The tubing string(s) shall be new pipe and cemented with a sufficient volume to extend a minimum of 500 feet above the uppermost producible zone.

(3) A temperature or cement bond log shall be run in all tubingless completion wells where lost circulation or other unusual circumstances occur during the cementing operations.

(4) Information shall be submitted on, or attached to, Form No. 3 showing the top and bottom of all zones proposed for completion or alternate completion, including a partial electric log and a diagrammatic sketch showing such zones and equipment to be used.

## **RULE OS-8. PREVENTION OF WASTE, INCLUDING POLLUTION, AND WASTE DISPOSAL**

(a) The operator shall not cause waste or pollute land or water or damage the aquatic life of the waters or allow extraneous matter to enter and damage any mineral- or water- bearing formation.

(b) If the waters are polluted by the drilling or production operations conducted by or on behalf of the operator, and such waste by pollution damages or threatens to damage aquatic life, wildlife or public or private property, the control and total removal of the pollutant, wheresoever found, proximately resulting therefrom shall be at the expense of the operator. Upon failure of the operator to control waste and remove the pollutant, the Supervisor shall have the right to accomplish the control and removal of the pollutant in accordance with any established contingency plan for combating oil spills or by other means at the cost of the operator. Such action shall not relieve the operator of any responsibility as provided herein.

(c) The operator's liability to third parties, other than for cleaning up the pollutant in accordance with Paragraph (b) of this section, shall be governed by applicable law.

The Operator shall comply with the following requirements:

### 1. Waste Prevention Including Pollutant

#### A. Liquid Disposal

(1) Oil in any form shall not be disposed of into the waters.

(2) Liquid waste materials containing substances which may be harmful to aquatic life or wildlife, or injurious in any manner to life or property, shall be treated to avoid disposal of harmful substances into the waters.

(3) Drilling mud containing oil shall not be disposed of into the waters.

(4) Detergents, surfactants or dispersants in harmful quantities shall not be introduced into the waters without prior approval of the Supervisor.

#### B. Solid Waste Disposal

(1) Drill cuttings, sand and other solids shall not be disposed of into the waters without prior approval of the Supervisor.

(2) Mud containers and other solid waste materials shall be incinerated or transported to shore for disposal.

#### C. Production Facilities

(1) All production facilities, such as separators, tanks, treaters and other equipment shall be such as are necessary to control the maximum anticipated pressures and production of oil, gas and associated sulphur, and shall be maintained at all times in a manner necessary to prevent waste and pollution.

(2) All platforms and structures shall be curbed and connected by drains to a collecting tank or sump unless drip pans, or equivalents, are placed under equipment from which a pollutant may spill into the waters and piped to a tank or sump.

(3) The operator's personnel shall be thoroughly instructed in the techniques of equipment maintenance and operation for the prevention of waste and pollution. Non-operator personnel shall be informed in writing, prior to executing contracts, of the operator's obligations to prevent waste and pollution.

### 2. Inspections and Reports

The operator shall comply with the following waste and pollution inspection and reporting requirements:

#### A. Waste and Pollution Inspections

(1) Manned facilities shall be inspected daily.

(2) Unattended facilities, including those equipped with remote control and monitoring systems, shall be inspected at frequent intervals. The Supervisor may prescribe the frequency of inspections for these facilities.

#### B. Waste and Pollution Reports

(1) All spills or leakage of oil and liquid pollutants shall be recorded showing the cause, size of spill and action taken, and the record shall be maintained and available for inspection by the Supervisor or duly authorized representatives.

(2) All spills or leakage of oil and liquid pollutants of one (1) barrel or more shall be reported orally to the Supervisor or his authorized representative without delay and shall be confirmed in writing to the Supervisor.

(3) Operators shall notify each other upon observation of equipment malfunction or waste and pollution resulting from another's operation.

### 3. Control and Removal

#### A. Corrective Action

Immediate corrective action shall be taken in all cases where waste and pollution has occurred. Each operator shall have an emergency plan for initiating corrective action to control and remove pollution and such plan shall be filed and reviewed with the Supervisor. Corrective action taken under the plan shall be subject to modification when directed by the Supervisor.

#### B. Equipment

Standby waste and pollution control equipment shall be maintained by or shall be immediately available to each operator at a land base location. This equipment shall include containment booms, skimming apparatus and approved chemical dispersants and shall be available prior to the commencement of operations. The equipment shall be regularly inspected and maintained in good condition for use. The adequacy of the equipment and the location of land bases shall be approved by the Supervisor. The operator shall notify the Supervisor of the location at which each item of equipment is located for operations conducted on or for each lease. All changes in location and equipment maintained at each location shall be approved by the Supervisor.

## **RULE OS-9. APPROVAL PROCEDURE FOR INSTALLATION AND OPERATION OF PLATFORMS, FIXED AND MOBILE STRUCTURES AND ARTIFICIAL ISLANDS**

The operator shall be responsible for compliance with the requirements of this rule in the installation and operation of all platforms, fixed and mobile structures and artificial islands, including all facilities installed on a platform or structure whether or not operated or owned by the operator.

1. The following requirements are applicable to all platforms:

### **A. General Design**

The design and engineering of platforms, fixed structures and artificial islands shall include consideration of such factors as water depth, surface and subsurface soil conditions, wave and current forces, wind forces, total equipment weight and other pertinent geological, geographical, environmental and operational conditions.

### **B. Application**

The operator shall submit, in duplicate, the following to the Supervisor for approval:

#### **(1) Design Features**

Information relative to design features on an 8- 1/2" x 11" plat or plats showing the platform dimensions, plan and two elevations, number and location of well slots and water depth. In addition, the plat shall include:

- (a) Nominal size and thickness range of piling.
- (b) Nominal size and thickness range of jacket column leg.
- (c) Nominal size and thickness range of deck column leg.
- (d) Design piling penetration.
- (e) Maximum bearing and lateral load per pile in tons.
- (f) Identification data which shall be the lease number, block number, county and operator.
- (g) The following certification signed and dated with the title of the company representative:

"Operator certifies that this platform has been certified by a registered professional engineer and that the structure will be constructed, operated and maintained as described in the application, and any approved modification thereto. Certified plans are on file at the State Oil and Gas Board's Office in the Walter Sillers State Office Building, Jackson, Mississippi."

#### **(2) Non-design Features**

Information relative to non-design features including the following:

- (a) Primary use intended, including drilling, production of oil, gas and associated sulphur.
- (b) Personnel and personnel transfer facilities including living quarters, boat landings and heliport.
- (c) Type of deck, such as steel or wood, and whether coated with protective material.
- (d) Method of protection from corrosion.
- (e) Production facilities, including separators, treaters, storage tanks, compressors, line pumps and metering devices, except that when initially designed and utilized for drilling, this information may be submitted prior to installation.
- (f) Safety, waste and pollution control equipment and features.

(g) Other information when required.

### C. Certified Plan

Detailed structural plans certified by a registered professional engineer [See Rule OS-9 (1)(g)] shall be on file and maintained by the operator or his designee.

## 2. Waste, Safety and Pollution Control Equipment and Procedures

A. The following requirements shall apply to all platforms:

(1) The following shut-in devices shall be installed and maintained in an operating condition on all pressurized vessels and water separation facilities when such vessels and separation facilities are in service. The operator shall submit records to the Supervisor semi-annually showing the present status and past history of each device including dates and details of inspection, testing, repairing, adjustment and reinstallation:

(a) All sensors shall be equipped to permit testing with an external pressure source. All separators shall be equipped with high- low pressure shut-in sensors, low level shut- in controls and a relief valve. High liquid level control devices shall be installed when the vessel can discharge to a flare.

(b) All pressure surge tanks shall be equipped with a high and low pressure shut-in sensor, a high level shut-in control, flare line and relief valve.

(c) Atmospheric surge tanks shall be equipped with a high level shut-in sensor.

(d) All other pressured hydrocarbon-handling pressure vessels shall be equipped with high- low pressure shut-in sensors, high-low level shut-in controls and relief valves, unless determined to be otherwise protected.

(e) Pilot-operated pressure relief valves shall be equipped to permit testing with an external pressure source. Spring-loaded pressure relief valves shall either be bench- tested or equipped to permit testing with an external pressure

source. A relief valve shall be set no higher than the designed working pressure of the vessel. The high pressure shut-in sensor shall be set no higher than five percent (5%) below the rated or designed working pressure, and the low pressure shut-in sensor shall be set no lower than ten percent (10%) below the lowest pressure in the operating pressure range on all vessels with a rated or designed working pressure of more than 400 psi. On lower pressure vessels, the above percentages shall be used as guidelines for sensor settings considering pressure and operating conditions involved; except that sensor settings shall not be within five (5) psi of the rated or designed working pressure or the lowest pressure in the operating pressure range.

(f) All sensors shall be equipped to permit testing with an external pressure source.

(g) All flare lines shall be equipped with a scrubber or similar separation equipment.

(2) The following remote and local automatic shut-in devices shall be installed and maintained in an operating condition at all times when the affected well (or wells) is producing. The operator shall submit records to the Supervisor semi-annually showing the present status and past history of each such device including dates and details of inspection, testing, repairing, adjustment and reinstallation.

(a) All wellhead assemblies shall be equipped with an automatic fail-close valve. Automatic safety valves temporarily out of service shall be flagged.

(b) All flowlines from wellheads shall be equipped with high-low pressure sensors located close to the wellhead. The pressure sensors shall be set to activate the wellhead valve in the event of abnormal pressures in the flowline.

(c) All headers shall be equipped with check valves on the individual flowlines. The flowline and valves from each well located upstream of, and including, the header valves shall withstand the shut-in pressure of that

well, unless protected by a relief valve with connections to bypass the header and flow to an appropriate surge facility. If there is an inlet valve to a separator, the valve, flowline and all equipment upstream of the valve shall also withstand shut-in wellhead pressure, unless protected by a relief valve with connections to bypass the header.

(d) All pneumatic shut-in control lines shall be equipped with fusible material at strategic points.

(e) Remote shut-in controls shall be located on the helicopter deck and all exit stairway landings, including at least one (1) on each boat landing. These controls shall be quick-opening valves.

(f) All pressure sensors shall be tested for proper pressure settings monthly for at least four (4) months. At such time as the monthly results are consistent, a quarterly test shall be required for at least one (1) year. If these results are consistent, a longer period of time between testing may then be approved by the Supervisor. In the event any testing sequence reveals inconsistent results, the monthly testing sequence shall be reinstated. Results of all tests shall be recorded and maintained in the field.

(g) All automatic wellhead safety valves shall be tested for operation weekly. All automatic wellhead safety valves shall be tested for holding pressure monthly. If these results are consistent, a longer period of time between pressure tests, not to exceed quarterly, may then be approved by the Supervisor. In the event that any pressure testing sequence, exceeding monthly, reveals inconsistent results, the monthly testing sequence shall be reinstated. Results of all tests shall be recorded and maintained in the field.

(h) Check valves shall be tested for holding pressure monthly for at least four (4) months. At such time as the monthly results are satisfactory, a quarterly test shall be required for at least one (1) year. If these results are consistent, a longer period of time between testing may then be approved by the Supervisor. In the event any testing sequence reveals inconsistent results, the monthly testing sequence shall be reinstated. Results of all tests shall be recorded and maintained in the field.

(i) A complete testing and inspection of the safety system shall be witnessed by a representative of the Board at the time production is commenced. Thereafter, the operator shall arrange for a test every six (6) months, notifying the Supervisor or his authorized representative such that a representative of the Board may be present during the test.

(j) A standard procedure for testing of safety equipment shall be prepared and posted in a prominent place on the platform.

(3) Curbs, gutters and drains shall be constructed in all deck areas in a manner necessary to collect all contaminants, unless drip pans or equivalent are placed under equipment and piped to a sump which will automatically maintain the oil at a level sufficient to prevent discharge of oil into the Gulf waters. Alternate methods to obtain the same results will be acceptable. These systems shall not permit spilled oil to flow into the wellhead area.

(4) An auxiliary electrical power supply shall be installed to provide emergency power capable of operating all electrical equipment to maintain safety of operation in the event the primary electrical power supply fails.

(5) The following requirements shall apply to the handling and disposal of all produced waste water. All waste water shall be disposed of by: (1) Injecting into an approved subsurface formation; or (2) Transporting said water ashore and disposing of it in a manner already approved under existing onshore regulations; or (3) Discharging into the waters offshore provided the water quality meets standards established by appropriate regulatory agencies and when approved by the Supervisor.

(a) Water discharged shall not create conditions which will adversely affect the public health or use of the waters (as defined by the Mississippi Bureau of Pollution Control) for the propagation of aquatic life, recreation, navigation or other legitimate uses not prohibited by high natural mineral content.

(6) A firefighting system shall be installed and maintained in an operating condition in accordance with the following:

(a) A fixed automatic water spray system shall be installed in all inadequately ventilated wellhead areas as these areas are defined in Paragraph 9 of API RP 500A. These systems shall be installed in accordance with the most current edition of National Fire Protection Association's Pamphlet No. 15.

(b) A firewater system of rigid pipe with fire hose stations shall be installed and may include a fixed water spray system. Such a system shall be installed in a manner necessary to provide needed protection in areas where production handling equipment is located. A firefighting system using chemicals may be considered for installation in certain platform areas in lieu of a firewater system in that area, if determined to provide equivalent fire protection control.

(c) Pumps for the firewater systems shall be inspected and test-operated weekly. A record of the tests shall be maintained in the field and submitted semi-annually to the Supervisor. An alternate fuel or power source shall be installed to provide continued pump operation during platform shutdown unless an alternate firefighting system is provided.

(d) Portable fire extinguishers shall be located in the living quarters and in other strategic areas.

(e) A diagram of the firefighting system showing the location of all equipment shall be posted in a prominent place on the platform and a copy submitted to the Supervisor.

(7) An automatic gas detector and alarm system shall be installed and maintained in an operating condition in accordance with the following:

(a) Gas detection systems shall be installed in all enclosed areas containing gas-handling facilities or equipment and in other enclosed areas which are classified as hazardous areas as defined in API RP 500B and the most current edition of the National Electric Code.

(b) All gas detection systems shall be capable of continuously monitoring for the presence of combustible gas in the areas in which the detection devices are located.

(c) The central control shall be capable of giving an alarm at some point below the lower explosive limit of one and three-tenths percent (1.3%) as shown in the Bureau of Mines Bulletin No. 503. This low level shall be for alarm purposes only.

(d) A high level setting of not more than four and nine-tenths percent (4.9%) shall be used for shut-in sequences and the operation of emergency equipment.

(e) An application for the installation and maintenance of any gas detection system shall be filed with the Supervisor for approval.

The Application shall include the following:

(i) Type, location and number of detection or sampling heads.

(ii) Cycling, non-cycling and frequency information.

(iii) Type and kind of alarm, including emergency equipment, to be activated.

(iv) Method used for detection of combustible gas.

(v) Method and frequency of calibration.

(vi) A diagram of the gas detection system.

(vii) Other pertinent information.

(f) A diagram of the gas detection system showing the location of all gas detection points shall be posted in a prominent place on the platform.



(8) The following requirements shall be applicable to all electrical equipment and systems installed:

(a) All engines shall be equipped with low-tension ignition systems containing rigid connections and shielded wiring which shall prevent the release of sufficient electrical energy under normal or abnormal conditions to cause ignition of a combustible mixture.

(b) All electrical generators, motors and lighting systems shall be installed, protected and maintained in accordance with the most current edition of the National Electric Code and API RP 500A and B as appropriate.

(c) Marine-armored cable or metal-clad cable may be substituted for wire in conduit in any area.

(9) Sewage disposal systems shall be installed and used in all cases where sewage is discharged into the waters. Sewage is defined as human body wastes and the wastes from toilets and other receptacles intended to receive or retain body wastes. Following sewage treatment, the effluent shall contain fifty (50) ppm or less of biochemical oxygen demand (BOD), 150 ppm or less of suspended solids, and shall have a minimum chlorine residual of one (1.0) mg/liter after a minimum retention time of fifteen (15) minutes provided further that any sewage disposal system shall conform to any standard established by the Mississippi Bureau of Pollution Control.

B. The requirements of Sub-paragraphs 2.A(3), (4), (8) and (9) shall apply to all mobile drilling structures used to conduct drilling or workover operations.

## **RULE OS-10. APPROVAL PROCEDURE FOR OIL AND GAS PIPELINES**

The Supervisor shall approve a plan for installation of all pipelines for which a right of use or easement has been granted by the State, or permitted under the provisions of any lease, in or over submerged offshore lands. The operator shall comply with the following requirements:

### **1. General Design**

All pipelines shall be designed and maintained in accordance with the following:

A. The operator shall be responsible for the installation of the following control devices on all oil and gas pipelines connected to a platform, including pipelines which are not operated or owned by the operator. The operator shall submit records to the Supervisor semi-annually showing the present status and past history of each device, including dates and details of inspection, testing, repairing, adjustment and re- installation:

(1) All oil and gas pipelines leaving a platform receiving production from the platform shall be equipped with a high-low pressure sensor to directly or indirectly shut-in the wells on the platform.

(2) (a) All oil and gas pipelines delivering production to production facilities on a platform shall be equipped with an automatic shut-in valve connected to the platform's automatic and remote shut-in system.

(b) All oil and gas pipelines coming onto a platform shall be equipped with a check valve to avoid backflow.

(c) Any oil or gas pipelines crossing a platform which do not deliver production to the platform, but which may or may not receive production from the platform, shall be equipped with high- low pressure sensors to activate an automatic shut-in valve to be located in the upstream portion of the pipeline at the platform. This automatic shut-in valve shall be connected to either the platform automatic and remote shut-in system or to an independent remote shut- in system.

(d) All pipeline pumps shall be equipped with high-low pressure shut-in devices.

B. All pipelines shall be protected from loss of metal by corrosion that would endanger the strength and safety of the lines either by providing extra metal for corrosion allowance, or by some means of preventing loss of metal such as protective coatings or cathodic protection.

C. All pipelines shall be installed and maintained to be compatible with trawling operations and other uses.

D. All pipelines shall be hydrostatically tested to one and twenty-five one-hundredths (1.25) times the designed working pressure for a minimum of two (2) hours prior to placing the line in service.

E. All pipelines shall be maintained in good operating condition at all times and inspected monthly for indication of leakage using aircraft, floating equipment or other methods. Records of these inspections including the date, methods and results of each inspection shall be maintained by the pipeline operator and submitted annually by April 1. The pipeline operator shall submit records indicating the cause, effect and remedial action taken regarding all pipeline leaks within one (1) week following each such occurrence.

F. All pipelines shall be designed to be protected against water currents, storm scouring, soft bottoms and other environmental factors.

### **2. Application**

The operator shall submit in duplicate the following to the

Supervisor for approval:

A. Drawing on 8-1/2" x 11" plat or plats showing the major features and other pertinent data, including: (1) water depth, (2) route, (3) location, (4) length, (5) connecting facilities, (6) size and (7) burial depth, if buried.

B. A schematic drawing showing the following pipeline safety equipment and the manner in which the

equipment functions:

- (1) High-low pressure sensors,
- (2) Automatic shut-in valves, and
- (3) Check valves.

C. General information concerning the pipeline including the following:

- (1) Product or products to be transported by the pipeline.
- (2) Size, weight and grade of the pipe.
- (3) Length of line.
- (4) Maximum water depth.
- (5) Type or types of corrosion protection.
- (6) Description of protective coating.
- (7) Bulk specific gravity of line (with the line empty).
- (8) Anticipated gravity or density of the product or products.
- (9) Design working pressure and capacity.
- (10) Maximum working pressure and capacity.
- (11) Hydrostatic pressure and hold time to which the line will be tested after installation.
- (12) Size and location of pumps and prime movers.
- (13) Any other pertinent information as the Supervisor may prescribe.

### 3. Completion Report

The operator shall notify the Supervisor when installation of the pipeline is completed and submit a drawing on 8-1/2" x 11" plats showing the location of the line as installed, and also submit the original hydrostatic pressure test including procedure, test pressure, hold time, and results.

## **RULE OS-11. BOND**

Before any person shall begin drilling of any well in search of oil or gas or assume operation of an oil or gas well or construct or operate any pipeline in the submerged offshore lands of Mississippi, said person shall file with the Board a bond in the amount of not less than ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) for each well or pipeline or TWO HUNDRED THOUSAND DOLLARS (\$200,000.00) for all wells and pipelines, payable to the State of Mississippi for the use and benefit of the Mississippi State Oil and Gas Board. The Board shall require an increase of the minimum specified herein, by appropriate rider, when in the opinion of the Board the minimum does not constitute a reasonable bond as authorized to be required by Section 53-1-17, Mississippi Code of 1972.

**RULE OS-12. APPLICATION OF STATEWIDE RULES AND REGULATIONS**

Where not in conflict with these rules and regulations, all existing Statewide Rules and Regulations of the State Oil and Gas Board as adopted by Order No. 201-51, and all additions and amendments thereto, shall apply and be in force.

**RULE OS-13. PENALTY**

Any person, firm or corporation violating any of these rules and regulations shall be punished as provided by law.

**RULE OS-14. HEARINGS**

The Board reserves the right to require notice and hearing on any application for a drilling permit in submerged offshore lands.

**RULE OS-15. EXCEPTIONS**

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



**REGULATION  
MISSISSIPPI STATE OIL AND GAS BOARD  
RESEARCHING OF RECORDS, PROVIDING COPIES  
AND CHARGES THEREFOR**

**SECTION I. REQUEST FOR RECORDS**

- A. A request for a public record of the Mississippi State Oil & Gas Board may be made orally or in writing, however, the agency reserves the right to require a request to be made in writing, and shall be addressed to the Mississippi State Oil & Gas Board.
- B. A request must reasonably describe the desired record, including the approximate date.

**SECTION II. TIME LIMITATIONS**

Within fourteen (14) working days (excluding Saturdays, Sundays and legal public holidays) of the receipt of a request and the prepayment of cost, the Mississippi State Oil & Gas Board will respond to requests for copies of specifically identified documents which may lawfully be released.

**SECTION III. FEES**

- A. Charges for services rendered in response to information requests shall be as follows:
  - 1. A minimum charge of one (1) dollar for the first invoice billed and an additional charge of one (1) dollar for each subsequent billing of the same invoice will be assessed to cover the cost of re-billing.
  - 2. Charges for researching of records at the rate of nine (9) dollars per hour per person.
  - 3. Copies of forms and letters made by electrostatic or xerographic copy machines - 8 1/2 by 11 and 8 1/2 x 14 - at the cost of twenty-five (25) cents per copy; oversized copies at the rate of thirty (30) cents per copy.
  - 4. Telephone requests for information from well files will be limited to three wells per day. Copies of the information provided will be forwarded with a statement for the applicable charges. Request for information from more than three (3) wells must be in writing.
  - 5. Continuous copying of a well log shall be charged at the following rate(s):

5" Scale Log

- a. Depth 0 to 4,000 feet \$ 5.00
- b. Depth 4,001 to 8,000 feet 10.00
- c. Depth 8,001 to 15,000 feet 18.75
- d. Depth 15,001 to 18,000 feet 22.50
- e. Total depth over 18,000 feet 25.00

2" Scale Log

- a. Depth 0 to 4,000 feet \$ 2.00
- b. Depth 4,001 to 8,000 feet 4.00

- c. Depth 8,001 to 15,000 feet 7.50
- d. Depth 15,001 to 18,000 feet 9.00
- e. Total depth over 18,000 feet 10.00

1" Scale Log

- a. Depth 0 to 4,000 feet \$ 1.25
- b. Depth 4,001 to 8,000 feet 2.50
- c. Depth 8,001 to 15,000 feet 4.70
- d. Depth 15,001 to 18,000 feet 5.65
- e. Total depth over 18,000 feet 6.25

Copies of any portion of a well log will be copied on either 8 1/2 x 11 or 8 1/2 x 14 paper at a cost of twenty-five (25) cents per page. However requests for more than five (5) portions may be put in order of receipt of requests and filled in sequence.

- 6. Appeals of Board Orders shall have the following charges to the appellant:
  - a) Copying of any materials will be at the rates expressed above;
  - b) Actual binding cost of the appeal record;
  - c) This does not include the court reporter's fee for transcription, which must be paid directly to the court reporter.
- 7. The actual cost of mailing, postage, and envelopes or boxes will be charged.
- 8. The State Oil & Gas Board Statutes, Rules of Procedure and Statewide Rules and Regulations may be purchased in book form or on computer diskette in MS Word 97 at cost of fifteen (\$15) dollars each, plus the actual cost of mailing.
- 9. Costs of production reports:
  - a) Subscription for the twelve (12) monthly production reports, one (1) Annual Production Report and one (1) Book of Maps - \$100.00 per year.
  - b) One copy of a monthly production report - \$8.50 + postage = \$12.00.
  - c) One copy of an annual production report - \$25.00 + postage = \$30.00.
  - d) One copy of a Book of Maps - \$25.00 + postage = \$28.95.
- 10. A cost of four (4) dollars will be charged for each "pipeline map" plus the actual cost mailing.
- 11. A charge of one (1) dollar shall be made for each certification of true copies of agency records.
  - When a response to a request requires services or materials for which no fee has been established,
  - B. the actual cost of such services or materials, including staff time, to the Mississippi Oil & Gas Board will be charged.
  - C. Fees for searches and copies are payable in advance, unless arrangements for subsequent payments are made.

- D. Remittance shall be in the form either of a personal check or bank draft drawn on a bank in the United States, a postal money order or cash. Remittance shall be made payable to the order of the Mississippi State Oil and Gas Board. The agency will not assume responsibility for cash which is lost in the mail.
- E. Credit Services will not be provided to parties with past due balances with the Board.
- F. A receipt for fees paid will be given only upon request. No refund will be made for services rendered.
- G. The Board directs the Oil and Gas Supervisor to continuously monitor cost represented in this Regulation. Any future change in the cost of services as set forth in this Regulation will be made as actual costs of providing the services rise.

## INDEX STATUTES

### Generally, § § 53-1-1 et seq. 53-3-1 et seq.

#### Administration expense tax:

- definitions, § 53-1-71
  - imposition of tax for payment of administration expenses, § 53-1-73
  - oil and gas conservation fund , § 53-1-77
  - persons liable for, § 53-1-75
- Allowable production meters as to oil and gas, § 53-3-9

#### Appeals:

- chancery court, appeals to, § 53-3-119
- chancery court, appeals to, § 53-1-39
- evidentiary value of transcript of proceedings of oil and gas board, § 53-1-19
- supreme court, appeals to, § 53-1-45
- unitization of oil and gas pools, court review as to order of state oil and gas board as to, § 53-3-119

#### Bonds:

- circuit court, bond for appeals to, § 53-1-39
- illegal gas and oil seizure and sale, procedure for, § 53-3-19
- injunctions against board, § 53-1-41
- requirements as to bonds for wells, § 53-1-17

Certificate of clearance, § 53-1-3

#### Certificate of compliance:

- cancellation of certificate of compliance for pipeline connections, § 53-3-15
- defined, § 53-1-3

Co-operative oil and gas development leases, granting by public officers of,  
§ 53-3-51

Definitions, §53-3-41

Definitions for certain sectors, § 53-3-1

Development, production, and distribution of gas and oil, generally, § § 53-3-1 et seq.

Drilling and production of gas and oil, regulation of, generally, § 53-3-5

Facilities for exploration, production, transportation of oil and gas, permits and fees for, § 53-3-73

Filing, Records and recording, infra

Flexible oil or gas drilling units, § 53-3-23

#### Hearings:

- amendment of order of unitization of oil and gas pool or field, § 53-3-109
- cancellation of certificate of compliance for pipeline connections, § 53-3-15

- drilling and production locations, § 53-3-5
- emergency rules, regulations, or order, § 53-1-23
- evidentiary value of transcript of proceedings § 53-1-19
- investigative powers, § 53-1-17
- oil and gas board, generally, § 53-1-5
- pooling agreements and orders, § 53-3-7
- request for hearings, § 53-1-29

Illegal transactions in development, production, distribution of gas and oil, § § 53-3-17, 53-3-19

#### Injunctions:

- Oil and gas board, injunctions against, § 53-1-41
- violations or threatened violations, suits to restrain, § 53-1-43

#### Inspection:

- access to all wells, board and its representatives as having, § 53-1-33
- powers of board, § 53-1-17
- public inspection of records, § 53-1-31
- record of rules, regulations, and orders, § 53-1-27

Integration of oil and gas interests, § 53-3-7

Interstate Oil Compact Commission, authority to contribute to, 53-1-101

Navigable waters, facilities for exploration, production of transportation of oil and gas in: generally, § § 53-3-71 et seq.

- construction and operation of facilities, § 53-3-71
- fee for permit, § 53-3-73
- restrictions and prohibitions, § 53-3-75

#### Notice:

- amendment or orders as to unitization, § 53-3-109
- appeals to circuit court, § 53-1-39
- application for unitization of oil and gas fields and pools, § 53-3-101
- cancellation of certificate of compliance for pipeline connections, § 53-3-15
- drilling of wells permits, notice of, § 53-3-11
- emergency rules, regulations, or orders, § 53-1-23
- injunctions against board, § 53-1-41
- investigative powers, § 53-1-17
- order of unitization by board, requirements of, § 53-3-105
- permit for drilling wells, notice of, § 53-3-11
- pooling agreements and orders, § 53-3-7
- process, notice of service of, § 53-1-25
- public hearings, § 53-1-21

#### Oaths:

- appointment of members of boards, § 53-1-5
- hearings, persons authorized to administer oaths, § 53-1-11

Oil and gas board: generally, § § 53-1-1 et seq.

- access to all wells, state board and representatives as having, § 53-1-33

- administration expense tax, supra
- agent, notice and service of process by, § 53-1-25
- appeals, supra
- Attorney General:
  - - appointment of members of, § 53-1-5
  - - attorney general as attorney for, § 53-1-11
- attorneys for board, § 53-1-11
- automobiles, authorize to purchase, § 53-1-17
- bonds, supra

#### Chancery Court:

- suits to restrain violations or threatened violations, § 53-1-43
- unitization of oil and gas pools, court review as to order of oil and gas board as to, § 53-3-119
- appeals to, § 53-1-39
- evidentiary value of transcript of proceedings of board, § 53-1-19
- notice and service of process, § 53-1-25
- compensation of state supervisor, § 53-1-7
- conflict of interest, § § 53-1-5, 53-1-13
- contempt on subpoena of witnesses, § 53-1-35
- copies:
  - - evidentiary value of transcript of proceedings, § 53-1-19
  - - rules, regulations or orders, certified copy, § 53-1-27
- creation of, § 53-1-5
- declaration of policy, § 53-1-1
- definitions, § § 53-1-3, 53-1-71
- development, production, distribution of gas and oil, see lines throughout this topic
- eligibility, § 53-1-13
- emergency rules, regulations, or orders, § 53-1-23
- employees, § 53-1-9
- ex officio secretary of board, state supervisor as, § 53-1-7
- expenses, § 53-1-15
- fees for permit for drilling of wells, § 53-3-13
- filing, Records, infra
- hearings, supra
- injunctions, supra
- inspections, supra
- Interstate Oil Compact Commission, authority to contribute to, § 53-1-101
- liquefied petroleum gases, rules and regulations governing safety, underground storage, § 53-1-17
- meetings of, § 53-1-5
- membership of, § 53-1-5
- notice, supra
- oaths, supra
- orders, supra
- permits, supra
- powers of board, § 53-1-17

- procedure before board, rules of, § 53-1-19
- production of books and records:
  - powers of board, § 53-1-17
  - subpoena of witnesses and records, § 53-1-35
- public hearings, § 53-1-21
- qualifications, *infra*
- quorum for meetings, § 53-1-5
- records and recording, *infra*
- residence or domicile:
- requirements for employees of board, § 53-1-9
- subpoena of nonresident witnesses, § 53-1-35
- restraining violations or threatened violations, suits to, § 53-1-43
- rules and regulations, *infra*
- Seal, adoption of, § 53-1-5
- service of notice and processes, § § 53-1-25, 53-1-37
- shorthand reporter, use of, § 53-1-19
- state supervisor, § 53-1-7
- eligibility, § 53-1-13
- expenses of, § 53-1-15
- facilities for exploration, production, or transportation of oil and gas in navigable waters, payment of fees for construction of, § 53-3-73
- oil and gas conservation fund, *ex officio* secretary of, § 53-1-77
- subpoena of witnesses, § 53-1-35
- tax. Administration expenses tax, *supra*
- time, *infra*
- underground storage of natural gas, *infra*
- unitization of oil and gas fields and pools, *infra*

#### Oil and gas conservation fund:

- administration expense tax, § 53-1-77
- disposition of drilling permit fee, § 53-3-13
- state supervisor's deposit of money into, § 53-1-7

#### Orders:

- emergency rules, regulations, or orders of, § 53-1-23
- illegal gas and oil seizure and sale of, procedure for, § 53-3-19
- penalty for violations, § 53-1-47
- pooling agreements, oil and gas board orders as to, § 53-3-7
- record of rules, regulations, and orders, § 53-1-27

#### Owner defined, § 53-1-3

Penalties for violation of, § § 53-3-3 to 53-3-19, 53-3-21

#### Permits:

- deposition of permit fees, § 53-3-13
- facilities for exploration, production, transportation of oil and gas, permits and fees for, § 53-3-73
- notice of drilling of wells, § 53-3-11

Person defined, § 53-1-11  
Pollution, prevention of, § 53-1-17  
Pool defined, § 53-1-3  
Pooling agreements on orders, § 53-3-7  
Producer defined, § 53-1-3  
Product defined, § 53-1-3

Qualifications:

- employees, § 53-1-9
- state supervisor, § 53-1-7
- Records and recording:
  - appeals to circuit court, § 53-1-39
  - board's records, § 53-1-5
  - powers of board, § 53-1-17
  - public inspection, § 53-1-31
  - rules, regulations, and orders, § 53-1-27
  - subpoena of witnesses, § 53-1-35
- unitization of oil and gas pools, court review as to order of state oil and gas board as to, § 53-3-119

Recovery from oil and gas wells, state oil and gas board regulations of, § 53-3-5

Refineries:

- illegal transactions in, § 53-3-17
- investigative powers, § 53-1-17
- requirements of state oil and gas board as to type and installment of, § 53-3-9

Royalties:

- cooperative oil and gas development leases, granting by public officers of, § 53-3-51
- illegal gas and oil seizure and sale, procedure for, § 53-3-19

Rules and regulations of oil and gas board, § 53-1-5

- emergency rules, regulations, or orders, § 53-1-23
- record of, § 53-1-27
- regulatory powers, § 53-1-17

Seizure and sale of illegal gas and oil as contraband, procedure for, § 53-3-19

State Supervisor, Oil and Gas Board, supra

Supreme Court:

- appeals to, § 53-1-45
- evidentiary value of transcript of proceedings of board, § 53-1-19
- preference case, § 53-1-45

Time:

- appeals to circuit court, § 53-1-39
- appointment of members of board, § 53-1-5
- court review as to order of state oil and gas board as to unitization of oil and gas pools, § 53-3-119
- notice as to unitization of oil and gas pools, time and manner of giving, § 53-3-115



- request for hearing, time for proceeding after, § 53-1-29

Taxation. Administration expense tax, supra

Transportation of oil or gas. Navigable waters, supra

Underground storage of natural gas:

- definitions, § 53-3-151

- eminent domain, right of, generally, § 53-3-159

- escape of natural gas, § 53-3-157

- landowners right to drill and make other use of land, § 53-3-161

- legislative declaration, § 53-3-153

- offshore waters, prohibition against storage in, § 53-3-165

- oil and gas board order, underground storage authorized pursuant to, § 53-3-155

- pollution, protection against, § 53-3-157

- probable damages, action for, § 53-3-163

- property rights, § 53-3-157

Unitization of oil and gas fields and pools:

generally, § § 53-3-101 et seq.

- administration of these sections, § 53-3-117

- allocation of production, § 53-3-101

- amendment of orders, § 53-3-109

- applications, § 53-3-101

- authority of unit operator, § 53-3-113

- court review of order of oil and gas board by appeal to chancery court and trial de novo, § 53-3-119

- effective, time when order becomes, § 53-3-107

- extension of units and inclusion of additional pools, § 53-3-109

- provisions and requirements of board's order, § 53-3-105

- time and manner of giving notice, § 53-3-115

- unit operation, ordering by oil and gas board of, § 53-3-103

Waste defined, § 53-1-3

Waste in drilling and production of oil and gas, state oil and gas board regulation and control as to, § 53-3-5

Waters, Navigable waters, supra

### **Miscellaneous Statutes Pertaining to Oil, Gas and other Minerals**

Exemption of certain drilling rigs, § 27-31-41

Exclusive authority of oil and gas board to make rules and regulations pertaining to disposal of oil field waste products, § 17-17-47

Governmental units phasing out operations on July 1, 1982, § 5-5-9

Local privilege tax on drilling rigs, § 27-17-423.

Natural Gas Marketing Act, §§ 75-58-1 - 75-58-23

Underground storage of gases in reservoirs dissolved in salt beds, § 75-57-13