

EXHIBIT "A"  
to Order No. 2011-79

SPECIAL FIELD RULES  
FOR THE LITTLE CEDAR CREEK FIELD  
CONECUH COUNTY, ALABAMA  
(As Amended September 29, 2011)

RULE 1: FIELD LIMITS.

The Little Cedar Creek Field, as used herein, is that area described as Sections 11, 12, 13, 14, 15, 16, 17, 19, 20, 21, 22, the North Half and the North Half of the South Half of Section 23, all of Section 24, the North Half of the North Half of Section 28, the North Half of Section 29, the North Half of Section 30, Township 4 North, Range 12 East; the North Half and the Southwest Quarter of Section 4, all of Section 5, the South Half of Section 6, all of Sections 7, 8, 9, 15, 16, 17, 18, 19, 20, 21, 22, 27, 28, and the North Half of Section 29, Township 4 North, Range 13 East; the West Half of Section 13, the South Half of Section 14, the Southeast Quarter of Section 15, the East Half of Section 22, all of Section 23, the Northwest Quarter of Section 24, the North Half and Southwest Quarter of Section 27, the Southeast Quarter of Section 28, and the East Half and the Southwest Quarter of Section 33, Township 5 North, Range 13 East, Conecuh County, Alabama, underlain by the Smackover Oil Pool, as hereinafter defined, and all productive extensions thereof.

RULE 2: SMACKOVER OIL POOL DEFINED.

The Smackover Oil Pool in the Little Cedar Creek Field, as used herein, shall be construed to mean those strata of the Smackover Formation productive of hydrocarbons in the interval between 11,490 feet and 11,580 feet in the Pugh 22-2 Well, Permit No. 13472, with a surface location 900 feet FNL and 1,800 feet FEL of Section 22, Township 4 North, Range 12 East, Conecuh County, Alabama, as defined by the High Resolution Induction Long Spaced Sonic log for said well, including those strata which can be correlated therewith, and all zones in communication therewith and all productive extensions thereof. Said pool constitutes a separate and distinct oil producing pool in said field, separate and distinct from all other pools in said field.

The characteristics of said Smackover Oil Pool in the said Little Cedar Creek Field are such that a well located as hereinafter described and drilled upon a unit consisting of

approximately one hundred sixty (160) contiguous acres conforming to the requirements of the rules herein contained will efficiently drain and produce the recoverable hydrocarbons from such unit in said pool without avoidable waste.

**RULE 3:      SPACING OF OIL WELLS.**

Every well drilled as an oil well in the Little Cedar Creek Field:

(a)      Shall be drilled on a production unit designated by the operator in the permit application and subject to the approval of the Oil and Gas Supervisor, which shall contain approximately one hundred sixty (160) contiguous acres upon which no other drilling or producible well is located in the Smackover Oil Pool.

(b)      Shall be located at least six hundred sixty (660) feet from any exterior boundary of the production unit.

**RULE 4:      DRILLING AND COMPLETION OPERATIONS.**

(a)      At least one thousand eight hundred (1,800) feet of surface casing shall be run in each well and shall be cemented with sufficient cement or cementing admixture to allow circulation of cement to surface.

(b)      Production casing shall be set into the Smackover Reservoir.

(c)      The production casing shall be cemented with sufficient cement, or cementing admixture, to fill the calculated annular space between the flow string and the bore hole to a height of at least five hundred (500) feet above the top of the Smackover Oil Pool.

(d)      The time of waiting on cement or cementing admixture shall be a minimum of twelve (12) hours before drilling the surface casing plug and a minimum of eighteen (18) hours before drilling the production plug.

(e)      The surface casing shall be tested at a pressure equivalent to one (1) pound per square inch per foot of casing set with a maximum test pressure of one thousand (1,000) pounds per square inch.

(f)      Before drilling the cement plug in the production 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 the producing string by two-tenths (0.2) with a maximum test pressure not to exceed one thousand five hundred (1,500) pounds per square inch.

**RULE 5:      RESERVOIR PRESSURE SURVEY.**

A pressure survey shall be performed on each well producing from the Smackover Oil Pool once per year in the months of July, August, or September for the first four years of production. However, the time between tests may be extended by the Supervisor of the State Oil and Gas Board. The bottom hole pressure test shall be performed with a bottom hole pressure gauge if the well is flowing; however, if the well is on artificial lift, no pressure survey shall be performed unless requested by the State Oil and Gas Supervisor. In the event a bottom hole pressure is calculated or in the event a bottom hole survey is performed, the results of such calculations or survey shall be reported to the Supervisor by the 15th of the following month.

**RULE 6:      ALLOWABLE HEARINGS.**

Hearings to establish or change the allowable production of oil in the Little Cedar Creek Field shall be held whenever called by order of the Oil and Gas Board and also whenever any interested party petitions the Board for such hearing. Orders fixing allowable production of oil shall remain effective until changed or terminated by later order of this Board.

**RULE 7:      ALLOWABLES.**

A permanent allowable of four hundred (400) barrels of oil per day for each well drilled and completed in the Little Cedar Creek Field is hereby established. The Board specifically reserves the authority to adjust the allowable as necessary to prevent waste and to protect the correlative rights. Such adjustments shall be made, if necessary, after notice and hearing, upon the Board's own motion or on the Petition of an interested party.

**RULE 8:      PERMISSIBLE TOLERANCE IN PRODUCTION VOLUMES  
ALLOWED                    FOR OIL WELLS.**

- (a) Daily Tolerance.

It is recognized that oil wells located on units capable of producing their daily allowable may overproduce one day and underproduce another. No unit, except for the purpose of testing in the process of completing or recompleting a well and for tests made for the purpose of obtaining scientific data, shall produce during any day more than one hundred twenty-five percent (125%) of the daily allowable assigned the unit. (Subject to the foregoing, any underproduction shall be made up by production from the same unit within the same month and overproduction shall be adjusted by underproduction.)

(b) Monthly Tolerance.

No unit shall produce in any one month more than its monthly allowable plus a tolerance equal to three (3) days allowable production. The allowed monthly tolerance shall be considered as oil produced against the allowable assigned to the unit for the following month.

(c) Production in Excess of Monthly Allowable Plus Tolerance.

In instances where production in excess of the monthly allowable plus tolerance occurs from error, mechanical failure, testing or other cause reasonably beyond the control of the producer, such excess production shall be reported to the State Oil and Gas Board and the transporter in writing within fifteen (15) days after occurrence. The report shall contain the number of barrels of excess production, and the plan of adjustment. Such excess production shall be considered as oil produced against the allowable assigned to the unit for the following month and it shall be transported from the lease tanks only as the unit accrues daily allowable to offset such excess production.

(d) General.

The tolerance permitted on a daily or monthly basis shall not be construed to increase the allowable of a producing unit or to grant authority to any producer to market or to any transporter to transport any quantity of oil in excess of the unit's allowable. The possession of a quantity of oil in lease storage at the end of any month in excess of three (3) days' allowable plus any unrun allowable oil shall be construed as a violation of this rule unless reported as provided in (c) above.

RULE 9: ADJUSTED OIL WELL ALLOWABLE.

When a newly completed oil well comes into production, and when any oil well is placed back into production after having been removed from the allowable schedule, such well shall produce only the same daily allowable as that assigned to any regularly sized unit in the field; provided, however, if such well is located on a unit other than the regularly sized production unit it shall be permitted to produce that proportion of the allowable assigned to such a regularly sized production unit as the acreage in the unit bears to the acreage in a regularly sized production unit. The Board reserves the right for proper cause to adjust such allowable, and if such allowable is reduced, to charge any overproduction against the future production of such well.

The effective date of an allowable assigned to any well completed in the Smackover Oil Pool shall be the date that the first oil or gas passed through permanent well head connections by swabbing, pumping or natural flowing action of the well.

RULE 10: MEASUREMENT OF PRODUCTION.

The operator of each producing well shall maintain proper separators and stock tanks and/or metering devices and such connections thereto as are necessary to measure the total production for such well. Production may be commingled in a common storage system provided metering devices are used. And if, upon a sale therefrom a variance exists between the measurement of the production of all the wells commingled in such common storage system, such variance shall be allocated back to each of the wells producing into such common storage system proportionately to the production measured from each well.

RULE 11: EQUIPMENT FOR TESTS.

Each producing well shall be so equipped that gas-oil ratio tests and bottom hole pressure tests can be made.

RULE 12: USE OF METERS.

The use of meters for testing and for measurement of production shall be subject to and in accordance with the following provisions:

(a) Only a volume displacement type metering device or vessel which registers the volume of oil passed through it in barrels or multiples thereof shall be used.

(b) All meters shall be downstream of necessary separating or treating vessels. All meters shall be designed and installed in conformance with recognized metering practices and acceptable to the Oil and Gas Supervisor.

(c) All meters and equipment affecting meter accuracy shall be kept in good working order. Each meter shall be calibrated at least once each 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, it must be adjusted to conform to the said tolerance limitation of two percent or the meter calibration factor corrected.

**RULE 13: PRODUCTION TESTS.**

Semi-annual gas-oil ratio and water cut tests shall be performed on each well producing from the Smackover Oil Pool in the months of April and October of each year, and gas-oil ratio tests reported in cubic feet of gas per barrel of oil and water cut tests reported in barrels of oil and water to the Oil and Gas Supervisor by the fifteenth (15th) of the month next following the month in which gas-oil ratio and water cut tests were performed.

Duration of gas-oil ratio and water cut tests shall be for a period of not less than six (6) hours following a twenty-four (24) hour pretest production period, the last eight (8) hours of which shall be at a rate reasonably approximating the current daily well allowable rate or the well capacity to produce, whichever is the lesser, provided that the procedure and method of measuring oil and gas during this test shall be one currently recognized as standard practice in oil field operations.

**RULE 14: SURVEYS AND TESTS OF NEW WELLS OR OLD WELLS AFTER RECONDITIONING.**

Gas-oil ratio, water cut and bottom hole pressure tests shall not be performed on any new well or any well which has been reconditioned or repaired where oil and other liquid has been injected into the producing formation of the well bore until after all the oil or injected fluid has been recovered and, in addition, the well has been produced at a rate reasonably approximating the currently assigned allowable or an allowable which has been

reassigned by the Oil and Gas Board following reconditioning; however, in no instance shall the daily rate of production exceed two hundred percent (200%) of the maximum daily oil allowable currently assigned any well in the pool for the purpose of completion, recompletion, testing for scientific data or production stimulation, and such overproduction shall be subject to RULE 8 above. The period of overproduction shall not exceed five (5) continuous days for each such completion or reworking.

**RULE 15: TREATING OR OTHER DISPOSITION OF PRODUCTION.**

It is hereby provided that gas produced from the Smackover Oil Pool of the Little Cedar Creek field shall be cleansed and treated in a facility designed and equipped to cleanse the hydrocarbons of the hydrogen sulfide contained therein in order to make such gas acceptable to market. Such facilities shall meet applicable standards for air and water pollution control. Alternatively, the operator may request permission from the Board to vent or flare gas, subject to applicable standards for air and water pollution control.

IN ADDITION TO THE ABOVE, THE FOLLOWING RULES SHALL APPLY TO UNIT OPERATIONS IN THE LITTLE CEDAR CREEK OIL UNIT, CONECUH COUNTY, ALABAMA, AND TO THE EXTENT THAT ANY OF THE FOLLOWING RULES CONFLICT WITH ANY OF THE ABOVE RULES, THE FOLLOWING RULES SHALL GOVERN AS TO UNIT OPERATIONS IN THE DESCRIBED UNIT.

**RULE 16: DEFINITION OF UNIT AREA.**

The Unit Area for the Little Cedar Creek Oil Unit consists of all of Sections 14, 15 and 16; South Half of Section 17; all of Sections 19, 20, 21 and 22; North Half and North Half of South Half of Section 23; North Half of the North Half of Section 28; and the North Half of Sections 29 and 30; all in Township 4 North, Range 12 East, Conecuh County, Alabama, in the Little Cedar Creek Field, containing approximately 6,070.42 acres, more or less.

**RULE 17: UNITIZED FORMATION DEFINED.**

As used herein, the term “Unitized Formation” means the subsurface portion of the Unit Area (which is within the Smackover Formation) between the depths of 11,490 feet and 11,580 feet in the Pugh 22-2 Well, Permit No. 13472, with a surface location 900 feet

FNL and 1,800 feet FEL of Section 22, Township 4 North, Range 12 East, Conecuh County, Alabama, as defined by the High Resolution Induction Long Spaced Sonic log for said well, including those strata which can be correlated therewith, and all zones in communication therewith and all productive extensions thereof.

RULE 18: SPACING OF WELLS.

(a) Wells should be located and drilled within the Unit Area in accordance with good engineering practices and shall be located at least six hundred sixty (660) feet from every exterior boundary of the Unit Area.

(b) Every well drilled as an injection well shall be located at least six hundred sixty (660) feet from every exterior boundary of the Unit Area.

RULE 19: ALLOWABLE.

The oil allowable for the Little Cedar Creek Oil Unit shall be established by the Oil and Gas Supervisor upon application by the Unit Operator pending further orders of the Board.

RULE 20: PRODUCTION OF UNIT ALLOWABLE.

The Little Cedar Creek Oil Unit allowable may be produced in any combination of rates from the Unit wells as deemed appropriate by the Unit Operator in accordance with prudent engineering and operating practices.

RULE 21: RESERVOIR PRESSURE SURVEY.

A pressure survey shall be performed on representative wells producing from the Smackover Oil Pool annually, or as deemed necessary by the Unit Operator or the Supervisor of the State Oil and Gas Board. The results shall be reported to the State Oil and Gas Board by the fifteenth (15<sup>th</sup>) day of the following month. A bottom hole pressure test shall be performed with a Bottom Hole Pressure Gauge if the well is flowing, however, if the well is pumping, no pressure survey shall be performed unless requested by the Oil and Gas Supervisor.

RULE 22: PRODUCTION TESTS.

Gas-oil ratio and water cut tests shall be performed on each well producing from the Little Cedar Creek Oil Unit annually, or as deemed necessary by the Unit Operator or the Supervisor of the State Oil and Gas Board. The gas-oil ratio is reported in cubic feet of gas per barrel of oil and the water cut is reported in barrels of oil and water. The results of these tests are to be reported to the State Oil and Gas Board by the fifteenth (15th) of the month next following the month in which gas-oil ratio and water cut tests were performed.

Duration of gas-oil ratio and water cut tests shall be for a period of not less than six (6) hours following a twenty-four (24) hour pretest production period, the last eight (8) hours of which shall be at a rate reasonably approximating the current well producing rate or the well capacity to produce whichever is the lesser, provided that the procedure and method of measuring oil and gas during this test shall be one currently recognized as standard practice in oil field operations.

RULE 23: PRESSURE MAINTENANCE AND ENHANCED RECOVERY OPERATIONS AUTHORIZATION.

The Unit Operator of the Unit may conduct pressure maintenance and enhanced recovery operations by the injection of any Unitized Substance or Outside Substance, in order to increase the total recovery and to maintain the reservoir pressure at a desirable level for sufficient productivity. The Unit Operator may use the existing wells in said Unit as producing Unit wells or as Unit injection wells, as may be appropriate, and may drill and operate additional wells for the same purposes and same utilization; provided, however, that a permit will be required for each such well, in accordance with Rules 400-1-2 and 400-4-2-.01 of the *State Oil and Gas Board of Alabama Administrative Code*, as amended, heretofore adopted by the Board.

The Unit Operator shall keep a record of actual production from each well in the Unit and shall make such reports with respect to such production as may from time to time be required by the State Oil and Gas Board of Alabama. The Unit Operator shall also keep a record of the actual volume of Unitized Substances and Outside Substances which may from time to time be injected into each well in the Units and shall make such reports with respect thereto as from time to time may be required by the State Oil and Gas Board of Alabama.

RULE 24: REPORTING REQUIREMENTS.

The Unit Operator shall submit an annual report to the Supervisor detailing current Unit Operations and any modifications made to the original unitization plan that was approved by the Board. Reports shall be submitted to the Supervisor during the month of October following the effective date of unitization and continue on an annual basis until all wells in the unit are plugged and abandoned or the unit is terminated. Reports should include the amount of oil or condensate, gas, and water produced, as well as the amount and type of fluids injected into the reservoir on an annual basis. The report should also document any well work or facility modifications performed during the reporting year as well as the drilling of new wells and the conversion and plugging of existing wells.

RULE 25: GENERAL RULES AND REGULATIONS.

In addition to the Special Field Rules recorded heretofore in this order, all the provisions of the *State Oil and Gas Board of Alabama Administrative Code* promulgated by this Board, and all amendments thereto, which *Code* and all amendments thereto are made a part hereof by reference, shall remain in full force and effect with respect to the Little Cedar Creek Field, Conecuh County, Alabama, except as herein amended. In the event of conflict between the provisions of said *Administrative Code*, or the amendments thereto, and the Special Field Rules for the Little Cedar Creek Field prescribed by this order, then the Special Field Rules adopted herein shall govern and control.

The Board expressly reserves its rights, after notice and hearing, to grant exceptions to, alter, amend or repeal any and all of the above rules and regulations.