

SLS 11RS-310

**ORIGINAL**

## Regular Session, 2011

SENATE BILL NO. 214

BY SENATOR MICHOT

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

NATURAL RESOURCES DEPT. Provides relative to the unitization of ultra deep oil and gas structures. (8/15/11)

# AN ACT

2 To enact R.S. 30:5.3, relative to the unitization of ultra deep oil and gas structures; to  
3 authorize such unitization under certain circumstances; to provide relative to the  
4 authority of the commissioner of conservation; to provide terms, conditions,  
5 procedures, and requirements; and to provide for related matters.

6        Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 30:5.3 is hereby enacted to read as follows:

## §5.3 Ultra deep structure order; application; procedure; allocation of costs; rules and regulations

A. In order to prevent waste and to avoid the drilling of unnecessary wells, and to encourage the development of ultra deep oil and gas structures in Louisiana, the commissioner of conservation is authorized, as provided in this Section, to establish a single unit to be served by one or more wells for an ultra deep structure, and to adopt a development plan for such ultra deep structure unit.

B. Without in any way modifying the authority granted to the commissioner in R.S. 30:5 through R.S. 30:5.2 and in R.S. 30:9(B), the

1           commissioner upon the application of any interested party may enter an order  
2           requiring the unit operation of any ultra deep structure when such unit  
3           operation will promote the development of such ultra deep structure, prevent  
4           waste, and avoid the drilling of unnecessary wells.

5           C. In connection with such order, the commissioner shall have the right  
6           to establish a unit for an ultra deep structure and to unitize, force pool, and  
7           consolidate all separately owned tracts and other property ownerships within  
8           such unit. Any order creating a unit for an ultra deep structure shall be issued  
9           only after notice and public hearing and shall be based on findings that:

10           (1) The order is reasonably necessary to promote the development of an  
11           ultra deep structure and to prevent waste and the drilling of unnecessary  
12           wells.

13           (2) The proposed unit operation appears economically feasible.

14           (3) The stratigraphic top of the ultra deep structure unit is encountered  
15           or anticipated to be encountered in the initial well for the structure at a  
16           depth in excess of twenty-two thousand feet true vertical depth.

17           (4) Sufficient evidence exists to reasonably establish the limits of the  
18           ultra deep structure.

19           D. Within one year from the date of commencement of production from  
20           the ultra deep structure, the operator shall file an application with the  
21           commissioner to establish a plan of development for the ultra deep structure  
22           unit. The development plan may be subsequently revised by the commissioner  
23           after notice and public hearing.

24           E. The order shall provide for the initial allocation of unit production on  
25           a surface acreage basis to each separately owned tract within the unit.

26           F. No order shall be issued by the commissioner unless interested parties  
27           have been provided a reasonable opportunity to review and evaluate all data  
28           submitted by the applicant to the commissioner to establish the limits of the  
29           deep structure.

1                   G. The order creating the unit shall make provision for the proportionate  
2                   allocation to the owners (lessees or owners of unleased interests) of the costs and  
3                   expenses of the unit operation, which allocation shall be in the same proportion  
4                   that the separately owned tracts share in the unit production. The initial well  
5                   and each subsequent well drilled pursuant to the plan of development shall be  
6                   deemed a unit well. In the event of a dispute relative to the calculation of unit  
7                   well costs or depreciated unit well costs, the commissioner shall determine the  
8                   proper costs after notice to all interested owners and public hearing thereon.  
9                   Except as otherwise set forth in this Section, the provisions of R.S. 30:1 through  
10                  30:12 shall apply to units created hereunder.

11                  H. Upon application and after notice and public hearing and  
12                  consideration of all new available geological and other relevant evidence, the  
13                  commissioner, to the extent required by such evidence, may create, revise, or  
14                  dissolve any unit provided for under this Section or modify any provision of any  
15                  order issued hereunder. Any such order shall provide for the allocation of unit  
16                  production on a just and equitable basis to each separately owned tract within  
17                  the unit.

18                  I. The provisions of R.S. 30:5.1 shall not be applicable to any unit well  
19                  drilled in a unit established pursuant to this Section.

20                  J. The commissioner shall prescribe, issue, amend, and rescind such  
21                  orders, rules, and regulations as he may find necessary or appropriate to carry  
22                  out the provisions of this Section.

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The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Michelle Broussard-Johnson.

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#### DIGEST

Proposed law provides that in order to prevent waste and to avoid drilling unnecessary wells and encourage development of ultra deep oil and gas structures, the commissioner of conservation may establish a single unit, served by one or more wells, for ultra deep structures.

Proposed law provides for the commissioner to enter orders requiring unit operation of any ultra deep structure when said unit promotes the development of ultra deep structures, prevent waste, and avoid the drilling of unnecessary wells.

Proposed law provides that any order creating an ultra deep structure shall be issued only after notice and public hearing and shall be based on findings that the order is reasonably necessary to promote the development of ultra deep structures; the proposed unit operation appears economically feasible, the stratigraphic top of the ultra deep structure, is encountered or anticipated to be encountered in the initial well for the structure at a depth in excess of 22,000 feet true vertical depth, and sufficient evidence exists to reasonably establish limits of the ultra deep structure.

Proposed law provides that within 1 year from the date of commencement, the operator shall file an application with the commissioner to establish a plan of development for the ultra deep structure unit.

Proposed law provides that no order shall be issued by the commissioner unless interested parties have been provided a reasonable opportunity to review and evaluate all data submitted by the applicant to the commissioner to establish the limits of the deep structure.

Proposed law provides that the order creating the unit shall make provisions for the proportionate allocation to the owners, lessees, or owners of unleased interest of the unit costs and expenses.

Proposed law provides that in the event of a dispute relative to the calculation of the unit well costs or depreciated unit well costs, the commissioner shall determine the proper costs after notice to all interested parties and a public hearing is held.

Proposed law provides that after a public hearing and consideration of all new available geological, engineering and other relevant evidence is provided, the commissioner may create, revise, or dissolve any unit, or modify any provision of any order issued. Any such order shall provide for the allocation of unit production on a just and equitable basis to each separately owned trace within the unit.

Proposed law allows the commissioner the authority to prescribe orders, rules, and regulations as he deems necessary.

Effective August 15, 2011.

(Adds R.S. 30:5.3)