

**STATE OF LOUISIANA
DEPARTMENT OF NATURAL RESOURCES
OFFICE OF CONSERVATION
BATON ROUGE, LOUISIANA**

STATEWIDE ORDER NO. 29-S

Pursuant to power delegated under the laws of the State of Louisiana, and particularly Title 30 of the Louisiana Revised Statutes of 1950, as amended, and the Louisiana Administrative Procedures Act, Title 49, Sections 951 through 968 of the Louisiana Revised Statutes of 1950, as amended, and after a public hearing held under **Docket No. 97-678** in Baton Rouge, Louisiana, on **November 26, 1997**, the following rules and regulations are promulgated by the Commissioner of Conservation as being reasonably necessary to conserve the natural resources of the State, to prevent waste as defined by law, to avoid the drilling of unnecessary wells, and otherwise to carry out the provisions of the laws of this State.

LAC 43:XIX.4301 - 4305

§4301.Scope

This Statewide Order provides rules and regulations governing the drilling of horizontal wells in the Austin Chalk Formation in the State of Louisiana.

§4303.Definitions

Unless the context otherwise requires, the words defined in §4303 shall have the following meaning when found in this Statewide Order:

Austin Chalk Formation Horizontal Well - well with the wellbore drilled laterally at an angle of at least 80° to the vertical and with a horizontal displacement of at least 50 feet in the Austin Chalk Formation measured from the initial point of penetration into the Austin Chalk.

§4305.Order

A. From and after the effective date hereof, permission to develop the Austin Chalk Formation in the State of Louisiana by the use of horizontal wells may be obtained as hereinafter provided and upon strict compliance with the procedures set forth herein.

1. The restriction on tubing size as set forth in LAC 43:XIX.109.E.1 of Statewide Order No. 29-B shall not apply to Austin Chalk Formation horizontal wells.

2. Statewide Order No. 29-E well spacing rules shall not apply to Austin Chalk Formation horizontal wells. The following well spacing rules shall apply to Austin Chalk Formation horizontal wells in areas in which no spacing rules for Austin Chalk Formation horizontal wells have been established by special orders, provided that exceptions may be approved after a public hearing based on 10 days legal notice:

a. a subsequent Austin Chalk Formation horizontal well shall not be located so as to encroach into a rectangle formed by drawing north/south lines 3,000 feet east of the most easterly point and 3,000 feet west of the most westerly point and east/west lines 100 feet north of the most northerly point and 100 feet south of the most southerly point of any horizontal well completed in, drilling to, or for which a permit shall have been granted to drill to the Austin Chalk Formation. In the case of a single horizontal well, the point of entry into the Austin Chalk Formation (if available) is to be used in lieu of the surface location in determining the northern or southern boundary of the rectangle;

b. survey plats submitted with the application for permit to drill shall contain certification of the surveyor specifying compliance with this requirement;

c. multiple Austin Chalk Formation horizontal well laterals drilled into the same stratigraphic interval from a single wellbore will be treated as a single completion, even if the laterals are isolated by separate producing strings to the surface.

3. The gas allowable provisions of Statewide Order No. 29-F shall not apply to Austin Chalk Formation horizontal wells. Instead, Austin Chalk Formation horizontal wells shall be given an allowable based on the maximum efficient rate (MER) of the well, being the maximum sustainable daily withdrawal rate from the reservoir which will permit economical development and depletion without causing waste. In the event an alternate unit well is authorized for any Austin Chalk Formation unit, such unit allowable shall be limited to the greater of the MER of the best well in said

unit or the highest rate of withdrawal on a per acre basis of any unit in the same reservoir and field. If there is any complaint of waste or dispute relative to compliance with R.S. 30:11B, the allowable assigned to an Austin Chalk Formation horizontal well shall be subject to adjustment after a public hearing based on 10 days legal notice.

a. Unless an exception is granted as provided herein, no allowable will be granted for a horizontal completion in the Austin Chalk Formation until a unit has been formed pursuant to an Office of Conservation Order for the well unless the operator agrees to escrow all monies received from pre-unitization production pending unitization and distribute such funds on the basis of the unit ultimately established.

b. The operator of a well may request an exception to this requirement for a well located on a large lease/voluntary unit or for other good cause shown.

c. The Commissioner of Conservation will have the discretion to either approve or deny such application or require that the applicant request a public hearing to be held after 10 days legal notice to consider the matter.

4. The Office of Conservation's policy requiring a sand definition and production test in the field before units can be established shall not apply to Austin Chalk Formation horizontal wells.

5. The size and shape of units for Austin Chalk Formation horizontal wells should usually be based on the proposed design of the well because such units are expected to be developed by horizontal laterals which traverse the entire unit in a generally north-south direction. If the initial lateral in a drilling unit fails to provide full horizontal coverage in a north-south direction, additional horizontal laterals or wells drilled to acquire that coverage shall be considered and named unit wells rather than alternate unit wells. However, if any such additional unit well or lateral overlaps an existing unit well or lateral in an east-west direction, it shall be considered and named an alternate unit well. Overlaps shall be determined by use of a line parallel to the north and south unit boundaries. This provision shall only apply to Austin Chalk Formation horizontal wells and shall not be used as a precedent for any other formation.

6. The party who owns or controls the majority working interest in a drilling unit established for an Austin Chalk Formation horizontal well shall have the right to be designated the operator of such unit. Such ownership or control shall be based on sworn testimony at the public hearing which creates the drilling unit. If the working interest ownership or control in a unit is not known or cannot be established with reasonable certainty when the unit is created, then the operator designation shall occur when a drilling permit is issued for the drilling of a well on the unit. The party requesting such drilling permit shall complete and file an affidavit corroborating such majority ownership or control on the affidavit form provided by the file in the Office of Conservation. It is provided, however, that any party designated as a unit operator can be removed or a working interest owner who does not own or control the majority in working interest can be designated as unit operator after a public hearing based on 10 days legal notice if it is demonstrated that the designated operator and/or majority working interest owner has not timely developed the unit, has not acted prudently or that other good cause exists therefor .

7. Statewide Order No. 29-B requires that a directional survey be run on all wells which are directionally controlled and thereby intentionally deviated from the vertical. The requirement that a directional survey be run the entire length of the lateral in an Austin Chalk Formation horizontal well may be waived by the Office of Conservation if evidence is presented at the time such waiver is requested that the directional survey cannot reasonably reach the end of the lateral and that measuring from the point where the directional survey ends, the lateral of the well will still be:

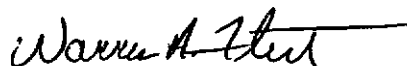
a. within the spacing provisions for the unit upon which it has been drilled or, if a unit has not been established, under a tract for which authority to drill has been obtained, and

b. at least the distance from all offsetting wells required by applicable spacing rules or in the absence thereof, the provisions of §4305.A.2.

8. An application for Permit to Drill in an area affected by a pending application requesting the formation of one or more units will be issued without regard to the pending unitization proceedings. However, the permit so issued shall not be used at the hearing (only drilled wells may be considered), and the permit will be subject to the Order issued as a result of such hearing.

This Order shall be effective on and after **January 20, 1998**.

**OFFICE OF CONSERVATION
OF THE STATE OF LOUISIANA**



**WARREN A. FLEET
COMMISSIONER OF CONSERVATION**