STATE OF LOUISIANA

DEPARTMENT OF CONSERVATION

MINERALS DIVISION

NEW ORLEANS, LOUISIANA

September 1, 1940.

ORDER NUMBER 21

ORDER PROVIDING SPECIAL RULES AND REGULATIONS GOVERNING PRODUCTION OF OIL AND GAS FROM THE ANSE LA BUTTE FIELD, ST. MARTIN PARISH, LOUISIANA.

Pursuant to power delegated under the laws of the State of Louisiana, and particularly Act 157 of the Legislature of 1940, and after a hearing held at New Orleans, Louisiana, August 7th, 1940, following publication of notice of hearing in accordance with said Act 157, 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 the waste of oil and gas, as defined by law, and otherwise to carry out the provisions of the laws of this State. These rules and regulations shall govern the drilling for, and the production, storage, sale, and transportation of oil and gas, or either of them, from the producing horizons of the Anse La Butte Field in Township 9 South, Range 5 East, St. Martin Parish, Louisiana, and any extensions thereof.

Whenever the term Commissioner is used in this order it shall be defined and construed as meaning the Commissioner of Conservation of the State of Louisiana.

SECTION I. - DRILLING AND COMPLETION.

A. All applications for permits to drill shall be made through the District Office, and shall be accompanied by duplicate plats, accurately drawn to a scale sufficiently large to show the well location with reference to lease lines and to a section corner, offset wells and locations, leases, property lines, and acreage allocated to the location under the provisions of Section II of this order. Such plats shall be verified by some person acquainted with the facts, stating that all facts therein stated are within the knowledge of the affiant true and that the accompanying plat is accurately drawn to scale and correctly reflects all pertinent and required data.

B. No well shall be drilled, nor shall the drilling of a well be commenced, nor shall a derrick be erected, nor shall any person, or persons, partnership or corporation, participate in any way in the drilling of a well, or the erection of a derrick, before a permit for such well has been issued by the Commissioner.

C. Application for permit to repair, plug, perforate, acidize, deepen, shoot with explosive, or abandon shall be made through the District Office and must be accompanied by all pertinent information which would influence the issuance of such a permit.

D. No well shall be repaired, plugged, perforated, acidized, deepened, shot with explosive, or abandoned before permit has been issued by the District Manager in order that the Commissioner's Agent may be present to witness the work.

E. Minimum requirements for equipment and for the drilling and control methods necessary for reasonable protection of the natural resources of the State, for the prevention of fires, blowouts, or other accidents, and for the prevention of damage to life and property shall be published in a schedule to accompany this order, and shall be subject to change by the Commissioner to meet any exigencies that may arise in the field. The said schedule shall set forth minimum requirements for underground and surface equipment sizes, working pressures, test pressures, test methods, reports, drilling mud and cementing, and such other minimum requirements as may be reasonably necessary to carry out the purposes of this order.

SECTION I. - DRILLING AND COMPLETION - Continued.

F. No gas found in the upper part of a producing horizon which can be separated underground from the oil in the same horizon, and no gas in a different horizon from the oil producing horizon, shall be used to flow oil to the surface; and all gas, so far as it is practical to do so, shall be separated underground from the oil and securely protected.

G. No two horizons capable of producing oil and gas, or either of them, shall be left open in the same well unless such horizons are naturally interconnected in such manner as to prevent practical separation. Any well producing oil and gas, or either of them, from two or more horizons shall be mudded up and shut in, and the operator shall make all diligent effort to secure separation of the said horizons.

H. Paragraphs "F" and "G" shall not prohibit the efficient utilization of gas in gas lift operations by employing a recognized mechanical method approved by the Commissioner after proper hearing on each application.

SECTION II. - ALLOCATION OF ACREAGE.

A. The producing wells drilled on a tract or lease having an area greater than five (5) acres shall be allocated five (5) acres in order of their completion, provided that the acreage that may be allocated to any well shall not extend more than 500 feet in any direction from the well. Acreage as used in this order shall be construed as meaning acreage proved and developed for oil and gas production.

B. In the event that the application of the methods of determining the allocated acreage results, because of the odd shape of any lease, or pooled lease, in the exclusion of a small portion of such lease and its inclusion would not cause to be allocated more than seven (7) acres to any well, the Commissioner may include such small portion in the allocated acreage to prevent wasteful and unnecessary drilling and to obtain the greatest ultimate recovery of oil and gas, and afford each operator an opportunity to produce his just and equitable share of the oil and gas.

C. No permit shall be granted for a well to be drilled and produced from the Breaux or Petain sands on a tract or lease of less than three (3) acres unless it is found by the Commissioner that the pooling with a contiguous tract or tracts is impracticable.

D. Should a permit be issued and a well drilled and produced from the Breaux or Petain sand on a tract or lease or pooled tract or lease of less than three (3) acres, its daily production shall be less than that which would have been permitted the same well if it had been drilled on a tract of three acres, in the same proportion that its acreage bears to a three (3) acre tract, as authorized by Section 9 of Act 157 of the Legislature of 1940.

E. No permit shall be granted for a well to be drilled and produced from any oil or gas producing horizon found at a lesser depth than the Breaux sand, on a tract or lease of less than two (2) acres unless it is found by the Commissioner that the pooling with some contiguous tract or lease is impracticable.

F. Should a permit be issued and a well drilled and produced from a lesser depth than the Breaux sand, on a tract or lease or pooled tract or lease of less than two (2) acres, its daily production shall be less than that which would have been permitted the same well if it had been drilled on a tract of two (2) acres, in the proportion that its acreage bears to a two (2) acre tract, as authorized by Section 9 of Act 157 of the Legislature of 1940.

G. After the completion of a well, data must be submitted to the Commissioner to show that the acreage shown as assigned to the well for proration purposes as set out in Section 1A above is productive of oil before an allowable will be set for the well. In the event that all of the acreage originally assigned to the well does not appear to be productive of oil, the acreage assigned to the well for proration purposes will be determined by calculating the amount of productive acreage, as indicated by a reasonable interpretation of existing data, which can be included in a rectangular unit whose boundaries do not extend more than five hundred (500) feet in any direction from the well and whose boundaries all fall on or within the boundaries of the tract or pooled lease upon which the well is located.

SECTION III. - ALLOCATION OF PRODUCTION.

A. The total quantity of crude oil, (including distillate, condensate, or other liquid hydro-carbon products) which may be lawfully produced each day from the completed wells producing from each horizon of the Anse La Butte Oil Field, St. Martin Parish, Louisiana, shall be determined by the Commissioner. Allowables shall be allocated or distributed among the various oil wells completed in each horizon on the basis of acreage, potential, and gas-oil ratio, as defined and limited in the following paragraphs.

B. Determination of Acreage Factor.

The total acreage in each horizon shall be determined by adding the acreage allocated to all oil wells except deficient wells producing from that horizon, and fifty (50) percent of the daily allowable for each horizon after deficient well allowables have been deducted shall be divided by the total acreage therein, and the quotient of such division carried out to five (5) decimel places shall be the daily allowable oil production factor for each allocated acre of such horizon.

C. Determination of Potential Factor.

The potential of each well shall be determined as provided in Section IV.

The total potential for each pool shall be determined by adding the potential of all oil wells producing from that pool except deficient wells and fifty (50) percent of the daily allowable for each pool after deficient well allowables have been deducted shall be divided by the total potential thereof, and the quotient of such division carried out to five (5) decimel places shall be the daily allowable oil production factor for each potential barrel for such pool.

D. Daily Well Allowable.

1. Each producing well except deficient wells shall be given a daily allowable, based on its allocated acreage, determined as provided in Section II, and its potential, determined by tests made as prescribed by the Commissioner, and defined in Section IV.

2. The daily base oil allowable of each well shall be computed in the manner indicated by the formula:

(Acreage assigned well X acreage factor) plus (potential X potential factor)

3. The daily oil allowable of each well shall be multiplied by 1000 to determine its daily gas allowable.

4. When the gas-oil ratio of any well is less than 1000/1, its daily base oil allowable shall be its daily allowable, as calculated above.

5. When the gas-oil ratio of any well is greater than 1000/1, its daily oil allowable shall be the quantity of oil which it can produce without exceeding its allowable gas.

E. New Wells Allowable.

1. After the receipt of the reports of tests required by the Commissioner, a newly completed well shall be given a daily allowable determined in the same manner as was used in computing the schedule of daily allowables for the month in which such completion is made.

2. The daily well allowable when determined shall be effective from 7:00 A.M., on the date of completion, if the well is completed before 7:00 P.M., and from 7:00 A.M., the following day if the well is completed after 7:00 P.M.

F. Deficient Wells Allowable.

Wells which are incapable of producing their allowables computed by the above formula shall be allowed to produce daily an amount of which they are capable of producing up to their allowable as computed by the formula. The producing ability of such wells shall be determined and set

SECTION III. - ALLOCATION OF PRODUCTION.-Continued.

up as their allowables. Wells which will not flow naturally when restricted to the method as prescribed in Section IV shall be recognized as deficient wells. The allowable of such deficient wells may be computed by using the lowest current potential obtained in testing other wells in its pool and the result thereof shall be the allowable, provided, however, that no well shall be given an allowable greater than its ability to produce.

SECTION IV. - DETERMINATION OF POTENTIAL.

A. Potential as used in this order shall be determined by methods prescribed by the Commissioner, and is construed to mean for the purpose of this order the quantity of oil produced in 24 hours, or which would have been produced in 24 hours, at the rate of production indicated by a test of less duration, through a positive choke six (6) inches long and having the same diameter as that used to test the potential of other wells.

B. Potential test shall be made within five days of completion, and thereafter when ordered by Commissioner, in presence of the District Engineer or other Agent of the Minerals Division of the Department of Conservation, at such time as he may designate, and shall be reported on the form prescribed by the Commissioner, to the District Office, on or before the 15th day of each month.

C. In the event that corrective work has been done on a well and upon retesting the District Manager finds that the new potential justifies a change in the allowable of the well, he is authorized to make such change, effective from the date of completion of such work and shall report same to the Commissioner.

SECTION V. - GAS/OIL RATIOS.

A. The gas/oil ratio of each oil well shall be kept as low as possible but in no event shall an oil well be permitted to produce gas in excess of one thousand (1000) cubic feet per barrel of oil produced; provided, however, that if any well which, by reason of its location or manner of completion, produces oil with a gas/oil ratio in excess of that authorized, same shall be allowed to produce daily a total volume of gas equivalent to the volume obtained by multiplying the daily base allowable of said well, as determined under Section III, by one thousand (1000) cubic feet, provided that the resultant gas/oil ratio does not exceed that prescribed in Section XI.

B. Gas/oil ratio test shall be made of each oil well completed prior to the effective date of this order and the results reported to the Commissioner.

C. A gas/oil ratio test shall be made of each well completed after the effective date of this order within five (5) days after completion, and the result reported to the Commissioner, after which subsequent tests shall be made in accordance with provisions set forth for all the wells in the field. The Commissioner is hereby authorized to make or cause to be made, gas/oil ratio tests on any well at all reasonable times, and the owner of such well is hereby directed to do all things that may be required of him by the Commissioner or his agent to make such tests properly and fairly.

D. Gas/oil ratio tests shall be made in accordance with methods prescribed by the Commissioner, and shall be reported on the form prescribed by the Commissioner to the District Office, on or before the 15th day of each bi-monthly period. Official bi-monthly gas/oil ratio tests shall be witnessed by a Conservation Agent.

E. In the event that any operator considers that his well has not had a fair determination of its gas/oil ratio, or that its gas/oil ratio has changed due to natural causes or to corrective work on his well, he may make application to the District Manager for a retest or special test of the gas/oil ratio of his well, and for an adjustment of the allowable of his well. If upon retesting a well the District Manager finds that the new gas/oil ratio justifies a change in the allowable he is authorized to make such change, and shall report same to the Commissioner.

F. Changed or corrected allowable due to corrective work shall be effective fromthe date of completion of such work, but in no case shall the effective date be more than five days prior to the date of retesting.

SECTION V. - GAS/OIL RATIOS.-Continued.

G. The Commissioner's agent may, at the request of any operator, allow a well to produce oil without testing in the manner prescribed, but in so doing he shall require the operator of said well to install a gas meter of sufficient capacity to measure such gas as the well produces; and to meter all the gas produced, but the daily volume of gas from such well shall not be in excess of the daily base oil allowable for such well, determined as provided for in Section III, multiplied by one thousand (1000) cubic feet, nor shall the gas/oil ratio exceed that prescribed in Section XI, and provided further that under no condition shall a well be permitted to produce more than its daily oil allowable, except as provided in Section VI. All information and records of the operation of wells under the provision of this paragraph shall be kept and furnished the Commissioner's agent upon demand and may be used by him in ascertaining the gas/oil ratio of such wells in lieu of other tests.

SECTION VI. -

A. The Commissioner shall determine in accordance with Section III hereof, the daily oil and gas allowable for each well, such allowable to be promulgated in a monthly schedule of allowables on or before the 23rd day of each month, and the allowables so promulgated shall apply for the ensuing calendar month, copies of which shall be furnished each operator.

B. Pending the determination and the promulgation of such schedules, the daily oil and gas allowable for each well for the preceding month shall remain in force and effect up to the time of such promulgation. The production from each well shall then be adjusted during the remainder of the calendar month to conform to the daily oil and gas allowable per well as so promulgated.

SECTION VII.

The daily oil and gas allowable per well, as determined in accordance with Section III hereof, must be produced 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 shall prpduce such amount of oil and gas less than its allowable that it is able to produce in accordance with the foregoing rules, and the deficiency of such well shall not be made up by the over-production of any other well. It is recognized that wells capable of producing their daily oil and gas allowable may under-produce one day and over-produce another day; such deficiencies as occur may be made up by excess production from the same well on succeeding days, or such excess production shall be adjusted by under-production on succeeding days, provided, however, that no well shall produce in any one calendar month more than the daily allowable per well multiplied by the total number of days in the calendar month, however, in order to provide working stocks of oil and facilitate the producing and gathering of oil, the production and possession of a quantity of oil in leased storage, not exceeding 3 days current allowable production, at the end of any month in excess of the total monthly allowables as above set forth shall not be construed a violation of this order.

SECTION VIII.

Any well drilled in violation of these rules shall not be allowed to produce either oil or gas, and shall forthwith be plugged, closed, and sealed.

SECTION IX.

It shall be deemed a violation to accept, transport, or deliver any oil or gas produced in violation of this order.

SECTION X.

A. Each gas well producing from an oil horizon shall be allowed to produce that quantity of gas per acre per day which is equivalent volumetrically to the average allowable production per acre per day of oil and gas combined produced from oil wells. If the daily allowable gas from any gas well computed as herein provided does not equal at least the average gas allowable assigned to oil wells, then the allowed gas for said gas well shall be equal to the average gas allowable assigned to oil wells (computed by dividing the total allowed gas for oil wells by the number of oil wells).

SECTION X. -Continued.

Schedules of allowable gas production shall be made and issued separately for gas wells.

B. Producing gas wells in a strictly gas horizon, may be allocated the number of productive acres held under one lease ownership or pooled lease ownership, which lie in the limits of a rectangular area of 160 acres within which the well is centrally located, the length of such rectangle not to exceed twice its width. The allocated acreage determined as provided in this section shall be used to calculate the daily allowable gas production of such wells, in the manner prescribed in Act 252 of the Legislature of Louisiana of 1924.

SECTION XI.

No well shall waste, burn, or blow into the air an amount of gas of more value at three (3) cents per thousand cubic feet than the market value of the oil recovered.

SECTION XII.

If any operator can show to the Commissioner that the producing methods herein prescribed, or the particular method by him prescribed for securing tests of wells, or any other part of this order, as applies to his well or wells, result in waste, or as to such operator are unreasonable, the Commissioner may enter such an order, as a special exception to the aforesaid rules and regulations, as will prevent such waste or eliminate such unreasonable restraint as may result from the application of the aforesaid rules and regulations to the well or wells of such operators; provided, however, that before any operator shall be allowed the benefit of an order granting an exception as authorized by this section, such operator must establish such exception, if granted, will not result in waste in the field as a whole or give him an inequitable and unfair advantage over another operator or other operators in the field. No special exception will be granted except upon written application, fully stating the alleged facts, which shall be the subject of a hearing to be held not earlier than ten (10) days after filing of the application. Prior to the hearing upon such application at least ten (10) days notice thereof shall be given by publication to all operators in the field. In addition to said notice by publication, adjacent operators shall be given at least ten (10) days notice of said hearing by personal service.

SECTION XIII.

A. Upon completion of a well, the operator must submit to the Commissioner a certified copy of the directional survey of the well before an allowable will be set for the well, such directional surveys shall be for the purpose of establishing that the bottom of the well is located beneath the same tract upon which the well is located and shall therefore be made available for the inspection of the offset operators in the District Office. Should there be any reason for the Commissioner to doubt the accuracy of the survey, the Commissioner may order the operator to run another directional survey which shall be witnessed by a representative of the Commissioner and any of the offset operators who desire to witness the survey. Such survey shall be at the expense of the operator. In the event an offset operator has reason to doubt the accuracy of a directional survey which has been accepted by the Commissioner as correct, then at the request of the offset operator the Commissioner shall order the operator to make another directional survey which shall be witnessed by representatives of the Commissioner and the offset operator. If the results of such survey show the bottom of the well to be beneath the tract on which the well is located, the survey shall be at the expense of the offset operator; but, however, if the results of the survey show the bottom of the well not to be beneath the tract on which the well is located, the survey shall be at the expense of the operator and the Commissioner shall order the well properly plugged and redrilled so as to place the bottom of the well beneath the tract on which the well is located.

B, In the event an operator desires to directionally drill a well by setting whipstocks, knuckle joints, or other mechanical devices for controlling the drift and direction of a well, a permit must be secured from the Commissioner for such work. Application for such permit must be made through the District Office and must be accompanied by a full explanation of the necessity for such work.

SECTION 1. - DRILLING AND COMPLETION-Continued.

Rule 5. Each operator shall notify in writing the Conservation Commissioner's agent at least twenty four (24) hours before completing a well. If said well be completed by the operator in conformity with the Conservation Commissioner's regulations, a completion certificate shall be issued to such operator. Completion certificates shall be withheld until the well has been completed in accordance with the Conservation Commissioner's rules, Pipeline companies and all other purchasers or carriers are forbidden to accept oil or gas from any well until such well is cleared by completion certificate.

Rule 6. All swabbing and bailing operatations, drill stem tests, perforating, and electric logging shall be conducted in the daylight hours.

SECTION II. - PRODUCTION AND EQUIPMENT RULES.

Rule 1. All natural flowing wells shall be equipped with tubing of not more than two and one half (2½) inches in diameter, Bottom of tubing shall not be higher than within one (1) joint of the lowest point at which the well is capable of producing. If tubing is perforated, the perforations shall not extend higher than within one (1) joint of the bottom of the tubing.

Rule 2. All wells shall be equipped with adequate chokes, or flow beans, to permit the proper taking of allowable production.

Rule 3. All flowing wells must be produced through a separator having ample capacity and maintained in good working order. Sufficient tankage shall be provided on each lease to permit the taking of the allowable production. Lease or working tanks shall be so equipped and operated as to permit proper gauging.

Rule 4, No boiler or electric lighting generator shall be placed or remain within one hundred fifty (150) feet of any producing well or oil tank.

Rule 5.

A. All permanent oil tanks, or batteries of tanks, must each be surrounded by a dyke or fire wall of at least the capacity of the tank or battery of tanks.

B. All gas vents from oil tanks shall terminate outside the fire wall.

Rule 6. Any rubbish or debris, that might constitute fire hazard shall be removed to a distance of at least one hundred fifty (150) feet from the vicinity of wells, tanks, and pump stations. All waste shall be burned or disposed of in such a manner as to avoid creating a fire hazard or polluting streams or fresh water strata.

Each operator shall so conduct his operations and maintain his equipment so as to reduce to a minimum the danger of explosion or fire, and consequent waste, and shall use all reasonable means of protection against injury to his employees and to the public.

Rule 7. All wells producing two (2) percent or more salt water must be reported monthly to the Conservation Commissioner.

Rule 8, Salt water disposition must be made in accordance with specifications and requirements of the Conservation Commissioner.

SECTION III. - EFFECTIVE DATE.

These rules shall be effective from and after the first day of September, 1940.

NEW ORLEANS, LOUISIANA
September 1, 1940.

THE DEPARTMENT OF CONSERVATION
OF THE STATE OF LOUISIANA.

By: (Signed) B. A. Hardey
Commissioner of Conservation.

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