

SUPPLEMENT TO EXPERT REPORT, VPSB vs. LL & E et al., VERMILION PARISH, LOUISIANA

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I have reviewed additional documents supplied by both plaintiffs and defendants since the completion of my expert report on June 14, 2010. Those documents are: Unocal's section 16 pit documents, VPSB paperwork, and the VPSB minutes. My additional opinions below are based on this new document review.

Unocal East White Lake Pit Documents

I have recently reviewed additional Unocal documents concerning the two emergency pit closures on section 16, VPSB property, VPSB vs. LL & E litigation, Vermilion Parish. In my expert report dated June 14, 2010, I named the pits as the VPSB "A" emergency pit and the LA Furs "A" emergency pit. While the two pits are informally named in relation to proximity of lease tanks, in reality these two pits were emergency pits for production facilities that served not only the lease it was located on (VPSB "A" lease and LA Furs "A" lease) but commingling operations at these production facilities. Commingling facilities, as defined by Order 29-D, is a production facility for the commingling of gas and/or liquid hydrocarbons from more than one lease/unit. In East White Lake Field, as is common in coastal fields (Albares, 1959), the facilities to process and store well production were centralized at these facilities.

The VPSB "A" Emergency Pit

The Unocal section 16 pit documents contain paperwork that describe the VPSB "A" emergency pit and its closure. A June 1988 report by Newpark Waste Treatment Systems contains the sample collection and analysis for this pit, and the report also describes the pit as an emergency pit for the EWL Field production facility and tank battery (p. 45 of VPSB_East_White_Lake_pit_documents.pdf). Another document is a pit closure expenditure request (p. 41 of same pdf file, dated 10/3/88) that describes the VPSB "A" emergency pit as receiving wastes and sludge from all leases in EWL Field. At the time of these 1988 descriptions, the facilities served by this emergency pit consisted of all production from the field as listed in the commingling agreement of 1986, EWL Field Order 29-D-8. An explanation and schematic diagram of the existing commingling facilities and the proposed new commingling were sent to all royalty owners, including the Vermilion Parish School Board, who indicated their approval of this operation with their signature (see Office of Conservation files, EWL Order 29-D-8 file, Barrett produced documents). This paperwork was also reviewed by Michael Veazey, the VPSB's petroleum engineering consultant, prior to the VPSB approval (in Barrett produced documents, M_Veazey.pdf, p. 247-250).

The schematic drawing and written description sent to and approved by royalty owners (see Order 29-D-8 paperwork) describes the 1986 production facilities, flow patterns of wells, use of separators, and the separation of produced water to water disposal. The VPSB also approved of,

and Michael Veazey reviewed, a similar description and schematic of these commingling facilities in January and February of 1994 with EWL Field Order 29-D-9 (Office of Conservation files, EWL Order 29-D-9; VPSB/LaLand: VPSB 00214). Veazey and Associates were aware that the saltwater disposal wells were on the VPSB's section 16 property (their map, C1074021 0000103-104).

The LA Furs "A" Emergency Pit

The Unocal section 16 pit documents also contain an authority for expenditure form for pit closure stating that the LA Furs "A" lease emergency pit received waste and sludge from area leases (p. 116 of VPSB_East_White Lake_pit_documents.pdf; dated 10/03/88). Similar to my previous statement concerning the VPSB "A" emergency pit, the LA Furs "A" emergency pit served the production and commingling facilities near that pit, including the LA Furs-VPSB units.

The section 15 site referred to as the LA Furs "A" battery contained not only the LA Furs "A" tank battery facilities but also commingling facilities. In 1945, Union began using this section 15 facility for the accumulation of production related to the LA Furs-VPSB unit well development along the section 15/16 boundary (letter to School Board, VPSB: LALand/Peak-11131). Both the commingling facility and the earliest pit (as seen on the 1950s aerial photography) were located on the LA Furs-VPSB unitized development; the commingling and production facilities were in section 15 and the pit was in section 16. EWL Field Order 29-D-1 (Office of Conservation records, Barrett submitted documents) permitted the commingling of the Ben C. Hebert Heirs production with the LA Furs-VPSB unit, using these production facilities located at what we have informally called the "LA Furs A tank battery" area. A 1957 schematic of these facilities was included in the Office of Conservation paperwork for EWL Field Order 29-D-1. This commingling was approved by all royalty owners, including the VPSB. The emergency pit, located in the LA Furs-VPSB unitized area and in section 16, served these facilities. Another schematic (1965) of these facilities is present in the Office of Conservation, Lafayette District, field files (in Barrett produced documents). The production facilities served the LA Furs-VPSB unit, the Hebert production, and the LA Furs lease. The LA Furs-VPSB unit wells' production was commingled with the Ben Hebert no. 4 well.

In late 1986, these facilities were abandoned (VPSB: LALand/Peak-05840) with this facilities production going to the VPSB "A" commingling facilities (described previously). The expenditure request of 10/03/88 from the Union section 16 pit documents described past practices of the emergency pit, not the present (1988). The last unit production occurred in February of 1987 (C1074021 0000003), and the unit was dissolved in January of 1989 (C1074021 0001708-1709; 1751-1752). The pit was also closed in January of 1989.

Minutes and Papers of the Vermilion Parish School Board

I have also recently reviewed the minutes of the Vermilion Parish School Board supplied by the defense counsel and VPSB paperwork supplied by the plaintiffs counsel.

These records are incomplete as to the oil and gas records on East White Lake Field that the Vermilion Parish School Board would have. I base this conclusion on the absence of signed paperwork concerning commingling orders, the description in the minutes of oil field reports generated by consultants, and the description in the minutes of a committee that handled the oil and gas properties.

Based on these limited records, it is clear that the Vermilion Parish School Board was very knowledgeable about their oil field operations. They often hired consultants to address certain issues on their properties. At least one member of their board, George Veazey, was an experienced oil man who served on the board from 1962 to 1982. George Veazey at one time was also a production foreman for Union Oil in the 1950s East White Lake Field (VPSB: LALand/Peak-08884 and 21248; EWL SchBrdMins0820).

Reference Cited (and already produced)

Albares, E. A., 1959, Engineering aspects of the Louisiana Department of Conservation; Interstate Oil Compact Commission Committee Bull., v. 1, June 1959, p. 8-11.