Minimizing Operator Conflicts: The Louisiana Approach

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General Rule:

- The Commissioner of Conservation only will appoint a single operator for each drilling and production unit

- Known as the “single operator per unit policy”
However, there are two exceptions to the Commissioner’s single operator per unit policy

1) The mutually exclusive interest exception

2) The Cross Unit Well exception
The Mutually Exclusive Interest Exception

- (1) Original operator has no working interest in the future wells to be drilled by the second operator
- (2) The second operator has no working interest in the well or wells that the original operator will continue to operate; AND
- (3) Both operators concur on dual operatorship regime
Exception cont’d

- Generally occurs when there is a sale by the original operator of all of its leases in the unit with a wellbore reservation, but only in situations where the purchaser had no prior interest in the unit such that it has no working interest in the wells retained by the original operator.

- Even if both operators in a proposed dual operatorship regime request the Commissioner to approve it, the consistent practice has been to deny such requests unless the above conditions exist.
Cross Unit Well Approval

- (1) Commissioner’s November 2, 2012 memo
- (2) Shales, Tight Gas Sands & Unconventional Reservoirs
- (3) Units Remain the Same
- (4) Production and Costs of Cross Unit Well Allocated back to each unit
Cross Unit Well Approval (cont’d)

- (1) Written evidence of consent of owners of majority working interest in each unit
- (2) Written evidence of consent of operator of each unit
The Cross Unit Well Exception

- Applies to situations where an operator of one or more units (Operator X) proposes to drill a cross unit well that will also be perforated in a unit operated by another (Operator Y).

- Provided that all other requirements of the Commissioner’s cross unit well policy have been met (including but not limited to the affirmative approval of Operator Y), the Commissioner will approve such a cross unit well.

Well to be drilled in lieu of location approved by Order No. 191-h-103.

GEP Haynesville, LLC
CASPiana FIELD
DeSoto Parish, Louisiana
PROPOSED ALTERNATE UNIT WELL
HA RA SU90 & SU106

Note: Only Haynesville wells shown.
The Cross Unit Well Exception cont’d

- Essentially provides for a limited dual operatorship regime since Operator Y will continue to serve as operator of its unit for all purposes and wells other than the approved cross unit well to be operated by Operator X, who will be operator of that unit for the limited purposes of such cross unit well only.

- The approval of Operator X as an operator of Operator Y’s unit is well-specific and does not grant Operator X the authority or right to operate any future wells in said unit.
End