

STATE OF LOUISIANA
OFFICE OF CONSERVATION
BATON ROUGE, LOUISIANA

RULES OF PROCEDURE FOR APPLICATION
OF TERTIARY RECOVERY INCENTIVE

Pursuant to authority delegated under the laws of the State of Louisiana, and particularly Title 30 of Louisiana Revised Statutes of 1950, and after a public hearing held under Docket No. 86-617 in Baton Rouge, Louisiana, on October 7, 1986, upon the call of the Commissioner of Conservation following legal publication of notice and notice in accordance with the rules prescribed by the Commissioner of Conservation, the following Rules of Procedure are issued and promulgated by the Commissioner of Conservation as being reasonably necessary to carry out the mandate of the provisions of the Louisiana Revised Statutes of 47:633.4, Tertiary Recovery Incentive.

RULE 1 - APPLICATION AND HEARING TO QUALIFY A TERTIARY RECOVERY PROJECT.

A 30 day notice and a public hearing shall be required as per rules of procedure for conducting hearings before the Commissioner of Conservation, R.S. 30:5C, R.S. 30:6 and R.S. 47:633.4. The applicant will not be required to give pre-application notice nor to conduct a pre-application conference.

Hearing testimony is to include discussions and exhibits of the following:

- a) Geological and engineering data to support "Tertiary Recovery Project" classification as per R.S. 47:633.4.
- b) Geological and engineering data necessary to establish the estimated remaining primary/secondary recovery and/or future recovery from the proposed tertiary recovery project.
- c) Engineering and economic estimates necessary to support the economic feasibility, payout period in which no severance tax will be paid, the estimated amount of severance tax to be forgiven and the future severance tax expected in accordance with the provisions of R.S. 47:633.4 B.
- d) Estimated date of initiation of actual injection.
- e) Any other pertinent information the applicant deems necessary.

RULE 2 - COMMENCEMENT OF TERTIARY RECOVERY AND THE PAYOUT TIME PERIOD

Immediately after the commencement of actual tertiary injection, the unit operator will petition the Commissioner of Conservation to issue a Supplement Order establishing the beginning of tertiary recovery as contemplated by Subsection D of R.S. 47:633.4. If there are no primary/secondary reserves producing at the time of commencement of tertiary injection, the beginning of production any time after this date will be tertiary production and no severance tax will be paid on production until payout has been reached. If primary/secondary reserves are still producing at the time of commencement of tertiary injection, a current forecast of the remaining primary/secondary recovery will be submitted for approval. After the approved remaining primary/secondary reserves have been produced, all production thereafter will be considered tertiary production and no severance tax will be paid on production until payout has been reached. The beginning of the payout time period will be coincident with the beginning of tertiary production and payout will be as per Subsection B of R.S. 47:633.4.

RULE 3 - APPLICATION AND HEARING TO ESTABLISH DATE OF ACTUAL PAYOUT

Within 60 days after actual payout has been determined, a 10 day hearing will be required as per rules of procedure for conducting hearings before the Commissioner of Conservation.

The hearing will be to determine the effective date of actual payout. At which time the forgiving of severance tax will end and severance tax to be paid on all future production will begin.

Hearing testimony is to include exhibits and discussions of the following:

- a) Review of the tertiary recovery project.
- b) Engineering, accounting and economic data to support the actual payout date.
- c) Any other data the applicant deems necessary.

RULE 4 - ANNUAL REPORT

The unit operator of an approved tertiary recovery project will provide pertinent expenditure and gross revenue data to the Office of Conservation in addition to the required annual report of pressure maintenance and secondary recovery data. The report will be due on or before May 1 of each year providing data for the preceding calendar year. The report must include annual and cumulative values for:


1. Investment
2. Expenses
3. Interest
4. Tertiary Gross Revenue
5. Tertiary Net Revenue
6. Tertiary Production

Additionally, the report must include a current estimate of the ultimate tertiary production from the project, noting any significant difference from the original estimate.

The annual tertiary recovery project report will be subject to audit to confirm expenditure claimed, if such is deemed necessary.

These Rules of Procedure shall be effective on and after November 20, 1986.

OFFICE OF CONSERVATION
OF THE STATE OF LOUISIANA


HERBERT W. THOMPSON
COMMISSIONER OF CONSERVATION