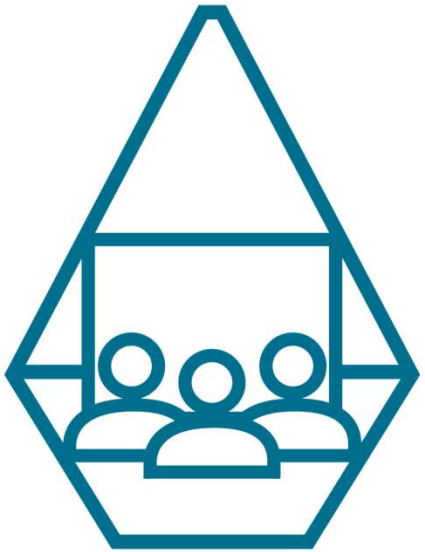

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MS Unitization

- Miss. Code §§ 53-3-101 to 53-3-119
  - Authorizes the Board to order unitized operations of an entire field, pool(s), or portions thereof to increase ultimate recovery of oil or gas or to prevent waste.

Applications and Board Authority

- Miss. Code §§ 53-3-101, 53-3-103
  - Any interested person may apply; the Board holds a hearing (after required notice) to consider unit operation of a field, pool(s), or portion(s)/combinations within a field.

Direct Notice

- Miss. Code §§ 53-3-115, 53-3-117, 53-3-119 - required
  - 30 days before hearing:
    - To ascertainable interest owners in the Unit Area and
    - To operators of adjoining/cornering wells and (if the unit does not cover the entire pool) other operators in the pool.

Can the Board require unitization if some owners object?

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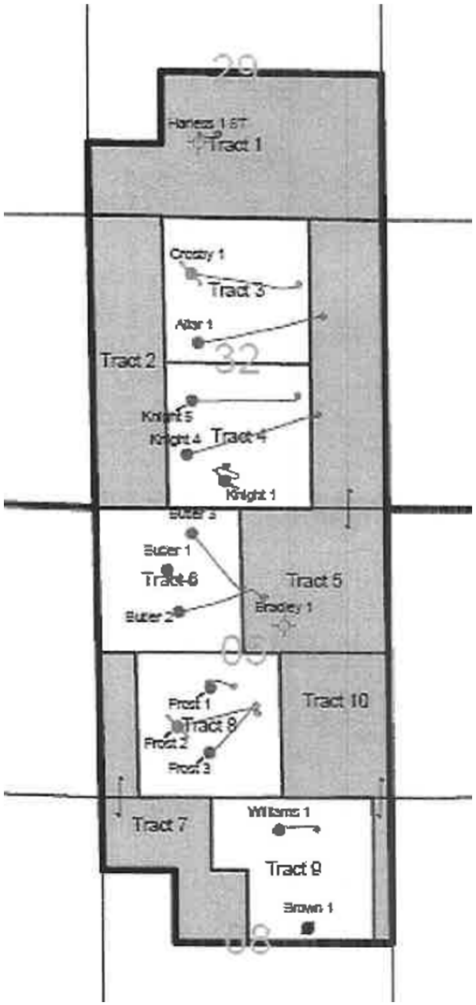
The Board may order Unit Operations

- Miss. Code § 53-1-3 – if it finds:
  - It will prevent waste;
  - It will substantially increase ultimate recovery;
  - It is fair and reasonable;
  - It will protect the correlative rights of interested parties;
  - That estimated additional costs of the operation will not exceed the value of estimated additional recovery;
  - That royalty owners will not bear those costs; and
  - That a sufficient number of wells have been drilled to approve unit boundaries.
  - 75% of working owners and 75% of royalty owners agree

Unit Area

Total Well Drilled – 24

EOR wells – 4
SB – 1
PR Oil wells – 9
CI – 1
WS wells – 1
P/A wells – 10
DH – 4
Oil – 6



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Required Provisions of the Board order

- Miss. Code § 53-3-105
  - Description of the “Unit Area” – constituting the geographical area and the pool(s)/portion(s);
  - Statement of the nature of contemplated operations;
  - A formula allocating unit production among separately owned tracts;
    - must be its fair, equitable, and reasonably proportionate
  - Provision for adjustment among working-interest owners (not royalty owners) of their respective investments in wells, equipment, etc.;

Description of Unit Area

Township 7 North - Range 13 West

Section 29: NE1/4 of SW1/4; S/2 of SW1/4; SE1/4

Section 32: Entire

Township 6 North - Range 13 West

Section 05: Entire

Section 08: NE1/4; E/2 of NW1/4; NW1/4 of NW1/4

Containing 1,860 Acres, More or Less

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Unit Pool

1.20 UNITIZED FORMATION means the subsurface portion of the Unit Area commonly known or described as follows:

> Those strata in the Hosston Formation productive of oil and gas within the stratigraphic interval at a measured depth of 13,576 feet and a measured depth of 15,873 feet in the Box Gladdis Knight 32-14 No. 1 Well as indicated on the Litho Density Compensated Neutron SFLU PEF Final Composite log of said well as recorded by Schlumberger on January 21,1997, said well located 750 feet from the south line and 2,400 feet from the west line, Section 32-T7N- R13W, Jones County, Mississippi, and including those strata productive of Unitized Substances which can be correlated therewith.

1.21 UNITIZED SUBSTANCES means all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate, and all associated and constituent substances within or produced from the Unitized Formation, other than Outside Substances.

Allocation of Production

- Miss. Code §§ 53-3-111, 53-3-113
  - To a tract is deemed produced from that tract; operations anywhere in the unit are deemed operations for each tract;
  - Have no effect on lands outside the Unit Area;
    - Failure to drill/develop outside lands within one year (or the remaining lease term, whichever is longer) from unit determination voids the lease on the outside lands (unless held by other production).
  - After the effective date, only the unit operator may operate wells producing from the Unit Area and zone.

Tract Participation

UNIT OPERATING AGREEMENT
Dated May 1, 2020
PARKER CREEK HOSSTON UNIT
PARKER CREEK FIELD

JONES COUNTY, MISSISSIPPI

TRACT NO.	TRACT DESCRIPTION	PHASE I TRACT PARTICIPATION FACTOR	PHASE II TRACT PARTICIPATION FACTOR
1	The SE/4, the E/2 SW/4, and the SW/4 SW/4 Sec 29-7N-13W (287.16 ac mol)	0.00308749	0.07132815
2	The W/2 NW/4, and the W/2 SW/4 Sec 32-7N-13W (163.42 ac mol)	0.00175706	0.04072925
3	The E/2 NW/4, and the W/2 NE/4 Sec 32-7N-13W (163.44 ac mol)	0.01055820	0.11442758
4	The E/2 SW/4, and the W/2 SE/4 Sec 32-7N-13W (161.73 ac mol)	0.42768034	0.10766390
5	The E/2 NE/4, and the E/2 SE/4 Sec 32-7N-13W, and the NE/4 Sec 05-6N-13W (322.31 ac mol)	0.00346542	0.08962913

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Allocation Methodology (evidence):

- Not automatically Acreage alone. Consideration should be given to:
  - Geological and reservoir data.
  - Estimated reserves and productive capacity.
  - Well performance and production history.
  - Engineering analyses of the reservoir and proposed unit operations.
  - The rationale for the selected allocation formula.

Order Provisions cont.

- Miss. Code § 53-3-105
  - Provision that costs/expenses of unit operations are borne by working-interest owners in the same proportion as their share of unit production;
  - Designation of (or provision for selecting) a unit operator (and successor);
  - The effective time of unit operations and the manner/circumstances of termination; and
  - A requirement that all oil/gas in the Unit Area be produced and sold as rapidly as possible without decreasing ultimate recovery or damaging the reservoir.

Termination

15.1 TERM. This Agreement shall remain in effect so long as Unitized Substances are produced without a cessation of more than one hundred and eighty (180) consecutive days, or so long as other Unit Operations are conducted without a cessation of more than one hundred and eighty (180) consecutive days, whichever is the longer period of time, unless sooner terminated by Working Interest Owners owning at least seventy-five percent (75%) of the Unit Participation Interests, or whenever such Working Interest Owners determine that Unit Operations are no longer economically feasible.

15.2 TERMINATION BY WORKING INTEREST OWNERS. This Agreement may be terminated for any reason by Working Interest Owners having a combined then effective Unit Participation of at least seventy-five percent (75%).

Effectiveness of the Board order

- Miss. Code § 53-3-107 – Order is not effective until:
  - The plan of unitization and agreements incorporating the provisions have been signed/ratified/adopted/approved in writing by owners/lessees and royalty owners of at least 75% in interest (surface-acreage basis of the Unit Area);
    - excluding royalty interests owned by lessees or their subsidiaries/successors in title.

If the required percentages are not obtained within 12 months of the order, it is automatically revoked.

Appeals

- Miss. Code §§ 53-3-115, 53-3-117, 53-3-119
    - Any interested person (broadly including mineral and royalty owners) adversely affected may appeal to the chancery court of the county where the land (or part) is situated within 30 days after the rule/regulation/order is filed for record.

Related Provisions

- Miss. Code §§ 53-11-1 et seq.
    - Unitization concepts also appear in carbon-dioxide geologic sequestration provisions, which can build on or reference existing unitization plans under Miss. Code §§ 53-3-101 et seq., with additional requirements for surface use, cost allocation, and transition from oil/gas production.

Closing

Five principles of Mississippi unitization

1. Prevent waste and increase recovery.
2. Protect correlative rights.
3. Support the allocation formula.
4. Separate production allocation from cost responsibility.
5. Document notice, approvals, and disputes.

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LOUISIANA UNITIZATION

GULF COAST LAND INSTITUTE 2026

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TWO PATHS OF UNITIZATION

- **DRILLING UNITS – La. R.S. 30:4(C)(13); 30:9**
  - Commissioner(Secretary)-ordered on findings
  - Surface-acreage allocation by rule
  - No owner-consent threshold
- **RESERVOIRWIDE UNITS – La. R.S. 30:5(C)**
  - Single pool, or pool combinations for pressure maintenance, secondary, or tertiary recovery
  - Requires 3/4 of owners AND 3/4 of royalty owners
  - Closest Louisiana analog to Mississippi §§ 53-3-1(

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STATUTORY ORIGINS

- Act No. 144 of 1908
- Act No. 265 of 1910
- Act No. 127 of 1912
- Act No. 66 of 1916
- Louisiana Constitution of 1921
- Act No. 157 of 1940

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RECENT DEPARTMENT REORGANIZATION

- *ACT NO. 458 of the 2025 Louisiana Legislative Session*
  - to rename the Department of Energy and Natural Resources as the Department of Conservation and Energy;
  - to provide for the structure and organization of the department;

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RECENT DEPARTMENT REORGANIZATION

- A. There is established the state Department of Conservation and Energy, hereinafter referred to in this Subtitle as the department. The department shall be directed and controlled by a ~~commissioner of conservation~~ secretary,
- (3) ~~"Commissioner" means the Commissioner of Conservation of the State of Louisiana~~ "Department" means the Department of Conservation and Energy, or any successor agency.
- A. The ~~commissioner~~ secretary has jurisdiction and authority over all persons and property necessary to enforce effectively the provisions of this Chapter and all other laws relat conservation of oil or gas.

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BASIS FOR SECRETARY'S AUTHORITY

- **La. Stat. Ann. § 30:1; 43 La. Admin. Code Pt XIX, 3901**
  - Supplemented by Secretary's Memoranda and custom
- **§ 30:4(A) – Jurisdictional Grant**
  - *"The secretary has jurisdiction and authority over all persons and property necessary to enforce effectively the provisions of this Chapter and all other laws relating to the conservation of oil or gas."*

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DRILLING UNITS – § 30:4(C)(13)

La. Stat. Ann. § 30:4(A)

C. The secretary has authority to make, **after notice and hearings** as provided in this Chapter, any reasonable rules, regulations, and orders that are necessary from time to time in the proper administration and enforcement of this Chapter, including rules, regulations, or **orders** for the following purposes:

(13) To regulate the spacing of wells and to establish drilling **units**, including temporary or tentative spacing rules and drilling **units** in new fields.

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POWER OF THE ORDER

EFFECT ON CONTRACTS

"The separately owned tracts, mineral leases and other property interests within the unit created herein are pooled, consolidated and integrated … with each separate tract sharing in unit production in the proportion that the surface area of such tract bears to the entire surface area of the unit in which it is situated."

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POWER OF THE ORDER
EFFECT OF OPERATIONS

"Also, all operations on and production from the unit shall be considered operations on and production from each of the separate tracts within said unit and under the terms of each of the mineral leases affecting said tracts."

POWER OF THE ORDER – NUNEZ v. WAINOCO

Nunez v. Wainoco Oil & Gas Co., 488 So.2d 955, 963-64 (La. 1986)

- *"[W]hen the Commissioner of Conservation has declared that landowners share a common interest in a reservoir … such common interest does not permit one participant to rely on a concept of individual ownership to thwart the common right to the resource."*
- The Secretary's power to unitize necessarily infringes on usual ownership rights: prohibits individual landowners from drilling their own tracts, forces shared production, and limits output.
- Established private property concepts (e.g., trespass) are superseded in part by Louisiana Conservation Law when a unit has been created.

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UNITIZATION PROCEDURE

Because Secretary's orders have wide-ranging and lasting power, the process requires extensive public notice and participation. See 43 La. Admin. Code Pt XIX, 3901.

- **PRE-APPLICATION NOTICE**
- **PRE-APPLICATION CONFERENCE**
- **HEARING APPLICATION**
- **HEARING**
- **THE ORDER**

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30-DAY NOTICE HEARING

30 DAY NOTICE HEARING

- Creating a new unit
- New cross unit wells

PRE-APPLICATION NOTICE

- **Contents required:**
  - Nature of the proposal; definition of the proposed sand/zone
  - Unit plat for each sand with any geological bases for unit boundaries labeled
  - Interested Parties List, with statement that reasonable effort was made to compile it
  - Date and place for Pre-Application Conference (≥ 20 days from date of notice)
- **Interested Party:**
  - *Any person who presently owns an interest within the area of, or proximate to, the tracts directly affected by the application.*

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PRE-APPLICATION CONFERENCE

- Held only if requested by an Interested Party (not less than 20 days from date of Pre-App Notice).
  - Applicant presents geological and engineering bases for the proposal.
  - Opponents may present position; parties attempt to resolve differences in good faith.
  - Participant proposing a unit exhibits a plat.
- **Key features:**
  - References to discussions at the Pre-App Conference are NOT admissible at any hearing.
  - Conference reports limited to whether there is disagreement, likely controverted issues, and number of parties with opposing plans.

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REGULATORY CONFLICTS

- The Office of Conservation's traditional philosophy regarding conflicts between (1) operator and non-op working interest owners and (2) operator and landowners has been:
- ***"YOU GUYS FIGURE IT OUT."***
- ***"PLEASE DON'T BRING YOUR PROBLEMS TO US."***
- The Office does not want contested hearings if at all possible — a factor shaping how counterplans and oppositions are received.

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HEARING APPLICATION

Timing:

- Filed immediately after Pre-App Conference, or 10 days after Pre-App Notice if no conference is requested.

- **Content – mirrors Pre-Application Notice:**
  - Proposal outline, Interested Parties List, conference report (if any), unit plat, sand definition.
- **Conservation processing & LEGAL NOTICE:**
  - Staff schedules hearing; applicant receives LEGAL NOTICE within 4-5 days; hearing set ≥ 30 days out (typically 35-40).
  - Applicant must POST at site, PUBLISH in local newspaper ≥ 15 days before hearing, and MAIL to all interested parties; evidence of all three submitted at hearing.

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HEARING APPLICATION

OPPOSITION AND COUNTERPLANS

- If differences are not resolved or if any interested party opposes a proposal and wishes to introduce evidence at the hearing,
- Must file with the secretary and the district manager, the applicant and all persons who attended the pre-application conference a counterplan, including a plat of his proposed unit
- Not less than 15 days before the hearing
- Accompanied by a letter explaining any points of difference with the applicant's plan

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HEARING

- Applicant's Presentation
- Supporting Evidence – Geologist Testimony
- Counterplan
- Cross-Examination
- Statements

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THE ORDER

TIMING OF ISSUANCE

- Typically four to six weeks

RECORDATION

- Within thirty (30) days after the issuance
- Filed and recorded in the conveyance records of the parish in which the unit is located
- Certified copies of all orders and amendments

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RESERVOIRWIDE UNITS – La. R.S. 30:5(C)

- **Commissioner may create reservoirwide units for:**
  - Unit operation of a single pool; or
  - Unit operation of any pool or combination of two pools in the same field in connection with pressure maintenance (by gas, water, or other extraneous substance injection), or any program of secondary or tertiary recovery.
- This is Louisiana's closest statutory analog to Mississippi §§ 53-3-101 et seq. – a true consent-based field/pool unitization, as distinct from a drilling unit under § 30:9.

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RESERVOIRWIDE UNITS – REQUIRED FINDINGS

- **Order issued upon finding that:**
- (a) Reasonably necessary to prevent waste and the drilling of unnecessary wells, and will appreciably increase ultimate recovery of oil or gas;
- (b) The proposed unit operation is economically feasible;
- (c) The allocation to each separate tract within the unit of a proportionate share of unit production will insure recovery of its just and equitable share of the recoverable oil or gas.
- *Compare MS § 53-1-3: both regimes require waste-prevention, appreciable/substantial increase in recovery, and a fair allocation formula.*

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RESERVOIRWIDE UNITS – CONSENT & PROCEDURE

- **Consent threshold (statutory):**
- At least 3/4 of owners AND 3/4 of royalty owners must have approved the plan and terms of unit operation, signed and executed, and filed with the Assistant Secretary on or before the day set for hearing.
- Order also designates unit operator and allocates costs/expenses of unit operation to owners proportionately.
- **Procedural differences vs. typical Secretary's drilling units:**
  - NO Pre-Application Notice required.
  - NO Pre-Application Conference required.
  - If 3/4 approval not obtained by 15 days before hearing, applicant MUST cancel the hearing and notify all owners.
  - Opposing owners must file opposition 10 days before hearing.

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ANY QUESTIONS?

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