

JOHN BEL EDWARDS
GOVERNOR

State of Louisiana

THOMAS HARRIS
CHAIRMAN

Oilfield Site Restoration Commission
Post Office Box 94275 Baton Rouge, Louisiana 70804-9275

RICHARD IEYOUB
VICE CHAIRMAN

MEETING MINUTES

LaSalle Building
617 North Third Street
Thursday, July 20, 2017
1:30 p.m.

MEMBERS PRESENT:

Thomas Harris, Secretary, DNR
Richard Ieyoub, Commissioner of Conservation
Elizabeth Creasman, Nature Conservancy
Steve Maley, LOGA
Barney Callahan, LWF, Sierra and Audubon Society
Tyler Gray, Mid-Continent
Grant Black, Mid-Continent
Don Briggs, Substitute for Gifford Briggs, for LOGA

OTHERS PRESENT:

Brent Campbell, Director OSR
Matt Simon, OSR Staff
Casandra Parker, OSR Staff
Gary Ross, OOC
Blake Canfield, DNR Attorney

I. Roll Call:

Matt Simon called the roll. There were seven members in attendance, constituting a quorum.

Richard Harris welcomed Lisa Creasman to the Commission, and recognized that Don Briggs would be substituting for Gifford Briggs for this meeting.

Matt Simon noted that Jim Maranto's commission had expired, and Richard Harris confirmed that he would be getting with the Governor's Office to find out the status of the at-large appointment and report at the last meeting.

JOHN BEL EDWARDS
GOVERNOR

State of Louisiana

Oilfield Site Restoration Commission
Post Office Box 94275 Baton Rouge, Louisiana 70804-9275

THOMAS HARRIS
CHAIRMAN
RICHARD IEYOUB
VICE CHAIRMAN

MEETING MINUTES

LaSalle Building
617 North Third Street
Thursday, July 20, 2017
1:30 p.m.

II. Approval of the April 2017, Meeting Minutes:

Barney Callahan made a motion to approve the minutes.
Richard Ieyoub seconded the motion.
No objections from the Commission.
The minutes were approved .

III. Fund Status:

Matt Simon reported that the fourth-quarter oil and gas collections totaled approximately \$4 million, which includes \$720,000 which OSR received from the inactive well fee assessment. The total collections in reimbursements for this fiscal year is \$4.96 million. The OSR Fund closed out the fourth quarter with approximately \$1.8 million in encumbrances, expenditures, and projected expenditures, and there is currently approximately \$2.8 million cash available in the Fund account.

A graphical representation was presented demonstrating the annual fees collected per fiscal year since 2011. The collections were separated by oil production collections and gas production collections.

There are currently 77 Site-Specific Trust Accounts administered by the Program covering 1,763 active wells secured with a combination of cash and various financial instruments, totaling approximately \$211 million.

JOHN BEL EDWARDS
GOVERNOR

State of Louisiana

THOMAS HARRIS
CHAIRMAN

Oilfield Site Restoration Commission
Post Office Box 94275 Baton Rouge, Louisiana 70804-9275

RICHARD IEYOUB
VICE CHAIRMAN

MEETING MINUTES

LaSalle Building
617 North Third Street
Thursday, July 20, 2017
1:30 p.m.

IV. Program Statistics:

A. Matt Simon discussed in detail the Program statistics.

To date, the Program has plugged and abandoned 2,826 orphan wells through the fourth quarter.

There were 702 orphan wells plugged by means other than the OSR Program during the fourth quarter totals which consisted of wells plugged by the operator of record and wells plugged through co-ops with the Commissioner of Conservation.

Currently, there are 3,691 orphan wells remaining statewide.

One hundred sixty-seven (167) wells were added to the orphan well count during this quarter. Shoreline Southeast, LLC, and Shoreline Offshore, combined, accounted for 128 orphaned wells.

Blake Canfield addressed the Shoreline entities' status. A notice of bankruptcy was filed by Shoreline. Shoreline did not have any fees due to the Office of Conservation; therefore, the Attorney General's Office was not notified of any outstanding fees to be collected. However, because of the large number of wells being orphaned, the Attorney General's Office did express a concern at the bankruptcy proceedings of Shoreline entities. Originally, there was a higher number of orphaned wells of Shoreline than the 128. An expert for Shoreline during the court hearings testified that the plugging and abandoning of all the Shoreline wells by statute would cost approximately \$49 million. The judge ordered that an escrow account in the amount of approximately \$2,062,500 be established to be managed by the Office of Conservation and that the wells that were being abandoned by Shoreline were to be plugged and abandoned using those funds.

The monies have been kept in an escrow account separate from the OSR Fund since March 7, 2017, to ensure that the monies can be tracked so the money is specifically used to plug Shoreline entity wells. In addition, OSR did not want the monies negatively affect the Fund as being accounted for in the OSR Fund ceiling that is set forth in the statute for fees stop being collected. Thirdly, OSR did not want these specifically dedicated monies to be used for other purposes, whether funding the plugging and abandoning of other wells or for other government uses.

JOHN BEL EDWARDS
GOVERNOR

State of Louisiana

THOMAS HARRIS
CHAIRMAN

Oilfield Site Restoration Commission
Post Office Box 94275 Baton Rouge, Louisiana 70804-9275

RICHARD IEYOUB
VICE CHAIRMAN

MEETING MINUTES

LaSalle Building
617 North Third Street
Thursday, July 20, 2017
1:30 p.m.

IV. Program Statistics (continued):

Blake Canfield further stated that, in addition to the initial deposit of \$2,062,500, the court ordered that any Shoreline monies that were left over after several groups of unsecured creditors had their claims paid out, those monies were to also be placed into this Shoreline-dedicated fund for plugging and abandoning their orphaned wells. The Attorney General's Office indicated that it appeared that an additional \$300,000 to \$350,000 would be placed into the OSR Shoreline-dedicated fund with the same restrictions as set forth regarding the original deposit.

Steve Maley and Blake Canfield discussed the Shoreline issue, and it was stated that OSR did not file a claim because Shoreline was not yet orphaned; however, the Office of Mineral Resources had filed a claim and as a result of the Shoreline plan for settling debts, the abandonment of wells came to light. The Shoreline-specific OSR fund was then setup in language in the judge's order for dedicating funds to plug and abandon any wells that were connected to the bankruptcy of Shoreline Energy, LLC, Shoreline Southeast, LLC, Shoreline Offshore, LLC, Harvest Development, LLC, Shoreline GP, Shoreline Central Corporation, Shoreline Energy Partners, and Shoreline EH, LLC. So the affected wells did not have to be operated by Shoreline, but if they were connected to any of the above entities, then they were included in the order. The estimated total cost to plug and abandon the Shoreline-orphaned wells will be far greater than the funds in the escrow account, so some OSR Fund money will have to be used to plug and abandon all of those wells.

Tyler Gray asked about escrowing the money in a manner such as a SSTA, and Blake Canfield said it did not meet the statutory definition of an SSTA because the SSTA is established at the time of transfer of the wells, and when they're funded, it allows for a company to no longer have liability. In addition, to set up an SSTA, you have to have an evaluation done by an approved OSR contractor to estimate the costs or the value of the wells to be secured by a SSTA. In the case of Shoreline, the SSTA requirements were not met, so a separate escrow account had to be established.

Tyler Gray made a motion that proposed legislation be considered that would allow funds to be deposited directly from a bankruptcy proceeding into a SSTA so the integrity of the account, the intent of the account, and the intention of the bankruptcy proceeding would be protected in the event of a future occurrence such as Shoreline to make sure that those funds are used for the specific purpose as stated at the bankruptcy proceeding.

Blake Canfield stated that there was recent legislation regarding escrow accounts in general which requires more administrative work, more reporting, and approval of the Joint Legislative Committee on the budget for expenditure. So the placing of the monies in the escrow as was done, it is able to be spent as needed for the plugging of the wells and without any unnecessary delays.

JOHN BEL EDWARDS
GOVERNOR

State of Louisiana

THOMAS HARRIS
CHAIRMAN

Oilfield Site Restoration Commission
Post Office Box 94275 Baton Rouge, Louisiana 70804-9275

RICHARD IEYOUB
VICE CHAIRMAN

MEETING MINUTES

LaSalle Building
617 North Third Street
Thursday, July 20, 2017
1:30 p.m.

IV. Program Statistics (continued):

Blake Canfield advised that, according to the Attorney General's Office, this Shoreline event with the judge's order is unique because of the number of wells involved and OSR benefitting without filing a bankruptcy claim against Shoreline, and it could be precedent setting for future bankruptcy proceedings. Because, ordinarily, a debt would have to be incurred before the company files Chapter 11 bankruptcy, and in this case, there was no debt prior since the wells had not yet been plugged and abandoned.

Although, the Shoreline wells have not gone through the proceedings by an OSR-approved contractor to estimate the costs of plugging and abandoning the 128 wells on the orphaned list, using calculations based on the previous plugging of wells, it is thought to be in the \$25 million range. Some wells are inland and offshore and there are three or four facilities associated with these wells which makes the project expensive. In addition, some flow lines will be addressed in this project, which was a concern of the Commission members.

Brent Campbell advised that this project may be one that can involve federal partners, such as the U.S. Coast Guard, to assist with the costs from the OPA Fund because of the potential for spills and hazardous situations. As a matter of fact, since the orphaning of the Shoreline wells, one of the wells has been declared an emergency project because of sheen on water and the well is on water, so the Coast Guard has been involved with that well by removing the oil that was in the containment area and shutting off open valves.

Information on the Shoreline-affiliated wells, such as field names, depth of the wells, et cetera, can be accessed on SONRIS.

Matt Simon stated that two financial securities funded by Shoreline amounting to approximately \$1.2 million to be added to the funds in escrow from the bankruptcy proceedings, and the OSR Program is going to aggressively move to start the project. Inspectors are already in the field trying to determine which wells need to be addressed first.

JOHN BEL EDWARDS
GOVERNOR

State of Louisiana

Oilfield Site Restoration Commission
Post Office Box 94275 Baton Rouge, Louisiana 70804-9275

THOMAS HARRIS
CHAIRMAN
RICHARD IEYOUB
VICE CHAIRMAN

MEETING MINUTES

LaSalle Building
617 North Third Street
Thursday, July 20, 2017
1:30 p.m.

IV. Program Statistics (continued):

Matt Simon continued with the program statistics by presenting a graphical representation demonstrating the current orphaned well count in the state (3,691) compared to the cumulative number of wells plugged by the Program (2,826). In addition, a graphical representation was presented separating the wells plugged by the OSR Fund, wells plugged by other means, and cumulative wells plugged.

A. A graphical representation was presented demonstrating the number of plugged urgent and high-priority scored wells (526) versus the number of remaining urgent and high-priority wells (426) to be plugged.

The Shoreline-affiliated wells have not been inspected and scored yet, so they are not included in the representation.

B. Fiscal Year 2016-2017 Fourth Quarter Program Performance

During this quarter, the Program plugged 14 urgent and high-priority wells. The percentage of revenue spent on urgent and high-priority wells this fiscal year is 58 percent.

A total of 80 orphaned wells were plugged and abandoned this quarter.

JOHN BEL EDWARDS
GOVERNOR

State of Louisiana

THOMAS HARRIS
CHAIRMAN

Oilfield Site Restoration Commission
Post Office Box 94275 Baton Rouge, Louisiana 70804-9275

RICHARD IEYOUB
VICE CHAIRMAN

MEETING MINUTES

LaSalle Building
617 North Third Street
Thursday, July 20, 2017
1:30 p.m.

V. Oilfield Site Restoration Program Projects:

Matt Simon discussed in detail the current Oilfield Site Restoration Program projects.

A. Completed Projects:

An explanation of a "completed project" was given meaning fully completed. All the wells have been plugged, all the sites have been restored. The P&A reports have been completed, an invoice has been received, and the Secretary has approved payment for the projects.

During the fourth quarter, no wells have been plugged and abandoned by the Program.

This fiscal year, OSR has assembled 14 bid packages and one emergency package.

B. Active Projects:

There are 14 current active projects, consisting of 205 wells, 11 of which are high-priority wells, for a total cost of approximately \$3,226,870.

There was some discussion about PA 17-003 and the impact on an oyster lease and landowner issues. The well is a high-priority well. The contractor, Crescent, was able to utilize an airboat to plug and abandon the wells on the oyster lease with minimal disturbance, and the landowner agreed to the work being done.

JOHN BEL EDWARDS
GOVERNOR

State of Louisiana

THOMAS HARRIS
CHAIRMAN

Oilfield Site Restoration Commission
Post Office Box 94275 Baton Rouge, Louisiana 70804-9275

RICHARD IEYOUB
VICE CHAIRMAN

MEETING MINUTES

LaSalle Building
617 North Third Street
Thursday, July 20, 2017
1:30 p.m.

V. Oilfield Site Restoration Program Projects (continued):

B. Active Projects:

Many of the projects that have been awarded are on hold currently because of weather conditions, whereby the contractors are unable to get to the sites to perform the work.

Tyler Gray inquired whether the OSR met the requirement of Representative Morris's bill requiring at least \$1 million be spent in north Louisiana, and Matt Simon indicated that he had met the obligation last fiscal year spending \$1.134 million, and has already bid projects approximately \$800,000 that will be applied to next fiscal year's obligation.

VI: Federal and Third-Party Activity:

The Coast Guard was involved in a project in Bateman Lake by removing some oil from some storage tanks owned by ConocoPhillips. Brent Campbell discussed the details of that project.

Tyler Gray asked about whether any hydrocarbons were removed, and if so, the status of those hydrocarbons. Brent Campbell advised that OSR disposes of any hydrocarbon in a disposal facility, and assumes the Coast Guard does the same.

Grant Black questioned whether it was possible to sell any remaining hydrocarbons in storage tanks and sell any of the equipment related as scrap salvage to help offset the costs of plugging a well. Brent Campbell advised the salvage value is accounted for in the bids from contractors. Additionally, if there is a great enough quantity of oil recovered, there would be an attempt to sell it, but most cases, there is only a small quantity recovered which is not economical to try to sell it.

JOHN BEL EDWARDS
GOVERNOR

State of Louisiana

Oilfield Site Restoration Commission
Post Office Box 94275 Baton Rouge, Louisiana 70804-9275

THOMAS HARRIS
CHAIRMAN
RICHARD IEYOUB
VICE CHAIRMAN

MEETING MINUTES

LaSalle Building
617 North Third Street
Thursday, July 20, 2017
1:30 p.m.

VII: Old Business/New Business:

(A) **Approved Contractors' List:** A renewed effort was made to contact contractors on the list who failed to respond to previous inquiries to elicit a response of whether they wanted to remain on the contractors' list. Numerous updates to the list have been made. Some names have changed, phone numbers were updated, and e-mails, if necessary.

Two contractors, Subsurface Technology, Inc., and Superior Energy Services, LLC, indicated a desire to change their company name. They were advised they would have to submit a new application indicating the new company name, and if all their paperwork is satisfactory, then their names can be changed on the list.

Three contractors that were contacted wishes to be removed from the contractors' list, PPM Consultants, Inc., Source Environmental Services, Inc., and USA Environmental, L.P. Matt Simon asked the Commission to take action to remove these three companies.

Barney Callahan made a motion to remove these companies to the contractor's list.
Elizabeth Creasman seconded the motion.
No objections from the Commission.
The motion was passed .

Brent Campbell revisited a question by a Commission member at the previous hearing about whether any contractors in Arkansas might be interested in bidding on projects in Louisiana. Three contractors currently working in Arkansas on orphaned wells were contacted. Two companies were interested, one of which had worked in Louisiana on orphaned wells as a subcontractor, and the third company was not interested. The two interested companies were sent application packets.

Additionally, a contractor's meeting will be held in August 2017, to inform the contractors that the OSR Program will be ramping up projects to hopefully gain more interest from some of the nonactive contractors on the list.

JOHN BEL EDWARDS
GOVERNOR

State of Louisiana

THOMAS HARRIS
CHAIRMAN

Oilfield Site Restoration Commission
Post Office Box 94275 Baton Rouge, Louisiana 70804-9275

RICHARD IEYOUB
VICE CHAIRMAN

MEETING MINUTES

LaSalle Building
617 North Third Street
Thursday, July 20, 2017
1:30 p.m.

VII: Old Business/New Business:

(B) Legislative Update:

Tyler Gray informed the Commission that two bills that were passed during the 2017 Regular Session authored by Representative Stuart Bishop, House Bill 98, became Act 411, and signed by the Governor, regarding the Revenue Department refunding OSR fees as part of the severance tax redemption for horizontal wells. Act 411 decouples the OSR fee from the severance tax exemptions, so going forward, the OSR fee will be due independent of the exemption given for a horizontal well.

The second bill is Act 421, which was originally filed as House Bill 461, provides for a severance tax exemption for inactive wells and for orphaned well. If a company removes an orphaned well from the orphaned list and assumes responsibility, there is a reduction of 75 percent of the severance tax that's owed. If a company assumes responsibility of an inactive well, there is a reduction of 50 percent of the severance tax that's owed.

Tyler Gray additionally requested that the OSR staff give a presentation to the members of the Commission at the first quarter meeting for Fiscal Year 2017-18 giving a history of the Commission, how and why the Commission was established in 1993, and the inner workings of the OSR Program, for example, rankings of high-priority and urgent wells, OSR fees' history, meeting presentation materials, bidding process, to give the Commission members an opportunity to evaluate the process now and going forward and get a better understanding of the whole program.

Grant Black indicated an interest in the costs of plugging wells and removing facilities, the differences in the different locations, onshore, water locations, as well as costs of plugging wells in the different areas of the state.

Steve Maley indicated an interest in understanding how the wells get included on the list of orphaned wells, whether they are new wells, old wells, abandoned by companies, or the records show on older wells, such as wells in Marsh Island, that the wells were plugged and area remediated, however, they remain on the list as not having been done.

JOHN BEL EDWARDS
GOVERNOR

State of Louisiana

THOMAS HARRIS
CHAIRMAN

Oilfield Site Restoration Commission
Post Office Box 94275 Baton Rouge, Louisiana 70804-9275

RICHARD IEYOUB
VICE CHAIRMAN

MEETING MINUTES

LaSalle Building
617 North Third Street
Thursday, July 20, 2017
1:30 p.m.

VIII: Date of Next Meeting:

The agenda includes a chart of the next four tentative meeting dates for advance notice to the members, which is the third Thursday of every quarter.

October 19, 2017, is the tentative date set for the next Commission meeting, at 1:30 p.m. in the LaSalle Building hearing room.

ADJOURN:

Barney Callahan made a motion to adjourn.
Tyler Gray seconded the motion.
No objections or further comments from the Commission.
The meeting was adjourned.