

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 18, 2019
1:30 p.m.

MEMBERS PRESENT:

Thomas Harris, Department of Natural Resources
Donald G. Briggs, LOGA
Lisa Creasman, Nature Conservancy
Steve Maley, LOGA
John Connolly, At Large
Tyler Gray, Mid-Continent

OTHERS PRESENT:

Brent Campbell, Director OSR
Matt Simon, Manager, OSR Program
Casandra Parker, OSR Staff
John Adams, Office of Conservation Attorney
Gary Ross, Assistant Commissioner
Blake Canfield, Attorney, Department of Natural Resources

I. Roll Call:

Brent Campbell called the roll. There were six members in attendance, constituting a quorum.

II. Approval of the Previous Meeting Minutes:

Don Briggs made a motion to approve the minutes.
Lisa Creasman seconded the motion.
No objections from the Commission.
The minutes were approved.

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III. Fund Status:

Brent Campbell reported through this date, oil and gas collections totaled approximately \$8.2 million. This is the most ever collected from the fee since the inception of the Program.

The OSR Fund received approximately \$1 million from the inactive well assessment, the Shoreline escrow of approximately \$2 million, and financial security and escrow reimbursements of approximately \$2.1 million, totaling \$13 approximately million collected in total current collections.

The OSR Fund has expended to this date approximately \$12.5 million on projects and some encumbered fees. The projected cash OSR Fund balance as of June 30, 2019, \$4.6 million.

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. Fees have increased each year, and this year is the highest amount of collections in the past approximately ten years.

IV. Program Statistics:

A. Brent Campbell discussed in detail the Program statistics.

There were 35 wells plugged through June 30, 2019. The current orphan well count is 3,179.

There was one well plugged by the EPA during this quarter.

Currently, there are 3,966 orphan wells remaining statewide at the end of this quarter. There were 137 recently-orphaned wells added to the list this quarter.

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IV. Program Statistics (continued):

Mr. Connelly asked about the possibility or probability of getting reimbursement from the prior emergency orders, such as Valentine or DeSoto Fields.

Mr. Campbell said that Indigo contributed \$650,000 to the OSR Fund to assist in funding for the emergency order in DeSoto Field, and in Valentine Field, the legal staff is in the process of recouping the money for that emergency order.

A. A graphical representation was presented demonstrating the current orphaned well count in the state (3,966) versus the cumulative wells plugged using the OSR Fund (3,219) since the Program's inception.

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

B. Fiscal Year 2018-2019 Fourth Quarter Program Performance

There were 10 urgent and high-priority wells plugged during the fourth quarter, which resulted in 38 wells plugged in the 18/19 fiscal year, and 89 percent of the Fund was used for these wells, in excess of the 60 percent expenditure required per year.

As of this date, there are currently 581 urgent and high-priority wells remaining, and 570 have been plugged to date total since the inception of the Program.

There were 35 orphaned wells plugged during the fourth quarter, which resulted in 177 wells plugged in the 18/19 fiscal year. There are more than 200 wells under contract to be plugged; however, weather-related issues have postponed those projects.

There were no public safety incidents reported involving orphaned well sites in the fiscal year of the 18/19.

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V. Oilfield Site Restoration Program Projects:

Brent Campbell discussed in detail the current Oilfield Site Restoration Program projects.

A. Active Projects:

There are currently active projects totaling 227 wells costing approximately \$5.5 million.

One emergency order EMER 18-003 was issued for Bethany-Longstreet Field which is approximately \$4.2 million to resolve the issue of two wells venting gas. EMERG 19-001 order has not begun.

In the north Louisiana mandate, the Fund expended \$1.4 million towards wells in north Louisiana, in excess of the required \$1 million.

In total, the fourth quarter projects totaled \$5.4 million for a number of 227 wells.

B. Completed Projects:

There was one project completed in the fourth quarter in the amount of \$1.5 million.

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VI: Federal and Third-Party Activity:

The OSR Program and the EPA completed a project in Bunkie Field in the fourth quarter for a total \$1.5 million.

VII: Old Business/New Business:

A. 2019 Legislative Update:

Copies of Act 193 of the 2019 legislative regular session were emailed to the Commission members, which was previously House Bill 180, introduced by Senator Allain.

John Adams informed the Commission that House Bill 180 affects the operation of the OSR Program and the OSR Commission. First, it requires approval of the Commission to continue to use \$950,000 from the OSR Fund to pay the staff that operate the Fund. Secondly, for any future emergency that's declared, once the emergency is declared by the Commissioner of Conservation and is approved by the Secretary, a copy of the declaration will be sent to each member of the Commission and a meeting must be held within 90 days of the declaration. If a meeting is not already scheduled to be held, a special meeting must be called to discuss the emergency declaration. Additionally, at that time, for that emergency, if the Commission makes a motion that no additional OSR funds can be sent on that particular emergency, then the motion can be made and voted on. A third effect of Act 193, is the Commissioner, after declaring an emergency, the Program can seek reimbursement of the total amount expended to address the emergency situation from any viable operator that is listed in the chain of title for that well.

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VII: Old Business/New Business:

B. Motion for OSR Program Administrative Expenses for 2020:

The OSR staff consists of 20 employees. The statute specifies that the funds expended from the OSR Fund for the administration of the OSR Program not exceed \$950,000 each fiscal year. The staff is requesting a motion from the Commission to approve the expenditure of \$950,000 for the fiscal year 2020.

Don Briggs made a motion to approve the disbursement of not more than \$950,000 each fiscal year for the administration of the OSR Program. Lisa Creasman seconded the motion. There were no objections. The motion passed.

C: Commission Member Discussion:

Inquiries were made by Tyler Gray clarifying whether projects of well plugging and abandoning and site clearance are separate actions or were bid as separate packages. Mr. Campbell explained that a bid package includes plugging and abandoning of a well and the site restoration together, not separately. Mr. Gray asked whether more sites could be cleared if they weren't included in a bid that involved the plugging and abandoning of a well also. Mr. Campbell said it can be done, but the Program cannot get credit for clearing sites because the numbers associated with the Program are based on wells, so when there is a well to be plugged and abandoned in an area, they will include that particular well or wells and those sites, as well as other sites in the area that require restoration.

Mr. Gray informed that his information from Oklahoma's similar OSR Program indicates that they do separate the jobs and the costs are paid from separate funds. He asked if it may be economic if there were lower costs to restore sites if they were not associated with a well in the bid package.

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C: Commission Member Discussion:

Gary Ross explained that, even though there is not credit given for site clearance, the Fund does pay for the site restoration costs. The costs of only clearing sites include similar, if not the same, expenses for plugging wells and clearing sites as just clearing sites. It has been attempted and the staff concluded that the costs were higher to separate the projects as site restoration and plugging wells than including them together. So the staff will create a bid package to include as many wells being plugged and sites being restored in the area as can be accommodated. Most of the contract companies will fulfill the requirements of everything in the bid package, including plugging wells, closing pits, and restoring sites. However, if there are sites on water, the procedures may be different than inland wells and sites. Mr. Ross did commit to the staff researching whether a salvage contractor could clear sites but would not prevent a plug-and-abandonment contractor from working on other projects.

Steve Maley inquired about the credit given for plugging wells. The number 3,966 is the orphan well count, does not include facilities or pits that need to be cleared. There is a separate list for facilities and pits, approximately 600 to 700, so the total number of projects that fall under the OSR Program is higher than 3,996 when you include the facilities and pits. Mr. Ross said there is credit given for accomplishing a site clearance and the expenditure of the money has to be accounted for, but the number of the orphan well count does not decrease if there's not a well involved.

Tyler Gray asked about whether the OSR Program received money from LOSCO, which it does not. He explained there is a fee paid by refineries for production liquids transferred through the state which is paid to the Louisiana State Police office that manages liquids. In this past legislative session, LSP received \$7.5 million to regulate gaming from the Oil Spill Contingency Fund (Pg. 64, House Bill 105, Act 10), and questions the relationship between LSP gaming regulation and this Fund. He will inquire further concerning this matter to verify his research and information, but wanted to see if the Commission or staff had further information. The total funds to LOSCO was a little over \$8 million. Based on his research, of this LOSCO money, the Office of Coastal Management receives approximately \$200,000, DEQ approximately \$226,000, Department of Wildlife and Fisheries approximately \$400,000, and the LSP receives \$7.5 million. Mr. Gray wanted to bring this matter to the Commission's attention.

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C: Commission Member Discussion:

Gary Ross also discussed the issue of contractors. There are a small number of contractors are bidding on OSR packages, which affects the number of wells being plugged and time constraints on plugging and abandoning wells. The staff is working on trying to encourage more contractors to bid on packages so more projects can be completed, and any input from the Commission would be welcomed. Tom Harris informed the Commission that because of the State bid laws and requirements, that deters some contractors from bidding.

John Connolly stated that some other State agencies have created an operator's committee to assist them. He is aware of many oil companies and engineers who have expressed an interest in addressing the orphaned well issue. They wish to leave a good legacy in Louisiana. Mr. Connolly's suggesting is to form a committee of engineers, who will do the work at no cost to the Program, and look at the wells, design a plugging plan, and give the engineers and/or companies a hold-harmless agreement to hire the contractors themselves to plug the abandoned wells. Tyler Gray said he is aware of operator's committees being formed with other groups. Mr. Gray would like to participate in facilitating a committee such as this.

Brent Campbell stated that there was a study done in 2016, and he will send a copy of that study to each member which shows what areas the staff examined and what type of actions were taken to try to streamline the Program, and some of the impediments that occurred.

Tyler Gray informed there is an expedited permitting mechanism that was passed for the Injection and Mining Division, which may apply to the OSR Program, which creates an incentive for OSR staff to be compensated for working overtime and creating plugging plans themselves.

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VIII: Public Comments:

Richard Haik, Lone Oak Environmental Services:

Mr. Haik made comment regarding bidding by Lone Oak, they bid with a reasonable expectancy to complete a project. An emergency project requires the contractor to begin the project at the site on the expedited business day at stated in the bid. The OSR staff project specifications should reflect a reasonable expectancy, pending weather conditions, for the contractor to work.

In addition, the term "site clearance" versus "production facility," a site clearance differs greatly to contractors than a production facility.

Also, in response to the discussion regarding Oklahoma earlier in the meeting, Mr. Haik informed that Oklahoma is awarded large federal contracts to clear large tracts of oilfield-affected lands.

Mr. Haik stated that at approximately the Intracoastal Canal is a "marker" for third-party assistance. north of the Canal, the EPA will handle the issue. If it's south of the Canal, the Coast Guard will handle the issue.

The most important point he wanted to make was that Lone Oak performs some jobs for private persons and State work, which requires a permit from the Department of Coastal Management. He gave an example of work in the private sector in a coastal area where a non-operator is willing to clean up a platform, but because there's a pipeline involved which requires a permit and the cost of pulling up a pipeline is expensive, they may not clean up a facility associated with an orphan well if they have to pull up the pipeline too. The pipeline is not interfering with anything and is not servicing any customers. His suggestion, if you have non-operators who are willing to expend money to clean a facility, maybe there could be another way to examine the situation and decide if leaving the pipeline would be detrimental, so the platform can be cleaned. The platform would be paid by a party, other than the OSR Program.

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VIII: Public Comments:

Steve Maley stated that he supports streamlining of the permitting activity of removals of facilities. The removal will be beneficial to the environment, but it may be hindered because of the requirement and permitting of removal of the pipeline. It would something he would suggest looking into the requirements that a pipeline must be removed if they are tied to platforms which could prevent a platform from being removed and possibly doing a case-by-case determination on whether it's better to leave the pipeline or require it be removed, and not have a blanket rule that a pipeline has to be removed.

Brent Campbell stated that bid packages from the OSR Program in State water bottoms, it includes the plugging of wells, the removal of platform, and site clearance. There are some rules in site clearance that state within some designated number of feet from the platform, the flow lines have to be removed and the remainder of the length of the flow line has to be cut and capped and purged. But, in general, if the flow line is buried, it is not required to remove the flow line. If the flow line is not buried, it has to be removed.

Thomas Harris stated that, for clarification, memorandums of agreement were signed with the Office of State Lands, and Wildlife and Fisheries where if either objects to the Coastal Use Permit application, a Coastal Use Permit will not be issued until their concerns have been addressed. The DNR and the Office of State Lands met and are going to try to provide some guidance to the regulated community to what the Office of State Lands is looking for in the way of information before they will be comfortable with abandonment in place. Future restoration projects and the possibility of a flow line becoming a hazard to navigation are concerns.

There are actions taking place and more research can be done to address these issues.

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IX: Date of Next Meetings Proposed in Fiscal Year 2020/2021:

October 17, 2019, January 16, 2020, and April 16, 2020, and July 16, 2020, are tentative dates set for the Commission meetings, at 1:30 p.m. in the LaSalle Building hearing room.

ADJOURN:

Steve Maley made a motion to adjourn.

Tyler Gray seconded the motion.

No objections or further comments from the Commission.

The meeting was adjourned.