

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, February 16, 2017
1:30 p.m.

MEMBERS PRESENT:

Thomas Harris, Secretary, DNR
Richard Ieyoub, Commissioner of Conservation
Paul Frey, LLA
Gifford Briggs, LOGA
Steve Maley, LOGA
Barney Callahan, LWF, Sierra and Audubon Society
Tyler Gray, Mid-Continent
Grant Black, Mid-Continent

OTHERS PRESENT:

Brent Campbell, Director OSR
Matt Simon, OSR Staff
Casandra Parker, OSR Staff
Gary Ross, OOC
John Adams, Staff Attorney
Jonathan Rice, Staff Attorney

I. Roll Call:

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

II. Approval of the October 2016, Meeting Minutes:

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

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III. Fund Status:

Matt Simon reported that the second-quarter collections totaled approximately \$2.75 million, which includes \$675,000 which OSR received from the inactive well fee assessment. The OSR Fund closed out the second quarter with approximately \$356,000 in encumbrances and expenditures, and there is currently approximately \$2.85 million available in the Fund account.

It was explained that the inactive well fee assessment is assessed for the OSR Program to maintain those wells in an inactive well status. During the fall of 2016, approximately \$2 million of fees were billed. To date, approximately \$1.5 to \$1.6 million has been collected.

Richard Thomas advised that Department of Revenue has indicated there is currently a backlog of requests for refunds for the OSR fee, the penny-and-a-half per barrel, that had been paid and the companies are now claiming an exemption, whether deep well or horizontal wells. The OSR fund will have a decrease in available monies after the refunds have been given. Tyler Gray advised that, by statute, interest would be accrued and due the companies on any monies owed by OSR from the date of the request for reimbursement until the refund is paid.

The Program administers 77 Site-Specific Trust Accounts which currently covers 1,774 active wells secured with a combination of cash and various financial instruments totaling approximately \$210 million.

Gifford Briggs requested the graph of the annual OSR collections be color-coded to separate the oil wells from the gas wells, and Matt Simon said it could be done in the future.

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IV. Program Statistics:

A. Matt Simon discussed in detail the Program statistics.

To date, the Program has plugged and abandoned 2,783 orphan wells.

Currently, there are 3,461 orphan wells remaining statewide.

Two hundred thirty-nine (239) wells were added to the orphan well count during this quarter. Drum Energy, LLC, was the operator of 203 of the wells that were orphaned.

A graphical representation was presented demonstrating the current orphaned well count in the state (3,461) compared to the cumulative number of wells plugged by the Program (2,783).

Since 1994, there have been 692 wells plugged by means other than the OSR Program as of this date. Tyler Gray asked for this statistic to be included on the graphical representation since the total of 2,783 reflects only wells plugged by the Program funds. However, OSR was responsible for effecting the plugging of the additional 692 wells, and a more correct total of plugged wells should be 2,783, plus 692, totaling 3,475, when compared to the total orphaned wells of 3,461.

A graphical representation was presented demonstrating the number of plugged urgent and high-priority scored wells (505) versus the number of remaining urgent and high-priority wells (391) to be plugged.

B. Fiscal Year 2016-2017 Second Quarter Program Performance

During the second quarter of this fiscal year, the Program plugged one urgent and high-priority well.

The percentage of revenue spent on urgent and high-priority wells this fiscal year is 26 percent.

A total of 39 orphaned wells were plugged and abandoned this quarter.

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V. Oilfield Site Restoration Program Projects:

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

A. Completed Projects:

One emergency project with one leaking well and an additional nearby well was completed in the second quarter.

B. Active Projects:

There are eight current active projects, consisting of 117 wells, 26 of which are high-priority wells, for a total cost of approximately \$799,484.63.

By statute, the Program is required to allot at least ten percent (\$1 million) of the expenditures of the Fund to plug abandoned wells in the north Louisiana area, and the wells have to be less than 3,000' plug back. The Program is awarding projects to fulfill the statutory requirements. Tyler Gray requested that the Commission receive an accounting of the number of wells and expenditures for the plugging of those wells that are part of the ten percent mandate.

VI: Federal and Third-Party Activity:

The OSR Program continues to enlist the assistance of outside agencies when necessary to plug and abandon wells.

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VII: Old Business/New Business:

One contractor, Gulf Inland, Inc., from Houma, Louisiana, has applied to be included on the approved contractor's list. All their paperwork is in order, and Matt Simon asked the Commission for a motion to add this contractor to the list.

Gifford Briggs made a motion to add Gulf Inland, Inc., to the contractor's list.
Barney Callahan seconded the motion.
No objections from the Commission.
The motion was passed .

OSR staff has contacted all contractors to verify if they wish to remain on the list. Almost 20 have failed to respond, three of the mail outs were returned undeliverable, and one contractor asked to be removed, and those contractors are highlighted in yellow on an attached sheet to the Commission agenda.

Matt Simon asked the Commission for a motion to remove the highlighted contractors from the approved contractor's list.

There was some discussion among Commissioners and members of the OSR staff regarding the type of contact made to these contractors. It was also mentioned that roughly ten of the contractors on the list have actually made bids on projects. Some companies on the list perform different services, such as consulting, than plugging, abandoning, and restoring well sites; however, their services may be needed for specific projects, so they are on the list for other purposes.

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VII: Old Business/New Business (continued):

Barney Callahan made a motion to defer the matter of the removal of the contractors from the list until the next Commission meeting.

Gifford Briggs made a substitute motion to ensure that the OSR staff contact the companies on the list by e-mail, since the original contact was to the address on the application.

Tyler Gray seconded the motion.

No objections from the Commission.

The motion was passed .

Discussion was held among Commission members regarding whether there was a sufficient number of contractors in different areas of the state that would bid on projects in their area, thus, making it more cost efficient than having a contractor travel from another area of the state to perform a given project. In addition, it was discussed a possible need for recruitment of additional contractors for competitive purposes.

Richard Thomas advised that in the 2016 Regular Session of the Legislature passed a resolution for Office of Conservation, DNR, to assess at the bid requirements to have them more streamlined to encourage more companies to bid on projects. A report is being prepared at this time regarding this matter.

VII: Date of Next Meeting:

April 20th, 2017, is the tentative date set for the next Commission meeting, at 1:30 p.m. in the LaSalle Building hearing room.

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ADJOURN:

Tyler Gray made a motion to adjourn.

Steve Maley seconded the motion.

No objections or further comments from the Commission.

The meeting was adjourned.
