

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 1, 2016
1:30 p.m.

MEMBERS PRESENT:

Thomas Harris, Secretary, DNR
Richard Ieyoub, Commissioner of Conservation
Paul Frey, LLA
Karen Gautreaux, Nature Conservancy
Steve Maley, LOGA
Barney Callahan, LWF, Sierra and Audubon Society
Tyler Gray, Mid-Continent
Troy Vickers, Mid-Continent

OTHERS PRESENT:

Brent Campbell, Director OSR
Matt Simon, OSR Staff
Casandra Parker, OSR Staff
John Adams, Staff Attorney

I. Roll Call:

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

II. Approval of the April 21, 2016, Meeting Minutes:

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

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 1, 2016
1:30 p.m.

IV. Program Statistics (con't):

A. A graphical representation was presented demonstrating the current orphaned well count in the state (3183) compared to the cumulative number of wells plugged by the Program (2744).

A graphical representation was presented demonstrating the number of plugged urgent and high-priority scored wells (499) versus the number of remaining urgent and high-priority wells (377) to be plugged.

Troy Vickers inquired on the percentage of high-priority wells being placed again on the orphaned list versus other priority wells. He indicated a possible future budget issue if more repeat orphan wells are high-priority, the cost of plugging them will be higher than other orphan wells.

Matt Simon indicated the OSR Program would get the statistics of that to the Commission, but that he does not believe there has been a spike of either types of wells. It appears to be level.

B. Fiscal Year 2015-2016 Third Quarter Program Performance

During the fourth quarter of this fiscal year, the Program did not plug and abandon any urgent and high-priority wells.

The percentage of revenue spent on urgent and high-priority wells this fiscal year closed at 83 percent.

A total of 59 orphaned wells were plugged and abandoned this fiscal year.

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 1, 2016
1:30 p.m.

B. Active Projects:

PA 14-008, Navigation Aid Maintenance Bid, Matt Simon informed the Commission that the contract with Boh Brothers has expired, and the Program will bid the project soon.

VI: Federal and Third-Party Activity:

The EPA has plugged and abandoned two orphaned well sites in Bayou des Allemandes Field, which were removed from the OSR list of orphaned wells.

VII: Old Business/New Business:

John Adams discussed in detail the 2016 Regular Session summary that relates to the Oilfield Site Restoration Program.

House Bill 632, which resulted in Act 634: In May of 2014, the Office of Conservation created financial security rules where the operators of wells were to secure their wells financially. The operators felt the rule would be very burdensome on them. As a result, the Commissioner of Conservation passed an emergency rule to temporarily suspend the rules put in place in May of 2014, to the previous version of the rules wherein an operator in good standing for four years would be exempt. The emergency rule will expire on August 12, 2016.

During the 2016 Regular Session, a new law passed by the legislature will take effect August 12, 2016, which would require operators to provide financial security for wells as was dictated by the May of 2014, financial security rules of the Office of Conservation. An exception was made to that rule, wherein, wells that are less than 3,000' deep, instead of a \$7.00 per foot financial security requirement, they would have \$2.00 per foot financial security requirement.

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 1, 2016
1:30 p.m.

VII: Old Business/New Business (con't):

Troy Vickers questioned the time the oil has to remain above \$60 or \$90 per barrel for the increase in fees, taking into account the fluctuating dollar amount per barrel. John Adams explained that the Bill outlines a specific formula. The formula includes what measures from the New York Stock Exchange are required to remain constant for a certain period of time. John further explained that once the price per barrel of oil reaches that formula threshold, the fee increase will remain at the higher fee, even in the price per barrel of oil decreases.

House Concurrent Resolution 72, requests the Commissioner of Conservation to develop a pilot program to reduce the costs of plugging orphaned wells by using the State bid law requirements and passing rules that make it possible for more contractors to bid on projects and be granted contracts, which will create more competition and result in lower bid costs.

John Adams stated that after the Office of Conservation develops a feasible plan, it will forward that plan to the Resolution authors for feedback. Barney Callahan suggested that the authors be apprised of the status quarterly.

Tyler Gray inquired on the Bill language "... less than 3,000 feet in the Shreveport and Monroe Districts..." whether the OSR Program is actively going to implement that portion of the language, and John Adams affirmed. John Adams further stated that there is a requirement to expend \$1 million of OSR Funds annually in the northwest Louisiana area, if available, above the requirement to spend 65 percent of the Funds on high-priority wells, and the OSR Program will do that.

Troy Vickers asked for further clarification regarding high-priority wells and the new language. Gary Ross explained that, in adhering to language in the Bill, the intention of the Program is to commit either \$1 million or 20 percent of Fund, whichever is less, to the two northern districts, Monroe and Shreveport.

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 1, 2016
1:30 p.m.

VII: Old Business/New Business (con't):

Senate Bill 427, which resulted in Act 526, requires the Commissioner of Conservation develop a plugging credit program, whereby an operator can opt to plug a well or wells on the orphan list and use credits given for plugging wells to offset having to secure wells with financial security for new wells the operator acquires; however, the operator will remain responsible for plugging and abandoning the new well exempted from financial security, if necessary.

Senate Bill 428, which resulted in Act 583, allows a well to be removed from the orphan list and be exempt from financial security by an operator, to encourage operators to request a change of operator for wells on the orphan list and accept responsibility for those wells. In addition, the Bill requires that any severance taxes paid for that well will be deposited into a Site-Specific Trust Account until such time the SSTA is funded adequately to plug the well. A SSTA set up in this manner would be included and accounted for as any other SSTA.

Gary Ross explained that an SSTA account resulting from this Bill would be tracked as all other SSTAs are, but the funds would not become usable until such time the well may need plugging.

Tyler Gray indicated a need to keep the Commission updated on the status of the implementation of these Bills by the OSR Program to ensure the incentives created by these Bills are working. Gary Ross answered that the Commission would be given those statistics.

Steve Maley inquired as to how active the Program has been in the last several years wherein operators are taking over orphan wells to remove them from the list. John Adams responded that there has been a significant number of wells that have been taken off the list by operators taking over ownership of an abandoned well. It is estimated that approximately 130 wells would be added to the orphaned list in a year, and approximately 100 wells are removed from the orphaned list by operators taking over wells and restoring them to production.

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 1, 2016
1:30 p.m.

VII: Other Business:

Barney Callahan inquired about the ownership of the properties in and along Catahoula Lake. If, by court proceedings, it is decided the ownership of certain lands are determined to be owned private properties, instead of what was thought to be State properties, would the landowners be responsible for the orphaned wells on their properties?

John Adams explained, by statute, the OSR Program plugs and abandons orphaned wells, regardless of the landowners, since the orphaned wells are assigned to the operators of record and interest owners, not the landowners.

ADJOURN:

Barney Callahan made a motion to adjourn.
Tyler Gray seconded the motion.

The meeting was adjourned.