



JOHN BEL EDWARDS
GOVERNOR

State of Louisiana
DEPARTMENT OF NATURAL RESOURCES
OFFICE OF CONSERVATION

THOMAS F. HARRIS
SECRETARY

RICHARD P. IEYOUB
COMMISSIONER OF CONSERVATION

August 9, 2019

Senator John A. Alario, Jr., President
Senator Norbert N. "Norby" Chabert, Natural Resource Committee Chairman
Senate Mike Walsworth, Environmental Quality Committee Chairman
Representative Taylor F. Barras, Speaker
Representative Stuart J. Bishop, Sr., Natural Resources and Environmental Committee Chairman

Via Statutorily Prescribed E-mail

**Re: Proposed Amendment to LAC 43:XIX, Subpart 2, Chapter 7
Statewide Order No. 29-R-19/20 and Forward- Fee Schedule for FY19/20**

Dear Attorney General Landry:

The Commissioner of Conservation, pursuant to Chapter 1 of Title 30 (LSA-R.S. 30:21), proposes to amend LAC 43:XIX, Subpart 2, Chapter 7. The following report regarding proposed Statewide Order No. 29-R-19/20 and Forward is submitted to you in accordance with LSA-R.S. 49:968(B) and (C).

I. Copy of the rule as it is proposed after amendment.

(See Attachment)

II. A. Statement of proposed action

This action will adopt Statewide Order No. 29-R-19/20 and Forward (LAC 43:XIX, Subpart 2, Chapter 7), which will replace Statewide Order No. 29-R-18/19, the Office of Conservation Fee Schedule. The fees collected by this Statewide Order comprise a significant percentage of the Office of Conservation's operating budget for FY19/20. Funds generated from this Statewide Order will allow continued operation of the regulatory programs within the Office of Conservation.

B. Summary of change in existing rule

This action will adopt Statewide Order No. 29-R-19/20 and Forward (LAC 43:XIX, Subpart 2, Chapter 7), which establishes the Louisiana Office of Conservation Fee Schedule for the collection of Application, Production, and Regulatory fees by the Office of Conservation and will replace the existing Statewide Order No. 29-R-18/19.

There are no estimated implementation costs or savings to the Department of Natural Resources or local governmental units as a result of the proposed rule changes. Revisions include: changes in the definition to the BOE(annual barrels oil equivalent) from 18.0 to a calculation based on the most recent 3 year average of the cost of oil and gas; adds Surface

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Mining definitions; replaces the capable oil and gas tiers with a definition; adds a Surface Mining Reclamation Fee of \$6 an acre pursuant to Act 105 of 2019; and changes the severability and effective date of the General Operations Statewide Order No. 29-R which establishes the schedule for the collection of application, production, and regulatory fees by the Office of Conservation. Increased fee revenue will provide a means of financing substitution for ongoing activities currently funded with surface mining fees and other dedicated funds which serve as a match to federal funds and supports the activities of the Office and three personnel.

The agency will retain the maximum revenue caps authorized by R.S. 30:21 et seq.

The proposed rule change will add a \$6 per acre fee on each acre of land included within the approved mine permit area. Revenues generated are based upon the total permitted acreage in lignite mines, which is currently 37,678 acres. At \$6 per acre this will generate \$226,068 in fee collections for FY 20. This revenue is expected to decrease by 5% each year as the fee is based on total acreage. As mines close and acreage is reclaimed there is less total acreage to assess. The increase will serve to offset declining revenue from the surface mining fee.

Surface Mining operators will experience an increase in fees assessed. Initial increases are projected at \$226,000 for the first year with declining costs in the future as a result of anticipated reduction in total acreage assessed.

III. Specific citation of law authorizing promulgation of the rule

Chapter 1 of Title 30 (LSA-R.S. 30:21, et seq., R.S. 30:560, and R.S. 30:706).

IV. Circumstances which require the amendment of the rule

LSA-R.S. 30:21 et seq., R.S. 30:560, and R.S. 30:706 provide that the Commissioner of Conservation shall periodically and/or annually review the fees collected, and the Office of Conservation has established a practice of annually evaluating all applicable fees.

V. Statement of Fiscal and Economic Impact

(See Attachment)

The Notice of Intent to promulgate the new rule will be published in the Louisiana Register on August 20, 2019. All interest parties will be afforded the opportunity to submit data, views, or arguments, in writing. Written comments will be accepted by hand delivery or USPS only, until 4:30p.m., September 10, 2019, at the Office of Conservation, Executive Division, P.O. Box 94275, Baton Rouge, LA 70804-9275; or Office of Conservation, Executive Division, 617 North Third Street, Room 931, Baton Rouge, LA 70802. Reference Docket No. 19-232. All inquiries should be directed to Todd Keating at the above addresses or by phone to (225)342-5507, as set forth in the attached Notice of Intent.

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Please contact me at (225) 342-5510, Gary Ross, Assistant Commissioner of Conservation, at (225) 342-5560 or Richard P. Ieyoub, Commissioner of Conservation, at (225) 342-5500, if you have any questions or require additional information about this matter.

Sincerely yours,

A handwritten signature in blue ink that reads "Katherine E. W. O'Brien". The signature is written in a cursive style with a large initial "K".

Katherine E. W. O'Brien
Executive Staff Officer

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Attachments