

NOTICE OF INTENT

**Department of Natural Resources
Office of Conservation**

Advanced Notice of Rulemaking and Solicitation of
Comments on Financial Security for the Plug and
Abandonment of Oil and Gas Wells and Determinations of
Future Utility (LAC 43:Part XIX.Subpart 1)

The Department of Natural Resources, Office of Conservation proposes to amend LAC 43: XIX.Subpart 1 in accordance with the provisions of the Administrative Procedure Act, R.S. 49:950 et seq., and pursuant to the power delegated under the laws of the state of Louisiana. The proposed amendment is made to implement the provisions of Act 634 of the 2016 Regular Session of the Louisiana Legislature. The Amendments will reduce the per foot cost of financial security for inland wells below 3000 feet to \$2.00 per foot and exempt wells orphaned by the commissioner and subsequently transferred to another operator from financial security requirements.

Title 43

NATURAL RESOURCES

Part XIX. Office of Conservation – General Operations

Subpart 1. Statewide Order No. 29-B

Chapter 1. General Provisions

§101-§103 ...

§104. Financial Security

§104.A-§104.B.4 ...

C. Financial Security Amount

1. Land Location

a. Individual well financial security shall be provided in accordance with the following.

Measured Depth	Amount
≤ 3000'	\$ 7 2 per foot
3001-10000'	\$5 per foot
≥ 10001'	\$4 per foot

§104.C.1.b-§104.H ...

I. Financial security shall not be required for the following wells:

1. Any well declared to be orphaned by the commissioner and subsequently transferred to another operator, except as required by Act 583 of the 2016 Regular Session.

2. Any well to be drilled by an operator who has an agreement with the office of conservation to plug a well that has been declared to be orphaned by the commissioner and that orphaned well is similar to the proposed well in terms of depth and location.

3. The provisions hereof shall not alter or affect the requirements for inactive wells given in LAC 43:XIX.137(A).

AUTHORITY NOTE: Promulgated in accordance with R. S. 30:4, et seq.

HISTORICAL NOTE: Promulgated by the Department of Natural Resources, Office of Conservation LR 26:1306 (June 2000), amended LR 27:1917 (November 2001).

Family Impact Statement

This Rule has no known impact on family formation, stability, and autonomy as described in R.S. 49:972.

Poverty Impact Statement

This Rule has no known impact on poverty as described in R.S. 49:973.

Provider Impact Statement

This Rule has no known impact on providers as described in HCR 170 of 2014.

Small Business Statement

This Rule has no known impact on small businesses as described in R.S. 49:965.6.

Public Comments

All interested 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 p.m., December 12, 2016, at 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. R A 2016-02. All inquiries should be directed to John Adams at the above addresses or by phone to (225) 342-7889. No preamble was prepared.

Fiscal and Economic Impact Statement

I. ESTIMATED IMPLEMENTATION COSTS (SAVINGS) TO STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

The proposed rule change will have no implementation costs to the state or local governmental units. The proposed rule change will reduce the per foot cost of financial security for inland wells shallower than 3,000 feet from \$7.00 to \$2.00 per foot and exempt wells orphaned by the commissioner and subsequently transferred to another operator from financial security requirements. The reduction in the per-foot cost is a result of Act 634 of the 2016 Regular Legislative Session, which set the rate at \$2.00 per foot. The previous rate of \$7.00 per foot was codified into rule. There are no costs to the Office of Conservation since the financial security will be able to be documented using existing documentation and staff.

II. ESTIMATED EFFECT ON REVENUE COLLECTIONS OF STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

There is no anticipated effect on revenue collections of state and local government units.

III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NON-GOVERNMENTAL GROUPS (Summary)

The group directly affected by the rule change will be certain Exploration and Production (E&P) companies that do not possess blanket financial security. These companies will need to provide smaller amounts of financial security if a new well is permitted or if an existing well is transferred and the well is drilled shallower than 3,000 feet and they choose to obtain financial security on a per footage basis. Additionally, wells orphaned by the commissioner and subsequently transferred to another operator will be exempted from financial security requirements.

IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)

The proposed rule change will have no effect on competition and employment.