

Title 43

NATURAL RESOURCES

Part XIX. Office of Conservation—General Operations

Subpart 1. Statewide Order No. 29-B

Chapter 1. General Provisions

...§104. Financial Security

A. Unless otherwise provided by the statutes, rules and regulations of the office of conservation, financial security shall be required by the operator of record (operator) pursuant to this Section for each applicable well as further set forth herein in order to ensure that such well is plugged and abandoned and associated site restoration is accomplished.

1. Permit to Drill

a. On or after the date of promulgation of this Rule, the applicant for a permit to drill must provide financial security, in a form acceptable to the commissioner, for such well as provided below, within 30 days of the completion date as reported on the Form Comp or Form WH-1, or from the date the operator is notified that financial security is required.

2. Amended Permit to Drill/Change of Operator

a. Any application to amend a permit to drill for change of operator must be accompanied by financial security as provided below or by establishing a site specific trust account in accordance with R.S. 30:88, prior to the operator change.

3. The financial security requirements provided herein shall apply to class V wells as defined in LAC 43:XVII.103 for which an application for a permit to drill or amended permit to drill is submitted on and after July 1, 2000, at the discretion of the commissioner.

B. Compliance with this financial security requirement shall be provided by any of the following:

1. certificate of deposit issued in sole favor of the Office of Conservation in a form prescribed by the commissioner from a financial institution acceptable to the commissioner. A certificate of deposit may not be withdrawn, canceled, rolled over or amended in any manner without the approval of the commissioner; or

2. a performance bond in sole favor of the office of conservation in a form prescribed by the commissioner issued by an appropriate institution authorized to do business in the state of Louisiana; or

3. letter of credit in sole favor of the office of conservation in a form prescribed by the commissioner issued by a financial institution acceptable to the commissioner;

4. a site specific trust account in accordance with R.S. 30:88.

C. Financial Security Amount

1. Land Location

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

| Measured Depth | Amount |
|----------------|--------------|
| < 3000' | \$2 per foot |
| 3001-10000' | \$5 per foot |
| > 10001' | \$4 per foot |

b. Blanket financial security shall be provided in accordance with the following.

| Total Number of Wells Per Operator | Amount |
|------------------------------------|-----------|
| ≤ 10 | \$50,000 |
| 11-99 | \$250,000 |
| ≥ 100 | \$500,000 |

2. *Water Location—Inland Lakes and Bays*—any water location in the coastal zone area as defined in R.S. 49:214.27 except in a field designated as offshore by the commissioner.

a. Individual well financial security shall be provided in the amount of \$8 per foot of well depth.

b. Blanket financial security shall be provided in accordance with the following.

| Total Number of Wells Per Operator | Amount |
|------------------------------------|-------------|
| < 10 | \$250,000 |
| 11-99 | \$1,250,000 |
| > 100 | \$2,500,000 |

3. *Water Location—Offshore*—any water location in a field designated as offshore by the commissioner.

a. Individual well financial security shall be provided in the amount of \$12 per foot of well depth.

b. Blanket financial security shall be provided in accordance with the following.

| Total Number of Wells Per Operator | Amount |
|------------------------------------|-------------|
| ≤ 10 | \$500,000 |
| 11-99 | \$2,500,000 |
| ≥ 100 | \$5,000,000 |

4. An operator of land location wells and water location wells who elects to provide blanket financial security shall be subject to an amount determined by the water location requirements.

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5. The amount of the financial security as specified above may be increased at the discretion of the commissioner.

6. Financial security amounts will be periodically reviewed and adjusted to ensure they are reflective of the costs to plug and clear orphan well sites.

D. All wells exempt from financial security prior to the promulgation of this rule shall remain exempt so long as they remain with their current operator. A change of name by an operator of record through acquisition, merger, or otherwise does not preclude said successor operator from maintaining the exemption described herein.

E. The commissioner retains the right to utilize the financial security provided for a well in responding to an emergency applicable to said well in accordance with R.S. 30:6.1.

F. Financial security shall remain in effect until release thereof is granted by the commissioner pursuant to written request by the operator. Such release shall only be granted after plugging and abandonment and associated site restoration is completed and inspection thereof indicates compliance with applicable regulations or upon transfer of such well to another operator. In the event provider of financial security becomes insolvent, operator shall provide substitute form of financial security within 30 days of notification thereof.

G. Plugging and abandonment of a well, associated site restoration, and release of financial security constitutes a rebuttable presumption of proper closure but does not relieve the operator from further claim by the commissioner should it be determined that further remedial action is required.

H. In the event that an operator has previously provided financial security pursuant to LAC 43:XIX.104, such operator shall provide increased financial security, if required to remain in compliance with this Section, within 30 days after notice from the commissioner.

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.

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), LR 41:952 (May 2015), amended Act No. 634 of 2016 Regular Session.