



August 21, 2023

Carrie Wiebelt
Jonathan Rice
Louisiana Office of Conservation
617 North Third Street, 9th Floor
Baton Rouge, LA 70802

RE: Comments to NOI on Inactive Well Fees

Carrie & Jonathan,

We received the Notice of Intent (NOI) of the state's proposed implementation of the new regulation and fee schedule regarding Inactive Well Fees. We understand the purpose of this proposed regulation is to incentivize operators to plug and abandon (P&A) wells sooner, and this is a respectable effort to resolve a very complex subject within our industry. Our main concern is that the proposed fee increase on wells deeper than 10,000' will not serve as an incentive for operators to P&A wells, but may instead create financial burdens that could increase the number of orphan wells in the State. In our opinion, these fee increases will create the unintended consequences of increasing the number of orphan wells in Louisiana. Doubling or tripling the annual per well fee from \$250 to \$500/\$750 is unlikely to motivate an operator to accelerate spending \$100,000+ on a P&A.

While the incentive provided to plug wells in the proposed rule change is appreciated, the regulation requires an operator to plug 10 or more wells in a year to qualify for a reduction in inactive well fees. Depending on the setting, plugging 10 wells could cost between \$500,000-\$1,000,000 a year. That is a substantial investment to earn a modest fee reduction on remaining inactive wells in the subsequent year. Having said the above, we would appreciate your consideration of the bullet points below.

- We recommend that the Annual Well Assessment for wells 10,000+ inactive for 5-10 years remain at \$250 to avoid the unintended consequences of increasing the orphan well count.
- We recommend that the inactive time clock (5-10 & 10+) begins when these changes take effect. Otherwise, the fee could effectively triple overnight in some cases creating the same unintended consequences.
- We request that 137(A)(2)(d) not be stricken, to allow the Commissioner of Conservation the authority to grant extensions in his/her judgement.
- We request that 137(A)(2)(e) and 137(3)(4) not be stricken, to allow the Commissioner of Conservation the authority to consider a Schedule of Abandonment submitted by the Operator.

- On the service side of the P&A issue, many workover rig providers went bankrupt or have moved to more flourishing markets. It has been difficult contracting workover rigs that specialize in P&A. Having the two bullets point above this one would help give leeway to any rig supply issues that occur.
- We recommend the fee reduction incentive in the newly created 137 (3)(a) be offered for each well plugged, without a requirement to plug 10 or more wells in a calendar year.

LOGA recognizes the concerns attempting to be addressed and understands the complexity of the issue at hand. We thank all of you at Conservation once again for continuing to work together with our industry on challenging topics. Please let us know if you have any questions or would like to further discuss the suggestions made herein.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mike Moncla', with a long horizontal flourish extending to the right.

Mike Moncla
President, Louisiana Oil & Gas Association