

BOBBY JINDAL
GOVERNOR

State of Louisiana

STEPHEN CHUSTZ
CHAIRMAN

Oilfield Site Restoration Commission
Post Office Box 94275 Baton Rouge, Louisiana 70804-9275

JAMES H. WELSH
VICE CHAIRMAN

MEETING MINUTES

LaSalle Building
617 North Third Street
Thursday, January 15, 2015
1:30 p.m.

MEMBERS PRESENT:

Stephen Chustz, Secretary, DNR
James Welsh, Commissioner of Conservation
Don Briggs, LOGA
Steve Maley, LOGA
Barney Callahan, LWF, Sierra and Audubon Society
Tyler Gray, Mid-Continent
Karen Gautreaux, Nature Conservancy

OTHERS PRESENT:

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

I. Roll Call:

Matt Simon informed the Commission members that Mike Lyons has resigned from the Commission and that Tyler Gray will be represented by Mid-Continent.

Matt Simon called the roll. There were six members in attendance at the time of roll call, constituting a quorum, and Tyler Gray joined the meeting later.

II. Approval of the October 16, 2014 Meeting Minutes:

Don Briggs made a motion to approve the minutes.
Barney Callahan seconded the motion.
No objections from the Commission.
The minutes were approved .

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III. Fund Status:

Matt Simon reported that the total cash in the treasury is approximately \$5 million. There is \$2.1 million in contractual obligations, leaving an available balance of approximately \$2.9 million.

A report on the oil and gas production fee collections from the last quarter amounted to approximately \$2.1 million. A graphical representation of annual fee collections since 1994 was presented.

A report of the 57 Site-Specific Trust Accounts shows the accounts to cover 999 active wells, secured by \$67.6 million in cash and various financial instruments.

IV. Program Statistics:

- A.** Matt Simon discussed in detail the Program statistics.

To date, the Program has plugged and abandoned 2,681 orphan wells. Fourteen wells were plugged and abandoned since the October meeting.

Currently, there are 3,030 orphan wells remaining statewide.

In the months of July, August, and September combined, 79 newly orphaned wells were added to the Program. CVS Holdings accounts for 72 of the 79.

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

A graphical representation was presented demonstrating the number of plugged urgent and high-priority scored wells versus the number of remaining urgent and high-priority wells for the last four fiscal years.

The Program has plugged and abandoned 478 urgent and high-priority scored orphaned wells to date, beginning in the summer of 2010.

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IV. Program Statistics:

B. Fiscal Year 2014-2015 Program Performance

During the second quarter of this fiscal year, the Program has plugged and abandoned five urgent and high-priority wells. A total of 44 orphaned wells were plugged and abandoned, at an approximate cost of \$1.7 million.

V. Oilfield Site Restoration Program Projects:

Matt Simon discussed in detail the current Oilfield Site Restoration Program projects.

A. Completed Projects:

There were two projects completed since the October 2014, meeting, at a total cost of approximately \$590,000.

B. Active Projects:

Project 14-008 regards the navigation aid maintenance bid. The first phase of assessing the sites has been completed at a cost of \$319,500. The second phase, concerning the repairing and/or replacing lights on sites, will be underway when the contractor provides a cost of this project phase.

There are six projects currently active for a total cost of approximately \$5.5 million.

Mr. Chustz inquired about projects 15-003 and 15-004, regarding the priority ranking. Mr. Simon advised they were Priority II wells.

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VI. Federal and Third-Party Activity:

The EPA successfully plugged a high-pressured well in the Ramos Field.

Mr. Maley inquired how it is determined that a project would be an EPA project. Mr. Simon explained that a well that is located within a water body or a tributary triggers EPA intervention.

Mr. Campbell inquired as to the funding for the EPA's activities. Mr. Simon indicated it's federal money as opposed to State of Louisiana funding. Mr. Campbell clarified that the OPA fund of \$3 billion administered by the Coast Guard is available for oil spills in a waterway if the responsible party does not respond, and then they will pursue collection from the responsible party. All wells are inspected by the OSR and responds immediately to any leaking well, and if a well is affecting a waterway and leaking oil, the OSR Program can recommend the project to the EPA for evaluation. Ms. Parker also indicated that there are situations when the OSR Program will plug a well and the EPA will reimburse the OSR Program for their costs. Mr. Chustz explained that the threshold of EPA involvement is whether a waterway is being impacted by the leaking well, and Ms. Parker clarified that the well has to be leaking oil, not gas or saltwater, for the EPA to intervene.

VII: Old Business and New Business:

A. Legislative Auditor Report:

Mr. Adams gave an update to the Commission regarding the Legislative Auditor's report. Two of the six total recommendations have had public hearings through the rulemaking process since the October 2014, meeting, and went into effect December 20, 2014.

The remaining four recommendations regarding financial security and future utility issues are still being addressed through the rulemaking process. A public hearing was held and based upon public comments received during the hearing, some adjustments were made to the proposed rule and were forwarded to the Legislative Fiscal Office for their review. The Office of

Conservation is awaiting response as to whether the changes constitute a substantive change before proceeding with the rule change in accordance with the Administrative Procedures Act.

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VII: Old Business and New Business:

A. Legislative Auditor Report:

Mr. Campbell explained that the recommendations not involving the rulemaking process, such as formulating SOPs, and the SOPs are completed for various activities. The IT Department are in the final stages of completing an automatic compliance order system. The inactive well report and well test report information is online currently and being used by operators.

Mr. Campbell explained the audit identified approximately 13,000 wells that had not been inspected during a six-year period. The OSR inspectors have inspected 98 to 99 percent of those wells. For the remaining wells that were not inspected, operators have been issued compliance orders to help the OSR inspectors locate those wells.

Mr. Welsh publically thanked the staffs of DNR and Conservation for their involvement and teamwork to accomplish these goals.

VIII: Additional Comments and/or Public Comments:

Mr. Callahan asked for explanation regarding the budget numbers and wells still active in the Program. Mr. Simon explained the difference in Site Specific Trust Accounts which are dedicated funds by active operators to fund the plug and abandonment of active wells, if necessary, and the OSR budget financed by the production fees collected quarterly. Mr. Campbell explained that every year approximately \$4.2 million is collected for projects, and the Site Specific Trust Account monies are not used for anything except the plugging and abandonment of the specific wells they are insuring.

Mr. Chustz further explained that the focus of OSR has been on higher priority wells which are more expensive to plug and abandon. Ideally, when the higher priority wells have been plugged and abandoned, the Program will begin plugging and abandoning more lower priority wells which cost less to plug, thus decreasing the number of wells in the Program.

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IX: Date of Next Meeting:

April 16, 2015, is the tentative date set for the next Commission meeting, at 1:30 p.m. in the LaSalle Building hearing room.

ADJOURN:

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

The meeting was adjourned.