

BOBBY JINDAL
GOVERNOR

State of Louisiana

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

STEPHEN CHUSTZ
CHAIRMAN

JAMES H. WELSH
VICE CHAIRMAN

MEETING MINUTES

LaSalle Building
617 North Third Street
Thursday, July 16, 2015
1:30 p.m.

MEMBERS PRESENT:

Stephen Chustz, Secretary, DNR
James Welsh, Commissioner of Conservation
Paul Frey, LLA
Karen Gautreaux, Nature Conservancy
Barney Callahan, LWF, Sierra and Audubon Society
Tyler Gray, Mid-Continent

OTHERS PRESENT:

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

I. Roll Call:

Matt Simon called the roll. There were six members in attendance constituting a quorum.

II. Approval of the April 2015 Meeting Minutes:

Karen Gautreaux 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 \$4.3 million. There is \$1.8 million in contractual obligations, leaving an available balance of approximately \$2.5 million.

A report on the oil and gas production fee collections through the fourth quarter amounted to approximately \$4.3 million. A graphical representation of annual fee collections since 1994 was presented.

A report of the 60 Site-Specific Trust Accounts shows the accounts to cover 1,007 active wells, secured by \$68 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 2,686 orphan wells. Two wells were plugged and abandoned during the fourth quarter.

Currently, there are 3,066 orphan wells remaining statewide.

There were 82 newly orphaned wells were added to the Program this quarter.

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 each fiscal year beginning in the summer of 2010.

The Program has plugged and abandoned 479 urgent and high-priority scored orphaned wells to date, beginning in the summer of 2010.

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IV. Program Statistics (continued):

A. Mr. Chustz inquired about the number of remaining 319 urgent and high-priority that are classified as urgent. Mr. Simon responded that 44 of the 319 are Priority 1 urgent wells. There are 275 Priority 2 wells. Mr. Chustz inquired whether any of the 44 are in a bid package or under contract to be plugged. Mr. Simon responded that he believed five in the Shreveport area, one is a Priority 1, and the others are Priority 2, are currently being actively pursued by the Program.

Mr. Frey inquired whether the term "urgent," refers to leaking wells. Mr. Simon responded that the "urgent" wells are classified as Priority 1 by using the classification system based on the well's immediate urgency.

B. Fourth Quarter Program Performance

During the fourth quarter of this fiscal year, the Program plugged and abandoned one high-priority well. A total of 49 orphaned wells were plugged and abandoned, at an approximate cost of \$6.7 million.

V. Oilfield Site Restoration Program Projects:

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

A. Completed Projects:

There was one project completed this quarter.

B. Active Projects:

Project 14-008 regards the navigation aid package. The project is very close to being completed, less than five well sites are left to inspect and repair any navigational light issues.

There are five projects currently active in the OSR Program.

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B. Active Projects:

With regard to Project 15-007, Mr. Welsh asked who is responsible for applying for the Coastal Use Permit. Mr. Simon responded that the contractor does.

With regard to "high-priority wells," Mr. Callahan inquired whether the Program has a monitoring process itself or some type of enforcement to monitor a leaking well until the project can be completed. Mr. Simon indicated that, in a case of natural gas, it is not the same process of monitoring as a well that is leaking oil. A well that leaking oil requires immediate action by the OSR or the Coast Guard by containing of the oil spill until the well can be plugged. There is also a process of classifying a leak as an emergency situation which is also in place. Mr. Callahan requested the OSR Program provide a number of the current wells on the list which are actually on the water versus land. Mr. Simon indicated that there is not a denotation on SONRIS or otherwise that the Program can differentiate on-land or on-water abandoned wells.

Mr. Chustz asked, regarding the 118 navigational aid wells, if those were considered to be high-priority and how many were plugged in the past year. Mr. Simon answered they were between Priority 1 and Priority 2, just by the nature of being on a navigable water, they would be rated very high on the priority classifications, and as far as the number of those plugged, he wasn't sure but would bring that information to the next meeting. Ms. Parker explained that using the priority classification and whether the wells are secured by financial securities, those high-priority navigation aid wells would be addressed in bid packages more quickly if they meet both of those criteria.

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VII: Old Business and New Business:

A. Contractor Applications for Approved Contractor's List:

Two contractors, Lone Oak Environmental Services, LLC, in Slidell, Louisiana, and SCS Field Services in Bedford, Texas, have submitted applications to be approved to be added to the approved contractor's list for bidding on OSR projects. The applications are complete, according to OSR Staff, and recommend these applications be approved..

Mr. Chustz made a motion to accept the two contractors.

Ms. Gautreaux seconded the motion.

The motion was passed.

B. New Legislation:

John Adams addressed the Commission regarding new legislation consisting of three bills that were introduced in the 2015 session.

Senate Bill 41 was proposed which would reduce the threshold from \$250,000 to \$50,000 for which the OSR Program can seek reimbursement for expenses from prior operators for the plugging and abandonment of the prior operator's wells.

House Bill 785 was proposed to double the OSR Program's fund cap from \$10 million to \$20 million.

Senate Bill 196 was proposed which proposed to repeal the Constitutionally protected dedication of the OSR Fund.

None of the three bills passed.

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B. New Legislation:

Senate Concurrent Resolution 89, which essentially is a study resolution to convene a committee to address the issues relative to the financial security for the plugging and abandonment of oil and gas wells and determinations of future utility and report those findings to the legislature by February 2016, was passed in the legislature. Mr. Chustz has issued a letter to the named members that are supposed to appoint representatives to that committee. The deadline given to respond to the letter giving the name of the representative was Wednesday, July 15, 2015. As of this time, Mr. Adams said he had not seen the list of appointed representatives, but he is aware that an effort is being made to coordinate and schedule an upcoming meeting for that committee to begin their tasks.

The legislation also provides that, once the report is submitted to the legislature, the committee is to be disbanded at that point, so it is designated as a temporary committee.

Mr. Chustz informed the Commission that House Bill 784 by Representative Dove which provided fees to the Office of Conservation for several new fees, and additionally, some changes in the fee structure, among other items, was passed by the legislature.

VIII: Other Comments or Public Comments:

There were no further comments.

IX: Date of Next Meeting:

October 15, 2015, is the tentative date set for the next Commission meeting, at 1:30 p.m. in the LaSalle Building hearing room.

ADJOURN:

The meeting was adjourned.