

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, December 10, 2015
1:30 p.m.

MEMBERS PRESENT:

Stephen Chustz, Secretary, DNR
James Welsh, Commissioner of Conservation
Paul Frey, LLA
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 called the roll. There were eight members in attendance, constituting a quorum.

II. Approval of the July 16, 2015 Meeting Minutes:

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

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III. Fund Status:

Matt Simon reported that the oil and gas production fee collections through December 1, 2015, amounted to approximately \$274,648, which is the collections minus a reimbursement of fees.

The five-percent statutory reduction taken in fiscal year 2016 amounts to \$484,105.

The current OSR fund balance as of December 1st, is **\$-510,230**. An inquiry to the accountant regarding future revenues be affected by a combination of exempted fees and the effect of lower oil and gas production across Louisiana. The accountant's response was that the revenues will be reduced from approximately \$1.2 million per quarter to roughly \$950,000 per quarter.

The OSR fund balance for the end of this fiscal year is projected to be \$500,000.

Steve Chustz further explained that funds are set up by law and the funds are statutorily dedicated to an account to fund specific programs. In the mid-year budget reduction, the Department of Natural Resources' statutory dedications were reduced by five percent, and the OSR Program, along with other programs, was affected by the reduction. A three percent reduction in general fund provided to the Department of Natural Resources was also reduced. The five-percent deduction is based upon the budgeted amount in House Bill 1 for that statutory dedication.

Tyler Gray further stated that the reduction are operator fees that are intended to restore sites as part of the orphan well program that have been swept for another purpose, and inquired as to whether those funds would be returned to the DNR and OSR. Steve Chustz responded that that decision would have to be made in the legislative process.

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III. Fund Status:

Steve Maley inquired as to what the administrative expenses are on the report. Steve Chustz explained the administrative expenses are what is allowed to be removed from the OSR Fund, \$750,000 per year. However, the Department will only deduct up to \$750,000 if necessary. The administrative expenses listed as \$162,226 is what has been deducted through December 1, 2015, keeping in mind the fiscal year ends June 30, 2015.

Matt Simon continued with a graphical representation of annual fee collections per year since 1994.

IV. Program Statistics:

A. Matt Simon discussed in detail the Program statistics.

To date, the Program has plugged and abandoned 2,720 orphan wells through the first quarter of this year. Thirty-four wells were plugged by the Program during this quarter.

Currently, there are 3,052 orphan wells remaining statewide.

Forty-three wells were added to the orphan well count during the first quarter.

The operators contributing to the majority of the newly-orphaned wells are United Resources, Inc., Long Brothers Oil Company, and Satellite Petroleum.

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 485 urgent and high-priority scored orphaned wells to date since the summer of 2010.

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IV. Program Statistics:

B. Fiscal Year 2015-2016 First Quarter Program Performance

During the first quarter of this fiscal year, the Program has plugged and abandoned one urgent priority well and five high-priority wells. A total of 34 orphaned wells were plugged and abandoned, at an approximate cost of \$1.4 million.

V. Oilfield Site Restoration Program Projects:

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

A. Completed Projects:

There were three projects completed in the first quarter at a total cost of approximately \$1.4 million. (See UPDATE: on Page 5 for further information.)

B. Active Projects:

Project 14-008 regards the navigation aid maintenance bid. There are 107 sites being maintained.

Project 15-007, Southeast Pass, Plaquemines Parish, and Project 16-002, Freshwater Bayou and Wildcat Fields, Vermilion Parish, these projects are leaking wells on water that were plugged during the second quarter of this year, and these projects will be discussed in more detail at the next Commission meeting.

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V. Oilfield Site Restoration Program Projects:

B. Active Projects:

Matt Simon indicated that all the current active six projects have been encumbered, so the funds have been set aside to complete these projects.

There are six projects currently active for a total cost of approximately \$1.8 million.

Don Briggs inquired about the Caddo-Pine Island Field, PA 15-005, 19 wells, \$612,000, equals approximately \$30,000 a well and indicated that seemed like a high cost per well. Matt Simon indicated he would double-check the figures and update the members of the Commission.

UPDATE:

On December 16, 2015, after researching PA 15-005, Matt Simon sent out an e-mail to all members of the Commission clarifying the dollar amounts on that project. The correct amount for that project is \$263,920, not the \$612,480 indicated on the spreadsheet.

After recalculating the dollar amounts, the corrected total costs for projects completed in the first quarter is \$1,058,384, not the \$1,406,944 on the spreadsheet at the meeting.

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VI: Additional Comments and/or Public Comments:

Tyler Gray commented that there was a meeting today, December 10, 2015, for SCR 89, which looks at abandoned wells in the orphan well program in the state, and it was proposed to make a small working group between industry and some of the regulators to try to get ideas to help streamline or improve the department in order to be able to increase the number of wells being plugged by the Program. Representative Morris, Tyler Gray, and Don Briggs are going to be part of that committee, and SCR 89 is trying to secure commitments from others. The next meeting of SCR 89 is scheduled for the first week in January 2016.

VII: Date of Next Meeting:

January 21, 2016, is the tentative date set for the next Commission meeting, at 1:30 p.m. in the LaSalle Building hearing room.

ADJOURN:

Karen Gautreaux made a motion to adjourn.
Paul Frey seconded the motion.

The meeting was adjourned.