***BOBBY JINDAL State of Louisiana******STEPHEN CHUSTZ***

GOVERNOR CHAIRMAN

**Oilfield Site Restoration Commission JAMES H. WELSH**

Post Office Box 94275 Baton Rouge, Louisiana 70804-9275 VICE CHAIRMAN

**MEETING MINUTES**

LaSalle Building

617 North Third Street

Thursday, July 17, 2014

1:30 p.m.

**MEMBERS PRESENT:**

Stephen Chustz, Secretary

James H. Welsh, Commissioner of Conservation

Karen Gautreaux, Nature Conservancy

Steve Maley, LOGA

Barney Callahan, LWF, Sierra and Audubon Society

Mike Lyons, Mid-Continent

Troy Vickers, Mid-Continent

**OTHERS PRESENT:**

Gary Ross, Assistant Commissioner of Conservation

Brent Campbell, Director OSR

Matt Simon, OSR Staff

Casandra Parker, OSR Staff

**I. Roll Call:**

Matt Simon called the roll. There were seven members in attendance, constituting a

quorum.

**II. Approval of the April 17, 2014 Meeting Minutes:**

Mike Lyons 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 $8 million. There is approximately $2.4 million in contractual obligations, leaving an available balance of $5.7 million.

A report on the oil and gas production fee collections from July 1, 2013, through June 30, 2014, is approximately $4.4 million.

A report of the 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 2,638 orphan wells. Forty-nine wells were plugged and abandoned since the meeting of April 17,2014.

Currently, there are 2,993 orphan wells remaining statewide.

In the months of April, May, and June combined, 106 newly orphaned wells were added to the Program.

Steve Maley wanted clarification of the orphaned wells as being wellbores, and Matt Simon answered, yes, they are wellbores. In addition, Steve Maley questioned whether the new wells coming into the Program were wellbores or well sites. Matt Simon answered they were all wellbores, however, there are sites associated with the wellbores and that the restoration of those sites are part of the plugging and abandoning process.

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**IV. Program Statistics:**

Additionally, a graph 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 to date 455 urgent and high-priority scored orphaned wells.

**B.** Fiscal Year 2013-2014 Program Performance

During the fourth quarter of this fiscal year, the Program has plugged and abandoned 16 additional urgent and high-priority wells, completing the fiscal year with a total of 24 urgent and high-priority wells removed from the orphaned list. A total of 88 orphaned wells were plugged and abandoned, at an approximate cost of $2.8 million.

To date, 250 orphaned wells were restored by LOSCO, the Coast Guard, or EPA.

The Program did not reach its performance goals for the 2013-2014, first, due to unusually wet weather conditions of Louisiana the last half of this fiscal year; secondly, multiple contracts were awarded to the same contractor causing scheduling problems which will be discussed further in Item V of the agenda.

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**V. Oilfield Site Restoration Program Projects:**

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

Because of inclement weather conditions and the awarding of OSR projects to the same contractor through the bidding process, several projects have had to be put on hold while the contractor finishes one project before moving on to another project, causing a delay in the progress. While the contractor is steadily working to complete projects currently, the delay caused the Program to not meet many of its projected fiscal year deadlines.

In Project No. PA14-011, in West White Lake Field, the contractor was granted two contract extensions because the contractor is trying to bond the project. The project is associated with the emergency bid PA14-004, which contains a production barge. The emergency project will be discussed in further detail later in the meeting.

There was one project completed since the April meeting in Coffee Bay Field, at a cost of $1,245,000.

Barney Callahan asked for clarification in the delay by the contractor for the bonding process. Matt Simon explained that the contractor is having difficulty in procuring bonding for this project.

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**VI. Federal and Third-Party Activity:**

Matt Simon indicated that currently there is no Federal and Third-Party Activity.

**VII: Old Business and New Business:**

**A.** Bid Package PA 14-008 is the Navigation Aid maintenance bid package. Matt Simon discussed that contractors inspected 33 of the 118 sites and has begun entering inspection reports in the SONRIS program. The number of navigational aid sites were reduced from 124 to 118 due to the plugging and abandonment and site clearance of six of the original sites.

**B.** Emergency PA 14-002 is an emergency project of a bubble site in Cane Field near Napoleonville, Louisiana. Matt Simon explained the OSR inspector, the contractor, and the cane farmer owning the site worked together to obtain a gas sample from the bubble site without disturbing the cane farmers crops. The project will be completed next month, enabling the cane farmer to harvest his crop.

Barney Callahan inquired whether the bubbling is a gas and water mixture and asked if there is plans to test the water for salinity because he explained the whole area is a natural salt dome. Matt Simon explained, from what he understood, it seemed to be dry gas, not gas lifting any fluid to the surface, the approximate size of a crawfish hole, and also advised he is not aware of any saltwater flow to the surface. He also confirmed the bubble site is located to the south and east of the dome. Brent Campbell explained there was no evidence of any impact to the crops or any salt crystals or evidence of salt there, but also indicated that if the OSR staff will test the water if there is any indication that there is a reason to do that.

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**VII: Old Business and New Business:**

**B.** Barney Callahan inquired as to the proximity of this bubbling site to other industrial sites, and Brent Campbell explained that it is approximately a mile and a half to two miles from any other industrial site. Steve Maley inquired as to its proximity to Bayou Corne sinkhole, and Brent Campbell explained that it is approximately three miles from the Bayou Corne sinkhole.

Steve Maley inquired as to whether this bubbling incident could be shallow water sands are being charged with hydrocarbons from the sinkhole. Brent Campbell explained that the OSR staff is working to determine the source of the bubbling by removing two plugged wells in close proximity to the bubbling site to see if they are the source of the leak, and then proceed with investigating the source from there, if necessary.

Barney Callahan inquired whether the staff would send GPS coordinates for the bubbling site to the Commission members, and the staff answered affirmatively.

**C.** Emergency PA 14-003 is an emergency project involving Serial No. 14523, the Nelson No. 2 Well, located in Shreveport Wildcat Field. This project will be completed in conjunction with bid package PA 14-005.

**D.** Emergency PA 14-004 is an emergency project associated with bid package

PA 14-011 in the White Lake area. The project consists of a barge with various tanks and production equipment on its deck. A sheen on the water was observed and reported, and thus, the OSR staff declared it an emergency project situation.

Matt Simon advised that Wildlife and Fisheries has had an interest in this restoration project because of the endangered whooping cranes nesting in the area of the barge.

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**VII: Old Business and New Business:**

**E.** The Louisiana Legislative Auditor's report that was issued in June of 2014, was discussed in detail by James Welsh. He explained there it was a 15-month audit of the Oilfield Site Restoration operations, including all of the inspection and enforcement operations that were being conducted by the Office of Conservation and included an evaluation of the online SONRIS system.

James Welsh explained there were a number of findings in the audit report, and it

also included a summary of the 21 recommendations that were proposed by the auditors. The Office of Conservation is moving forward to address all of the recommendations within the designated timeframe of the end of the year 2014. He discussed each proposed recommendation in specific detail, but, generally, six of the recommendations include rulemaking and 15 recommendations deal with procedures that are followed by the Office of Conservation in the inspection and enforcement program. He also explained that the SONRIS system is being revamped to be a better management tool.

Stephen Chustz further discussed the changes being made by the IT Department to update the SONRIS system to make it a better management tool.

James Welsh explained that, in addition to the 21 recommendations to the Office of Conservation, the auditors made a recommendation to the Legislature itself regarding the consideration of fee increases by a Legislative Act, and since the recommendation would be addressed by the Legislature and not the Office of Conservation, the auditors segregated the fee increase recommendation out from the Office of Conservation recommendations.

Barney Callahan inquired whether there was sufficient staff in the Oilfield Site Restoration Division to meet the needs of the Program. Gary Ross informed that Legislation in the Amended Act 404 provided for ten positions within the Office of Conservation for the Oilfield Site Restoration Program. There are five of the CES employees that are field inspectors that are specifically designated to the OSR Program, however, all CES employees do participate in OSR activities. In addition, there are five full-time employees assigned to the administrative portion of OSR, and these employees are able to meet the needs of the Program at this time.

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**VII: Old Business and New Business:**

**E.** Gary Ross also informed the Commission that the recommendation of fee increases to the Legislature could provide for resources for more staff. Barney Callahan indicated that the organizations he represents could possibly push legislation on to try to help Office of Conservation get resources, if needed.

Troy Vickers inquired as to whether the Legislative Act limits the employees to ten, and Gary Ross indicated that, yes, it provided for ten employees and a fixed dollar amount was allowed for the Program administrative staffing. Troy Vickers made the suggestion that if the fee increase was passed by the Legislature, then the Act of legislation also needs to be increased to allow more staff.

With regard to the legislative recommendations, Karen Gautreaux expressed an interest in knowing if and when there was any sort of industry response to the recommendations and there was any role for members of the Commission to request a legislative briefing, so the Commission may have some sort of strategy in support of the recommendations before the next legislative session. Steve Chustz advised that LOGA is on the record as supporting the increased fees. James Welsh advised that the Office of Conservation is willing and able to provide statistics, data, and information, and participate with industry and give support.

Barney Callahan inquired whether there has been any feedback about the accessibility of the information contained on the SONRIS program by the public. Steve Chustz affirmed that there is feedback from the public on information they have gleaned from SONRIS.

Troy Vickers inquired about whether the contractor's inability to obtain bonding for the PA 14-011 project was a first-time occurrence. It was confirmed that it was a first-time occurrence, and Troy Vickers indicated that the OSR staff needs to confirm that the contractor can continue to bid on projects to alleviate delays because of bonding issues.

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**VIII: Additional Comments and/or Public Comments:**

Troy Vickers inquired about whether the contractor's inability to obtain bonding for the

PA 14-011 project was a first-time occurrence. It was confirmed that it was a first-time occurrence, and Troy Vickers indicated that the OSR staff needs to confirm that the contractor can continue to bid on projects to alleviate delays because of bonding issues. Matt Simon advised that the OSR staff was currently discussing the awarding of this particular project to the next bidder.

Steve Chustz advised the Commissioners that there are three matters in the auditor's report for legislative consideration, reducing the minimum site restoration costs for the SSTAs, increasing production fees for the OSR fund, and additional sources of revenue for the OSR fund. These three matters are for legislative consideration and are not being addressed by the Office of Conservation in its efforts to address the other 21 recommendations discussed in the report.

Additionally, Steve Chustz explained that annual audits are financial audits of the department and its finances. The recent audit performed was a performance audit which are performed randomly at the request of the legislator or if they are interested in a particular department's spending of public funds. These type of audits are specifically for the purpose of auditing the performance of a department and its programs. There is no auditing of the funds themselves or how the funds are spent. It is strictly an audit of whether the programs are performing at their best, followed by recommendations to help make the programs operate better.

Steve Chustz also informed the Commission that some things that were pointed out to the auditors was that any actions taken by the Program based on their recommendations may actually lead to increased numbers of wells being placed on the orphaned list, such as the case with future utility wells, so the Office of Conservation's plans will be well thought out to try not to increase the number of orphaned wells or increase the environmental footprint by causing additional wells to be drilled.

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**VIII: Additional Comments and/or Public Comments:**

Barney Callahan inquired whether there will be a publication of some sort as the audit recommendation items are satisfied, and Steve Chustz replied that there will be an update provided in the October Commission meeting.

James Welsh called for any comments from the audience and received no response.

**IX: Date of Next Meeting:**

October 16, 2014, 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.