

ORIGINAL

State of Louisiana

OILFIELD SITE RESTORATION

COMMISSION MEETING

January 16, 2020

1:30 p.m.

Oilfield Site Restoration Commission Meeting

LaSalle Building
617 North Third Street
Thursday, January 16, 2020
1:30 p.m.

MEMBERS PRESENT:

Thomas Harris, DNR, Secretary
Richard Ieyoub, Commissioner of Conservation
Lisa Creasman, Nature Conservancy
Steve Maley, LOGA
Barney Callahan, LWF & Sierra & Audubon Society
John Connolly, At Large
Tyler Gray, Mid-Continent

STAFF PRESENT:

Brent Campbell, Director, OSR
Matt Simon, Manager, OSR Program
John Adams, Office of Conservation Attorney
Gary Ross, Assistant Commissioner
Jonathan Rice, Office of Conservation Attorney
Roby Fulkerson, Office of Conservation Staff

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SECRETARY HARRIS:

Good afternoon, everyone. Thanks for coming. I'm sorry about the change -- the sudden change of venue.

I would like to call this meeting for the OSR Commission to order.

Brent, would you call the roll, please?

MR. CAMPBELL:

Yes, I will. Please acknowledge your presence when I call your name.

Secretary Harris?

SECRETARY HARRIS:

Present.

MR. CAMPBELL:

Commissioner Ieyoub?

COMMISSIONER IEYOUB:

Here.

MR. CAMPBELL:

Cynthia Dupree?

(No response.)

MR. CAMPBELL:

Donald Briggs?

(No response.)

MR. CAMPBELL:

1 Lisa Creasman?

2 **MS. CREASMAN:**

3 Here.

4 **MR. CAMPBELL:**

5 Steve Maley?

6 **MR. MALEY:**

7 Here.

8 **MR. CAMPBELL:**

9 Barney Callahan?

10 **MR. CALLAHAN:**

11 Here.

12 **MR. CAMPBELL:**

13 John Connolly?

14 **MR. CONNOLLY:**

15 Here.

16 **MR. CAMPBELL:**

17 Tyler Gray?

18 **MR. GRAY:**

19 Here.

20 **MR. CAMPBELL:**

21 We do have a quorum, Secretary.

22 **SECRETARY HARRIS:**

23 Okay. The first order of business is to approve the minutes from the
24 last meeting. You all should have received those minutes via email.

25 Do I hear a motion to approve the minutes?

1 **COMMISSIONER IEYOUB:**

2 So move.

3 **SECRETARY HARRIS:**

4 We have a motion from the Commissioner.

5 **MR. CALLAHAN:**

6 Second.

7 **SECRETARY HARRIS:**

8 We have a second from Mr. Callahan.

9 All in favor?

10 (All aye.)

11 **SECRETARY HARRIS:**

12 Any opposed?

13 (No response.)

14 **SECRETARY HARRIS:**

15 The motion carries.

16 Our next agenda item is fund status.

17 **MR. CAMPBELL:**

18 Okay. If you'll look at Page No. 2, please. Starting at the top, I'm
19 talking about the current collections in -- fiscal year 2020. The gas tax
20 has brought in right over \$4 million, the oil portion has brought in
21 \$434,000, the interest approximately \$61,000, and then the inactive well
22 assessment which we get 50 percent of that collected, \$810,000, more or
23 less, so a total collections of \$5.36 million. And we're projected for the
24 remainder of the year to collect another \$4.6 there.

25 Moving down, as far as what we've expended in 2020, we have

1 expended \$6.297 million. Most of that is from the emergency in -- what
2 field is that?

3 **MR. MALEY:**

4 Thornwell.

5 **MR. CONNOLLY:**

6 Thornwell.

7 **MR. CAMPBELL:**

8 Oh, I'm sorry. Thornwell. The expense -- administrative expenses
9 \$450,000, the projected administrative fee is \$500,000, and the total
10 encumbrance -- encumbrances are about 1.4 million.

11 Basically, the current balance, we're negative \$900,000, about
12 negative \$930,000. And projected for the end of the year, once our other
13 collections come in, will be \$3.7 million.

14 Any questions?

15 (No response.)

16 **MR. CAMPBELL:**

17 Moving on to Page No. 3, it's just a graphical of what we're
18 collecting here of the -- from the oil and gas and the inactive, and, like I
19 said, I think it was \$5.3 -- \$5.4 million we've collected so far this year.

20 Page No. 4 is the statistical review. Basically, we -- the wells
21 plugged by the Program is 3,297, so we've plugged 30 wells this quarter.

22 We do have, although we don't show -- well, yeah, we do. We show
23 one well that was plugged by the feds, and I'll talk about that a little bit
24 later.

25 And then the remaining orphan wells statewide, we're almost at

1 4,300, so we've gained about 205 wells this quarter. Some of the big
2 ones that we got, BSI Operating 108 wells, we have Metarie out of
3 Lafayette 16, Northern Energy 23, and then Northwind had 30.

4 I do know that we've been working -- or been -- the staff been
5 talking with BSI. They're trying to get back in good standing, so we
6 may have the 108 coming out in -- by the next quarter. We're just not
7 sure if they can adhere to what they need to do to get back in good
8 standing.

9 **MR. MALEY:**

10 Were most of those wells in Lafayette District?

11 **MR. CAMPBELL:**

12 I would say --

13 **MR. MALEY:**

14 It looks like you had a gain of 150 and small gains in north
15 Louisiana.

16 **MR. CAMPBELL:**

17 Let's see. Recently orphaned, most of them in Shreveport, 142 in
18 Shreveport, and 48 in Lafayette.

19 **MR. MALEY:**

20 I'm -- I'm looking at those numbers.

21 **MR. CAMPBELL:**

22 Oh, I'm sorry.

23 **MR. MALEY:**

24 The change between 1,251 in the prior quarter and 1,400.

25 **MR. CAMPBELL:**

1 Oh, okay. I was looking at the next one.

2 **MR. CONNOLLY:**

3 Oh, I see.

4 **MR. CAMPBELL:**

5 Yeah. It's broken down by district there, and it's -- Shreveport has
6 the -- the majority of them.

7 Any other questions on the stats?

8 **MR. GRAY:**

9 Brent, for the wells that have not been inspected or well have not been
10 prioritized, the third bullet point section.

11 **MR. CAMPBELL:**

12 Yeah.

13 **MR. GRAY:**

14 Do you mind just elaborating on that, like are they inspected, because
15 you're still --

16 **MR. CAMPBELL:**

17 Right. Once the wells -- the well have not been inspected. Once the wells
18 have been orphaned or published in the Register, we have our performance
19 goals to inspect them -- inspect them within 90 days, so we -- some of these just
20 the time period hadn't -- the 90 days haven't passed, and so we just haven't
21 gotten to those yet.

22 The ones that have not been prioritized, you know, we're just -- for
23 whatever reason, we have not gotten -- or they have been inspected, we just
24 have not prioritized them.

25 **MR. GRAY:**

1 And that's the number ranking system?

2 **MR. CAMPBELL:**

3 Yes, that's correct.

4 **SECRETARY HARRIS:**

5 Brent, do we have any projections or goals, either one, as far as the fiscal
6 year we're currently in that's ending June 30th, on how many wells we're going
7 to have plugged?

8 **MR. CAMPBELL:**

9 We're shooting -- I think it's 195 wells.

10 **SECRETARY HARRIS:**

11 Thank you.

12 **MR. CAMPBELL:**

13 Yes, sir. I'll talk a little bit more of that when we get to -- a little bit further
14 in, but about that many. And a lot depends on the weather and certain other
15 things that we have.

16 The next page, Page 5, just is a -- it shows the orphan well count and the
17 cumulative wells plugged by OSR, and that would include the -- all the wells
18 plugged by either co-op or by the feds or by even an operator, so that's what that
19 number shows.

20 And then Page 6 is just another graph showing some -- well, I think I
21 misspoke on the last one. This one, we do show the -- I guess you would call
22 that a purple line, I'm not sure. It is the total wells plugged by OSR and other
23 means, so that would include the federal wells that -- like LOSCO or EPA or
24 Coast Guard have plugged, or by co-op.

25 The next page, Page 7, just shows the urgent and high-priority scored

1 orphan wells. The ones that we've plugged to date are 597, but we still have
2 608 to go. You can see the numbers have steadily climbed as far as the numbers
3 that we have still to -- to plug. We've been orphaning quite a few companies,
4 like I said, in the -- in the coastal area, which is where most of the high-priority
5 wells are, you know, like Shoreline and those type of companies that had quite a
6 -- hundreds of wells. So that's made that number go up significantly.

7 The next page is the performance indicators. It's on Page 8. The number of
8 high -- number of urgent and high-priority wells restored, we're at 16 right now,
9 that's a cumulative total. We did ten in the second quarter, and we're shooting
10 for 47 at the end of the year. We might have to adjust that. It just depends on
11 funding, and then also other -- you know, weather conditions and that type of
12 thing, and contractor availability.

13 The percentage of the Program revenue utilized to restore urgent and
14 high-priority, the second quarter we're at 31 percent. We have a year-end target
15 of 60. Usually, as the year goes on, of course, the number gets closer to that
16 60. In fact, I think last year we passed it. I think we were 80 percent at the end
17 of last year, because a lot of -- we had a lot of high-priority wells that we were
18 spending money on those emergencies.

19 The number of orphan well sites restored during the fiscal year, we did 30
20 this quarter, so we've done 78.

21 And I misspoke earlier, the year-end target is 182. We have reduced that. I
22 think we were over 200 possibly at the beginning, and we've reduced that just
23 due to the funding issues and contractor availability.

24 And then, last, the number of public safety incidents, we're at zero across
25 the board on that deal.

1 Page 9 is the project synopsis. The -- these are the projects at the top here,
2 the active projects that are going on. The only one -- the PA 20-007, in South
3 Timbalier, we've had to pull that one back, so we have not advertised it yet just
4 due to the fact of lack of funds. Due to the emergency in Thornwell, we've had
5 to pull that one down for the time being until we get additional funds.

6 So just, in general, the total number of wells that are in those packages,
7 151, and to date we've plugged 41. And we still have several old projects that
8 like Womack and Sons have, and, again, we're -- we're on them constantly, but
9 the problem is the weather up there. It's been raining a lot, so we're having --
10 they're having issues getting to these sites. And I'll show you some -- in fact,
11 you can turn to Page 10, the next page, and this was 18-005. This is what
12 they're working with trying to get their equipment back in these flooded areas.
13 You'll see at the bottom picture there, they have this truck on a skid, and the
14 backhoe that is pulling them along there. So they've got some real messy
15 situations out there, and it's just -- it's caused -- wreaked havoc on those guys
16 completing these projects.

17 **MR. MALEY:**

18 I have a question, Brent.

19 **MR. CAMPBELL:**

20 Yeah, yeah.

21 **MR. MALEY:**

22 When you bid a package in north Louisiana, do you get a lot of bidders, or
23 Womack and Sons and Elm Springs are --

24 **MR. CAMPBELL:**

25 You usually get --

1 **MR. MALEY:**

2 -- winning all the bids?

3 **MR. CAMPBELL:**

4 Yeah. You usually get three, three or four. I think Faith sometimes will
5 bid also, but, usually, it's -- right now it seems like Elm Springs gets most of the
6 ones in Shreveport, and Womack gets most of the ones in Monroe District area.
7 In fact, that's -- like I said, I keep mentioning contractor availability. Womack
8 and Sons has three projects, you know, and they're still -- so they're pretty far
9 behind as far as the numbers of wells, because they have --

10 **MR. MALEY:**

11 Yeah. I think you said last time they have a single crew?

12 **MR. CAMPBELL:**

13 Yeah. They have a single crew, that's correct.

14 The next -- let's see here. I'm sorry.

15 **MR. SIMON:**

16 Page 9, Brent.

17 **MR. CAMPBELL:**

18 Yeah. Okay. The completed projects, we'll move on to that. We've got
19 PA 19-006, they've plugged 31 wells. They've completed that for a total of
20 \$219,242.

21 The next one, the Emergency 20-003, which y'all are all familiar with, y'all
22 should have been getting the updates. We've completed the work. We've
23 temporarily abandoned the well just to monitor it, and we are getting pressure at
24 the surface. I think the last I heard was, we're getting 1,400 pounds at the
25 surface, and I think it was -- when we first shut it in, it was increasing like 30

1 pounds a day?

2 **MR. FULKERSON:**

3 Yes, sir.

4 **MR. CAMPBELL:**

5 30 psi a day. So that's one reason we're, of course, temporarily abandoning
6 the field to monitor this. And I think in -- in a minute, John or Jonathan will
7 speak to, we're in -- we had mediation with one of the previous operators,
8 Pioneer, which was -- took over for Mesa -- just last week, and so we've made
9 some arrangements with those guys to -- to do a few things, and I'll let John or
10 Jonathan speak to that, unless you want me to go ahead and y'all can make --

11 **MR. RICE:**

12 No.

13 **MR. CAMPBELL:**

14 No? Okay.

15 So, anyway, we're -- we've spent a total of \$6.3 million on that to date.

16 **MR. MALEY:**

17 Can I ask you a question?

18 **MR. CAMPBELL:**

19 Sure.

20 **MR. MALEY:**

21 When did the pressure start after you got off? I mean, that couldn't have
22 been the reason you got off.

23 **MR. FULKERSON:**

24 So when they set the surface plug, they actually --

25 **MR. SIMON:**

1 Say your name, if you don't mind, Roby.

2 **MR. FULKERSON:**

3 Roby Fulkerson.

4 So, when they set the surface plug, they actually had trouble tagging
5 it, and so I think they washed through the surface plug. It looks like gas
6 was probably matriculating its way through there, and so they shut it in
7 and monitored pressures. And I think the next couple of days after that,
8 it was a few hundred psi, and then they've just essentially checked it
9 every few days, and it's made its way up to 1,300 psi. So they had set a
10 few temporary -- or they were permanent abandonment or temporary
11 abandonment plugs, but they're not really sure where the pressure is
12 coming from, but the well was tested, but, you know, it wasn't a negative
13 test put on it, but there was a positive test. So they just washed that
14 surface plug out of the way, that way they could essentially monitor the
15 well a little bit better. I guess they're not quite sure where that pressure is
16 coming from, because they've got two cast-iron bridge plugs, multiple
17 cement plugs, and they've all been tested, so. And I don't believe they're
18 seeing any annulus pressure that I've seen. It's all built up in the 9-5/8ths.

19 **MR. CONNOLLY:**

20 The cast-iron bridge plugs, they're set in the 9-5/8ths?

21 **MR. FULKERSON:**

22 There's two of them back to back, yes, sir.

23 **MR. CONNOLLY:**

24 And those were tagged and tested?

25 **MR. FULKERSON:**

1 I'm not sure they were tagged. I know they were tested, positive
2 tested, and then there were cement plugs put on top of them. So there's, I
3 think, 300, 400' of cement and two cast-iron bridge plugs on the inside,
4 and that pressure is either coming through both of those and the cement
5 or coming from outside the 9-5/8ths somehow. We're just not really sure.

6 **MR. MALEY:**

7 Is there a game plan from this point forward?

8 **MR. FULKERSON:**

9 There is, but I'm not sure if Jonathan should get into that.

10 **MR. CAMPBELL:**

11 I think Jonathan is going to -- yeah -- cover that here in just a
12 minute.

13 **MR. CONNOLLY:**

14 What's the pressure on the annulus?

15 **MR. FULKERSON:**

16 Right now, we're not seeing any, but it also looks like there's cement
17 on the backside or something on the backside of the 9-5/8ths that may be
18 blocking it from surface -- reading at surface, so it may be making its
19 way up to whatever is blocking it in the annulus cement, barite, fallout,
20 and then making its way inside somehow and then up. We're just not --
21 you know, nothing we did would have expected us to believe that this
22 would happen once all the plugs were set.

23 **MR. CAMPBELL:**

24 Any other questions?

25 **MR. MALEY:**

1 Well, it's not an operational question, it's really kind of a financial
2 one.

3 The primary contractor, or the -- the primary contractor is Elm
4 Springs.

5 **MR. CAMPBELL:**

6 Correct.

7 **MR. MALEY:**

8 And Wild Well has worked through them?

9 **MR. CAMPBELL:**

10 Yes.

11 **MR. MALEY:**

12 Does Elm Springs charge a fee on top of Wild Well's invoices when
13 they turn around and bill the State?

14 **MR. CAMPBELL:**

15 No. They -- you mean, like an overhead cost or something like that?

16 **MR. MALEY:**

17 Yeah. Usually, when -- when third parties work through a vendor
18 for us, there will be a ten to fifteen percent charge.

19 **MR. CAMPBELL:**

20 I'm assuming that's built it. I mean, they don't show that as a thing,
21 but I -- I'm assuming that type of charge is built it, because it's not shown
22 on --

23 **MR. MALEY:**

24 Well, it would be one thing to be sensitive to --

25 **MR. CAMPBELL:**

1 Yeah.

2 **MR. MALEY:**

3 -- because ten percent of \$6 million is a lot of money.

4 **MR. CAMPBELL:**

5 Yeah.

6 **MR. MALEY:**

7 And I would just raise the question, would it be appropriate to --
8 because this is the second job that Wild Well has worked on, to have
9 them on the approved vendor's list, you know, so -- to avoid those kind of
10 pass-through charges.

11 **MR. CAMPBELL:**

12 They wouldn't do -- they don't like -- they won't be the contractor.
13 They are always the subcontractor, that's how they work.

14 **MR. FULKERSON:**

15 They're actually on the approved vendor's list, so they're -- they're
16 owned by Superior.

17 **MR. CAMPBELL:**

18 Oh, I'm sorry.

19 **MR. FULKERSON:**

20 So that -- but they won't subcontract work through themselves.
21 They'll only show up and give expertise and provide firefighting
22 equipment, so they always have to subcontract -- or at least in our case.
23 Like, if it was Exxon or BP and you have your own people doing the
24 work, then you don't really need to subcontract them. They're just your
25 direct contractors. Since we don't really have any system like that, you

1 pretty much have to subcontract them.

2 **SECRETARY HARRIS:**

3 And, Steve, to answer your question also, I review of a lot -- I
4 review these invoices, I've never seen any a -- I don't recall ever seeing
5 an invoice from Wild Well with a -- with some kind of surcharge or
6 overage or anything like that. It's always directly from --

7 **MR. MALEY:**

8 Right. It would just depend on the agreement with them.

9 **SECRETARY HARRIS:**

10 That's --

11 **MR. MALEY:**

12 And if it's being passed through them --

13 **SECRETARY HARRIS:**

14 I'm sure it's in there, kind of like -- but we don't see that in -- we
15 review the invoice.

16 **MR. ROSS:**

17 If I may, back in the early days of the Program, we were instructed
18 by Procurement as to the fact that under the State bid laws, it could not
19 be shown on an add-on or a charge, which we knew went on because
20 there's serving as a bank. They've got all the insurance. They carry the
21 liability. So whenever we get any kind of cost figures, it's -- it's going to
22 be a single cost for the job, and if it's there, it's rolled in.

23 **MR. MALEY:**

24 Which would explain it.

25 **MR. ROSS:**

1 But we don't -- we don't see it individually, no, sir.

2 **MR. MALEY:**

3 Thank you.

4 **COMMISSIONER IEYOUB:**

5 Brent.

6 **MR. CAMPBELL:**

7 Moving on down to the north Louisiana mandate, of course, I think
8 we've got a number of wells and the money spent there. These are also
9 pending projects, so, hopefully, if the weather cooperates and all that,
10 we'll get this complete by the end of the fiscal year.

11 **MR. CALLAHAN:**

12 Brent.

13 **MR. CAMPBELL:**

14 The next couple of pages, you've seen one set of pictures.

15 **MR. MALEY:**

16 Barney has a question.

17 **MR. CAMPBELL:**

18 Oh, I'm sorry. Yeah.

19 **MR. CALLAHAN:**

20 Let me ask a question. Have you -- have y'all given any thought to
21 -- I discussed it at the last meeting -- about possibly trying to identify
22 other wells in the vicinity of this well and whether or not there's a chance
23 that maybe there's some permeation going between one or the other or --
24 just to check that out?

25 **MR. CAMPBELL:**

1 I did look at the wells in the area. I don't see a -- because I think we
2 were talking about wells that you could produce to affect this well, and I
3 don't think we came across anything that we thought that would -- that
4 would work well in that situation.

5 **MR. CALLAHAN:**

6 Is there any -- is there any chance that they're all -- or -- not the same
7 supply, the same -- I mean, it's the same reservoir?

8 **MR. CAMPBELL:**

9 Yeah.

10 **MR. FULKERSON:**

11 I think one thing from this one too is we don't actually know what --
12 what reservoir the pressure is coming from --

13 **MR. CAMPBELL:**

14 Yeah.

15 **MR. FULKERSON:**

16 -- would be one way to put it. Because they've worked it over a few
17 times, and we're guessing, but it was the last one we've got on paperwork,
18 but that last paperwork was years ago. So we -- we just don't know.
19 Honestly, it could be that. It's fifty-fifty on if that's actually the last set of
20 perms or someone reperfed it again after that. There was a lot of work
21 done that we've gotten recently from some of the more recent operators
22 where they -- or they went back and worked over the well, and we had no
23 history of it, but there was things done that -- they drilled up some
24 packers, they drilled -- they dumped cement at the surface, it looked like.
25 None of this got to any of the -- you know, any of our well histories, so

1 it's -- you know, where the completion actually is.

2 **MR. CALLAHAN:**

3 The long-term part is just -- if there's a chance that we can drill a
4 diversion (phonetic) well and tie into that reservoir and relieve that
5 pressure in that one reservoir, but if that one reservoir is connected to all
6 the other ones around, it's just not feasible. But at the rate that you're
7 losing it right now, this could go on for 100 years.

8 **MR. CAMPBELL:**

9 Yeah.

10 **MR. FULKERSON:**

11 Yes, sir. I think -- we talked about it some with Wild Well, as well,
12 so it was an option here to keep (intelligible) some type of, you know,
13 well to intervene with it. We're just not -- I think we haven't decided on
14 the best path forward, to be honest with you. Monetarily, we just ran out
15 of options.

16 **MR. CALLAHAN:**

17 Well, the ultimate problem -- the ultimate -- would be that you have
18 a collapse of some kind there. And that scares me, because we've seen it
19 in Grand Bayou, it was a storage well so it was under a little different
20 circumstances, but the (unintelligible) years ago, they went about their
21 business of just applying salt, and they actually leached the wells
22 together. To try to put a check valve on this one and it didn't go up -- the
23 two wells -- combine that with the same (unintelligible).

24 **MR. FULKERSON:**

25 Okay.

1 **MR. CONNOLLY:**

2 Brent, what's the current action plan for this well, just to monitor the
3 pressure?

4 **MR. CAMPBELL:**

5 Right now -- and I'll let Jonathan speak to more on the litigation we
6 had with the company and what they've kind of agreed to.

7 **MR. CONNOLLY:**

8 Okay. All right.

9 **MR. CAMPBELL:**

10 And the last two, Page 11 and 12, just show the setup there at that --
11 where they were doing the Lyon. They show the coil --

12 **MR. MALEY:**

13 Snubbing unit.

14 **MR. CAMPBELL:**

15 -- snubbing unit there. I think it was over 100 -- about 110 or 115' at
16 the deck up there?

17 **MR. FULKERSON:**

18 Yes, sir, 110, 120', yes, sir.

19 **MR. CAMPBELL:**

20 Yeah, yeah. So it was a pretty -- pretty big outfit running there.

21 Anybody else have any questions on that?

22 Commissioner?

23 **COMMISSIONER IEYOUB:**

24 Do you see any increase in the rate they were able to plug these
25 wells, you know, over the last year or so? I mean, are we -- are we

1 increasing the rate of wells we're able to -- abandoned wells we're able
2 to --

3 **MR. CAMPBELL:**

4 No. I think we're -- we're going in the opposite direction now just
5 because of the --

6 **COMMISSIONER IEYOUB:**

7 Because we're getting more and more, right?

8 **MR. CAMPBELL:**

9 Well, we're getting more and more, and we're getting these
10 emergencies that we're spending a lot of money on that we haven't in the
11 past, and it's taking the funds away from -- from plugging the number --
12 because we would like to be around 200 -- over 200 wells in a year, is
13 what we'd like to be at.

14 **COMMISSIONER IEYOUB:**

15 That's -- that's the optimum you think we can --

16 **MR. CAMPBELL:**

17 Well, I think we could do more, but at least 200, because I think we
18 did that a few years back, or close to it, but since that time, we've been
19 going down.

20 **COMMISSIONER IEYOUB:**

21 And is that because of the emergencies?

22 **MR. CAMPBELL:**

23 Yeah. That's because of the money that's being drawn off the
24 account for those -- for those other projects, which is what it's for, but it's
25 just unfortunate that we've had to, you know, spend a great deal of funds.

1 And, luckily, the feds have come in on two or three wells that it
2 ended up costing them probably \$500,000 to \$1.5 million, and they took
3 care of those wells for us, so they've helped relieve some of that burden.
4 But still we don't have the numbers like we did a few years ago.

5 **COMMISSIONER IEYOUB:**

6 We're trying to work different processes, and it gives us the ability to
7 plug more wells, even with the emergencies. And what -- we're trying
8 new programs, and we've started trying to implement those programs,
9 and, hopefully, will yield to see an increase in the rate that we're able to
10 plug these wells. We have -- you know, we're working -- you know,
11 Jon, John Adams, and Gary, and executive groups trying to come up with
12 a process that will allow us to increase the rate of plugging these orphan
13 wells over a period of time. We're looking at all that. So, hopefully, in a
14 short amount of time, even with the emergencies, we're going to be able
15 to come in here and show a significant increase in the number of wells
16 that we're able to plug. We've got to do something, you know, and we're
17 trying to do everything we can. But I think we need to change a lot in the
18 process that we could use over the year. Because, you know, as -- you
19 know, when we have these emergencies, we just get behind. There's
20 nothing we can do about it, unless we do something relative to changing
21 the process. We're working on that right now.

22 **MR. MALEY:**

23 At the risk of being provincial, I keep an -- an eye on what's going
24 on in south Louisiana, and in calendar year 2019, there was one package
25 of ten wells that was plugged. And south Louisiana is where you're

1 going to end up spending the bulk of the money because a lot of wells on
2 water, and they're -- they probably cost an order of magnitude more than
3 a typical land well. So, just for what it's worth, it's something I'm
4 keeping my eye on.

5 **COMMISSIONER IEYOUB:**

6 Well, we're -- we're trying to change things, and if you don't, it's
7 Not going to be -- we're not going to see a significant increase in the
8 number of wells that we can -- we can plug, unless we do something.
9 And we're working on a lot of new programs and new ways to approach
10 it, so.

11 **MR. MALEY:**

12 This slug of recent wells, were those bankruptcies or were they
13 companies that --

14 **COMMISSIONER IEYOUB:**

15 You know -- can you speak to that, Brent? There were just recently
16 some that we got just a bulk of them dumped on us.

17 **MR. ROSS:**

18 I think, generally, when we get orphan wells, you start thinking of
19 bankruptcy, the company went bankrupt. Now, whether they filed or
20 not, we're not aware of that. But they -- you know, some of the small
21 ones, they may not have the wherewithal to file bankruptcy. They just
22 died off into -- into the woods and disappeared.

23 But a few things you touched on, Commissioner, and I think what
24 Brent is talking about, I think, now would be the time for our legal
25 representatives to talk about the LORA program and then the Lyon Well

1 and then the discovery process and that mediation that went on this past
2 week and things such as that.

3 **COMMISSIONER IEYOUB:**

4 Right.

5 **MR. ROSS:**

6 Because that will -- that will answer a lot of questions and then also
7 share with the Commission the level of activity that's been going on that
8 didn't achieve even plugging wells, but we're still busy.

9 **COMMISSIONER IEYOUB:**

10 Yeah. That's -- I just wanted everyone -- you know, all the
11 Commissioners to realize we're not sitting idly by and watching the
12 numbers of wells that are orphaned and previously without any plugging
13 activity. We've been looking at this for a while. We're trying to
14 implement every possible method that we can use to increase that
15 number, to stay up with it, and even exceed it, you know. Because my
16 goal should be to go sit before the legislative committee and say, hey,
17 we've plugged this many wells and see them fall out of their chairs. But,
18 anyhoo, that's what we're trying to do, and we're working on it.

19 They -- they will explain some of the -- some of the things that we're
20 changing relative to the process, as wells as the litigation.

21 I'm sorry. Go ahead, Jon, if you want.

22 **MR. RICE:**

23 My name is Jonathan Rice. I'm an attorney with the Office of
24 Conservation, along with John Adams.

25 I'd like to touch base with some of litigation that we've done so far.

1 As far as sitting idly by, with regard to these emergencies and recouping
2 those expenses, I can assure you that we have not.

3 First of all, the Valentine Field, Warren Harangue Well (phonetic),
4 through to the Commissioner's authority, we were in -- we had the ability
5 to subpoena records, to cause depositions, everything, build a case for the
6 AG's Office to pursue that, thereafter which they filed suit. And LLOX,
7 the -- the current condition is basically, LLOX has filed exceptions, and
8 there's no date set for the hearing. All right. Now, that's that, but we're
9 actively pursuing that \$2.5 million or how much ever it was.

10 With regard to the Lyon Well, \$6.3 million, we did not sit back. In
11 fact, we intervened into a legacy case, because I thought it would be -- or
12 we thought it would be a quicker avenue to get our money back, recoup
13 our expense, press buttons. I mean, we even reached out to the operators
14 and said, look, this is your money being spent, please, help us out.
15 Nobody responded.

16 So we've got -- we put the pedal down, and we -- you know, we're
17 doing depositions. We've done -- we've had a mediation thus far, and in
18 this mediation, it's -- it's not through, but I can tell you this much.
19 Pioneer is offering to do a diagnostics of the well. They're going to
20 reenter the well, do a diagnostics. There is some things in this mediation
21 that they've proposed in the paper afterwards, not so much in the
22 mediation itself, but this paper that they were trying to memorialize our
23 agreements. And we are going to have to work out some kinks. But,
24 nevertheless, all proceedings have been suspended because we had
25 intervention. We wanted to have certain things happen. We wanted the

1 court to decide this.

2 So we have a co-op that will be signed by Pioneer allowing them
3 access to the well and proceed with their diagnostics. And then,
4 thereafter, we will handle litigation as it is. There's been discovery
5 propounded upon the -- from the operators, and we've answered
6 discovery as well. There's a ton of exceptions and whatnot that -- I mean,
7 protocol filed, but frivolous, in my mind, but nevertheless, they still need
8 to be answered, and we're doing our best to answer the discovery, along
9 with all the public records requests, and everything else that's -- entails,
10 you know, well, is involved with litigation, but it's \$6.3 million, and
11 we're trying to get it all back. So that's our position.

12 Any questions?

13 **COMMISSIONER IEYOUB:**

14 Let me clarify something. We're not laying back relative to
15 litigation, don't get me wrong. We're not sitting idly by, you know,
16 insofar as our litigation efforts. These guys are doing a great job.
17 They're jumping all over the litigation.

18 I'm just saying, relative -- things relative to being able to get more
19 contractors that will plug wells, being able to, you know, get more people
20 to plug the wells without abandoning them unplugged, and so on, that
21 type of thing. I mean, we're doing a lot in that area.

22 As far as litigation, we're on top of it. We're doing everything we
23 can in the way of litigation. But I'm talking about being able to get more
24 contractors, being able to plug more wells, getting people -- there are
25 financial institutions, for instance, that -- that give bonds of financial

1 security. They start giving us problems about us collecting the bond, you
2 know. They'll sign -- I mean, it's if they didn't promise to do anything.
3 I'm getting to a point where I'm going to -- you know, at one time, I
4 discussed with John, to tell them we're not accepting your bonds
5 anymore. You're out. We're not going to do business with you anymore,
6 if you're not going to abide by your promise to pay in the event that --
7 that you're supposed to pay. It's ridiculous. It's a contract. And, oh, well
8 -- and they tried to put us in court for years and everything, then we got
9 in with the Attorney General's Office to get legal representation to -- or
10 whatever, that kind of stuff shouldn't go on.

11 But what I want to do is streamline the process relative to getting
12 people that will plug wells for a particular price, and what we're -- we're
13 starting a new system right now on that.

14 **MR. ADAMS:**

15 Yes, sir.

16 **COMMISSIONER IEYOUB:**

17 And John knows all about it, and we're -- we should be able to
18 implement that to where we will be able to plug more wells at a faster
19 rate much cheaper.

20 You know, as far as us taking legal action when we're supposed to,
21 that -- we're right on top of that. There's nothing -- we're doing
22 everything we can possibly do. And they've done a great job, so don't
23 misunderstand me. I'm not trying to say that we're sitting idly by in the
24 way of litigation, but you know how litigation is. I mean, we're -- I'm
25 talking about getting some of these wells plugged, you know, in a

1 quicker, more efficient way, and we've got to do that in order to stay up
2 with the rate that they're being abandoned, you know. That's it. I've said
3 my little peace.

4 **MR. ADAMS:**

5 John Adams on behalf of the Office of Conservation.

6 To elaborate on a couple of points that the Commissioner made, with
7 regard to litigation, we actually have been conducting depositions over
8 the past couple of weeks on the -- the very case where we're attempting
9 to recover the \$6.3 million. Currently, there's a deposition scheduled for
10 tomorrow, which it -- it may be continued, but the point is that all of that
11 is -- is very active even as we speak.

12 With regard to the issue the Commissioner raised of having some of
13 the financial institutions that represented some of these companies that
14 have filed bankruptcy, we -- when a company files bankruptcy, we call
15 their letter of credit. Well, we -- we've been informed by the -- there's
16 been some discussion with the Attorney General's Office as to the
17 procedure for doing that. They want to make sure that we're doing it in a
18 legally defensible procedure. Our objective is to get the funds as quickly
19 as possible, so that we can put them toward plugging wells. There have
20 been some -- some banks that have basically refused to honor their
21 agreement, and we did initially discuss with them that we're simply not
22 going to accept any more financial security from those -- those
23 institutions. The Attorney General's Office cited that that may be a -- an
24 issue with due process, so we --

25 **COMMISSIONER IEYOUB:**

1 What's due process? No.

2 **MR. ADAMS:**

3 Well -- so -- so that's what we're doing. So now we're doing due
4 process. So we backed off of that position a little bit, and what we are
5 doing is, we've -- we've scheduled, under the Commissioner's authority,
6 hearings on one of those financial institutions that -- that hearing is
7 scheduled to take place in February, and once -- we're sort of using that
8 as a bellwether or a test run to see what problems we're going to face,
9 what issues we're going to face. We expect that they're going to oppose
10 us vehemently on that. But the -- the fact of the matter is, when these
11 issues get tied up in litigation because the bank refused to honor the
12 agreement that they had with us, then in -- in our view, in Conservation's
13 view, that's not a company we want to do business with. If they're not
14 going to honor what they said they were going to do, they're going to
15 require us to sue on it, then that's -- that -- that's not what we had agreed
16 to in the initial paperwork.

17 So we've -- the first hearing is already set up and scheduled.
18 Depending on -- on what we learn from that one, we've got about six
19 other financial institutions that we have -- we've encountered similar --
20 similar problems with, so we will pursue those equally as aggressively.
21 The reason we started out with the one that we did was because it's the --
22 the largest amount owed. In this case, it's \$1.25 million that -- in terms
23 of bonding that we were unable to collect because the -- the financial
24 institution simply refused to pay us. So that's -- that's where we're going
25 with that.

1 **MS. CREASMAN:**

2 John, just out of curiosity, what's the reason we can't collect the
3 bond if it's owed?

4 **MR. ADAMS:**

5 There were a few different reasons. Things like, well, since the
6 wells haven't already been plugged, the money isn't owed and due yet.
7 Well, that's not what the bond agreement says. The bond agreement
8 says, when we send our compliance order for them to do it and they fail
9 to honor the compliance order within the terms of the compliance order,
10 then it's due, so.

11 **MS. CREASMAN:**

12 So it's pretty cut and dry.

13 **MR. ADAMS:**

14 We believe that it's very cut and dry and there should be no
15 argument based on it at all, but apparently, it's -- you know, they -- they'd
16 rather pay attorneys to come up with reasons why they shouldn't have to
17 pay rather than just go ahead and pay.

18 **MS. CREASMAN:**

19 And then just another real quick question is, you said -- I was just
20 curious, you referenced that there are now those banks you prefer to not
21 do business with. Can you -- do you have the authority to just choose to
22 not to do business with them?

23 **COMMISSIONER IEYOUB:**

24 I think we do, but, you know, I don't know where due process --
25 really, seriously, I don't know -- they have no due process argument. The

1 due process is the fact they entered into a contract and said that we're
2 going to pay you in the event that something goes wrong in accordance
3 with the provisions of the contract. We've all have heard, you know, if
4 you -- if you fail on a mortgage, for instance, everything becomes owing
5 right away, and the bank can proceed to get a consent judgment in the
6 amount of that -- of the mortgage or whatever.

7 The due process is that they signed a contract with us saying that, in
8 the event of a default, we will pay, and now they're trying to come up
9 with some kind of technical argument, which -- but, you know, if they
10 file a motion to -- for a hearing on due process, we -- I suppose we've got
11 to go through the motion and let the court say, hey, wait a minute, you
12 don't have a due process argument.

13 **MS. CREASMAN:**

14 Right. But, I guess too what I'm wondering about, at least going
15 forward, to have in place the -- whatever the requirement be to not do
16 business with them. I don't know who makes that choice, who do you do
17 business.

18 **MR. ADAMS:**

19 Well, we've had that discussion in great detail with the
20 representatives of the Attorney General's Office, and, essentially, they've
21 said we -- we can't simply say we're not going to do business with you,
22 which is why we've chosen to go ahead and conduct the hearing to
23 determine whether or not that is a financial institution that is acceptable
24 to the Commissioner of Conservation. And based on that determination,
25 we believe we can proceed with -- particularly, if -- if the evidence

1 demonstrates that it's not a financial institution acceptable to the
2 Commissioner under the current regulations, then we believe that's
3 sufficient to -- to say we're not going to do business with you anymore.

4 **MS. CREASMAN:**

5 But you'll have to do that for each one? But you'll have to do that
6 for each one?

7 **MR. ADAMS:**

8 Correct.

9 **MS. CREASMAN:**

10 Okay. And that's unfortunate there's no way to -- just like there's
11 other vetting process you go through that -- I shouldn't even venture to
12 act like I know how all that works.

13 **MR. CONNOLLY:**

14 So in this -- I have questions about venue. In this particular matter
15 with the bonds, when you say you go into hearing, is that an
16 administrative law hearing with the Office of Conservation, or is that --

17 **MR. ADAMS:**

18 Essentially, yes.

19 **MR. CONNOLLY:**

20 So who is the -- who's going to make the decision?

21 **MR. ADAMS:**

22 The Commissioner will make the decision. I'll be the hearing
23 officer. But you'll still have to go through the motions in order to -- to
24 build the docket -- to build the record to support the decision.

25 **MR. CONNOLLY:**

1 Well, they ought to see the writing on the wall. They know what the
2 Commissioner's position is on that. But I don't --

3 **MR. ADAMS:**

4 One would think.

5 **MR. CONNOLLY:**

6 I don't think you would have to -- would this set legal precedent for
7 the future? So you'd make a decision -- this would be the first time this
8 hearing has occurred. You make a decision that, no, that doesn't hold
9 water, and you -- if we call your bond based on this, you've got to --
10 you've got to pay it. The next -- this isn't going to be the last time they're
11 going to -- some -- some bond holder is going to make this claim. So
12 with this -- if this decision is favorable, does that cut off future bond
13 holders from making a similar claim? Can you just say, hey, no, that's
14 not, not --

15 **COMMISSIONER IEYOUB:**

16 Well, it should. I mean, but --

17 **MR. ADAMS:**

18 If -- if the -- if the Commissioner's decision is challenged, which, in
19 this first instance, I'm -- I feel very certain that it will be.

20 **MR. CONNOLLY:**

21 Right.

22 **MR. ADAMS:**

23 The review -- the appellate review will be at the 19th Judicial
24 District Court.

25 **MR. CONNOLLY:**

1 Right.

2 **MR. ADAMS:**

3 And once there's jurisprudence in place that makes the
4 determination, we believe that that will have the effect of -- of case law
5 to support the Commissioner's position.

6 **MR. CONNOLLY:**

7 And the -- in the LLOX matter -- or the \$1.2 or \$2 million you're
8 trying to get, what venue is that in? You said the Attorney General was
9 handing it -- handling it?

10 **MR. RICE:**

11 It's in Lafourche, Lafourche Parish.

12 **MR. CONNOLLY:**

13 It's in Lafourche Parish?

14 **MR. RICE:**

15 Yes.

16 **MR. CONNOLLY:**

17 Okay. And so there's a judge down there, a civil judge, who's going
18 to make the decision on that?

19 **MR. RICE:**

20 That is correct.

21 **MR. CONNOLLY:**

22 And that's the same thing in the Jefferson Davis matter?

23 **MR. RICE:**

24 Yes.

25 **MR. CONNOLLY:**

1 So -- so in the act for -- for getting reimbursed for expenditures
2 under our committee, the OSR rules --

3 **MR. RICE:**

4 Correct.

5 **MR. CONNOLLY:**

6 -- this is -- this is a different venue for us to be recouping funds than
7 if we were to go through an administrative law -- followed it up with the
8 law, right?

9 **MR. ADAMS:**

10 Correct.

11 **MR. RICE:**

12 Well, the law states that.

13 **MR. CONNOLLY:**

14 So we're at the mercy of --

15 **MR. RICE:**

16 District court.

17 **MR. CONNOLLY:**

18 -- District Court?

19 **MR. RICE:**

20 Yes.

21 **MR. CONNOLLY:**

22 Does that preclude us from pursuing reimbursement --

23 **MR. RICE:**

24 No.

25 **MR. CONNOLLY:**

1 -- through our regulations?

2 **MR. RICE:**

3 We can. It might -- that's a --

4 **MR. ADAMS:**

5 Our regulations set the procedures for recovery, and that procedure
6 involves going to the local District Court to seek recovery.

7 **MR. CONNOLLY:**

8 Oh, okay. So we're there either way?

9 **MR. ADAMS:**

10 Correct.

11 **MR. CAMPBELL:**

12 Just as a note, as part of the mediation, the financial aspect came up
13 too, but we -- oh, I'm sorry.

14 Just as a note, as part of the mediation the other day, the financial
15 end was part of it also, but we could not come to an agreement, so that
16 was put to the side for later, I guess, and just went forward with the
17 operational part of it, of them getting on the well.

18 **MR. CONNOLLY:**

19 Well, if they get back on the well, they become operator of record
20 again?

21 **MR. RICE:**

22 No.

23 **MR. CAMPBELL:**

24 No. They're using the -- they're using a co-op to do that.

25 **MR. RICE:**

1 Just to clarify real quick, there's two facets to our -- our G.A. Lyon
2 Well, okay, in Jeff Davis Parish. All right. First off, there's an
3 injunction for them to physically go out there and do something, fix the
4 problem. Second of all, there's reimbursement. All right. And we are
5 using, with our legal strategy, we're trying to get both accomplished, and
6 whether or not -- you know, because they're already asking for some type
7 of negotiation on the reimbursement. Well, you know, it -- and it all
8 depends on what are they going to do here? You know, that's not
9 Conservation's call. That would be the Secretary's call, of course, but
10 we're not even there yet. We need to take care of this well first, and then
11 we may be able to step to the next level. And that's how our -- that's our
12 position and how it has been related to them, and that's why money was
13 not a part of that mediation, the reimbursement.

14 **MR. GRAY:**

15 John, I have a question for the -- as it relates to the -- because you're
16 trying to disqualify a particular institution from providing financial
17 security. Are you being told that you have to accept it?

18 **MR. ADAMS:**

19 Yes, we are.

20 **MR. GRAY:**

21 Well, you're trying to build the qualifications to reject it.

22 **MR. ADAMS:**

23 We are -- we are --

24 **MR. GRAY:**

25 That's what I don't understand. Why -- why do they require you to

1 accept it?

2 **MR. ADAMS:**

3 The Attorney General's Office is telling us that -- that if they are a
4 financial institution recognized by the federal government, then we have
5 to accept their -- their letter of credit, if they put -- or we have to accept
6 their document, if they put it in the form that we require of everybody.
7 And, of course, our form has to be applicable to everybody. We can't do
8 one particular form for one company and a different form for another
9 company, because then that would be arbitrary and capricious.

10 **MR. GRAY:**

11 Right.

12 **MR. ADAMS:**

13 But what we're being told by the Attorney General's Office is, if
14 they're willing to execute the form that -- that we require of everybody,
15 because they're a financial institution recognized by the federal
16 government, then we have to accept their -- their financial security.

17 **MR. GRAY:**

18 Couldn't you issue an order and post it on the internet and say that,
19 we have -- this is the rationale for rejection? You know, like, you just
20 issue an order and basically say --

21 **MR. ADAMS:**

22 Essentially, that is -- that is what we're doing, but we have to
23 conduct some sort of a --

24 **MR. GRAY:**

25 Public comment hearing?

1 **MR. ADAMS:**

2 -- hearing that allows for them to present their side of the story in
3 order for us to come up with an order that -- that we believe would be
4 defensible, particularly in light of the fact that we know this first one will
5 be challenged. They will -- they will want to have an appellate review at
6 the 19th JDC. So we need to have enough of a defensible position,
7 enough justification, for the Commission's decision for a judge over at
8 the 19th JDC to understand that his actions were within the law of
9 rational, consistent with the rules and regulations.

10 **MR. GRAY:**

11 It sounds to me to be a very conservative interpretation of the law.

12 **MR. ADAMS:**

13 I think it's a -- I would agree with you.

14 **MR. GRAY:**

15 Yeah.

16 **MR. ADAMS:**

17 The concern is that we have to -- the concern is that we have to act
18 consistently across the board. So, if we pick one financial institution and
19 say we're not going to use them, the Attorney General's Office is
20 concerned that that financial institution may have argument to say we've
21 been arbitrary and capricious, and -- and even -- they've even suggested
22 that the financial institution may have an argument to seek a money
23 judgment against the State for depriving them of their ability to work,
24 so --

25 **MR. CONNOLLY:**

1 So the alternative would be to go out and plug their wells first, if
2 that's their argument that you've got to plug the wells before you're going
3 to draw on the bond. Can you prioritize their wells and go plug them and
4 draw on the bond?

5 **MR. ADAMS:**

6 In this particular instance, that was the argue -- that was one of the
7 several arguments that they used. And the reason we will -- one of the
8 reasons that I believe they used that argument is because the -- we had
9 already approached the time frame within which we had to take action, so
10 there wasn't any time for us to go put a package together and go plug
11 wells and that sort of thing.

12 **MR. GRAY:**

13 If the well is a threat to health, safety, and all? They're not Priority 1
14 wells, are they?

15 **MR. ADAMS:**

16 Some of them probably are. Like I said, you've got about seven
17 different financial institutions that -- over the course of the last couple of
18 years, we've -- this problem has grown and increased. Some of those
19 wells are probably priority wells, and -- but, you know, we're still going
20 to try to address -- address the wells in the most efficient manner
21 possible.

22 **MR. GRAY:**

23 Just from a personal experience of having reviewed financial
24 security before and picked up on fraudulent submissions, I don't think
25 that this is an undue course to reject. I just want to throw that out there

1 for everybody.

2 **MR. ADAMS:**

3 I agree with you that it's a lot easier if the first instance that we get
4 with a particular company, we recognize it may not be a completely
5 viable company, at that point, we can make the call because there's no
6 previous precedent with that company. But for a financial institution that
7 we currently hold about \$50 million worth of financial security for, for us
8 to have called one and they have not paid for it, it's a -- it's a little bit
9 difficult for us to then come back and say -- without justification, to
10 come back and say, well, we're -- you know, we're going to require all
11 this -- all these security instruments to be replaced.

12 Anything else about that?

13 (No response.)

14 **MR. ADAMS:**

15 I think that's it then.

16 **MR. GRAY:**

17 And I'd like to make a comment just to follow up on the
18 Commissioner for what he was mentioning about new programs. You
19 know, last -- I apologize for missing the last meeting, but the time before
20 that, I talked a lot about the different programs that, you know, the Oil
21 Spill Coordinator's Office does and things like that. You know, I just
22 want to offer the association as a conduit to support whatever programs
23 we need to do. We've developed a few new tools, including foundations,
24 different categories under IRS filings, and provided support for some of
25 the other programs, I know Conservation, especially Injection and

1 Mining.

2 But related to this, you know, recently I know that there's been a
3 discovery that a lot of the fees that are paid are from cavern operators,
4 right, on some of the -- I mean, I just wanted to -- to some of the -- that
5 the fees have been paid, that there's not just isolated instances in which
6 fees are paid, and so our membership is reflected in that.

7 So I just offer to share and support anything that we can do to help
8 unilaterally, right, or with other trade groups, whatever we can do to
9 help, so we offer that support and service.

10 And then, lastly, we have submitted all the paperwork for Nathan
11 McBride to replace Grant Black as the other person here, so we would
12 have regular attendance, and we're working through that to make sure
13 that we always have a presence.

14 **MR. ADAMS:**

15 We appreciate that. And I think it may be worth noting, it's not
16 related to this -- this Commission, but the -- the foundations that you're
17 describing there, we are currently working with one of those to establish
18 a -- an electronic permitting process that should make certain well
19 applications move tremendously faster in the future. And we wouldn't be
20 able to do that if -- LMOGA hadn't established those foundations and
21 offered to be able to assist in that matter.

22 **MR. GRAY:**

23 And I appreciate that. And I know that this group may not know
24 that, but, you know, we do do that for a lot of the other -- and also for
25 DEQ and stuff like that, to try to help facilitate moving quicker.

1 **COMMISSIONER IEYOUB:**

2 We appreciate it. Thank you for the support, Tyler.

3 **MR. GRAY:**

4 Sure.

5 **MR. CAMPBELL:**

6 Okay. Moving on to -- unless somebody has any other comments,
7 moving on to federal and third-party activity. The EPA plugged one well
8 for us. They finished up in the early part of December. It was located in
9 Logansport Field, DeSoto Parish. It was a well that was leaking oil and
10 gas, and they came in and plugged it, like I said, in early December.

11 Old business, new business. Any comments?

12 **MR. CONNOLLY:**

13 One last comment, Brent.

14 **MR. CAMPBELL:**

15 Yeah.

16 **MR. CONNOLLY:**

17 With the deficit of 920,000, roughly, can you bid out contracts to
18 plug wells this month, next month, in the future, or do you have to wait
19 until the funds are actually in the account?

20 **MR. CAMPBELL:**

21 Yeah. You have to wait until -- that's -- that's one thing I meant to
22 mention earlier, so I'm glad you brought that up.

23 You do have wait until the funds are in the account. We did hold
24 that one that was already bid out, and we got the results, you know,
25 where it's on the side, I think it was 2.5 million. We had 500,000 in

1 financial security to go along with that -- or to pay part of that bill. So
2 we're holding that one back. And then, plus, they won't let us go out with
3 any future bids until we have the sufficient cash. So it is, you know,
4 holding us --

5 **MR. CONNOLLY:**

6 So we're at a -- we're at a standstill right now?

7 **MR. CAMPBELL:**

8 We're at a standstill right now until we get some additional funds,
9 and -- you know, through the fees that we collect and different things.

10 **MR. ROSS:**

11 John, that's a standstill on issuing -- that's a standstill on issuing new
12 bid packages, but referring back to that Page 9, we've got quite a list of
13 active projects that still have to commenced to be -- to be performed on.

14 **MR. CAMPBELL:**

15 You're looking at another 110 wells under current projects -- well,
16 take away a few for that -- a little bit less, just say 100 wells that --

17 **MR. CONNOLLY:**

18 Could they be turned loose to go plug those wells?

19 **MR. CAMPBELL:**

20 Yeah. They -- yes. So that money is encumbered already, so we
21 don't have to worry about those projects. They can move. And that's the
22 ones that were just waiting on the contractor to get to some of those
23 wells.

24 **MR. ROSS:**

25 You see, just taking up a portion of that spreadsheet, it says that

1 there's 151 wells included in the bid packages, but to date, they've only
2 plugged 41. So that's the 110 Brent is saying that we've bid out, but
3 they're still pending.

4 **MR. CONNOLLY:**

5 Is that money set aside?

6 **MR. CAMPBELL:**

7 Yes.

8 **MR. ROSS:**

9 Yes, that's encumbered. See, I don't know whether it's global
10 warming or just what has created all the rain. They're having to drag
11 through -- you know, mud boats to get equipment in.

12 **MR. MALEY:**

13 Is there going to be discussion about LORA?

14 **MR. ADAMS:**

15 We can. I actually should have mentioned that. Excellent point.
16 Thank you. I actually meant to mention that when we were talking about
17 other programs. We've got just -- we got a little distracted with the -- the
18 collections on financial institutions.

19 So a couple of years ago -- actually, I guess it was four years ago
20 when the Commissioner first -- first got here, there was a great deal of
21 difficulty with operators obtaining financial security, and we heard
22 complaints from a lot of operators about several different aspects of -- of
23 being able to obtain financial security, everything from, well, my local
24 bank doesn't want to do it anymore so they're charging me a significant
25 portion to do it, or I'm being required to put up a hundred percent of the

1 collateral of the financial security which means I don't have sufficient
2 operating expenses. So, in order to -- to combat those sorts of things, we
3 entered into a discussion with a bonding company -- a financial
4 institution, and we signed a cooperative agreement with them. The
5 company is called the Louisiana Oilfield Restoration Association, and
6 we -- we call it LORA as an acronym.

7 But what they've agreed to do is two things, number one, to address
8 financial security concerns on behalf of -- of operators on the front end,
9 and then on -- as a separate issue, on the back end, a portion of the -- the
10 fees that they collect, they will use to plug wells in the -- on the orphan
11 list.

12 So, on the front end, they will provide financial security. They'll
13 provide a letter of credit on behalf of operators at a rate not to exceed
14 three-and-a-half percent of whatever their financial security amount is.

15 Not every operator is eligible. If you have outstanding compliance
16 orders or compliance issues, then you may be required to address those
17 outstanding compliance orders first.

18 But for operators that don't have outstanding compliance orders,
19 they can obtain financial security through LORA at a rate of three-and-a-
20 half percent, and LORA will not -- they're -- they're -- under the
21 cooperative endeavor agreement with us, they can't require them to put
22 up any additional collateral to LORA, nor can they require personal
23 guarantees from the -- the individuals that operate the company, nor can
24 they charge miscellaneous expenses for things like adding wells to their
25 Exhibit A or taking wells off the Exhibit A. One of the complaints that

1 we got from a lot of operators were that banks were charging \$200, \$300
2 to do an amendment to the Exhibit A to add a well or take a well off of
3 their Exhibit A, that seems a little bit exorbitant, since we're the ones that
4 evaluate those Exhibit As, and it's -- frequently, it's nothing more than
5 simply adding a well or subtracting a well, and we verify that -- you
6 know, that that is a well that requires financial security, and -- or if
7 they're taking it off, then it's a well that has been plugged and abandoned
8 or, you know, some other circumstances taking place that doesn't require
9 it to have financial security anymore. So that's the -- that's sort of the
10 agreement on the front end. And so far -- we implemented the program
11 in -- at the end of November, and so far we've gotten about 30 operators
12 that have -- have taken advantage of the program and that have signed
13 up.

14 On the back end -- and this will not take place for a little while, but
15 LORA's agreement with us is that -- that, once they've collected a certain
16 amount of -- of fees, they will use eighty percent of the fees that they
17 collect to plug wells on the orphan list, regardless of whether it's one of
18 their operators that has gone orphan and they're obligated to address
19 those wells or not.

20 So the -- the benefit there -- and the Commissioner alluded to this a
21 minute ago, one of the difficulties -- the difficulties that we -- that we're
22 having in plugging wells is that there are only a very few amount of
23 operators that have gotten on Conservation's approved OSR list, and then
24 when a bid comes up, you end up only having two or three guys that bid
25 on the package and it's the same two or three guys that bid on the

1 package over and over again. And some of the reasons for that are, in
2 order to be an approved contractor on the approved list, you have to be a
3 certified contractor with the Louisiana State Contracting Board, which
4 most oil and gas operators, they haven't gone through that process.
5 They're not certified contractors. Even though, under our regulations,
6 they're -- they have all the equipment and they have all the knowledge
7 and know how to go out and plug their own wells, they can do it, they do
8 it all the time, but in order to take that next step and get on the approved
9 list, they've got to be an approved contractor with the State of Louisiana.
10 A lot of them probably can't do that.

11 Additionally, they're required to have \$1 million umbrella liability
12 insurance policy. And also, as part of the bid package, they're required to
13 obtain performance insurance, which is a little bit silly since we don't pay
14 anybody until we've inspected the property and demonstrated that
15 whatever it is that they were supposed to do under the -- their bid
16 contract is actually complete and fulfilled. But the way the bid laws are
17 -- are structured, there's -- and all this was looked into and evaluated a
18 few years ago when they did I think it was Senate Concurrent Resolution
19 89, we looked into this to see if there was any way that that could be
20 changed, and we discovered that there's not any way that that can be
21 changed.

22 So the workaround is to try to create a situation where operators
23 themselves can go plug wells in their own fields, and -- and this is the
24 solution to do that. Because this bonding company is not a State
25 company or a State operator, they're simply working through a

1 cooperative endeavor agreement with Conservation, they're not subject to
2 the State bid laws, which means they can go talk to the operators in the
3 fields that -- that need wells plugged and take a bid from the ones that are
4 already out there and -- and get wells plugged. Our anecdotal evidence
5 so far suggests that, at a minimum, the price that they will be able to get
6 to plug wells is about thirty-five percent cheaper than what the OSR
7 Program pays.

8 So that's -- that's the other avenue that we've been pursuing to try to
9 alleviate some of the -- the numbers of wells on the orphan list. It's -- it's
10 going to take -- we estimate it's going to take at least two years before
11 they've reached the -- the reserve amount that they need before they start
12 plugging wells. Because, as you guys know, there are frequently cost
13 overruns and things like that, we don't want them to -- to -- we want them
14 to have a certain amount of -- of money -- of funds available to
15 implement their bid packages before they start doing their -- their bid
16 packages, so --

17 **COMMISSIONER IEYOUB:**

18 Steve, the bottom line is, more contractors, more wells plugged, at
19 less money, three very important things, that's what we think that this
20 will accomplish, more contractors and more wells being plugged at a
21 faster rate at less cost. You can't beat that.

22 **MR. ADAMS:**

23 And -- and as an additional advantage that -- that's -- that is sort of
24 the end result of this is, since the operators that are in fields plugging --
25 plugging them, since -- since any operator with their own equipment and

1 ability to plug a well is now an eligible contractor, it's a way for money
2 to get back into the operator's hands when -- when they're awarded that --
3 that bid package.

4 **MR. MALEY:**

5 So this is an avenue for them to do work without incurring liability
6 on a well?

7 **MR. ADAMS:**

8 Correct.

9 **MR. MALEY:**

10 That also -- okay.

11 **MR. ADAMS:**

12 That's exactly right.

13 **MR. MALEY:**

14 Look, a lot of my questions could be answered if that -- they've got a
15 webpage and I went there and they've got an about button and there's no
16 information on the about button. But this is a private entity?

17 **MR. ADAMS:**

18 Yes, sir.

19 **MR. MALEY:**

20 Who owns it? Who --

21 **MR. ADAMS:**

22 To the best of my knowledge, a Louisiana attorney that works over
23 here at Breazeale Sachse named Van Mayhall is the owner of the
24 company.

25 **MR. MALEY:**

1 And they foresee some day when they'll have a staff and capability
2 to carry out operations --

3 **MR. ADAMS:**

4 Yes.

5 **MR. MALEY:**

6 -- on wells. Just on the face of it, it seems like if I'm a -- if I'm an
7 operator and I got \$100,000 bond and responsibility and it costs me
8 \$3,500 a year, the life of my wells is -- is not going to be enough that it's
9 ever going to -- I mean, for a typical operator, I'm never going to fully
10 fund those bonds. So I'm in business for three years and go belly up.

11 **MR. ADAMS:**

12 Well --

13 **MR. MALEY:**

14 Who backstops --

15 **MR. ADAMS:**

16 And -- and that's -- that's really no different than the current method
17 of -- of financial security. Regardless of which bank you go to to do it,
18 there -- that's not going to change the -- the lifespan of the well -- or the
19 active life of the well or -- or anything like that. What we're hoping to
20 alleviate is -- is, instead of an operator having to -- to post a significant
21 amount of collateral that he otherwise would have used to keep his wells
22 in operation, we're -- we're hoping to keep him in operation and keep --
23 keep him with the ability to go ahead and plug his wells before he goes
24 orphan so that we don't have -- so that we do have less -- less wells going
25 orphan.

1 **MR. MALEY:**

2 But, ultimately, the State backstops this -- if somebody just goes out
3 of business and --

4 **MR. ADAMS:**

5 What we're -- what we're projecting is that -- that the reserve that
6 they're collecting will end up being their backstop, so that -- and, also,
7 it's a -- it's -- as long as the company is -- it's very similar to a private
8 OSR Program, in that, right now, the OSR Program gets 200 wells a year
9 that become orphan, and then it turns around and it has to plug 200 wells
10 per year. Well, if this company steps in and it ends up getting a portion
11 of those wells, let's say -- let's say twenty-five percent, well, then they're
12 going to be responsible for plugging 20 of -- plugging 50 wells a year,
13 while we're still plugging the other 150. So as long as they're collecting
14 enough revenues every year to plug the wells that they're required to
15 plug, they're backstopping themselves.

16 **MR. MALEY:**

17 Okay. One of the provisions of the co-op program, as I understand
18 it, it contemplates that there can be a contribution from OSR funds
19 toward --

20 **MR. ADAMS:**

21 That is not correct.

22 **MR. MALEY:**

23 That's a misunderstanding on my part.

24 **MR. ADAMS:**

25 That is a misunderstanding on your part. The -- the two entities

1 cannot intermingle in any way, because one is a private actor and one is a
2 State actor. The -- the LORA program has to operate completely
3 independent from any State funding or any State action, other than
4 simply coordinating which wells are being plugged, so that they don't do
5 a bid package for something that we've already got a bid package to do.

6 **MR. MALEY:**

7 And that was going to be my next question. How -- how would they
8 decide -- maybe it hadn't been confronted yet, but --

9 **MR. ADAMS:**

10 It -- it hasn't, and it won't be for -- for a couple of years, but once
11 they have established their reserve and they have enough money to go
12 start plugging wells, part of the co-op says that they've got to coordinate
13 with us prior to going and -- and doing bid packages on any -- on any
14 orphan wells, and that's to avoid us simultaneously including a well in
15 the -- in the -- in two different bid packages.

16 **MR. MALEY:**

17 Do you foresee them having a staff and writing their own plugging,
18 like an operator would for --

19 **MR. ADAMS:**

20 I do, but their plugging procedures will have to be approved by our
21 District manager. Just like any other person that enters a cooperative
22 agreement and goes out to plug a well, you've got to get your work plan
23 -- you've got to submit a work plan, and that work plan has to be
24 approved by our District manager.

25 **MR. MALEY:**

1 It's sort of like an operator would just go plug their own well.

2 **MR. ADAMS:**

3 It's exactly like an operator would to plug their own well. In fact,
4 that's really the whole point is to set it up in a -- in a method such that it's
5 much more like an operator plugging their own well than it is going
6 through the State bid process to --

7 **MR. MALEY:**

8 That's one thing that's struck me about this whole program is the
9 bidding rules and setting up the rigid procedure for plugging a well, that
10 really nobody knows what's downhole anyway.

11 **MR. ADAMS:**

12 Correct.

13 **MR. MALEY:**

14 That's -- that's a significant stumbling block to -- to doing it the way
15 it's doing -- it's being done right now. So we appreciate that.

16 **MR. ADAMS:**

17 Yeah. We -- we recognize that, and that's one of the concerns that
18 this -- this program is -- is supposed to be able to alleviate.

19 **COMMISSIONER IEYOUB:**

20 Ultimately, the person that knows more about the -- the right way to
21 plug the well is the operator. I mean, you know, he's familiar with the
22 well, he's familiar with the process and the procedure. He can probably
23 plug the well a lot quicker and a lot more efficiently than anybody else,
24 even outside contractors. And that's why I said, it's --

25 **MR. MALEY:**

1 You know, and I -- the vendors that I've talked to that do plugging
2 work too, they -- they kind of spot that as a significant stumbling block
3 as -- maybe on a field visit they see a well that can't get done the way it's
4 written up, but they've got to bid the way it's written up, knowing that
5 there's going to be change orders.

6 **MR. ADAMS:**

7 Right.

8 **MR. MALEY:**

9 So I think that's all the questions I've got.

10 I have just a comment about sitting on your hands. I don't think
11 anybody in the room thinks that the staff here is -- is sitting on their
12 hands. We're all frustrated that -- that there are inefficiencies in the -- in
13 the Program, and, obviously, between the emergencies and this litigation
14 and all that kind of stuff, that's a tremendous distraction, so.

15 **MR. CONNOLLY:**

16 Is BS&W acting as a finance tool institution?

17 **MR. ADAMS:**

18 BS&W, I don't know who that is.

19 **MR. CONNOLLY:**

20 Breazeale, Sachse, and Wilson.

21 **MR. ADAMS:**

22 No. They're -- he simply is an attorney with Breazeale, Sachse, and
23 Wilson. This endeavor has nothing to do with -- with them.

24 **MR. CONNOLLY:**

25 Okay. So --

1 **MR. ADAMS:**

2 It's not related in any way whatsoever. This is -- this is purely a
3 private endeavor that he is -- he is leading.

4 **MR. CONNOLLY:**

5 Does Van have backing, like a bank or a financial institution, that's
6 backing him? Because the way I see it is that companies are paying for
7 bonds. They're paying for bonds, and this is a means for them to build
8 equity and the co-op for those fees to go towards plugging wells more so
9 than just to -- to buy a bond. But what happens -- you say the floor
10 (phonetic), Van is going to be collecting fees for years. What happens if
11 one of his customers or clients, y'all have to call one of those bonds --

12 **MR. ADAMS:**

13 Under the cooperative endeavor agreement --

14 **MR. CONNOLLY:**

15 -- under the cooperative endeavor agreement?

16 **MR. ADAMS:**

17 -- he's required to address that immediately with the funds that he's
18 collected.

19 **MR. CONNOLLY:**

20 What if there's not enough funds there? Because it sounds like it's a
21 time situation to where your membership fees and your -- your three
22 percent that you pay has to build up enough to cover -- cover it. I
23 mean --

24 **MR. ADAMS:**

25 It is -- it is a time situation, and that's one of the reasons why he's

1 allowed to -- to -- he's not required to furnish a bond for a company that's
2 currently under a compliance order.

3 **MS. CREASMAN:**

4 But is there -- I guess what I'm wondering and thinking about, is
5 there a similar circumstance where, like we're dealing now, people
6 abandon a well and they don't have the money, then what happen -- I
7 mean, you know, who's --

8 **MR. ADAMS:**

9 The -- the difference is, the -- those banks that we're currently
10 struggling to collect funds with, they're not in the business of -- of
11 plugging wells. They have no intention of plugging wells. That's --
12 their goal is to collect the premiums and hope they never have to pay
13 them back. And if we do call it, right now, fifty percent of them have --
14 have paid us like they're supposed to and fifty percent haven't.

15 So the -- the understanding and agreement that we have with LORA
16 is that their intention is to never pay that bond, it's to plug those wells,
17 because that what we want them to do, that's what they want to do.
18 They're going to be able to do it at thirty-five percent less than -- than
19 what the OSR Program would be able to do it; therefore, their dollars are
20 going to go a lot farther than the same dollars in our hands. So the -- the
21 whole point of us entering that cooperative endeavor agreement with
22 them is that, if one of their people goes bankrupt or ends up getting
23 orphaned, they've got to step in and plug those wells, rather than simply
24 pay us the \$50,000 letter of credit. But the -- based on our analysis of the
25 situation, we believe that -- that, by the time they're required to do that,

1 they will have sufficient funding to be able to go ahead and do that.

2 **MS. CREASMAN:**

3 Okay.

4 **MR. ROSS:**

5 And most of the financial security is in blanket bond format. So let's
6 say, for instance, if you have wells in the Haynesville Shale, you can put
7 ten wells on that blanket bond for \$50,000, where you'd be fortunate to
8 be able to plug one of the wells for \$50,000. So you weren't collecting
9 on the financial security, the full revenue that you to needed to take care
10 of all of that. Now, I'm not saying, you know, two wrongs make a right,
11 so it's not necessarily under LORA that it's incumbent upon him to
12 immediately plug all of those ten wells, because we weren't going to
13 plug all of wells as soon as they became orphaned. But this is a way that
14 a pot of money is generated in the collection of the fees, and it's just like
15 life insurance policies, not everybody is dying at once so then I have to
16 pay out. But those fees could be used in other ways.

17 So once -- once this pot is developed, he would address people that
18 had subscribed with him to address their wells first, but if -- if none of
19 those have gone orphaned, then he's reached this benchmark level John
20 referred to, then he can be plugging wells simultaneous to the OSR
21 Program. And so, similarly, John made a statement a while ago, we may
22 do 200 year, well, if he -- if he's able to plug 50 a year and we'll still
23 doing our 200, then that's 250 a year between the two funding
24 mechanisms, but he also is able to do them at a cheaper per-unit cost
25 because of the -- some of those problems with the State bid law just

1 requires the bids to be higher. And even the performance bond that they
2 -- that they have to provide, we reimburse that premium to them.

3 **MR. MALEY:**

4 The problem being everybody in the oil and gas industry gets sick all
5 at the same time, you know, unlike life insurance.

6 **MR. ROSS:**

7 Yeah.

8 **MR. MALEY:**

9 So that part of the analogy goes down.

10 **SECRETARY HARRIS:**

11 Do we have any other old business, new business, questions,
12 comments, any questions or comments from the public?

13 At this point, I would like to point out we do have the next four
14 meetings scheduled. The next one is scheduled for Thursday, April 16,
15 the day after the tax day. I look forward to seeing you all there.

16 At this point, we should probably entertain a motion to adjourn.

17 **MR. CALLAHAN:**

18 Motion.

19 **SECRETARY HARRIS:**

20 All right. Mr. Callahan.

21 **COMMISSIONER IEYOUB:**

22 Second.

23 **SECRETARY HARRIS:**

24 And we have a second from Commissioner Ieyoub.

25 Hearing no objection, that motion carries.

1 Thank you all.

2 **COMMISSIONER IEYOUB:**

3 Thank you.

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