

OFFICE OF THE STATE REGISTER INSERTION ORDER (eff.08/02)

Claiborne Building 1201 North Third Street Suite 3-220 Post Office Box 94095
Baton Rouge, LA 70804-9095 (225)342-5015 FAX (225)342-0284

(SUBMIT A SEPARATE INSERTION ORDER PER DOCUMENT)

[ ] EMERGENCY RULE [x] NOTICE OF INTENT [ ] RULE [ ] POTPOURRI

REFER TO INSTRUCTIONS ON REVERSE SIDE

This is your authority to publish in the (month) November, 20 18 Louisiana Register the document indicated above.

Office of Conservation
Office/Board/Commission promulgating this document

Department of Natural Resources
Department under which office/board/commission is classified

Richard P. Ieyoub Commissioner
(name) (title)
Name and title of person whose signature will appear in the publication (at the end of the document)

John Adams 225 342-7889 225 242-3663
(name) (phone) (fax)
Name, phone number, and FAX number of person to contact regarding this document
johnny.adams@la.gov
E-mail address of contact person

Provide a short descriptive listing for this document to be used in the Louisiana Register's TABLE OF CONTENTS/INDEX (note: this description should match the fiscal statement title, if sending a Notice of Intent:

\*If sending a diskette, indicate the name of the file on diskette:

Amd. to LAC 43:XIX.104 (Financial Security)

[Signature]
Signature of Agency Head or Designee
Gary P. Ross for Richard P. Ieyoub, Commissioner
Print Name and Title of Agency Head or Designee

Important: If submitting both an Emergency Rule (ER) and a Notice of Intent (NOI) to be published this month, AND if the rule text in the ER is identical to the rule text in the NOI, check here: [ ]

CERTIFICATION OF AVAILABLE FUNDS DOCUMENT #

[ ] ISIS AGENCY: I certify the availability of fiscal year appropriated funds for the payment of the above referenced publication and authorize the processing of an Interagency Billing with the following coding on the 30th of the month of the publication. Attach supplemental sheet for additional lines of coding.

AGENCY ORGANIZATION # OBJECT SUB-OBJECT REPORTING CATEGORY

[x] NON-ISIS AGENCY: I certify the availability of fiscal year 18/19 appropriated funds for the payment of the above referenced publication and agree to place corresponding invoice in line for payment upon receipt.

Billing Address for Agencies:
Dept. of Natural Resources
Agency Name
PO Box 94275 Capitol Station
Street Address or Post Office Box
Baton Rouge LA 70804
City State Zip Code

[Signature] 225-342-5560
Signature of Agency Head or Designee - Phone #

Lines/Other Charges Typesetting \$ TOTAL \$

## NOTICE OF INTENT

### Department of Natural Resources Office of Conservation

#### Plugging Credits Rules (LAC 43:XIX.104)

The Department of Natural Resources, Office of Conservation proposes to amend LAC 43:XIX, Subpart 1 in accordance with the provisions of the Administrative Procedure Act, R.S. 49:950 et seq., and pursuant to the power delegated under the laws of the state of Louisiana. The proposed amendment and adoption are made implement Act 526 of the 2016 Regular Session which authorizes the Commissioner to establish a program to allow for transferrable plugging credits in lieu of the bond with security in order to promote the plugging of orphaned oilfield sites and oilfield sites that have been inactive for at least five years.

#### Title 43

#### NATURAL RESOURCES

#### Part XIX. Office of Conservation—General Operations

#### Subpart 1. Statewide Order No. 29-B

#### Chapter 1. General Provisions

#### §104. Financial Security

#### A.-I. ...

#### J. Plugging Credit Certificate Program

1. A Plugging Credit may be applied to any new or existing well in lieu of Financial Security required by Section 104, Part A-H, on a 1 for 1 or 2 for 1 basis. Said credits may be obtained by:

a. One credit shall be awarded for plugging and site restoration of an orphan well after 8/1/16.

b. One – half credit shall be awarded for plugging and site restoration of an operator's existing well that has been inactive for a minimum of five years on or after 8/1/16.

2. Wells must be plugged and abandoned and sites restored per Office of Conservation rules and regulations. All wells/sites must pass a final inspection before a Plugging Credit Certificate will be issued.

3. Plugging Credit Certificates will be granted to operators who plug qualifying wells under Section 1.a and 1.b once application is made via Form APCC.

a. Plugging Credit Certificate will expire five years from the date issued unless used, in which case the Plugging Credit Certificate will expire upon the proper plugging and abandonment of the well for which it is used.

b. Plugging Credit Certificates are transferrable to active operators via Form APCCO.

4. Plugging Credit Certificates can be applied to an existing or newly drilled well, on a one credit per well basis, which meet all of the following:

a. Is in the same field as the plugged well.

b. Is the same location type (land, inland water, or offshore) as the plugged well.

c. Has a total depth that does not exceed 2000' more than the Total Depth or Plug Back Depth, whichever is less, of the plugged well. (All depths TVD)

5. Plugging credits may only be utilized by an operator in good standing. To be considered in good standing, an operator must not have any outstanding compliance orders at the time the plugging credit is used.

6. Once applied to a well, Plugging Credit Certificates cannot be transferred to another well. Plugging Credit Certificates cannot be combined with Financial Security. Each well must be fully covered by Financial Security or a Plugging Credit Certificate, not a combination of both mechanisms. In the event a plugged well approved under 1.a. or 1.b. fails, the corresponding Plugging Credit Certificate will be revoked and Financial Security will be required immediately.

#### Family Impact Statement

This Rule has no known impact on family formation, stability, and autonomy as described in R.S. 49:972.

#### Poverty Impact Statement

This Rule has no known impact on poverty as described in R.S. 49:973.

#### Small Business Analysis

This Rule has no known impact on small businesses as described in R.S. 49:965.6.

#### Provider Impact Statement

This Rule has no known impact on providers as described in HCR 170 of 2014.

#### Public Comments

All interested parties will be afforded the opportunity to submit data, views, or arguments, in writing. Written comments will be accepted by hand delivery or USPS only, until 4 p.m., December 14, 2018, at Office of Conservation, Executive Division, P.O. Box 94275, Baton Rouge, LA 70804-9275; or Office of Conservation, Executive Division, 617 North Third Street, Room 931, Baton Rouge, LA 70802. Reference Docket No. 18-004. All inquiries should be directed to John Adams at the above addresses or by phone to (225) 342-7889. No preamble was prepared.

### FISCAL AND ECONOMIC IMPACT STATEMENT FOR ADMINISTRATIVE RULES

#### RULE TITLE: Plugging Credits Rules

#### I. ESTIMATED IMPLEMENTATION COSTS (SAVINGS) TO STATE OR LOCAL GOVERNMENT UNITS (Summary)

The proposed rule change is not anticipated to have any implementation costs to state or local governmental units. The proposed rule change codifies Act 526 of 2016 that establishes a program to allow for transferrable plugging credits in lieu of the bond with security in order to promote the plugging of orphaned oilfield sites and oilfield sites that have been inactive for at least five years. The Department of Natural Resources (DNR) anticipates it will be able to implement this program with existing staff and equipment.

DNR requires well operators that intend to drill to have financial security such as a certificate of deposit, letter of credit, or a performance bond. The financial security amount depends on the well location (land or water), the well depth, or the number of wells being covered by the operator. The proposed rule change will allow an operator to plug an orphaned well in exchange for a credit that can be used to offset the financial security required for a well of equal value or size. The majority of well operators have financial security based on the number of wells. For example, land well operators with 1-10 wells requires financial security in the amount of \$50,000, 11-99 wells requires financial security in the amount of \$250,000, and 100 and above wells requires financial security in the amount of \$500,000.

#### II. ESTIMATED EFFECT ON REVENUE COLLECTIONS OF STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

The proposed rule change will have no effect on revenue collections of state or local government units.

III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NONGOVERNMENTAL GROUPS (Summary)

The proposed rule change will directly impact and benefit oil and gas well operators that would use the credit to offset their financial security requirement. The participation in this program is voluntary, but, in the event an operator chooses to participate in the program, they could offset the number of wells they own by the amount of orphaned wells they choose to plug. The cost of plugging the well(s) on the orphaned list will be offset by the economic benefit gained in not having to post ordinary financial security on a new well or existing wells.

IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)

There is no anticipated effect on competition or employment.

Richard P. Ieyoub  
Commissioner

Evan Brasseaux  
Staff Director  
Legislative Fiscal Office