

**FISCAL AND ECONOMIC IMPACT STATEMENT  
WORKSHEET**

Person Preparing Statement: Chris Sandoz Dept: Natural Resources  
 Phone: 225-342-4505 Office: Conservation  
 Return Address: Engineering Division Rule Title: Inactive Well Assessments  
P.O. Box 94275 LAC 43:XIX.137  
Baton Rouge, LA 70804  
 Date Rule Takes Effect: Upon Promulgation

**SUMMARY**  
(Use complete sentences)

In accordance with Section 961 of Title 49 of the Louisiana Revised Statutes, there is hereby submitted a fiscal and economic impact statement on the rule proposed for adoption, repeal or amendment. THE FOLLOWING STATEMENTS SUMMARIZE ATTACHED WORKSHEETS, I THROUGH IV AND WILL BE PUBLISHED IN THE LOUISIANA REGISTER WITH THE PROPOSED AGENCY RULE.

**I. ESTIMATED IMPLEMENTATION COSTS (SAVINGS) TO STATE OR LOCAL GOVERNMENTAL UNITS (Summary)**

There are no anticipated implementation costs or savings to state or local governmental units due to the proposed rule change.

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


The proposed rule change is anticipated to result in a revenue increase of approximately \$1.3 million in FY 25 and \$1.2 million in FY 26. The revenue is split evenly between the Office of Conservation's Oil and Gas Regulatory Dedicated Fund Account and the Oilfield Site Restoration Fund. There is no effect on revenue collections of local government units anticipated due to the proposed rule change.

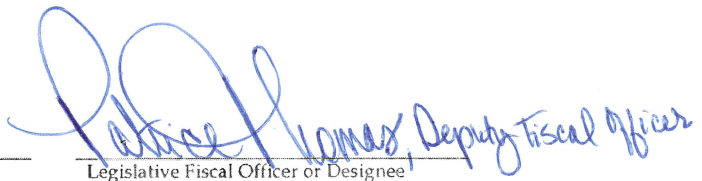
**III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS, SMALL BUSINESSES, OR NON-GOVERNMENTAL GROUPS (Summary)**

The group directly affected by the rule change will be Exploration and Production (E&P) operating companies. The rule change is anticipated to apply to 480 operators. Of this total, 364 (75.8%) are expected to see an increase in their assessment amount, 90 (18.8%) are expected to see a decrease in their assessment amount, and 26 (5.4%) are expected to see no change in their assessment amount. The average assessment increase is \$6,064 per year. Of those operators seeing an increase, 66.8% will see an increase less than \$5,000 per year. Three (3) operators, 0.8% of those seeing an increase, are anticipated to have more than a \$100,000 increase in their annual assessment amount. The above estimates do not include the offset that will be allowed under the proposed rule for operators that permanently abandon more than 10 wells in the year preceding the assessment.

**IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)**

There is no anticipated effect on competition and employment.

  
 \_\_\_\_\_  
 Signature of Agency Head or Designee  
 Monique M. Edwards, Commissioner of Conservation  
 \_\_\_\_\_  
 Typed Name & Title of Agency Head or Designee  
 7/6/2023  
 \_\_\_\_\_  
 Date of Signature

  
 \_\_\_\_\_  
 Legislative Fiscal Officer or Designee  
 07/06/2023  
 \_\_\_\_\_  
 Date of Signature

**FISCAL AND ECONOMIC IMPACT STATEMENT  
WORKSHEET**

The following information is required in order to assist the Legislative Fiscal Office in its review of the fiscal and economic impact statement and to assist the appropriate legislative oversight subcommittee in its deliberation on the proposed rule.

- A. Provide a brief summary of the content of the rule (if proposed for adoption, or repeal) or a brief summary of the change in the rule (if proposed for amendment). Attach a copy of the notice of intent and a copy of the rule proposed for initial adoption or repeal (or, in the case of a rule change, copies of both the current and proposed rules with amended portions indicated).

The rule change expands the applicability of inactive well assessments and increases the amounts of the per well assessments based on the depth of the well and the length of inactivity. Benefits of these changes include incentivizing operators to either return wells to active service or permanently abandon them which reduces the number of wells which could eventually become orphaned, increasing revenue for both restoring existing orphaned sites, and regulating oil and gas development to ensure protection of the environment and public safety.

- B. Summarize the circumstances, which require this action. If the Action is required by federal regulation, attach a copy of the applicable regulation.

The rule change is being proposed in response to the recommendation included in the Governor's Office 2022 Climate Action Plan (ACTION 7.3) to tighten the "future utility" designation and requirements for inactive wells.

- C. Compliance with Act 11 of the 1986 First Extraordinary Session

- (1) Will the proposed rule change result in any increase in the expenditure of funds? If so, specify amount and source of funding.

No. The proposed rule change will not result in any increase in the expenditure of funds.

- (2) If the answer to (1) above is yes, has the Legislature specifically appropriated the funds necessary for the associated expenditure increase?

(a) \_\_\_\_\_ Yes. If yes, attach documentation.

(b) \_\_\_\_\_ NO. If no, provide justification as to why this rule change should be published at this time

**FISCAL AND ECONOMIC IMPACT STATEMENT  
WORKSHEET**

**I. A. COSTS OR SAVINGS TO STATE AGENCIES RESULTING FROM THE ACTION PROPOSED**

1. What is the anticipated increase (decrease) in costs to implement the proposed action?

<b>COSTS</b>	<b>FY 24</b>	<b>FY 25</b>	<b>FY 26</b>
Personal Services	\$ 0	\$ 0	\$ 0
Operating Expenses	\$ 0	\$ 0	\$ 0
Professional Services	\$ 0	\$ 0	\$ 0
Other Charges	\$ 0	\$ 0	\$ 0
Equipment	\$ 0	\$ 0	\$ 0
Major Repairs & Constr.	\$ 0	\$ 0	\$ 0
<b>TOTAL</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>POSITIONS (#)</b>	<b>0</b>	<b>0</b>	<b>0</b>

2. Provide a narrative explanation of the costs or savings shown in "A. 1.", including the increase or reduction in workload or additional paperwork (number of new forms, additional documentation, etc.) anticipated as a result of the implementation of the proposed action. Describe all data, assumptions, and methods used in calculating these costs.

Not applicable. There are no costs or savings to state agencies resulting from the proposed actions.

3. Sources of funding for implementing the proposed rule or rule change.

<b>SOURCE</b>	<b>FY 24</b>	<b>FY 25</b>	<b>FY 26</b>
State General Fund	\$ 0	\$ 0	\$ 0
Agency Self-Generated	\$ 0	\$ 0	\$ 0
Dedicated	\$ 0	\$ 0	\$ 0
Federal Funds	\$ 0	\$ 0	\$ 0
Other (Specify)	\$ 0	\$ 0	\$ 0
<b>TOTAL</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

4. Does your agency currently have sufficient funds to implement the proposed action? If not, how and when do you anticipate obtaining such funds?

Not applicable.

**B. COST OR SAVINGS TO LOCAL GOVERNMENTAL UNITS RESULTING FROM THE ACTION PROPOSED.**

1. Provide an estimate of the anticipated impact of the proposed action on local governmental units, including adjustments in workload and paperwork requirements. Describe all data, assumptions and methods used in calculating this impact.

The proposed rule change is not anticipated to result in costs or savings to local government units.

2. Indicate the sources of funding of the local governmental unit, which will be affected by these costs or savings.

Not applicable.

**FISCAL AND ECONOMIC IMPACT STATEMENT  
WORKSHEET**

**II. EFFECT ON REVENUE COLLECTIONS OF STATE AND LOCAL GOVERNMENTAL UNITS**

A. What increase (decrease) in revenues can be anticipated from the proposed action?

<b>REVENUE INCREASE/DECREASE</b>	<b>FY 24</b>	<b>FY 25</b>	<b>FY 26</b>
State General Fund	\$ 0	\$ 0	\$ 0
Agency Self-Generated	\$ 0	\$ 658,734	\$ 625,798
Dedicated Funds*	\$ 0	\$ 658,734	\$ 625,798
Federal Funds	\$ 0	\$ 0	\$ 0
Local Funds	\$ 0	\$ 0	\$ 0
<b>TOTAL</b>	<b>\$ 0</b>	<b>\$ 1,317,468</b>	<b>\$ 1,251,596</b>

\*Specify the particular fund being impacted - Oilfield Site Restoration Fund

B. Provide a narrative explanation of each increase or decrease in revenues shown in "A." Describe all data, assumptions, and methods used in calculating these increases or decreases.

The total inactive well assessment invoice amount for FY 24 is estimated to be approximately \$2.6 million with a corresponding revenue of \$2.0 million assuming 75% of invoiced amount is collected. Following the rule change, the total well assessment invoice amount for FY 25 is estimated to be \$4.8 million with a corresponding revenue of \$3.6 million assuming 75% of invoiced amount is collected. Since the rule change also allows operators to apply for an offset to the inactive well assessment based on plugging activity, a \$300,000 reduction in the total FY 25 inactive well assessment revenue is also anticipated assuming all operators maintain their level of abandonment activity and all eligible operators apply for the offset. This results in an anticipated FY 25 revenue increase of \$1.3 million which is a 66% increase in revenue. Revenue for FY 26 is estimated to be reduced 5% as a result of abandonment activity the agency hopes to incentivize with the rule change.

**III. COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS, SMALL BUSINESSES, OR NONGOVERNMENTAL GROUPS**

A. What persons, small businesses, or non-governmental groups would be directly affected by the proposed action? For each, provide an estimate and a narrative description of any effect on costs, including workload adjustments and additional paperwork (number of new forms, additional documentation, etc.), they may have to incur as a result of the proposed action.

The group directly affected by the rule change will be Exploration and Production (E&P) operating companies. The rule change is anticipated to apply to 480 operators. Of this total, 364 (75.8%) are expected to see an increase in their assessment amount, 90 (18.8%) are expected to see a decrease in their assessment amount and 26 (5.4%) are expected to see no change in their assessment amount. The average assessment increase is \$6,064 per year and 66.8% of operators with an increase will see an increase less than \$5,000 per year. Three (3) operators, 0.8% of those seeing an increase, are anticipated to have more than a \$100,000 increase in their annual assessment amount. The above estimates do not include the offset that will be allowed under the proposed rule for operators that permanently abandon more than 10 wells in the year preceding the assessment.

B. Also provide an estimate and a narrative description of any impact on receipts and/or income resulting from this rule or rule change to these groups.

The proposed rule change is not anticipated to impact receipts and/or income of these groups.

**IV. EFFECTS ON COMPETITION AND EMPLOYMENT**

Identify and provide estimates of the impact of the proposed action on competition and employment in the public and private sectors. Include a summary of any data, assumptions and methods used in making these estimates.

There are no anticipated effects on competition and employment.

Title 43  
NATURAL RESOURCES  
Part XIX. Office of Conservation—General Operations  
Subpart 1. Statewide Order No. 29-B

**Chapter 1. General Provisions**

**§137. Plugging and Abandonment**

**A. Schedule of Deadlines for Abandonment**

~~1. Dry Holes. All wells drilled for oil or gas and found to be dry prior to or after the effective date of this order shall be plugged within 90 days after operations have been completed thereon or 90 days after the effective date of this order, whichever is later, unless an extension of time is granted by the commissioner of conservation.~~

~~2]. Inactive, Future Utility Wells. All inactive wells classified as having future utility shall be plugged within five years of the date of the well becoming inactive. Failure to accurately report wells on the inactive well report shall be subject to the provisions of R.S. 30:17.~~

~~a. For wells that have been inactive for a period of four years or more on the effective date of this rule, the well shall be plugged within one year of the effective date of this Rule.~~

~~b. If an operator chooses not to plug an inactive well in accordance with this Section for reasons of future utility, an annual assessment of \$250 per well per year shall be assessed until the well is plugged in the amount specified by Table 1 hereof depending on the total depth of the well and length of inactivity according to Office of Conservation records.~~

Total Depth (ft)	Length of Inactivity (years)	
	5-10	10+
0-3,000	\$125	\$188
3,001-9,999	\$250	\$375
10,000+	\$500	\$750

~~c. For all inactive wells not already covered by financial security as required in §104, financial security shall be provided within one year of the promulgation of this Rule.~~

~~d. The commissioner of conservation may grant an extension of time or other exemption for cause.~~

~~e. An operator may submit a request to the commissioner for a schedule of abandonment as described in §137(A)(4) to assist with meeting its plugging obligations.~~

~~f]. All inactive wells shall be subject to the above provisions until the well has reported production for three consecutive months.~~

**22. Other Wells on or after Effective Date of Order**

~~a. All wells wherein production operations or use as a service well have ceased on or after the effective date of this order shall continue to be reported on the Form DM-1-R or Form DT-1 with the appropriate notation that the well is off production or no longer in use as a service well along with the date of last production or date the service well ceased to be used; and, after six months, if such a well has not been restored to production or use as a service well, it shall thereafter be reported by the operator on the semiannual inactive well report, Form INACT-WR-1 (1974) which report shall be filed with the Department of Conservation showing the status of such well as of April 1 and October 1 of each year (report to be filed no later than April 25 and October 25). Such wells shall continue to be reported on the Form DM-1-R or Form DT-1 showing the date of last production or the date the well ceased to be used as a service well, together with a notation showing the well is carried on the Form INACT-WR-1 (1974), Inactive Well Report, until the well is plugged and abandoned.~~

~~b. The inactive well report shall list the field, well name, well number and other pertinent data and provide an appropriate column to classify such well as having either future utility, or no future utility. If the well is classified as having future utility, operator shall specify such utility by completing the appropriate column on the form. Wells so classified shall be reviewed periodically by the district manager who, at his discretion, may require an operator to supply additional information to justify the classification.~~

~~ea. All such wells classified on the inactive well report by either the operator, the Engineering Enforcement Section Manager or the district manager as having no future utility shall be plugged within 90 days from the date of such classification unless any such well is included in a schedule of abandonment approved or promulgated by the commissioner of conservation or an extension of time is otherwise granted by the commissioner of conservation. The date any schedule of abandonment is approved or promulgated or an extension of time expires shall be shown in the appropriate column on the form.~~

~~b. All wells classified on the inactive well report as having no future utility shall be subject to an annual assessment in the amount specified by the Table 1 hereof depending on the total depth of the well and length of inactivity according to Office of Conservation records. Wells which have been inactive for more than 90 days but less than 10 years will be assessed using the amount for 5-10 years specified by Table 1.~~

~~c. For all inactive wells not already covered by financial security as required in §104, financial security shall be provided within one year of the promulgation of this Rule.~~

~~4. Schedule of Abandonment. A schedule of abandonment submitted in accordance with Subparagraph 2.a or 3.c above shall include a schedule or program for the orderly plugging of wells which should be consistent with prudent operating practices and take into account any economic considerations and other circumstances which would affect such a program of plugging wells. Any schedule of abandonment approved or promulgated by the commissioner of~~

conservation shall be followed unless modified by the operator with approval of the commissioner. Reference to the approved schedule of abandonment shall be made on the inactive well report for each well which is included in such a program and has not yet been plugged.

5. Administrative Interpretation. For purposes of administering the heretofore mentioned paragraphs, it is understood that:

a. a wellbore which is completed in more than one common source of supply (multiple completions) shall not be considered as ceasing to produce and shall not be reported on the inactive well report as long as there is production from or operations in any completion in the wellbore;

b. wells classified as having future utility may be off production or shut-in but are considered to have future utility for producing oil or gas, or for use as a service well.

3. Reduction of Inactive Well Assessment Amounts Based on Plugging Activity

a. Operators that plug ten (10) or more wells during the calendar year immediately preceding an inactive well assessment may apply for a reduction in the inactive well assessment based on Table 2 hereof for each well plugged and abandoned based on Office of Conservation records.

<b>Total Depth (ft)</b>	<b>Reduction Amount</b>
0-3,000	\$375
3,001-9,999	\$750
10,000+	\$1,500

4. Reporting

a. All wells wherein production operations or use as a service well have ceased on or after the effective date of this order shall continue to be reported on the Form DM-1-R or Form DT-1 with the appropriate notation that the well is off production or no longer in use as a service well along with the date of last production or date the service well ceased to be used; and, after six months, if such a well has not been restored to production or use as a service well, it shall thereafter be reported by the operator on the semiannual inactive well report, Form INACT WR-1 (1974) which report shall be filed with the Department of Conservation showing the status of such well as of May 1 and November 1 of each year (report to be filed no later than May 25 and November 25). Such wells shall continue to be reported on the Form DM-1-R or Form DT-1 showing the date of last production or the date the well ceased to be used as a service well, together with a notation showing the well is carried on the Form INACT WR-1 (1974), Inactive Well Report, until the well is plugged and abandoned.

b. The inactive well report shall list the field, well name, well number and other pertinent data and provide an appropriate column to classify such well as having either future utility, or no future utility. If the well is classified as having future utility, operator shall specify such utility by completing the appropriate column on the form. Wells so classified shall be reviewed periodically by the district manager who, at his discretion, may require an operator to supply additional information to justify the classification.

c. Administrative Interpretation. For purposes of administering the heretofore mentioned paragraphs, it is understood that:

i. a wellbore which is completed in more than one common source of supply (multiple completions) shall not be considered as ceasing to produce and shall not be reported on the inactive well report as long as there is production from or operations in any completion in the wellbore;

ii. wells classified as having future utility may be off production or shut-in but are considered to have future utility for producing oil or gas, or for use as a service well.

B. - H. ....

AUTHORITY NOTE: Promulgated in accordance with R.S. 30:4 et seq.

HISTORICAL NOTE: Adopted by the Department of Conservation (August 1943), amended (March 1974), amended by the Department of Natural Resources, Office of Conservation, LR 40:2597 (December 2014), LR 41:953 (May 2015), repromulgated LR 41:1120 (June 2015), LR 49: