

FISCAL AND ECONOMIC IMPACT STATEMENT  
WORKSHEET

Person  
Preparing  
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Phone: 225-342-9380 Office: Conservation

Return  
Address: Engineering Division Rule  
P.O. Box 94275 Title: Venting and Flaring of Natural Gas  
Baton Rouge, LA 70804 LAC 43:XIX.103, 3503, 3507, 3509, 3511

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 could result in a revenue increase for local and state governmental units based on additional natural gas volumes to be captured in new completions, resulting in additional royalties and severance taxes.

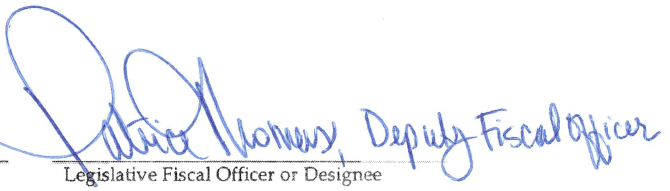
III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS, SMALL BUSINESSES, OR NON-GOVERNMENTAL GROUPS (Summary)

The group directly affected by the rule change will be Exploration and Production (E&P) operating companies. There are additional costs associated with the proposed rule change which should be balanced by revenue increases.

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  
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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 proposed rule change prohibits venting of natural gas except where permissible flaring is not an economical or safe alternative. The rule requires operators to certify availability of gas gathering capacity or provide a natural gas capture plan with the filing of a Permit to Drill Application. The rule change allows operators to apply for an exception to flaring restrictions when economics do not allow for capture. Anticipated benefits of these changes include reducing natural gas waste and recovering reserves.

- 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 8.1) to enact methane waste rules.

- 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

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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?

COSTS	FY 24	FY 25	FY 26
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.

SOURCE	FY 24	FY 25	FY 26
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  
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**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	See Below	See Below	See Below
Agency Self-Generated	\$ 0	\$ 0	\$ 0
Dedicated Funds*	\$ 0	\$ 0	\$ 0
Federal Funds	\$ 0	\$ 0	\$ 0
Local Funds	See Below	See Below	See Below
<b>TOTAL</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

\*Specify the particular fund being impacted - N/A

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.

A revenue increase is possible for local and state governmental units based on additional natural gas volumes to be captured in new completions, resulting in potential for royalties and severance taxes.

**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. There may be minor costs associated with assembling and implementing gas capture plans in cases where a well is planned without sufficient gas gathering capacity.

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 anticipated to increase income due to capture for sale or beneficial use of additional natural gas reserves.

**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**

...

**§103. Application to Drill**

A – A.2. ...

A.3. After [effective date of rule], the operator shall certify that it has determined at the time of submitting an application for permit to drill that:

a. it will be able to connect the well to a natural gas gathering system in the general area with sufficient capacity to transport one hundred percent of the volume of natural gas the operator anticipates the well will produce; or  
b. it will not be able to connect to a natural gas gathering system in the general area with sufficient capacity to transport one hundred percent of the volume of natural gas the operator anticipates the well will produce. The operator shall state that they will either:

- i. shut-in the well until the operator can comply with §103.A.3.a; or
- ii. evaluate if well is candidate for flaring based on economic hardship per §3507.B; or
- iii. provide a gas capture plan that evaluates or selects one or more beneficial uses until a natural gas gathering system is available, including:
  - I. field use;
  - II. power generation for alternative use;
  - III. enhanced recovery operations; and
  - IV. other alternative beneficial use that does not result in venting or flaring.

B – E.4 ...

AUTHORITY NOTE: Promulgated in accordance with R.S. 30:4 et seq., and R.S. 30:28(I)

HISTORICAL NOTE: Adopted by the Department of Conservation (August 1943), amended (August 1958), (August 1961), (May 1973), amended by the Department of Natural Resources, Office of Conservation, LR 34:2639 (December 2008), LR 39:515 (March 2013), effective on May 1, 2013, LR 49.

**Subpart 15. Statewide Order No. 45-I-A**

**Chapter 35. Gas/Oil Ratios, Allowables, Venting and Flaring of Natural Gas**

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**§3503. Definitions**

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Routine Flaring - flaring during normal oil production operations in the absence of sufficient facilities or amenable geology to re-inject the produced gas, utilize it on-site, or dispatch it to a market.

...

**§3507. Venting and Flaring of Gas**

A. ~~The venting of natural gas from any well producing in the state of Louisiana is hereby expressly prohibited except in those instances where permissible flaring as specified in §3507.B is not an economical or safe alternative. The Office of Conservation finds, upon written application, that such prohibition would result in an economic hardship on the operator of the well, lease or production facility from which the gas is proposed to be flared; provided, however, that no such economic hardship can be found in the case where the current market value, at the point of delivery, of the gas proposed to be flared exceeds the cost involved in making such gas available to a market. Such applications shall be filed with the district office and approval thereof will be at the discretion of the district manager.~~

B. The routine flaring of natural gas from any well producing in the state of Louisiana with a gas/oil ratio  $\geq$  2000/1 is hereby expressly prohibited except in those instances where the Office of Conservation finds, upon written application, that such prohibition would result in an economic hardship on the operator of the well, lease or production facility from which the gas is proposed to be flared; provided, however, that no such economic hardship can be found in the case where the current market value, at the point of delivery, of the gas proposed to be flared exceeds the cost involved in making such gas available to a market, or where revenue from a beneficial use identified in §103.A.3.b.ii.I-IV exceeds the cost involved in implementing same. Such applications shall be filed with the district office and approval thereof will be at the discretion of the district manager and documented with the allowable. Applications shall include relevant well information and:

1. Statement of need;
2. Economic justification;
3. Evaluation of alternative beneficial use per §103.A.3.b.ii.I-IV;
4. Rate; and

5. Length of time.

C. The routine flaring of natural gas from any horizontal well in the state of Louisiana with a gas/oil ratio < 2001/1 is hereby expressly prohibited except in those instances where application is made to and approved by the Office of Conservation as outlined in §3507.B.

D. Any permissible flares must be placed a sufficient distance from wells, storage tanks, and any other significant structures or objects so that the flare does not create a safety hazard.

E. Any permissible venting or flaring shall be reported, including measured or estimated volumes of each, on the monthly OGP and RSD.

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

HISTORICAL NOTE: Adopted by Department of Conservation, July 20, 1943, amended January 1, 1966, December 1, 1973, amended and promulgated by the Department of Natural Resources, Office of Conservation, LR 23:582 (May 1997), LR 49: (2023).

**§3509. Exceptions and Hearings**

A. These rules and regulations shall govern the production of oil and gas or both in the state of Louisiana, except:

1. where the production of oil and gas or both is regulated by special field orders; and
2. in the recognized stripper areas; and
3. venting or flaring during drilling, completion, and hydraulic fracturing operations production of oil and gas or both from horizontal wells.

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

HISTORICAL NOTE: Adopted by Department of Conservation, July 20, 1943, amended January 1, 1966, December 1, 1973, amended and promulgated by the Department of Natural Resources, Office of Conservation, LR 23:582 (May 1997), LR 49: (2023).

**§3511. Violations**

A. Unless specifically prohibited by the commissioner or his authorized staff, the venting or flaring of gas due to unavoidable situations will not be considered a violation of this Statewide Order. However, any venting or flaring which contradicts the spirit or intent of this Statewide Order shall be a violation hereof, and subject the operator to appropriate regulatory sanctions.

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

HISTORICAL NOTE: Adopted by Department of Conservation, July 20, 1943, amended January 1, 1966, December 1, 1973, amended and promulgated by the Department of Natural Resources, Office of Conservation, LR 23:583 (May 1997), LR 49: (2023).