

NOTICE OF INTENT

**Department of Natural Resources
Office of Conservation**

Inactive Well Assessments (LAC 43:XIX.137)

In accordance with the provisions of the Administrative Procedure Act (R.S. 49:950, et seq) and Title 30 of the Louisiana Revised Statutes of 1950 (R.S. 30:4 et seq), the Louisiana Department of Natural Resources, Office of Conservation hereby gives notice of its intent to amend LAC 43:XIX Subpart 1 (Statewide Order No. 29-B) Chapter 1 General Provisions to expand the applicability and amount of inactive well assessments. Benefits of these amendments 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 restoring existing orphaned sites and regulating oil and gas development to ensure protection of the environment and public safety.

**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. Deadlines for Abandonment

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

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

a. 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.

b. All wells classified on the inactive well report as having no future utility shall be subject to an annual assessment specified by Table 1 hereof depending on the total depth of the well and the 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.

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.

Total Depth (ft)	Reduction Amount
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 DM1-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:.

Family Impact Statement

The proposed Rule is not anticipated to have an impact on family formation, stability, and autonomy as described in R.S. 49:972.

Poverty Impact Statement

The proposed Rule is not anticipated to have an impact on poverty as defined by R.S. 49:973.

Small Business Analysis

The proposed Rule is not anticipated to have an adverse impact on small businesses as described in R.S. 49:965.6; therefore, a Small Business Economic Impact Statement has not been prepared.

Provider Impact Statement

The proposed Rule is not anticipated to have an impact on providers of services funded by the state as described in HCR 170 of the 2014 Regular Legislative Session.

Public Comments

All interested persons are invited to submit written comments on the proposed regulation. Persons commenting should reference "Inactive Well Assessments". Such comments must be received no later than Monday, August 21, 2023, at 4:30 p.m., and should be sent to Mr. Chris Sandoz, Office of Conservation, Engineering Regulatory Division, P. O. Box 94275, Baton Rouge, LA 70804-9275; hand delivered to 617 North Third Street, 9th Floor, Baton Rouge, LA 70802; by email to christopher.sandoz@la.gov; or by fax to (225) 342-2584.

Public Hearing

If requested, a public hearing will be held on Tuesday, August 29, 2023 at 9:00 a.m. in the LaSalle Building, LaBelle Hearing Room, 617 N. Third Street, Baton Rouge, LA 70802. If accommodations are required under the Americans With Disabilities Act, please advise the Office of Conservation, Engineering Division at P.O. Box 94275, Baton Rouge, LA 70804-9275 in writing within ten (10) working days of the hearing date.

Monique M. Edwards

Commissioner of Conservation

FISCAL AND ECONOMIC IMPACT STATEMENT FOR ADMINISTRATIVE RULES

RULE TITLE: Inactive Well Assessments

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.