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## DIGEST

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HB 819 Engrossed

2016 Regular Session

Jim Morris

**Abstract:** Authorizes the issuance of bonds secured by revenue deposited into the Oilfield Site Restoration Fund and bases the fees on oil production deposited into that fund on the price of a barrel of crude oil.

Present law establishes the Oilfield Site Restoration Fund (Fund) into which are placed fees collected on oil and gas production in the state, contributions, interest earned on the monies in the Fund, civil penalties, or costs recovered from responsible parties to oilfield site restoration, grants and donations, and site-specific trust accounts. Authorizes use of the monies in the Fund for oilfield site restoration or assessment conducted by the Dept. of Natural Resources for administration of the oilfield site restoration program.

Present law creates the Oilfield Site Restoration Commission within the office of the secretary of the Dept. of Natural Resources. Further provides for the powers of the commission.

Proposed law retains present law.

Proposed law authorizes an issuer, on behalf of the commission and at the direction of the secretary, to issue bonds to raise funds to use for the authorized purposes of the commission.

Proposed law provides that the bonds may be secured by an irrevocable pledge and dedication of revenues consisting of the oilfield site restoration fees and penalties and any other revenue to the extent appropriated, but shall not include site specific trust account monies. Such pledge shall not constitute a pledge of the full faith and credit of the state.

Proposed law requires the bonds be entitled to priorities on the revenues of the commission as provided in a loan agreement, trust indenture, or other instrument.

Proposed law provides that when any bonds have been issued and secured in accordance with proposed law, neither the commission, the department, the state, nor any other entity may act to impair any obligation or contract for the benefit of the holders of the bonds or discontinue or decrease any fee, rate, or other revenue in anticipation of the collection of which the bonds have been issued until all of the bonds have been retired as to principal and interest or irrevocable provision otherwise made for their complete redemption and payment in principal, interest, and redemption premium, if any, and the complete payment of all amounts due under the trust agreement pursuant to which the bonds are issued.

Proposed law provides for the validity of the pledge of revenues without physical delivery, notice, or recordation.

Proposed law authorizes the secretary or undersecretary of the department to execute certain agreements and documents necessary or desirable to carry out proposed law.

Proposed law authorizes the creation of funds or accounts for the revenues and proceeds of the bonds and the pledged revenues and authorizes the collection and disbursement of revenues in accordance with documents providing for the issuance of the bonds.

Proposed law authorizes the secretary to distribute revenue pursuant to proposed law to pay principal, interest, and related costs in connection with the issuance of bonds.

Present law provides the funds in the Oilfield Site Restoration Fund shall not be available to borrow. Proposed law provides the funds may be pledged in accordance with proposed law.

Present law imposes oilfield site restoration fees as follows: 1½¢ per barrel on oil and condensate and up to 3/10ths of 1¢ per 1,000 cubic feet on gas. Present law additionally provides for a reduced fee for reduced-rate production, such as stripper wells and incapable wells, which is a proportional reduction based on the reduction from the full rate severance tax.

Proposed law changes the fee from 1½¢ per barrel of oil and condensate to a fee based on the average New York Mercantile Exchange price of a barrel of crude oil as follows:

1. Price per barrel is \$60 or less, the fee is 1 ½¢.
2. Price per barrel is greater than \$60 and at or less than \$90, the fee is 3¢.
3. Price per barrel is greater than \$90, the fee is 4 ½¢.

Proposed law retain present law on the fee for gas.

Present law suspends collections of the fee upon certification by the treasurer that the Fund balance equals or exceeds \$10 million. Specifies that the collection of the fee resumes upon certification that the Fund balance is below \$6 million. Specifies that the funds in site-specific trust accounts are not counted in determining the balance of the Fund for this purpose.

Proposed law increases the Fund balances necessary to suspend or resume fee collections from \$10 million to \$12 million to suspend and from \$6 million to \$8 million to resume and provides that the funds generated from proposed law shall also not be counted in determining the balance of the Fund with such limitation.

Proposed law requires \$1 million from the Oil Field Site Restoration Fund be used to plug orphaned well drilled less than 3000 ft. wells in the Shreveport and Monroe office of conservation districts for three fiscal years beginning FY2016-2017.

Present law limits the liability or responsibility of the commission or the state to pay for site

restoration beyond the Oilfield Site Restoration Fund. Proposed law retains present law and includes funds established from the issuance of bonds.

Effective if and when House Bill No. 632 of this 2016 R.S. is enacted and becomes effective.

(Amends R.S. 30:82, 84(A)(1), 86(B), (C), and (E)(1), 87(A), (E), and (F)(1), and 95(A); Adds R.S. 30:83(F)(2), 83.1, and 86(F))

#### Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Natural Resources and Environment to the original bill:

1. Change the balance of the Oil Field Site Restoration Fund reaches to stop the collection of the per barrel fee from \$10 million to \$12 million and the balance collection resumes from \$6 million to \$8 million.
2. Require \$1 million from the Oil Field Site Restoration Fund to plug orphaned well drilled less than 3000 ft. wells in the Shreveport and Monroe office of conservation districts for 3 fiscal years.
3. Change the fee on crude oil and condensate from 1½¢ per barrel to a fee based on the price of a barrel of crude oil.
4. Effective date is if and when HB 632 of this 2016 R.S. is enacted and becomes effective.