

RÉSUMÉ DIGEST

ACT 583 (SB 428)

2016 Regular Session

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New law creates oilfield site trust accounts for certain orphaned well sites.

New law provides that an orphan well shall mean an oil or gas well that is designated as part of an orphaned oilfield site as of August 1, 2016, and thereafter and that has had no reported production for a period of greater than two years immediately prior to the production of oil, gas, or condensate.

New law provides that after satisfying the provisions of the Constitution of Louisiana relative to the allocation and distribution of severance tax proceeds and as further provided in statute, the remaining portion of the monies credited to the state treasury derived from the severance tax levied on oil, gas, and condensate from an orphaned well as defined in new law shall be credited to the associated site-specific trust account.

New law provides that upon full funding of the associated site-specific trust account in accordance with a plan approved by the assistant secretary as provided in new law, all monies remaining in the account shall again be credited in full to the state treasury. Also provides that so long as the conditions are met relative to the funding of the site-specific trust account, the assistant secretary shall not require additional financial security for the well.

New law provides that in the event of new production from a formerly orphaned well, a site-specific trust account shall be established to separately account for each such site for the purpose of providing a source of funds for site restoration of that oilfield site at such time in the future when restoration of that oilfield site is required. Once established, the site-specific trust account shall survive until completion of site restoration of the associated oilfield site.

New law provides that when establishing a site-specific trust account, the assistant secretary shall require an oilfield site restoration assessment to be made to determine the site restoration requirements existing at the time the site-specific trust account is established. The oilfield site restoration assessment shall be conducted by approved site assessment contractors appearing on a list approved by the commission or acceptable to the commission. The oilfield restoration assessment shall specifically detail the site's restoration needs and shall provide an estimate of the restoration costs needed to restore the oilfield site based on the conditions existing at the time the site-specific trust account is established. The assistant secretary shall monitor each trust account to assure that it is being properly funded and the funds in each trust account shall remain the property of the commission. Further provides that in the event that the site-specific trust account is not funded through the payment of the severance tax due the state for a period of greater than six months from the date of first production following designation of the well as part of an orphaned well site, then the assistant secretary shall require financial security in accordance with the office of conservation's rules and regulations.

New law provides that for transfers of oilfield sites that occur subsequent to the formation of site-specific trust accounts pursuant to new law but prior to the end of their economic life, the assistant secretary and the acquiring party shall, in the manner provided in new law, again redetermine cost. The balance of any site-specific trust account at the time of transfer shall remain associated with the oilfield site and shall be a factor in the redetermination.

New law provisions provide for the distribution of funds associated with the site for unusable oilfield sites, after site restoration has been completed and approved by the assistant secretary. Provides for disbursement of monies to the state general fund and in the event the responsible party has personally funded the site-specific trust account, in whole or in part, then to the responsible party in proportion to their percentage of funding.

New law provides for the distribution of certain collections of severance taxes to site-specific oilfield site trust accounts for orphaned wells.

New law directs the assistant secretary to make any necessary rules, regulations, and orders to implement the provisions of new law.

Effective upon signature of the governor (June 17, 2016).

(Amends R.S. 47:645(B); adds R.S. 30:88.1)