

SENATE BILL NO. 428

BY SENATOR ALLAIN

1 AN ACT

2 To amend and reenact R.S. 47:645(B) and to enact R.S. 30:88.1, relative to site-specific  
3 oilfield trust accounts; to provide for the use of certain funds in the state treasury  
4 derived from orphan wells for oilfield site restoration; to provide for an effective  
5 date; and to provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 30:88.1 is hereby enacted to read as follows:

8 **§88.1. Oilfield site trust accounts for orphaned wells**

9 **A. Orphan Wells. (1) For purposes of this Section, an orphan well shall**  
10 **mean an oil or gas well that is designated as part of an orphaned oilfield site as**  
11 **of August 1, 2016, and thereafter, and that has had no reported production for**  
12 **a period of greater than two years immediately prior to the production of oil,**  
13 **gas, or condensate to which this Section applies.**

14 **(2) After satisfying the provisions of Article VII, Sections 4, 9(B), 10-A,**  
15 **and 10.2 of the Constitution of Louisiana relative to the allocation and**  
16 **distribution of severance tax proceeds and as further provided in R.S.**  
17 **47:645(B), the remaining portion of the monies credited to the state treasury**  
18 **derived from the severance tax levied on oil, gas, and condensate from an**  
19 **orphaned well as defined in this Subsection shall be credited to the associated**  
20 **site-specific trust account in accordance herein.**

21 **(3) Upon full funding of the associated site-specific trust account in**  
22 **accordance with a plan approved by the assistant secretary as provided in this**  
23 **Section, all monies remaining in the account shall be credited in full to the state**  
24 **treasury as provided by R.S. 47:645(B).**

25 **(4) When the conditions of this Subsection are met relative to the funding**  
26 **of the site-specific trust account, the assistant secretary shall not require**

1 additional financial security for the well associated with that site-specific trust  
2 account.

3 B. New Production. In the event of new production from a formerly  
4 orphaned well, a site-specific trust account shall be established to separately  
5 account for each such site for the purpose of providing a source of funds for site  
6 restoration of that oilfield site at such time in the future when restoration of that  
7 oilfield site is required. Once established, the site-specific trust account shall  
8 remain in effect until completion of site restoration of the associated oilfield site.

9 C. Site Restoration Assessment. When establishing a site-specific trust  
10 account under this Section, the assistant secretary shall require an oilfield site  
11 restoration assessment to be made to determine the site restoration  
12 requirements existing at the time the site-specific trust account is established.  
13 The oilfield site restoration assessment shall be conducted by approved site  
14 assessment contractors appearing on a list approved by the commission or  
15 acceptable to the commission. The oilfield site restoration assessment shall  
16 specifically detail the site's restoration needs and shall provide an estimate of  
17 the restoration costs needed to restore the oilfield site based on the conditions  
18 existing at the time the site-specific trust account is established.

19 D. Trust Account Monitoring. The assistant secretary shall monitor each  
20 trust account to assure that it is being properly funded. The funds in each trust  
21 account shall remain the property of the commission. In the event that the  
22 site-specific trust account is not funded through the payment of the severance  
23 tax due the state for a period of greater than six months from the date of first  
24 production following designation of the well as part of an orphaned oilfield site,  
25 the assistant secretary shall require financial security in accordance with the  
26 office of conservation's rules and regulations.

27 E. Transfers of Oilfield Sites. When transfers of oilfield sites occur  
28 subsequent to the formation of site-specific trust accounts pursuant to this  
29 Section but prior to the end of the oilfield site's economic life, the assistant  
30 secretary and the acquiring party shall, in the manner provided in this Section,

1 redetermine cost. The balance of any site-specific trust account at the time of  
 2 transfer shall remain associated with the oilfield site and shall be a factor in the  
 3 redetermination.

4 F. Good Faith Disclosure. The failure of a transferring party to make a  
 5 good-faith disclosure of all oilfield site conditions existing at the time of the  
 6 transfer may render that party liable for the costs of restoration of such  
 7 undisclosed conditions in excess of the balance of the site-specific trust account.

8 G. Unusable Oilfield Sites. For unusable oilfield sites, after site  
 9 restoration has been completed and approved by the assistant secretary, funds  
 10 from a site-specific trust account shall be disbursed as follows:

11 (1) The balance of the funds existing in the site-specific trust account will  
 12 be remitted to the state general fund (direct) or in the event the responsible  
 13 party has personally funded the site-specific trust account, in whole or part,  
 14 then to the responsible party in proportion to their percentage of funding with  
 15 the remainder being remitted to the state general fund (direct).

16 (2) Such account shall thereafter be closed.

17 H. The assistant secretary shall make, after notice and public hearings  
 18 as provided in this Chapter, any reasonable rules, regulations, and orders that  
 19 are necessary to implement this Section.

20 Section 2. R.S. 47:645(B) is hereby amended and reenacted to read as follows:

21 §645. Disposition of collections

22 \* \* \*

23 B. One-third of the sulphur severance tax but not to exceed one hundred  
 24 thousand dollars, one-fifth of the severance tax on all natural resources other than  
 25 sulphur or timber but not to exceed five hundred thousand dollars, and three-fourths  
 26 of the timber severance tax shall be allocated to the governing authority of the parish  
 27 within which severance or production occurs and shall be credited to such parish by  
 28 the treasurer for allocation to the governing authority of the parish in which  
 29 severance or production occurs as provided in Article VII, Section 4 of the  
 30 Constitution of 1974. When these limits have been reached, there shall be no further

1 allocation, and all additional collections for the year shall be credited in full to the  
2 state treasury **except as provided in R.S. 30:88.1.**

3 \* \* \*

4 Section 3. This Act shall become effective upon signature by the governor or, if not  
5 signed by the governor, upon expiration of the time for bills to become law without signature  
6 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If  
7 vetoed by the governor and subsequently approved by the legislature, this Act shall become  
8 effective on the day following such approval.

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PRESIDENT OF THE SENATE

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SPEAKER OF THE HOUSE OF REPRESENTATIVES

\_\_\_\_\_  
GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: \_\_\_\_\_