RÉSUMÉ DIGEST

ACT 666 (HB 819) **2016 Regular Session** **Jim Morris**

Existing 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 (dept.) for administration of the oilfield site restoration program.

Existing law creates the Oilfield Site Restoration Commission (commission) within the office of the secretary of the dept. Further provides for the powers of the commission.

New 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, provided that annual debt service not be in excess of 50% of the pledged revenues estimated to be received in the calendar year the bonds are issued.

New 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, provided that annual debt service not be in excess of 50% of the pledged revenues estimated to be received in the calendar year the bonds are issued, 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.

New 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.

New law provides that when any bonds have been issued and secured in accordance with new 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.

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

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

New 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.

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

New law provides the funds in the Fund shall not be available to borrow. New law provides the funds may be pledged in accordance with new law.

Existing 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. Existing 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.

New 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 1½¢.

(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¢.

New law retains reduced rates in existing law for stripper wells and incapable wells and retains existing law fee on gas.

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

New law increases the Fund balances necessary to suspend or resume fee collections from $10 million to $14 million to suspend and from $6 million to $10 million to resume and provides that the funds generated from site-specific trust accounts and bonds authorized by new law shall also not be counted in determining the balance of the Fund with such limitation.

Prior law authorized the dept. to use up to $750,000 for the administration of the Fund.

New law increases the maximum amount from $750,000 to $950,000.

New law requires one million dollars or 20% of the amount appropriated to the fund, whichever is less, from the Fund be used to plug orphaned wells drilled less than 3000 ft. in the Shreveport and Monroe office of conservation districts for three fiscal years beginning FY 2016-2017 and through the end of FY 2018-2019. However, these monies are subject to being disbursed and expended for any costs associated with response and emergency as provided by existing law.

Existing law limits the liability or responsibility of the commission or the state to pay for site restoration beyond the Fund. New law adds to the amount of liability in existing law to include the funds established from the issuance of bonds.

Effective June 17, 2016.

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