

2016 Regular Session

SENATE BILL NO. 428

BY SENATOR ALLAIN

TAX/ENERGY. Dedicates certain funds to oilfield site-specific trust accounts in order to provide for oilfield site restoration. (gov sig)

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 or inactive wells for oilfield site restoration; to provide for an
5 effective 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 and inactive wells**

9 **A. Inactive Wells. (1) For purposes of this Section, inactive oil or gas**
10 **wells shall mean an unplugged oil or gas well that has been spud or has been**
11 **equipped with cemented casing and that has had no reported production for a**
12 **period of greater than five years immediately prior to the production of oil, gas,**
13 **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), fifty percent of that portion of the monies credited to the state**

1 treasury originally derived from the severance tax levied on oil, gas, and
2 condensate from an inactive oil or gas well as defined in this Subsection shall be
3 credited by the state treasurer to the associated site-specific trust account
4 created herein.

5 (3) Upon full funding of the associated site-specific trust account in
6 accordance with a plan approved by the assistant secretary as provided by this
7 Subsection, all monies remaining in the account shall again be credited in full
8 to the state treasury as provided in R.S. 47:645(B).

9 B. 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 originally derived from the severance tax levied on oil, gas, and condensate from
19 an 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 again be credited in full to the
24 state treasury as provided by R.S. 47:645(B).

25 (4) So long as the conditions of this Subsection are met relative to the
26 funding of the site-specific trust account, the assistant secretary shall not
27 require additional financial security for the well associated with that site-
28 specific trust account.

29 C. New Production. In the event of new production from a formerly

1 orphaned well or from an inactive oil or gas well, a site-specific trust account
2 shall be established to separately account for each such site for the purpose of
3 providing a source of funds for site restoration of that oilfield site at such time
4 in the future when restoration of that oilfield site is required. Once established,
5 the site-specific trust account shall survive until completion of site restoration
6 of the associated oilfield site.

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

17 E. Trust Account Monitoring. The assistant secretary shall monitor each
18 trust account to assure that it is being properly funded. The funds in each trust
19 account shall remain the property of the commission. In the event that the
20 site-specific trust account is not funded through the payment of the severance
21 tax due the state for a period of greater than six months, the assistant secretary
22 shall require financial security in accordance with the office of conservation's
23 rules and regulations.

24 F. Transfers of Oilfield Sites. When transfers of oilfield sites occur
25 subsequent to the formation of site-specific trust accounts pursuant to this
26 Section but prior to the end of the oilfield site's economic life, the assistant
27 secretary and the acquiring party shall, in the manner provided in this Section,
28 again redetermine cost. The balance of any site-specific trust account at the time
29 of transfer shall remain associated with the oilfield site and shall be a factor in

1 the redetermination.

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

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

9 (1) The balance of the funds existing in the site-specific trust account
10 will be remitted to the responsible party.

11 (2) Such account shall thereafter be closed.

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

13 §645. Disposition of collections

14 * * *

15 B. One-third of the sulphur severance tax but not to exceed one hundred
16 thousand dollars, one-fifth of the severance tax on all natural resources other than
17 sulphur or timber but not to exceed five hundred thousand dollars, and three-fourths
18 of the timber severance tax shall be allocated to the governing authority of the parish
19 within which severance or production occurs and shall be credited to such parish by
20 the treasurer for allocation to the governing authority of the parish in which
21 severance or production occurs as provided in Article VII, Section 4 of the
22 Constitution of 1974. When these limits have been reached, there shall be no further
23 allocation, and all additional collections for the year shall be credited in full to the
24 state treasury **except as provided in R.S. 30:88.1.**

25 * * *

26 Section 3. This Act shall become effective upon signature by the governor or, if not
27 signed by the governor, upon expiration of the time for bills to become law without signature
28 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
29 vetoed by the governor and subsequently approved by the legislature, this Act shall become

1 effective on the day following such approval.

The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Jay R. Lueckel.

DIGEST

SB 428 Original

2016 Regular Session

Allain

Proposed law creates oilfield site trust accounts for certain orphaned and inactive well sites.

Proposed law provides that inactive oil or gas wells shall mean an unplugged oil or gas well that has been spud or has been equipped with cemented casing and that has had no reported production for a period of greater than five years immediately prior to the production of oil, gas, or condensate.

Proposed 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, fifty percent of the portion of the monies credited to the state treasury originally derived from the severance tax levied on an oil, gas, and condensate from an inactive oil or gas well as defined in proposed law shall be credited by the state treasurer to the associated site-specific trust account created pursuant to proposed law.

Proposed law provides that upon full funding of the associated site-specific trust account in accordance with a plan approved by the assistant secretary of the office of conservation, all monies remaining in the account shall again be credited in full to the state treasury.

Proposed 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.

Proposed 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 originally derived from the severance tax levied on oil, gas, and condensate from an orphaned well as defined in proposed law shall be credited to the associated site-specific trust account.

Proposed 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 proposed 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.

Proposed law provides that in the event of new production from a formerly orphaned well or from an inactive oil or gas 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.

Proposed 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, then the assistant secretary shall require financial security in accordance with the office of conservation's rules and regulations.

Proposed law provides that for transfers of oilfield sites that occur subsequent to the formation of site-specific trust accounts pursuant to proposed law but prior to the end of their economic life, the assistant secretary and the acquiring party shall, in the manner provided in proposed 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.

Proposed 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.

Proposed law provides for the distribution of certain collections of severance taxes to site specific oilfield site trust accounts for orphaned wells and inactive wells.

Effective upon signature of the governor or lapse of time for gubernatorial action.

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