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

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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)