

1 WHEREAS, since 1993, the program has plugged two thousand six hundred six
2 wells at a cost of sixty-four million dollars with an additional two thousand eight hundred
3 thirty-three waiting restoration; and

4 WHEREAS, the current number of orphaned wells is three thousand sixty-six, of
5 those over two-thirds, two thousand one hundred ninety-seven, are located in the Shreveport
6 and Monroe districts of the office of conservation, covering the central and northern part of
7 the state; and

8 WHEREAS, the current prioritization of restoring orphan well sites is based on the
9 higher potential environmental impact, which are more expensive wells to plug, without
10 consideration of the possibility of plugging many low priority wells for the cost of one high
11 priority well; and

12 WHEREAS, a less expensive and more efficient means to plugging these wells,
13 currently considered low priority, is necessary if the goal of reducing and eventually
14 eliminating orphan wells is to be reached; and

15 WHEREAS, R.S. 30:92 authorizes the commissioner of conservation to conduct
16 orphan site restoration and to promulgate rules and regulations providing for procedures for
17 letting contracts for site assessment or site restoration of these sites through a formal bidding
18 process outside the Public Bid Law and Procurement Code; and

19 WHEREAS, through this rulemaking, the commissioner has the authority to create
20 a pilot program to contract with current operators or other qualified bidders with reduced
21 requirements with the goal of reduced costs and an efficient means to reducing a large
22 number of orphaned wells.

23 THEREFORE, BE IT RESOLVED that the Legislature of Louisiana does hereby
24 urge and request the Department of Natural Resources, office of conservation, to develop
25 an alternate method of contracting with operators or other qualified bidders for services to
26 plug orphaned oil and gas well sites, to implement the alternative method as a pilot program
27 for three years beginning Fiscal Year 2016-2017, and to report annually on the status of the
28 pilot program to the House Committee on Natural Resources and Environment and the
29 Senate Committee on Natural Resources beginning no later than March 1, 2017.

1 BE IT FURTHER RESOLVED that the alternative method of contracting shall
2 include but not be limited to the following:

3 (1) Require that the operators in the program have a good record of compliance, in
4 lieu of holding a contractor's license, with the office of conservation with no outstanding
5 violations.

6 (2) Develop criteria for qualified bidders that are not a current operator.

7 (3) Require a performance bond or letter of credit to an amount below fifty percent
8 of the contract.

9 (4) Provide for a completion date in the contract in lieu of providing for penalties
10 for lapse in work resulting from equipment failure or inclement weather.

11 (5) Provide for weekly, or less frequently, reporting of work performed by the
12 contractor in lieu of daily reporting.

13 (6) Require that the type equipment used by the contractor be based on the physical
14 characteristics of the well to be plugged.

15 (7) Require any pit used during the restoration process be properly lined and
16 properly disposed of after work is completed and limit reporting requirements for such pit.

17 (8) Consider payment for the contract to be on a cost plus a prenegotiated
18 percentage.

19 (9) Prioritize the focus of the pilot program on a large number of land based
20 orphaned wells that would otherwise not be a priority under the current method of
21 contracting.

22 BE IT FURTHER RESOLVED that when the Department of Natural Resources,
23 office of conservation implements the pilot program, from the monies appropriated to the
24 office by the legislature from the Oilfield Site Restoration Fund, the department is hereby
25 directed to fund the pilot program in an amount not less than one million dollars to plug
26 orphaned wells drilled to a depth less than three thousand feet in the Shreveport and Monroe
27 districts of the office of conservation beginning Fiscal Year 2016-2017 and through the end
28 of Fiscal Year 2018-2019.

1 BE IT FURTHER RESOLVED that a suitable copy of this Resolution be transmitted
2 to the commissioner of conservation and the secretary of the Department of Natural
3 Resources.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HCR 72 Engrossed

2016 Regular Session

Jim Morris

Urges and requests the Dept. of Natural Resources, office of conservation, to develop an alternate method of contracting for services to plug orphaned oil and gas well sites and to implement the alternative method as a pilot program for three years beginning FY 2016-2017. Also urges and requests the office of conservation to report annually on the status of the pilot program to the House Committee on Natural Resources and Environment and the Senate Committee on Natural Resources beginning no later than March 1, 2017.

Provides that the alternative method of contracting shall include, but not be limited to the following:

- (1) Require that the operators in the program have a good record of compliance, in lieu of holding a contractor's license, with the office of conservation with no outstanding violations.
- (2) Develop criteria for qualified bidders that are not a current operator.
- (3) Require a performance bond or letter of credit to amount below 50% of the contract.
- (4) Provide for a completion date in the contract in lieu of providing for penalties for lapse in work resulting from equipment failure or inclement weather.
- (5) Provide for weekly, or less frequently, reporting of work performed by the contractor in lieu of daily reporting.
- (6) Require that the type equipment used by the contractor be based on the physical characteristics of the well to be plugged.
- (7) Require any pit used during the restoration process be properly lined and properly disposed of after work is completed and limit reporting requirements for such pit.
- (8) Consider payment for the contract be on a cost plus a prenegotiated percentage.
- (9) Prioritize the focus of the pilot program on a large number of land based orphaned wells that would otherwise not be a priority under the current method of contracting.

Directs the Dept. of Natural Resources, office of conservation when the pilot program is implemented, from the monies appropriated to the office to fund the pilot program in an amount not less than \$1,000,000 to plug orphaned wells drilled to a depth less than 3,000 feet in the office of conservation's Shreveport and Monroe districts beginning FY 2016-2017 and through the end of FY 2018-2019.