

2016 Regular Session

HOUSE CONCURRENT RESOLUTION NO. 72

BY REPRESENTATIVES JIM MORRIS, ARMES, BISHOP, TERRY BROWN,
CHANEY, COUSSAN, DEVILLIER, MIGUEZ, MONTOUCET, WHITE, AND
ZERINGUE

A CONCURRENT RESOLUTION

To urge and request the Department of Natural Resources, office of conservation, to develop an alternate method of contracting with operators and other qualified bidders for services to plug orphaned oil and gas wells, to implement the alternative method as a pilot program for three years, and to report to the House Committee on Natural Resources and Environment and the Senate Committee on Natural Resources.

WHEREAS, orphaned wells are abandoned oil and gas wells for which no responsible operator can be located or such operator has failed to maintain the well site in accordance with state regulations; and

WHEREAS, the Louisiana Oilfield Site Restoration Program was created in 1993 within the Department of Natural Resources to address the growing problem of orphaned oilfield sites; and

WHEREAS, the focus of the program is to properly plug and abandon orphan wells in addition to properly restoring the site to approximate pre-well site conditions suitable for redevelopment; and

WHEREAS, revenue for the program is generated from a fee on oil and gas production in the state which is paid quarterly by Louisiana oil and gas operators; and

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

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

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

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

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

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

THEREFORE, BE IT RESOLVED that the Legislature of Louisiana does hereby urge and request the Department of Natural Resources, office of conservation, through the Administrative Procedure Act to develop an alternate method of contracting with operators or other qualified bidders for services to plug orphaned oil and gas well sites, to implement the alternative method as a pilot program for three years beginning Fiscal Year 2016-2017, and 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.

BE IT FURTHER RESOLVED 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 an amount below fifty percent 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 of 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 to 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.

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

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

SPEAKER OF THE HOUSE OF REPRESENTATIVES

PRESIDENT OF THE SENATE