

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 41** SLS 15RS 223
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 8, 2015 5:35 PM	Author: ALLAIN
Dept./Agy.: Natural Resources	Analyst: Drew Danna
Subject: Oilfield Site Restoration	

CONSERVATION OR DECREASE SD EX See Note Page 1 of 1
 Provides relative to the recovery of site restoration costs expended from the oilfield site restoration fund. (8/1/15)

Current law provides that the secretary of Department of Natural Resources is not authorized to recover restoration costs from parties that previously owned or operated an orphaned oilfield site unless restoration costs exceed \$250,000 for a particular well. Current law also provides that if the oilfield site does not meet the requirements of R.S. 30:88(F) and restoration costs exceed \$250,000, cost recovery will come from parties in inverse chronological order from the date on which the site was declared orphaned unless the party meets certain requirements necessary for exemption.

Proposed law changes the restoration costs limitation from \$250,000 to \$50,000. Proposed law also keeps the exception provisions of R.S. 30:88(F) in place while changing the restoration costs limitation from \$250,000 to \$50,000.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The proposed legislation is anticipated to result in an indeterminable reduction in statutory dedication expenditures from the Oilfield Site Restoration Fund (OSR). The bill reduces the restoration cost threshold for orphaned wells from \$250,000 to \$50,000. Under current law, parties that formerly owned or operated an orphaned oilfield site were not liable for oilfield site restoration costs until the costs exceeded \$250,000. This bill lowers the restoration cost threshold to \$50,000, which will likely decrease the responsibility of the state and increase the responsibility of the operators.

It is important to note that the number of orphaned sites fluctuate as additional wells can be added at any time and occasionally an operator will take over the lease of wells within the OSR program, removing them from the program. Orphaned sites are abandoned oil and gas wells for which no viable responsible party can be located or such party has failed to maintain the site in accordance with LA rules and regulations.

According to DNR data over the past 10 years, 131 of 1,126 orphaned well sites incurred restoration costs over \$50,000 but less than \$250,000, accounting for 11.6% of all orphaned sites. There are currently 3,008 orphaned well sites in the OSR program. To the extent that a similar percentage of the current wells within the program cost between \$50,000 and \$250,000, 389 of the 3,008 sites will meet the criteria, which will result in an indeterminable reduction of state expenditure for the OSR program as operators take on more of the costs to plug the orphaned sites.

According to DNR, an average of 112 sites are plugged per year with an average restoration cost of \$30,550 per well. Thus, this legislation may only impact a small percentage of operators.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

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|---|----------------------------|--------------|--|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

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