

2016 Regular Session

HOUSE BILL NO. 632

BY REPRESENTATIVES JIM MORRIS, BISHOP, AND TERRY BROWN

CONSERVATION: Provides for financial security required by applicants for drilling permits

1 AN ACT

2 To enact R.S. 30:3(18) and 4.3, relative to financial security required by the commissioner  
3 of conservation; to provide for financial security required to conduct certain oil and  
4 gas activity; to provide for required amounts; to provide for exemptions; to provide  
5 for an effective date; and to provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 30:3(18) and 4.3 are hereby enacted to read as follows:

8 §3. Definitions

9 Unless the context otherwise requires, the words defined in this Section have  
10 the following meaning when found in this Chapter:

11 \* \* \*

12 (18) "Operator in good standing" means an operator who has no outstanding  
13 violations and who has a record of compliance with applicable statutory  
14 requirements and the rules and regulations of the office of conservation for a period  
15 of forty-eight months immediately prior to the date an application for a permit to  
16 drill or an amendment to such permit is filed with the office.

17 \* \* \*

18 §4.3. Financial Security

19 A. As required by R.S. 30:4, an applicant for a permit to drill or to amend  
20 a permit to drill for change of operator shall provide financial security as provided

1 in this Section in a form acceptable to the commissioner. For an application for a  
2 permit to drill, the security shall be provided within thirty days of the completion  
3 date or from the date the operator is notified that financial security is required. For  
4 an application to amend a permit to drill for a change of operator, the security shall  
5 be provided as required by this Section or by establishing a site specific trust account  
6 in accordance with R.S. 30:88 prior to the operator change.

7 B. The amount of financial security required may be provided for an  
8 individual well based on drilling depth or on multiple wells based on the number of  
9 wells.

10 (1) For wells located on land the amount of financial security required shall  
11 be the following:

12 (a) For an individual well, one dollar per foot for wells of a depth less than  
13 three thousand feet, two dollars per foot for wells of a depth between three thousand  
14 one feet and ten thousand feet, and three dollars per foot for wells greater than ten  
15 thousand feet.

16 (b) For multiple wells, twenty-five thousand for ten or less wells, one-  
17 hundred twenty-five thousand dollars for eleven to ninety-nine wells, or two-hundred  
18 fifty thousand dollars for one-hundred or more wells.

19 (2) For wells located in water in the coastal zone as defined in R.S.  
20 49:214.23, except those located in a field designated as offshore by the  
21 commissioner, the amount of financial security required shall be the following:

22 (a) For an individual well, eight dollars per foot of well depth.

23 (b) For multiple wells, one-hundred twenty-five thousand dollars for ten or  
24 less wells, six-hundred twenty-five thousand dollars for eleven to ninety-nine wells,  
25 or one-million two-hundred fifty thousand dollars for one-hundred or more wells.

26 (3) For wells located offshore in a field designated by the commissioner the  
27 amount of financial security required shall be the following:

28 (a) For an individual well, twelve dollars per foot of well depth.

1                    (b) For multiple wells, two-hundred fifty thousand dollars for ten or less  
 2                    wells, one-million two-hundred fifty thousand dollars for eleven to ninety-nine wells,  
 3                    or two-million five-hundred thousand dollars for one-hundred or more wells.

4                    C. No financial security shall be required from an operator in good standing.  
 5                    In order for a new owner or an operator to retain the status of an operator in good  
 6                    standing, the new owner shall meet the requirements of R.S. 30:3(18) as determined  
 7                    by the commissioner.

8                    Section 2. This Act shall become effective upon signature by the governor or, if not  
 9                    signed by the governor, upon expiration of the time for bills to become law without signature  
 10                    by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If  
 11                    vetoed by the governor and subsequently approved by the legislature, this Act shall become  
 12                    effective on the day following such approval.

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#### 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)]

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HB 632 Original

2016 Regular Session

Jim Morris

**Abstract:** Provides for financial security requirements of certain drilling permit applicants.

Proposed law defines an "operator in good standing" as an operator who has no outstanding violations and who has a record of compliance with applicable statutory requirements and the rules and regulations of the office of conservation for a period of 48 months immediately prior to the date an application for a permit to drill or an amendment to such permit is filed with the office.

Proposed law exempts an operator in good standing from the financial security requirements in proposed law. In order for a new owner or an operator to retain the status of an operator in good standing, the new owner shall meet the requirement of proposed law as determined by the commissioner.

Proposed law requires an applicant provide financial security for a permit to drill or to amend a permit to drill for a change of operator in a form acceptable to the commissioner.

Proposed law requires that an applicant for a permit to drill provide security within 30 days of the completion date or from the date the operator is notified that financial security is required.

Proposed law requires that an applicant to amend a permit to drill for a change of operator provide the security as required by proposed law or by establishing a site specific trust account prior to the operator change.

Proposed law provides that the amount of financial security required may be provided by an individual well based on drilling depth or on multiple wells based on the number of wells as follows:

(1) Land based wells based on depth of individual well:

Measured Depth	Amount
<3,000 ft.	\$1 per ft.
3,001ft. - 10,000 ft.	\$2 per ft.
>10,001 ft.	\$3 per ft.

(2) Land based on number of wells:

Number of Wells	Amount
<10	\$ 25,000
11 - 99	\$125,000
>100	\$250,000

(3) For individual wells located in water in the coastal zone, except those located in a field designated as offshore, the amount shall be \$8 per foot of well depth.

(4) For multiple wells located in water in the coastal zone, except those located in a field designated as offshore, based on the number of wells:

Measured Depth	Amount
<10	\$ 125,000
11 - 99	\$ 625,000
>100	\$1,250,000

(5) For individual wells locate offshore as designated by the commissioner, the amount shall be \$12 per foot of well depth.

(6) For multiple wells locate offshore as designated by the commissioner, based on the number of wells:

Measured Depth	Amount
<10	\$ 250,000
11 - 99	\$1,250,000
>100	\$2,500,000

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

(Adds R.S. 30:3(18) and 4.3)