

2016 Regular Session

HOUSE BILL NO. 632

BY REPRESENTATIVES JIM MORRIS, ARMES, BILLIOT, BISHOP, TERRY BROWN,  
CHANEY, COUSSAN, DEVILLIER, FOIL, GISCLAIR, GUINN, LYONS,  
MIGUEZ, MONTOUCET, WHITE, AND ZERINGUE

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

1 AN ACT

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

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 30:4.3 is hereby enacted to read as follows:

9 §4.3. Financial Security

10 A. As required by R.S. 30:4, an applicant for a permit to drill or to amend  
11 a permit to drill for change of operator shall provide financial security as provided  
12 in this Section in a form acceptable to the commissioner. For an application for a  
13 permit to drill, the security shall be provided within thirty days of the completion  
14 date or from the date the operator is notified that financial security is required. For  
15 an application to amend a permit to drill for a change of operator, the security shall  
16 be provided as required by this Section or by establishing a site-specific trust account  
17 in accordance with R.S. 30:88 prior to the operator change.

18 B.(1) Except as provided in Paragraph (2) of this Subsection, the amount of  
19 the financial security shall be provided for in rules and regulations promulgated by the  
20 commissioner in accordance with the Administrative Procedure Act. The amounts

1        may be on an individual-well or multiple-well basis and may be categorized based  
2        on the well's location.

3                (2)(a) For an individual well located on land of a depth equal to or less than  
4        three thousand feet, the financial security required shall be no more than two dollars  
5        per foot.

6                (b) For multiple wells located on land, the financial security required shall  
7        be no more than twenty-five thousand dollars for ten or fewer wells, one hundred  
8        twenty-five thousand dollars for eleven to ninety-nine wells, or two hundred fifty  
9        thousand dollars for one hundred or more wells.

10               C. Operators shall not be required to provide financial security in the  
11        following circumstances:

12               (1) All wells exempt from financial security prior to September 1, 2015,  
13        shall remain exempt so long as they remain with their current operator or the  
14        operator's immediate family as defined in R.S. 42:1102(13). A change of name by  
15        an operator of record through acquisition, merger, or otherwise does not preclude the  
16        successor operator from maintaining the exemption described herein.

17               (2) Any well declared to be orphan by the commissioner or any well held by  
18        another operator and subsequently transferred to an operator with no outstanding  
19        violations and a record of compliance with applicable statutory requirements and the  
20        rules and regulations of the office of conservation for a period of forty-eight months  
21        immediately prior to the transfer.

22               (3) A well to be drilled by an operator who has an agreement with the office  
23        of conservation to plug a well that has been declared orphan by the commissioner  
24        and that orphaned well is similar to the proposed well in terms of depth and location.

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

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)]

HB 632 Reengrossed                      2016 Regular Session                      Jim Morris

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

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 shall be provided for in rules and regulations promulgated by the commissioner of conservation and may be on individual wells or multiple wells and categorized by location. However, proposed law sets the amount of required financial security for an individual well located on land of a depth equal to or less than 3,000 feet at no more than \$2 per foot.

Proposed law also sets the financial security of wells located on land based on the number of wells as follows:

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

Proposed law provides for exceptions from the financial security requirements for wells exempt before Sept. 1, 2015 and have the same operator or immediate family, orphaned wells or wells held by another operator transferred to a good history with the office, and wells where the operator has plugged a like well from the orphaned list pursuant to an agreement with the office.

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

(Adds R.S. 30:4.3)

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Natural Resources and Environment to the original bill:

1. Remove the definition of "operator in good standing".
2. Remove setting the amount of financial security for wells located on land deeper than 3,001 feet, in water, and offshore.

3. Set the amount of required financial security at \$2 per foot for individual wells drilled 3,000 feet or less.
4. Provide for exceptions from financial security requirements.