HLS 16RS-1961 ORIGINAL

2016 Regular Session

HOUSE CONCURRENT RESOLUTION NO. 53

BY REPRESENTATIVES BISHOP, CHANEY, AND JIM MORRIS

CONSERVATION: Suspends LAC 43:XIX.104 providing for financial security

1	A CONCURRENT RESOLUTION
2	To suspend until sixty days after final adjournment of the 2017 Regular Session of the
3	Legislature of Louisiana the provisions of LAC 43:XIX.104 requiring oil and gas
4	operators to provide financial security.
5	WHEREAS, orphaned wells are abandoned oil and gas wells for which no
6	responsible operator can be located or wells where the operator has failed to maintain the
7	well site in accordance with state regulations; and
8	WHEREAS, to address the cost to the state of orphaned wells, LAC 43:XIX.104
9	provides that in order to obtain a drilling permit, amend a drilling permit, or change the
10	named operator on a drilling permit, the operator is required to submit financial security to
11	ensure that the well can be properly plugged and abandoned and the associated site
12	restoration is accomplished; and
13	WHEREAS, in response to recommendations made in the May 2014 performance
14	audit conducted by the legislative auditor, the Department of Natural Resources, office of
15	conservation, began the rulemaking process in accordance with the Administrative
16	Procedure Act to amend LAC 43:XIX.104; and
17	WHEREAS, the rules substantially increase the level of financial security required,
18	often doubling the amount, and in some cases, increasing the amount by seven hundred
19	percent; and
20	WHEREAS, the rule also removes exemptions for operators who have exhibited a
21	record of compliance with the statutes, rules, and regulations regulating the oil and gas
22	industry; and

1 WHEREAS, the Louisiana Legislature recognizes the need of reducing and 2 eventually eliminating the existence of orphaned wells; and 3 WHEREAS, the House Committee on Natural Resources and Environment heard 4 public testimony on March 1, 2016, from many operators on the negative effects from the 5 combination of the increase in the financial security requirements provided in LAC 6 43:XIX.104, the fees increased by enactment of Act No. 362 of the 2015 Regular Session, 7 and the disastrous drop in oil prices; and 8 WHEREAS, it is clear from that testimony that the insolvency of a large number of 9 small operators is imminent; they simply cannot sustain their production efforts; and 10 WHEREAS, their insolvency will no doubt lead to an increase in the number of 11 orphaned wells further endangering public health and safety causing the exact opposite result 12 from that sought when the financial security requirements were increased. 13 THEREFORE, BE IT RESOLVED by the Legislature of Louisiana hereby suspends 14 the provisions of LAC 43:XIX.104 requiring oil and gas operators to provide financial 15 security. 16 BE IT FURTHER RESOLVED that this suspension shall become effective upon 17 adoption of this Resolution and shall extend through the sixtieth day after final adjournment 18 of the 2017 Regular Session of the Legislature of Louisiana.

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 53 Original

2016 Regular Session

Bishop

Suspends administrative rules requiring oil and gas operators to provide financial security. (Suspends LAC 43:XIX.104)