

July 7, 2008

Representative Jim Tucker, Speaker
Louisiana House of Representatives
PO Box 94062
Baton Rouge, LA 70804-9062

HAND DELIVERED

Re: Report of Proposed Amendments to
Office of Conservation Rules and Regulations
LAC 43:XIX.Subpart 1 Chapter 1 (Statewide Order No. 29-B)

Dear Representative Dove:

The Commissioner of Conservation, pursuant to Part 1 of Chapter 1 of Subtitle 1 of Title 30 of the Louisiana Revised Statutes of 1950 [LSA-R.S. 30:29(C)(2)], proposes to amend LAC 43:XIX.Subpart 1 Chapter 1 (Statewide Order No. 29-B). The following report regarding the amendment is submitted in accordance with La R.S. 49:968.B and C.

I. Copy of the rule as it is proposed for adoption per La R.S. 49:968.C(1):

See the attached Notices of Intent.

II. Statement of the proposed action per La R.S. 49:968.C(2):

The proposed amendment to LAC 43:XIX.103 (Permit to Drill) requires the addition of Interstate highways to the location plat along with the distance from the Interstate highway to the well and changes the required location plat scale to 1,000 feet to the inch. The amendment also requires the notification of appropriate state and local authorities by drilling permit applicants upon issuance of a permit to drill for wells located within 1,000 feet of an Interstate highway. Notification is achieved by providing a copy of the approved drilling permit and the certified location plat to the appropriate authorities. The agency name has also been updated from "Department of Conservation" to "Office of Conservation" and term "ownership" has been changed to "operator of record" for clarification.

The proposed amendment to LAC 43:XIX.111 (Diverter Systems and Blowout Preventers) includes requirements for diverter systems in areas where drilling hazards are known to exist or anticipated to divert fluids safely away from the facilities and personnel during a blowout event. The District Manager is also given authority to require the use of a diverter system on any well. These diverter systems must meet minimum specifications and

have certain characteristics, including the design, type and number of diverter lines, the number and location of control stations, valve types, and anchor and support systems.

The amendment also requires the proper design, installation, use, maintenance, and testing of blowout preventers for all wells during drilling, workover, or other appropriate well operations. The required minimum characteristics for blowout preventer systems and associated auxiliary equipment are specified, including preventer types, the number and location of control stations, valve types and pressure ratings.

The amendment requires inspections, drills, function tests and pressure tests be conducted at specified intervals to ensure diverter systems and blowout preventer systems are maintained and work properly when needed. Inspection, drill and test records are required to be maintained at the well site for review by the Office of Conservation. Well control safety training is also required for employees to ensure that all required equipment is used correctly.

III. The specific citation of the enabling legislation purporting to authorize amendment of the rule per La R.S. 49:968.C(3):

LSA-R.S. 30:4 et seq

IV. Statement of the circumstances requiring amendment of the rule per La R.S. 49:968.C(4):

Since 1987, there have been ninety-five (95) incidents during drilling or workover operations on oil and gas wells which resulted in the loss of well control (blowout). Of this number, sixty-eight (68) blowouts occurred in wells drilled since 1987. Blowouts, although infrequent, pose a serious threat to the environment, commerce and public safety. The frequency of oil and gas exploration and production activity occurring in close proximity to residential and commercial areas is becoming more prevalent and has the potential to exacerbate impacts caused by a blowout event.

Following the blowout of the A Wilberts Sons LLC 72 No. 1 well on November 15, 2007, Interstate Highway 10 was closed to traffic for an extended period resulting in inconvenience to the public and reported detrimental impact to commerce in the area. As a result, Governor Blanco, requested that the Commissioner of Conservation review all current regulations and make any changes necessary to reduce the likelihood of a similar incident.

In response to Governor Blanco's request, a temporary moratorium on the drilling of wells within one quarter mile of any Interstate highway was enacted by the Commissioner of Conservation on December 1, 2007 to allow time for a comprehensive review of the A Wilberts Sons LLC 72 No. 1 well control incident and all current state and federal regulations regarding drilling safety and well location requirements.

An Ad Hoc Committee on Drilling Safety, formed to complete the requested review, found that existing Office of Conservation rules (Statewide Order No. 29-B) regarding well control, promulgated in August 1943, contained only basic requirements for the use of blowout preventers during specific well operations. Enhancement of these limited requirements was identified by the committee as the most effective method for reducing the frequency of well

control failures and subsequent impacts. The committee also found that notification of local and state authorities, including emergency responders, prior to the commencement of drilling operations within 1,000 feet of any Interstate highway would likely reduce incident response time and reduce impacts to public safety and commerce in the event of a blowout.

As a result, amendments to the current rules were drafted by staff of the Office of Conservation, with technical input from the Ad Hoc Committee. The temporary drilling moratorium expired on June 28, 2008 and portions of the proposed rule amendments were implemented as Emergency Rules to preclude further extension of the moratorium while pursuing formal rule amendments.

V. Statement of the fiscal and economic impact of the proposed rule amendment per La R.S. 49:968.C(5):

See the attached Fiscal and Economic Impact Statement.

A notice of intent to initiate rule-making will be published in the Louisiana Register on July 20, 2008, with a public hearing on the proposal scheduled for Tuesday, August 26, 2008.

Please contact me at 225-342-5550 or Mr. Chris Sandoz of my staff at 225-342-5524 if there are questions.

Yours very truly,

James H. Welsh
Commissioner of Conservation

JHW:cs

Attachments