

**FISCAL AND ECONOMIC IMPACT STATEMENT
FOR ADMINISTRATIVE RULES**

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Return Address: Executive Division Rule Title: General Operations,
P.O. Box 94275 Statewide Order 29-B
Baton Rouge, LA 70804-9275 LAC 43:XIX. 104 (Financial Security)

Date Rule Takes Effect: February 2017

SUMMARY
(Use complete sentences)

In accordance with Section 953 of Title 49 of the Louisiana Revised Statutes, there is hereby submitted a fiscal and economic impact statement on the rule proposed for adoption, repeal or amendment. THE FOLLOWING STATEMENTS SUMMARIZE ATTACHED WORKSHEETS, I THROUGH IV AND WILL BE PUBLISHED IN THE LOUISIANA REGISTER WITH THE PROPOSED AGENCY RULE.

I. ESTIMATED IMPLEMENTATION COSTS (SAVINGS) TO STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

The proposed rule change will have no implementation costs to the state or local governmental units. The proposed rule change will reduce the per foot cost of financial security for inland wells shallower than 3,000 feet from \$7.00 to \$2.00 per foot and exempt wells orphaned by the commissioner and subsequently transferred to another operator from financial security requirements. The reduction in the per-foot cost is a result of Act 634 of the 2016 Regular Legislative Session, which set the rate at \$2.00 per foot. The previous rate of \$7.00 per foot was codified into rule. There are no costs to the Office of Conservation since the financial security will be able to be documented using existing documentation and staff.

II. ESTIMATED EFFECT ON REVENUE COLLECTIONS OF STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

There is no anticipated effect on revenue collections of state and local government units.

III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NON-GOVERNMENTAL GROUPS (Summary)

The group directly affected by the rule change will be certain Exploration and Production (E&P) companies that do not possess blanket financial security. These companies will need to provide smaller amounts of financial security if a new well is permitted or if an existing well is transferred and the well is drilled shallower than 3,000 feet and they choose to obtain financial security on a per footage basis. Additionally, wells orphaned by the commissioner and subsequently transferred to another operator will be exempted from financial security requirements.

IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)

The proposed rule change will have no effect on competition and employment.

Richard P. Ieyoub *John D. Carpenter*
Signature of Agency Head or Designee Legislative Fiscal Officer or Designee

Richard P. Ieyoub, Commissioner of Conservation

Typed Name & Title of Agency Head or Designee

11-9-2016

Date of Signature

11 / 9 / 16

Date of Signature

FISCAL AND ECONOMIC IMPACT STATEMENT FOR ADMINISTRATIVE RULES

The following information is required in order to assist the Legislative Fiscal Office in its review of the fiscal and economic impact statement and to assist the appropriate legislative oversight subcommittee in its deliberation on the proposed rule.

- A. Provide a brief summary of the content of the rule (if proposed for adoption or repeal) or a brief summary of the change in the rule (if proposed for amendment). Attach a copy of the notice of intent and a copy of the rule proposed for initial adoption or repeal (or, in the case of a rule change, copies of both the current and proposed rules with amended portions indicated).

The proposed rule seeks to implement Act 634 of the 2016 Legislative Session and will reduce the per foot cost of financial security for inland wells shallower than 3000 feet from \$7.00 to \$2.00 per foot and exempt wells orphaned by the commissioner and subsequently transferred to another operator from financial security requirements.

- B. Summarize the circumstances, which require this action. If the Action is required by federal regulation, attach a copy of the applicable regulation.

The proposed rule seeks to implement Act 634 of the 2016 Legislative Session.

- C. Compliance with Act 11 of the 1986 First Extraordinary Session

- (1) Will the proposed rule change result in any increase in the expenditure of funds? If so, specify amount and source of funding.

No. The proposed rule change will not result in any increase in the expenditure of funds.

- (2) If the answer to (1) above is yes, has the Legislature specifically appropriated the funds necessary for the associated expenditure increase?

(a) _____ Yes. If yes, attach documentation.

(b) _____ NO. If no, provide justification as to why this rule change should be published at this time

FISCAL AND ECONOMIC IMPACT STATEMENT

WORKSHEET

I. A. COSTS OR SAVINGS TO STATE AGENCIES RESULTING FROM THE ACTION PROPOSED

1. What is the anticipated increase (decrease) in costs to implement the proposed action?

COSTS	FY 16-17	FY 17-18	FY 18-19
Personal Services	\$ 0.00	\$ 0.00	\$ 0.00
Operating Expenses	\$ 0.00	\$ 0.00	\$ 0.00
Professional Services	\$ 0.00	\$ 0.00	\$ 0.00
Other Charges	\$ 0.00	\$ 0.00	\$ 0.00
Equipment	\$ 0.00	\$ 0.00	\$ 0.00
Major Repairs & Constr.	\$ 0.00	\$ 0.00	\$ 0.00
TOTAL	\$ 0.00	\$ 0.00	\$ 0.00
POSITIONS (#)	0	0	0

2. Provide a narrative explanation of the costs or savings shown in "A. 1.", including the increase or reduction in workload or additional paperwork (number of new forms, additional documentation, etc.) anticipated as a result of the implementation of the proposed action. Describe all data, assumptions, and methods used in calculating these costs.

Not applicable. There are no costs or savings to State Agencies resulting from the proposed actions. The proposed rule effects a cost to Oil and Gas E&P operators in that they must provide financial security. While this financial security is required, ideally the financial security will be released and no longer needed if and when the wells are plugged in accordance with Louisiana law.

3. Sources of funding for implementing the proposed rule or rule change.

SOURCE	FY 16-17	FY 17-18	FY 18-19
State General Fund	\$ 0.00	\$ 0.00	\$ 0.00
Agency Self-Generated	\$ 0.00	\$ 0.00	\$ 0.00
Dedicated	\$ 0.00	\$ 0.00	\$ 0.00
Federal Funds	\$ 0.00	\$ 0.00	\$ 0.00
Other (Specify)	\$ 0.00	\$ 0.00	\$ 0.00
TOTAL	\$ 0.00	\$ 0.00	\$ 0.00

4. Does your agency currently have sufficient funds to implement the proposed action? If not, how and when do you anticipate obtaining such funds?

Not applicable.

B. COST OR SAVINGS TO LOCAL GOVERNMENTAL UNITS RESULTING FROM THE ACTION PROPOSED.

1. Provide an estimate of the anticipated impact of the proposed action on local governmental units, including adjustments in workload and paperwork requirements. Describe all data, assumptions and methods used in calculating this impact.

The proposed rule amendment is not anticipated to result in costs or savings to local government units.

2. Indicate the sources of funding of the local governmental unit, which will be affected by these costs or savings.

Not applicable.

FISCAL AND ECONOMIC IMPACT STATEMENT
WORKSHEET

II. EFFECT ON REVENUE COLLECTIONS OF STATE AND LOCAL GOVERNMENTAL UNITS

A. What increase (decrease) in revenues can be anticipated from the proposed action?

REVENUE INCREASE/DECREASE	FY 16-17	FY 17-18	FY 18-19
State General Fund	\$ 0.00	\$ 0.00	\$ 0.00
Agency Self-Generated	\$ 0.00	\$ 0.00	\$ 0.00
Dedicated Funds*	\$ 0.00	\$ 0.00	\$ 0.00
Federal Funds	\$ 0.00	\$ 0.00	\$ 0.00
Local Funds	\$ 0.00	\$ 0.00	\$ 0.00
TOTAL	\$ 0.00	\$ 0.00	\$ 0.00

*Specify the particular fund being impacted.

B. Provide a narrative explanation of each increase or decrease in revenues shown in "A." Describe all data, assumptions, and methods used in calculating these increases or decreases.

There is no anticipated effect on revenue collections of state and local government units.

III. COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NON-GOVERNMENTAL GROUPS

A. What persons or non-governmental groups would be directly affected by the proposed action? For each, provide an estimate and a narrative description of any effect on costs, including workload adjustments and additional paperwork (number of new forms, additional documentation, etc.), they may have to incur as a result of the proposed action.

The group directly affected by these rules changes will be Exploration and Production (E&P) companies. The proposed rule amendment will reduce the per foot cost of financial security for inland wells shallower than 3000 feet to \$2.00 per foot and exempt wells orphaned by the commissioner and subsequently transferred to another operator from financial security requirements.

B. Also provide an estimate and a narrative description of any impact on receipts and/or income resulting from this rule or rule change to these groups.

The primary group impacted by these rule changes will be Exploration and Production (E&P) companies. The following table shows the approximate number of wells shallower than 3000 feet placed under financial security on a per footage basis for 2014 and 2015 as well as the anticipated wells for 2016 and the projected wells for 2017. Based on these numbers, while the cost per foot per well decreases form \$7.00 to \$2.00, the estimated overall decrease to well operators for the cost of financial security for 2017 would be approximately \$168,747.

Year	2014	2015	2016	2017
Total wells	318	160	25	28
Avg depth	1049	1234	1352	1212
FS Cost	2,335,074	1,382,080	236,600	67,853

Difference 2016 and 2017 = 168,747

IV. EFFECTS ON COMPETITION AND EMPLOYMENT

Identify and provide estimates of the impact of the proposed action on competition and employment in the public and private sectors. Include a summary of any data, assumptions and methods used in making these estimates.

There are no anticipated effects on competition and employment resulting from the proposed rule change.