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GOVERNOR

State of Louisiana
DEPARTMENT OF NATURAL
RESOURCES
OFFICE OF CONSERVATION

THOMAS F. HARRIS
SECRETARY

RICHARD P. IEYOUB
COMMISSIONER OF CONSERVATION

March 26, 2020

Mr. Gifford Briggs
Louisiana Oil and Gas Association
Via Email to gifford@loga.la

Mr. Tyler Gray
Louisiana Mid-Continent Oil and Gas Association
Via Email to tyler.gray@lmoga.com

RE: Emergency Measures to Help the Louisiana Oil and Gas Industry Survive

Messrs. Briggs and Gray,

My Office is in receipt of your letter dated March 25, 2020 requesting certain concessions on behalf of the Oil and Gas Industry that your organizations represent. The Office of Conservation readily recognizes and shares your concerns for the industry, particularly those smaller operators whose financial safety margin has been long eroded by suppressed market prices. It is because of these concerns that Conservation is already taking the steps it can within the law in an attempt to ease the burden on operators while maintaining our duty as regulators to ensure responsible operations. While Conservation has already begun to grant leniencies and extensions to operators on a case by case basis as requested, allow me to more specifically address the general concerns you raised in your letter.

With regard to plugging requirements, Conservation already allows for any operator that has wells on a schedule of abandonment to, on their own volition, delay the plugging of those wells for up to a year with no adverse consequences other than they are not allowed to add any additional wells to the schedule of abandonment. For wells that have been identified by the operator as inactive with no future utility, although the regulations currently require them to be placed on a schedule of abandonment or plugged within 90 days, Conservation will automatically grant an extension of 6 months as requested.

With regard to well test reports which are due every six months and production reports which are due monthly, Conservation will grant an additional 60-day delay on top of the current 60-day delay within which operators may submit their reports. Additionally, for operators that are deficient in providing the required reports, prior to issuing a Compliance Order with a Civil Penalty, Conservation will first send a Notice of Violation without any penalties for as long as the operator remains responsive, to give operators the maximum opportunity to comply with the law.

With regard to minor violations such as late filings, missing well signs or overgrown vegetation too close to production equipment that creates a fire hazard, in lieu of issuing a Compliance Order with or without a civil

Executive Division

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penalty, Conservation will first send a Notice of Violation without any penalties for as long as the operator remains responsive, to give operators the maximum opportunity to comply with the rules.

With regard to Mechanical Integrity Pressure Testing (MIPT), Conservation's Underground Injection Control Program is mandated to protect the Underground Sources of Drinking Water (USDW) from injection activities. To this end, in order to be granted Primary Enforcement Authority (Primacy) from the United States Environmental Protection Authority (EPA), the UIC program was required to adopt regulatory standards at least as restrictive as the EPA and demonstrate the presence of a program capable of enforcing those regulations. Because the MIPT is a direct measure of the risk of contamination to the USDW by the injection activities, a blanket suspension of this testing would be a direct violation of the primacy agreement between the State of Louisiana and the EPA. Conservation does, however, have authority, and currently utilizes said authority, to assist operators by granting extensions and deferments on a case-by-case basis.

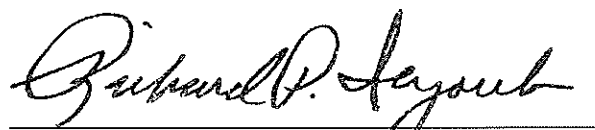
With regard to increasing the speed at which permits are approved, including work permits and Class 2 injection well permits, Conservation currently does not have a backlog. All permit requests have already been issued or are currently being reviewed. Further, requests for work permits, including workovers, can be done immediately, over the phone by verbal approval from the district managers with the paperwork to follow. Nevertheless, Conservation will continue to address all newly submitted permit requests in a timely manner. As concerns Salt Dome Cavern Permits, there is no way to expedite review without jeopardizing the primacy of our federally regulated program.

With regard to financial security for wells that have been designated by their operators as inactive, but having future utility, while the regulations granted all operators a one-year window in which to obtain financial security, Conservation routinely grants additional time on a case by case basis for cause. Under the current industry crisis, Conservation will consider that cause enough and will grant an extension to any operator that requests it.

With regard to fees such as application or permit fees, these are not discretionary. They are implemented by operation of law and are used to calculate Conservation's annual budget. Conservation does not have the authority to waive any of the fees established under La. R.S. 30:21. These fees are different from and should not be confused with the civil penalties as discussed above.

Conservation appreciates your interest and effort on behalf of industry and stands ready to address additional issues as they arise and continue to support the Oil and Gas industry in any way it can in this time of crisis.

Yours very truly,



RICHARD P. IEYOUB
COMMISSIONER OF CONSERVATION

RPI:jwa

Cc: President of the Senate Page Cortez, Speaker of the House Clay Schexnayder, Senator Bob Hensgens, Representative Jean-Paul Coussan