

The oil price collapse four years ago that sent operators into bankruptcy and the state into a prolonged recession left Louisiana with another problem: nearly 2,000 new "orphan" oil and gas wells that pose the risk of a slow-moving environmental crisis if left unplugged.

So far, it's a losing battle. With limited funds on hand, the rate at which the state is plugging abandoned wells is being outpaced by the rate at which wells are being orphaned. On net, there were 788 more orphan wells as of July than five years ago.

"We lost a lot of ground from 2014 on," said Patrick Courreges, communications director for the Department of Natural Resources. "It got real rough."

The problem of abandoned wells is not new to the state but has grown in size and urgency since the latest oil bust hit.

A state audit issued in 2014 found that a fee on all oil and gas operators, which funds the state's Oilfield Site Restoration Fund to pay for plugging orphan wells, was not sufficient to meet the demand at the time. While the state had plugged on average 95 wells per year from 2008 to 2013, an average of 170 newly-orphaned wells were added each year during that time period.

In the years since that audit, the Legislature upped the fee on oil drilling and made other changes to bolster the program. Still, the numbers have grown.

From 2014 to 2017, the state plugged an average of 105 orphan wells per year, according to Department of Natural Resources figures. During the same period, the state added 413 newly orphaned wells per year.

When oil and gas operators fall out of compliance with state rules, DNR hits them with fines and suspends their production until they fix the issue. If they can't come back into compliance, or if they don't respond, as is often the case, the state "orphans" them, banning the company and its officers from operating in the state.

All wells owned by those operators then become "orphaned" and are added to a growing list of wells that become the state's responsibility.

As oil and gas firms went belly up in Louisiana in the wake of the 2014 price crash, 1,985 new orphan wells were added to the state's list. While heavily concentrated in the Shreveport region and its stripper well operators there, orphan wells are littered throughout south Louisiana and the Monroe region as well. Dozens of offshore orphan wells pose an even greater financial challenge, costing tens of thousands more to plug than shallow north Louisiana wells.

The state gets a "rush" of new orphan wells in the wake of a downturn, Courreges said. In fact, Louisiana began its Oilfield Site Restoration program in 1993 in response to the 1980s oil bust, which similarly wiped out hundreds of operators and left thousands of abandoned wells.

"Not all the folks we orphan are bad operators and operate in bad faith," Courreges said. "A lot of them are good people who try to work within the rules and they just went broke."

Oil prices have rebounded in recent months and have hovered around \$70 a barrel. Historically, good times for the drilling industry means fewer orphan wells, as operators buy up many of the wells, tap the oil and natural gas and assume responsibility for plugging the wells.

But a rebound in onshore drilling in shale formations around the U.S. has left Louisiana behind, primarily because formations elsewhere are easier and cheaper to drill.

Industry leaders say a resurgence in Louisiana, if there is one, is likely to come in the Austin Chalk formation that stretches across the state's midsection. That play will need new wells, meaning a drilling boom there won't help the orphan well problem.

"If there is a resurgence in onshore drilling in Louisiana, it's going to be in the Austin Chalk," said Gifford Briggs, president of the Louisiana Oil and Gas Association. "Companies just aren't interested in drilling in south Louisiana."

The state has made several efforts in recent years to address the issue, including moves to add stronger financial security requirements, which Briggs said the industry supported.

The 2014 audit found that unlike other states, Louisiana didn't require all operators to put up a bond or other financial security on their wells; only 25 percent of wells were required to have

financial security at the time.

Financial security rules provide money for the state to use to plug a well in case the operator abandons it. After the audit, the state tightened those rules, and Courreges said the share of wells with security is higher now.

While the financial security rules provide a backstop for plugging wells, Courreges said they also present a roadblock to operators from scooping up abandoned wells and becoming responsible for them. Other oil and gas operators assuming ownership of abandoned wells to develop them is the most common way wells stay off the orphan list.

Wilma Subra, of the Louisiana Environmental Action Network, argues the financial security requirements aren't high enough and said the state should encourage "financially stable" companies to take over the wells.

Since 2010, the state has focused more heavily on plugging what it labels as priority one and two orphan wells. Those wells pose greater environmental risks but also are more expensive and led to fewer wells being plugged on net.

To balance it out, the state began dedicating 20 percent of the OSR funds, or \$1 million, whichever is less, to plugging shallow wells in north Louisiana. In 2017, the first full year that rule went into effect, the number of wells plugged soared to 221 from 42 in 2016.

Still, Subra said, the underlying problem is a lack of resources.

"We definitely know there are wells that are causing severe environmental impacts that there aren't enough resources to deal with," she said. "They're leaking, they're spilling, they're emitting."

State Rep. Jim Morris, R-Oil City, has carried much of the legislation on orphan wells in recent years. He said his ultimate goal is to incentivize operators to take responsibility for wells and eventually plug them.

In 2016, Morris passed a bill that increased the oilfield site restoration fees on oil from 1.5 cents to 3 cents per barrel — if the price per barrel is above \$60. If the price rises above \$90, the fee increases to 4.5 cents.

Even if the state got an influx of funds to pay for plugging wells, finding contractors that are willing to do the work is a challenge.

According to DNR, there are dozens of contractors that have met the requirements to do the work plugging wells for the state. When it comes time to bid out the projects, only a handful take the jobs, something Courreges called a "bottleneck."

Morris said he also passed a resolution to start a pilot program to incentivize more contractors to bid on well-plugging projects. That, plus the legislation tightening the OSR rules in the past two years, will take time to show results, he said.

"I think right now we just need to wait and look at the legislation we put into place and give it some time," Morris said. "Maybe that'll help. This problem wasn't created overnight, and it won't be solved overnight."

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