

Why We Conducted This Audit

We evaluated the Department of Energy and Natural Resources (DENR) - Office of Conservation's (OC) progress toward addressing issues identified in our May 2014¹ and March 2020² performance audits on OC's management of orphaned wells during fiscal years 2020 through 2023. OC's Oilfield Site Restoration (OSR) Program was created in 1993 to properly plug³ orphaned wells. The 2014 and 2020 audits found that OC did not always effectively manage orphaned wells, and that OC faced several challenges in addressing their growing population. This is one of two reports on how the state is addressing the growing population of orphaned wells. The other report⁴ focuses on OC's oversight of the Louisiana Oilfield Restoration Association (LORA) in its efforts to provide affordable financial security⁵ and assistance with plugging orphaned wells.



Source: Prepared by legislative auditor's staff using data provided by OC.

What We Found

Since our 2014 audit, the number of orphaned wells increased 68.1%, from 2,846 in July 2013 to 4,785 in April 2024. When evaluating OC's progress toward addressing orphaned oil and gas wells, we found the following:

- **Although more oil and gas wells are covered by financial security since OC removed most exemptions, financial security amounts are still not sufficient to cover the actual cost of plugging wells.** Securing more wells with site-specific trust accounts (SSTAs) would help ensure that operators pay to plug orphaned wells instead of OSR. Unlike other financial security, SSTAs are based on an estimate of actual costs to plug wells.

Continued on next page

¹Louisiana Legislative Auditor (LLA), "[Regulation of Oil and Gas Wells and Management of Orphaned Wells: Office of Conservation - Department of Natural Resources](#)," May 2014.

²LLA, "[Progress Report: Regulation of Oil and Gas Wells and Management of Orphaned Wells: Office of Conservation - Department of Natural Resources](#)," March 2020.

³As used in this report, "plugging" encompasses all required oilfield site restoration activities, including plugging wells, pit closure, site remediation, and removal of oilfield equipment.

⁴LLA, "[Oversight of the Louisiana Oilfield Restoration Association's \(LORA\) Efforts to Address Orphaned Oil and Gas Wells: Office of Conservation - Department of Energy and Natural Resources](#)," October 2024

⁵Financial security is similar to insurance in that it provides the state with funds to plug secured wells if they are orphaned due to operator abandonment or noncompliance.

Progress Report: State Efforts to Address Orphaned Oil and Gas Wells

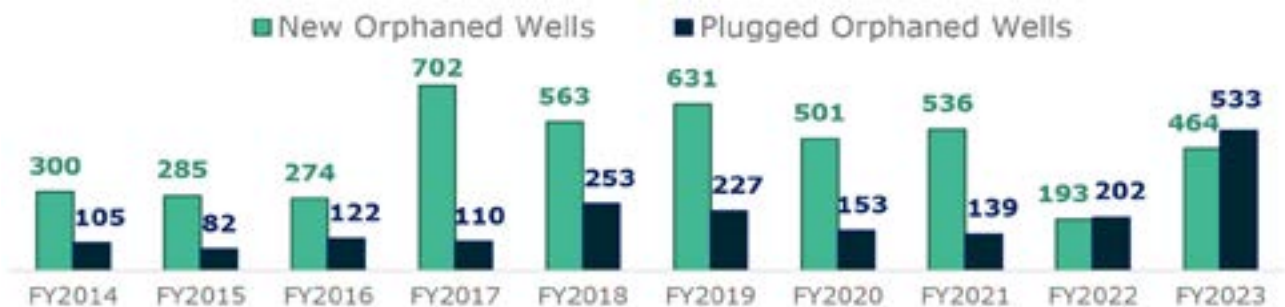
Office of Conservation - Department of Energy and Natural Resources

What We Found (Cont.)

- OSR and LORA plugged 976 orphaned wells from fiscal years 2020 through 2023, including 396 wells that were plugged using grants from the federal government. However, despite increased plugging efforts, the number of orphaned wells continues to grow. The number of orphaned wells plugged per year increased 247.7%, from 153 in fiscal year 2020 to 533 in fiscal year 2023 due to assistance from LORA and federal grant funds. However, the number of orphaned wells only decreased 0.9%, from 4,295 in January 2020 to 4,258 as of October 2023, and then rose 12.4% to 4,785 by April 2024.

Louisiana also has an unknown number of undocumented wells, which are wells that were drilled and abandoned before regulatory programs were established. According to the Interstate Oil and Gas Compact Commission, undocumented wells often go undetected for years or decades.

New Orphaned Wells and Plugged Orphan Wells Fiscal Years 2014 through 2023*



*Numbers may not match previous reports because OC updated its reporting method to be more accurate.

Source: Prepared by legislative auditor's staff using SONRIS data provided by OC.

- Funding limitations prevent OC from expanding the OSR Program's efforts to plug more orphaned wells, as state law limits OSR's ability to collect adequate funding to address the orphaned oil well population. We estimated that it will take approximately \$542.9 million to address the current population of orphaned wells; however, state law currently requires that collection of oil and gas production fees be suspended if the OSR Fund exceeds \$14 million. In addition, no changes have been made to the rate of gas production fees since 2004, which accounted for 79.5% of OSR's revenue in fiscal years 2020 through 2023, and more than \$10 million of collected financial security had not been spent as of the end of fiscal year 2023 due to delays caused by factors such as OSR budget priorities.
- The number of inactive wells, which have a higher risk of being orphaned, increased 21.7%, from 17,775 in August 2019 to 21,629 in April 2024. Although OC recently updated regulations to increase the annual inactive well fees based on the time each well has been inactive, OC does not place as many restrictions on inactive wells as some other states.

This report contained three recommendations, and DENR agreed with all of them. The report also included four matters for legislative consideration.

View the full report, including management's response, at www.lla.la.gov.