

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**March 19, 2003**

**TO:** Honorable George "Buddy" West, Chair, House Committee on Energy Resources

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB942** by Chisum (Relating to certain exemptions from bond requirements for certain well operators.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB942, As Introduced: an impact of \$0 through the biennium ending August 31, 2005, if the effective date of the bill is June 1, 2003; or an impact of \$0 through the biennium ending August 31, 2005, if the effective date of the bill is September 1, 2003.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**All Funds, Six-Year Impact:**

Fiscal Year	Probable (Cost) from <i>OIL-FIELD CLEANUP ACCT</i> 145	Probable Revenue (Loss) from <i>OIL-FIELD CLEANUP ACCT</i> 145
2003	(\$187,484)	(\$241,500)
2004	(\$749,936)	(\$966,000)
2005	(\$749,936)	\$0
2006	(\$749,936)	\$0
2007	(\$749,936)	\$0
2008	(\$749,936)	\$0

Scenario 1 assumes the bill would take effect on June 1, 2003. Amounts are calculated at 25 percent of the annual amounts for years beginning in fiscal year 2004.

Fiscal Year	Probable Revenue (Loss) from <i>OIL-FIELD CLEANUP ACCT</i> 145	Probable Revenue Gain/(Loss) from <i>OIL-FIELD CLEANUP ACCT</i> 145
2004	(\$966,000)	(\$749,363)
2005	\$0	(\$749,363)
2006	\$0	(\$749,363)
2007	\$0	(\$749,363)
2008	\$0	(\$749,363)

**Fiscal Analysis**

The bill would exempt non-well operators, such as water haulers, pipeline companies and well pluggers from bonding or alternative forms of financial security requirements in Natural Resources Code, Section 91.103 until September 1, 2004. After September 1, 2004, such entities would be exempt from bonding, letter of credit and cash deposit requirements Code, Section 91.103. The bill would take effect immediately if it receives two-thirds vote in both houses. Otherwise, it would take effect on September 1, 2003.

## **Methodology**

Under current law, the Railroad Commission is authorized to collect, until September 1, 2004, an "alternate form" of financial assurance. The agency has been collecting alternate forms of financial assurance in the form of nonrefundable fees that are deposited to the credit of the Oil Field Cleanup Account No. 145. Since the bill would exempt non-well operators from financial assurance requirements, it is estimated that the bill's passage would result in a \$966,000 decrease in revenues in fiscal year 2004, based on the amount of fees-in-lieu of bonding currently being paid by 438 non-well operators without bonding. This loss is only expected in fiscal year 2004, (and in the final months of fiscal year 2003, if the bill were to become effective immediately) since provisions for alternate forms of payment expire on September 1, 2004.

The bill's provisions exempting non-well operators from financial assurance requirements are expected to result in an increase in the number of abandoned wells requiring plugging at the expense of the state. It is estimated this would result in increased costs to the state of \$749,936 per year. This estimate is based on the assumption that three of the 438 non-well operators without bonding would require plugging at the expense of the Commission each year. This estimate assumes that two of those sites would be standard non-well site cleanups at an average cost of \$58,968 per site, based on the average cleanup costs for non-well sites in 2001. The remaining one site per year is expected to be a major cleanup of a pipeline-related facility. Cleanup costs for such a facility is estimated to be \$632,000 per site, according to the Railroad Commission. This estimate assumes that all such costs would be paid out of the Oil Field Cleanup Account No. 145.

## **Technology**

Some programming changes at the Railroad Commission are expected. However, these are not anticipated to be significant.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 455 Railroad Commission

**LBB Staff:** JK, JO, CL, MS, TL