

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

**FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION**

**May 2, 2005**

**TO:** Honorable Kenneth Armbrister, Chair, Senate Committee on Natural Resources

**FROM:** John S. O'Brien, Deputy Director, Legislative Budget Board

**IN RE: SB1166** by Armbrister (Relating to the enforcement of the laws governing plugging of abandoned oil and gas wells and preventing, controlling or cleaning up oil and gas wastes or other substances or materials regulated by the Railroad Commission of Texas. ), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1166, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2007.

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

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	\$0
2007	\$0
2008	\$0
2009	\$0
2010	\$0

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

Fiscal Year	Probable Revenue Gain/(Loss) from <i>OIL-FIELD CLEANUP ACCT</i> 145
2006	\$700,056
2007	\$629,680
2008	\$629,680
2009	\$629,680
2010	\$629,680

**Fiscal Analysis**

The bill would allow the Railroad Commission) to dispose of any interest of an operator or nonoperator in any hydrocarbons (oil and gas) upon foreclosure of a statutory lien by the commission, as provided by the bill. However, these provisions would not apply to proceeds from the sale of hydrocarbons that would otherwise be directed to the permanent school fund or permanent university fund.

The bill would provide for the Railroad Commission to use funds recovered to plug a well. The bill would also provide to the Railroad Commission the authority in an enforcement action to order an operator to pay the estimated cost of plugging for a well not brought into compliance within 60 days

of an enforcement order. The Railroad Commission would be able to request from the Attorney General to file suit to collect the estimated plugging costs if the costs are not paid by the operator within 75 days of the enforcement order. Any funds recovered by the Railroad Commission acquired from liens and enforcement orders would be deposited to the credit of the Oil Field Cleanup Account No. 145.

The bill would provide that the Railroad Commission could use funds in the Oil Field Cleanup Account No. 145 to seek reimbursement from a responsible operator or nonoperator, and it would allow Railroad Commission staff to enter the property of an operator or nonoperator to take measures necessary to prevent unauthorized discharges or to control or prevent pollution.

### **Methodology**

Because the bill would allow the Railroad Commission to dispose of interests of operators and nonoperators in the sale of hydrocarbons and allow the commission to require payment of costs for well pluggings through enforcement orders, the bill's passage would increase revenue to the Oil Field Cleanup Account No. 145. According to the Railroad Commission, it would expect to obtain some form of reimbursement from only a portion of operators and nonoperators, with most reimbursement coming from recently delinquent operations. Assuming the agency would receive reimbursement for 8 percent of the well sites it plans to plug during fiscal years 2006 and 2007, it is estimated that the Oil Field Cleanup Account No. 145 would experience a revenue gain of \$700,056 in fiscal year 2006 and \$629,680 in future years.

Although the Railroad Commission would require additional expertise to obtain information relating to the identity of nonoperators and to place liens as provided in the bill, this estimate assumes that such costs would not be significant to the Railroad Commission's Oil Field Cleanup program budget.

Any costs to the Attorney General's Office associated with filing suits against noncompliant operators and nonoperators would be absorbed within the agency's current budget.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 455 Railroad Commission, 302 Office of the Attorney General

**LBB Staff:** JOB, WK, ZS, TL, KJG