

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 29, 2005

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

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

IN RE: SB1698 by Averitt (Relating to fees and penalties for oil and gas operations.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1698, Committee Report 1st House, Substituted: a positive impact of \$5,653,000 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	\$2,912,000
2007	\$2,741,000
2008	\$2,741,000
2009	\$2,741,000
2010	\$2,741,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from GENERAL REVENUE FUND 1	Probable Revenue Gain/(Loss) from OIL-FIELD CLEANUP ACCT 145
2006	\$2,912,000	\$306,000
2007	\$2,741,000	\$306,000
2008	\$2,741,000	\$306,000
2009	\$2,741,000	\$306,000
2010	\$2,741,000	\$306,000

Fiscal Analysis

The bill would change the fee amount assessed by the Railroad Commission for each application or materially amended application for a permit to drill, deepen, plug back, or reenter a well, or to expedite the application. The bill would increase drilling permit fees and direct the amount of fee increase to the General Revenue Fund. The bill would maintain the 100 percent allocation to the Oil Field Cleanup (OFCU) Account No. 145 for Rule 37 spacing or Rule 38 density exception review applications. The bill would redirect drilling permit fee revenues from the OFCU Account No. 145 to the General Revenue Fund.

The bill would add a new inactive well fee of \$100 per inactive well, to be paid annually at the time the operator's organization report is due. The inactive well fees would be deposited to the credit of the OFCU Account No. 145.

The bill would increase application fees injection well permits from \$300 from \$200. The bill would increase the fee for a permit to discharge to surface water to \$500 from \$300. The bill would direct revenues from the fee increases to the General Revenue Fund.

The bill would provide for a transfer of revenue from from the General Revenue Fund to the OFCU Account No. 145 when the General Revenue portion of fees collected from drilling permit applications and injection well permit applications would exceed \$ 2.9 million in a given fiscal year.

The bill would allow the Railroad Commission to suspend an organization report of a delinquent organization until fees and penalties have been paid in full. All organizatoin report fees and penalties would be deposited to the OFCU Account No. 145.

The bill would redirect hazardous oil and gas waste generation fee revenues from the OFCU Account No. 145 to the General Revenue Fund.

The bill would increase the application fee for an oil and gas waste disposal well permit to \$300 from \$100 and provide that the amount of additional revenue be deposited to the credit of the General Revenue Fund.

Methodology

The bill would result in additional revenues being generated in the General Revenue Fund and the OFCU Account No. 145. The amounts shown in the table above were provided by the Comptroller of Public Accounts, based on the 2006-07 Biennial Revenue Estimate and data and projections provided by the Railroad Commission.

The bill's provision for the transfer of revenue from from the General Revenue Fund to the OFCU Account No. 145 when the General Revenue portion of fees collected from drilling permit applications and injection well permit applications would exceed \$ 2.9 million in a given fiscal year is not expected to have a significant fiscal impact because such revenues are not expected to exceed \$2.9 million in any single fiscal year.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission

LBB Staff: JOB, WK, ZS, TL