

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

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**March 30, 2007**

**TO:** Honorable Rick Hardcastle, Chair, House Committee on Energy Resources

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

**IN RE: HB1904** by Crossover (Relating to the financial security requirements for operators of oil and gas wells.), **As Introduced**

**No significant fiscal implication to the State is anticipated.**

The bill would increase the required amount of benefits that must be provided for in a well-specific insurance policy to meet financial security requirements for oil and gas well operators. The bill would also increase to the amount of bonding, letter of credit, or cash deposit required for blanket bonds for such operators.

The Railroad Commission reports that the bill's passage could initially result in an increase in the number of wells that would be abandoned because certain operators would not be able to meet the bill's bonding requirement, which could increase the state's liability for well plugging. However, the overall impact of the bill is expected to reduce the number of abandoned wells because all wells would eventually be covered by sufficient financial assurance. The Railroad Commission also reports that there could be some loss in revenue from P-5 filing fees because certain operators may reorganize their operations to minimize the impact of the increased bonding requirements in the bill. These losses are not expected to be significant.

The Railroad Commission expects to require additional staff, especially in the first two years of implementation of the bill, to handle additional inquiries it would receive regarding the financial assurance requirement changes. The agency also expects to perform more inspections to ensure that wells not covered by financial assurance are otherwise in compliance. In addition, minor reprogramming of the agency's organizational report renewal system. However, none of these costs are expected to be significant.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 455 Railroad Commission

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