

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

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

**May 8, 2007**

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

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

**IN RE: SB1574** by Duncan (Relating to the regulation by the Railroad Commission of Texas of the use of the surface of land in connection with certain activities associated with the exploration, development, or production of oil or gas, including the gathering of oil or gas by pipeline.),  
**As Engrossed**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1574, As Engrossed: a negative impact of (\$422,094) through the biennium ending August 31, 2009.

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
2008	(\$248,547)
2009	(\$173,547)
2010	(\$173,547)
2011	(\$173,547)
2012	(\$173,547)

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

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND</i> 1	Change in Number of State Employees from FY 2007
2008	(\$248,547)	3.0
2009	(\$173,547)	3.0
2010	(\$173,547)	3.0
2011	(\$173,547)	3.0
2012	(\$173,547)	3.0

**Fiscal Analysis**

The bill would require an oil or gas operator to transfer or remove well-site equipment associated with a well has been inactive for more than 12 months. The operator could move the equipment to another well-site on the leased premises for use in connection with another well or remove the well-site equipment from the leased premises, unless the lease or other agreement with the lessor provides otherwise. If an operator transfers well-site equipment to another well-site on the leased premises for use in connection with another well, the operator would be required to employ a substantial portion of the equipment in connection with the well within the next 12 months or remove all transferred equipment from the leased premises.

The bill also would require that the Railroad Commission adopt rules to establish minimum standards for the construction, operation, and maintenance of any gathering line on leased premises that lies beneath primary ranch roads. The bill would also that operators construct, operate, and maintain electrical power lines serving well sites and other surface facilities employed in operations incident to oil and gas development and production in accordance with the National Electrical Code.

In addition, the bill provides for a lessor to bring action against an operator for damages or injunctive relief, and it requires the court to refer the matter to mediation among all parties involved and for those parties to share the mediation fee equally.

### **Methodology**

The Railroad Commission would require additional staff to: establish and adopt minimum standards for construction, operation, and maintenance of any gathering line on leased premises that lies beneath a road; establish and adopt by rule minimum standards for construction, operation, and maintenance of any electrical power lines that are located or are to be located on leased premises and are used or to be used by an oil and gas operator on the leased premises; and perform related inspections. The Railroad Commission would require 3 FTEs to implement the provisions of the bill at a cost of \$248,547 in fiscal year 2008 and \$173,547 in subsequent fiscal years. Costs would be paid out of the General Revenue Fund.

### **Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 455 Railroad Commission

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