

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 2, 2007

TO: Honorable Kip Averitt, Chair, Senate Committee on Natural 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 Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for SB1574, As Introduced: a negative impact of (\$520,976) 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	(\$301,513)
2009	(\$219,463)
2010	(\$219,463)
2011	(\$219,463)
2012	(\$219,463)

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	(\$301,513)	4.0
2009	(\$219,463)	4.0
2010	(\$219,463)	4.0
2011	(\$219,463)	4.0
2012	(\$219,463)	4.0

Fiscal Analysis

The bill would require an oil or gas operator to transfer well-site equipment associated with a well that has had no reported production, disposal, injection, or other permitted activity for a period of more than 12 months 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 if the lessor notifies the operator, unless the lease provides otherwise, and unless the operator establishes to the Railroad Commission's satisfaction that the operator is reasonably likely to reactivate the well within the next 12 months. If an operator transfers well-site equipment to another well-site on the leased premises for use in connection with another well, the operator must begin using the equipment in connection with the well within the next 12 months.

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 a road; and, establish minimum standards for the construction, operation, and maintenance of any electrical power lines that are located or to be located on leased premises and are used or to be used by the operator in connection with oil and gas-related activities on the leased premises.

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: determine whether or not an operator has established that a well that is the subject of a request by a lessor will be reactivated within 12 months; 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 4 FTEs, including inspectors and an administrative assistant, to implement the provisions of the bill at a cost of \$301,513 in fiscal year 2008 and \$219,463 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