

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 4, 2007

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

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

IN RE: SB1670 by Averitt (Relating to certificates of compliance issued by the Railroad Commission of Texas to owners or operators of certain wells subject to the jurisdiction of the commission.), **Committee Report 2nd House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would clarify that any well under the Railroad Commission's (RRC's) jurisdiction, including an injection or disposal well, may not be used until the RRC has issued or reissued a certificate of compliance. The bill also would add a new provision that if an operator uses or reports use of a well for production, injection, or disposal for which the operator's certificate of compliance has been cancelled, the RRC may not renew the operator's organization report until the operator pays the reconnect fee and RRC issues a new certificate of compliance for the well.

The Railroad Commission reports that the changes proposed by the bill would accelerate compliance and ensure that the Commission receives all reconnect payments due to the Commission from operators who have produced or used a well with a cancelled certificate at the time of a P-5 renewal. However, because the RRC cannot reissue a certificate of compliance without resolution of a violation, if an operator's P-5 would become delinquent, the bill's provisions could, in certain cases, prevent an operator with a delinquent P-5 from doing what is necessary to resolve a violation.

The RRC reports that passage of the bill could result in some minor costs associated with computer programming changes. This estimate assumes that these costs would not be significant and could be absorbed into the agency's existing budget. In addition, the agency reports that reconnect fee collections deposited to the General Revenue-Dedicated Oil Field Cleanup Account No. 145 would also likely increase upon passage of the bill. The amount of additional collections is not expected to be significant, but it could help to offset the increase in costs the RRC anticipates upon passage of the bill.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 455 Railroad Commission

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