

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 6, 2009

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

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

IN RE: SB902 by Davis, Wendy (Relating to restrictions on the release into the air of natural gas and associated vapors from a gas well.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB902, As Introduced: a negative impact of (\$565,530) through the biennium ending August 31, 2011.

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
2010	(\$320,418)
2011	(\$245,112)
2012	(\$245,112)
2013	(\$245,112)
2014	(\$245,112)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1
2010	(\$320,418)
2011	(\$245,112)
2012	(\$245,112)
2013	(\$245,112)
2014	(\$245,112)

Fiscal Year	Change in Number of State Employees from FY 2009
2010	3.0
2011	3.0
2012	3.0
2013	3.0
2014	3.0

Fiscal Analysis

The bill would apply to gas wells that are anticipated to be or have been completed or recompleted in

the Newark, East (Barnett shale) Field. The bill would provide that gas from affected gas wells would not be permitted to escape into the air after the second day after the gas is encountered. An exception could be granted by the Railroad Commission for an additional period if an operator would present information to show the necessity for the escape. The bill would also provide that gas that is flared would be charged to the operator's allowable production. The bill would specify cases where necessities for escape could be granted.

The bill would provide that affected gas well operators be required to use techniques that minimize the releases of gas and associated vapors when gas is permitted to flow during completion or recompletion of a well. In addition, the bill would provide that after a gas well is fractured or refractured an operator would be required to use appropriate equipment and processes to minimize the release of gas and associated vapors and take necessary actions to deliver salable gas to the sales pipeline; or shut the well in and conserve the gas.

Methodology

The Railroad Commission reports that the agency regulates the flaring/venting of gas under using staff in Austin. The agency reports that it issued 107 exceptions to the flaring/venting rules during fiscal year 2008; only one of which was in the Barnett Shale Field. The agency also reports that in fiscal year 2009 to date, the agency has received four exception requests in the Barnett Shale Field.

The Railroad Commission reports that the bill would establish a different set of criteria for flaring/venting of gas wells and for Railroad Commission approval of permits to flare or vent natural gas from a gas well in the Newark, East (Barnett Shale) field. The bill also would establish a more stringent standard for operators of gas wells in the field to minimize gas and associated vapors during completion or recompletion. The Railroad Commission reports that there are 33,369 wells (as of January 28, 2009) in 19 counties that contain the Newark, East (Barnett Shale) Field. Of these, approximately 10,358 of these are Newark, East (Barnett Shale) Field gas wells and 9,084 are gas wells producing in other fields (non-Barnett Shale fields). There also are 13,927 oil wells, many of which produce casing head gas.

The Railroad Commission expects that upon passage of the bill, there could be a significant increase in the number of exceptions filed with the agency because of the more stringent regulations on wells in the Newark, East (Barnett Shale) Field. Because all of the additional exception requests would be expected to occur in the area affected by the bill, and because it is expected that these cases would have to be handled under a compressed time frame, this estimate assumes that the Railroad Commission would need an additional 3.0 FTEs to handle the additional exception cases. It is assumed that these FTEs would be added in field offices, one in each the Abilene, Kilgore, and Wichita Falls district offices. Related costs are expected to be paid out of the General Revenue Fund and are shown in the table above. Costs in fiscal year 2010 are slightly higher than later years because this estimate assumes that additional vehicles and equipment would be purchased in that year to equip the additional FTEs.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 455 Railroad Commission, 582 Commission on Environmental Quality

LBB Staff: JOB, ZS, TL, SD