

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 6, 2011

TO: Honorable Jim Keffer, Chair, House Committee on Energy Resources

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

IN RE: HB3105 by Keffer (Relating to the applicability of the Private Real Property Rights Preservation Act to certain governmental actions.), **As Introduced**

No fiscal implication to the State is anticipated.

Local Government Impact

The bill would modify the Private Real Property Rights Restoration Act to allow a private action against a municipality that takes an action that limits the ability of an owner of mineral rights to develop that interest. The bill could have a substantial negative fiscal impact on municipalities that implement ordinances restricting oil and gas development in certain areas, such as residential communities.

The Texas Municipal League (TML) surveyed municipalities located in the Barnett Shale region, who reported that 2,157 permits were filed in the Barnett Shale to drill shale gas wells in 2010. If 2 percent of those permits resulted in a denial of a city permit to establish a well site subject to the bill, municipalities would be subject to more than 42 lawsuits. Potential damages average approximately \$7.5 million per suit based on an industry estimate of \$90 million net revenue resulting from one pad site with 12 wells.

According to TML, conservative litigation expenses for cities average 10 percent of the amount of the suit, adding \$750,000 in litigation expenses to each case, resulting in a potential average cost per suit of \$8,250,000.

Source Agencies: 302 Office of the Attorney General, 601 Department of Transportation, 720 The University of Texas System Administration

LBB Staff: JOB, SZ, JI, KY, KKR