

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 14, 2011

TO: Honorable Troy Fraser, Chair, Senate Committee on Natural Resources

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

IN RE: HB3134 by Crossover (Relating to the plugging of inactive oil and gas wells.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3134, Committee Report 2nd House, Substituted: an impact of \$0 through the biennium ending August 31, 2013.

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
2012	\$0
2013	\$0
2014	\$0
2015	\$0
2016	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Oil-field Cleanup Acct</i> 145	Probable Revenue Gain/ (Loss) from <i>Oil-field Cleanup Acct</i> 145	Change in Number of State Employees from FY 2011
2012	(\$444,252)	\$444,252	6.0
2013	(\$444,252)	\$444,252	6.0
2014	(\$444,252)	\$444,252	6.0
2015	(\$444,252)	\$444,252	6.0
2016	(\$444,252)	\$444,252	6.0

Fiscal Analysis

The bill would provide that before the Railroad Commission issues an order refusing to renew an operator's organization report regarding the plugging of an inactive well, an authorized Railroad Commission employee or a person designated by the Commission for that purpose would be required to determine whether the operator has failed to comply with requirements related to inactive wells. If the authorized person determines that the organization report would fail to qualify for renewal on that basis, then the person would be required to: notify the operator of the determination; provide the operator with a written statement of the reasons the organization report does not qualify for renewal; and notify the operator that they have 90 days to comply with the requirements.

An authorized Railroad Commission employee or designated person would be required to determine

whether the organization report qualifies for renewal and notify the operator of the determination. If the authorized person determines that the organization report does not qualify for renewal because the operator has continued to fail to comply, the operator, not later than the 30th day after the date of the determination, would be authorized to request a hearing regarding the determination. Subsequent to the hearing, if the Railroad Commission determines that the operator has failed to comply with requirements for the plugging of inactive wells, or if the operator has failed to file a timely request for a hearing, the Railroad Commission would be directed to refuse to renew the organization report. The Railroad Commission would collect a fee from an operator to cover the costs of such hearings.

Methodology

The Railroad Commission reports that in practice staff does not formally deny the renewal of organization reports. The agency reports that in cases where staff cannot process an organization report, notification of the problem is sent to the operator, but the filing is held pending the resolution of the problem. If the operator has not resolved the problem within one year, the application is then deemed to have expired. Passage of the bill would require staff to deny various permits within specified time frames. The agency expects that this will result in additional contested case hearings.

To implement the provision of the bill, it is estimated that the Railroad Commission would need a total of 6.0 additional FTEs and related costs to handle an estimated additional 100 hearing requests each fiscal year, plus associated tracking and paperwork. This would include 4.0 additional administrative assistants and 2.0 legal examiners. This estimate assumes that costs associated with the additional staff would be covered by fees assessed on operators requesting hearings, as authorized by the bill. Such funds would be deposited to the General Revenue-Dedicated Oil Field Cleanup Account No.145 as shown in the table above.

Local Government Impact

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

Source Agencies: 455 Railroad Commission

LBB Staff: JOB, SZ, ZS, TL