

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: HB3460 by Crownover (Relating to the filing with the state of well logs by operators of oil-related or gas-related wells; providing a penalty.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend the definition of various terms relating to oil and gas wells. The bill would require that each well log maintained by an operator include each borehole section of the log at all depths and requires well logs to be filed electronically with the Railroad Commission. The bill would also set a deadline to file a well log with the Railroad Commission for certain wells after September 1, 2011, in conjunction with the drilling or deepening of a well.

The Railroad Commission would be required to hold well logs confidential upon request for a period of three years after the date that the drilling operation was completed on an on-shore well and five years after the date that the drilling operation was completed on an offshore well. If an operator would fail to file a well log, and if the well is completed as a producing well, the Railroad Commission would be authorized to refuse to assign an allowable or a change in allowable for production from the well until the operator complies. The Railroad Commission would also be authorized to impose an administrative penalty provided by of up to \$5,000 for each well for which an operator fails to file a well log, whether the well was completed as a producing well or a dry hole.

The bill's requirement that well logs be submitted to the Railroad Commission and that the agency hold the well logs confidential during the confidentiality period would require changes to the agency's computer programs that currently track extension deadlines and generate notification letters. The bill's passage also could result in some additional hearings from persons appealing administrative penalties the Railroad Commission might assess, as well as some additional enforcement cases. The additional workload to the Railroad Commission staff is expected to be absorbed using existing agency resources.

The Railroad Commission estimates that approximately \$40,000 per fiscal year in 2012-13 and \$20,000 per fiscal year in subsequent fiscal years in penalty revenues could be received as a result of the bill's passage, which would be deposited to the General Revenue-Dedicated Oil Field Cleanup Account No. 145. This estimate assumes that any additional revenue would not be significant.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 455 Railroad Commission

LBB Staff: JOB, SZ, TL