

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 26, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB878 by Crownover (Relating to the filing with the state of electric logs by operators of oil-related or gas-related wells; providing a penalty.), **As Engrossed**

<p>No significant fiscal implication to the State is anticipated.</p>
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The bill would require operators to file wells log with the Railroad Commission not later than 90 days after completion of drilling of a well. The bill would authorize an operator to request that the Commission keep the log confidential for three years for a land well and five years for a bay or offshore well. The bill also would eliminate the ability for an operator to request extensions of the period of confidentiality.

The bill would authorize the Railroad Commission to assess an administrative penalty for the failure to submit a well log. This penalty would be in addition to existing authority the Commission has to refuse to assign a production limit (allowable) to a producing well or setting the allowable for the well to zero.

According to the Railroad Commission, agency rules currently require submission of electronic logs not later than the 90th day after completion of drilling. However, operators may request permission to delay submission of the log to the Commission for one year, and may ask for an extension of two years. The bill does not allow for extensions beyond the confidentiality period (3 years land well/5 years bay or offshore well).

The change in confidentiality periods is expected to require the Railroad Commission to change its computer programs that currently track the extension deadlines and generate notification letters. This may cause more dockets, complaints and hearings depending upon the degree of non-compliance with the statute's requirement to file well logs in instances where the commission staff has determined not to impose the denial of an allowable, as provided by the statute, but rather chooses to pursue the alternative provided by the statute, an administrative penalty.

Although passage of the bill is expected to result in some additional administrative and enforcement costs to the Railroad Commission because of the changes to confidentiality extension requirements proposed by the bill, as well as potential programming costs in the first year of implementation, this estimate does not assume that such costs would be significant compared to the agency's overall budget for oil and gas regulation activities. Thus, this estimate assumes that any additional costs to the Railroad Commission as a result of the bill's passage could be absorbed using existing agency resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

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

LBB Staff: UP, SZ, ZS, TL