

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 9, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB2992 by King, Tracy O. (Relating to the reuse, discharge, or disposal of fluid produced from certain oil or gas wells on which a hydraulic fracturing treatment has been performed.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2992, As Introduced: an impact of \$0 through the biennium ending August 31, 2015.

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
2014	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Oil & Gas Regulation 5155
2014	(\$2,204,890)
2015	(\$1,365,370)
2016	(\$1,365,370)
2017	(\$1,365,370)
2018	(\$1,365,370)

Fiscal Year	Change in Number of State Employees from FY 2013
2014	21.0
2015	21.0
2016	21.0
2017	21.0
2018	21.0

Fiscal Analysis

The bill would prohibit injection into a disposal well of hydraulic fracturing flowback fluid and water produced from an oil or gas well on which a hydraulic fracturing treatment (HFT) has been performed using groundwater, unless the fluid is incapable of being treated to a degree that meets one of the following conditions: the fluid could be used to perform a HFT on another oil or gas well; the fluid could be used for another beneficial purpose; or the fluid could be discharged into or adjacent to water in the state. The bill would require the Railroad Commission to adopt rules establishing standards for determining whether flowback and produced water may be disposed of in an oil and gas waste disposal well. The Commission would need to adopt rules to implement the new section not later than December 1, 2013.

The bill would be effective September 1, 2013.

Methodology

To implement the provisions of the bill, the Railroad Commission reports that the agency would need to track flowback fluid from point of generation to point of ultimate disposition for beneficial use or disposal, with some sort of certification that the fluid cannot be treated for beneficial use in order to allow disposal in an injection well. This would require additional inspections. The Railroad Commission estimates that this would add an additional 16,200 inspections to the annual inspection count, based on current industry activity and practices. These inspections would take place on a different schedule from the current and ongoing inspection workload, and would be focused on tracing the origins and subsequent use and treatment of flowback fluid. The Commission estimates that each additional inspector could complete 900 inspections per year. The Railroad Commission reports that the agency also would need to establish a complex water tracking system to determine water treatment and ultimate disposal.

The Railroad Commission anticipates needing a total of 21.0 FTEs, including 3.0 FTEs at the agency's headquarters to manage a tracking system and to enforce the new requirements, as well as 2.0 FTEs (inspectors) at each of the agency's nine district offices to ensure enforcement of the bill's requirements. FTE-related costs would total \$1,365,370 per fiscal year. The Railroad Commission also expects to experience one-time costs in fiscal year 2014 only, including \$352,800 to purchase vehicles for the new inspectors. The agency also expects one-time technology costs of \$486,720 for contracted programming for the development of an application to track flowback and produced fluids and their disposition. This analysis assumes that the agency's costs would be paid out of the General Revenue-Dedicated Oil and Gas Regulatory and Cleanup Account No. 5155.

Technology

The technology cost is estimated to be \$486,720 in 2014 for contracted programming costs. The Railroad Commission would need to develop an application to track flowback and produced fluid and their disposition. The application would allow for operators to file the volumes of flowback and produced water from an oil and gas well on a monthly basis, along with the disposition of those fluids. For fluids deemed not recyclable, the application would have to allow for operators to self-certify that the fluids cannot be recycled. The application would need to access the inspection system to determine if any violations were identified via the inspection process. The application would need the ability to enforce violations identified through the inspection process and interface with the agency's mainframe to utilize the certification/severance process already in place. The Railroad Commission would also create a new reporting form for the collection of related data.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 455 Railroad Commission

LBB Staff: UP, SZ, ZS, TL