

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**April 17, 2013**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB3600** by Burnam (Relating to the rights of an owner of the surface estate in land in connection with oil and gas exploration and production operations; providing administrative penalties.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3600, 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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2014	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$0

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from Oil &amp; Gas Regulation 5155</b>	<b>Change in Number of State Employees from FY 2013</b>
2014	(\$604,012)	7.0
2015	(\$478,892)	7.0
2016	(\$478,892)	7.0
2017	(\$478,892)	7.0
2018	(\$478,892)	7.0

**Fiscal Analysis**

The bill would amend Natural Resources Code, Chapter 93, to require that an oil and gas operator provide certain notices to the surface owner, provide for security to cover damages, provide for

payment for compensation for damages, and restore the surface to pre-existing conditions after the cessation of oil and gas operations.

With respect to security or bond, the bill would prohibit the release of the bond or security until six years after an oil and gas developer would file with the holder of the bond or security a statement certified by the Railroad Commission that according to the agency's records the developer does not conduct or hold permits for oil and gas operations in Texas.

The bill also would provide authority to the Railroad Commission to impose an administrative penalty in specific amounts for violations of Natural Resources Code, Chapter 93.

The bill would take effect on August 31, 2013.

## **Methodology**

The Railroad Commission would be required to prepare and send to an oil and gas developer, upon request, a certification that, according to the agency records, the developer does not conduct, or hold permits for oil and gas operations in the state. The Railroad Commission estimates that the agency would need 2.0 FTEs (administrative) to track and mail certifications and respond to operator inquiries.

Regarding enforcement, the Railroad Commission estimates that upon passage of the bill the agency would receive complaints that an operator did not follow the applicable specified procedures on 5 percent of the approximately 20,000 new drilling permits the agency issues annually. The resulting 1,000 new dockets from complaints would be in addition to the 400 dockets the Railroad Commission's Office of General Counsel currently handles. The agency expects that it would need 3.0 additional attorneys and 2.0 additional administrative staff to process the new dockets resulting from the bill's passage.

Costs associated with the 7.0 new FTEs overall that would be required by the bill are estimated at \$478,892. In addition, the agency would need to develop and implement a computerized tracking system for the certifications for the estimated 8,600 oil and gas well operators in the state. The cost of that tracking system is estimated at \$125,120 in fiscal year 2014 only. This estimate assumes that such costs would be paid out of the General Revenue Oil and Gas Regulation and Cleanup Account No. 5155. Total costs are shown in the table above.

## **Technology**

The agency would need to develop and implement a computerized tracking system for certifications for the estimated 8,600 oil and gas well operators in the state. The cost of that tracking system is estimated at \$125,120 in fiscal year 2014 only.

## **Local Government Impact**

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

**Source Agencies:** 304 Comptroller of Public Accounts, 455 Railroad Commission

**LBB Staff:** UP, SZ, ZS, TL, KKR