

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

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

**March 28, 2013**

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

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

**IN RE:** SB865 by Hegar (Relating to the information required to be provided by a payor of proceeds from the sale of oil or gas from an oil or gas well to a payee.), **As Introduced**

**Passage of the bill would prescribe a method of calculating a royalty interest in an oil or natural gas well based on a surface acreage participating factor. In certain cases, a participating factor based on methods other than the surface acreage may be an advantage to a royalty owner including the State of Texas. As a result, there could be an indeterminate fiscal impact to the state.**

The bill would amend Chapter 91 of the Natural Resources Code, regarding provisions generally applicable to the conservation and regulation of oil and natural gas.

The bill would add new Subsection 91.402(d-1) to prescribe a method of calculating a royalty interest in an oil or natural gas well based on a surface acreage participating factor.

In certain cases, a participating factor based on methods other than the surface acreage may be an advantage to a royalty owner including the State of Texas. Such methods would consider the complex geologic nature of various hydrocarbon bearing formations, such as the position of each lease or well, or an existing producing well and its mechanical integrity relative to the productive portion of a reservoir as well as the potential or the remaining hydrocarbon reserves to be recovered in a lease.

As it is unknown when and how much oil or natural gas would be produced from wells that would be based on different participating factors, the fiscal impact on the state cannot be determined.

The bill would take effect September 1, 2013.

**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, SD, SJS