

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7030

BILL NUMBER: HB 1227

DATE PREPARED: Jan 23, 2002

BILL AMENDED: Jan 22, 2002

SUBJECT: Oil and Gas Environmental Fund.

FISCAL ANALYST: Bernadette Bartlett

PHONE NUMBER: 232-9586

**FUNDS AFFECTED: GENERAL
 X DEDICATED
 FEDERAL**

IMPACT: State

Summary of Legislation: This bill amends the fee and bonding requirements for oil and gas well permits. The bill eliminates the separate fee for Class II wells. It establishes new minimum and maximum balances for the Oil and Gas Environmental Fund. This bill also allows the Department of Natural Resources (DNR) to use a percentage of the fund for administrative expenses.

Effective Date: July 1, 2002.

Explanation of State Expenditures: (Revised) Collection of fees can be managed by existing staffing levels. Workload assignments may be modified. The expenses of administering the fund shall be paid from money in the fund. However, the DNR may not expend more than 5% for administration.

The amendment changes the required balance of the fund. Instead of a \$750,000 balance, the fund must maintain a balance of \$500,000. This change could affect expenditures to the extent that the DNR may not expend more than 5% of the money in the fund for purposes of administering the fund. A lower balance would mean less money for the DNR to spend on administrative purposes. However, the provision should have no impact because when establishing the budget for the program the DNR considered the lower balance.

Explanation of State Revenues: Owners of wells that are defined as wells for oil and gas purposes pay the fees which range from \$150 to \$1,500, depending on the number of wells. The fee system will be substituted for the current bonding requirements for well operators/owners who qualify. The fee system will generate revenue that will be deposited in a fund used to clean up orphan wells in the State. A portion of the fees will be maintained in a permanent fund, to protect the state from future orphan wells.

The fee schedule is based on the number of wells an owner/ operator holds. The revenue from this fee is estimated to be at least \$325,000 per year. The total amount of money in the fund may not exceed \$1.5 M. Fees will be reduced by 75% (with a minimum of \$50) if the fund exceeds \$1.5 M. The reductions in the fees

will remain in effect until the amount in the fund is less than \$1 M.

For owners/operators who qualify for bonding, minimum bonding amounts are increased from \$2,000 to \$2,500 with a blanket bond amount increased from \$30,000 to \$45,000.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Natural Resources.

Local Agencies Affected:

Information Sources: Jim Slutz, Director, Division of Oil and Gas, DNR , (317) 232-4059.