

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 377** SLS 18RS 463
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 9, 2018 6:41 PM	Author: ALLAIN
Dept./Agy.: Natural Resources	Analyst: Willis Brewer
Subject: Utility of Well Sites Procedure	

MINERALS RE INCREASE SD EX See Note Page 1 of 1
 Establishes procedures for review of future utility of well sites that have been inactive for more than ten years. (8/1/18)

Proposed law provides that the owner of an inactive well that has been designated as inactive for a period of ten years or more and is not scheduled to be plugged may request in writing that the office of conservation determine whether the inactive well has future utility. Provides the procedure that inactive wells should be plugged. Within 30 days of receipt of a request, the commissioner notifies the operator of the request. Within 90 days of receipt the operator submits a written justification to the office to prove that the well has future utility. DNR reviews the operator's written justification and determines whether the inactive well has future utility. Operator submits a plan to DNR to plug the well within 90 days. Commissioner may approve the plan with any necessary revisions of plugging and abandonment. The operator plugs the well in accordance with plan. The operator/owner may appeal the office's determination. Provides that if the office is unable to carry out any of the responsibilities due to lack of sufficient personnel or funding, the commissioner may delay, but will notify the operator/owner and provide a time estimate. Effective 8/1/18.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						
REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

The proposed law is anticipated to increase DNR's expenditures for this new review of inactive wells. DNR anticipates it will need at least one engineer in order to collect, analyze, and issue a report to these operators that request a review of its inactive well. The average salary and benefits for an Engineer 4 is \$78,000. It cannot be estimated how many of these inactive well operators will request a review in any given year. Any request by an operator for DNR to conduct a review can be delayed based on the availability of inspectors and resources, but these requests will become a bonafide obligation that DNR will have to eventually inspect.

There are currently 6,800 inactive wells that have been in the future utility status (not producing oil but may have some use in the future) for ten or more years and which are not covered by a site specific trust account (SSTA) or an approved schedule of abandonment (SOA). A SSTA occurs when ownership of an oilfield site is transferred along with the restoration costs to another party. DNR projects next year (FY 19) an additional 500 inactive wells (a total of 7,300) will cross the ten year mark and will be eligible for review under this proposed law.

DNR estimates it will require a *minimum* of five hours (potentially 25 hours) of employee time to conduct each review of a well. To review all 7,300 inactive wells it is estimated to require 36,500 hours. As an illustrative example, assuming all inactive wells in future utility status request a review, over a five year time period it will require approximately 7,300 hours or 4.3 engineers annually.

REVENUE EXPLANATION

The proposed law is anticipated to increase DNR statutory dedications out of the Oil and Gas Regulatory Fund from donations by operators that demand their review and determination to be expedited. However, it cannot be estimated how many operators will request a review and will request a review to be expedited.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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