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FINAL FISCAL NOTE

Drafting Number: LLS 18-0453 Date: June 14, 2018
Prime Sponsors: Rep. Foote; Young Bill Status: Postponed Indefinitely
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Bill Topic: EXEMPT LOCAL GOV SCHOOL DISTRICTS FORCED POOLING

- Summary of Fiscal Impact: State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, Statutory Public Entity

The bill exempts local governments and school districts that own mineral rights from being forced pooled but maintains their ability to engage in voluntary pooling. For FY 2018-19 only, the bill increases state expenditures in the Department of Natural Resources for rule making.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill. The bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Table 1 State Fiscal Impacts Under HB 18-1289

Table with 3 columns: Category, FY 2018-19, FY 2019-20. Rows include Revenue, Expenditures (Cash Funds), and Transfers.

Summary of Legislation

Under current law, any interested person may apply to the Colorado Oil and Gas Conservation Commission (COGCC) in the Department of Natural Resources (DNR) for an order to pool oil and gas resources located within a specifically identified drilling area, referred to as forced pooling. Applicants are typically operators of oil and gas development companies.

Forced pooling may occur when two or more individuals own separate mineral resources within the same geologic formation of oil or gas reserves. In the absence of voluntarily pooling these resources for development, the commission may compel private owners to pool these resources for development. This bill exempts local governments and school districts that own mineral rights from being forced pooled, but maintains their ability to engage in voluntary pooling.

State Expenditures

For FY 2018-19 only, the bill increases cash fund expenditures in the Department of Natural Resources by up to \$5,000 for rulemaking. This one-time expense can be accomplished within existing resources; the DNR does not require additional appropriations for FY 2018-19 to implement the bill.

The bill creates an exemption for school districts and local governments from forced pooling orders, which requires that the COGCC modify the existing rules for forced pooling applications. The rulemaking can be completed in conjunction with a regularly scheduled commission hearing. Preparation for this hearing and rulemaking require approximately 40 hours of legal services from the Department of Law at a blended rate of \$106.56 per hour for an estimated total one-time cost of \$4,262.

Effective Date

The bill was postponed indefinitely by the Senate State, Veterans, and Military Affairs Committee on May 2, 2018.

State and Local Government Contacts

Counties	Education	Judicial
Law	Municipalities	Natural Resources