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Final Fiscal Note

Drafting Number: LLS 23-0539 Date: July 25, 2023
Prime Sponsors: Sen. Jaquez Lewis Bill Status: Postponed Indefinitely
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Bill Topic: MINERAL RESOURCES PROPERTY OWNERS' RIGHTS

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

The bill would have modified the conditions necessary for the approval of forced pooling of oil and gas mineral interests. It increased state expenditures beginning in FY 2023-24.

Appropriation Summary: For FY 2023-24, the bill requires an appropriation of \$35,382 to the Department of Natural Resources.

Fiscal Note Status: The fiscal note reflects the introduced bill. The bill was postponed indefinitely by the Senate Agriculture and Natural Resources Committee on April 20, 2023; therefore, the impacts identified in this analysis do not take effect.

Table 1
State Fiscal Impacts Under SB 23-201

Table with 3 columns: Category, Budget Year FY 2023-24, and Out Year FY 2024-25. Rows include Revenue, Expenditures (Cash Funds, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts.

Summary of Legislation

Under current law, the Colorado Oil and Gas Conservation Commission (COGCC) in the Department of Natural Resources considers applications for the forced pooling of mineral interests within a drilling unit. Forced pooling combines the mineral interests of both consenting and nonconsenting mineral interest owners.

This bill prohibits a forced pooling order if the nonconsenting mineral interest is a school district or local government. Among its other changes, the bill requires that:

- applicants for a pooling order submit a third party validation proving the applicant has the consent of least 45 percent of the mineral interests to be pooled;
- the COGCC determine if minerals in a pooling order can be extracted without disturbing nonconsenting interests;
- oil and gas operators prove that mineral extraction cannot be accomplished without disturbing a nonconsenting interest, when a pooling order is contested;
- a pooling order be issued prior to an operator drilling the well for access to the minerals, or extracting the minerals; and
- nonconsenting owners pay a reduced amount of production costs.

Finally, the bill allows a nonconsenting owner in a pooling order to audit the oil and gas operator's records with respect to any development and production of oil and gas products derived from or attributable to the nonconsenting owner's interests.

State Expenditures

The bill increases state expenditures in the DNR by \$43,106 annually beginning in FY 2023-24, paid from the Oil and Gas Conservation and Environmental Response Fund. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under SB 23-201

	FY 2023-24	FY 2024-25
Department of Natural Resources		
Personal Services	\$35,382	\$35,382
Centrally Appropriated Costs ¹	\$7,724	\$7,724
Total Cost	\$43,106	\$43,106
Total FTE	0.4 FTE	0.4 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Personal services. The bill is expected to increase the number of protested pooling orders considered by the COGCC, and the number of orders where mineral owners disagree that the drilling unit can be developed without disturbing nonconsenting interests. Hearing officers spend approximately 150 hours on the prehearing process for a contested order. Assuming the DNR considers five additional contested orders, personal service costs increase by 750 hours, or 0.4 FTE beginning FY 2023-24.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, and applies to conduct occurring on or after that date.

State Appropriations

For FY 2023-24, the bill requires an appropriation of \$35,382 from the Oil and Gas Conservation and Environmental Response Fund to the Department of Natural Resources.

State and Local Government Contacts

Law Natural Resources