



**Colorado
Legislative
Council
Staff**

HB17-1336

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 17-1096
Prime Sponsor(s): Rep. Foote; Young

Date: April 18, 2017
Bill Status: House Transportation
Fiscal Analyst: Josh Abram (303-866-3561)

BILL TOPIC: ADDITIONAL PROTECTIONS FORCED POOLING ORDER

| Fiscal Impact Summary | FY 2017-2018 | FY 2018-2019 |
|--------------------------------------|-----------------------|---------------------|
| State Revenue | | |
| State Expenditures | <u>up to \$19,252</u> | |
| Cash Funds | up to \$19,252 | |
| Appropriation Required: None. | | |
| Future Year Impacts: None. | | |

Summary of Legislation

Under current law, any interested person may apply to the Colorado Oil and Gas Conservation Commission (commission) 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.

Current law requires that the commission first give notice to interested parties, and then conduct a hearing in which the commission may adopt a forced pooling order to allow an operator to drill for oil and gas within the specified area, despite one or more owners' lack of consent.

This bill requires that:

- a majority of the royalty interest owners join in the application before the commission may order forced pooling;
- the commission provide 90-days prior notice of a hearing to consider an application for forced pooling;
- prospective oil and gas operators first provide affected interest owners with an explanation of the laws governing forced pooling before applying to the commission for a forced pooling order;

- oil and gas operators file an electronic report with the commission stating the number and location of nonconsenting owners; and
- the commission post the reports identifying nonconsenting owners in a searchable database on its website.

State Expenditures

For FY 2017-18 only, the bill increases cash fund expenditures in the Department of Natural Resources by up to \$19,252 as discussed below. This one-time expense can be accomplished within existing resources and the DNR does not require additional appropriations for FY 2017-18 to implement the bill.

Rulemaking. The bill creates new requirements for forced pooling orders, which requires that the commission modify the existing rules for forced pooling applications. The rulemaking necessary to implement these changes 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 \$95.05 per hour for a total one-time cost of \$3,802.

Information technology infrastructure. The bill requires that applicants for forced pooling orders file an electronic report with the commission identifying the number and location of nonconsenting owners within the drilling area. The commission is then required to post this information in a searchable database on the commission's website. This is information that the commission does not collect, maintain, or publish currently. The commission will contract with the Office of Information Technology (OIT) to develop a new electronic form to gather the required information and create the technology infrastructure to maintain and search this information in a web-based database. This will require approximately 150 hours of OIT services at a rate of \$103 per hour for a total cost of \$15,450.

Effective Date

The bill takes effect August 9, 2017, if the General Assembly adjourns on May 10, 2017, as scheduled, and no referendum petition is filed, and applies to applications for compulsory pooling orders filed on or after that date.

State and Local Government Contacts

Law

Natural Resources

Office of Information Technology