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FINAL FISCAL NOTE

Drafting Number: LLS 18-0454 Date: July 11, 2018
Prime Sponsors: Rep. Foote; Jackson Bill Status: Postponed Indefinitely
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Bill Topic: OIL GAS OPERATORS DISCLOSURES WELLHEAD INTEGRITY

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

The bill requires that oil and gas operators notify counties concerning development plans, and notify both the state and local governments concerning the location of subsurface facilities. The bill increases expenditures for the Department of Natural Resources to adopt necessary rules in FY 2019-20. This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Appropriation Summary: No appropriation is required.

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

Table 1 State Fiscal Impacts Under HB 18-1419

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

Summary of Legislation

The bill requires that the Colorado Oil and Gas Conservation Commission (COGCC) in the Department of Natural Resources adopt rules to ensure proper wellhead integrity of all oil and gas production wells. COGCC's rules must address the permitting, construction, operation, and closure of production wells, and take into account regulatory developments and changes in operational practices that have occurred since 2008.

Oil and gas operators are required to provide electronic notice of the location of each subsurface facility (flow lines or gathering lines) to the COGCC, and to each local government within whose jurisdiction the subsurface facility is located. The operator notification must distinguish between subsurface facilities constructed or installed before and after the bill's effective date, and specify whether a subsurface facility is active or abandoned. The bill specifies required time lines for notifications.

Upon request from a local government, an oil and gas operator is required to provide:

- a good-faith estimate of the number of wells the operator intends to drill in the next five years within a local government's jurisdiction; and
- a map showing the location within the local jurisdiction of the operator's existing oil and gas well sites and development sites for which the operator has applied to or received permits from the COGCC.

State Expenditures

For FY 2018-19 only, the bill increases cash fund expenditures in the Department of Natural Resources by at least \$12,680 for rule making, including legal services.

The bill requires that operators share their development plans with affected counties and provide an electronic notification to COGCC and affected local governments concerning subsurface oil and gas facilities. The COGCC, with assistance from the Department of Law, will make conforming changes to existing rules, redraft the subsurface location assessment process, and update rules concerning required notifications. The COGCC must also adopt new rules for wellhead integrity.

Rulemaking is anticipated to increase state expenditures by at least \$12,680. The COGCC will require 80 hours of legal services from the Department of Law, at a blended rate of \$106.56 per hour, for a one-time legal services cost of \$8,525. Additional expenses for rulemaking, such as travel, meals, public notices, and materials, are estimated at \$4,156. This one-time expense can be accomplished within existing resources, and does not require additional appropriations for FY 2018-19.

COGCC staff will require geographic information systems (GIS) data for flow lines and gathering lines in order to process and review operator notifications. Therefore, the DNR must develop a GIS map layer that provides subsurface facility data throughout the state, and update the data regularly. This fiscal note assumes that oil and gas operators can provide the necessary GIS data to DNR staff, who can then upload new information into existing GIS data without additional resources. If the DNR is unable to secure all necessary GIS data for these subsurface facilities, a one-time vendor contract may be required to collect and digitize missing information. If necessary, the DNR will seek additional spending authority through the annual budget process.

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
Local Affairs
Public Health And Environment

Law
Natural Resources