

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 596** HLS 26RS 517

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

| | | |
|--|---------|--------------------------------|
| Date: April 2, 2026 | 9:14 AM | Author: MCCORMICK |
| Dept./Agy.: Department of Conservation & Energy | | Analyst: Mimi Blanchard |
| Subject: Inactive Well Assessment Fee Credits | | |

ENERGY/OIL & GAS WELLS EG INCREASE GF EX See Note
Establishes an inactive well fee assessment credit

Current law provides that operators who choose not to plug wells classified as inactive must pay annual assessment fees, 50% of which are deposited into the Oil and Gas Regulatory Dedicated Fund Account, with the remaining deposited into the Oilfield Site Restoration (OSR) Fund.

Proposed law creates a plugging credit that operators may apply to reduce inactive well assessment obligations. Proposed law provides that operators who plug wells ten years old or older may receive a credit of \$4.50 per foot of well plugged, applied on a dollar-for-dollar basis against the operator's inactive well assessment fees.

Effective August 1, 2026.

| EXPENDITURES | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 5 -YEAR TOTAL |
|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|
| State Gen. Fd. | INCREASE | INCREASE | INCREASE | INCREASE | INCREASE | |
| Agy. Self-Gen. | DECREASE | DECREASE | DECREASE | DECREASE | DECREASE | |
| Ded./Other | DECREASE | DECREASE | DECREASE | DECREASE | DECREASE | |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | | | | | | |

| REVENUES | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 5 -YEAR TOTAL |
|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | DECREASE | DECREASE | DECREASE | DECREASE | DECREASE | |
| Ded./Other | DECREASE | DECREASE | DECREASE | DECREASE | DECREASE | |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | | | | | | |

EXPENDITURE EXPLANATION

Proposed law will result in a reduction of funds for the Oil and Gas Regulatory Dedicated Fund Account and the Oilfield Site Restoration (OSR) Fund. The Oil and Gas Regulatory Dedicated Fund Account provides funding for the C&E to regulate the oil and gas industry. To the extent that the legislature may desire to maintain these activities at the existing base level, an appropriation from an alternate MOF would be required, assumed in this fiscal note to be SGF.

Monies in the OSR Fund are disbursed by the the Natural Resources Trust Authority within C&E to provide for expenses associated with the regulation and administration of the OSR Program. C&E anticipates that the requirement for operators to plug wells in order to receive the credit will offset potential revenue losses to the OSR Fund, as each well plugged by an operator to qualify for the credit represents one fewer well that would otherwise require plugging by the department using OSR funds.

The Department of Conservation and Energy (C&E) reports that it will require one additional T.O. position, a Petroleum Scientist 3, to handle increased workload associated with application review, eligibility verification, and credit issuance required by the bill. Salary and related benefits for the position (including an annual 3% market rate adjustment) total \$110,132 in FY 27, \$113,436 in FY 28, \$116,839 in FY 29, \$120,345 in FY 30, and \$123,955 in FY 31. Due to the reduction in money from the two funds mentioned above, the MOF is assumed to be SGF for the additional position.

REVENUE EXPLANATION

Proposed law will decrease revenues to the Oil and Gas Regulatory Dedicated Fund Account and the OSR Fund by an indeterminable amount to the extent plugging credits are applied to reduce inactive well assessment fees.

The proposed credit is calculated at \$4.50 per foot of well depth, applied on a dollar-for-dollar basis against an operator's inactive well assessment fees; therefore, actual impacts will vary based on the number and depth of inactive wells plugged each year and the number of operators who apply and are eligible for the credit. For illustrative purposes, as of 3/31/26, C&E reports that applying the proposed credit to inactive wells that would have been eligible as of 2025 would result in an estimated reduction of approximately \$2 M (\$1 M from the Oil and and Gas Regulatory Dedicated Fund Account and \$1 M from the Oilfield Site Restoration Fund).

*Note: Some of the credits calculated exceed operator's 2025 inactive well fee assessments. It is unclear how proposed law treats excess credits.

Senate
 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}

Alan M. Boxberger
Alan M. Boxberger
Legislative Fiscal Officer