



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 637** HLS 26RS 1135
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Conservation & Energy	Analyst: Mimi Blanchard
Subject: Oilfield Site Restoration Fees	

ENERGY/OIL & GAS EN SEE FISC NOTE SD RV See Note Page 1 of 1
 Provides for oilfield site restoration fees

Current law provides that Oilfield Site Restoration (OSR) fees for reduced rate production wells are calculated in the same proportion to full rate production fees as the reduced severance tax rate applicable to those wells.

Proposed law repeals the proportional calculation in current law and establishes fixed OSR fee rates for reduced rate production wells. Proposed law sets the OSR fee at 50% of the full rate fee for certified incapable oil wells, 25% for stripper oil wells, 40% for gas produced from low pressure oil wells, and 17.5% for incapable gas wells.

Effective July 1, 2026.

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

EXPENDITURE EXPLANATION

Monies in the Oilfield Site Restoration (OSR) Fund are disbursed by the the Natural Resources Trust Authority within the Department of Conservation & Energy (C&E) to provide for expenses associated with the regulation and administration of the OSR program. To the extent that the legislature may desire to maintain these activities at the existing base level, an appropriation from an alternate MOF may be required in years where revenues fall below the baseline, assumed in this fiscal note to be SGF.

REVENUE EXPLANATION

The Department of Revenue (LDR) reports that proposed law may result in either an indeterminable increase or decrease to the Oilfield Site Restoration (OSR) Fund, dependent on production volumes within different well types, commodity prices, the number of wells, and the severance tax rate determined annually by the Department of Conservation and Energy (C&E). For illustrative purposes, LDR reports that had proposed law been in effect in FY 25, the OSR Fund would have realized a net decrease of approximately \$25,984. Shown below:

Production Type	FY 25 Production	FY 26 Current Rate	FY 26 Fees	Proposed Rates	Proposed Fees	Change
Incapable Oil Wells	1,244,739	96% (\$0.0385/bbl)	\$47,922	50% (\$0.02/bbl)	\$24,895	(\$23,027)
Stripper Oil Wells	2,363,509	25% (\$0.019/bbl)	\$44,907	25% (\$0.01/bbl)	\$23,635	(\$21,272)
Gas - Low Pressure Oil Wells	2,949,850	28% (\$0.000856/MCF)	\$2,525	40% (\$0.0012/MCF)	\$3,540	\$1,015
Gas - Incapable Gas Wells	112,335,356	12.4% (0.000371/MCF)	\$41,676	17.5% (\$0.000525/MCF)	\$58,976	\$17,300
TOTAL						(\$25,984)

The Department of Conservation and Energy (C&E) interprets the bill as applying to newly drilled wells which qualify as stripper or incapable wells. Using that interpretation, C&E estimates an approximate \$20,000 reduction in OSR fees, resulting from 50,000 bbls of oil (\$10,000 in fees) and 5 million MCF of natural gas (\$10,000 in fees). C&E acknowledges that exact impacts will vary dependent on oil and gas prices and production volumes.

*Note: The LFO interprets the bill as applying to all existing and newly drilled wells for the purposes of the new fee structure.

Senate Dual Referral Rules
 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}

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