

LEGISLATIVE FISCAL OFFICE Fiscal Note

Fiscal Note On: **HB** 784 HLS 15RS

858

Bill Text Version: ORIGINAL

Opp. Chamb. Action:

Proposed Amd.: Sub. Bill For.:

Date: May 5, 2015 5:48 PM **Author:** DOVE

Dept./Agy.: Natural Resources

Subject: Enhances and Creates Fees for the Office of Conservation Analyst: Drew Danna

CONSERVATION/OFFICE OR +\$8,900,000 SD Provides for certain fees collected by the office of conservation

OR +\$8,900,000 SD RV See Note Page 1 of 2

<u>Present law</u> authorizes the Office of Conservation to collect annual fees from operators of capable oil and gas wells based on a tiered system and on injection wells and facilities. Proposed law increases the fee caps on Type A & B Commercial Facilities, Class I, II, & III

wells, and storage wells by 150%. The caps on capable oil & gas production will also be increased by 150%.

<u>Proposed law</u> also increases the amount of fees deposited in the Oil and Gas Regulatory fund from \$5 to \$15, as well as increasing the per mile and per pipeline facility fees currently in place.

Proposed law also creates an additional 31 fees ranging from \$50 to \$3,000.

| EXPENDITURES | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 5 -YEAR TOTAL |
|----------------|-------------|-------------|-------------|-------------|-------------|---------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 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 | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| REVENUES | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 5 -YEAR TOTAL |
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$8,900,000 | \$8,900,000 | \$8,900,000 | \$8,900,000 | \$8,900,000 | \$44,500,000 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Annual Total | \$8,900,000 | \$8,900,000 | \$8,900,000 | \$8,900,000 | \$8,900,000 | \$44,500,000 |

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The proposed legislation will increase fee caps and raise approximately \$8.9 M annually in new revenue flowing into the Oil & Gas Regulatory Fund from the following categories: Pipeline Safety (\$880,000), Regulatory/Production (\$5 M), Class I Injection Wells (\$600,000) and Other Revenue (\$400,000). The proposed legislation will also create 31 new fees, which are anticipated to generate approximately \$2 M. Note: The amount of revenue is directly related to the number of applications submitted by operators, any change in this number would directly affect the amount of revenue collected.

Fees associated with Pipeline Safety will increase from \$22.40 per mile of pipeline to \$39.20 per mile. There is currently 52,395 miles of pipeline, which will result in an increase in revenue from approximately \$1.1 M to \$2 M, or an increase of \$880,000 annually. In addition, Regulatory/Production fees will increase by 150%, which equates to approximately \$5 M in additional revenues annually. The table below will examine the increase for three subcategories within this area.

| | Current Fee | New Fee | Number of Facilities | Total Current Fee | Total New Fee |
|--------------------------|-------------|----------|----------------------|-------------------|---------------|
| Type A Commercial | \$6,496 | \$16,240 | 9 | \$58,464 | \$146,160 |
| Type B Commercial | \$3,248 | \$8,120 | 25 | \$81,200 | \$203,000 |
| Class II III and Storage | \$651 | \$1.621 | 1 129 | \$734 979 | \$1.830.109 |

In addition to the information above, Class 1 Injection Well production fees will increase from \$400,000 to \$1 M, or a \$600,000 increase annually.

In order to allow for the proposed fee increases, this bill increases the fund's cap from \$2.45 M to \$6.1 M. The current statutes limits the amount of revenues generated annually.

This legislation also increases the acreage fee donated to the Oil and Gas Regulatory Fund from \$5 per acre to \$15 per acre. Providing for 40,000 acres, revenues will increase from \$200,000 to \$600,000, or an increase of \$400,000 annually. The proposed legislation also introduces 31 new fees which are anticipated to increase revenues by approximately \$2 M per year.

See table on page 2 for more information.

| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} | Eimn | Brasseaux |
|-----------------|-----------------------------------|--------------|--|----------------|-----------|
| 13.5.1 | >= \$100,000 Annual Fiscal Cost { | (S&H) [| $6.8(F)(2) >= $500,000 \text{ Rev. Red. to State } \{H \& S\}$ | | |
| | | | \neg | Evan Brasseaux | (|
| X 13.5.2 | >= \$500,000 Annual Tax or Fee | L | - 6.8(G) >= \$500,000 Tax or Fee Increase | Staff Director | |
| | Change {S&H} | | or a Net Fee Decrease (S) | | |



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Page 2 of 2

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CONTINUED EXPLANATION from page one:

Proposed New Fees from Page 1

Dept./Agy.: Natural Resources

| Application Type | Proposed Free | Number of Applications | Projected Revenue |
|---|---------------|------------------------|---|
| Alternate Well Unit | \$504 | 5 | \$2,520 |
| Exceptioin to 29-E | \$504 | 10 | \$5,040 |
| Exception to 29-B | \$504 | 25 | \$12,600 |
| Severance Tax Relief | \$504 | 250 | , , |
| \$126,000 | · | | |
| Downhole Combinations | \$504 | 12 | \$6,048 |
| Well Product Reclassification | \$504 | 5 | \$2,520 |
| Selective Completion | \$504 | 5 | \$2,520 |
| Pilot Projects | \$504 | 2 | \$1,008 |
| Work Permit-Minerals | \$75 | 4250 | \$318,750 |
| Amend Permit to Drill-Minerals (LUW, Stripper, Incapable, Other) | \$50 | 4500 | \$225,000 |
| Operator Registration | \$105 | 1340 | , , |
| \$140,700 | , | | |
| Waiver of Production Test | \$504 | 20 | \$10,080 |
| Critical Date Order | \$504 | 40 | \$20,160 |
| | , | | , ., |
| Compliance Review Fee - Class III Solution Mining Cavern | \$2,000 | 71 | \$142,000 |
| Compliance Review Fee- Class II Hydrocarbon Storage | \$2,000 | 152 | , |
| \$304,000 | , , | | |
| Class II CO2 EOR Project | \$5,000 | 2 | \$10,000 |
| | 5125 | 10 | \$1,250 |
| Work Permit- Injection or other | \$125 | 406 | \$50,750 |
| Plug & Abandon (NORM disposal) | \$500 | 1 | \$500 |
| | ' | | · |
| Modify Well Permit- change MASIP, work prognosis, ect | \$300 | 100 | \$30,000 |
| Class V Permit Waiver/Exception | \$250 | 10 | \$2,500 |
| Witnessed Verification of MIT Tests | \$250 | 1521 | \$380,250 |
| | • | | , , |
| Transfer Stations Regulatory Fee (E&P Waste) | \$2,500 | 16 | \$40,000 |
| Transport E&P Waste to Commercial Facilities | \$150 | 550 | \$82,500 |
| Authorization for After Hours Disposal (E&P Waste) | \$150 | 325 | \$48,750 |
| E&P Waste Determinination | \$300 | 3 | \$900 |
| Commercial Facility Transfer Station Application | \$1,500 | 1 | \$1,500 |
| Commercial Facility Application Exclusive of an Associated Well | \$3,000 | 1 | \$3,000 |
| Commercial Facility Annual Closure Plan and Cost Estimate Revie | | 42 | \$12,600 |
| Commercial Facility Reuse Material Applications | \$300 | 50 | \$15,000 |
| Reuse Material Applications not Associated w/ Commercial Facility | y \$400 | 1 | \$400 |
| Total New Revenue | | | \$1,998,846 |

| Senate | <u>Dual Referral Rules</u> \$100,000 Annual Fiscal Cost {Si | | 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} | | Brasseaux |
|--------------------|--|-----|---|----------------|-----------|
| 13.5.1 >= | \$100,000 Annual Fiscal Cost {50 | ХП} | | | |
| | | | | Evan Brasseaux | |
| X 13.5.2 >= | \$500,000 Annual Tax or Fee | | \square 6.8(G) >= \$500,000 Tax or Fee Increase | Staff Director | |
| | Change {S&H} | | or a Net Fee Decrease {S} | Otali Bircotoi | |