

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2016-17		FY 2017-18	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	12,025		8,748	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	12,025		8,748	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 1070 changes provisions related to the Oil and Gas Conservation Commission.

Section 1 allows the Oil and Gas Conservation Commission to require proof of liability insurance as prescribed in section 57-906.

Section 2 requires applicants to provide proof of liability insurance in an amount of not less than one million dollars before a permit is issued for the drilling of any underground enhanced recovery injection well or disposal well. Similarly, no permit shall be issued to any commercial disposal facility which disposes of more than five hundred barrels per day of injection well-produced wastewater until such applicant has provided proof of liability insurance in an amount of not less than five million dollars. Finally, section 2 prohibits issuance of a permit for the drilling of an underground enhanced recovery injection well if the depth of the drinking water aquifer begins less than fifty feet below the surface of the ground or if the saturated depth of the drinking water aquifer extends more than one hundred feet below the surface of the ground.

The Oil and Gas Conservation Commission estimates the need for a part-time employee (0.20 FTE) to communicate with operators and create both electronic and manual filing systems. This estimate appears to be reasonable.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 1070	AM:	AGENCY/POLT. SUB: Nebraska Oil and Gas Conservation Commission	
REVIEWED BY: Lee Will		DATE: 1/29/2016	PHONE: 471-4175
COMMENTS: The agency's estimate appears to be reasonable given the assumptions used.			

Please complete ALL (5) blanks in the first three lines.

2016

LB⁽¹⁾ 1070

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Oil and Gas Conservation Commission

Prepared by: ⁽³⁾ William H. Sydow

Date Prepared: ⁽⁴⁾ 28 January 2016

Phone: ⁽⁵⁾ (308) 254-6919

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
CASH FUNDS	<u>12,025</u>	<u>0</u>	<u>8,748</u>	<u>0</u>
FEDERAL FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
OTHER FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL FUNDS	<u>12,025</u>	<u>0</u>	<u>8,748</u>	<u>0</u>

Explanation of Estimate:

LB 1070 would amend RSN 57-905(3) to give the Commission new authority to require proof of liability insurance for oil and gas operators. RSN 57-906(3) is new language requiring the liability insurance to be not less than \$1,000,000. Regulatory compliance would require a portion of *an additional FTE* to contact and communicate with operators, on perhaps a weekly basis, create both electronic and manual filing systems, ensure reciprocity between various states for insurance and coordinate with both the Nebraska Department of Insurance and the Secretary of State. Office equipment would have to be purchased including a desk, chair, computer, and filing cabinet. Incremental communication charges were estimated at \$50 per month. Current appropriations and personnel staffing levels are insufficient to accomplish the new authority.

No estimation of the probable negative financial effect of proposed language in RSN 57-906(5) can be made at this time. Based upon the depth restrictions for ground water in this new section, *no drilling permits* for enhanced oil recovery (EOR) injection wells could ever be approved since the entire state is effectively restricted as shown in RED on the attached map. These proposed depth restrictions would result in the loss of secondary oil reserve which would result in decreased oil production and sales. During 2014, nearly 33% of Nebraska's gross oil production of 2,837,710 Barrels of Oil was produced from over 100 secondary recovery projects which safely utilized over 400 EOR injection wells. We can not quantify the loss of reserve or revenue at this time but LB 1070 would negatively impact future Conservation Taxes due our agency, as well as the loss of state Income Taxes, Severance Taxes, county Real Estate Taxes, and county Personal Property Taxes.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17</u>	<u>2017-18</u>
	<u>16-17</u>	<u>17-18</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Secretary/Administrative Assistant	<u>0.2</u>	<u>0.2</u>	<u>6,240</u>	<u>6,396</u>
Benefits.....			<u>1,685</u>	<u>1,727</u>
Operating.....			<u>600</u>	<u>625</u>
Travel.....				
Capital outlay.....			<u>3,500</u>	
Aid.....				
Capital improvements.....				
TOTAL.....			<u>12,025</u>	<u>8,748</u>