

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	11,025		8,748	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	11,025		8,748	

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

LB 533 requires proof of liability insurance in an amount not less than \$5,000,000 before the Nebraska Oil and Gas Conservation Commission issues a permit for the drilling of any underground enhanced recovery injection well or wastewater disposal well as such are defined by the Commission rules and regulations.

No permit shall be issued to any commercial disposal facility which disposes of injection well wastewater until such applicant has first provided proof of liability insurance of not less than \$5,000,000.

No permit shall be issued for the drilling of an enhanced recovery injection well or for a wastewater disposal well if the proposed well will be located:

- In an area where the depth of the drinking water aquifer begins less than fifty feet below the surface of the ground; or
- Within Level III Ecoregion 44 as defined by the United States Environmental Protection Agency, commonly known as the Nebraska Sandhills

The Nebraska Oil and Gas Conservation Commission estimates the need to hire a part-time employee to administer the provisions of the bill and coordinate with Nebraska agencies and various states. The Commission estimates the first year's cost to be \$11,025. The ongoing costs, beginning in fiscal year 2018-19 are \$8,748. These estimates appear to be reasonable.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 533	AM:	AGENCY/POLT. SUB: Nebraska Oil and Gas Conservation Commission
REVIEWED BY: Lee Will	DATE: 01/23/2017	PHONE: (402) 471-4175
COMMENTS: No basis to disagree with the Nebraska Oil and Gas Conservation Commission's assessment of fiscal impact.		
Disagree that existing appropriations are not sufficient to accommodate additional expenditures incurred with the passage of LB 533.		

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

2017

LB⁽¹⁾ 533

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Oil and Gas Conservation Commission

Prepared by: ⁽³⁾ William H. Sydow Date Prepared: ⁽⁴⁾ 20 January 2017 Phone: ⁽⁵⁾ (308) 254-6919

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2017-18</u>		<u>FY 2018-19</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>11,025</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>11,025</u>	<u>0</u>	<u>8,748</u>	<u>0</u>

Explanation of Estimate:

LB 533 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 \$5,000,000. Regulatory compliance would require at least an additional 0.2 FTE to contact and communicate with operators, on perhaps a weekly basis, create and maintain 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 approved 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)(a) and (b) can be made at this time. However, based upon the 50' depth restriction for an aquifer and that the Sandhills are made off-limits in this new section, *no drilling permits* for enhanced oil recovery (EOR) or salt water disposal (SWD) injection wells could ever be approved in the western 3/4 of Nebraska since the rocks of most aquifers are to be found at the surface. This area is shown on Attachment 1 west of the eastern edge of the Ogallala Formation. These proposed restrictions would result in the loss of secondary oil reserve which would result in decreased exploration, oil production and sales. During 2015, 32% of Nebraska's gross oil production of 2,697,022 Barrels of Oil was produced from over 100 secondary recovery projects which safely utilized over 400 EOR injection wells. We cannot quantify the loss of reserve or revenue at this time but LB 533 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>2017-18</u>	<u>2018-19</u>
	<u>17-18</u>	<u>18-19</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
	<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>2,500</u>	
Aid.....				
Capital improvements.....				
TOTAL.....			<u>11,025</u>	<u>8,748</u>

LB 533

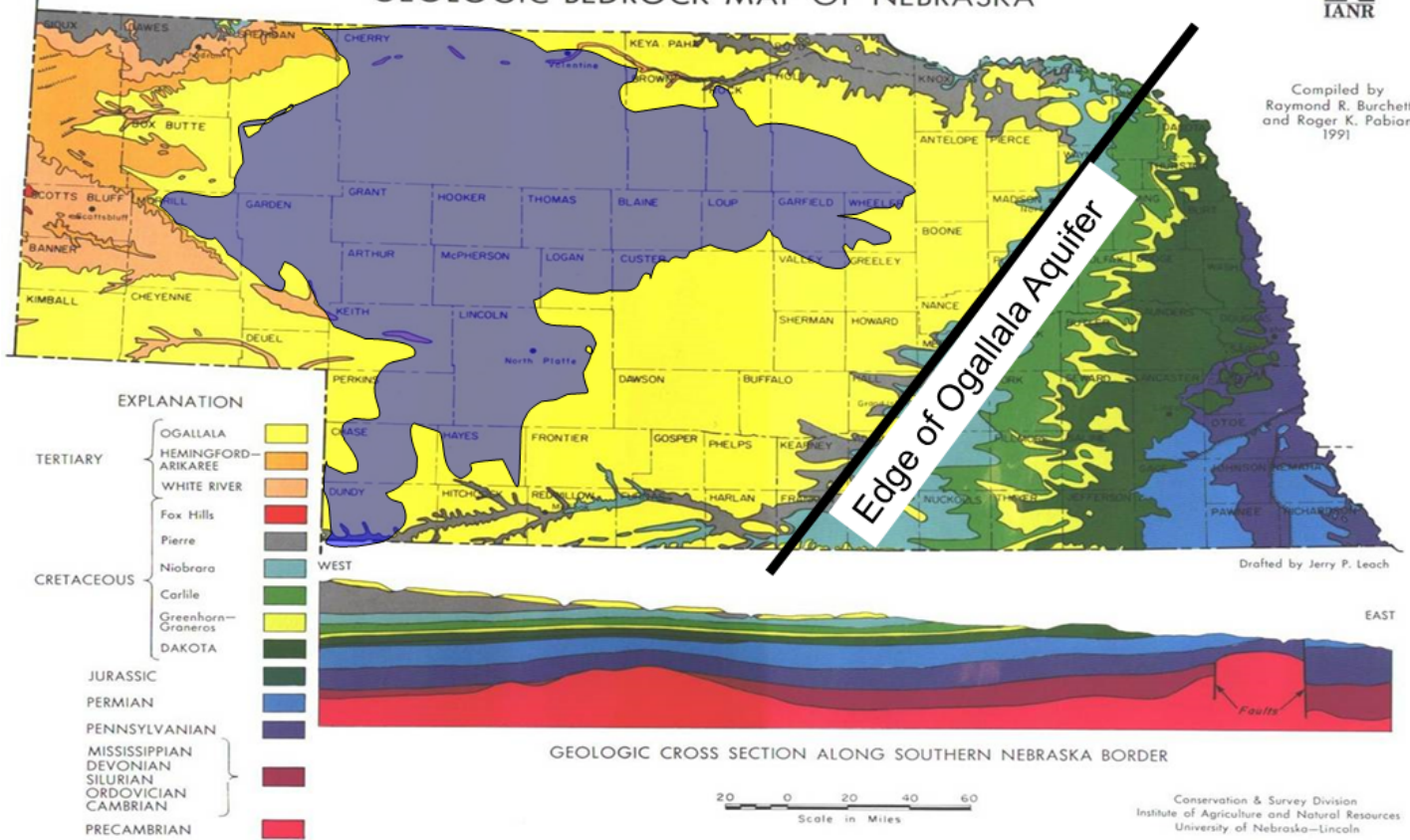
Area West of Edge of Ogallala Formation Restricted for Drilling Permits for EOR and SWD Injection Wells



GEOLOGIC BEDROCK MAP OF NEBRASKA

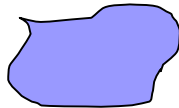


Compiled by Raymond R. Burchett and Roger K. Pabian 1991



NOTE: Unconsolidated sediments of Recent and Pleistocene age cover the bedrock throughout much of the State and are not shown.

GMC-2



Area of the Nebraska Sandhills