

Department of Planning and Budget 2011 Fiscal Impact Statement

1. Bill Number: HB2181

House of Origin ☐ Introduced ☒ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Phillips

3. Committee: Agriculture, Chesapeake and Natural Resources

4. Title: Coalbed methane gas; conflicting claims to ownership.

5. Summary: This bill provides that an order pooling all interests or estates in a coalbed methane gas drilling unit shall be reviewed by the Virginia Gas and Oil Board (the Board). The bill authorizes the Board to appoint a title review officer to provide a recommendation as to the ownership of the coalbed methane gas between the conflicting claimants. A decision by the Board to disburse funds from the escrow account shall be considered a case decision, and may be appealed to the circuit court having jurisdiction. The bill contains an enactment clause that states that the Board shall adopt emergency regulations which are to include procedures for the review of all orders entered prior to July 1, 2011; the selection, qualification, and compensation of the title review officer; and procedures for the submission of documents from interested parties.

6. Budget Amendment Necessary: Yes, Item 111, see item 8, below.

7. Fiscal Impact Estimates: Preliminary.

Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2011	\$0	0.00	n/a
2012	\$555,000	3.00	General
2013	\$555,000	3.00	General
2014	\$555,000	3.00	General
2015	\$555,000	3.00	General
2016	\$555,000	3.00	General
2017	\$555,000	3.00	General

8. Fiscal Implications: This bill would require the Virginia Gas and Oil Board, overseen by the Department of Mines, Minerals and Energy (DMME) to review any pooling order entered prior to July 1, 2011. DMME estimates that this may result in anywhere from 10,000 to 12,000 claimants returning to the Board as it would validate a review of all orders processed since the revision of the Gas and Oil Act in 1990. The bill authorizes the Board to hire a title

review officer to review these orders; however, DMME estimates that a paralegal and at least one administrative person would be needed due to the potential magnitude of orders returning for review.

Additionally, this bill states that any final decision from the Board relating to the provisions of this bill may be appealed to the circuit court having jurisdiction. As such, DMME estimates that this bill may result in an additional \$150,000 in legal fees for appealed Board decisions.

This bill does not address how these additional personnel and legal costs are to be supported. DMME does not have the capacity to absorb this additional workload within current resources.

9. Specific Agency or Political Subdivisions Affected: Virginia Gas and Oil Board, Department of Mines, Minerals and Energy.

10. Technical Amendment Necessary: No.

11. Other Comments: Included in HB1500 is a technical adjustment that transfers dollars within DMME to create an additional administrative staff position for the Gas and Oil Board to support the current workload. This bill would create an increased workload for the Board that would require additional staff, for which expenses are not provided for in this bill. Finally, this bill is similar to SB1398.

Date: February 3, 2011

c: Secretary of Commerce and Trade