

Department of Planning and Budget 2014 Fiscal Impact Statement

1. Bill Number: HB461

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

2. Patron: Kilgore

3. Committee: Appropriations

4. Title: Coalbed methane gas; release of funds held in escrow or suspense.

- 5. Summary:** Requires the operator of certain previously pooled coalbed methane gas wells to request, by the beginning of 2015, the release of any funds held in escrow or suspense to the person who possesses a claim through a gas title. A coal claimant may halt such a release of funds by providing evidence that the coal and gas claimants have reached an agreement or that a proceeding against the gas claimant is pending. For a well that is pooled after July 1, 2014, the bill requires the operator to pay royalties directly to the gas claimant unless the coal claimant provides evidence of an agreement or a proceeding within a certain time.

This impact statement has been revised to reflect an updated estimate of fiscal impact to DMME.

6. Budget Amendment Necessary: Yes, Item 114 of the Introduced Budget (HB30/SB30).

7. Fiscal Impact Estimates: Preliminary. See item 8, below.

7. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2014			
2015	\$75,000	0	General Fund
2016	\$75,000	0	General Fund
2017	\$75,000	0	General Fund
2018	\$75,000	0	General Fund
2019	\$75,000	0	General Fund
2020	\$75,000	0	General Fund

- 8. Fiscal Implications:** The bill seeks to resolve questions of ownership of coalbed methane gas so royalties can be properly paid and sets timeframes for disbursement of royalties. Currently, the Department of Mines, Minerals, and Energy (DMME) is holding \$27 million in disputed coalbed methane gas royalties in escrow. The bill would likely result in an initial surge of orders to the Virginia Gas and Oil Board seeking disbursement of royalties. DMME would have to process orders from approximately 900 sub-accounts in a compressed period of time. Without additional resources, DMME would be unable to process these orders in a timely fashion. While disbursements will need to be made for pooling orders entered prior to

the July 1, 2014, effective date of the bill, the agency has indicated that it would only need funding starting in FY 2015. In FY 2015, DMME will need the capability to maintain increased disbursements for all future drilling. The agency estimates that it will require \$75,000 in general fund support in each year to process the increased disbursements. The \$75,000 will cover the salary and benefits for a new employee to manage the disbursements process. DMME has indicated that it can use current resources to facilitate the necessary modifications to DMME's existing disbursement process.

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

10. Technical Amendment Necessary: No.

11. Other Comments: This impact statement has been revised. DMME estimates that they would require \$75,000 from the general fund to hire a position to manage payouts. The previous version of the impact statement estimated that the agency would require \$150,000.