

Department of Planning and Budget 2009 Fiscal Impact Statement

1. Bill Number: HB1840

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

2. Patron: Griffith

3. Committee: Agriculture, Chesapeake and Natural Resources

4. Title: **Gas and Oil Act; exempts well from minimum distance limit if plan for plugging well before mining.**

5. Summary: This bill exempts wells from minimum distance limitations if the proposed drilling application includes a plan for plugging the well in advance of mining that would allow for the mine-through of the well. Permits to drill coalbed methane gas wells must also include a notice of stimulation if the proposed method of stimulation of the coal seam requires an amount of proppant greater than 10,000 pounds per foot of coal in the coal seam. If the applicant proposes to stimulate and the proposed method of stimulation of the coal seam requires an amount of proppant equal to or less than 10,000 pounds per foot of coal in the coal seam, then no consent shall be required of the coal operator.

6. Fiscal Impact Estimates: Preliminary.

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2009	\$0	n/a	n/a
2010	\$3,035	n/a	GF
2011	\$3,035	n/a	GF
2012	\$3,035	n/a	GF
2013	\$3,035	n/a	GF
2014	\$3,035	n/a	GF
2015	\$3,035	n/a	GF

7. Budget Amendment Necessary: Yes, Item 120.

8. Fiscal Implications: The Department of Mines, Minerals and Energy (DMME) anticipates that this bill will create additional workloads for the Gas and Oil Board, as the Board meetings handle questions regarding gas ownership. DMME reports that there are currently approximately 50 cases on the docket dealing with gas ownership disputes for each of the monthly Board meetings. They anticipate that this bill may result in discrepancies that would need to be resolved, and may double the Board's current caseload. DMME estimates that this would require an additional entire day of meetings per month, raising the number of days the Board meets annually from 12, to 24. DMME estimates that this could result in additional board costs, specifically for lodging expenses for Board members. There are six members appointed to the Board, and while most members reside locally, DMME estimates that two board members may

need an additional night of motel and day of meals due to the excess case load created by this bill. Currently the Board meets monthly, so 12 months times two people times \$88.48 per night (in Abingdon where the Board meetings are held) (state rate plus taxes) plus \$38.00 per diem (75 percent travel days)) = \$3,035 annually.

DMME also notes that the Board and staff to Board are not required to have expertise in the matters of gas ownership and, as adjudicating these issues would require presence of mining engineers, they may need to hire engineer consultants which could result in additional costs.

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

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 2/2/2009 dpb

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cc: Secretary of Commerce and Trade