

FISCAL NOTE

Requested by Legislative Council
02/09/2001

Bill/Resolution No.:

Amendment to: SB 2099

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues					(\$60,000)	
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Oil and gas fees are expected to generate approximately \$90,000 per biennium.

Currently approximately \$20,000-40,000 of the fees is deposited in the Plugging and Reclamation Fund and \$50,000-70,000 is deposited in the General Fund.

There are currently 2 orphan wells and an additional 74 potential orphan wells in North Dakota that will require plugging and reclamation at a cost of approximately \$90,000 each biennium for the next 10 bienniums. The current fund limit could result in the need for a General Fund appropriation of \$70,000-80,000 for oil well plugging and reclamation each biennium.

An alternative to increasing the fund limit is to increase oil well bond requirements. This action would severely reduce already weak oil drilling activity by conscientious operators, while less than 1% of operators default on their obligation to plug and reclaim the wells they operate.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Oil and gas fee revenues each biennium are as follows:

Drilling permit fees \$30,000; Operator change fees \$40,000; Recompletion permit fees \$15,000; Seismic permit fees \$5,000.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The NDIC Oil & Gas Division is responsible for plugging and reclaiming orphan oil and gas wells (wells for which no responsible party with sufficient assets can be identified).

Historical expenditures have been \$20,000-40,000 per biennium.

There are 2 current and 74 potential orphan wells that could require plugging and reclamation expenditures of \$90,000 in each of the next 10 bienniums.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Approval of this change in the Plugging and Reclamation Fund maximum will eliminate the need to appropriate \$70,000-80,000 each biennium for plugging and reclaiming orphan wells.

Potential orphan well plugging and reclamation costs are expected to exceed the current fund maximum.

Name: Lynn D. Helms
Phone Number: 328-8025

Agency: NDIC Oil & Gas Division
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Prepared: