

**FISCAL AND ECONOMIC IMPACT STATEMENT
FOR ADMINISTRATIVE RULES**

Person Preparing
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Rule Title: Fees (LAC 43:XIX. 701, 703,
and 707)

Date Rules Take Effect: November 20, 2017

SUMMARY

(Use Complete Sentences)

In accordance with Section 953 of Title 49 of the Louisiana Revised Statutes, there is hereby submitted a fiscal and economic impact statement on the rule proposed for adoption, repeal or amendment. **THE FOLLOWING STATEMENTS SUMMARIZE ATTACHED WORKSHEETS, I THROUGH IV AND WILL BE PUBLISHED IN THE LOUISIANA REGISTER WITH THE PROPOSED AGENCY RULE.**

I. ESTIMATED IMPLEMENTATION COSTS (SAVINGS) TO STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

There are no estimated implementation costs or savings to the state or local governmental units as a result of the proposed rule changes. The proposal provides for changes in the definitions, the capable oil and gas tiers, and the severability and effective date of the Office of Conservation General Operations Statewide Order No. 29-R. Proposed Statewide Order No. 29-R-17/18 establishes the Louisiana Office of Conservation Fee Schedule for the collection of application, production, and regulatory fees by the Office of Conservation and will replace the existing Statewide Order No. 29-R-16/17.

The agency will retain the maximum revenue caps authorized by R.S. 30:21 et seq. The proposed rule changes do not modify the authorized maximum revenue caps for FY18. The severability and effective date of the proposed rule is November 20, 2017.

II. ESTIMATED EFFECT ON REVENUE COLLECTIONS OF STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

The proposed rule changes are anticipated to have a net zero impact on the Office of Conservation. The proposed rule changes the per well annual production fees for operators of capable oil wells and capable gas wells. These increases are as follows: Tier 1 from \$27 to \$28; Tier 2 from \$155 to \$165; Tier 3 from \$445 to \$474; Tier 4 from \$739 to \$788; Tier 5 from \$1,165 to \$1,241; Tier 6 from \$1,622 to \$1,727; and Tier 7 from \$2,025 to \$2,162. The average increase in production fees of 6.6% is anticipated to be offset by the number of wells decreasing from an estimated 15,638 in FY 17 to an estimated 14,364 in FY 18, a decrease of 1,274 wells (8%). The FY 17 estimated revenue from production fees is \$3,674,992. After accounting for increases in production fees and the reduction in the number of wells, the FY 18 estimated revenue from production fees is \$3,674,998, an insignificant increase of \$6.

The proposed rule changes the Office of Conservation's General Operations Statewide Order No. 29-R and provides changes in the definitions, the fee schedule, and the severability and effective date of the Office of Conservation General Operations Statewide Order No. 29-R. Changes to the definitions include: (1) changing the BOE-annual barrels oil equivalent from 24.0 to 20.0 that is based on a three year average (FY 14 - 16) of the cost of oil and gas; and (2) changing the Class V Permit Waiver/Exemption by adding Area Permit to the title, and inserting the phrase "or a request for an area permit for remediation projects under the authority of the LDEQ or USEPA to allow deviation from the permitting requirements for Class V injection wells" before the words "as authorized by Statewide Order 29-N-1 (LAC 43:XXVII.111 et seq.) or successor regulations".

III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NON GOVERNMENTAL GROUPS (Summary)

The proposed rule change is anticipated to have an indeterminable economic impact on oil and gas operators. Due to a reduction in the number of wells, operators will pay more for the annual well production fees. The per well annual production fees for operators of capable oil wells and capable gas wells are increased as

follows: Tier 1 from \$27 to \$28; Tier 2 from \$155 to \$165; Tier 3 from \$445 to \$474; Tier 4 from \$739 to \$788; Tier 5 from \$1,165 to \$1,241; Tier 6 from \$1,622 to \$1,727; and Tier 7 from \$2,025 to \$2,162.

IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)

The proposed rule change is not anticipated to have an impact on competition and employment in the public and private sector.



Signature of Agency Head or Designee

Evan Brassef, Staff Director
Legislative Fiscal Officer or Designee

Gary P. Ross, Assistant Commissioner of Conservation

Typed Name and Title of Agency Head or Designee

August 1, 2017

Date of Signature

8/2/17

Date of Signature

**FISCAL AND ECONOMIC IMPACT STATEMENT
FOR ADMINISTRATIVE RULES**

The following information is required in order to assist the Legislative Fiscal Office in its review of the fiscal and economic impact statement and to assist the appropriate legislative oversight subcommittee in its deliberations on the proposed rule.

- A. Provide a brief summary of the content of the rule (if proposed for adoption, or repeal) or a brief summary of the change in the rule (if proposed for amendment). Attach a copy of the notice of intent and a copy of the rule proposed for initial adoption or repeal (or, in the case of a rule change, copies of both the current and proposed rules with amended portions indicated).

Proposed Statewide Order No. 29-R-17/18 establishes the Louisiana Office of Conservation Fee Schedule for the collection of application, production, and regulatory fees by the Office of Conservation and will replace the existing Statewide Order No. 29-R-16/17. R.S. 30:21 et seq., R.S. 30:560, and R.S. 30:706 provide that the Commissioner of Conservation shall periodically and/or annually review the fees collected, and the Office of Conservation has established a practice of annually evaluating all applicable fees. This revision will authorize the collection of this application fee consistent with the Agency's other fee collections.

Additionally, the passage of Act 435 of 2016, Regular Legislative Session, authorizes the Office of Conservation to determine by rule annually, in accordance with the Administrative Procedure Act, the pipeline fees. The annual pipeline facility safety and odorization inspection fee is one dollar per service line (R.S. 30:560) or four hundred dollars per pipeline facility, whichever is greater, annual fee on gas gathering or transmission system will increase from \$22.40 per mile or minimum of \$400 per facility to \$44.80 per mile or minimum of \$800 per facility (R.S. 30:560), and annual transportation of hazardous liquids fee will increase from \$22.40 per mile or minimum of \$400 per facility to \$44.80 per mile or minimum of \$800 per facility (R.S. 30:706). The proposed FY17/18 fee will remain at the maximum fee authorized by statute.

The above referenced fees are deposited into the Oil and Gas Regulatory Fund, a statutorily dedicated fund, and comprise a significant percentage of the Office of Conservation's annual budget, and used to fund necessary annual operating expenses for the Office of Conservation for FY17/18.

- B. Summarize the circumstances which require this action. If the action is required by federal regulations, attach a copy of the applicable regulation.

R.S. 30:21 et seq., R.S. 30:560, and R.S. 30:706 provide that the Commissioner of Conservation shall periodically and/or annually review the fees collected, and the Office of Conservation has established a practice of annually evaluating all applicable fees.

- C. Compliance with Act 11 of the 1986 First Extraordinary Session

- (1) Will the proposed rule change result in any increase in the expenditure of funds? If so, specify amount and source of funding.

No.

- (2) If the answer to (1) above is yes, has the Legislature specifically appropriated the funds necessary for the associated expenditure increase? This is not an expenditure increase; therefore, this is not applicable.

(a) Yes. If yes, attach documentation

(b) No. If no, provide justification as to why this rule change should be published at this time.

**FISCAL AND ECONOMIC IMPACT STATEMENT
WORKSHEET**

I. A. COSTS OR SAVINGS TO STATE AGENCIES RESULTING FROM THE ACTION PROPOSED

1. What is the anticipated increase (decrease) in costs to implement the proposed action?

Not Applicable

<u>COSTS</u>	<u>FY17-18</u>	<u>FY18-19</u>	<u>FY19-20</u>
Personal Services	-----	-----	-----
Operating Expenses	-----	-----	-----
Professional Services	-----	-----	-----
Other Charges	-----	-----	-----
Equipment	-----	-----	-----
Major Repair & Constr.	-----	-----	-----
<u>TOTAL</u>			

POSITIONS

2. Provide a narrative explanation of the costs or savings shown in "A.1.", including the increase or reduction in workload or additional paperwork (number of new forms, additional documentation, etc.) anticipated as a result of the implementation of the proposed action. Describe all data, assumptions, and methods used in calculating these costs.

3. Sources of funding for implementing the proposed rule or rule change.

<u>SOURCE</u>	<u>FY17-18</u>	<u>FY18-19</u>	<u>FY19-20</u>
State General Fund	-----	-----	-----
Agency Self-Generated	-----	-----	-----
Dedicated	-----	-----	-----
Federal Funds	-----	-----	-----
Other: <u>Oil & Gas Regulatory Fund</u>	-----	-----	-----
<u>TOTAL</u>			

4. Does your agency currently have sufficient funds to implement the proposed action? If not, how and when do you anticipate obtaining such funds?

Yes. The adoption of Statewide Order No. 29-R-17/18 will generate sufficient funds to allow the Office of Conservation to perform mandated responsibilities.

B. COST OR SAVINGS TO LOCAL GOVERNMENTAL UNITS RESULTING FROM THE ACTION PROPOSED.

1. Provide an estimate of the anticipated impact of the proposed action on local governmental units, including adjustments in workload and paperwork requirements. Describe all data, assumptions and methods used in calculating this impact.

There will be no anticipated impact on local governmental units resulting from this action.

2. Indicate the sources of funding of the local governmental unit which will be affected by these costs or savings.

Not Applicable.

**FISCAL AND ECONOMIC IMPACT STATEMENT
WORKSHEET**

II. EFFECT ON REVENUE COLLECTIONS OF STATE AND LOCAL GOVERNMENT UNITS

A. What increase (decrease) in revenues can be anticipated from the proposed action?

There is no anticipated effect on revenue collections of state governmental units as a result of the rule changes. Production fee increases are offset by the reduced number of wells such that total collections should not be affected. The agency will retain the maximum revenue caps authorized by R.S. 30:21 et seq. No effect on revenue collections of local governmental units is anticipated.

<u>REVENUE INCREASE/DECREASE</u>	<u>FY17-18</u>	<u>FY18-19</u>	<u>FY19-20</u>
State General Fund	-----	-----	-----
Agency Self-Generated	-----	-----	-----
Dedicated Funds*	-----	-----	-----
Federal Funds	-----	-----	-----
Local Funds	-----	-----	-----
<u>TOTAL</u>			

B. Provide a narrative explanation of each increase or decrease in revenues shown in "A". Describe all data, assumptions, and methods used in calculating these increases or decreases.

Not Applicable.

III. COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NON GOVERNMENTAL GROUPS

A. What persons or non governmental groups would be directly affected by the proposed action? For each, provide an estimate and a narrative description of any effect on costs, including workload adjustments and additional paperwork (number of new forms, additional documentation, etc.), they may have to incur as a result of the proposed action.

The primary group affected by these rules is oil and gas operators. Due to a reduction in the number of wells, operators will pay more for the annual well production fees. The per well annual production fees for operators of capable oil wells and capable gas wells are increased as follows: Tier 1 from \$27 to \$28; Tier 2 from \$155 to \$165; Tier 3 from \$445 to \$474; Tier 4 from \$739 to \$788; Tier 5 from \$1,165 to \$1,241; Tier 6 from \$1,622 to \$1,727; and Tier 7 from \$2,025 to \$2,162.

B. Also provide an estimate and a narrative description of any impact on receipts and/or income resulting from this rule or rule change to these groups.

N/A

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IV. EFFECTS ON COMPETITION AND EMPLOYMENT

Identify and provide estimates of the impact of the proposed action on competition and employment in the public sectors. Include a summary of any data, assumptions and methods used in making these estimates.

Implementation of the proposed rule changes are not expected to impact competition and employment in the public and private sector.