



**HOUSE COMMITTEE ON APPROPRIATIONS**  
2009-10 Legislative Session

**FISCAL NOTE**

**HOUSE BILL: 2213**

**PRINTER'S NO: 3821**

**PRIME SPONSOR: George**

<b>FISCAL IMPACT SUMMARY</b>	<b>FY 2010/11</b>	<b>FY 2011/12</b>
<b>Expenditure Increase/(Decrease):</b>		
Commonwealth Funds	See Analysis	See Analysis

**OVERVIEW:**

House Bill 2213, Printer's Number 3821 amends the Oil and Gas Act of 1984 to provide for additional well permit requirements, restrictions on where a well may be located and requires additional inspections during the casing of the well. The bill requires the disclosure of chemicals used in the hydraulic fracturing process for each well, and for the well operator to monitor and maintain records of the total volume of fracturing fluids used for the well. Further, the bill increases bonding requirements for each well and penalties for violations of the act.

The bill will take effect in sixty days.

**ANALYSIS:**

The bill requires increased inspections of wells drilled in any formation using hydraulic fracturing or horizontal drilling during each phase of cementing, completing or altering. The Department of Environmental Protection has estimated that at least an additional 20 oil and gas inspectors will be needed to meet the new inspection requirements. The average salary and benefits for an inspector is \$69,331, leading to an estimated additional cost of \$1,386,620.

Inspections are funded through permit fees collected by the Department. The bill requires the Department to allocate an appropriate portion of the fee to fund the inspections required by the bill, and allows the Department, if necessary, to increase permit fees to cover the cost. Currently, the fee schedule varies depending on the depth of the well, starting at \$900 and increasing with depth. Beyond 12,000 feet, the permit application fee is \$3,000 + \$100 for every 500 feet. The amount of revenue derived each year depends on the number of applications for permits received by the Department. The volume of permits will also determine the extent to which fees may be raised, if necessary, to accommodate increased inspections.

The bill also requires conservation districts to quarterly review erosion and sediment control permit applications issued on an expedited basis for all earth disturbance associated with oil and gas activities. After review, conservation districts shall submit a report to the Department with their findings. Conservation districts receive funding from transfers to the Conservation District Fund, but also can receive federal funds and other revenues. No additional funding is provided to conservation districts to carry out the review required under the bill. It is anticipated that some conservation districts will incur significant additional cost to carry out the provisions of the bill; however, the exact amount is unquantifiable at this time.

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**DATE:** October 4, 2010

**General Note and Disclaimer:** *This Fiscal Note was prepared pursuant to House Rule 19(a), and the elements considered and reported above are required by Section 5 of the rule. Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*