

State Oil and Gas Council Proposed Fee Structure

September 10, 2015

Statutory Authority

House Bill 92 (effective 8/28/15)

New Section 259.052 establishes the “Oil and Gas Resources Fund” which shall consist of all gifts, donations, transfers, moneys appropriated by the general assembly, permit application fees collected under section 259.080, operating fees, closure fees late fees, severance fees, and bequests to the fund.

The fund shall be used to administer the provisions of chapter 259, and to collect, process, manage, interpret, and distribute geologic and hydrologic resource information pertaining to oil and gas potential.

Statutory Authority

House Bill 92

New Section 259.080.2 provides authority to establish a fee structure. The department shall submit a proposed fee structure with stakeholder agreement to the council.

The council shall review such recommendations, but shall not vote on the fee structure until a subsequent meeting. A two-thirds majority vote by the council is needed to authorize the department to file a notice of the proposed rulemaking for the recommended fee structure.

Stakeholder Meetings

- Numerous stakeholder meetings held since early 2014 regarding oil and gas rule revisions
- Five meetings held since June 25, 2015, to discuss fees
- Members of MIOGA, state and federal regulators, landowners, and interested public attended

Scenario F Summary (Personnel Duties)

Geologist III (Injection/EOR/Compliance)	Senior Office Support Assistant
<ul style="list-style-type: none"> • Assist with oil and gas permitting • Provide compliance assistance • Maintain and account for: <ul style="list-style-type: none"> • Mechanical integrity testing • Injection pressure determination testing • Well stimulation treatment projects • Oversee and review oil and gas production projects • Evaluate enhanced oil recovery projects and technologies • Determine appropriate injection pressures and rates • Oversee MITs • Conduct field inspections • Ensure compliance with regulations 	<ul style="list-style-type: none"> • Input data • Maintain and account for: <ul style="list-style-type: none"> • Operator registration • Well bonding • Well status and shut-in wells • Production • Resource valuation • Recordkeeping • General information requests • Create and edit forms • Provide administrative support • Generate letters (notifications/reminders) • Generate reports • Perform financial tracking

Expenditure Scenario F - 2 FTE	FY17 Proj (eff 1/2017)	FY18 Proj	FY19 Proj	FY20 Proj	FY21 Proj
Salaries (PS) <i>1 Geologist III, 1 Sr Office Support Assistant</i>	\$ 42,162	\$ 86,854	\$ 89,459	\$ 92,143	\$ 94,907
Fringe Benefits (<i>social security, health ins., retirement, etc.</i>)	\$ 20,196	\$ 41,603	\$ 42,851	\$ 44,137	\$ 45,461
Operating E&E (<i>travel, supplies, training, etc.</i>)	\$ 22,222	\$ 12,257	\$ 12,625	\$ 13,003	\$ 13,394
Contractual Engineering	\$ -	\$ -	\$ -	\$ -	\$ -
*Statewide Central Services, DNR Administration, OA ITSD, Leases/Rents	\$ 21,610	\$ 35,952	\$ 37,031	\$ 38,142	\$ 39,286
Total	\$ 106,190	\$ 176,666	\$ 181,966	\$ 187,425	\$ 193,048
		Average Need (FY18-FY21)			\$ 184,776

Projection Assumptions:

- FY17 reflected as one-half year due to earliest potential effective date of fees; actual timing of first expenditures will be determined by revenue receipts/fund balance
- FY17 includes one-time E&E needs; reduced in FY18
- 3% pay plan/inflation beginning FY18
- Average need calculated using 4 years since FY17 is only a partial year
- Fringe benefits estimated using DNR rate of 47.9% (less than the statewide average rate)
- *Indirect costs estimated using approved federal indirect cost rate of 25.55%

Potential Fee Types

- Operator license and renewal
- Permit to drill, deepen, plug-back, or recomplete
- Permit to inject
- Well plugging
- Shut-in well extension
- Open wells (annual)
- Severance
- Conservation/production
- *Late fees (**cannot include in projected revenue*)
- Others

Fee Calculator

Oil & Gas Fee Calculator							
note: data in cells can be modified; calculations are automated to show total projected revenue.							
9/8/2015							
	MIOGA	MDNR	MDNR	MIOGA	MIOGA	MDNR	MDNR
	2015 Estimated	avg 2010-15	avg 2010-11	proposed fee	est. annual totals 2015	est. annual totals 2010-15	est. annual totals 2010-11
new operator license or renewal (annual fee)	24	20	15	\$250	\$6,000	\$5,042	\$3,625
non-commercial gas well operator license/renewal (annual fee)	59	59	59	\$50	\$2,950	\$2,950	\$2,950
permit to drill a well	120	309	185	\$100	\$12,000	\$30,850	\$18,500
permit to inject	35	74	61	\$100	\$3,500	\$7,433	\$6,100
shut-in well extension (estimated)	20	20	20	\$25	\$500	\$500	\$500
well plugging	30	161	58	\$50	\$1,500	\$8,025	\$2,900
				subtotal fees:	\$26,450	\$54,800	\$34,575
Oil and Gas Resource Fund fees oil (bbl)	170,000	170,000	131,851	\$0.600	\$102,000	\$102,000	\$79,110
Oil and Gas Resource Fund fees gas (MCF)	8,777	21,846	46,579	\$0.0710	\$623	\$1,551	\$3,307
				subtotal fees:	\$102,623	\$103,551	\$82,417
				grand total:	\$129,073	\$158,351	\$116,992
*actual average oil production 2010-2015 is 167,261 bbl; 170,000 bbl projected.					target:	184,776	

Proposed Fee Structure

- **10 CSR 50-1.050** Assessment of Costs
- \$250 Operator License application
- \$250 Operator License annual renewal
- \$50 Non-commercial gas well Operator License application
- \$50 Non-commercial gas well Operator License annual renewal

Proposed Fee Structure (cont'd)

- \$100 Permit to drill, deepen, plug-back or recomplete
- \$100 Permit to inject
- \$25 Shut-in well status extension
- \$50 Well plugging
- \$0.60 per barrel oil sold
- \$0.071 per MCF gas sold
- \$100 Late fee, not to exceed \$1200 per violation per well

Next Steps

- Sept. 11: Teleconference to request council vote to file proposed fee rulemaking
- Sept. 15: Deadline to file proposed rulemaking with Secretary of State
- Oct. 15: Proposed rulemaking published in *Missouri Register*; public comment period begins
- Nov. 16: Public hearing
- Nov. 23: Council vote on Final Order of Rulemaking
- Dec. 1: File Order of Rulemaking with JCAR

Thank You