

OIL AND GAS COMMISSION (0440)

Fiscal Year 2014 and 2015 - Executive Recommendation

I) AGENCY SUMMARY & REVENUE SOURCES

MISSION

The purpose and mission of the Oil & Gas Commission is to serve the public regarding oil and gas matters, to protect the correlative rights and interests of mineral owners and to regulate oil, gas, and brine production industries to insure compliance with state and federal laws regarding the protection of the environment and waters of the State. The Commission regulates activities required to produce and allocate oil and gas reserves, including distribution of royalties, assessment of taxes, seismic operations, and data compilation and monitors underground disposal of waste fluids generated by producers.

TOTAL BUDGET

The total appropriation is approximately \$8 million in Fiscal Years 2014 and 2015.

FUNDING SOURCE

The Commission is funded by special revenues from assessments on oil and gas, permit and application fees, and brine taxes.

II) CHANGES/APPROPRIATIONS

The Oil & Gas Operations appropriation, funded by Special Revenues as authorized in A.C.A. Section 19-6-410, for \$5,029,380 the first year and \$5,033,163 the second year including a requested increase of \$716,329 in both years. Regular Salaries has an increase of \$166,583 in both years for the addition of four (4) new positions. One (1) Senior Petroleum Geologist and two (2) Oil & Gas Inspectors associated with the Fayetteville Shale Development and one (1) Oil & Gas Inspector for the Smackover "brown dense" development in south Arkansas. There is an increase of \$56,246 on Personal Service Matching associated with these positions. There is an increase of \$340,000 in Grants & Aid to provide a grant to the Arkansas Department of Environmental Quality to fund unfunded ADEQ Field Inspectors associated with the Fayetteville Shale play. Initial funding was provided by a grant from the Arkansas Game & Fish Commission. Capital Outlay increases \$150,000 to provide vehicles for the new inspectors and replace existing high mileage/high maintenance vehicles. The final increase is for \$3,500 for Groundwater Protection for state membership and program representation in the National Ground Water Protection Council.

The Abandoned & Orphaned Well Plugging appropriation, funded by Special revenues from fees, forfeited bonds, hydrocarbon sale proceeds and grants/gifts from the public and a special language transfer of up to \$750,000 annually from the Oil & Gas Fund (upon approval of the CFO and ALC). The requested amount is for \$2.5 million dollars annually, including a change in the special language transfer cap from \$750,000 to \$2 million from the Oil & Gas Fund. This is an increase of \$1 million each year for Well Plugging Expenses.

The Refunds/Reimbursements appropriation, from deposit of special revenue fees and bond holding, is for \$500,000 each year which is equal to base level for the appropriation.

III) ADDITIONAL POSITIONS

Total Positions for FY 2015: 44
Total Positions for FY 2014: 44
Total Positions for FY 2013: 40

New positions requested (reduced): 4

1 - Senior Geologist - N901

3 - Oil & Gas Inspector - C118

IV) SPECIAL LANGUAGE

- **FUND TRANSFER:** The Oil and Gas Commission, after receiving review from the CFO and Legislative Council, may request the CFO to transfer up to ~~\$750,000~~ \$2,000,000 per year from the Oil and Gas Commission Fund to the Abandoned and Orphaned Well Plugging Fund.
- **FAYETTEVILLE SHALE QUARTERLY REPORTING:** Requires Quarterly Reports to the Arkansas Legislative Council or Joint Budget Committee for any inspections or other regulatory or enforcement activities involving the Fayetteville Shale.