

# Budget Brief – Division of Oil, Gas and Mining

NUMBER: NRAS-BB-06-07

## SUMMARY

The division of Oil, Gas, and Mining regulates exploration for and development of Utah's oil, gas, coal and other mineral resources. When exploration and developmental activities are completed, the division ensures that oil and gas wells are properly abandoned and mining sites are satisfactorily reclaimed.

## ISSUES AND RECOMMENDATIONS

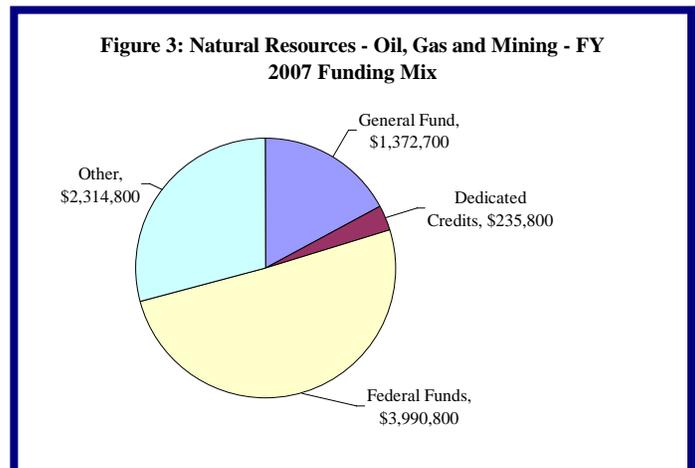
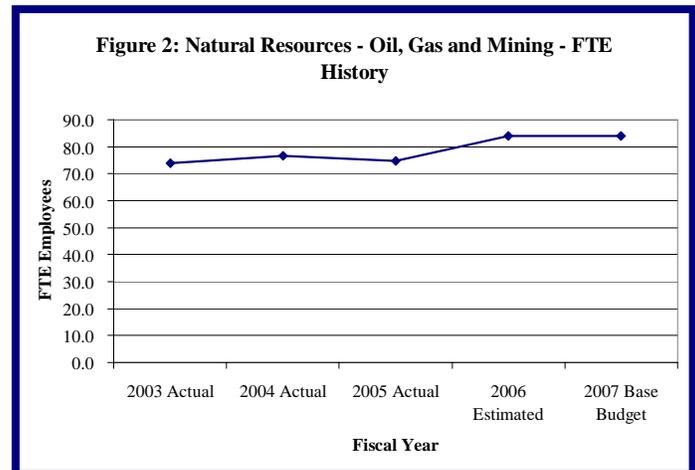
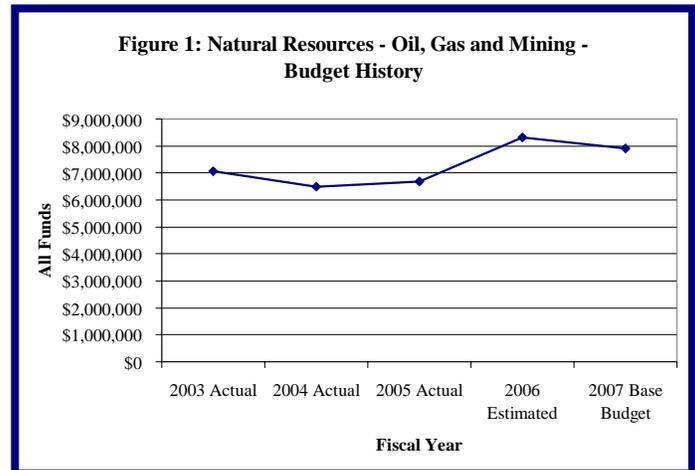
Currently one of the major challenges for the division is to keep pace with the growth in the energy and minerals sector of the economy, while ensuring adequate service to both the regulated community and the public.

### *Oil & Gas Biologist*

Oil and gas exploration and drilling in Utah has hit all time highs in the past two years. This has increased the demands to prepare environmental impact analyses for these projects. The division is requesting for FY 2006 a supplemental appropriation of \$70,000 and for FY 2007 an ongoing appropriation of \$280,000 from the GFR—Oil and Gas Conservation Account for two biologists from the Division of Wildlife Resources, who will work with the oil and gas industry to speedup the permitting and drilling and protect the habitat through cooperative efforts. The Analyst recommends the Committee fund this request.

### *Electronic Permitting System*

To meet the increased demands for oil & gas exploration and drilling in Utah, the division needs to develop computer applications to enhance its ability to timely and accurately process, approve, and monitor oil and gas drilling permits and other activities. The division is requesting for FY 2006 a supplemental appropriation of \$50,000 and for FY 2007 a one-time appropriation of \$100,000 from the GFR—Oil and Gas Conservation Account for the research and development of adequate electronic permitting system. The Analyst recommends the Committee fund this request.



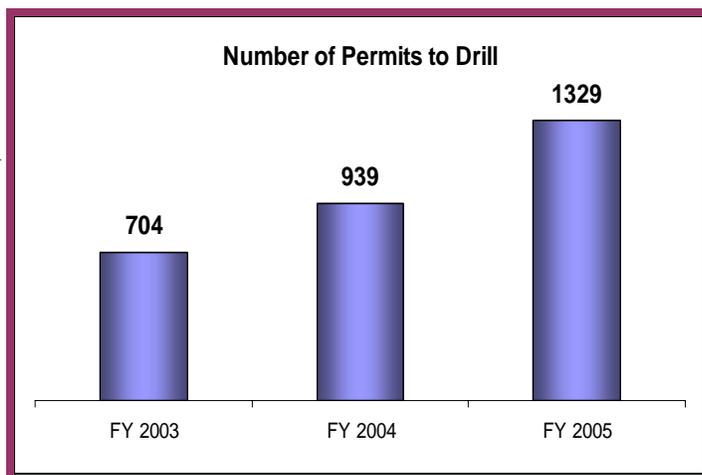
***Minerals Workload Expansion***

The rapid growth in both the energy development and construction/housing industries in Utah has affected the ability of the Minerals Regulatory Program to review and approve applications, monitor for safety, and enforce the bonding requirement for reclamation. For FY 2007 the division is requesting an ongoing appropriation of \$290,000 from the General Fund to hire two environmental scientists and one engineering tech to assist with permitting, bonding and inspection duties of the Minerals Regulatory Program. The Analyst recommends the Committee provide a one-time appropriation of \$290,000 from the General Fund through reallocation of base budgets.

**ACCOUNTABILITY DETAIL**

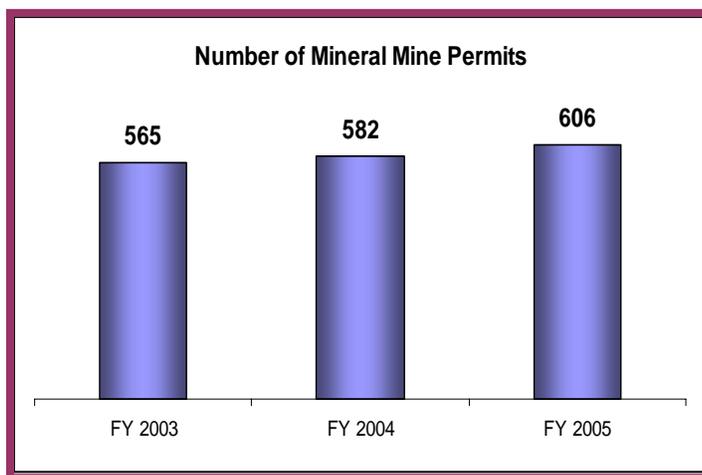
***Oil and Gas Conservation Program***

The number of permits issued is driven by industry activity and is a direct measure of program activity level. The number of permits to drill issued has almost doubled since FY 2003.



***Minerals Regulatory Program***

The number of permits for mining of minerals has been increasing in the last three years.



**BUDGET DETAIL*****Budget Recommendation***

At this time the Executive Appropriations Committee (EAC) has not allocated any General Funds beyond the agencies' base budgets. The Analyst recommends the Appropriations Subcommittee consider the Analyst's recommendations in the Issues and Recommendations section of this Budget Brief and develop a funding priority list for the EAC. None of the requests for funding increase are built in the tables and charts of this Budget Brief.

The Analyst recommends for the division of Oil, Gas and Mining for FY 2007 a base budget appropriation of \$7,914,100, with \$1,372,700 from the General Fund (see Budget Detail Table).

***Intent Language***

*In accordance with the building block approved in 2005 General Session for the Oil and Gas Conservation Program, it is the intent of the Legislature to allow the Division of Oil, Gas and Mining to expand its motorpool fleet by 2 vehicles in FY 2006.*

*It is the intent of the Legislature that the appropriation to the Minerals Regulatory Program be nonlapsing.*

**LEGISLATIVE ACTION**

This section is a summary of what actions might be taken if the Legislature wishes to adopt the recommendations of this Budget Brief.

The Analyst recommends the Legislature consider adopting for FY 2007:

- A base budget for division of Oil, Gas and Mining of \$7,914,100, with \$1,372,700 from the General Fund
- The intent language as presented in this Budget Brief

**BUDGET DETAIL TABLE**

| Natural Resources - Oil, Gas and Mining |                    |                         |                  |                    |                    |                         |
|---|--------------------|-------------------------|------------------|--------------------|--------------------|-------------------------|
| Sources of Finance                      | FY 2005<br>Actual  | FY 2006<br>Appropriated | Changes          | FY 2006<br>Revised | Changes            | FY 2007*<br>Base Budget |
| General Fund                            | 1,281,300          | 1,372,700               | 0                | 1,372,700          | 0                  | 1,372,700               |
| General Fund, One-time                  | 57,600             | (75,000)                | 0                | (75,000)           | 75,000             | 0                       |
| Federal Funds                           | 3,442,200          | 4,147,800               | (157,000)        | 3,990,800          | 0                  | 3,990,800               |
| Dedicated Credits Revenue               | 191,000            | 225,100                 | 18,700           | 243,800            | (8,000)            | 235,800                 |
| GFR - Oil & Gas Conservation Account    | 1,760,900          | 2,314,800               | 0                | 2,314,800          | 0                  | 2,314,800               |
| OGM Abandoned Mine Reclamation          | 0                  | 75,000                  | 0                | 75,000             | (75,000)           | 0                       |
| Beginning Nonlapsing                    | 358,300            | 148,400                 | 256,600          | 405,000            | (405,000)          | 0                       |
| Closing Nonlapsing                      | (405,000)          | 0                       | 0                | 0                  | 0                  | 0                       |
| <b>Total</b>                            | <b>\$6,686,300</b> | <b>\$8,208,800</b>      | <b>\$118,300</b> | <b>\$8,327,100</b> | <b>(\$413,000)</b> | <b>\$7,914,100</b>      |
| <b>Programs</b>                         |                    |                         |                  |                    |                    |                         |
| Administration                          | 1,213,100          | 1,317,000               | (18,000)         | 1,299,000          | 2,600              | 1,301,600               |
| Board                                   | 19,100             | 24,800                  | (1,200)          | 23,600             | 0                  | 23,600                  |
| Oil and Gas Conservation                | 1,657,100          | 2,283,300               | (49,200)         | 2,234,100          | (12,100)           | 2,222,000               |
| Minerals Reclamation                    | 494,300            | 522,100                 | 45,000           | 567,100            | (800)              | 566,300                 |
| Coal Reclamation                        | 1,608,800          | 1,793,400               | (18,300)         | 1,775,100          | 2,100              | 1,777,200               |
| OGM Misc. Nonlapsing                    | 79,900             | 148,400                 | 256,600          | 405,000            | (405,000)          | 0                       |
| Abandoned Mine                          | 1,614,000          | 2,119,800               | (96,600)         | 2,023,200          | 200                | 2,023,400               |
| <b>Total</b>                            | <b>\$6,686,300</b> | <b>\$8,208,800</b>      | <b>\$118,300</b> | <b>\$8,327,100</b> | <b>(\$413,000)</b> | <b>\$7,914,100</b>      |
| <b>Categories of Expenditure</b>        |                    |                         |                  |                    |                    |                         |
| Personal Services                       | 5,024,500          | 5,799,900               | (18,900)         | 5,781,000          | (30,300)           | 5,750,700               |
| In-State Travel                         | 65,600             | 71,100                  | (3,100)          | 68,000             | 0                  | 68,000                  |
| Out of State Travel                     | 32,100             | 53,200                  | 0                | 53,200             | 0                  | 53,200                  |
| Current Expense                         | 1,001,800          | 977,900                 | 227,900          | 1,205,800          | (80,600)           | 1,125,200               |
| DP Current Expense                      | 129,400            | 158,200                 | 11,900           | 170,100            | (35,000)           | 135,100                 |
| Capital Outlay                          | 0                  | 0                       | 48,000           | 48,000             | (48,000)           | 0                       |
| Other Charges/Pass Thru                 | 432,900            | 1,148,500               | (147,500)        | 1,001,000          | (219,100)          | 781,900                 |
| <b>Total</b>                            | <b>\$6,686,300</b> | <b>\$8,208,800</b>      | <b>\$118,300</b> | <b>\$8,327,100</b> | <b>(\$413,000)</b> | <b>\$7,914,100</b>      |
| <b>Other Data</b>                       |                    |                         |                  |                    |                    |                         |
| Budgeted FTE                            | 74.8               | 83.0                    | 1.0              | 84.0               | 0.0                | 84.0                    |

\*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.