

DIVISION OF OIL, GAS, AND MINING

NATURAL RESOURCES, AGRICULTURE, & ENVIRONMENTAL QUALITY APPROPRIATIONS SUBCOMMITTEE
STAFF: IVAN DJAMBOV & ANGELA OH

BUDGET BRIEF

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.

For this line item, the Analyst recommends a one-time FY 2013 supplemental appropriation of \$45,000 for oil and gas e-permitting database. For the FY 2014 base budget, the Analyst recommends a total appropriation of \$12,635,300, including a one-time increase of \$60,000 for the oil and gas e-permitting database. These recommendations are detailed below, as well as in the Budget Detail Table on page 3.

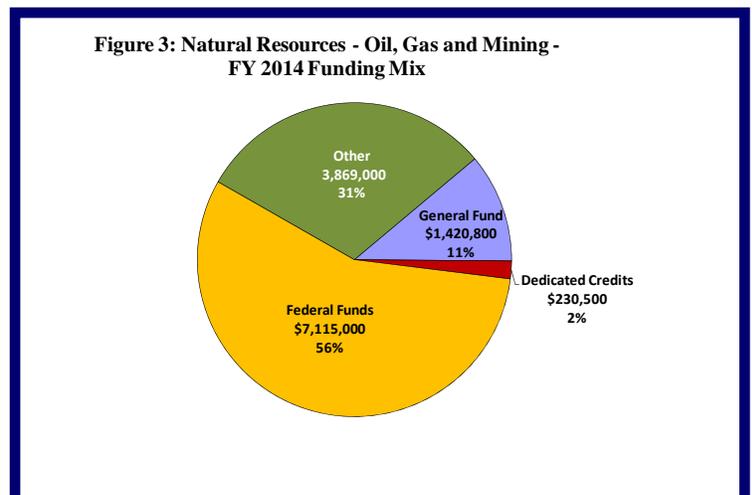
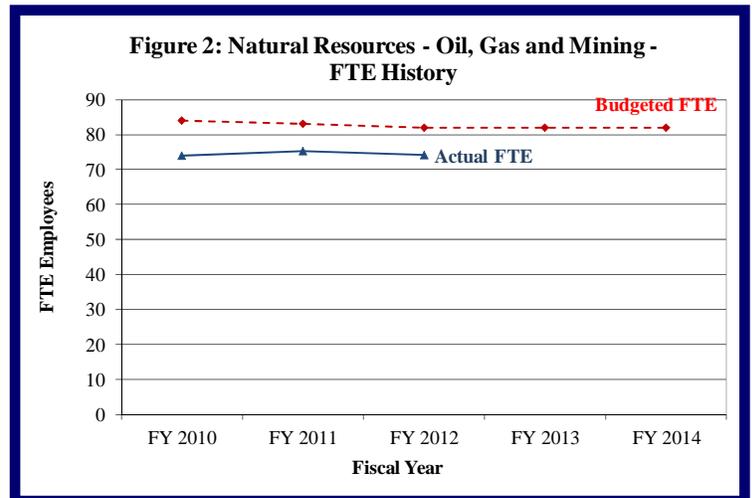
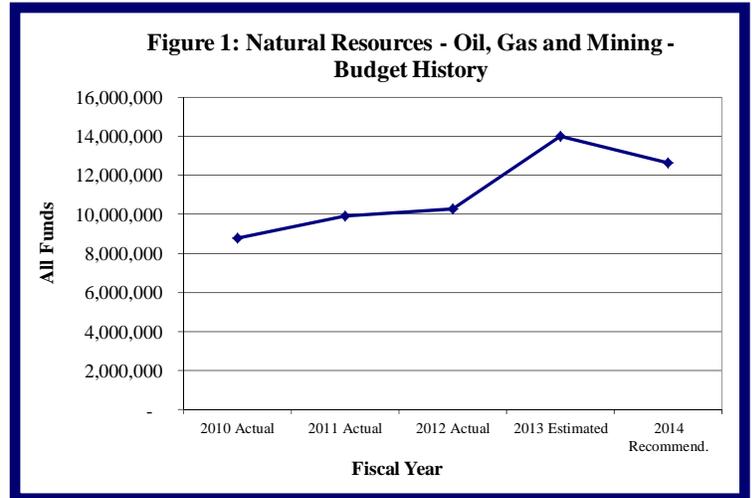
ISSUES AND RECOMMENDATIONS

Oil and Gas E-permitting Database

The division has been using two separate, not very compatible systems for the e-permitting program. The two systems were developed separately and have not worked well together, often resulting in issues and problems that DTS staff had to resolve. Division leadership reports that the problems have come to the point that the "patchwork fixes" are more complex and time consuming. The agency is requesting one-time funds to pay DTS for additional temporary staff to fix the problem with the two databases. The Analyst recommends the Legislature provide the following one-time appropriations from the Oil & Gas Restricted Account: \$45,000 in FY 2013 and \$60,000 in FY 2014.

New Employee for the Mineral Program

With rising of metal prices and increasing energy demands, there has been an increase in exploration and mining of minerals in Utah. As a result of that, the division, which plays a



regulatory role, has seen a 70% increase in the Mineral Program’s workload over the past three years. Currently, the division has five FTEs to permit and inspect the 659 active non-coal mineral mines and exploration projects in the state. This staffing level has been insufficient to meet the deadlines for the permitting processing. The projections indicate that the workload will remain high in the near future, and the division is requesting funding for one additional employee for the Mineral Program. Should additional resources become available to the subcommittee, the Analyst would recommend an ongoing increase of \$90,000 from the General Fund for this request.

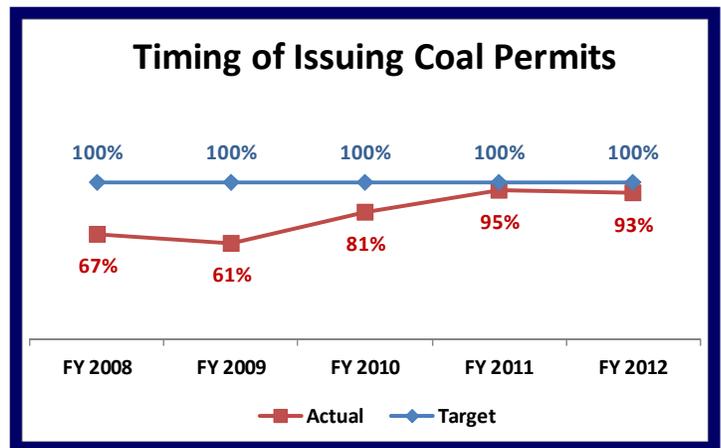
Intent Language

Under the terms of 63J-1-603 of the Utah Code, the Legislature intends that appropriations provided for the Division of Oil, Gas, and Mining in Item 6, Chapter 6, Laws of Utah 2012, shall not lapse at the close of FY 2013. Expenditures of these funds are limited to: Mining Special Projects/Studies \$250,000; Computer Equipment/Software \$50,000; Employee Training/Incentives \$50,000; Equipment/Supplies \$50,000.

PERFORMANCE MEASURES

The following are the top measures chosen by division management to gauge the success of its programs.

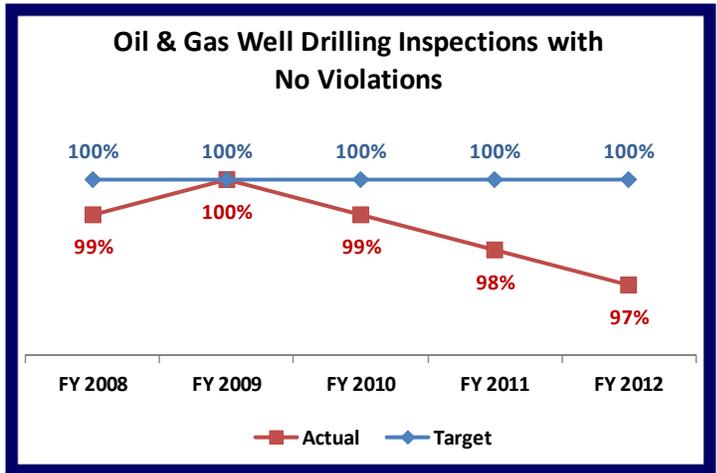
Coal Permits: This measure reflects the timeliness of issuing permits by the Coal Program staff. Timeliness when it comes to new permit applications, permit amendments, five-year renewals, mid-term reviews, initial completeness reviews, and water monitoring report reviews is important to coal mining operators.



Customer Satisfaction: The second measure reflects the satisfaction of the division's customers via an annual survey sent through Survey Monkey to permittees, environmental groups, the Board, etc., and a link on the division's website. The purpose for this measure is to quantify the level of satisfaction from the division's customers. The customers’ satisfaction is measured on a scale of 1 to 5 (1 poor, 5 excellent) on: timely services, accurate information, helpfulness of employees, employee expertise, and availability of information.



Well Drilling with No Violations: The third measure reflects the percentage of time that an inspection during oil or gas well drilling results in no violations issued. The measure reflects the rate of compliance by the oil & gas industry during drilling. Drilling inspections are necessary to insure industry compliance in order to protect the public.



BUDGET DETAIL TABLE

Natural Resources - Oil, Gas and Mining						
Sources of Finance	FY 2012 Actual	FY 2013 Appropriated	Changes	FY 2013 Revised	Changes	FY 2014* Recommended
General Fund	1,400,900	1,420,800	0	1,420,800	0	1,420,800
Federal Funds	5,045,400	7,172,000	(57,000)	7,115,000	0	7,115,000
Dedicated Credits Revenue	156,700	218,000	12,500	230,500	0	230,500
GFR - Oil & Gas Conservation Accr	3,614,600	3,809,000	45,000	3,854,000	15,000	3,869,000
Beginning Nonlapsing	1,493,600	0	1,377,400	1,377,400	(1,377,400)	0
Closing Nonlapsing	(1,377,400)	0	0	0	0	0
Lapsing Balance	(65,600)	0	0	0	0	0
Total	\$10,268,200	\$12,619,800	\$1,377,900	\$13,997,700	(\$1,362,400)	\$12,635,300
Programs						
Administration	1,623,600	1,837,600	25,400	1,863,000	0	1,863,000
Board	38,600	45,000	0	45,000	0	45,000
Oil and Gas Program	2,732,600	3,161,500	53,100	3,214,600	15,000	3,229,600
Minerals Reclamation	719,300	868,100	(84,400)	783,700	0	783,700
Coal Program	1,555,100	1,815,700	28,300	1,844,000	0	1,844,000
OGM Misc. Nonlapsing	470,400	0	1,377,400	1,377,400	(1,377,400)	0
Abandoned Mine	3,128,600	4,891,900	(21,900)	4,870,000	0	4,870,000
Total	\$10,268,200	\$12,619,800	\$1,377,900	\$13,997,700	(\$1,362,400)	\$12,635,300
Categories of Expenditure						
Personnel Services	6,066,700	6,668,800	43,200	6,712,000	(50,000)	6,662,000
In-state Travel	63,300	64,500	14,000	78,500	0	78,500
Out-of-state Travel	36,500	42,100	1,500	43,600	0	43,600
Current Expense	2,632,000	2,794,800	635,400	3,430,200	(400,000)	3,030,200
DP Current Expense	553,300	749,600	6,400	756,000	(35,000)	721,000
DP Capital Outlay	28,600	0	0	0	0	0
Capital Outlay	11,500	0	0	0	0	0
Other Charges/Pass Thru	876,300	2,300,000	677,400	2,977,400	(877,400)	2,100,000
Total	\$10,268,200	\$12,619,800	\$1,377,900	\$13,997,700	(\$1,362,400)	\$12,635,300
Other Data						
Budgeted FTE	82	82	0	82	0	82
Actual FTE	74	0	0	0	0	0
Vehicles	15	14	0	14	0	14