



Legislative Council Staff

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Fiscal Note

Drafting Number:	LLS 24-0026	Date:	April 1, 2024
Prime Sponsors:	Sen. Fenberg Rep. Amabile	Bill Status:	Senate Ag. & Natural Resources
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Bill Topic: PROTECTIONS MINERAL INTEREST OWNERS FORCED POOLING

Summary of Fiscal Impact:	<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Local Government
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> TABOR Refund	<input type="checkbox"/> Statutory Public Entity

The bill establishes new requirements for applications for forced pooling of mineral interests, and creates rulemaking requirements for the Energy and Carbon Management Commission. It increases state revenue and expenditures on an ongoing basis.

Appropriation Summary:	For FY 2024-25, the bill requires an appropriation of \$20,483 to the Department of Natural Resources.
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Fiscal Note Status:	The fiscal note reflects the introduced bill.
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**Table 1
State Fiscal Impacts Under SB 24-185**

		Budget Year FY 2024-25	Out Year FY 2025-26
Revenue		-	-
Expenditures	Cash Fund	\$20,483	-
	Total FTE	0.1 FTE	-
Transfers		-	-
Other Budget Impacts			-

Summary of Legislation

Under current law, any interested person may apply to the Colorado Energy and Carbon Management Commission (ECMC) in the Department of Natural Resources (DNR) for an order to pool oil and gas resources located within a specifically identified drilling area, referred to as forced pooling. Applicants are typically operators of oil and gas development companies. The applicant for the pooling order must own or receive consent of the owners of more than 45 percent of the mineral interests in the drilling area.

This bill requires an applicant for forced pooling to include an affidavit that declares ownership, or consent from ownership, of more than 45 percent of the mineral interests to be pooled. The affidavit must disclose if the applicant is relying on an unrecorded oil and gas lease, unrecorded memorandum of an oil gas lease, or unrecorded agreement. The bill also allows a mineral owner at least 60 days before the first noticed hearing date to file a protest of the application disputing the declaration in the affidavit.

By January 1, 2025, the ECMC must establish rules for resolving an unleased mineral owner's protest of an application. If a drilling unit contains mineral interests of any unleased mineral interest owner that has rejected an offer to lease, an operator cannot drill or extract minerals from the unit until a pool order is entered by the ECMC. The ECMC cannot pool mineral interests of an unleased owner if the owner is a local government that has rejected a pooling offer, and the mineral interests are located within the local government's geographic boundaries.

State Revenue

The Judicial Department may have a small increase in revenue beginning in FY 2024-25 from additional case filings as a result of the bill. This revenue is subject to TABOR. Any revenue impact is expected to be minimal.

State Expenditures

The bill increases state expenditures in the Department of Natural Resources (DNR) by about \$20,000 in FY 2024-25, paid from the Energy and Carbon Management Cash Fund.

Energy and Carbon Management Commission. The ECMC in the DNR requires 160 hours of legal services at \$128.02 an hour in FY 2024-25 for legal counsel in rulemaking and the implementation and ongoing administration of the bill. In addition, the bill increases workload in FY 2024-25 for the ECMC to conduct rulemaking and in ongoing years to ensure new pooling applications meet the requirements of the bill. There may also be a workload increase for hearing officers if the bill increases the number of pooling application protests. Any workload increase in the ECMC is absorbable within current resources.

Judicial. Pooling decisions by the ECMC are subject to judicial review by district courts. While the additional requirements in the bill may lead to a small increase in judicial reviews, any increase is absorbable within existing resources.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2024-25, this bill requires an appropriation of \$20,483 from the Energy and Carbon Management Cash Fund the Department of Natural Resources. This amount is reappropriated to the Department of Law with 0.1 FTE.

State and Local Government Contacts

Judicial

Law

Natural Resources

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).