CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 20, 1998

H.R. 1467

A bill to provide for the continuance of oil and gas operations pursuant to certain existing leases in the Wayne National Forest

As ordered reported by the House Committee on Resources on August 5, 1998

SUMMARY

H.R. 1467 would authorize the Secretary of the Interior to waive federal bonding requirements for contractors operating oil and gas wells in the Wayne National Forest in the state of Ohio under certain circumstances.

CBO estimates that enacting H.R. 1467 would have no significant impact on the federal budget. Because enacting the bill could affect offsetting receipts (a form of direct spending), pay-as-you-go procedures would apply; however, we estimate that any such effect on direct spending would not be significant.

H.R. 1467 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not have a significant effect on the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

Under current law, contractors operating oil and gas wells in the Wayne National Forest must meet bonding requirements for both the state of Ohio and the federal government. H.R. 1467 would authorize the Secretary of the Interior to waive the federal bonding requirements for certain contractors. Such waivers would be contingent on several factors, including the willingness of the Ohio Department of Natural Resources to accept the federal waiver.

Direct Spending (including Offsetting Receipts)

Federal performance bonds for contractors operating oil and gas wells are used to assure site restoration as well as the full payment of all obligations such as royalties. On one hand, if the Secretary waived the federal bonding requirement and the operator failed to pay royalties, the waiver could result in a loss of offsetting receipts to the Treasury. On the other hand, waiving the federal bonding requirement might increase offsetting receipts from wells that would otherwise cease operations without the waiver. However, CBO estimates that in either case enacting H.R. 1467 would affect direct spending by less than $25,000 each year.

H.R. 1467 also would allow the federal government to apply for and receive funding from Ohio under section 1509.071 of the Ohio Revised Code to plug and restore oil and gas sites and lease tracts. CBO estimates that it is unlikely that the federal government would receive such funds from the state over the next five years, but in any case the government would spend any such funds on site restoration, resulting in no net effect on the federal budget.

Spending Subject to Appropriation

If the Secretary waived the federal bonding requirement for the operator of a well, the operator failed to plug and restore the well properly, and state coverage proved insufficient to cover the plugging and restoration costs, the federal government could be left responsible for covering those costs, subject to appropriation of the necessary amounts. However, CBO estimates that it is unlikely that there would be any significant costs for these purposes over the 1999-2003 period.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 1467 contains no intergovernmental mandates as defined in UMRA and would not have a significant effect on the budgets of state, local, or tribal governments. Should the state of Ohio agree to the waiver of federal bonding requirements for the affected wells, this could have a small impact on the state budget. Such a waiver would shift to the state the cost to plug and restore these wells should they be abandoned. If these waivers allow marginal wells to continue operations, however, the state would benefit.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

This bill would impose no new private-sector mandates as defined in UMRA.

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