

Department of Planning and Budget 2010 Fiscal Impact Statement

1. Bill Number: HB1179

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Phillips

3. Committee: Agriculture, Chesapeake and Natural Resources

4. Title: **Natural gas; presumption of ownership.**

5. Summary: This bill provides that the surface owner of real property shall be presumed to be the owner of any natural gas, including coalbed methane gas, below the surface unless the right to ownership or possession of the natural gas has been expressly conferred by deed or other instrument. The owner or lessee of a minerals estate shall bear the burden of proof to establish, by a preponderance of the evidence, that the ownership or possession of natural gas was transferred by the deed or instrument that created or severed the mineral estate. The Auditor of Public Accounts is required to audit escrow accounts containing gas royalties from units with unknown or disputed owners.

6. Fiscal Impact Estimates: Preliminary.

7. Budget Amendment Necessary: No.

8. Fiscal Implications: This bill deals with ownership rights of natural gas. It requires the Auditor of Public Accounts (APA) to conduct an audit of all escrow accounts containing gas royalties from units with unknown or disputed owners, and the Department of Mines, Minerals and Energy (DMME) to adopt regulations to facilitate the timely release of funds from escrow.

According to the APA, the bill, as written, does not specify the type of audit/review required, and may result in cost to the agency. However, should the language be revised to require that the audit focus on operational processes and procedures, the APA states that the agency could absorb associated costs into its work plan and not require additional funding.

DMME states that this bill may result in workload for the agency associated with regulation and processing of payments from the escrow accounts, but any costs can be absorbed by the agency with existing resources.

9. Specific Agency or Political Subdivisions Affected: Department of Mines, Minerals and Energy, Auditor of Public Accounts.

10. Technical Amendment Necessary: No.

11. Other Comments: It is unclear how or if the Uniform Disposition of Unclaimed Property Act (§ 55-210.1, et seq., Title 55, Chapter 11.1 of the Code of Virginia) could apply to this bill. Also, this bill is similar to SB376 and HB1344.

Date: 2/9/2010 dpbaek

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