



**Colorado
Legislative
Council
Staff**

HB16-1310

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 16-0155
Prime Sponsor(s): Rep. Salazar
 Sen. Carroll

Date: March 8, 2016
Bill Status: House Health, Insurance, and
 Environment
Fiscal Analyst: Josh Abram (303-866-3561)

BILL TOPIC: OPERATORS LIABLE FOR OIL AND GAS OPERATIONS

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue		
State Expenditures	See State Expenditures section.	
Appropriation Required: None.		
Future Year Impacts: Ongoing workload increase.		

Summary of Legislation

With regard to litigation or arbitration, current law requires that the owner of surface property rights demonstrate that an oil and gas operator's use of the surface land in mineral development "materially interfered" with the surface owner's use of the land. This bill amends this standard to allow the owner of surface rights to demonstrate that the operator's oil and gas operations harmed the surface owner's use of the land, caused bodily injury to the surface owner or any person residing on the property, or damaged the surface property.

The bill also holds oil and gas operators strictly liable for their conduct if oil and gas operations, including hydraulic fracturing, cause an earthquake that damages surface property or injures an individual.

State Expenditures

Judicial Department. The bill increases the potential that oil and gas operators will be sued and held liable for damages caused by oil and gas operations, increasing workload for the Judicial Department. Because oil and gas operations occur in limited areas of the state, any increase in filings is anticipated to disproportionately affect certain jurisdictions over others. Market conditions may also affect filing in that production activity depends on the price of oil and the cost of production. Should filings be significant, the judicial department will seek additional funding through the annual budget process.

Department of Natural Resources. The bill will also increase the frequency with which technical staff in the Department of Natural Resources provide witness testimony in private lawsuits. This increased workload can be addressed within existing appropriations.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, and applies to conduct occurring on or after that date.

State and Local Government Contacts

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