



Virginia Department of Planning and Budget **Economic Impact Analysis**

4 VAC 25-160 Virginia Gas and Oil Board Regulations

Department of Energy

Town Hall Action/Stage: 6585 / 10486

October 31, 2024

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with § 2.2-4007.04 of the Code of Virginia (Code) and Executive Order 19. The analysis presented below represents DPB’s best estimate of the potential economic impacts as of the date of this analysis.¹

Summary of the Proposed Amendments to Regulation

The Department of Energy (NRG) proposes to amend the regulation concerning current practice on the distribution of funds for unknown or unlocatable gas and oil owners.

Background

The current regulation does not clearly address what should be done with funds that are intended to be disbursed to unknown or unlocatable gas and oil owners. For many years in practice, funds for unknown or unlocatable gas and oil owners have been held by an escrow agent in the Virginia Gas and Oil Board (Board) escrow account at a contracted bank.² In November of 2019, the Virginia Department of Treasury (Treasury) directed the Board (under the provisions of Title 55.1, §§55.1-2500-2545 of the Virginia Disposition of Unclaimed Property Act) to release all unknown and unlocatable funds to them to be held until the rightful

¹ Code § 2.2-4007.04 requires that such economic impact analyses determine the public benefits and costs of the proposed amendments. Further the analysis should include but not be limited to: (1) the projected number of businesses or other entities to whom the proposed regulatory action would apply, (2) the identity of any localities and types of businesses or other entities particularly affected, (3) the projected number of persons and employment positions to be affected, (4) the projected costs to affected businesses or entities to implement or comply with the regulation, and (5) the impact on the use and value of private property.

² Source: NRG.

owners come forward and make a claim.³ No further deposits need to be made into the Gas and Oil Board escrow account for unknown and unlocatable gas owners.

The agency has in practice been instructing operators to send remaining royalty payments directly to Treasury. Thus, NRG is proposing that the regulation be amended so that it reflects this current agency practice.

Estimated Benefits and Costs

The proposed amendments clarify current procedure and would have no impact on requirements. Nevertheless, the amendments may be beneficial in that readers of the regulation could become better informed.

Businesses and Other Entities Affected

Since the proposed amendments reflect current practice, no entity is directly affected. The regulation concerns the gas and oil industry in the Commonwealth.

The Code of Virginia requires DPB to assess whether an adverse impact may result from the proposed regulation.⁴ An adverse impact is indicated if there is any increase in net cost or reduction in net benefit for any entity, even if the benefits exceed the costs for all entities combined.⁵ As the proposed amendments neither increase net costs nor reduce net benefits, no adverse impact is indicated.

Small Businesses⁶ Affected:⁷

The proposed amendments do not adversely affect small businesses.

³ Ibid.

⁴ Pursuant to Code § 2.2-4007.04(D): In the event this economic impact analysis reveals that the proposed regulation would have an adverse economic impact on businesses or would impose a significant adverse economic impact on a locality, business, or entity particularly affected, the Department of Planning and Budget shall advise the Joint Commission on Administrative Rules, the House Committee on Appropriations, and the Senate Committee on Finance.

⁵ Statute does not define “adverse impact,” state whether only Virginia entities should be considered, nor indicate whether an adverse impact results from regulatory requirements mandated by legislation. As a result, DPB has adopted a definition of adverse impact that assesses changes in net costs and benefits for each affected Virginia entity that directly results from discretionary changes to the regulation.

⁶ Pursuant to § 2.2-4007.04 of the Code of Virginia, small business is defined as “a business entity, including its affiliates, that (i) is independently owned and operated and (ii) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million.”

⁷ If the proposed regulatory action may have an adverse effect on small businesses, Code § 2.2-4007.04 requires that such economic impact analyses include: (1) an identification and estimate of the number of small businesses subject to the proposed regulation, (2) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the proposed regulation, including the type of professional skills necessary for preparing required reports and other documents, (3) a statement of the probable effect of the proposed regulation on

Localities⁸ Affected⁹

According to NRG, gas and oil wells in Virginia are located in the Counties of Buchanan (51 percent), Dickenson (24 percent), Tazewell (ten percent), Russell (seven percent), Wise (six percent), Lee (less than one percent), and Scott (less than one percent). The proposed amendments do not affect costs for local governments.

Projected Impact on Employment

The proposed amendments do not affect total employment.

Effects on the Use and Value of Private Property

The proposed amendments neither affect the use and value of private property nor real estate development costs.

affected small businesses, and (4) a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation. Additionally, pursuant to Code § 2.2-4007.1, if there is a finding that a proposed regulation may have an adverse impact on small business, the Joint Commission on Administrative Rules shall be notified.

⁸ “Locality” can refer to either local governments or the locations in the Commonwealth where the activities relevant to the regulatory change are most likely to occur.

⁹ § 2.2-4007.04 defines “particularly affected” as bearing disproportionate material impact.