

February 10, 1977

The Natural Resources Committee convened on February 10, 1977, at 10:15 a.m. in Room 437 with Chairman Sheldon presiding, and all members present.

Chairman Sheldon opened the meeting to a hearing on the following bills:

HOUSE JOINT RESOLUTION 42

REPRESENTATIVE JERRY KESSLER, District #66, the bill's chief sponsor, said this bill simply gives direction to the federal government to pass some strip mine and reclamation legislation.

SARAH IGNATIUS, Northern Plains Resource Council, said there are two resolutions introduced in the House on this subject. She said they favor House Joint Resolution 42 only because it lends greater support for Senator Metcalf's stand that all our lands will be covered with a strong strip mine and reclamation law. She said they support both resolutions.

HOUSE BILLS 553 and 631

REPRESENTATIVE JOHN DRISCOLL, District #91, the bill's chief sponsor, said he would discuss both bills as they dealt with the same subject--the need for an incentive for locating and extracting natural gas. He handed out copies of a paper on the gas tax and royalty funds controlled by state and local governments for the year 1976. This is EXHIBIT 1 of the minutes. He said House Bill 553 is a simple bill encouraging exploration in Montana for natural gas to be consumed in Montana by suspending the net proceeds tax. House Bill 631 he said suspends the severance tax. Mr. Driscoll passed out a graph showing "Montana Field Price of Natural Gas Trend versus New Gas Wells", EXHIBIT 2 of the minutes. He raised the question if deregulation and as a result price increase will make a difference as we will be competing with other states for our gas. He felt this tax incentive on gas marketed here might make our markets more alluring.

BILL CHRISTIANSON, Energy Office, said deregulation could cause the price of natural gas to go to \$2.20 and we will need to find some way to keep some of that gas in the state. He said new gas will need to be found to keep industrial customers going and so to keep jobs. He said he was not going to endorse any certain concept but hoped the committee could come up with the magic motivating number.

ROGER L. BILLINGS, Vice President for gas and oil for Montana Power Company, spoke next as an amender. He said Montana consumers will be able to compete as they can afford to pay more at the wellhead because of less transportation costs. He said MP so far has been able to compete successfully. He warned that exploration for gas will not respond immediately to incentives as leases for land must be acquired and this could take a period of years--so a short term incentive is not a good idea. He said Montana Power plans on a five year cycle. He also said only three gas wells over 5,000 feet have been completed in the last 5 or 6 years. In the Overthrust Belt where the best gas potential is thought to be the wells will be deep and so will take

additional capital, and a good incentive could help encourage this. Mr. Billings passed to the committee members a reworked HB 553 (suggested amendments worked in) and a copy is EXHIBIT 3 and part of the minutes.

DON ALLEN, Montana Petroleum Association, speaking as an amender, said we know more wells will be drilled, but will they be drilled in Montana. He said if the citizens of Montana can come up with a bill that will work, everyone will gain but unless there is an incentive passed that will mean something, better not to do anything. He said there is a considerable difference between net proceeds and severance tax as far as incentives go--net proceeds is much more of an incentive. He handed in information, EXHIBIT 4.

W. CROFT, Croft Petroleum Co., spoke as a supporter and an amender. He felt we should be drilling four times as many wells as we now are--he said there are hundreds of townships with no holes dug in them. He felt incentives could help.

LES LOBLE, Montana Dakota Utility, speaking on 631, said its effect would be negligible and he would rather not see it. He said all it does is defer the tax and he would rather see that cost incurred for the present rate payer than a future one. Speaking on HB 553, he said it would help MDU by freeing up money that it could use to purchase other gas. He said another incentive would be to restore the depletion allowance on gas only. Another way is a surcharge on rates charged by MDU with that used for exploration.

F.H. BOLES, Montana Chamber, said they support the extension of the incentives to include oil as well as gas and support the use of the net proceeds as an incentive. He said they favor HB 553 over 631.

NEIL J. LYNCH, Gas Counties, opposed the bill. He said gas counties are concerned about this kind of legislation that erodes the tax base. If what is needed is a change in attitude, do it in some other way than with net proceeds, he said. He questioned whether the increase in price would cause an increase in production as it hadn't so far.

ROBERT A. TOMCHECK, County Commissioner from Toole County, opposed the bill. He said net proceeds has helped his county.

STEVE TURKIEWICZ, Montana Association of Counties, urged the committee to carefully consider gas incentives that are not a burden for one segment of our state, that is the county real property tax base.

Rep. Driscoll in closing said the purpose of encouraging exploration is for Montana and not for the whole country. He handed in a suggested amendment from Bill Christiansen (EXHIBIT 5). He said to be for Montana consumption you always hear about unconstitutionality and would like to see that tested in court.

Chairman Sheldon asked if anyone would like to speak specifically on HB 631.

DON ALLEN said this would really not be a meaningful incentive.

NEIL J. LYNCH said the counties go on record as opposing this bill.

During questions from the committee--Mr. Allen mentioned what the gas industry needs most is a stable situation and a change in attitude. These incentives could be a demonstration of that change in attitude. Mr. Christiansen said when deregulation occurs the interstate price of gas will go beyond the intrastate price, but he felt the transportation costs would protect us. Chairman Sheldon asked the industries if this bill would provide the needed incentive. Mr. Billings said most emphatically so--this would be 18 to 20% and that is a significant incentive to new drilling plus the expected increase in price. Mr. Loble said he favored Mr. Christiansen's amendment as it would solve their problem with the bill as it relates to interstate systems.

There was still a question of the constitutionality of having the tax incentive only for the gas that would be used in Montana.

HJR 40 REP. ERNIE DASSINGER, District No. 50, the bill's chief sponsor, said this bill supports federal coal strip mine reclamation legislation under certain conditions.

LEO BERRY, State Lands, said they support HJR 40 as it is patterned after and will follow the Governor's energy policy.

Chairman Sheldon opened the meeting to executive action on the following bills:

HOUSE JOINT RESOLUTION 24

Chairman Sheldon told the committee this bill, which had been passed, was rereferred to the committee at his request. He said he heard a rumor that the Great Falls Gas Co. had a substantial interest in an insulation firm in the west. He said it was just a rumor. Rep. Cooney moved that HJR 24 do pass and the motion carried unanimously with those present (Reps. Burnett and Quilici gone).

HOUSE JOINT RESOLUTION 42

Rep. Bengtson moved do pass. Rep. Harper moved a substitute motion that the name on page 1, line 12, of Gerald Ford be stricken and as amended do pass. Rep. Huennekens moved a substitute motion for all motions pending of do not amend at all. Motion carried with 9 yes and 6 no (voting no were Reps. Harper, Bengtson, Davis, Hurwitz, Kessler, Nathe, and absent were Reps. Burnett and Quilici). Rep. Harper moved to amend by taking out the proper name of the former president. Rep. Frates suggested amending further on line 11 by striking the words "by the former president of the United States, Gerald Ford". These amendments were approved by the committee with Rep. Metcalf voting no and Rep. Burnett absent. The committee went back to the substitute motion of do pass as amended. Motion carried unanimously with Rep. Burnett gone.

HOUSE JOINT RESOLUTION 40

Rep. Cooney moved do pass. Motion carried unanimously with those present.

HOUSE BILL 190

Rep. Cooney, who was chairman of the subcommittee on the nuclear waste bills, said it was decided to amend both the bills. He went through the amendments, EXHIBIT 6. Rep. Kimble's 190 would still say no nuclear wastes could be stored in Montana. The subcommittee recommendation was to pass 254 as amended and to give 190 a do not pass at the request of the sponsor rather than to table it.

Rep. Kessler moved that HB 190 do pass as amended. The motion failed with 8 voting yes and 9 voting no (yes votes were Reps. Sheldon, Harper, Bengtson, Cooney, Huennekens, Kessler, Metcalf, Quilici). Rep Davis moved do not pass and the secretary was instructed to reverse the votes.

HOUSE BILL 254

As the amendments had been gone through on HB 190, Rep. Metcalf moved to adopt the amendments. Rep. Kessler moved a substitute motion of adopting all but section 5. He felt by leaving this section out, people might look twice before setting up a nuclear plant. Rep. Quilici said he objected to this last motion because the last election indicated that people are interested in looking into nuclear research. Rep. Kessler withdrew his motion. Chairman Sheldon called for a vote on Rep. Metcalf's motion of the amendments as presented be adopted. Motion carried. Rep. Metcalf moved a substitute motion of do not pass as amended. He said with the bill we will have storage of nuclear wastes in Montana. Rep. Cooney thought if we do have nuclear fusion plants in Montana, we should be responsible for our own wastes. Rep. Harper said neither of the bills prohibit a nuclear plant but Mr. Kimble's would prohibit the storage of nuclear wastes and he said he supports that bill. Question was called and a roll call taken on Do Not Pass as Amended--motion failed (voting yes were Reps. Harper, Bengtson, Curtiss, Kessler, Metcalf, and absent was Rep. Burnett). Action was taken on the do pass as amended motion and this carried with Harper and Kessler voting no and Burnett absent).

HOUSE BILL 197

Rep. Quilici went through the suggested amendments, EXHIBIT 7. He moved the amendments be adopted. Motion carried unanimously (Rep. Burnett absent). Rep. Metcalf moved the bill as amended do pass. There was discussion by the committee members and it was decided a little more research was needed. Rep. Metcalf withdrew his motion and moved the bill be passed for the day.

Meeting adjourned at 1 p.m.

Respectfully submitted,


ARTHUR H. SHELDEN, Chairman