

January 17, 1979

The House Natural Resources Committee convened in Room 3, of the Capital Annex, on Wednesday, January 17, 1979, at 1:30 p.m., with Vice Chairman Hal Harper presiding and sixteen members present (excused were Chairman Sheldon and Representative Huennekens and absent was Representative Quilici). Vice Chairman Harper opened the meeting to a hearing on HB 48 and HB 130.

HOUSE BILL 48

REPRESENTATIVE REX MANUEL, the chief sponsor, introduced the bill. He said the bill was being introduced at the request of the code commissioner. Rep. Manuel asked Larry Weinberg of the Legislative Council to explain the bill in more detail.

LARRY WEINBERG, Legislative Council, said in the process of updating the code books they came across many needed small changes which might be grammatical, sometimes inconsistencies with other parts, sometimes unnecessary redundancy, sometimes needed clarification; and, if they were nervous about making any of these changes, a recod bill was born and brought to the lawmakers and this is one of those. He went through the bill section by section explaining the changes and why. At the end he pointed out the green pages attached which also explain the changes. He said he didn't believe any substantive changes had been made in the law.

Questions were asked by the committee. Mr. Weinberger responded to one question that penalty had been changed to misdemeanor to make it consistent with the criminal law--the penalty was not changed.

Dan Mizner, Montana League of Counties, signed as supporting the bill.

HOUSE BILL 130

REPRESENTATIVE JACK RAMIREZ, the chief sponsor, said this bill was to designate a jurisdictional agency to make determinations needed for the state to qualify under the federal Natural Gas Policy Act of 1978. He said this act permits wells drilled after 1977 to charge higher prices for their gas. He said this bill would designate the Board of Oil and Gas Conservation as the agency to determine which wells qualify and to implement the rules. He said if the state agency is set up and operating by March 1, the higher gas prices would be retroactive to December, 1978, and so it is important to the qualifying well drillers that we act quickly. He said this should not affect Montana consumers as most of the gas we purchase is already contracted. He said there would be lots of benefits to the state: increased revenue from state oil leases, increased tax revenue, and Montanans that have oil leases will gain and pay additional income taxes to the state. He said there is a suggested amendment and he called on Larry Weinberg to explain the amendment.

LARRY WEINBERG, Legislative Council, said the suggested amendment was on page 4, line 15, to strike "graduate." He said this was a matter of economics as a BS degree holder might come a little more reasonable than an MS or Ph.D. He said another suggested amendment is on page 5, line 3, following "the" to insert "notice and hearing but not the appeal provisions of the contested case procedures of the". He said there would be a review in contested cases heard by the board with full notice and hearing but there is no appeal allowed on the state level from the decision as this is allowed on the federal level.

LOU MOORE, Billings, Montana, was the next proponent speaker. A copy of his testimony is exhibit 1 and part of the minutes. He said he has assisted the Board of Oil and Gas Conservation in drafting the regulations which will be implemented if this legislation is passed. He said he supports the amendments proposed by the Legislative Council.

DON GARRITY, attorney for the Board of Oil and Gas Conservation, was the next proponent speaker. He said the federal act basically says that the states should make the determinations and he said they are fairly simple determinations: was it a good well, was it built after 1977, is it two and a half miles or more from a marker well, is the well producing a certain amount of gas. He said all information presented to the board must be in writing. The examiner will make his determination on this written material to save time and expense. He said they would not require many new faces in their agency to do this task.

DON ALLEN, Montana Petroleum Association, spoke in support of the bill. He said various state officials have attended various workshops on this federal policy act. He said other states are making similar provisions. He said it would be to the best interests of the citizens of this state and he hoped the committee would pass the bill swiftly.

During questions from the committee, Rep. Johnston mentioned that the Board of Oil and Gas Conservation is supported by taxes on the oil and gas producers. Mr. Garrity said they might ask for an appropriation from the general fund to cover this. Rep. McBride asked if there was any other agency that could handle this. Mr. Moore said the Board of Oil and Gas Conservation is presently handling matters to do with the drilling of oil and gas wells and seems the logical agency to do this. Rep. Fagg asked how much money is involved and who will pay. Mr. Moore said the money will come from the purchasers of gas--most of the gas involved will be exported out of state as most of the purchasers instate have contracts. Newer contracts will be impacted by this legislation, he said, if they contain clauses that permit increases. However, they are not intra-state carriers. Mr. Moore responded to a question by saying increasing the price will cause an increase in the drilling for gas if there is a market for it. He said the opening up of Canada has caused a

glut of gas, all of this because of the changing over to oil, coal, etc. Rep. Fagg also mentioned a problem they had in Billings where MDU was unable to connect a party that desired natural gas. Mr. Moore said this was due to bureaucratic bungling in Washington and there were restrictions that should no longer be as MDU now has access to sufficient natural gas.

Signing as favoring the bill were:

Dave Goss, Billings

David W. Woodgerd, Board of Oil and Gas Conservation

Vice Chairman Harper closed the hearing on the bills and opened the meeting to an executive session on these bills.

EXECUTIVE SESSION

HOUSE BILL 48 Rep. Fagg moved do pass. Rep. Scully said he did not like the removal of the "freeholder" concept. He said he was firmly convinced that there are places where it is proper to have a freeholder concept. He said where you are involved with planning it is not unreasonable that you have owners of the property on the board. He moved that all references to freeholder be reinserted. Rep. Thoft spoke his support for this also. Mr. Weinberg said where voting rights are concerned the federal courts have said it must be open to all residents; petitions can be restricted to just freeholders. He said where the burdens and benefits go to the land then it is a reasonable classification to go to the freeholder. If the burdens and benefits go to both freeholder and nonfreeholder they will strike down the freeholder concept, and anyone in an area would have a stake in a planning board's decision. But he said this is the committee's decision. He said it could result in a court challenge. He said to replace the freeholder concept they should strike sections 2, 3, and 4 of the bill. Rep. Scully moved a substitute motion to do this--to delete sections 2, 3 and 4 in order to reinsert the freeholder concept. The motion passed with Reps. Kessler, Cooney, Metcalf and McBride voting no. Rep. Fagg then moved the bill do pass as amended. The motion passed unanimously with those present (absent were Huennekens, Quilici and Shelden). Rep. Nathe moved the bill be placed on the consent calendar. Rep. Harper voted no so this motion failed. HB 48 received a committee DO PASS AS AMENDED.

HOUSE BILL 130 Rep. Johnston moved do pass as amended (using the two suggested Legislative Council amendments). Motion passed unanimously. Rep. Cooney moved that the bill be placed on the consent calendar. This motion passed unanimously. (Absent the same as above). HB 130 will be placed on the consent calendar with a DO PASS AS AMENDED.

Meeting adjourned at 2:55 p.m.

Respectfully submitted,