

THE MINUTES OF THE MEETING OF THE JOINT APPROPRIATIONS  
SUBCOMMITTEE ON NATURAL RESOURCES  
February 5, 1981

The meeting was called to order by CHAIRMAN STOBIE at 8:00 a.m. in Room 431 of the Capitol Building. Roll call was taken with all members present.

DEPARTMENT OF NATURAL RESOURCES - HEARING

LEO BERRY, DIRECTOR OF THE DEPARTMENT OF NATURAL RESOURCES, introduced the administrators of the various divisions, saying that the only one not available this day was forestry. MR. JOHN SHEEHY, a board member, was also introduced along with GARY FRITZ, Water Resource Division; WILLIAM GOSNELL, Energy Division; DEE RICKMAN, Oil and Gas Division and JOHN ARMSTRONG, Centralized Services.

MR. BERRY presented his list of differences that he has found between the LFA and Executive budgets.

CENTRALIZED SERVICES: (EXHIBIT A)

BOB ROBINSON, Fiscal Analyst, stated that the YCC and YACC money that was contracted, ended up in Contracted Services and they did take indirect costs and put them in various categories. LFA eliminated those responsibilities and did not add them in and only included money in Contracted Services for those communities with the programs.

MR. ROBINSON asked the department for an estimate of rent.

MR. BERRY said that they are in amount of \$500,000 short in the general fund account for the division. The LFA has recommended that each program share the cost of Centralized Services. The problem is that if they are going to do that, the money must be available in the different agencies to pay Centralized Services back, and those monies have not been plugged into the other divisions budgets. They suggest the LFA and Executive get together to rectify this.

BOB ROBINSON, stated that when they get to the forestry they will find that it is the critical area, and that is a decision the subcommittee will have to make.

SENATOR SMITH commented that federal programs are putting the state into trouble by putting people on, and then funding is cut out, and that leaves the state with those people on board.

The concern in Centralized Services is that they don't over-estimate.

Another concern is that the LFA has not compensated for Board members, per diem. An additional \$3,000 is asked for that item. This amounts to \$25 per day per member.

BOB ROBINSON, Fiscal Analyst, recommended that the OBPP budget was the one to go with as it was more accurate in FTEs in Centralized Services

REPRESENTATIVE STOBIE asked about the differences in contracted services.

MR. BERRY said that the purchase for resale category is the Flathead River Basin Commission study that they make. There was federal money issued. The only difference was the \$30,000 in 1982 for auditing. The \$58,000 is added to the \$337,000 of the executive budget.

OIL AND GAS CONSERVATION DIVISION: (EXHIBIT B)

The Division is attached to the department for administering purposes only. There are no general funds here. The funds are obtained by assessments, dictated by the board, on the oil and gas industry. There is no state money, per se, in this program.

MR. BERRY said the Fiscal Analyst recommendation was somewhat critical of the Board. He has been asked by the Board to provide the subcommittee with a response by the Chairman to the Fiscal Analyst's recommendation. A letter to Ms. Ripplingale from Mr. Campbell, Chairman of the Board, was given to the subcommittee members (EXHIBIT C).

SENATOR SMITH stated that in regards to inspectors, they are having a lot of trouble in his area, and unless they start carrying out more of their rules and regulations and duties as the oil and gas commission, they will have to pass legislation next session to force them to do so.

SENATOR BOYLAN stated that he was under the opinion that this department has employees making a huge amount in wages.

JOHN SHEEHY, board member, said that they must replace an engineer that quit. This man took a job at twice his salary. Since then, they have had only two applicants. A young unexperienced one and one about 70 years old. The experienced geologist is very much depended upon by others on the board. The job has been advertized at \$30,000 but in order to get someone qualified they may have to raise the salary to \$50,000. This money does not come from the general fund but from the oil and gas industry to police oil and gas industry. In reference to more inspectors, he said that they are not capable of inspecting all wells and he stated that he feels

that the individuals that own the land have some responsibility to inspect their own land and report and to make reports and demands if it is not done right.

REPRESENTATIVE STOBIE stated that through testimony heard that they highly recommend this position over the federal inspector.

SENATOR STIMATZ said that some of the state agencies say they have trouble getting information from the Oil Board, but MR. SHEEHY said that he was not aware of it.

MS. RICKMAN stated the Helena office is not a technical office and that the Billings' office is, and they try to get the information out as fast as possible. Their work is all hand work and everything is a matter of public information. Oil companies do not have to send any reports in on a wildcat well for 6 months.

SENATOR STIMATZ made reference to a tight well, and Ms. RICKMAN said that a tight well means that that well is not completed yet. In other words, they can delay completion.

SENATOR BOYLAN referred to rumors going around that there are many wells in Montana that are capped. What is the validity to those statements.

MS. RICKMAN said that she has heard this too, but that she is sure that if the well is ready, the company is anxious to get it on line as we are to have them.

MR. BERRY said that they have looked into this, and a problem well might be a producing line, but if it is not tied into a pipe line or near transportation, it will be capped.

MR. BERRY said he felt the two positions should be retained in there.

Regarding Data Processing, Mr. BERRY said that at the present all records must be completed by hand. The board requests 1 more FTE and money to computerize.

BOB ROBINSON stated that the Billings office did not indicate an emergency to authorize this.

SENATOR SMITH asked about the computer bank and eventual cost. MR. BERRY said they are considering a centralized computer.

JIM WILLIAMS, Budget Analyst, said that the data chief is in the budget.

The cost of the computer system was discussed and they referred to the \$20,000 plugged into the budget for computer costs and it was asked if this will continue year after year.

MR. BERRY said the FTE shown in this computer program will be taken out after this year. Mr. Berry said they do 7000 production reports per month, plus 1227 permits per year in 1980 besides the audit.

REPRESENTATIVE STOBIE asked if it will take the same number of FTEs to run the computer as it does by hand.

Operating expense: The board requests an extra \$37,000 a year in addition to the LFA operating expense. It includes contracted service, utility and travel. They also request an additional \$10,000 to the \$3,200 in 1983 for capital expenditure, replacement of new microfilm readers. The Board attorney costs have increased also.

Boards per diem: that has not been funded.

BOB ROBINSON questioned if the reader-printers were not allocated for in the last budget. MS. RICKMAN said that all of their reader-printouts are old and have not been replaced.

CONSERVATION DIVISION: (EXHIBIT D)

This is a small division. The Exhibit shows there is three requests. Four people handle the complete state. There is no core staff and it is all volunteer. They request two additional FTEs for the Clark Fork Basin Project.

SENATOR STIMATZ asked what relationship the state has with the federal, and MR. BERRY said that they do overlap, and that is why such a small department. \$100,000 is distributed each year to the conservation district.

There is \$20,000 in other sources that should go into this division.

BOB ROBINSON stated, that the money for this funding is not available now, thus the conflict in the LFA and OBPP budget.

JIM WILLIAMS said that the State of Montana is obligated to water resources. Certain federal funds, such as Title 3 money, is used when they are available.

LEO BERRY commented that the entire SB 76 concerns money that is earmarked money from filing fees. These do not come in fast enough and in order to keep the projects going, it was necessary to put a program in place, thus they must borrow from the general fund and nothing was appropriated to the general fund.

MR. BERRY said he did suggest the entire project be shifted to the general fund and replaced with earmarked funds.

It was also said that people wait for deadlines in order to file, hoping the fees will go down, therefore, they are waiting for the Legislature to make a decision. There are 70,000 people filing at \$40 each. These fees are being spent for judges and water masters who set up programs.

A memo will be supplied to the subcommittee showing where the water fight fees go.

MR. BERRY said the major request is that they are able to reserve water. Clark Fork Basin is likely the next.

WATER RESOURCES DIVISION: (EXHIBIT E)

In 1981 there was 145.78 FTE. This division is larger and more complex. There are 5 requests shown in Exhibit E. Referring to first, second and third, they have agreed to drop water reservation position. 2 FTE positions that are dam safety positions will be dropped in 1982. The LFA shows them being dropped in 1983.

136.93 FTEs is a starting point. From that, they said they are adding 12 HIPLEX (High Plains Weather modification project in Miles City) FTEs and 3 additional FTE for protecting of water rights, leaving 152.93 FTEs for 1982.

Project Rehabilitation money has a Bill by Senator Manning and Senator Galt to earmark \$300,000. \$150,000 of this amount will not be subject to this request.

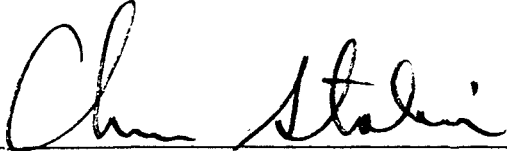
Referring to the Daly Ditch, the Division says that the one position and \$29,000 will be needed to assist in the formation of the irrigation district.

Funding sources: It was suggested by the division that the LFA and OBPP communicate their differences.

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SUBCOMMITTEE ON NATURAL RESOURCES  
February 5, 1981

GARY FRITZ gave the typical function of the various jobs.

The meeting adjourned at 11:45 a.m.

A handwritten signature in cursive script, appearing to read "Chris Stobie", written over a horizontal line.

CHRIS STOBIE, CHAIRMAN

lmw

## Centralized Services Division

1. We agree with the fiscal analyst that the Special Assistant for Energy Policy and the Secretary I should not be added to the Department. I have cut these positions from the original request submitted by Governor Judge.
2. We agree with the LFA as to total dollars recommended for appropriation with two minor exceptions.
  - a). \$15,000 in 1982 should be added in the travel, rent and utilities portion of the budget. We believe that an incorrect base was used to calculate travel and the inflation factors are too low for the rent and utilities. In addition SB 257 if passed would increase significantly the maximum travel expenditures.
  - b). \$55,000 in 1983 should be added to contracted services and the travel, rent and utilities portion. \$30,000 of that amount should be added to contracted services to perform the audits by the Legislative Auditor and \$25,000 to the other categories for the same reasons mentioned above.
3. Funding Sources. We are approximately \$500,000/yr short of general funds in the LFA report. Apparently other revenue sources have been critically overestimated and then a portion of those "phantom" funds are allocated to centralized services. The general fund appropriation was then reduced by that amount. We agree with the concept of charging individual programs to fund centralized services but we can't cut the general fund there without providing that money to the programs. To do so would result in drastic cuts in current level programs. We will gladly work with LFA to resolve these problems.
4. LFA has not provided for compensation for Board members. The Board of Natural Resources per diem is paid from centralized services. We request \$3,000/yr for the Board. In addition SB 274, if passed, would increase significantly the per diem allowed to Board members.

B

## Oil and Gas Conservation Division

1. Two current level inspector positions were eliminated. The positions were not filled this past year because of travel restrictions and development in the overthrust belt did not occur as rapidly as anticipated. It made sense not to fill those positions unnecessarily. To now penalize the division for saving money and cutting travel only encourages unnecessary expenditures in the future. Drilling permits issued have risen from 833 in 1977 to 1227 in 1980. Wells completed have risen from 678 to 941. Public hearings have increased from 54 to 124 and Board orders have gone from 55 to 139. These figures are offered to demonstrate the general increase in workload and to help justify keeping the current level inspectors and the following requests.
2. We request one FTE for a data processing position. Most other states and industry groups have computerized their records. It would assist both the Department and the industry in tracking production reports.
3. We need \$37,000/yr in addition to LFA for operating expenses. These include contracted, utilities and travel for the two inspector positions plus \$10,000 in '82 and \$3,200 in '83 for capitol expenditures (replacement of 3 microfilm reader printers).
4. Money should be included for the Board's per diem. \$5,500 should be added in '82 and \$6,050 in '83.



DEPARTMENT OF NATURAL RESOURCES  
AND CONSERVATION

BOARD OF OIL & GAS CONSERVATION



TED SCHWINDEN, GOVERNOR

OIL & GAS CONSERVATION DIVISION

STATE OF MONTANA

(406) 449-2611

January 20, 1981

Ms Judy Rippingale  
Legislative Fiscal Analyst  
State Capitol  
Helena, Montana 59601

Dear Ms Rippingale:

The Board of Oil and Gas Conservation reviewed the Legislative Fiscal Analyst comments and recommendations on our Budget requests at its meeting on January 15th.

First, your recommendation to delete the two oil and gas well inspectors from our budget would seriously hamper the enforcement operations of the Board. One of those positions has now been filled and we expect the other will be filled by mid-February. Oil and Gas exploration activities have increased substantially in the Williston Basin and in the overthrust belt area. These positions were not filled earlier primarily because of the Governor's directive that we reduce our mileage. Since the duties of a field inspector require him to travel to the site of drilling operations, we did not want to hire field inspectors to sit in the office. We ask that your office restore that request to our budget and restore the necessary travel allowance for their activities. If the travel allowance is not restored, we will be faced with the same problem, namely, field inspectors with no money to travel to the sites they are suppose to inspect.

Your comments concerning the compensation of our Division Administrator and his assistant reflect a lack of understanding of the salaries now being paid by the industry. Our Division Administrator has just resigned to take a job with private industry at half again the salary he was being paid by the Board. We simply cannot hire qualified professional persons unless we pay them these salaries, which are still substantially below the going rate for those occupations. Without such qualified professionals, the Board will be totally unable to perform its statutory functions.

We do not understand the deletion of our very modest request for \$65,000 per year in Resource Indemnity Trust Funds to properly plug deteriorating abandoned oil and gas wells. We had thought that was the principle purpose of the Reserve Indemnity Trust Fund, to which the oil and gas industry contributed over 1.6 million dollars in Fiscal Year 1979. There are a number of very old wells in the State which were drilled and abandoned

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25 SOUTH EWING  
P.O. BOX 217  
HELENA, MONTANA 59624  
(406) 449-2611

TECHNICAL AND  
SOUTHERN FIELD OFFICE  
2535 ST. JOHNS AVENUE  
BILLINGS, MONTANA 59102  
(406) 656-0040

NORTHERN FIELD OFFICE  
218 MAIN STREET  
P.O. BOX 690  
SHELBY, MONTANA 59474  
(406) 434-2422

Ltr: January 20, 1981

Ms Judy Rippingale, Legislative Fiscal Analyst, Helena, MT 59601

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long before this Board and the Conservation statute were enacted. In most cases, we have been able to persuade the current lessees of the lands on which such wells are located to properly seal them, even though they have no legal responsibility to do so. The money requested would be used only for those wells whose deteriorating condition is such that it poses an immediate danger and no private source is available to pay for the necessary plugging work. To deny any funds for this purpose would be a mockery of Montana's commitment to conservation and restoration of these resources.

We also note that our modified budget request for funds to develop a computerized system for recording oil and gas production statistics has been deleted without comment. Our present means of compiling statistics on the industry is woefully inadequate. We cannot provide accurate information within a reasonable time using 19th century methods. Please reconsider your action on this request as well.

We would be happy to meet with you at any time to discuss these matters further.

Very truly yours,

Richard A. Campbell  
Chairman  
Board of Oil and Gas Conservation

2/1/82

D

(RESOURCE DIST. SUPERVISION)  
Conservation Districts Division

1. Apparently the LFA reduced the current level funding by eliminating the 208 grant received from DHES of \$38,000. If this grant is not received then our only difference in current level relate the different inflation factors used by LFA and OBPP. We believe we need \$3,200 in 1982 and \$5,016 in 1983. These generally pertain to communications, travel and rent.
2. We request 2 additional FTE's to provide assistance to the conservation districts in preparing water reservations on the Clark Fork Basin. There would be a biennium cost of \$108,662 out of RRD monies.
3. We request \$1,000/yr for the Conservation District Advisory Board and the Grazing District Advisory Board for per diem.

## Water Resources Division

1. We agree that the water reservation position in Governor Judge's budget should be dropped. In addition, two Dam Safety positions should be dropped from the FY 82 LFA budget.
2. Current level FTE's are significantly different between LFA and us. We currently have 145.78 FTE's authorized. 17.5 were unfilled because the water rights applications have not been submitted rapidly. With the deadline set for January 1, 1982 the 17.5 current level FTE's are critical.
3. Request 3 FTE for existing water rights protection. It requires \$127,876 over the biennium. We process approximately 1,000 water rights each year. After the SB 76 adjudication is complete we will have 300,000 water rights on file. We currently have no water rights protection capability and the conditions laced on permits are frequently being violated. Included are an attorney, civil engineer and a hearings recorder.
4. Project Rehabilitation Money. We request \$450,000 for the biennium from RIT and earmarked money (\$300,000 RIT and \$150,000 earmarked). This will be used to repair existing state water projects and for design work for spillway rehabilitation. This would provide for predesign work for four dam spillways plus minor repairs to other water projects. If the Governor's water development bill passes this request will not be necessary.
5. Daly Ditch. We request \$29,000 in 1982 to assist in the formation of the irrigation district. This would include extensive mapping, some travel and the petition process. We also request that we retain .5 FTE throughout the remainder of '83. This position will be used to help dispose of other water projects.
6. The funding sources must be significantly modified. We need \$412,963 general fund in '82 and \$345,622 in '83 because the federal revenue estimate is critically overinflated. Plus the contracted services expenditures from the general fund are grossly underestimated. In addition, the OBPP recommends replacing general fund with 100% of the RIT monies. We would like to work with LFA and OBPP in solving these differences.
7. LFA has not provided for compensation for Board members. The Board of Natural Resources per diem is paid from centralized services. We request \$3,000/yr for the Board. In addition SB 274, if passed, would increase significantly the per diem allowed to Board members.

*Act Res  
Gen'l Serv (w) Admin*

NAME *Ian Armstrong* BILL No. \_\_\_\_\_

ADDRESS *Helena* DATE *2-5-81*

WHOM DO YOU REPRESENT *Dirce*

SUPPORT *1* OPPOSE \_\_\_\_\_ AMEND \_\_\_\_\_

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

*Board member  
11/2/90*

NAME John M. Sheehy BILL No. \_\_\_\_\_

ADDRESS Big Sandy Mt. DATE \_\_\_\_\_

WHOM DO YOU REPRESENT \_\_\_\_\_

SUPPORT \_\_\_\_\_ OPPOSE \_\_\_\_\_ AMEND \_\_\_\_\_

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

*Water Res*

NAME Gary Fritz BILL No. Budget  
ADDRESS DNRC DATE 2-5-81  
WHOM DO YOU REPRESENT DNRC  
SUPPORT  OPPOSE \_\_\_\_\_ AMEND \_\_\_\_\_

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Energy

NAME William S Gosnell BILL No. Budget  
 ADDRESS 1620th DATE 2/5/81  
 WHOM DO YOU REPRESENT Dir - Energy Div.  
 SUPPORT  OPPOSE  AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:



oil & gas

NAME Alie Richman BILL No. \_\_\_\_\_

ADDRESS Helena DATE 2-5-81

WHOM DO YOU REPRESENT DNPC Oil Gas Division

SUPPORT  OPPOSE \_\_\_\_\_ AMEND \_\_\_\_\_

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: