

MINUTES OF THE MEETING OF THE HOUSE TAXATION COMMITTEE
February 7, 1983

The meeting was called to order at 8:00 a.m. by Chairman Yardley. Roll call was taken and all committee members were present except Representative Harrington, who was excused.

Testimony was heard on HB 26 and HB 482. Executive action was taken on HB 365, HB 549 and HB 556.

HOUSE BILL 482

REPRESENTATIVE BILL HAND, District 82, sponsor of the bill, said the intention of HB 482 is to provide a legal vehicle to meet community needs for oil and gas development. House Bill 482 is an act to include oil and gas facilities in the meaning of the term "major new industrial facility" for the purposes of property tax prepayments. He said HB 482 would be a "standby vehicle" to be used when and if needed.

Proponents

LEE TUOTT, representing Beaverhead County, said HB 482 allows the prepayment of taxes on oil and gas facilities, limited to three times the amount of property tax for the year the facility is completed.

MR. TUOTT passed out copies of EXHIBIT 1 which is information on the abundance of oil and gas in Montana. He passed out copies of EXHIBIT 2 which shows the potential employment in Montana as a result of new oil and gas facilities. He passed out copies of EXHIBIT 3 which is an article in which the Overthrust Industrial Association calls for earlier aid to impacted communities.

MIKE STEPHEN, representing the Montana Association of Counties, said the impacts in Montana are in areas that are not able to absorb the financial impact caused by new facilities being built. Usually these areas are rural areas. House Bill 482 is a tool to help provide service to those impacted communities during the prebuildup time.

REPRESENTATIVE HAND said the Montana Petroleum Association might suggest some amendments to HB 482. Chairman Yardley asked if those amendments are available. Representative Hand said Don Allen of that association is the one who would have the amendments.

REPRESENTATIVE WILLIAMS asked what qualifications have to be met in order to be able to prepay the taxes. Mr. Stephen said there has to be a minimum of 100 employees working on the construction or operation of a facility. The facility has to be in the construction stage or employ over 100 people during the operation of the facility. Mr. Tuott said there are a lot of people coming into the area initially and that is when that area needs the tax base.

REPRESENTATIVE DEVLIN told the committee that Don Allen is now present at the hearing and then asked Mr. Allen to explain the amendments that were referred to by Representative Hand.

DON ALLEN, representing the Montana Petroleum Association, said the industry he represents is not opposed to prepayment of taxes but the industry is opposed to HB 482 as it is written. He asked that HB 482 be put into a subcommittee to work out some problems the industry has with the bill.

MR. ALLEN said a bill was introduced and passed which would allow any increase in the severance tax to go back to the county if the increase is due to the production. But in talking with the sponsor of this bill, he said he thinks the intent of this bill is to deal with the construction of a facility and not with the production of a facility.

REPRESENTATIVE WILLIAMS said a lot of emphasis has been put on the overthrust area but this program would apply statewide, wouldn't it? Mr. Allen said it would.

CHAIRMAN YARDLEY asked if this act is being used now. Representative Harp said HB 718, passed in 1981, had a prepayment of taxes and this bill is similar in that respect.

The hearing was closed on HB 482.

CHAIRMAN YARDLEY told committee members that Representative Hand has asked that this committee sponsor a committee bill and asked Representative Hand to explain.

REPRESENTATIVE HAND said there are a few remaining tobacco wholesalers in the state and they are having a difficult time collecting the state tax on cigarettes. There is a high cost of the administrative work involved in that business. There is now an impending increase in the tax on cigarettes. It costs the wholesalers 7% of the stamp cost on a package of cigarettes to do the administrative work required. They now receive only 3%. He asked this committee to draft a committee bill which would raise the 3% to 7% (or somewhere in between).

CHAIRMAN YARDLEY asked if Representative Hand has had anything

drafted yet. Representative Hand said no he hasn't but would be happy to have something drafted for this committee's consideration.

HOUSE BILL 26

REPRESENTATIVE GLENN JACOBSEN, District 1, sponsor of the bill, said HB 26 is an act allocating a portion of the oil and gas severance tax directly to producing counties for road improvement and county education.

REPRESENTATIVE JACOBSEN said HB 26 would retain certain amounts of money for county roads and city streets from the coal severance tax. Twenty percent of the amount collected from production within each county would be used for this purpose. Of that 20%, 75% would be used in the counties and 25% would be used in the cities within that county. Five percent of the amount collected from production within each county would be allocated to the university system.

REPRESENTATIVE JACOBSEN said there was a fiscal note on this bill of \$15 million. Representative Jacobsen said there will be a revised fiscal note, covering the amendments offered on HB 26. That fiscal note shows \$3,548,000 going to the counties each year, \$1,182,000 going to the cities and the same amount going to the foundation program.

REPRESENTATIVE JACOBSEN passed out copies of EXHIBIT 4 which shows the 31 gas and oil producing counties in Montana. The exhibit shows the division of the amounts of severance tax per county and also shows the number of miles of roads per county.

Proponents

REPRESENTATIVE GLENN ROUSH, District 13, spoke as a proponent to HB 26. Representative Roush's district represents two oil and gas producing counties. Those counties have had that production since the late 1920's. He said he didn't know the exact number of producing wells in those counties but knew it is an enormous amount. He said Glacier County, alone, probably has 3,000 wells.

REPRESENTATIVE ROUSH said 90% of the land in Glacier County is owned by the Blackfeet Indian Tribe. There is no tax base on that reservation because they do not pay taxes. Therefore, 10% of the population in that county pay for the impact taxes. He said a lot of the taxes are being paid under protest. This committee cannot solve that problem but HB 26 will give needed relief.

REPRESENTATIVE ROUSH said Glacier County is not building new roads, simply maintaining the ones they have. However, with only a small percentage of the residents paying the taxes, that

maintenance is difficult to achieve because of the loss of revenue.

REPRESENTATIVE ROUSH said a permanent approach to the solution of this tax problem is needed and HB 26 is that approach.

MIKE STEPHEN, representing the Montana Association of Counties, said HB 26 is one of a philosophical approach to what we will do with oil and gas severance money. He said the money should stay with the people who are impacted. Many of these counties are in more remote areas of Montana.

TUCKER HILL, representing Richland County, said he supports HB 26. House Bill 26 would not benefit Richland County but in those oil producing counties who have had substantial production, this bill will provide the needed money.

REPRESENTATIVE HUGH ABRAMS, District 56, said he would like to go on record in support of HB 26.

REPRESENTATIVE MEL UNDERDAL, District 12, said he supports HB 26 because of the impact the oil business has had on his area. It is hard to believe how much destruction an oil truck can do to a county road. The upkeep is very costly.

REPRESENTATIVE DEAN SWITZER, District 54, said after one week of rain, one could not believe the destruction on the county roads caused by the big trucks. His interpretation of the amendments presented by Representative Jacobsen is that anywhere there is new production or an increase of production, those counties will not receive money, but it is after the production slows down that is when the counties will get the money.

REPRESENTATIVE ORREN VINGER, District 3, said no one has said what the oil business means to Montana. All we are asking is that a little of that money stay where it was originated and that is not asking too much.

Opponents

TROY MCGEE, representing the Office of Budget and Program Planning, said he is in opposition to the bill because of the reduction of revenue to the state general fund.

ANN MULRONEY, representing the League of Women Voters, said the League opposes HB 26 because they do not think it is an appropriate system for addressing impacts and could needlessly deprive the general fund revenue. Percentage allocation schemes do not give the state the opportunity to relate impact costs to funding levels. Impacts include the full range of community services. Costs differ depending on population, condition of existing

services, and local taxing capabilities. They differ according to when they occur during development and can occur outside of the producing jurisdictions. A percentage allocation does not take any of these factors into account. Severance taxes are Montana's only alternative to the industrial base which supports so many states. We oppose HB 26 because the bill provides no state role to assure that local allocations will be related to needs and because the general fund could be needlessly penalized.

DON ALLEN, representing the Montana Petroleum Association, said they are concerned about any asking of earmarking of certain funds. He said any program, whether it be a road program or whatever, should be presented and justified on a need basis and that funds be allocated if and when the needs occur. He said perhaps a good way to solve these problems is if there was some formula to where the percentage is not just a flat open-ended rate but one which is tied specifically to the increases in the rate of impact per county.

REPRESENTATIVE JACOBSEN said county roads, especially the county seat roads, were always built first. The outer areas were neglected. By earmarking funds, we will be assured that the money will go to the roads used and ruined by heavy equipment.

REPRESENTATIVE HARP asked what a barrel of oil is worth. Representative Jacobsen said it was worth \$34.00 in 1981 and \$32.00 in 1982. Representative Harp asked how much on a barrel would actually go to the counties. Representative Jacobsen said 20% of the amount collected from production within that county will go to the general fund of that county.

REPRESENTATIVE WILLIAMS asked how the sponsor proposes to make up the \$4.5 million impact to the general fund. Representative Jacobsen said the oil producing counties are already contributing tremendous amounts to the state general fund. He said he doesn't plan on trying to find a way to make up the difference.

CHAIRMAN YARDLEY told the committee he will request a revised fiscal note for HB 26, including the amendments offered.

REPRESENTATIVE UNDERDAL asked if the county is responsible for building roads on reservations. Representative Roush said yes, the Department of Interior sends a small amount of money for that purpose and there are some non-Indians who live on the reservation who pay taxes. The only taxes collected on the reservation are from gas/fuel tax and liquor tax. County road taxes have been written off of property tax for reservations.

REPRESENTATIVE NORDTVEDT said the counties that have substantial severance tax revenue also have a substantial net proceeds tax

base. Why don't you have a bill that will help the road fund instead of this bill? Representative Jacobsen said you would be affecting all people, by increasing taxes, instead of those who are responsible.

CHAIRMAN YARDLEY asked if the figures given earlier were based on HB 26 as amended or on the original HB 26. Representative Jacobsen said the figures contained in the fiscal note were prepared based on \$36.00 per barrel and that is way too high. He asked for an estimated fiscal impact including the amendments to HB 26, and the amounts he gave are what he had received.

REPRESENTATIVE NILSON left the meeting at this time.

The hearing was closed on HB 26.

At this time, Chairman Yardley called the meeting into Executive Session.

EXECUTIVE SESSION

House Bill 549

REPRESENTATIVE DOZIER said the amount of money returned to the students as a result of this tuition income tax credit would be so little that maybe the money could be used better somewhere else.

REPRESENTATIVE WILLIAMS moved HB 549 DO NOT PASS.

REPRESENTATIVE JACOBSEN made a substitute motion that HB 549 BE TABLED.

REPRESENTATIVE BERTELSEN asked the chairman if it is better to kill a bill or table it. Chairman Yardley said if the sponsor of the bill wants to defend the bill on second reading, it would be better to pass the bill out of committee. Otherwise, this committee can just table a bill.

The motion was voted on and PASSED. All committee members voted yes except Representatives Dozier, Nordtvedt, Vinger and Williams, who voted no. Representative Nilson was not present during the vote.

House Bill 556

REPRESENTATIVE DEVLIN moved HB 556 DO PASS.

REPRESENTATIVE ASAY, sponsor of the bill, said HB 556 is not intended to ease the bill for Montana Power Company. This bill provides for the reclaiming of taxes, not interest. He said there is no provision to allow for the padding of budgets to

allow for this impact money.

REPRESENTATIVE NEUMAN left the meeting at this time.

REPRESENTATIVE WILLIAMS said the impacted areas should be required to meet the statewide mill levy before they can receive any of this money. Representative Asay said you are talking about counties - some schools in that county are affected but most are not.

REPRESENTATIVE BERTELSEN rose in strong support of HB 556. He said it is not fair for a person who lives in an impacted area to bear the tax burden that results in the overdevelopment of that area.

REPRESENTATIVE NORDTVEDT said a major industrial facility is 80% of the county's tax base. He said 80% of any grant would go to reducing the taxes of that facility. He said he sees no purpose of HB 556. He said if you have prepayment of taxes and grants and have the Coal Board forgive that, you might as well have the Coal Board make the grants in the beginning for the initial impacts.

CHAIRMAN YARDLEY read Section 90-2-206, MCA, to the committee. That section of the Montana law deals with the basis of awarding grants.

REPRESENTATIVE WILLIAMS asked if the increase in the property valuation wouldn't overcompensate for the small amount of abandoned land. Representative Asay said that is probably right but we are trying to devise a fair and equitable means of paying the costs of the initial impact.

REPRESENTATIVE REAM said he supports HB 556. If a company pays \$3 million in upfront money, the law states that company can get that amount back in tax credits over a five-year period.

The motion of DO PASS was voted on and PASSED. A roll call vote was taken and all committee members voted yes except Representatives Neuman, who left a proxy vote, Nordtvedt, and Williams, who voted no. Representative Nilson was not present during the vote.

House Bill 365

CHAIRMAN YARDLEY told committee members that he is still waiting for data from the Department of Revenue on how buses are taxed. He asked the committee members if they wanted to wait for that information or if they wanted to act on the bill. The consensus of the committee was to act on the bill.

REPRESENTATIVE DEVLIN moved HB 365 DO NOT PASS.

The motion was voted on and PASSED. All committee members voted yes except Representative Underdal, who voted no. Representatives Neuman and Nilson were not present during the vote.

CHAIRMAN YARDLEY asked the committee if they want to introduce a bill allowing an increase from 3% to 7% in administrative costs for cigarette wholesalers.

REPRESENTATIVE DOZIER said he thinks there is a bill to raise the taxes on cigarettes and if those taxes are raised, wouldn't it increase the amount for the wholesalers' administrative duties? He was told that was correct.

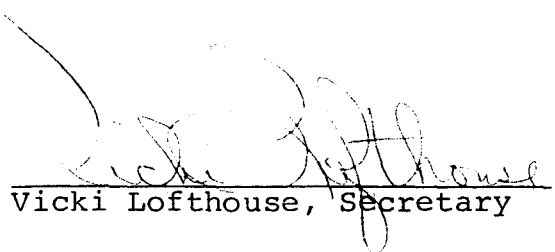
CHAIRMAN YARDLEY said this type of bill would not affect the county tax base because the money goes into the long-range building fund.

REPRESENTATIVE WILLIAMS moved that THIS COMMITTEE NOT PROVIDE A COMMITTEE BILL.

The motion was voted on and PASSED. All committee members voted yes except Representatives Devlin and Underdal. Representatives Neuman and Nilson were not present during the vote.

The meeting was adjourned at 10:30 a.m.


DAN YARDLEY, Chairman


Vicki Lofthouse, Secretary

Thrust Belt Could Up Montana Gas Reserves By 20 TCF

The oil and gas potential of the Thrust Belt of the western Rocky Mountain Region is still uncertain, but some industry representatives are estimating that as much as 20 trillion cubic feet of gas could be found in the western Montana portion of the province. A decade from now that forecast may be considered ridiculously optimistic or shamefully inadequate.

To put the estimate into perspective, Montana's proven reserves at the beginning of 1981 (latest available) was only 1.2 trillion cubic feet. Montana is not among the major gas producing states. It ranks about 14th in estimated proven reserves (Texas has an estimated 50.2 TCF of proven gas reserves).

Proven reserves in the entire United States (on shore and offshore) is estimated at 593.8 TCF. Some industry analysts are predicting that ultimate gas reserves in the Thrust Belt could exceed 100 TCF.¹ The U.S. Geological Survey estimates that discovered reserves in the Thrust Belt (as of March, 1982) amount to 3.2 billion bbls of oil and 16.5 TCF of gas.² The most recent USGS mean estimate for undiscovered recoverable reserves in the Thrust Belt (September, 1981) is 6.7 billion bbls of oil and 58.4 TCF of gas. So, there's a wide range of estimates.

One major oil company estimates a daily production from fields already discovered in the Thrust Belt (Wyoming and Utah) could reach 100,000 to 200,000 bbls of oil and natural gas liquids per day and 1 billion cubic ft of natural gas per day by the late 1990s.³

The Potential Gas Reserves Committee and geologists in the region have estimated that the Montana portion may hold about 20 percent of the Western Thrust Belt gas reserves.

Despite the fact that some of the earliest exploratory tests in the state were drilled in western Montana (several tests were drilled there in the 1890s), development of the province is still in its infancy. There's little evidence that such a volume exists, the forecasters are saying the known conditions, the geologic environment, could support reserves of that magnitude.

Gas production has been found in western Montana, but Blackfoot Canyon field, along the mountain front, is the only significant, tangible evidence. Unofficial estimates place reserves of that field, as now defined, at about 90 BCFG. But there's also unofficial reports that a temporarily abandoned well in the Big Hole Basin, a Tertiary (T) basin, had significant gas showings. These limited examples are widespread and in different geologic environments.

Thrust Belt Eyed By Montana Power

Montana Power has high hopes that eventual development of the Montana Thrust Belt, or Belt Basin, will prove the estimates correct. Even a fraction of the estimated reserves for the province could provide the state with a balance between consumption and production in the future. As the major Montana-based marketer, the company has a favorable position. It will compete for purchase contracts and it has launched its own exploratory campaign to locate reserves in the Thrust Belt.

Three years ago Montana Power analysed the geologic provinces of Montana to determine potential domestic supplies to meet market demands for the next 30 years. The company's present annual sales is about 30 to 35 BCFG; it's requirements into the early part of the 21st century will be 1 TCFG. The question is, how much gas is available within the state, with the hypothetical condition that Montana Power could contract all the future reserves. To address the problem, the company compiled reserve estimates for the major basins and structures to obtain a general reserve estimate. By surveying field records and about 50 years of producing histories, by drawing on its personnel's experience and knowledge of the provinces and by utilizing the basin exhaustion-time concept for determining remaining reserves, the company assigned projected, remaining reserves for 10 provinces. A general review of the findings follow.

SEE MAP ON PAGES 8 & 9

□ Sweetgrass Arch (and Sweetgrass Hills). This has been one of Montana's leading gas producing areas...about 600 BCFG. Estimated recoverable reserves for this area is about 200 BCFG. It should be noted that when Montana Power drops the pressure requirement one psi the reserves in fields in the Sweetgrass Arch increase 2 BCFG. Primary future sources will be the shallow Cretaceous sands and deeper mudstone to late Paleozoic rocks.

□ Bearpaw Arch. Estimated 100 BCFG reserves here.

□ Bowdoin area — 90 BCFG.

□ Williston Basin — 200 BCFG.

□ Powder River Basin — 150 BCFG...if biogenic gas (consisting chiefly of methane, generated by biological processes at shallow depths in accumulating sediments) is found. Bowdoin and Bearpaw accumulations are of this type.

□ Central Montana (Cat Creek-Big Wall-Sumatra) — 10 BCFG.

□ Lake Basin Fault zone (incl. North Lake Basin, Big Coulee, Rapelle) — 50 BCFG.

□ Northern extension of Big Horn Basin — estimate about 50 BCFG. However, this forecast is considered low. Recent discoveries in the Golden Dome-Dry Creek area may add as much as 40 BCFG.

□ Crazy Mountain Basin — 30 BCFG.

Those nine provinces have a combined estimated potential of 880 to 920 BCFG. This is 80 to 120 BCF short of Montana Power's project supply needs.

The situation is not critical at this time. The company has about a nine year gas supply available. But there is concern. There are no big gas searches in progress in the state. Price controls have a bearing on that.

Montana Power also assigns the Belt Basin with the 20 trillion cu ft estimate. It has an exploratory program of its own underway in western Montana. The first test in the program, a Madison County wildcat, was recently temporarily abandoned, but the company has more drilling scheduled to evaluate strong structural features indicated from seismic exploration. The play is in the southwest part of the state.

The incentive for this and other exploratory projects in western Montana is the model that has been established in the southern sectors of the

Thrust Belt. After seven years of intensive exploration and drilling, the petroleum industry has found about 19 commercial fields in thrust areas of southwestern Wyoming and northeastern Utah. Six of those fields are classified as "giants" because they each contain at least 100 million bbls of oil or 600 billion cu ft of gas.

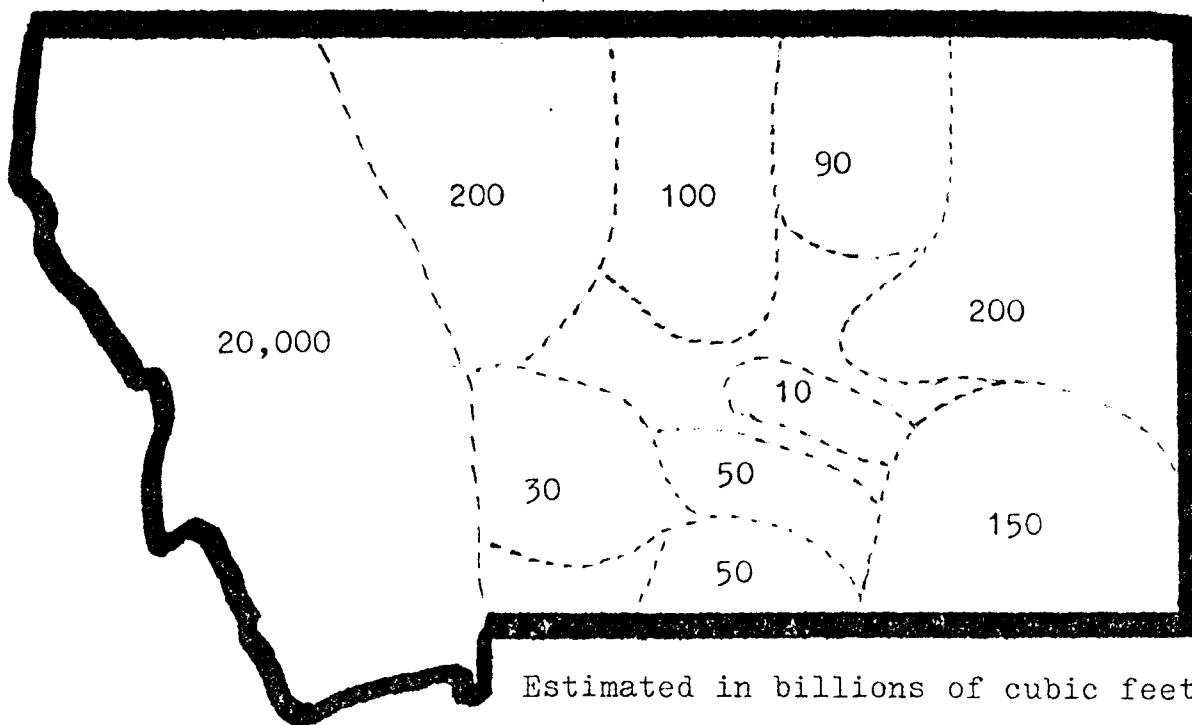
There's more than 12 TCF of proven gas reserves in adjacent areas of southern Alberta, Canada.

1. Philip F. Anshutt, the Anshutt Corp., "The Overthrust Belt: Will It Double US Reserves?", World Oil, January, 1980.

2. Richard Powers, US Geol. Survey, Am. Pet. Institute Report, R-208, Response.

3. Am. Pet. Institute, Response, dated 4/2/82.

ESTIMATED GAS POTENTIAL BY PROVINCE



Source: MONTANA OIL JOURNAL 5-6-82 per Montana Power Company analysis.

Gas Processing and Other Facilities: Planned or Under Construction

Sour Gas Plants

EXXON

Lake Ridge, Graphite, Fogarty Creek, Dry Piney, Dry Piney Annex

Size: two 600 mmcf/d* units; each with output of 130 mmcf/d sales gas. Each plant will be developed in three 200 mmcf/d phases.

Location: West Dry Basin and Big Mesa, or West and East Dry Basins, southwest of Big Piney, or Shute Creek, northeast of Opal.

Current status: Planning; construction could begin mid-1984

Permanent work force: 380 at plant (maximum 4th quarter 1991); 60 in well field (maximum 4th quarter 1991)

Peak construction work force: 1,345—3rd quarter 1985 (including workers on treating plants, well field and transportation facilities)

Contractor: not yet determined

Completion date: plant: mid-1989;

construction on gathering system will continue until 1993.

AMERICAN QUASAR PETROLEUM COMPANY

Riley Ridge

Size: 800 mmcf/d input; 160 mmcf/d sales gas

Location: 15 miles southwest of Big Piney

Current status: Planning; construction could begin mid-1984

Permanent work force: 64 at plant; 25 in well field

Peak work force: 1,225, mid-1985

Contractor: not yet determined

Completion date: mid-1988

*mmcf/d = million cubic feet per day

NORTHWEST PIPELINE—MOBIL OIL CORPORATION

Tip Top

Size: 400 mmcf/d input; 80 mmcf/d sales gas

Location: 16 miles northeast of Kemmerer

Current status: planning; construction could begin mid-1984

Permanent work force: 74 at plant; 35 in well field

Peak work force: 1,700 in mid-1985

Contractor: not yet determined

Completion date: mid-1987

AMOCO

Whitney Canyon

Size: 250 mmcf/d

Location: 16 miles northeast of Evanston

Current Status: 83% complete

Current work force: 1133

Permanent work force: 91

Contractor: Stearns Roger

Construction employment schedule by quarter:

	1982		
2nd		3rd	4th
<u>1,500</u>		<u>450</u>	<u>100</u>

Completion date: September 1982

Cave Creek

Size: under study

Location: Summit County, Utah or Lincoln County, Wyoming

Current status: planning; EPA approval obtained at Cave Creek

Completion date: late 1984

Other aspects of this proposal have not yet been finalized

Cave Creek Sour Gas Pipeline and Central Facility

Size: 16" pipeline for sour gas; 6" pipeline for separated liquids

Location: Central Facility—Uinta County, Wyoming

Pipeline—from Cave Creek and Deep Yellow Creek fields to Whitney Canyon Plant

Current status: Planning and awaiting BLM right-of-way approval

Completion date: undetermined

CHEVRON

Carter Creek

Size: 150 mmcf/d (permitted to 450 mmcf/d)

Location: 21 miles northeast of Evanston

Current status: 78% complete

Current work force: 1,500 Daniel employees

Permanent work force: 120

Contractor: Daniel

Construction schedule by quarter: (including subcontracted labor)

	1982		
		3rd	4th
		<u>1,800</u>	<u>550</u>

Completion date: November 1982

Sweet Gas

AMOCO

Moxa Arch

Cryogenic NGL recovery plant

Size: 120 mmcf/d

Location: 6 miles west of Granger

Current status: 100% complete

Current work force: 60

Permanent work force: undetermined

Peak construction work force: 100

Contractor: Delta Engineering, Houston

Construction employment schedule by quarter:

	1982		
2nd		3rd	
<u>100</u>		see permanent	work force

Completion date: completed

Other

AMOCO

Anschutz Ranch East

Centralized production facility separating oil, gas and water

Size: 20,000 BPD**

Location: 15 miles southwest of Evanston

Current status: 100% complete

Current work force: 200

Peak construction work force: 400

Permanent work force: 17

Construction employment schedule by quarter

	1982		
2nd		3rd	4th
<u>325</u>		<u>50</u>	see permanent
			work force

Completion date: completed

**BPD = barrels per day

Anschutz Ranch East

Liquid stabilization unit

Size: 20,000 BPD

Current status: 100% complete

Current work force: 65

Peak construction work force: 75

Permanent work force: 17 (for both stabilizer and production facility)

Contractor: R. L. Frailey

(continued on page 19)

(continued from page 18)

Construction employment schedule by quarter:

1982		
2nd	3rd	
69	see permanent	work force

Completion date: completed

Anschutz Ranch East

NGL Recovery/Nitrogen Injection Plant
Size: 300 mmcf/d

Location: Uinta County, Wyoming

Current status: Engineering design, site selection and permitting

Peak construction work force: 500

Construction employment schedule: undetermined

Completion date: 1986 (The earliest construction will begin in 1983.)

NIJECT

Anschutz Ranch East

This is a cryogenic air separation plant to produce nitrogen for pressure maintenance at the Anschutz Ranch Unit, built as a joint venture of subsidiaries of Ingersoll Rand and Union Carbide.

Size: 50 mmcf/d nitrogen

Location: 15 miles southwest of Evanston

Current status: 60% complete

Current work force: 90

Peak construction work force: 170

Permanent work force: 24

Contractor: Brown and Root

Construction employment schedule by quarter:

1982		
2nd	3rd	4th
100	100	see permanent work force

Completion date: October 1982

Sulfur

Transportation

NORTHWEST PIPELINE—MOBIL OIL CORPORATION

Tip Top

Sulfur rail spur

Length: 7 miles

Production: 600 long tons elemental sulfur per day

Location: to run from plant 10 miles northeast of Opal to existing rail line at Opal.

Current status: planning

Construction to begin mid-1984

Other aspects of this project have not been determined.

EXXON

Lakeridge, Graphite, Fogarty Creek, Dry Piney and Dry Piney Annex

Sulfur pipeline

Length: 55 miles long, heated molten-sulfur pipeline transporting 2,000 long tons per day

Location: from plant southwest of Big Piney to Opal

Current status: planning

Peak construction work force: (sulfur pipeline and loading facilities) 470 in 3rd quarter 1986. (Included in totals of gas plants work force.)

Permanent work force:

1985	1991
4th quarter	3rd quarter
30	40

Completion date: mid-1986

AMERICAN QUASAR

Riley Ridge

Sulfur pipeline

Length: 50 mile-long molten-sulfur pipeline transporting 1,300 long tons per day

Location: from plant southwest of Big Piney to Opal

Current status: planning

Current work force: 0

Other aspects of this project have not yet been determined.

AMOCO

Whitney Canyon

Sulfur haul road, rail spur and terminal
Capacity: 1,200 tons a day shipping facility

Location: Skull Point, 8 miles south of Kemmerer

Current status: 65% complete

Current work force: 250

Peak construction work force:

road—75; terminal—58

Contractor:

Road—Parsons' Asphalt, Ogden

Terminal—Project Construction

Company

Construction employment schedule by quarter:

1982		
2nd	3rd	4th
200	250	50

Completion date:

Road—September 1982

Terminal—October 1982

Rail spur—Complete

CHEVRON

Sulfur pipeline, rail spur and terminal

Capacity: 1,000 tons per day

Location: Skull Point, 8 miles south of Kemmerer

Current status: pipeline, power and terminal work continues; 70% complete

Current work force: 160

Permanent work force: 15

Contractors:

Terminal—Daniel Construction

Rail spur—Morrison-Knudson

Pipeline—Williams Brothers, Tulsa

Power—Power Line Models

Construction employment schedule by quarter:

1982		
3rd	4th	
160	80	

Completion date:

Pipeline—August 1982

Terminal—November 15, 1982

Rail spur—Complete

Power—August 31, 1982

OIA Calls for Earlier Aid to Impacted Communities

Bear Lake Governors' Conference

"The sewer system in Coalville has been inadequate for several years. Lincoln County did not have zoning. The city of Evanston didn't have a planner until the fall of 1981. These communities needed help even before the oil and gas boom. The OIA believes the states have a responsibility to help communities prepare for the future, whether or not growth is in the offing, just as the industry has a responsibility as growth begins. Without that early planning, cities and counties must play catch-up when energy-related growth does occur."

These comments were made by the OIA president Owen Murphy at a September 3 meeting with the governors of Idaho, Montana, Utah, and Wyoming at Bear Lake, Utah. The four governors were meeting together for the first time to discuss problems of rapid growth in Overthrust communities. OIA representatives at the meeting included Owen Murphy and Jim West, both of Chevron U.S.A. Inc., Jim Vanderbeek of Amoco Production Company, and OIA consultant Chuck McLean.

As one way to help communities prepare for the future, Murphy suggested that a manual be produced jointly by the Overthrust governors and the OIA to help local governments understand the best growth management techniques and possible funding sources. He offered OIA help in preparing the information. "Of course this is just a small part of the help the communities need," said Murphy. "State governments and industry should be available to advise local governments whenever they request help. Both groups have the expertise to plan for the future, and sharing it with local governments is essential."

Mr. Murphy emphasized the need to develop ways for cities and counties to tap massive energy tax revenues at the front end of the boom. "The Overthrust oil and gas industry will pay more than \$2 billion in taxes to state and local governments in Wyoming during the next 10-15 years. That's more than the total after-tax profits generated from the area by Amoco and Chevron combined," he said. "Just a fraction of that money could meet all

of the needs of the impacted counties, while still leaving hundreds of millions of dollars available for other purposes."

Mr. Vanderbeek suggested that impacted communities be allowed to tap the anticipated energy tax revenues by a system of tax prepayments and tax credits on property, sales and use, severance and other taxes, and by adjusting state allocation formulae to consider need as well as population. That would assure that taxes flow to impacted communities and are used for mitigation purposes, said Vanderbeek.

Kemmerer Family Makes \$1 Million Gift

A \$1 million foundation has been established by the Mahlon S. Kemmerer family "to express the family's appreciation of the town" of Kemmerer. Interest from the gift will be distributed for ten years, and the principal for the following ten years, for projects to benefit the people of the communities of Kemmerer, Diamondville and Frontier, adjacent towns in southern Lincoln County.

Three life-time residents of the area, all prominent civic leaders, have been appointed as trustees of the foundation: Patrick J. Quealy, an attorney and son of the town's co-founder; John A. Fagnet, retired Vice President of Kemmerer Coal and former city councilman; and Arthur R. Phiz, oil wholesaler and former city councilman. The trustees will control the foundation's investments and the distribution of the

income. The family chose to appoint a board of trustees to administer a trust, rather than making a one-time gift, because the region is in "a transitional era." According to a statement of purpose issued by the Kemmerer family, "The '80s will bring great changes to the Kemmerer, Diamondville and Frontier areas," and the family wants to help the communities during that period.

"The trustees will spend the money available on projects that bring the greatest good to the greatest number of people in the three communities," says Mr. Fagnet. "We will ask for advice from the city councils, mayors and county commissioners." Mr. Fagnet adds that he expects the money to be used for "good-sized projects," like helping to finance a nursing home or a water project.

The trustees will hold their first meeting early in 1982 to determine investments and criteria for projects. No firm estimate of annual interest could be made at this time, but several bankers agreed that \$100,000 to \$130,000 in interest could reasonably be expected to be paid to the foundation during 1982.

"The whole town is pleased and grateful to the Kemmerer family," says Mr. Fagnet. "They just could have sold the coal company and left. But they decided on this parting gift." The Kemmerer Corporation sold its holdings to the Gulf Oil Corporation in 1980 for about \$325 million. "The foundation is a very exciting prospect for the area. We will be reaping the benefits of this gift for the next 20 years," says Mr. Fagnet.

COUNTY	Disposal Fee Oil/Gas	2.5% of the 20% (County Roads/Bridges)	2.5% of the 20% (City Streets)	School Foundation	Secondary Roads (by miles)	County Roads (by miles)
Oil						
Gas						
Beaumont						
Oil	\$ 111,771.06	\$ 16,797.35	\$ 5,599.17		160 m	1,593 m
Gas	\$ 211.26	5,599.12				1783 miles
Total	\$ 111,982.32					
Blaine						
Oil	210,636.51	116,924.03	38,974.69		130 m	2,174 m
Gas	568,857.03	38,974.69				2,304 miles
Total	779,493.54					
Carbon						
Oil	1,040,203.96	16,587.62	55,292.27		2.3 m	1806 m
Gas	65,691.98	55,292.27				1030 miles
Total	1,105,895.94					
Carter						
Oil	12,530.88	2,587.03	862.34		127 m	888
Gas	4,715.99	862.34				1015 miles
Total	17,246.87					
Chouteau						
Oil	-0-	8,325.71	2,775.24		191 m	2,118 m
Gas	55,504.73	2,775.24				2,308 miles
Total	55,504.73					
Custer						
Oil	-0-	397.28	132.46		57 m	1067
Gas	2,648.51	132.46				1,124 m
Total	2,648.51					
Daniels						
Oil	391.38	58.71	19.57		67 m	1022 m
Gas	-0-					1088 miles
Total	391.38	19.57				

County	Fiscal Year 82	20% (of total)	5%a	Secondary	County
Oil	Taxes Paid	7.5% (of the 20%)	School	Roads	Roads
Gas	July 81 - June 82	(county funds)	Foundation		
Total		2.5% (city streets)			
Dawson					
Oil	\$ 746,987.63	\$ 12,048.15	\$ 37,349.38	109 m	151.5 m
Gas	\$ -0-	37,349.38			
Total	\$ 746,987.63			1424 miles	
Fallon					
Oil	848,661.17	140,746.96	46,915.65	71 m	378 m
Gas	88,651.90	46,915.65			
Total	938,313.07			449 miles	
Garfield					
Oil	23,069.03	3460.35	1153.45	122 m	1320 m
Gas	-0-	1153.45			
Total	23,069.03			1442 miles	
Glacier					
Oil	2,599,304.53	413,358.72	137,786.24	133 m	1120 m
Gas	165,420.24	137,786.24			
Total	2,755,724.77			1453 miles	
Golden Valley					
Oil	-0-	1367.64	455.88	48 m	680 m
Gas	9,117.59	455.88			
Total	9,117.59			728 miles	
Hill					
Oil	2,105.35	4,268.19	29,422.73	148 m	3334 m
Gas	406,349.27	29,422.73			
Total	408,454.62			3482 miles	
Liberty					
Oil	548,770.27	98,943.76	32,971.25	116 m	1322 m
Gas	110,859.79	32,971.25			
Total	659,625.06			1438 miles	

County	Fiscal Year 82	20% of total 7.5% (of the 20%) (countywide/countywide) 2.5% (city streets)	School Foundation	Secondary Roads	County Roads
Oil	Taxes Paid				
Gas	July 81 - June 82				
Total					
McGowan					
Oil	\$ 148,927.40	\$ 29,839.11	\$ 9946.37	84 m	1986 m
Gas	\$ -0-	9946.37			
Total	\$ 148,927.40				2070 miles
Musselshell					
Oil	1,981,883.55	396,376.71	99,094.18	44 m	820 m
Gas	-0-	99,094.18			
Total	1,981,883.55				864 miles
Petroleum					
Oil	99,563.21	14,934.48	4,978.16	45 m	701 m
Gas	-0-	4,978.16			
Total	99,563.21				746 miles
Phillips					
Oil	-0-	67,845.54	22,615.18	98 m	1984 m
Gas	452,303.57	22,615.18			
Total	452,303.57				2082 miles
Pondera					
Oil	556,639.00	96,815.49	32,271.83	112 m	1309 m
Gas	88,797.61	32,271.83			
Total	645,436.61				1421 miles
Powder River					
Oil	527,372.61	1,406,752.50	263,766.10	87 m	1149 m
Gas	1,548.85	263,766.1			
Total					1336 miles
Prairie					
Oil	5,275,321.56				
Gas	1,506,663.92	22,595.09	7531.67	69 m	823 m
Total	-0-	7531.67			
	1,506,663.92				892 miles

County	Fiscal Year 82 Taxes Paid	20% total 7.5% (of the 20%) (county roads included) 2.5% (of the 20%)	5% School Foundation	Secondary Roads	County Roads
Gas	July 81 - June 82				
Richland					
Oil	\$ 9,848,427.37	\$ 1,497,102.70	\$ 499,036.90	99 m	1,371 m
Gas	132,110.89	499,036.90			1,470 miles
Total	\$ 9,980,538.26				
Rosebud					
Oil	4,169,449.47	627,077.49	209,025.83	16.5 m	17.9 m
Gas	11,067.14	209,025.83			1,904 miles
Total					
Rosebud					
Oil	1,993,471.88	299,020.77	99,673.59	114 m	1,672 m
Gas	-0-	99,673.59			1,784 miles
Total	1,993,471.88				
Sheridan					
Oil	5,897,918.06	887,025.90	295,675.33	6.5 m	1,530 m
Gas	15,588.58	295,675.33			
Total	5,913,506.64				1,585 m
Stillwater					
Oil	26,814.70	19,103.38	3,667.79	6.4 m	194 m
Gas	40,541.14	3,667.79			1,015 m
Total	67,355.84				
Teton					
Oil	125,442.06	18,901.80	6,300.60	114 m	1,669 m
Gas	569.95	6,300.60			
Total	126,012.01				1,783 m
Toole					
Oil	1,307,365.34	196,104.80	65,368.27	15.5 m	1,527 m
Gas	-0-	65,368.27			
Total	1,307,365.34				1,682 miles

Proposed Amendments HB 26

- 1) Title, line 6.
Following: "EDUCATION"
Insert: "IF THERE IS NO INCREASED PRODUCTION WITHIN
THE COUNTY"
- 2) Page 1, line 25.
Following: line 24
Insert: "(b) if there is no increased production
within the county:"
- 3) Page 1, line 25.
Following: line 24
Strike: "(b)"
Insert: "(i)"
- 4) Page 2, line 2.
Following: "(4);"
Insert: "and"
- 5) Page 2, line 3.
Following: line 2
Strike: "(c)"
Insert: "(ii)"
- 6) Page 2, line 7.
Following: "{b}"
Strike: "(d)"
Insert: "(c)"
- 7) Page 2, line 8.
Following: "(2)(a)"
Strike: "through (2)(c)"
Insert: "and (2)(b)"
- 8) Page 3, line 2.
Following: "(2)(b)"
Insert: "(i)"

WITNESS STATEMENT

Name Ann Mulhoney Committee On House Taxation
 Address 700 Power, Helena Date 2/7/83
 Representing League of Women Voters Support _____
 Bill No. H B 26 Oppose X
 Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. The League opposes. We do not think it is an appropriate system for addressing impacts and could needlessly deprive the general fund revenue.
2. Percentage allocation schemes do not give the state the opportunity to relate impact costs to funding levels. Impacts include the full range of community services. Costs differ depending on population, condition of existing services, and local taxing capabilities. They differ according to when they occur during development and can occur outside of the producing jurisdictions. A percentage allocation does not take any of these factors into account.
3. Severance taxes are Montana's only alternative to the industrial base which supports so many states. We oppose because the bill provides no state role to assure that local allocations will be related to needs and because the general fund could be needlessly penalized.
- 4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

VISITOR'S REGISTER

HOUSE TAXATION COMMITTEE

BILL HOUSE BILL 26

DATE 2-7-83

SPONSOR Jacobsen

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITOR'S REGISTER

HOUSE COMMITTEE

BILL HB 482

DATE _____

SPONSOR Hand

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITOR'S REGISTER

HOUSE TAXATION

COMMITTEE

BILL HOUSE BILL 482

DATE 2-7-83

SPONSOR Hand

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

STANDING COMMITTEE REPORT

Page 1 of 2

February 16, 1983

MR. **SPEAKER:**

We, your committee on **TAXATION**

having had under consideration **HOUSE** Bill No. **26**

First reading copy (**White**)
Color

A BILL FOR AN ACT ENTITLED: "AN ACT ALLOCATING A PORTION OF THE OIL AND GAS SEVERANCE TAX DIRECTLY TO PRODUCING COUNTIES FOR ROAD IMPROVEMENT AND COUNTY EDUCATION; AMENDING SECTION 15-36-112, MCA; AND PROVIDING AN APPLICABILITY CLAUSE AND AN IMMEDIATE EFFECTIVE DATE."

Respectfully report as follows: That **HOUSE** Bill No. **26**
be amended as follows:

1. (SEE ATTACHED PAGE)

DO PASS

February 16, 19 83

1. Title, line 6.

Following: "EDUCATION"

Insert: "IF THERE IS NO INCREASED PRODUCTION WITHIN
THE COUNTY"

2. Page 1, line 25.

Following: "(b)"

Insert: "if there is no increased production
within the county: (i)"

3. Page 2, line 2.

Following: "(4)";

Insert: "and"

4. Page 2, line 3.

Following: line 2

Strike: "(c)"

Insert: "(ii)"

5. Page 2, line 7.

Following: "{b}"

Strike: "(d)"

Insert: "(c)"

6. Page 2, line 8.

Following: "(2) (a)"

Strike: "through (2) (c)"

Insert: "and (2) (b)"

7. Page 3, line 2.

Following: "(2) (b)"

Insert: "(i)"

8. Page 3, line 10.

Following: "after"

Strike: "on and after April 1, 1983"

Insert: "to production occurring after March 31, 1984"

AND AS AMENDED
DO PASS

DAN YARDLY,.....
Chairman.