MINUTES OF THE MEETING
NATURAL RESOURCES COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

March 25, 1985

The meeting of the House Natural Resources Committee was called to order by Chairman Dennis Iverson at 6:15 p.m. in Room 312-1 of the State Capitol.

ROLL CALL: All members of the committee were present.

SENATE BILL 156: SB 156 was introduced by the sponsor, Sen. Tom Towe, District 46. Sen. Towe told the committee that the bill changes criteria for coal board grants and loans to allow for the eligibility of more counties. Under current law, he said, only Rosebud County is designated as eligible, and if the coal board does not spend a certain portion of its grant money in Rosebud County, it cannot spend any of that money in other counties. SB 156 would allow the board to designate more counties to receive funding without changing the basic structure of the program, said Sen. Towe.

PROPONENTS: Pat Wilson, representing Montco, said that company would be directly affected by SB 156. Coal board grants would help to alleviate potential problems faced by residents of Powder River County, when Montco begins expansion of its projects in the Broadus and Ashland area, she said. She distributed a booklet describing Montco's activities in that area, which is attached as Exhibit 1.

There were no opponents to SB 156, and no questions from the committee.

Rep. Asay agreed to carry SB 156 on the House floor.

SENATE BILL 284: SB 284 was introduced by the sponsor, Sen. Tom Towe, District 46. The bill revises a bill which was passed last session regarding the authority of the coal board to make loans. SB 284 deals specifically with the provisions of 90-6-209 that deal with repayment of coal board loans, said Sen. Towe. It would allow that repayment be made from fees, rentals, admissions, use charges and special assessments. Earlier drafts of the bill allowed that repayment be made from property tax revenues, but those sections were deleted from the bill upon objection by the coal companies that they would then be forced to pay taxes twice on their product, said Sen. Towe.

PROPONENTS: Pat Wilson of Montco said that company has worked on the bill for the past three sessions, and is confident that a point has been reached where the loan program will work if SB 284 is put into statute.

There were no opponents to SB 284, and no questions from committee.

Rep. Cobb agreed to carry SB 284 in the House.

SENATE BILL 277: Sen. Chet Blaylock, District 43, introduced SB 277, which he sponsored at the request of the department of natural resources and conservtion. The bill would establish the Montana Legacy Program, providing security against loss or damage to the state's environment through the extraction of nonrenewable natural resources. It would be impossible to discuss SB 277 without allusion to HB 913, the legacy program bill introduced by Rep. Dave Brown, he said.

Sen. Blaylock explained that the impetus for the legacy program began with former Governor Tom Judge's state of the state address in 1973, when the resource indemnity trust was proposed. The earnings from that trust, said Gov. Judge, would be invested in a fund which would be spent to correct environmental damage, develop recreation and provide new work opportunities for Montanans. The proceeds of that resource indemnity trust fund would provide the public's share of the benefits derived from Montana's natural resources, said Sen. Blaylock.

Sen. Blaylock told the committee that the difference between SB 277 and HB 913 is essentially a difference in philosphy. SB 277 is a broad program, leaving the discretion as to how funds would be spent to the department, the legislature and the governor, and HB 913 allocates funding to four specific areas. SB 277 is superior because it does not say that the 49th Legislature "possesses all the wisdom," but allows for allocation to vary on the basis of future needs, he said.

PROPONENTS: Gene Huntington, representing the governor's office, supported SB 277. He noted that in 1983, the appropriations committee said that future RIT funds were not to be used for ongoing budget operations. That left the problem of determining how RIT funds should be allocated, he said, and resulted in the drafting of SB 277, which sets out both the policy and the design of the legacy program. Drafters of the bill, faced with the difficulty of finding projects that would not be ongoing, felt it would be better to put goals on long-term programs, and not to earmark specific types of projects, said Mr. Huntington.

Larry Fasbender, director of the department of natural resources and conservation, spoke in support of SB 277. He said the main issue being debated is the question of whether the legislature should be able to make specific choices about how RIT funds should be spent. The more closely you restrict the legacy program, the fewer choices are available, he said. Mr. Fasbender told the committee that the needs of Montanans have clearly changed over time, and the priorities for legacy funding can be expected to change in the future. That is why SB 277 is a broad bill, allowing choices to be made in the future as program needs change, said Mr. Fasbender.

Jeanne-Marie Souvigney, representing the Northern Plains Resource Council, spoke to the committee about the need for a legacy program. She distributed to the committee a chart displaying the setup of the current resource indemnity trust program, the proposed SB 277 program, and the proposed HB 913 program. The chart is attached as Exhibit 2. Ms. Souvigney said NPRC is concerned about the issue of earmarking particular funding categories, which may limit certain programs. She cautioned, however, that under SB 277, the proposed program is broad enough to "fund just about anything." She told the comittee that there are problems with both bills, and urged the committee to work out the differences between the proposals to arrive at an optimum program.

Mary-Linda Kemp, representing the Northern Lights Institute, said that group feels that HB 913 is a better proposal than SB 277, but supports the legacy program in whatever form might be approved.

<u>OPPONENTS</u>: George Ochenski, representing the Montana Environmental Information Center, appeared before the committee carrying a brown paper grocery bag, and opened by saying he wished he did not have to speak against SB 277. However, the specific mechanisms of both bills lend themselves to a supermarket analogy in which HB 913 comes out preferable, he said. He then emptied the contents of the bag, noting that an average shopping list would include a variety of items--in this case, fish, an artichoke, fruit, Twinkies, beer, hot dogs, and bread. Forced to choose between the products, the shopper would do well to categorize them -- fruits, vegetables, breads, meats, and so on, he said. By analogy, when faced with a variety of RIT funding requests, the state would benefit by assigning those requests to specific categories, and weighing water projects against one another, weed control projects in another category, and so forth. That, he said, is done in HB 913, and not in SB 277. That organizational head start would allow better distribution of legacy money, and avoid a pork barrel approach to specific projects, he said. SB 277 would throw all the groceries

into a food processor, and the resultant soup would not satisfy anyone, he said.

Rep. Dave Brown, sponsor of HB 913, spoke against SB 277. He said there were two main reasons to oppose the Senate's legacy program bill. The first, he said, is that SB 277 would allow every session of the legislature to reset policy, and that the legacy program should be allowed more continuity. HB 913 would provide that continuity, he said. Secondly, Rep. Brown stated that the earmarking in SB 277 "is just disastrous" and does not meet the state's current or future needs. SB 277 addresses only RIT funds and renewable resource development projects, while the state faces pressing problems in water development, weed control and other issues.

Rep. Brown said the one amendment he would offer to SB 277 is HB 913. He recommended that the bill not be killed in committee, but rather be defeated on the House floor.

There were no further opponents to SB 277, and the floor was opened to questions from committee.

Rep. Miles asked Mr. Fasbender about the process a funding request would follow under the provisions of SB 277. He said that applications for legacy funding would be ranked by an advisory council, referred to to the director of DNRC for further consideration, recommended to the governor, and passed to the legislature as proposed legislation.

Rep. Miles asked if the process would be the same under HB 913, with the difference that the applications would be first assigned to categories. Fasbender said that was essentially the case, except that the original reviewing boards would be differently structured.

Rep. Peterson asked Rep. Brown if HB 913 contains a provision for emergency project funding, and was told that it does.

Rep. Kadas asked Mr. Huntington how the legacy program as set up under SB 277 could be used for funding weed and water projects, when those types of projects are not specifically addressed in the constitutional basis of the RIT funds. Mr. Huntington replied that the stated intent of the RIT program was that funding be applied to renewable and nonrenewable resource projects, and that agriculture is a resource that falls under that intent.

Sen. Blaylock closed by saying that the bill is preferable to HB 913 precisely because of its different policy approach. The less restrictive approach is the better option for the state, he said.

EXECUTIVE ACTION

SENATE BILL 156: Rep. Kadas moved that SB 156 BE CONCURRED IN. The motion passed without discussion, with Rep. Harp voting no.

SENATE BILL 284: Rep. Cobb moved that SB 284 BE CONCURRED IN. Rep. Driscoll commented that the legislature has worked on conflicting bills regarding coal board money. He said he supports SB 284, but said that at some point, all the bills based on coal board money will have to come together. The bill passed with Rep. Harp voting no.

SENATE BILL 258: Rep. Addy moved that SB 258 BE CONCURRED IN. Rep. Miles moved an amendment she prepared that would refer the notice question in the bill back to the appropriate existing statute. Rep. Krueger suggested that the committee address the issue of adequate notice. He said drillers must have an idea of proposed projects more in advance than three days, and did not think the three-day notice was fair to surface owners.

Rep. Iverson said it is not unusual for a potential driller to check into existing leases, find an available drilling rig, and move into operation in two days' time.

Rep. Krueger maintained that if the legislature is concerned about the surface owner, the three-days' notice provision is inadequate, and said the time period should be longer. Rep. Raney said he agreed with Rep. Krueger on that point.

Rep. Cobb suggested that the notice provision be amended to 10 days, and the House should wait and see how the Senate views that amendment.

Sen. Tveit, the sponsor of the bill, was allowed to comment, and said the three day provision allows adequate notice.

Rep. Krueger again maintained that three days is insufficient time for negotiation or redress, and asked what the problem would be with a ten day provision. Sen. Tveit replied that the holder of the mineral rights has a right of access, and that settlement of damages due to access is not usually a problem. Rep. Krueger asked why there should not be a misdemeanor clause in the bill requiring due notice, and Sen. Tveit said that such a clause would be meaningless because the costs of developing a mineral right are much higher than the potential misdemeanor penalty could be.

Rep. Iverson said he was concerned about the apparent presumption that the landowner is "the good guy and the oilman is a rapist." That is not necessarily so, he said, and the committee should keep in mind that surface and mineral rights are equal property interests under the law.

Rep. Krueger said that if the committee were not willing to add a misdemeanor clause, he would push for an expanded time period for notice. He moved that the bill be amended to allow for no fewer than 14 days' notice by the developer of the mineral rights of proposed activity. That motion failed 9-8. A copy of the roll call vote is attached following the standing committee reports.

Rep. Addy, a supporter of that amendment, said 14 days is not unreasonable, noting that the eminent domain bill passed in committee calls for 30-days' notice.

Rep. Krueger then moved that the notice clause be amended to require 10 days' notice. That motion passed 9-7.

Rep. Addy then moved that SB 258 BE CONCURRED IN AS AMENDED, and that motion passed with Reps. Smith, Cobb and Iverson voting no.

There being no further business before the committee, the meeting was adjourned at 7:40 p.m.

Rep. DENNIS IVERSON, Chairman

DAILY ROLL CALL

HOUSE NATURAL RESOURCES COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date MARCH 25

NAME	PRESENT	ABSENT	EXCUSED
IVERSON, Dennis (Chairman)	X		
KADAS, Mike (Vice-Chairman)	X		
ADDY, Kelly	X		
ASAY, Tom	X		
COBB, John	X		
DRISCOLL, Jerry	X		
GARCIA, Rodney	X		
GRADY, Edward	X		
HARP, John	X		
JONES, Tom	X		
KRUEGER, Kurt	X		
MILES, Joan	X		
MOORE, Janet	X		
O'HARA, Jesse	X		
PETERSON, Mary Lou	X		
RANEY, Bob	X		
REAM, Bob	X		
SMITH, Clyde	X		

CS-30

STANDING COMMITTEE REPORT

March 25 19 85

MR. SPEAKER:

We, your committee on NATURAL RESOURCES

having had under consideration SENATE BILL Bill No. 258

THIRD reading copy (BLUE)
color

AN ACT REVISING THE LAW RELATING TO COMPENSATION PAYABLE FOR SURFACE DAMAGE BY OIL AND GAS DEVELOPMENT

Respectfully report as follows: That SENATE BILL 258 Bill No.

BE AMENDED AS FOLLOWS:

1) Title, line 13.
   Following: "AND"
   Insert: "82-10-503,"
   Following: "82-10-504"
   Insert: ","

CONTINUED ON FOLLOWING PAGE

~~DO PASS~~

Chairman.

Rep. DENNIS IVERSON

STATE PUB. CO.
Helena, Mont.

COMMITTEE SECRETARY

2) Page 3.
Following: line 11
Insert: "Section 1. Section 82-10-503, MCA, is amended to read:

"82-10-503. Notice of drilling operations. In addition to the requirements for geophysical exploration activities governed by Title 82, chapter 1, part 1, the oil and gas developer or operator shall give the surface owner and any purchaser under dontract for deed written notice of the drilling operations that he plans to undertake. This notice shall be given to the record surface owner and any purchaser under contract for deed at their addresses as shown by the records of the county clerk and recorder at the time the notice is given. This notice shall sufficiently disclose the plan of work and operations to enable the surface owner to evaluate the effect of drilling operations on the surface owner's use of the property. The notice shall be given no more than 90 days and no fewer than 10 days before commencement of any activity on the land surface.""

Renumber: subsequent sections

3) Page 4, line 7.
Strike: "notify the surface owner of his specific intentions"
Insert: "comply with the notice requirements of 82-10-503"

4) Page 4, line 13.
Strike: "2"
Insert: "3"

5) Page 4, line 15.
Strike: "2"
Insert: "3"

AND AS AMENDED,

BE CONCURRED IN

Rep. DENNIS IVERSON Chairman.

STATE PUB. CO.
Helena, Mont.

STANDING COMMITTEE REPORT

MARCH 25 19 95

MR. SPEAKER:

We, your committee on NATURAL RESOURCES

having had under consideration SENATE BILL 234 Bill No.

THIRD reading copy (BLUE)
color

AN ACT REVISING PROVISIONS FOR REPAYMENT OF COAL BOARD LOANS

Respectfully report as follows: That SENATE BILL 234 Bill No.

BE CONCURRED IN

~~DO PASS~~

STATE PUB. CO.
Helena, Mont.

Rep. DENNIS IVERSON, Chairman.

COMMITTEE SECRETARY

STANDING COMMITTEE REPORT

MARCH 25 19 85

MR. SPEAKER:

We, your committee on NATURAL RESOURCES

having had under consideration SENATE BILL 156 Bill No.

THIRD reading copy (BLUE)
color

AN ACT CHANGING THE DESIGNATION CRITERIA FOR COAL BOARD GRANTS AND LOANS

Respectfully report as follows: That SENATE BILL 156 Bill No.

BE

BE CONCURRED IN

~~DO PASS~~

Rep. DENNIS IVERSON, Chairman.

STATE PUB. CO.
Helena, Mont.

COMMITTEE SECRETARY

ROLL CALL VOTE

HOUSE COMMITTEE NATURAL RESOURCES

DATE 3/25/85 BILL NO. SB 258 TIME 7:30

NAME	AYE	NAY
IVERSON, Dennis (Chairman)		X
KADAS, Mike (Vice-Chairman)	X	
ADDY, Kelly	X	
ASAY, Tom		X
COBB, John		X
DRISCOLL, Jerry		X
GARCIA, Rodney		X
GRADY, Edward		X
HARP, John		
JONES, Tom		X
KRUEGER, Kurt	X	
MILES, Joan	X	
MOORE, Janet	X	
O'HARA, Jesse		X
PETERSON, Mary Lou	X	
RANEY, Bob	X	
REAM, Bob	X	
SMITH, Clyde		X
	8	9

Secretary

Chairman

Motion: Amend notice provision to 14 days.
- Krueger

14 days

CS-31

ROLL CALL VOTE

HOUSE COMMITTEE NATURAL RESOURCES

DATE 3/25/85 BILL NO. SB 258 TIME 1:35

NAME	AYE	NAY
IVERSON, Dennis (Chairman)		X
KADAS, Mike (Vice-Chairman)	X	
ADDY, Kelly	X	
ASAY, Tom		X
COBB, John		X
DRISCOLL, Jerry	X	
GARCIA, Rodney		X
GRADY, Edward		X
HARP, John		
JONES, Tom		X
KRUEGER, Kurt	X	
MILES, Joan	X	
MOORE, Janet	X	
O'HARA, Jesse	X	
PETERSON, Mary Lou	X	
RANEY, Bob	X	
REAM, Bob	X	
SMITH, Clyde		X
	9	7

Secretary

Chairman

Motion: Amend notice provision to 10 days
- Krueger

10 days

CS-31

EXHIBIT 1
3/25/85

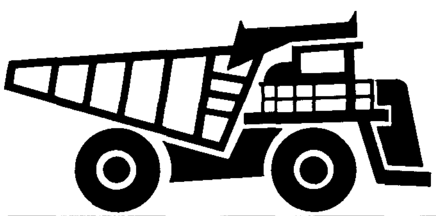
The Montco Mine

ENERGY FOR THE NATION, ECONOMIC GROWTH FOR MONTANA

In a single generation, we have become acutely aware of our reliance on foreign sources of fuel. With the oil embargo of 1973 came a national plea for energy independence, and domestic coal emerged as an economical alternative fuel for the 1980s and beyond.

Approximately 75 billion tons, or 25%, of the U.S. coal reserves lie in the State of Montana. If America is to achieve energy independence, Montana's coal must play a vital role.

The Montco mine is expected to produce more than 186 million tons of private and state coal – the equivalent of 651 million barrels of oil – at a maximum rate of 12 million tons annually. The economy of the State of Montana is expected to benefit substantially from the development of the Montco mine. During the 24-year life of the mine (construction and operation), more than $3.7 billion will be added to the state in the form of increased business activity, tax revenues and personal income.



THE MONTCO PROJECT AREA

Montco is a Montana general partnership located in Billings, and owned by Tongue River Resources, a subsidiary of Diamond Shamrock Corporation, Dallas, and Thermal Energy, Inc., a subsidiary of Washington Energy Company, Seattle.

Development of the Montco properties began in 1973 with acquisition of surface and coal leases and geological exploration. The Montco project area is located approximately 7.5 miles southwest of the community of Ashland in southeastern Montana. The reserves lie within the Montana portion of the Powder River Basin in the Tongue River member of the Fort Union Formation. The coal to be mined averages 8,752 BTUs per pound, 27% moisture, 6.35% ash and 0.34% sulphur (as received).

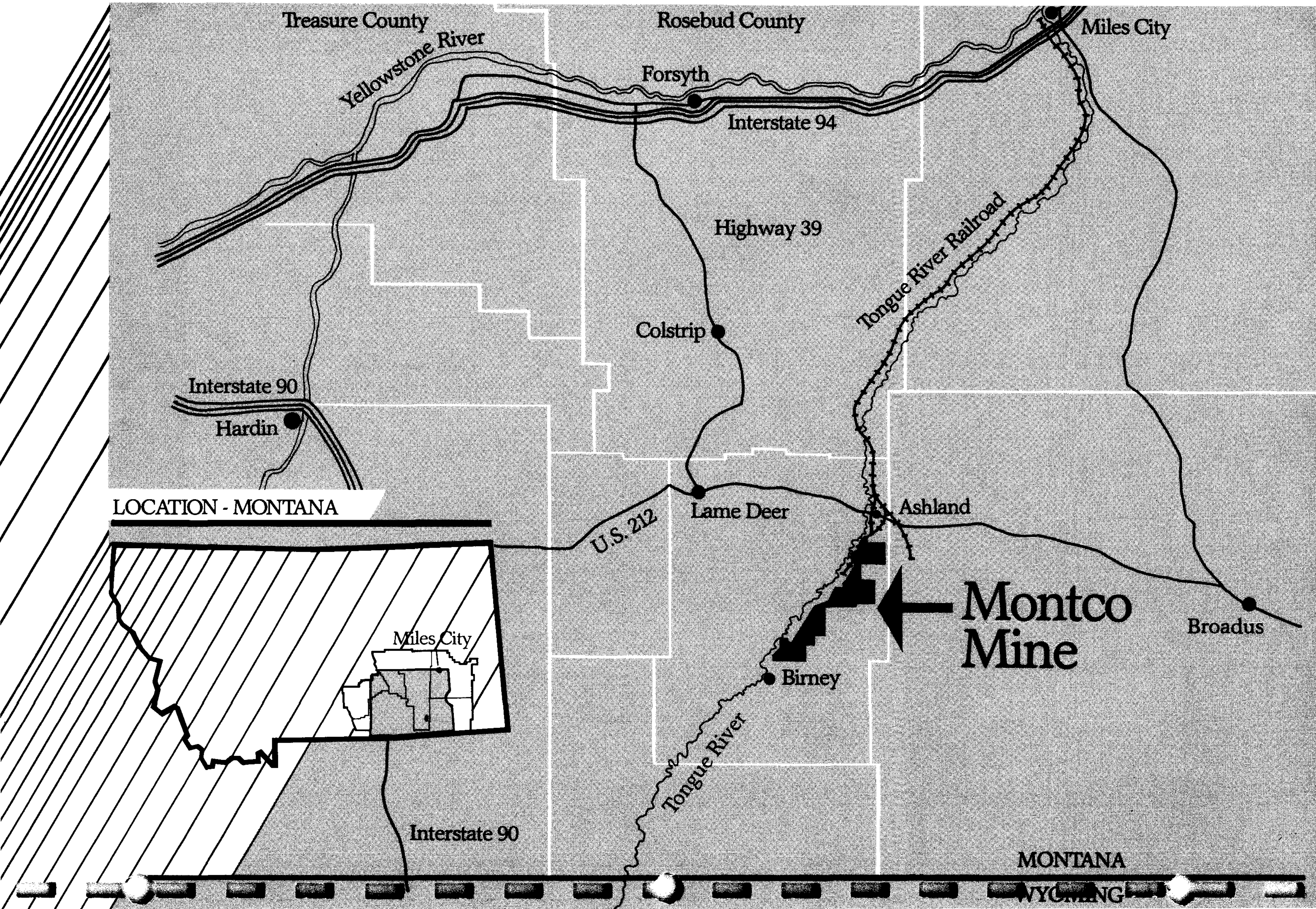
THE MINE PLAN AREA

The 24-year-life of Montco's mine consists of five mining units (North King, South King, North O'dell, South O'dell and South Gate) and support facilities which include shop/offices, coal handling and storage structures, and a rail loop. This total area known as the mine plan area encompasses 10,171 acres.

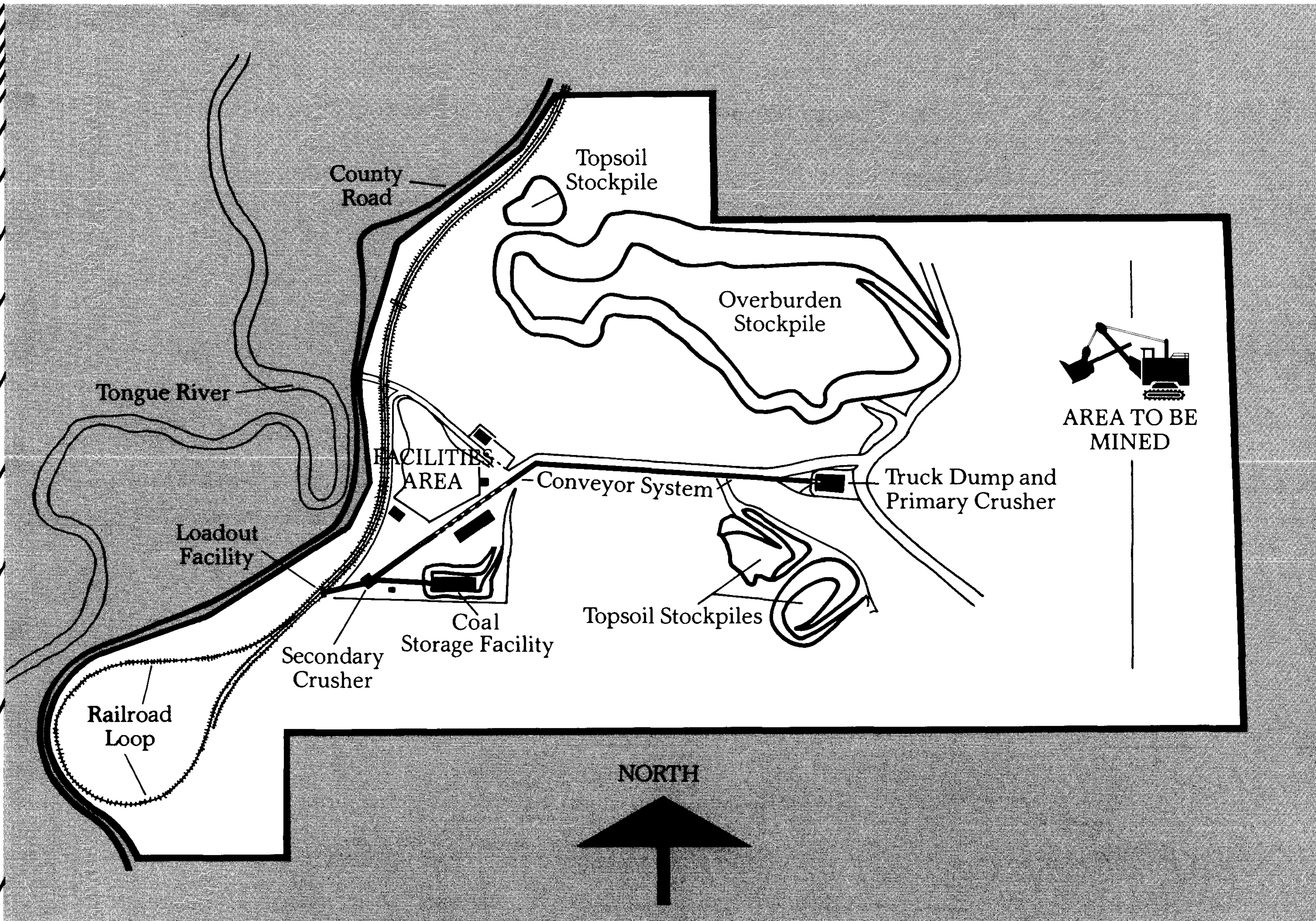
THE PERMIT AREA

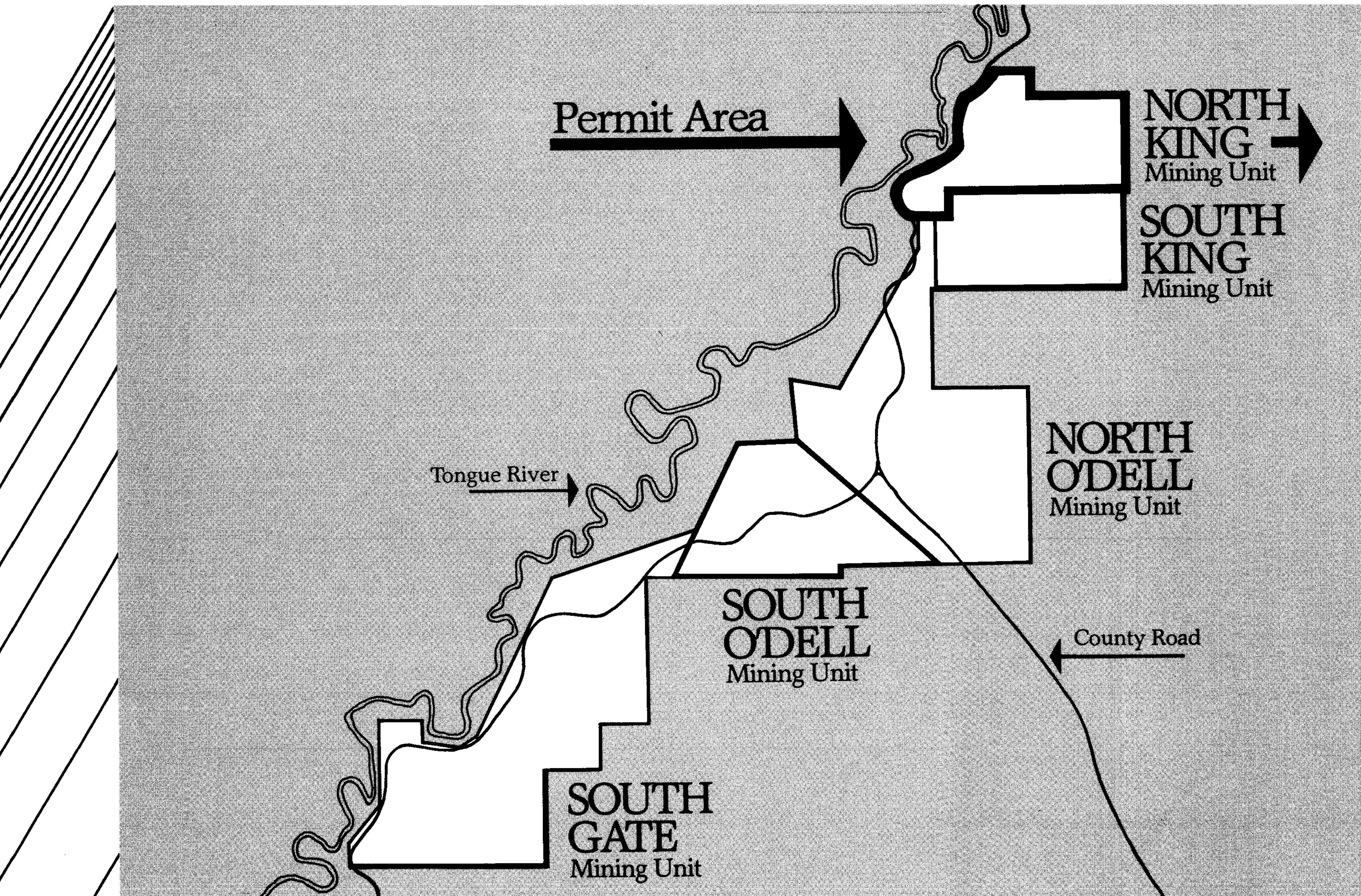
Under State and Federal laws, Montco is required to apply for a separate permit for each of the five mining units. In November 1980, Montco filed for a permit on its North King Mining Unit. The permit area totals 1,274 acres and includes only the North King Mining Unit and the Facilities Area. The permit would allow Montco to undertake the construction of the facilities, the development of the pit and three years of initial mining operations before applying for an additional five-year permit.

GENERAL LOCATION

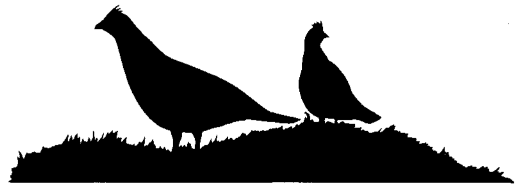


PERMIT AREA PLAN - NORTH KING MINING UNIT




Permit Area
NORTH KING Mining Unit
SOUTH KING Mining Unit
NORTH O'DELL Mining Unit
Tongue River
SOUTH O'DELL Mining Unit
County Road
SOUTH GATE Mining Unit

THE PERMITTING PROCESS



Like all new developments, the Montco project is and will be subject to public scrutiny and comprehensive governmental review and approval.

Surface mining in Montana is regulated by the Montana Department of State Lands (DSL) and the U.S. Department of the Interior's Office of Surface Mining. Since Montana has a federally approved regulatory program, the DSL will be the agency issuing mining permits to Montco.

The regulations and guidelines developed by the DSL in administering the Montana Strip and Underground Mine Reclamation Act assure that the environment of the Montco project will be protected before, during and after mining.

In 1977, Montco entered into an agreement with the DSL whereby the two parties jointly developed environmental study designs and selected consultants to conduct the extensive environmental baseline studies and on-going environmental monitoring programs required by law as part of the permitting process.

The 35-volume, approximately 5,000-page Montco permit application took three years to assemble. It involved more than 100 man-years of effort, and tells in detail how Montco will adhere to the strict environmental laws of Montana, returning the mined land to a productive condition that is equal to or better than before mining.

Protecting the human environment is also a concern. Montco realizes the potential impact its workforce and their families will have on neighboring communities, and as a result, is working with state and local agencies.

ENVIRONMENTAL BASELINE STUDIES

The following environmental studies have been conducted in the Montco project area to satisfy permitting requirements, and to gather the necessary input for the mine plan, fish and wildlife management plan, and reclamation activities. These studies will also provide a benchmark for detecting any impacts of the proposed mine, and measuring reclamation success.

AIR RESOURCES

The weather in and around a coal mine is a determining factor of the mine's affect on the atmosphere. To obtain an accurate assessment of the conditions for the current meteorology, visibility and air quality of the area, monitoring stations were located within and around the Project Area. The data were then compiled to support the air quality modeling effort designed to determine potential changes in ambient air quality which might occur from the proposed mining operations. The data will also be used to obtain an air quality permit from the Air Quality Bureau of the Montana Department of Health and Environmental Sciences.

BIOLOGICAL RESOURCES

The Biological Resources studies involved the collection of baseline data on four major areas: vegetation, wildlife, aquatic ecology and fisheries.

- The vegetation study was the first baseline study implemented on the Montco Project Area in the summer of 1977. Field studies and literature searches were used to identify all species within the study area. Plant communities were mapped and plant production measured for future comparison with reclaimed areas.

- The wildlife study is one of the most time consuming and extensive studies required by the regulations. A wildlife biologist was required on-site full time for a minimum of one year. Thereafter, wildlife monitoring is required for a minimum of 100 man-days per year throughout the life of the mine. A variety of aerial and ground observation techniques were used to identify wildlife species in the area. Population densities, habitat and migration data were collected for future comparison during and after mining.
- Because the Tongue River flows along the west boundary of the Project Area, aquatic ecology and fishery studies were necessary to determine the affects of future mining and increased human activity in the area. Water quality and biological communities were sampled in the Tongue River and its tributaries. Comparisons will be made before, during and after mining. In the same manner, the status of the fisheries in the Tongue River and its major tributaries were studied.

CULTURAL RESOURCES

These studies were conducted to identify, inventory and evaluate potential impacts to historical, archaeological and paleontological (fossils) sites within the study area. The surveys included an intensive "on-foot" inventory of 14,645 acres, as well as site specific investigations.

Mitigation plans were developed for those areas that would receive either direct or indirect impacts.

GEOTECHNICAL RESOURCES

Soils and overburden data were collected for use in the design of the mining and reclamation plans. Premining soil inventories were performed to collect information on soil types, quantity and distribution. This was done by mapping the soils from aerial photos and taking samples in the field. Montco collected approximately 800 soil samples and conducted 11,200 soil analyses.

Overburden drilling was conducted throughout the Project Area to determine thickness and to obtain samples for subsequent analyses. Overburden data consist of more than 50,000 laboratory analyses from 71 drill holes.

WATER RESOURCES

Water resource studies included surface water, groundwater, water quality and erosion and sedimentation. Groundwater studies are required for both the local area and the region. Surface water and erosion and sedimentation studies were required for the entire drainage basin in which the Project Area is located. Water quality studies were conducted on the Tongue River and its major tributaries.

To define the groundwater system, 88 wells were completed in the aquifers occurring in the coal seams and interburden. The wells were periodically pumped to determine water quality, quantity and seasonal changes in water level. Data collected has been used to define the current hydrologic conditions against which future changes, if any, may be measured. The information was also used to assess the suitability of the waters for drinking, irrigation and livestock use, and to provide input for mine and reclamation plan design.

ONGOING ENVIRONMENTAL MONITORING

After the completion of the baseline studies, environmental monitoring programs were implemented. These monitoring programs will continue throughout the life of the mine and for an additional ten years after cessation of mining. The monitoring programs will play a key role in Montco's on-going reclamation activities.

THE MINING AND RECLAMATION PROCESS

Montco is committed to advanced surface mining techniques and a reclamation program that will return the disturbed areas to their equal or better use. The reclamation plan is an integral part of Montco's mining permit application and was developed by a reclamation team which included environmental consultants, Montco personnel, and landowners within the Project Area.

The reclamation process will begin when mining begins. Montco proposes to mine the coal by the truck/shovel method. Before mining can begin, a pit must be developed. First, the topsoil must be removed, stockpiled, and protected from erosion with a vegetative crop. The next layer, known as overburden, is then removed and stockpiled. The coal is then removed and hauled by truck to the nearby crushing area. The coal is crushed in two stages to less than two inches in size, then conveyed to a covered storage facility or directly loaded aboard 10,000-ton unit trains. As the coal is removed, the mine area will be continuously recontoured, revegetated and returned to productive use.

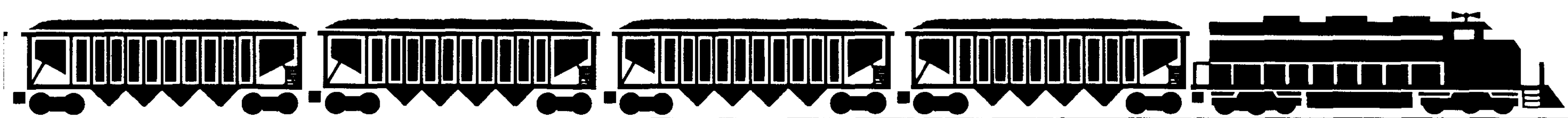
NORTH KING MINING UNIT RECLAMATION & BONDING COSTS

In the 1,274-acre permit area alone, Montco is committed to a $26.8 million investment in reclamation and bonding costs to assure protection of the environment during and after mining.

TRANSPORTING THE COAL TO MARKET

In March 1980, the Tongue River Railroad Company was formed to begin planning efforts for the development of a coal transportation system serving the Ashland-Birney/Otter Creek area. Participants in the railroad are Wesco Resources; D S Cartage Corporation, a subsidiary of Diamond Shamrock Corporation; Otter Creek Transportation Company, a subsidiary of Consolidation Coal; and ThermRail, Inc., a subsidiary of Washington Energy Company.

The Tongue River Railroad would carry coal by unit train 89 miles north to Miles City, where the Burlington Northern Railroad would transport it to consumers in the Pacific Northwest, Upper Midwest or Great Lakes area.



ECONOMIC BENEFITS TO MONTANA

Personal Income in Montana	$971.8 Million
Montco Expenditures	$907.8 Million
New Business Other Than Montco	$988.2 Million
State & Local Tax Revenues	$848.8 Million
Total Economic Benefits	$3.72 Billion

The Montco mine will provide substantial economic and employment contributions to the State of Montana and its people, according to a study by Research Development Consultants of Fargo, North Dakota, completed in March 1983. Development of the mine project will enhance Montana's economy by contributing more than $3.7 billion in the form of increased business activity, tax revenue and personal income.

The study assessed the direct and secondary (indirect) economic benefits to the state during the four-year construction and 22-year operational life of the mine. With a two-year overlap, the entire project life is planned for 24 years.

EMPLOYMENT AND PERSONAL INCOME

Directly and indirectly, mine operation (22 years) will create over 2,390 permanent new jobs in Montana with an annual personal income of $42.8 million. It is anticipated that 365 of these jobs will be directly associated with the mine, while the remainder will be secondary jobs in several sectors of Montana's economy such as retail trade, professional and social services and government.

Additionally, an annual average of 938 jobs will be created during the four-year construction phase with an annual payroll of approximately $7.7 million.

Altogether, it is estimated that the Montco Mine project will add more than $971 million to personal income in Montana through much needed new employment and associated payrolls.

MONTCO EXPENDITURES AND OTHER NEW BUSINESS ACTIVITY

Montco will spend nearly $908 million in Montana during the 24 years required to build and operate the mine. In addition to direct spending by Montco, the study identified the secondary (indirect or induced) new business that would be generated by the mine project in the regional economy. An additional $988 million worth of new business to the Montana economy would result from the life of the Montco mine (an average of more than $41 million per year).

TAX REVENUES AND ROYALTIES

As a result of the construction and operation of the Montco project, as well as the secondary business generated, state and local government entities in Montana are expected to realize an additional $849 million in tax revenues and royalties over the life of the mine. Government-supported services for the people of Montana will gain approximately $35.4 million annually. The various taxes include: coal severance, resource indemnity, gross proceeds, local property, corporate income and personal income.

POSTSCRIPT

Much can be said about the excellent quality of life we have in Montana. But as a practical matter, it takes jobs and a stable economy for us to enjoy the values that our state has to offer. Public opinion studies show that Montanans support environmentally responsible projects which create jobs for our children, broaden our economy and provide a strong tax base.

The future of coal development in Montana can be described as 'promising,' a word seldom heard in these times of high unemployment and a sagging economy.

MONTCO
2910 3rd Avenue North
P.O. Box 789
Billings, Montana 59103
406-252-5208

EXHIBIT 2
3/25/85

LEGACY PROGRAM PROPOSALS

Currently:

Resource Indemnity Tax
(½% tax on minerals)

→ Resource Indemnity Tax Trust Fund - must reach $100 million before future receipts spent

Interest on Trust Fund:

30% to MT. water dev. program	6% to hazardous waste program	other

.625% Coal Severance Tax Proceeds
(1¼% of proceeds remaining after 50% allocation to coal trust fund)

→ Renewable Resources Development Fund

(projects for conservation, management, utilization, development or preservation of the land, water, fish, wildlife, other renewables)

40% to water development projects	15% to timber stand improvement; 15% to ag land improvement; 10% to coservation districts; 20% to other (3/4 of this goes to loans under MT Rangeland Resources from 7-1-83 to 6-30-89)

.625% Coal Severance Tax Proceeds

→ Water Development

Under SB 277 (Blaylock):

RIT Interest:

30% to MT. water dev. program	6% to hazardous waste program	64% to Legacy program

.625% Coal Tax Proceeds

(Renewable Resources Development Program

ELIMINATED;

$$ to Water Development)

.625% Coal Tax Proceeds

→ Water Development

MT. Rangeland Resources Program until 6-30-89

→ Legacy Program

Up to 10% for emergencies; balance used for reclamation, reforestation, purchase of recreational areas, mitigation of social and economic impacts of resource extraction, soil and water conservation, weed control, research and development projects, and remediation of hazardous waste sites; administrative costs.

Under HB 913 (D. Brown):

RIT Interest:

(To Legacy Program)

.625% Coal Tax Proceeds

(To Legacy Program)

.625% Coal Tax Proceeds

(To Legacy Program)

→ Legacy Program

Environmental Contingency Account
Admininstrative costs
37% - water development
37% - mineral reclamation and research
15% - renewable resources
11% - hazardous wastes

→ MT. Rangeland Resources Prog. until 6-30-89

J-M S

Northern Plains Resource Council

VISITOR'S REGISTER

HOUSE NATURAL RESOURCES COMMITTEE

BILL SB 156 DATE MARCH 25

SPONSOR Sen. Towe

NAME	RESIDENCE	REPRESENTING	SUP-PORT	OP-POSE
Pat Wilson	Billings	Montco/Thermal Energy	X	

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

FORM CS-33

VISITOR'S REGISTER

HOUSE NATURAL RESOURCES COMMITTEE

BILL SB 284 DATE MARCH 25

SPONSOR Sen. Towe

NAME	RESIDENCE	REPRESENTING	SUP-PORT	OP-POSE
Pat Wilson	Billings	Montco / Thermal Energy	X	

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

FORM CS-33

VISITOR'S REGISTER

HOUSE NATURAL RESOURCES COMMITTEE

BILL SB 277 DATE MARCH 25

SPONSOR Sen. Blaylock

NAME	RESIDENCE	REPRESENTING	SUP-PORT	OP-POSE
Sara Parker	Helena	State Library	X	
Jeanne Sauvigney	Helena	WPRC	X amend	
Marylinda Kemp	Missoula	Northern Light dist.	X w/reservation	
GEO. OCHENSKI	HELENA	ENV. INF. CENTER	~~X~~	~~X~~
Dave Brown	House Dist. #72	Butte-Silver Bow		X

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