

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

April 19, 1985

The meeting of the Natural Resources Committee was called to order at 4:45 p.m. in Room 312-1 of the State Capitol by Chairman Dennis Iverson.

ROLL CALL: Representatives Jones, Harp and Ream were excused; all other members were present.

DISCUSSION OF SB 377: Rep. Asay opened by moving that the committee reconsider its action on SB 377. That bill was tabled in committee on March 27, on a motion by Rep. Cobb. SB 377, introduced by Sen. Del Gage, would provide for recovery of costs on oil and gas wells in pooled spacing units if an owner of an interest in the unit refuses to join the unit.

Rep. Addy asked Rep. Cobb what problems Cobb previously had with the bill that he does not have now. Rep. Cobb replied that he still does not support SB 377, because it would force landowners to become part of leasing programs against their will.

Rep. Smith countered that SB 377 simply takes care of foot-dragging landowners who want part of the profits, but none of the risks and costs of development.

Rep. Driscoll stated that even if a landowner were forced to take part in the pooled spacing unit, the only effect would be that the landowner would share the profits. The landowner would not be charged for development costs in the event of a dry hole, he said.

Because Rep. Bardanouve appeared to open the hearing on HJR 46, the committee agreed to delay further action on SB 377 until later in the meeting.

HOUSE JOINT RESOLUTION 46: HJR 46 was introduced by the sponsor, Rep. Francis Bardanouve, District 16. The bill requests an interim study to examine the consolidation of all boards and programs to assist communities experiencing impacts related to nonrenewable resource development. Rep. Bardanouve said it would benefit the state to have a broad board that would deal with the impacts of all mineral development, rather than separate boards for each industry. A consolidated board would be more efficient, and could easily move funds and manpower to areas that are in need, he said.

PROPOSERS: Gene Huntington, representing the office of the governor, spoke in support of HJR 46. He said the governor's office has worked on the proposal for a consolidated impact board for some time, using the hard-rock mining impact board as a model. He noted that there have been problems with trying to mesh the different approaches used by the hard-rock board and the coal board, along with the administration of county shares of oil and gas development taxes. One particular difficulty, he said, is that the coal board and the oil and gas programs address the issues of compensation for effects of development, while the hard-rock mining board addresses mitigation of detrimental effects. However, a consolidated board is at least worth investigating, he said.

There were no further proponents of HJR 46.

OPPOSERS: Gary Langley, executive director of the Montana Mining Association, said that group is adamantly opposed to HJR 46. The bill, he said, is ill-conceived, costly and negative. Langley stated that the hard-rock impact board has been diligent and fair in its policies and actions. The further study proposed in the bill would foster the state's reputation for capriciousness in its treatment of extractive industries, he said. A copy of his complete testimony is attached hereto as Exhibit 1.

Ward Shanahan, representing Chevron, said the committee should consider rejecting HJR 46 altogether. He questioned the portion of the bill (page 1, lines 18-20), which states that proposals before the legislation would significantly reduce or eliminate funding for the coal board. He said he was not aware of any such proposals, but wondered, if such proposals had been made, if that action had been taken because the necessity for the coal board had disappeared. He further commented that the hard-rock impact board has been a neutral arbiter in that industry, and is provided plenty of muscle through the hard-rock impact act.

Mike Micone, representing the Western Environmental Trade Association, told the committee that to speak of consolidation is commendable, but that HJR 46 sends signals to industry that are not conducive to business development in the state.

Pat Wilson, representing Montco, spoke as an opponent of HJR 46. She said proposals before the legislature have sought to take funding away from mineral impact programs and divert it to the general fund or to highway development. Industry needs that funding available to meet the problems brought on by development. She also noted that there would be a major problem concerning how the coal board proceeds with

grants and loans, as opposed to how the hard-rock board does so. Combining both programs under the hard-rock mining impact board, she said, would force the coal industry to pay both the coal severance tax, and to pay for impacts, which would be unfair. Each board, she stated, does a fine job in administering the programs for each industry separately.

Rep. Tom Asay, speaking as an opponent of HJR 46, said the varied impact boards are necessary because each addresses an industry of different scale and scope. When coal mining development takes place, he said, a town of 25 or 30 families can become a community where several thousand people are demanding services. The coal board was conceived to deal specifically with that kind of major impact, he said. Rep. Asay stated that the legislature has failed in the past to back up the coal board, and should not let the board down by diverting coal board funding to another program.

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

Rep. Raney asked Rep. Bardanoue who would benefit if HJR 46 were passed. Rep. Bardanoue replied that under a consolidated mineral impact board, the state would have a common pool of resources to alleviate mineral impacts. The pool would allow allocating money where it is most needed during crises, he said. Rep. Bardanoue stated that about four years ago, the coal board had money it was "trying to dream up projects for," while southeastern Montana was suffering from impacts of the oil boom in the Williston basin, and no money was available to address that problem.

There were no further questions.

Rep. Bardanoue closed by stating that the controversy over HJR 46 "is the same old story that goes on session after session," with each representative protecting his own district, and showing no concern for the state as a whole. The contention that industry would not come to Montana if the boards were consolidated is "malarkey," he said. He criticized industry representatives for taking the governor's side in supporting the "Build Montana" program, but opposing the governor on the consolidated board proposal. Opposition to the bill, he said, is an example of limited special interest politics. Rep. Bardanoue stated that a unified mineral impact board, with all resources combined, would be a more powerful body, and could address issues better than the separate boards and programs can.

EXECUTIVE ACTION ON HJR 46: Rep. Asay moved DO NOT PASS on HJR 46. He said he objects to the idea that coal money has not been widely distributed throughout Montana. He said he has supported bill that would use coal tax money to alleviate problems statewide. The state should not abuse those counties that provide coal tax revenue, he said. Those areas rely on the coal board to mitigate effects of coal development. He said the coal board has a history of diligent and effective work, and should not be condemned.

Rep. Addy said Rep. Asay's comments were good, and should be made to the study committee set up under HJR 46.

Rep. Kadas said he did not believe that HJR 46 was a "witch hunt" after the coal board. The bill simply provides an opportunity to determine the best way to address the effects of resource development, he said.

Rep. Raney said that Montana has dealt with development for the last 100 years, and has arrived at what seems to be a workable situation, with various boards to oversee various industries. HJR 46 "may be an effort in futility," he said.

Rep. Krueger said he could see no need for the bill, except for a possible fiscal savings. However, funding to address resource development impacts is too limited anyway, he said. The people affected by those industries need as much expertise on their side as possible, he said, and that expertise is provided by the various boards.

Rep. Garcia commented that HJR 46 simply calls for study of the consolidation, it does not require that such consolidation take place.

Rep. Miles said she was opposed to Rep. Asay's motion, and called some of the opponents' testimony "absurd." HJR 46 is an attempt to find the best ways to support those communities affected by resource development, and should be supported, she said.

Rep. Asay's DO NOT PASS motion was approved on a roll call vote, 8-7. A copy of that vote is attached hereto.

EXECUTIVE ACTION ON SB 377: Rep. Asay moved that SB 377 BE CONCURRED IN. Rep. Grady said he was in favor of the bill, and noted that the bill had no opposition in committee, nor in the Senate. He said SB 377 does not force landowner participation in pooled spacing units, it "addresses the guy who's holding out for money."

The motion passed on a voice vote, with Reps. Miles, Kadas and Cobb voting no.

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There being no further business before the committee, the meeting was adjourned at 5:45 p.m.



REP. DENNIS IVERSON, Chairman

DAILY ROLL CALL

HOUSE NATURAL RESOURCES

COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date

4/19/85

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		

STANDING COMMITTEE REPORT

April 19 19 85...

MR. ~~SPEAKER~~.....

We, your committee on NATURAL RESOURCES.....

having had under consideration HOUSE JOINT RESOLUTION 46..... Bill No.

FIRST reading copy (WHITE)
color

REQUESTING AN INTERIM STUDY TO EXAMINE THE CONSOLIDATION OF
~~ALL~~
ALL PROGRAMS TO ASSIST COMMUNITIES EXPERIENCING IMPACTS
RELATED TO NONRENEWABLE RESOURCE DEVELOPMENT

Respectfully report as follows: That HOUSE JOINT RESOLUTION 46..... Bill No.

DO NOT PASS

~~DO NOT PASS~~

STANDING COMMITTEE REPORT

April 19

19 85

MR. **SPEAKER:**

We, your committee on **NATURAL RESOURCES**

having had under consideration **SENATE BILL 377** Bill No.

THIRD reading copy (**BLUE**)
color

AN ACT PROVIDING FOR 100 PERCENT RECOVERY OF EQUIPMENT ABOVE
GROUND, 200 PERCENT RECOVERY OF OTHER WELL COSTS, AND 100
PERCENT RECOVERY OF OPERATING COSTS ON OIL AND GAS WELLS IN
POOLED SPACING UNITS IF AN OWNER OF AN INTEREST IN THE UNIT
REFUSES TO JOIN THE UNIT

Respectfully report as follows: That **SENATE BILL 377** Bill No.

BE AMENDED AS FOLLOWS:

- 1) Title, line 5.
Strike: "300"
Insert: "200"
- 2) Page 3, line 20.
Following: "(11)"
Strike: "300%"
Insert: "200% of the refusing owner's share"
- 3) Page 3, line 25.
Strike: "300%"
Insert: "200%"

AND AS AMENDED,

BE CONCURRED IN

ADDRESS

ROLL CALL VOTE

HOUSE COMMITTEE NATURAL RESOURCES

DATE 4/19/85 BILL NO. HJR 46 TIME 5:35

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		
O'HARA, Jesse	X	
PETERSON, Mary Lou		X
RANEY, Bob	X	
REAM, Bob		
SMITH, Clyde	X	

8 7

Secretary

Chairman

Motion: Rep. Asay - Do NOT PASS HJR 46

HOUSE NATURAL RESOURCES COMMITTEE

DATE 4/19/83

[illegible]

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

EXHIBIT 1
4/19/85

TESTIMONY OF THE MONTANA MINING ASSOCIATION
REGARDING HOUSE JOINT RESOLUTION 46
BEFORE THE HOUSE NATURAL RESOURCES COMMITTEE
April 19, 1985

Mr. Chairman, members of the Committee:

For the record, my name is Gary Langley. I am executive director of the Montana Mining Association, a trade association that represents
1) Every major producer of hardrock minerals in Montana; 2) Companies that hope to operate mines in Montana in the future; 3) Some coal companies, and 4) Suppliers of goods and services to the mining industry.

The Montana Mining Association is adamantly opposed to House Joint Resolution 46.

A study of the impacts on communities of nonrenewable natural resource development in Montana is unnecessary, particularly as it relates to hardrock mining.

In light of several indepth studies and legislation passed in recent years, HJR 46 is ill-conceived, would be costly and by its very nature is negative.

A more enlightened and positive approach would be enactment of the recent recommendation of the Governor's Council on Economic Development which proposed a 10-year development strategy for natural resources in Montana. This proposed study would examine both the beneficial and potential negative impacts of resource development.

The socioeconomic impacts of hardrock mining have been placed under a microscope in every session of the Legislature since 1981.

Ex. 1
P. 24/19

In 1981, the Hardrock Impact Act was passed with the support of the mining industry. This act requires large scale mineral development to prepare extensive socioeconomic plans explaining how they intend to ameliorate adverse impacts and to prepay property taxes to provide for any additional services that may be needed.

The act has been refined in 1983 and 1985 to better serve both the mining industry and communities in which natural resource development occurs.

Since being appointed by the governor, members of the Hardrock Impact Board have worked diligently to develop expertise on impacts and have acted fairly in dealing with both mining companies and local government officials.

As the result of a resolution passed by the 1981 Legislature, the Environmental Quality Council in conjunction with the Revenue Oversight Committee conducted an extensive study on the socioeconomic impacts of large-scale mining developments. After two years of study and several public meetings in communities experiencing hardrock mineral development the EQC concluded: "Mining impacts can be effectively mitigated within the context of the current tax system if fair and equitable distribution of revenue is accomplished. No new taxes are necessary to satisfy the state's goal of offsetting social and economic impacts."

In 1983, the metal mines license tax was increased for every major producer in Montana--again with the support of the mining industry--so that a portion of the money could be used to offset so-called "tail-end" impacts.

Ex. 1
P. 3
4/19

The mining industry believes that the current programs are effective and that adverse impacts, if any, are far outweighed by economic benefits. Financial assistance, if needed, is available to communities under the Hardrock Impact Act.

In the past four years, the mining industry has committed itself to these programs and studies in good faith. A further study would break faith with the mining industry's commitment and foster the state's reputation for capriciousness in its treatment of extractive industries.

The Montana Mining Association urges you to reject HJR 46.

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