

MINUTES OF THE MEETING
NATURAL RESOURCES SUBCOMMITTEE
50TH LEGISLATIVE SESSION
HOUSE OF REPRESENTATIVES

A conference meeting of the Natural Resources Subcommittee was called to order by Chairman Bernie Swift at 8:34 a.m. on Tuesday, March 3, 1987 in Room 312-D of the State Capitol.

ROLL CALL: All members were present, with the exception of Senator Boylan who was excused. Also present was Carl Schweitzer of the Legislative Fiscal Analyst, and Deb Thompson, secretary.

CONSIDERATION OF FISCAL IMPACT ON FWP:

James Flynn, Director of Fish, Wildlife and Parks, discussed information to be presented to Senate Finance and Claims Committee. He presented information to the committee concerning the amendments implemented by the Senate to FWP and the fiscal impacts involved. (Exhibit 1)

Director Flynn explained the archery education program that would need fees raised. In order for the department to be able to spend money for this program, House Bill 2 would need an amendment in the conservation education budget in order to implement that legislation. He continued to outline the changes as follows:

HB298, the pre-purchasing of elk license before applying for the elk drawings and the once in a lifetime grizzly, would require more record keeping in centralized services anticipating expenditures in that division.

HB526 increases license fees and provides revenues for wildlife habitat. The figures should be reduced by 1.3 million dollars in order to coincide with Senate floor action. Director Flynn recommended combining these for a biennial appropriation as opposed to an annual appropriation.

HB535 establishes a new class of licenses set aside for landowners that would include more record keeping in the centralized services division.

HB658 established a fee in lieu of property tax, an increase of the certification fee for motor boats. This earmarks that increase to the department to be used for enforcement, but does not give the authority to spend the money.

HB813 requires a fee in lieu of taxes for ATV's. It provides a portion of the fines collected for violations to the agency and also requires an education program be conducted for all-terrain vehicles. He pointed out that this was legislation FWP opposed. However, now that it passed, the responsibilities would require the authority to spend it.

Director Flynn discussed the Senate bills and the fiscal impact on FWP. SB109 made a moose permit available for auction each year. The authority to spend that money in the wildlife division is requested by the department.

SB177, the nongame checkoff program was mentioned. This was revised this session to be able to spend license dollars.

SB219, landowner preference for elk permits, would require landowners to fill out a special application. County records and applications are checked for errors then processed in Helena. He pointed out that the landowner relations were protected since they have a program that promotes the landowner-sportsman relationship.

SB331, the pheasant enhancement program, is being discussed in the House at the present time.

The conservation reserve trees and shrubs program was mentioned. Director Flynn said that land put in the program provided funds to people for trees and shrubs to plant on those lands. A request to the RIT program for \$25,000 of license money and \$25,000 of RIT funds to continue the program for the next two years was denied by the Long Range Planning Subcommittee. The program is good and should be continued so the department requested funding at 100 percent with license dollars.

Director Flynn said the department was concerned about the amendment to take .25 FTE and the dollars outlined and transfer those to the Office of Public Instruction for administration of the Audio Visual Film Library. He said this should either be run by OPI at no further cost or give the department back the .25 FTE and those dollars. OPI charges for their services and hunter safety instructors requesting films will pay again for that type of service. He recommended restoring the .25 FTE in FWP budget. HB406, which transfers the outfitters council to the Department of Commerce, share responsibilities for the outfitters with the Department of Commerce until October 1. From July 1 to October 1 there are still some responsibilities with the outfitters council and some adjustment is needed to take care of this.

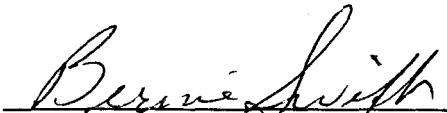
Chairman Swift questioned the trees and shrubs conservation issue. Senator Smith pointed out that since 1.4 million acres have been put in the conservation reserve program it would be a good time to plant trees and shrubs. Senator Smith suggested that amendments be prepared and presented to Senate Finance and Claims.

Montana Economic Development: Tom Crosser from the Office of Budget and Program Planning, discussed amendments to SB298 which merges the Montana Board of Investments with the Montana Economic Development Board. He said the Montana Economic Development Board would not be able to repay the general fund startup loan. More time is requested to develop a program to repay that loan. Language is needed to be put in Finance and Claims to HB2 addressing this issue. He said there were possibly other options. He pointed out that the loan repayment had nothing to do with the merger.

Mediation Counseling: Keith Kelly, director of the Department of Agriculture, discussed HB102 weed control bill that required an appropriation. During the legislative process a grant from a private company was received to help do some of the weed survey data. He mentioned that HB461 authority to use \$5,190 to do some inspection service that was requested under that. The crop and livestock reporting service had been dropped out including 4 positions and the department would like it restored. The mediation and counseling program bill amendment was not correct and needed clarification. SB321 also needed clarification to be consistent with what the House passed.

HB887: Carolyn Doering briefly discussed the amendments to HB887 that would allow for \$50,000 in fees for mediation during the biennium to cover one-half of the mediation costs and corrects a typographical error. (Exhibit 2)

ADJOURNMENT: There being no further business the meeting was adjourned at 9:40 a.m.


BERNIE SWIFT, CHAIRMAN

MINUTES OF THE MEETING
NATURAL RESOURCES COMMITTEE
50TH LEGISLATIVE SESSION
HOUSE OF REPRESENTATIVES

March 4, 1987

The meeting of the Natural Resources Committee was called to order by Chairman Tom Jones on March 4, 1987, at 1:00 p.m. in Room 312 of the State Capitol.

ROLL CALL: All committee members were present with the exception of Rep. Strizich excused, and Rep. Harp absent.

HOUSE BILL NO. 795: Rep, Bob Gilbert, District 22, stated this is a bill to generally revise the oil and gas conservation laws to incorporate regulation of Class II injection wells as defined by the federal environmental protection agency; establishing an injection well operating fee and appropriating funds. He stated this is an important issue, and he stated he does have proponents here to testify and reserved the right to close.

PROPOSERS: Bob McDougall, Production Manager for CENEX, submitted testimony (Exhibit 1). He stated it is their opinion that water injection/disposal wells are in integral and necessary part of oil and gas operations. They see no practical reason why they should not be administered by the same agency in Montana. As an active Operator, they need to have a knowledgeable and responsive Agency that will administer the UIC Program to its full intent while allowing a forum for reasonable solutions to oil and gas problems. With present EPA primacy of water injection/disposal wells in Montana, CENEX and other Montana operators are faced with unnecessary delays, additional costs, and the potential loss of hydrocarbon reserves. In summary, CENEX is not requesting nor do we expect relaxation of UIC rules by establishing primacy in Montana. We do expect, however, to have State oil and Gas Commission procedures whereby engineering and geological evidence of matters on water injection/disposal wells receive responsive action for the benefit of all citizens in Montana.

WILLIAM BALLARD representing Ballcrow Oil Company, a small independent base in Billings submitted testimony (Exhibit 2). He stated he agreed with Mr. McDougill's statements and his concern about the way UIC has been administered in the state of Montana. He stated they operate about eight injection wells on the Pondera Oil fields in northwest Montana, and he stated they have had similar problems even

with the old wells with some of them being at least 50 years old. He stated they were asked to go through the permitting process to administer these wells as of last June. He stated they did go through the entire process, and stated here it is, March, and they have yet to receive one permit even though they have had every test they have been asked to take and they found that the wells have the integrity to prevent any damage to any drinking water sources. We have no objection to the rules, and they are in favor of protecting any drinking that is available anywhere in the State of Montana. However, they feel that the amount of time it takes from the testing phase to the permit issuance, is unreasonably going through the EPA. They do not have a office in Montana, at least as far as the permitting process is concerned, which seems to cause problems, especially with the people in the permitting process. He stated this is the only real problem they experienced. He stated they felt this was a good real problem they have experienced. He stated this is the only real problem they have experienced. He stated they felt this was a good bill and asked the committee to give it a good recommendation.

JEROME ANDERSON representing the Shell Oil Company, stated Shell probably has the largest number of injection wells in Montana, with most of them located in the southeast part of the State. He stated they are supporting this bill, due to the experience they have already been through with the EPA. He stated they do not have any objections to the rules and regulations however, they have found that the problem lies with the length of time it takes to get through the permitting process, especially when you are dealing with the Denver office. He stated sometimes, it can take as long as two years to finally get your permit. They feel it should be changed and instead of going to Denver, move the permitting process here to Helena, and they have found that the time frame between the time of application and the time of issuance will be reduced significantly. For this reason, they would propose an amendment that would clarify this permitting process. He stated he did not have the amendment drafted in final form, however, he could supply this to the committee at a later date. With that he urged the committee to consider the proposed amendment and hoped they would give this bill favorable recommendation.

OPPONENTS: Tom Richman representing the Board of Oil and Gas in Billings stated he merely wanted to offer himself as a possible source of answers to any questions the committee may have.

DISCUSSION

REP. SIMON asked Rep. Gilbert in regard to the new section on page 15, states "administrator or a board member finds that a person is committing or about to commit an act in violation" and he wondered how they would know that a person is "about to commit an act."

REP. GILBERT stated that he would assume that probably through information provided to the board that may state they know of someone who is committing as violation, and this could be called actually preventing the act, if they felt someone were to commit a violation.

REP. ROTH stated there had been testimony with regard to the history of the Oil and Gas Commission, and stated he was not familiar with this commission, and asked Mr. Ballard what his experiences have been with them, regarding this type of as process.

MR. BALLARD stated they have had absolutely no problems with the board since 1963, and since that time, they have permitted between 200-300 wells in the State. He stated the oil and gas commission has administered the regulations involving the permit process right on through plugging and clean up locations and all other aspects of these wells. The landowners with whom they have dealt, have never made any claim against any well that they have operated and cleaned up according to the regulations, and the cleanup operation was approved by the State Oil and Gas Commission. We feel they do a more than adequate job in regulating the industry in this state, they have the utmost confidence in them.

REP. MILES stated she felt the bill was fairly good however, she had a problem with page 3 regarding the definition of "pollution" which reads "pollution means contamination or other alteration of the physical, chemical, etc, that exceeds standards adopted by the Board," and she asked Rep. Gilbert if this was talking about the standards that the Board of Oil and Gas Commission would adopt

REP. GILBERT stated that is correct and would be pollution only pertaining to underground injection wells.

REP. MILES stated her concern was that when talking about standards adopted by the Board, the next page states "any disposal etc, that is authorized under a rule, permit, or order of the Board is not pollution under this chapter." She was concerned because she could envision the board adopting minimal standards here, and yet discharge being allowed that would involve degradation to the wildlife and other surrounding resources.

REP. GILBERT stated the problem with that part of the bill, is that these standards we're to adopt will be the federal EPA standards, and in order then to assume primacy, it's almost mandatory that they follow the EPA standards or the EPA will not release their primacy. Therefore, those standards will be very, very strict.

REP. MILES stated she wondered if we needed some other language in the bill to clarify what the intent of those standards would be, and she felt as written, they are fairly broad. She stated she does worry about any injection that is authorized, would not be considered pollution under the chapter, and if we intend on it being a certain set of standards, she felt this would definitely need to be clarified.

REP. GILBERT stated it would be his assumption, that first of all we look at the standards that we will be adopting, before we decide we want to write our own. Often times in doing that, we take the standards written by experts and put it into a point to where they may sound good at the time, however, they become unworkable and he has seen this happen in any cases.

IN CLOSING, REP. GILBERT distributed a proposed amendment to the committee and then explained this section has to be amended to change "shall" to "may" because the industry has passed up the privilege and license taxes to support the operations of the Board of Oil and Gas, and the amendment will avoid any conflict in this section, because it is a privilege and license tax and since we're dealing with fees, this is a necessary change. He then emphasized this is self funding and there will be an appropriation in the special revenue fund for the Board of Oil and Gas Commission and that money will be returned in the way of fees, so the appropriation will be just to start up the fund, until at such time it will be self funding. With that he urged the committee to look favorably on this bill.

HEARING CLOSED ON HB 795.

SENATE BILL NO. 151: Senator Jack Galt, District 16, stated SB 151 is an act authorizing the Department of Natural Resources and Conservation to issue a permit for the appropriation of ground water in Musselshell County. He stated several sessions ago, there was a large appropriation of ground water allowed in the State of Colorado. Some feared some very forward looking people were going to appropriate that water and then sell it for a profit. Sen. Blaylock took exception to that and passed as bill through both houses and now, anyone who wants to appropriate over 3,000 acre-feet of groundwater annually, has to acquire

legislative permission, thus, the reason for SB 151, which is requesting permission to buy over 3,000 acre feet annually in the vicinity of Roundup, Montana. The state has a large irrigation system in this area, called the Deadman's Basin, in the lower Musselshell Conservation District, however, it's inadequate, and just doesn't have the amount of water needed. He believes they may get water three out of ten years, or maybe four out of ten years. He wanted to point out, it is very delinquent in water, however, right next to the town of Roundup are huge abandoned coal mines that are completely full of water, and if they are successful in obtaining a permit, from the DNRC, they would like to test pump and reserve the water in these coal mines to use in this irrigation district. He wanted to stress to the committee, that they would still be required to go through all the hoops in the Department, in order to get this permit, and they would have to prove they are not affecting anyone else's water and that there are no adverse conditions that they would present, and that is why they need legislative permission to ask DNRC for a permit.

PROPONENTS: Rep. Gay Holliday, Roundup, stated her support for the bill and commented that Sen. Galt presented the reasons for the bill extremely well, however, she emphasized to the committee that in December she and Sen. Galt met with both the upper and lower Musselshell Water Users Association and ask that time agreed to submit this request to the legislature. They are both aware of the opposition to the request because of adverse affects that it might have on the water table for mainly the wells and the springs, and they both acknowledge that, however, she felt in testimony and information that will be presented to the committee, will indicate a request for a two year demonstration project made to show positively if there is, in fact, any adverse affect on those water tables. She urged the committee's concurrence.

DOUG PARROTT, a rancher from Roundup, submitted testimony (Exhibit 4). He stated today he is representing the Deadman's Water Users Association of Chairman of the Water Development Committee. He submitted with his testimony a copy of an article from the March 4, 1987, edition of the Roundup Record-Tribune for the committee's consideration, as well as a community report of the project. He commented as Sen. Galt stated, historically there has been a shortage of water for irrigation, domestic livestock use on the lower Musselshell River, in eight out of every ten years. Prior to construction of Deadman's Basin, the Musselshell nearly dried up every summer in the Roundup area and surrounding streams. A two year demonstration project is being planned to verify that pumping operations will not affect surrounding wells and springs. This demonstration project will

consist of drilling wells in the area and installing water level recording instruments in the wells. These water levels are required certain items. Water levels then be re-recorded before, during, and after test pumping of the mines. That data will establish for sure what affect, if any, pumping of the mines might have on established wells and springs. He stated the legislative approval process is now underway and it presently looks encouraging. As part of the permit application process, a legal notice of the application must be published in the local newspaper to give notice to interested citizens that the application is pending. Depending on the results of the formal public input portion of the application procedure, as permit can be denied or modified to meet any conditions that might affect a legitimate objection. He is confident that the community, with its "can do" spirit, will successfully complete this project for the long-term benefit of all. He urged the committee to look favorably on SB 151.

KEN MINNIE, a Roundup resident, stated due to the dry years they've had, this application process has become necessary for the city of Roundup. He stated they have looked at some of the alternatives of off-stream storage, and other ideas, but the costs were limited, and there was just no feasible way of doing some of these projects. They felt they were fortunate to have these abandoned coal mines, and discovered there is approximately 11,000 acre-feet of water, which prompted them to pursue this and try to have a two year study of the affects of pumping this water would be, in hopes of helping during these terribly dry years they have experienced in the past. He urged the committee to give this bill a do pass.

TOM VOLMAN, a rancher from Melstone, stated he feels this is an important project for the City of Roundup and surrounding areas, and he urged the committee to pass this bill.

DICK WALKER, Chairman of the Board of County Commissioners of Musselshell County, stated for the record, they are unanimously in favor of this project. He stated this proposal, if successful to start the study, could be as real shot in the arm for the County and surrounding ranchers that so desperately need this water, especially during the summer time months when it can get so terribly dry. He urged the committee to support this bill.

GARY FRITZ representing the Department of Natural Resources, stated they do support this bill and he pointed out a note of explanation about the hoops these project sponsors have to go through. Of course, they must get legislative approval of the project as indicated by Sen. Galt's opening statement. The project sponsors applying for a water right

have to go through that water right process before they can receive a permit to process on with the project. He stated he thought that might be helpful because he feels they will hear some opposition to the project today, and he feels the people are rightfully concerned that their water wells might be affected by the project, but he felt it might be constructive to understand what the Department has to go through before they can issue as permit for this particular project. The applicant has to show that their inappropriate source of water and supply in the amount that the applicant seeks to appropriate, can not adversely affect, the rights of the prior appropriator. They have to show that their proposal meets the diversion and other criteria, they must show that the proposed use of water is as beneficial use and that it will not interfere unreasonably with other planned uses for developments for which the permit has been issued or for which water has been reserved.s As importantly, in the last session when the Water Policy Act was passed, that indicated the appropriations large than 4,000 acre-feet, meant additional criteria must be met, and they must show their use is as reasonable use and they to show there is benefit to the applicant and to the state. They must demonstrate it's a reasonable use considering the affects on the quantity and quality of the water for existing beneficial uses in the source of supply, and finally, they have to show they will not contribute to saline seep and they will not create significant adverse environmental impacts. He stated DNRC supports legislative approval of the project at this stage and can assure the committee that when this project and application goes through the water rights process, it will be given close scrutiny in terms of the criteria that the legislature has given to the Department in terms of these types of projects.

OPPONENTS: BEN STEVENSON, a Musselshell resident, stated he felt this water should be left right where it is. He stated he has seen many years that the Musselshell has been dry, however, he feels by taking this water out of these abandoned coal mines, would be detrimental to the surrounding water users, and he is opposed to this. He urged the committee to kill this bill.

NICK RATHS, as Roundup resident, stated he feels we must look back and see what pumping out the mines actually did. He stated he resides on Golden Creek, which was one of the streams that was affected by the mines. He stated in 1908, his father settled on Golden Creek and it had lots of water, however, when the mines came in, evidence shows the water that was once plentiful in Golden Creek was gone. When the mines starting pumping in approximately 1907, it didn't start affecting them until 1930, and in 1930, he stated he can remember as a kid, that Golden Creek was dry. He feels

this will affect the others in this area, and for that reason, he urged the committee to not pass SB 151.

LOWELL RATHBUN, rancher, residing on Golden Creek, stated he does oppose this legislation because he feels that all of their wells and streams are likely to be adversely affected by the proposition. He stated this project will lower the principle water tables, which will adversely affect all of the upper stream water tables. For this reason, he urged the committee do not pass this piece of legislation.

ED SPIDEL, a Roundup resident, stated he resides in one of the older families that has been in this country since nearly 1885, and he stated back then, he can remember that all the streams and creeks were running, with lots of water in them as well. He stated back then he can remember that all the streams and creeks were running, with lots of water in them as well. He stated this proposal will of course adversely affect the surrounding water users, and he fears they will never know for sure, what will happen to these mines, when and if they do begin to pump the water out of them and this is his main opposition to the bill. He urged the committee to do not pass this bill.

KELLY STEPHENSON, as rancher from Roundup, stated he is opposed to this bill, because they just don't have the information, and he wondered who will tell them just what the condition of the water is coming out of these wells. He stated these people are not trained miners that are experienced in this field, and do not know exactly what they are looking for and what possible repercussions may occur if this test pumping takes place. He asked the committee to consider this bill very carefully and hoped they would not pass it.

REP. KADAS asked MR. Parrott, if the case is that they have the study ongoing down the road, why do you need the approval of the appropriation now, and wondered why not wait until after the study is done, to ask for the appropriation.

MR PARROTT stated the study involves pumping at a rate of 18,000 a minute, and in order for the mining people to get their data on the interconnection, and 18,000 gallons a minute would come out up to this amount of water, if we were to do it continuously through the irrigation fee.

REP. MEYERS stated the opponents have stated repeatedly to reassure the people whose wells might be affected, and he asked Sen. Galt that he sees nothing in the bill that they can take reassurance from, and wondered how their rights will be protected.

SEN. GALT stated even with legislative approval, they will have to go to the Department of Natural Resources to apply for a permit, and there they would have to prove or show defensively that that will continue with the process, and with it being a temporary thing, that will go on for only two years, it will be a closely monitored project, as well as monitoring all other surrounding areas as well.

REP. HARPER stated in his opinion, this is the cart before the horse, with being asked to give the legislative approval before the study is done. This is supposed to be a last stop for the protection of citizens, and he stated we all be back here in a month, asking for an appropriation to do this test from RIT, and he asked what in current law binds us to pass this thing before the tests are in fact done, and wondered if this was the Department's interpretation, or is it possible the tests could be done, before this bill is passed.

GARY FRITZ stated before they can pump water from the old mines, in the quantities they are talking about, they have to have two things at least. One is as permit from DNRC to allow them to do that, and the other thing is legislative approval to allow them to do that. He stated this is as groundwater appropriation greater than 3,000 acre-feet, which requires legislative approval before it can move forward. Rep. Harper asked why we can't get ourselves out of the situation by changing the wording in this bill, and raising all these fears, because he felt these people were right when they stated this could be their last chance and they could see this thing go by and not do a thing to stop it. Mr. Fritz stated in terms of impact to the people that are concerned, it doesn't make any difference whether it's a test or whether the water is actually being used. The water can be pumped from the mine even under test conditions and even if you are just testing and discharging that water to the river, which is what they are going to be doing, whether or not that water is used down the river somewhere, really doesn't make any difference to those people that are out there that are concerned about their wells. He stated even if they are testing that same impact is going to occur, if there in fact is an impact. So whether it's a test or an appropriation, that legislative approval is still required because if fact, they are removing more than 3,000 acre-feet from that groundwater source.


REP. RUSSELL asked Gary Fritz that she know there is plenty of data on water quantities and so on, however, she wondered if they have specific data on what this kind of project will, in fact do to the water tables, and she felt they must have something to help calm these peoples fear of what may happen with regard to the pumping of this water.

NATURAL RESOURCES COMMITTEE
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MR. FRITZ stated he feels there is a fair amount of information throughout the state that talks about certain sites specific areas of what coal mining might do to the water tables, and he stated to really make determinations that would satisfy these people's concerns, you'd have to do those studies on this particular site before you could make any definitive judgement on whether or not this pumping project might affect those water wells.

HEARING CLOSED ON SB 151.

ADJOURNMENT: Being no further business to come before the committee, the meeting was adjourned at 2:40 p.m.



TOM JONES, Chairman

DAILY ROLL CALL

NATURAL RESOURCES

COMMITTEE

50th LEGISLATIVE SESSION — 1987

Date March 4 1987

NAME	PRESENT	ABSENT	EXCUSED
TOM JONES, CHAIRMAN	✓		
CLYDE SMITH, VICE CHAIRMAN	✓		
KELLY ADDY	✓		
TOM ASAY	✓		
JOHN COBB	✓		
BEN COHEN	✓		
ED GRADY	✓		
JOHN HARP		✓	
HAL HARPER	✓		
MIKE KADAS	✓		
AL MEYERS	✓		
JOAN MILES	✓		
MARY LOU PETERSON	✓		
BOB RANEY	✓		
RANDE ROTH	✓		
ANGELA RUSSELL	✓		
BRUCE SIMON	✓		
BILL STRIZICH			✓
STAFF: EQC HUGH ZACKHEIM			



CENEX • Post Office Box 21479 • 1601 Lewis Ave. • Billings, Montana 59104 • (406) 245-4747

March 4, 1987

MONTANA HOUSE OF REPRESENTATIVES
NATURAL RESOURCES COMMITTEE
HELENA, MONTANA

COMMENTS ON HOUSE BILL 795

Dear Mr. Chairman:

CENEX has been an active oil and gas exploration and production company in Montana since 1946, with a present working interest in approximately 400 wells within the state. We are testifying today in favor of House Bill 795 which significantly affects our working interest in 123 water injection/disposal wells within Montana.

It is our opinion that water injection/disposal wells are an integral and necessary part of oil and gas operations. We see no practical reason why they should not be administered by the same agency in Montana. As an active Operator we need to have a knowledgeable and responsive Agency that will administer the UIC Program to its full intent while allowing a forum for reasonable solutions to oil and gas problems. With present EPA primacy of water injection/disposal wells in Montana, CENEX and other Montana Operators are faced with unnecessary delays, additional costs, and the potential loss of hydrocarbon reserves. Some examples of these problems are described in subsequent paragraphs.

Last year a field operator, in wells which CENEX has a working interest, applied for a permit to drill a new water disposal well in Roosevelt County. It took five full months to receive the necessary permit to drill. This delay cost the Operator, CENEX, and other working interest partners approximately \$33,000 additional costs to truck water to other disposal sites.

CENEX is presently preparing to plug and abandon a water injection well in Petroleum County. We have been advised by both the EPA and the State of Montana that they will have witnesses for the actual plugging operation. This has created a certain amount of confusion for our field supervisors.

Montana House of Representatives
R. E. McDougall Comments on House Bill 795
Page Two

In Petroleum County, CENEX is operating two waterfloods where drinking water from the 3rd Cat Creek Sandstone has been injected into the oil and gas reservoirs for over 30 years. CENEX personnel living in the nearby camp are still drinking the water from the same water supply wells used over these years. The UIC integrity testing rules require that these old injection wells be pressure tested, even though there doesn't appear to be any possible way for the aquifer to be damaged by water reinjected from its own source. This pressure testing will cost CENEX approximately \$200,000 for 16 old water injection wells. At today's oil prices this is uneconomical. Our alternative will be to plug and abandon the wells and potentially lose approximately 250,000 barrels of oil reserves. Presently CENEX's producing status in this field is uncertain. However, presentation of engineering and geological testimony at an appropriate forum would most likely result in a practical solution to the problem.

Recently CENEX experienced an example of an Operator and a State Oil & Gas Commission working closely together to solve a problem for joint benefit. Five water injection wells were integrity tested in this field as required by UIC rules. Two wells failed the tests and were promptly shut in by CENEX. CENEX then located the source of the leaking problem and proposed a method of solution to that State Oil and Gas Commission. The Commission approved the well repair procedure, CENEX promptly performed the work at reasonable costs and the wells were then retested successfully to meet integrity requirements. As opposed to the wells being plugged and abandoned, they are being utilized today at significant benefit to CENEX and the State and without danger of contamination of fresh water sources.

In summary, CENEX is not requesting nor do we expect relaxation of UIC rules by establishing primacy in Montana. We do expect, however, to have State Oil and Gas Commission procedures whereby engineering and geological evidence of matters on water injection/disposal wells receive responsive action for the benefit of all citizens in Montana.

Respectfully submitted,

R. E. McDougall

R. E. McDougall
Production Manager

REM/ir

HOUSE BILL 795

HB 795 should be passed for the following reasons:

1. Federal rules for protection will be adopted;
2. Montana is the only State in the Rocky Mountains that does not administer underground injection control;
3. The Montana Oil and Gas Commission now administers all other well regulations and has done so successfully since the 1920's. Montanans should regulate Montanans, and not the Federal Government;
4. The U.S. Environmental Protection Agency (EPA) presently administers UIC in Montana out of the Denver office and this results in very costly delays of permit issuance, in some cases, more than one year after all requirements are met. The Montana Oil and Gas Commission could require the same standards and still issue permits in a timely fashion, thus avoiding the costly delays;
5. Industry will be paying administration costs thus saving tax payer's money.

EXHIBIT 3
DATE 3-4-87
HB 795

AMENDMENT TO HB 795

Section 13, Page 19, line 14

... Injection well ~~shall~~ may be required to pay an annual
operating fee ...

Facts given on mine water project to dispell rumors

By Doug Parrott, Chairman
Water Development Committee
Deadmans Basin Water Users Assn.

EXHIBIT 4
DATE 3-4-86
BB 151

In spite of all the information that has been published in the Roundup Record-Tribune and given out in public forums, several rumors persist concerning the reclamation of water from the abandoned coal mines near Roundup.

Historically, there has been a shortage of water for irrigation, domestic and livestock use on the Lower Musselshell River in eight out of every 10 years. In fact, prior to construction of Deadmans Basin the Musselshell River dried up nearly every summer in the Roundup area and downstream. Even with the Deadmans Basin water, downstream communities such as Melstone have experienced serious problems with an adequate supply of domestic water.

In recent years studies have been made to determine if additional water could be stored along the Musselshell River. Those studies identified sites along the river which could be developed for additional storage. However, the costs of developing those off-stream storage sites is prohibitive in light of the crops that can reasonably be grown in this area given the average climate and growing season.

Thus, attention has been focused on the water stored in the abandoned coal mines near Roundup. Extensive amounts of coal were removed from these mines during their years of operation, and water accumulation in the workings was a continuous and major problem. When mining and the associated pumping ceased in these mines, the voids left by removal of the coal filled with water.

Estimates indicate that the mines represent a potential reservoir of somewhere between 11,000 and 40,000 acre feet. An acre foot of water is equivalent to 43,560 cubic feet or about 271,300 gallons.

Because of the almost continuous pumping that was required during mining operations, it is known that the mines will recharge themselves - no pumps or canals needed to refill them - making the mines an ideal aquifer to recharge the Musselshell River. The miners of yesteryear probably didn't realize it, but they may have left us a resource far more valuable than the coal they removed.

Now for the rumors:

RUMOR: *Surface wells will dry up when pumping starts.*

FACT: Historical data on wells and springs in and around the mine area have shown no effect on water tables, one way or the other, prior to, during, or after mining and pumping operations.

FACT: A two year demonstration project is being planned to verify that pumping operations will not affect surrounding wells and springs. This demonstration project will consist of drilling wells in the area and installing water level recording instruments in the wells. Water levels will then be recorded before, during, and after test pumping of the mines. That data will establish for sure what affect, if any, pumping of the mines might have on established wells and springs.

RUMOR: *Tax money will be used to develop the mines for irrigation use.*

FACT: The Lower Musselshell Conservation District has applied for a grant from the "Resource Indemnity Trust Fund" to help fund the demonstration project. The trust fund is made up of interest received on monies invested from the state's Coal Severance Tax fund. The Resource Indemnity Trust was set up to assist with mine reclamation and clean-up. Putting abandoned mines to long-term beneficial use is viewed as an excellent use for those trust funds.

FACT: After testing and subsequent determination that there will be no adverse environmental impacts from mine pumping, the Deadmans Basin Water Users Association will assume full responsibility for financing the water reclamation project. The association will install necessary pumps, equipment, and facilities, continue monitoring for environmental impacts, and pay for all operating costs of the project. If the project is found to be feasible, all county residents will benefit because increased river flow and increased irrigated land along the Musselshell River will increase the county tax base.

RUMOR: *Water from the mines is too contaminated for use as irrigation or stock water.*

FACT: Water samples already removed from the mines and tested by private laboratories have exceeded all U.S. Department of Agriculture minimum requirements for irrigation water. The U.S.D.A. requirements are based on soils data for this area and water quality necessary for livestock use. The tests also showed a higher water quality than the water presently being used by the communities of Roundup, Musselshell and Melstone! Based on these tests, and the showing that Musselshell River water will not be adversely affected by the mine water, the Montana State Water Quality Bureau has issued a permit to pump these mine waters into the Musselshell River.

RUMOR: *People in the mine area are having this project rammed down their throats without having a say in the matter.*

FACT: In order for anyone to appropriate any water in the State of Montana a permit must first be obtained from the Department of Natural Resources, Water Rights Bureau. Last Fall, a temporary permit was issued to legalize a small amount of test pumping at one of the mines near Roundup. In order to complete the two year demonstration project, a permanent permit is required. Moreover, if the demonstration project is successful, a permanent permit will be required for irrigation pumping operations to proceed.

The Deadmans Basin Water Users Association has applied for a permit to pump up to 11,000 acre feet of water per irrigation season. Any permit for more than 3,000 acre feet requires approval by the Montana Legislature, in addition to approval by

the Water Rights Bureau of the State Department of Natural Resources.

The legislative approval process is now underway and it presently looks encouraging (thanks to the efforts of many people from the community who testified before the Senate committee in Helena - on their own time and at their own expense). As part of the permit application process, a legal notice of the application must be published in the local newspaper to give notice to interested citizens that the application is pending. The notice sets the time and manner in which public protests and comments can be made for or against issuance of the permit. In addition, the notice provides for a formal public hearing on the application.

Depending on the results of the formal public input portion of the application procedure, a permit can be denied or modified to meet any conditions that might affect a legitimate objection.

RUMOR: *There has been no opportunity to vote on this matter.*

FACT: The Board of Supervisors of the Lower Musselshell Conservation District are elected by all of the registered voters of Musselshell and Golden Valley counties. The county commissioners are also elected by the voters and they are supporting this project. Further, the state Representatives and Senators who must approve the permit are elected. And finally, the Deadmans Basin Water Users Association has an elected board of directors who are supporting the project. There is no lack of opportunity for voter input to the decision making process.

RUMOR: *The mines are full of air.*

FACT: Measurements have been made in existing airshafts, electrical supply shafts, water evacuation shafts, and mine entrances. From these measurements, water depths were determined. Last Fall, during test pumping of the mine near Roundup, interconnections between some of the mines were discovered while monitoring these measurements.

The efforts of many people from all facets of our community have gone into this project. Information has been furnished by many others who have voluntarily come forward to assist and support has been supplied by countless other good people. For all of this, we are truly grateful and any success in this project really belongs to them.

As food for thought, consider the following verse:

*"I saw them tearing a building down,
A gang of men in a busy town.
With a ho-heave-ho and a lusty yell,
They swung a beam and the side wall fell.
I said to the foreman, 'Are these men skilled;
And the men you'd hire if you had to build?'
He gave a laugh and said, 'No, indeed.
Just common labor is all I need.
I can easily wreck in a day or two
What some have taken a year to do.'
So I thought to myself as I went on my way,
Which of these roles have I tried to play?
Am I a builder who builds with care*

EXHIBIT 4
DATE 3.4.87
BB 151

*Measuring life by the rule and square?
Am I shaping my deeds to a well-formed plan,
Patiently doing the best I can?
Or am I a wrecker who stalks the town
Content with the labor of tearing down?"*
—Annon.

I am confident that this community, with its "can do" spirit, will successfully complete this project for the long-term benefit of all.

As the project progresses there will be informational meetings open to anyone who is interested. Notice of these meetings will be published in the Record-Tribune. Please attend and bring along your questions and constructive input.

PUBLIC NOTICE

EXHIBIT 4
DATE 3-4-87
SB 151

NOTICE TO WATER USERS
(PURSUANT TO SECTION 85-2-307, MCA)

NOTICE IS HEREBY GIVEN THAT THE FOLLOWING APPLICATION HAS BEEN
SUBMITTED FOR PERMIT TO APPROPRIATE WATER IN THE STATE OF MONTANA:

APPLICATION NO. 61478-G40C

DEADMAN'S BASIN WATER USERS ASSN.
C/O JIM JENSEN PRESIDENT
LAVINA MT 59046

SOURCE: GROUNDWATER

TOTAL FLOW RATE: 18,000.00 GPM

TOTAL VOLUME: 13,363.00 ACRE FEET PER YEAR

DATE FILED: 9/19/1986

DIVERSION POINT: SE1/4 SEC. 18 TWP. 08N RGE. 26E MUSSELSHELL CO

PERIOD OF APPROPRIATION: 05/01-10/15

USE: 18000.00 GPM UP TO 13363.00 AC-FT (05/01-10/15)
FOR IRRIGATION ON 16519.00 ACRES

PLACE OF USE: SEC. 00 TWP. 08N RGE. 25E MUSSELSHELL CO
FOR IRRIGATION

SEC. 00 TWP. 08N RGE. 26E MUSSELSHELL CO
FOR IRRIGATION

SEC. 00 TWP. 08N RGE. 27E MUSSELSHELL CO
FOR IRRIGATION

SEC. 00 TWP. 09N RGE. 28E MUSSELSHELL CO
FOR IRRIGATION

SEC. 00 TWP. 09N RGE. 29E MUSSELSHELL CO
FOR IRRIGATION

SEC. 00 TWP. 09N RGE. 30E MUSSELSHELL CO
FOR IRRIGATION

SEC. 00 TWP. 09N RGE. 31E MUSSELSHELL CO
FOR IRRIGATION

SEC. 00 TWP. 10N RGE. 30E MUSSELSHELL CO
FOR IRRIGATION

SEC. 00 TWP. 10N RGE. 31E MUSSELSHELL CO
FOR IRRIGATION

SEC. 00 TWP. 11N RGE. 31E MUSSELSHELL CO
FOR IRRIGATION

DIVERSION MEANS: PUMP

REMARKS: IF ISSUED, THE PERMIT WILL BE SUBJECT TO PRIOR EXISTING WATER RIGHTS.

OBJECTIONS TO THE ISSUANCE OF A PERMIT UNDER THIS APPLICATION, WITH
REASONS THEREFOR, MUST BE FILED WITH THE DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION, NATURAL RESOURCES BUILDING, 1520 EAST SIXTH AVENUE,
HELENA, MT 59620, ON OR BEFORE APRIL 16, 1987. OBJECTION TO APPLICATION
(FORM 611) IS AVAILABLE AT THE OFFICE OF THE COUNTY CLERK AND RECORDER,
OR FROM THIS DEPARTMENT UPON REQUEST.

ASSISTANCE OR QUESTIONS REGARDING THIS APPLICATION SHOULD BE DIRECTED
TO THE LOCAL OFFICE: LEWISTOWN AREA OFFICE SUPV
613 NE MAIN ST, PO BOX 438
LEWISTOWN, MT 59457 PH: 538-7459

CONTINUED



EXHIBIT 5
DATE 3.4.87
SB 151

The United Methodist Church

Corner of Second and Cedar
TOWNSEND, MONTANA 59644

March 11, 1987

SIGURD E. BURCH, Minister
200 North Cedar

P. O. BOX 596
PHONE 406-266-3390

ATTENTION: CHAIRMAN & COMMITTEE MEMBERS
House Natural Resources Committee
c/o State Capitol
Helena, Montana 59620

Gentlemen:

RE: SB-151 - Bill to Pump Water from Mines near Roundup for Irrigation Use

Before moving to Townsend in 1981, we lived for 10-1/2 years in Roundup, and return there frequently for visits.

SB-151 sounds WONDERFUL to us! It would be a God-send (and Legislative-send) for the people of the area. PLEASE VOTE "YES" to let them proceed with the testing of this project! (You met in Hearing on this March 4, 1987)

Noting that the water in the Mines tests "Higher in Quality" than the water presently being used by the communities of Roundup, Musselshell and Melstone, perhaps it should be used by the communities for drinking, and the current towns' water supplies used for the irrigation!!

In case you don't have copy of article in the March 4, 1987 ROUNDUP RECORD-TRIBUNE & WINNETT TIMES, copy is enclosed here.

Thanks for any help you can give.

Sincerely,

Sigurd E. Burch

and now

PAGE TWO

OPINION

BY J.K.K.

Word has it that there is some opposition being mounted against the idea of pumping area coal mines to supplement Deadmans Basin irrigation water during shortages.

This opposition is entirely premature.

There is no doubt that the idea is good - in theory. Any idea to provide more water in this relatively arid region is good in theory. And by "good in theory", we mean until enough information is developed to either demonstrate that the idea is good in practice or that it isn't.

That means some testing must be done if we are to find out with a reasonable degree of certainty whether the idea is worth pursuing.

Until the testing is done, nobody can intelligently say how the pumping might affect surrounding wells and springs.

So jumping on a high horse of opposition at this stage of the process is foolish - there is no sound reason for opposing something about which so little is known.

It's like crying, "Fire!" in a crowded theater before there is any heat, smoke, or flame.

There are certainly enough legal and moral safeguards in the water right permitting process to protect existing users of well and spring water. And those safeguards extend beyond the issuance of a permit to pump the mines. Even if initial study indicates that there will be no ill effects and the project is approved and implemented, problems could develop down the road. In that case, prior rights of well and spring owners would still take precedent and pumping would have to stop.

Important is that these people who are trying to block the pumping demonstration project are doing themselves and the rest of us a serious disfavor.

We by no means deny them their right to speak their piece when and how they choose to do so.

But we DO suggest that those who listen to the "Criers of Wolf" make an effort to see through the stupidity of opposition at this point in time and reserve judgment until more reasonable information is available.

VISITORS' REGISTER

NATURAL RESOURCES COMMITTEE

BILL NO. HB 795

DATE March 4, 1987

SPONSOR Gilbert

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

NATURAL RESOURCES

COMMITTEE

BILL NO. SB 151DATE March 4, 1971SPONSOR Galt

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Dick Walker	Musselshell Co.	X	
Tom Hengen	Musselshell Co.	X	
Gregg Fritz	DNRC	X	
Mike S. [unclear]	Musselshell Co.		X
Kelly Stephenson	Roundup		X
Ed Spindel	Roundup		X
Tom Ferguson	Roundup		X
Lowell Rathburn	Roundup		X
Hugh Ratter	Roundup		X
Ken Minnie	Roundup	X	X
Tom Tully	Bliss, MT		X
DOUG PARROTT	ROUNDUP, MT.	X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.