

MINUTES OF THE MEETING  
NATURAL RESOURCES COMMITTEE  
MONTANA STATE SENATE

January 16, 1987

Meeting of the Senate Natural Resources Committee was called to order by Chairman Thomas Keating on January 16, 1987, at 1:00 p.m., in Room 405 of the State Capitol.

ROLL CALL: All members were present with the exception of Senator Lynch who was excused.

CONSIDERATION OF SENATE BILL NO. 85: Senator Delwyn Gage Senate District #5, sponsor of the bill, stated that this bill was introduced by request of the Department of Natural Resources and Conservation for three reasons:

- 1) To provide statutory appropriation to Department of Natural Resources for forfeited bonds for plugging of abandoned or dry wells. Sen. Gage explained that prior to the time a person is authorized to drill an oil or gas well, the driller is required to file a bond with the state of Montana. The bond guarantees that when "you are through producing," that property will be plugged, abandoned and taken care of in accordance with state law. SB 85 simply adds another category to the statutory appropriations, sec. 17-7-502, MCA and provides that the forfeited bonds proceeds be retained and expended by the Oil and Gas Board for the purpose of plugging wells when it cannot be determined whose responsibility it is to plug a well and abandon property.
- 2) To delete the requirement for the filing of statements of crude petroleum and natural gas produced and marketed in the state with the Board of Oil and Gas Conservation.
- 3) To delete the requirement for Department of Administrations's approval of the expenditure of funds by the Board of Oil and Gas Conservation.

PROPOSERS: Dee Rickman, Assistant Administrator of the Oil and Gas Conservation Division, Department of Natural Resources, indicated that she was present to answer any questions that the committee may have.

Lynn Chenowick, Assistant Administrator of the Natural Resource and Corporation Tax Division, Department of Revenue, stated that as representative of the department, he basically supports the bill; however, a technical correction of deleting section 5 was recommended regarding extension of rule-making authority. The authority had already been granted in section 2. (See exhibit 1)

Ms. Rickman clarified the two money issues and said that the bond forfeitures would not affect the expenditures. Tax revenue that is received and expenditures appropriated by biennial legislation are earmarked "revenue account." Only that portion of the account that is appropriated is spent. Forfeited bonds proceeds will be used for the purpose of plugging and abandoning wells.

In response to Sen. Keating's question about which reports will no longer be filed with the Oil and Gas Conservation Division, Ms. Rickman explained that this is the severance tax report. Two sessions ago legislature transferred the collection and administration of the privilege of license tax to Department of Revenue. The taxes are collected on one form--oil and gas severance tax; resource idemnity trust tax (RIT); and the privilege and license tax. At the time of the transfer of privilege and license tax from the Board of Oil and Gas to the Department of Revenue, the position and employee in that position were also transferred to Revenue. Board of Oil and Gas no longer has anyone on staff to receive and process reports; and it is not necessary for the board to have copies because they are available from the Department of Revenue if the board needs them.

Ms. Rickman explained that the operator prepares the reports that list the amount of production and the tax the operator is submitting on that basis. Monthly production reports are and will continue to be submitted to the Board of Oil and Gas and are kept on file. The only reports that are referred to in SB 85 are the tax reports that are received and administered in the Department of Revenue.

As a point of information, Sen. Keating asked if tax reports are public information. Mr. Chenowick replied the tax reports are public information except for the portion that has the resource and idemnity trust tax on it. When the operator files his return, he reports severance tax, conservation tax, and RIT tax. If someone makes a request to look at the form, Mr. Chenowick stated that the Department of Revenue can extract the RIT information from the return because it is confidential by statute.

Sen. Keating asked Gail Kuntz, researcher, for her input; and she indicated that after speaking with the attorney, she had prepared an amendment that meets the specifications of Mr. Chenowick.

OPONENTS: There were no opponents to SB 85.

QUESTIONS (OR DISCUSSION) ON SENATE BILL NO. 85: Sen. Halligan requested clarification of the rule-making authority. Mr. Chenowick answered that it refers only to the time when tax should be submitted to Department of Revenue and SB 85 specifically states that Department of Revenue has that authority in section 2.

Sen. Weeding wanted to know what constitutes an abandoned or dry well. Sen. Gage explained the operator determines when he is going to abandon a well, in which case, operator is required to file with the Board of Oil and Gas Conservation an intent to plug and abandon the well. It is therefore the operator's responsibility to plug and abandon well.

Sen. Gage mentioned that in rare instances there is an intent filed, but well is never plugged and it is the board's duty to determine and find responsible party, if possible, to plug well. Sen. Gage stated there are instances where well was plugged satisfactorily and abandoned, but well begins to leak years later. This is also a situation that the Board of Oil and Gas Conservation must handle.

Sen. Stimatz questioned whether there is going to be any confusion about the role of Department of Administration. Sen. Gage said that legislature appropriates the money for the Board of Oil and Gas Conservation and in the past, the board had to receive permission from the Department of Administration for expenditure of budget. There is no reason the board should have to receive authority from anyone to expend their budget.

Sen. Stimatz also wanted to know if the Board of Oil and Gas Conservation is a part of Natural Resources or just attached to them for administration. All agreed the board is "attached."

Sen. Halligan questioned whether authority to expend funds is consistent with the rest of the statutory appropriation authority. In response, Sen. Keating replied that this is an established procedure.

CLOSING: Sen. Gage closed by saying that this bill will take a burden off the operator as far as filing a tax form with an agency that is not using it. RIT tax is recorded quarterly and paid annually, and that is the reason all three taxes are on one form. If the committee would have preferred, Sen. Gage offered to supply each member with a copy of that form so they would have a better idea what exactly was being discussed.

DISPOSITION OF SENATE BILL NO. 85: Committee indicated that they understood the bill. After inserting the word "the" after "describe" and before "need" in line two, Sen. Halligan made a motion that the Statement of Intent DO PASS. Committee unanimously adopted Statement of Intent. Sen. Halligan moved that the following amendment be adopted as previously discussed.

1. Page 6, lines 7 through 10.  
Strike: section 5 in its entirety  
Renumber: subsequent sections

Amendment was adopted unanimously and Sen. Halligan made a motion that SB 85 DO PASS AS AMENDED. This motion also carried unanimously; therefore, SB 85 was submitted with Statement of Intent attached.

SENATE BILL NO. 92: Sen. Stimatz requested that the hearing scheduled for January 19 for SB 92 be postponed for a week so that the Reserve Water Rights Compact Commission has time to notify tribal governments of the date of hearing. Sen. Keating announced that SB 92 will be postponed until further notice. Sen. Gage pointed out there was an omission in the title of SB 92. Sen. Stimatz stated that if necessary, an amendment would be prepared before hearing date and thanked Sen. Gage for noticing the error.

ADJOURNMENT: There being no further business to come before this committee, the hearing was adjourned at 1:40 p.m.

  
THOMAS F. KEATING, Chairman

NAME: Lynn Chenoweth

DATE: 1/16/87

ADDRESS: \_\_\_\_\_

SENATE NATURAL RESOURCES

EXHIBIT NO. 1

PHONE: \_\_\_\_\_

DATE 1-16-87

BILL NO. SB 85

REPRESENTING WHOM? Dept. of Revenue

APPEARING ON WHICH PROPOSAL: SB 85

DO YOU: SUPPORT? X AMEND? \_\_\_\_\_ OPPOSE? \_\_\_\_\_

COMMENTS: we recommend that a technical correction be made regarding the extension of the rule making authority. The remaining portion of the bill is supported by the Dept. of Revenue.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

ROLL CALL

NATURAL RESOURCES

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date Jan 16, 1987

NAME	PRESENT	ABSENT	EXCUSED
Sen. Tom Keating, Chairman	X		
Sen. Cecil Weeding, Vice Chairman	X		
Sen. John Anderson	X		
Sen. Mike Halligan	X		
Sen. Delwyn Gage	X		
Sen. Lawrence Stimatz	X		
Sen. Larry Tveit	X		
Sen. "J.D." Lynch			X
Sen. Sam Hofman	X		
Sen. William Yellowtail	X		
Sen. Elmer Severson		X	
Sen. Mike Walker	X		

Each day attach to minutes.

DATE 1-16-87

COMMITTEE ON Natural Resources

VISITORS' REGISTER

NAME	REPRESENTING/ADDRESS	BILL #	Check One	
			Support	Oppose
Joe Rickman	DNRC-Board of Oil & Gas	SB 85	<input checked="checked" type="checkbox"/>	<input type="checkbox"/>
Joseph Sullivan	MT Petroleum Assoc	SB 85	<input type="checkbox"/>	<input type="checkbox"/>
John Charnock	Dept. of Revenue	SB 85	<input type="checkbox"/>	Technical witness
Dave Dasher	DNRC		<input type="checkbox"/>	<input type="checkbox"/>
Rich Meiss	MEIK		<input type="checkbox"/>	<input type="checkbox"/>

(Please leave prepared statement with Secretary)

# STANDING COMMITTEE REPORT

January 16

19 87

MR. PRESIDENT

## NATURAL RESOURCES

We, your committee on.....

## SENATE BILL

85

having had under consideration.....

No.....

first reading copy ( white )  
color

## REVISING OIL AND GAS CONSERVATION LAWS

Respectfully report as follows: That..... **SENATE BILL**.....

No..... 85

be amended as follows:

1. Page 6, lines 7 through 10.  
Strike: section 5 in its entirety  
Re-number: subsequent sections

AND AS SO AMENDED,

DO PASS

~~DO NOT PASS~~

STATEMENT OF INTENT ATTACHED

Sen. Thomas P. Keating.....

Chairman.



JANUARY 16, 1985

MR. PRESIDENT,

WE, YOUR COMMITTEE ON NATURAL RESOURCES HAVING HAD UNDER CONSIDERATION SENATE BILL NO. 85, ATTACH THE FOLLOWING STATEMENT OF INTENT:

STATEMENT OF INTENT

S Bill No. 85

A statement of intent is provided for this bill in order to describe the need for a statutory appropriation and deletion of current reporting requirements. In the absence of a statutory appropriation authorizing the board of oil and gas conservation to accept and expend funds received from bonds for the proper plugging of abandoned or dry wells, the board must receive separate authorization for this purpose each biennium through the appropriation process. As a result, the board is unable to correct problems resulting from improperly plugged wells for up to 2 years or until it receives authorization to expend the necessary funds received from forfeited bonds.

The board of oil and gas conservation is removed from receiving statements of crude petroleum and natural gas produced and marketed in the state in order to avoid duplicative reporting requirements.

The department of revenue is authorized to adopt administrative rules concerning the administration and collection of the privilege and license tax, including the time for payment and the period covered by payment. The administration and collection of the tax should be similar to the administration and collection of the oil and gas severance tax.