

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON NATURAL RESOURCES

Call to Order: By Chairperson Bob Raney, on January 20, 1989, at 3:04 p.m.

ROLL CALL

Members Present: All except:

Members Excused: Rep. Hannah and Rep. Harper

Members Absent: None

Staff Present: Claudia Montagne, Secretary; Hugh Zackheim, Environmental Quality Council

Announcements/Discussion: REP. GIACOMETTO announced that the Department of State Lands and Oil and Gas industry representatives had met on HB 133 and have come up with a compromise proposal that will be presented during the hearing on Monday, January 23, 1989.

HEARING ON HB 143

Presentation and Opening Statement by Sponsor:

REP. SCHYE, District 18, opened, stating that the bill sets up a oil and gas production damage account from the RIT interest, \$250,000 per biennium, to be reallocated until the fund reaches \$500,000, and increased by the amount necessary each year to bring it up to \$500,000. A drilling bond would still be required, but would not be cancelled until the hole was properly plugged and abandoned, or a producing well is established. Operators are still required to reclaim their sites when the producing well is plugged and abandoned; if they do not, a lien is placed against their property. The Board of Oil and Gas can also use this account to reclaim old wells if the responsible party cannot be found or if they do not have sufficient funds.

List of Testifying Proponents and What Group They Represent:

Senator Delwyn Gage, District 5

Jim Nelson, Oil and Gas Conservation Board
William R. Cronoble, Balcron Oil Company
Scott Frizzell, Nance Petroleum
Doug Abelin, Montana Oil and Gas Association
Janelle Fallan, Montana Petroleum Association

List of Testifying Opponents and What Group They Represent:

Jim Jensen, Montana Environmental Information Center

Testimony Received by Mail:

W.M. Vaughey, Jr., Havre (EXHIBIT 7)

Testimony:

SEN. GAGE, submitted his testimony (EXHIBITS 1 - 5), stating that this legislation has nothing to do with the cost of a bond. If bonds were available, this bill would not before this committee, he said. Because of the unavailability of bonds, operators have to file CD's or cash bonds with the Oil and Gas Commission, and if they get a dry hole they get their bond or CD back. However, if they get a producing well, the bond stays there (EXHIBIT 1).

SEN. GAGE continued, using his other 4 handouts, and closed by stating that this RIT fund for oil and gas would not do anything that already is not being done by the RIT Fund. He added that there have been allocations to some of these old wells, and more will cause problems. Those wells drilled and plugged prior to 1953 had no bonding required. He said the only solution is with the RIT Fund.

JIM NELSON, Cut Bank, mentioned additional reasons for the bill. He stated that there is a crisis in bonding, with independent oil producers not able to get bonds because of the resistance of insurance companies. He also said that there are an unlimited number of wells on existing blanket bonds, and that these inappropriately capped wells are a hazard for the people of the state. Mr. Nelson reminded the committee that the RIT was set up for the oil and gas industry to police itself, and that it is fair and overdue that this money be available for problems created by the industry when the individuals cannot respond or cannot be found.

WILLIAM CRONOBLE testified in favor of the bill
(EXHIBIT 6).

SCOTT FRIZZELL, Nance Petroleum, Billings, testified in support of the bill as a means to get the small operators out of the bonding crisis.

DOUG ABELIN stated that he rebuilds crude oil storage tanks, and that he is down to 1.5 tanks per month. He stated that the industry is hurting, and that anything that would help the industry would help the economy of Montana.

JANELLE FALLAN testified that this bill represents a win/win situation with benefits for the state and the industry, and that it is a chance to be competitive with other states.

JIM JENSEN stated that he agrees with inequities in the proportional allocations to the RIT Fund, and its expenditures. However he reminded the committee that environmental problems of capped wells have come up and that every application of the Board of Oil and Gas Conservation has been funded. He suggested that their problem might be that they are not getting their grants in. He added that RIT is not a tax to be used to bond private industry, that the problem is with bonding, and that this bill might more appropriately be in the Business and Industry Committee.

Questions From Committee Members:

REP. ADDY asked Mr. Jensen about the recent Supreme Court decision regarding appropriations from the RIT Fund to general expenses of government, and that if we appropriate it there, why not to this. Mr. Jensen said that all of the operations of government paid by the RIT monies must relate to reclamation, and that there was a close enough relationship to go ahead in this Supreme Court case, but that with this bill, the issue is bonding, not reclamation.

REP. ADDY continued, asking if the purpose of the bond is to make wells safe, wouldn't that be reclamation. Mr. Jensen answered that the question is why they can't get the bond, and that it is an insurance issue.

REP. ADDY asked Mr. Cronoble how much a \$10,000 bond would cost, and Mr. Cronoble answered approximately \$300. REP. ADDY then asked if he would pay \$300 per well for this kind of insurance, and Mr. Cronoble answered that they are already paying \$300 per well for the bond, even under HB 143. It is only the producing well that

would not require a bond under this bill. In those cases that RIT would assume the obligation that the bond had.

REP. O'KEEFE asked Sen. Gage if this law needed to be changed, or was it an example of going around agency rules for the allocation of RIT grants to solve a problem. Sen. Gage said that he thought it made more sense to go to the Legislature for a solution to the problem to bonding. The creation of a revolving fund needed to be a statutory long-term solution, he said. REP. O'KEEFE asked if the problem was going to go away, and Sen. Gage said no. REP. O'KEEFE suggested that this was an insurance issue, and a problem not to be solved with RIT funds.

REP. RANEY asked if he knew why bonds were difficult to get for the small drillers, and Sen. Gage said that it was because nothing can cancel the bond until the Oil and Gas Commission cancels them. Moreover, the insurance companies are concerned that even if a bond has been cancelled, there still might be a liability, he said. REP. RANEY then asked that if the state takes over the bond after the well is drilled, and there is enough equipment there to cover the cost of plugging the well, and the state has to foreclose on the producer, and then 18 years later that well costs \$160,000 in environmental damage, then the State of Montana would be responsible for that amount. Sen. Gage answered yes.

REP. GIACOMETTO asked Shell Oil representative Jerome Anderson if this were a problem for him, and he stated that it was the problem of small independents, since Shell is a self-bonding corporation. The problem is that the bonds are essentially perpetual bonds. REP. GIACOMETTO suggested that the State would have more of an opportunity under this bill to reclaim the money due to the lien provision.

REP. KADAS asked what authority the Board of Oil and Gas has over plugging wells. Mr. Nelson stated that they have technical standards and an inspection process. REP. KADAS then asked the meaning of the words "sufficient financial resources" on page 9, line 19. Mr. Nelson answered that the RIT money is used only if the producer doesn't have sufficient assets or only if the owner is unidentified.

REP. KADAS then asked of Sen. Gage for an explanation for the amount of money specified - \$500,000. Sen. Gage said they needed a fund large enough that sufficient funds would be available. REP. KADAS asked how many wells in the last few years would have used this fund, and Dee Rickman, Executive Secretary to the Board, said \$10,000 a year was used for old wells. Sen. Gage added that without this we wouldn't have anything to back up the bonding program.

REP. KADAS asked if the bonding problem was a question of availability of bonds or the cost, and Senator Gage said that it was the former and was due to the exposure that the bonding company was taking on.

REP. HARPER asked, regarding provision subsection a on page 9, if this bill was for plugging wells or for potential or actual environmental damage. Sen. Gage said that it could be potential or actual. REP. HARPER then asked if the Board would have the rule making authority to determine who has the financial resources or not. Sen. Gage said they already have the authority to do this under the present bonding situation. REP. HARPER continued that their authority would have to be extended to include the environmental consequences. He stated that the cost of plugging a well and the cost of correction of actual or potential damage done by the drilling/plugging could be quite different. Even a large company could possibly be judged incapable of meeting those larger environmental costs, could they not? If a person were to be shown to be financially incapable of paying, how would the RIT fund be tapped, and how would the money be spent - for properly plugging or could it be spent for correcting environmental damage? Sen. Gage answered that the intent is to give the Oil and Gas Commission all the authority they already have to plug and cap wells.

REP. KADAS asked what the bond was for, and Mr. Nelson answered that it covers all wells until they are properly covered and abandoned and the site reclaimed. REP. KADAS then asked if the bond covers damage to aquifers and surface acreage caused by the drilling or problems with plugging. Mr. Nelson said no. REP. KADAS asked if the bill covers those things, and Mr. Nelson answered yes. He stated that if the responsible party is not

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found, the State would take up the slack through this fund. REP. KADAS asked if the well is plugged improperly, and later causes environmental damage, would the person who drilled the well be liable for environmental damages, and Mr. Nelson answered yes. REP. KADAS stated that he didn't want to see that liability shifted to the State, and Mr. Nelson stated that this would occur only when the producer or responsible party is insolvent or not to be found. He added that the assets of the individual are on the line first.

REP. GIACOMETTO asked Sen. Gage where the money would come from, and Sen. Gage answered that he had spoken to the Water Development Advisory Board and that the funds would come out of grant programs rather than out of other funding. The impact is not known at this time.

Closing by Sponsor:

REP. SCHYE closed, stating that there is a problem, and asked the committee to consider the bill closely.

ADJOURNMENT

Adjournment At: 4:34 p.m.



REP. BOB RANEY, Chairperson

BR/cm

1712.min

DAILY ROLL CALL

HOUSE NATURAL RESOURCES

COMMITTEE

50th LEGISLATIVE SESSION -- 1989

Date 1-20-89

NAME	PRESENT	ABSENT	EXCUSED
Rep. Bob Raney, Chairman	✓		
Rep. Ben Cohen, Vice-Chairman	✓		
Rep. Kelly Addy	✓		
Rep. Vivian Brooke	✓		
Rep. Hal Harper	✓		skc
Rep. Mike Kadas	✓		
Rep. Mary McDonough	✓		
Rep. Janet Moore	✓		
Rep. Mark O'Keefe	✓		
Rep. Robert Clark	✓		
Rep. Leo Giacometto	✓		
Rep. Bob Gilbert	✓		
Rep. Tom Hannah			✓
Rep. Lum Owens	✓		
Rep. Rande Roth	✓		
Rep. Clyde Smith	✓		

EDUCATION 1
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HB 143

The good news is the incentives for the oil and gas industry to increase exploration and development activity have been effective because in the face of depressed prices in nearly all of 1988 there was a 24% increase in completions over 1987.

The bad news is that 1987 completions were the lowest in 40 years and 1988 completions were the lowest since 1953.

I am sure we are going to continue to hear the same old argument that when the price of oil and gas goes up, exploration and development will also increase. That is no doubt true, but it is also true that the price of oil and gas will go up all over the world. The folks who are trying to put together drilling programs in Montana must be in a position to offer economic returns at least as attractive as those offered in other states in order to attract those investor funds to Montana ventures. It is estimated that 90% of the capital for drilling programs in Montana comes from out of state.

The first hurdle after a drilling program is put together is the acquisition of a drilling permit. The first snag in obtaining a drilling permit is the filing of a bond with the Oil and Gas Conservation Board. The bond is a guarantee that a well will be properly plugged and the disturbed surface area left in a condition satisfactory to the Board. Such bonds have become nearly unobtainable for many reasons:

- 1) The bond cannot be cancelled by the surety for any reason, including none payment of premium, without the consent of the Oil and Gas Board.
- 2) The bond must remain in effect until the well or wells it covers are properly plugged per Oil and Gas Board rules. This may be 40 years or longer.
- 3) With some recent court decisions now holding that events which occur when insurance is in effect are covered by those policies even though the policies may have been later cancelled for several years, the surety companies are concerned that this same rationale may be applied to them. For instance, a well may have been properly plugged in 1970 and authority given by the Oil and Gas Board to cancel the bond. Then in 1989 the plugged well begins to leak fluid to the surface and the owner of the well at the time it was plugged is now deceased. The surety companies are concerned that the Oil and Gas Board or damaged surface owner may come after them under the premise that the bond guaranteed proper plugging and since the plugging did not hold it was not properly done in 1970.
- 4) There may also be some other surety company concerns that have not been listed.

This bill is a means of providing a fund to replace bonds to guarantee plugging and other necessary environmental concerns. The need for this bill became more apparent when in addition to the unavailability of drilling bonds, the Oil & Gas Board indicated their concern that the current bond limits were not high enough to cover the costs of plugging etc. when a responsible party could not be identified to pay these costs. The Board was considering proposals to increase the bonds from \$10,000 to as much as \$30,000 and placing a 10 well limit under the bonds. At the present time some of the surety companies have notified the Oil & Gas Board that they will not allow any more wells to be covered under some of their bonds.

The option left for a party who cannot get a bond is to file a cash bond. That ties up funds that would otherwise be available for the oil & gas operator for operating costs or for drilling ventures. The funds are also tied up for an extended period of time when a producing well is obtained.

Another option is to file a letter of credit but in talking with people from the banking industry they do not see this as a feasible solution. A letter of credit by its nature is a short term instrument.

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This bill will require that a drilling bond be filed in order to obtain a drilling permit. Upon completion, if it is a dry hole, the bond may be cancelled if the well has been properly plugged etc. and permission granted from the Oil & Gas Board. If the well is a producer the owner of the well must notify the Oil & Gas Board. The well will be transferred to the mitigation account for guarantee of plugging etc. This will be effective for wells completed after June 30, 1989. All bonds in place for wells prior to this date will stay in effect.

This bill will still require that when a responsible party is identified and has the financial ability, that person must pay the cost of plugging etc. When situations arise where either the responsible party cannot be identified or if identified does not have the financial resources to pay the costs, the mitigation account funds will be used to pay the costs. This is not a change from what is happening presently except that the Oil & Gas Board, in most cases, has had to come to the legislature in each specific instance with a request for funding from the R.I.T. earnings.

Oil and gas operators have paid in over 44 million of the 63 million in the R.I.T. or about 70%. Since 1984 to fiscal year 1989 this trust will have earned about 37.6 million of which about 1.3 million or 3.5% has been used for oil & gas projects. For the next

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biennium out of earnings of 14 3/4 million of which about 10 million is the result of oil & gas contributions to the trust one project in the oil & gas area is being funded in the amount of about \$300,000 or about 2% of the earnings.

The first two bienniums will require a total appropriation from these earnings of \$250,000 each biennium or about 1.6 % of the earnings. The appropriations from that time on will be to replenish this mitigation fund for expenditures from the fund which would have been made from R.I.T. earnings whether this fund had been in existence or not.

Wells drilled in 1953 or 1954 and prior to bond requirements have nothing unless an identified responsible party can be identified to provide funds for plugging wells. Nor is there anything to take care of any problems which may arise from the thousands of wells which have been plugged for which bonds were not required or for which bonds have been cancelled.

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LOCAL GOVERNMENT, SCHOOLS ETC.:

50 barrels of oil per day @ \$16.25 per barrel or comparable value of gas.

ANNUAL TAX:

50 x 365 x \$16.25 = Gross Value	\$296,562.00
Net proceeds tax on oil @ 7%	20,759.00
Net proceeds tax on gas @ 12%	35,587.00

ANNUAL TAX @ 200 MILLS:

3 year old stock cows - \$343.00 x 4% x 200 mills	\$2.74
Average grazing land - \$3.72 x 30% x 200 mills	.23
Average cultivated dryland -	
\$30.00 x 30% x 200 mills	1.80
Average cultivated irrigated -	
\$50.00 x 30% x 200 mills	3.00

IN ORDER TO GENERATE THE SAME REVENUE FOR LOCAL GOVERNMENT AND SCHOOLS ETC. THAT THE ABOVE OIL AND GAS TAXES WILL RAISE IT WILL TAKE THE FOLLOWING:

Stock cows vs oil	7,576 cows
Stock cows vs gas	12,988 cows
Grazing land vs oil	90,257 acres
Grazing land vs gas	154,726 acres
Cultivated dryland vs oil	11,533 acres
Cultivated dryland vs gas	19,770 acres
Cultivated irrigated vs oil	6,920 acres
Cultivated irrigated vs gas	11,862 acres

THIS COMPARISON IS NOT TO INFER THAT AGRICULTURE IS NOT PAYING ITS SHARE OF THE TAX LOAD BUT TO INDICATE HOW THE ADDITION OF OIL AND GAS TO THE TAX ROLLS COMPARES WITH OTHER TAXABLE PROPERTY.

IT MIGHT ALSO BE POINTED OUT THAT SINCE LAND IS SET IN QUANTITY, THE ONLY WAY TO INCREASE REVENUE FROM IT IS TO IMPROVE IT SO THAT IT FITS A DIFFERENT CLASS OR RAISE THE TAXES.

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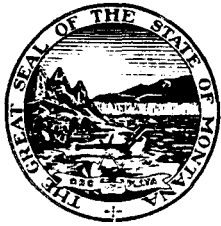
ANNUAL STATE REVENUE:

50 barrels per day of oil @ \$16.25 per barrel or comparable gas value:

5% severance tax - oil	\$14,828.00
2.65% severance tax - gas	7,859.00

1/2% R.I.T. tax = \$1483.00 @ 9%	133.00
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.2% conservation tax	<u>593.00</u>
	\$23,413.00



JUDY RIPPINGALE
LEGISLATIVE FISCAL ANALYST

STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/444-2986

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HB 143

January 13, 1989

Senator Delwyn Gage
Seat #14
Montana State Senate
Helena, MT 59620

Dear Senator Gage:

In response to your question regarding resource indemnity trust (RIT) tax collections and interest expenditures, I am providing the following information.

The estimates of RIT interest earnings are \$7.1 million for fiscal 1990 and \$7.6 million for fiscal 1991. The Legislative Fiscal Analyst current level analysis for the 1991 biennium uses \$85,505 to fund agency operations and allocates the remainder according to Section 15-38-202, MCA. These allocations are shown in Table 1.

Table 1
Allocation of RIT Interest for the 1991 Biennium

<u>Category</u>	<u>Percent Allocation</u>	<u>Revenues</u>
Agency Operations		\$ 85,505
Environmental Contingency Fund		175,000
Of the Remainder:		
Reclamation and Development Grants	46	6,625,655
Water Development Program	30	4,376,843
Hazardous Waste Cleanup/Superfund Match	12	1,750,737
Renewable Resource Development Program	8	1,167,158
Environmental Quality Protection	4	583,578
Total	<u>100</u>	<u>\$14,764,476</u>

Funds allocated to the reclamation and development grant program, hazardous waste cleanup, and the environmental quality protection fund can be spent on oil and gas cleanup and reclamation projects. Of the 11 reclamation and development grants recommended in the Executive Budget for the 1991 biennium, one project costing \$299,040 is related to

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reclamation of abandoned oil and gas operations. One-half of the funds appropriated for hazardous waste cleanup is used for identification and cleanup of leaking underground gasoline and diesel storage tanks. The environmental quality protection fund is used to cleanup non-Superfund sites where hazardous or deleterious substances have been released. This fund has been used to cleanup oil spills.

The resource indemnity trust earned \$30.0 million in fiscal years 1984 through 1988; earnings for fiscal 1989 are estimated at \$7.6 million. Of this \$37.6 million, \$ 1.3 million, or 3.5 percent has been expended on oil and gas projects in the RIT grant program. These projects include studying groundwater contamination in areas of concentrated oil field activity, plugging abandoned wells, and reclaiming oil and gas well and refinery sites. Over the same period, RIT earnings were also used to fund state agency operations related to oil and gas development, including the Board of Oil and Gas Conservation and the underground storage tank program in the Department of Health and Environmental Sciences.

Table 2 shows the resource indemnity trust taxes paid by mineral producers for fiscal years 1974 through 1988. Oil and gas producers have paid 61.5 percent of resource indemnity trust taxes collected since the tax was instituted.

Table 2
Resource Indemnity Trust Tax Payments by Producers
Fiscal Years 1974 through 1988

FY	Coal	Oil	Natural Gas	Metals	Other	Total
74	\$ 61,687	\$ 640,771	\$ 44,475	\$ 352,960	\$ 38,009	\$ 1,137,902
75	239,391	1,201,125	49,861	513,940	45,722	2,050,039
76	409,810	1,294,364	82,754	130,632	63,804	1,981,364
77	496,340	1,399,698	74,268	160,104	79,309	2,209,719
78	522,333	1,316,917	165,348	145,173	96,644	2,246,415
79	225,681	1,434,472	231,530	93,872	121,803	2,107,358
80	928,798	1,828,947	355,054	353,130	164,393	3,630,322
81	825,496	3,328,426	419,647	238,595	146,861	4,959,025
82	1,000,195	5,308,525	491,832	215,776	142,825	7,159,153
83	1,892,248	4,768,072	522,396	442,858	212,162	7,837,736
84	1,300,665	4,279,714	589,348	399,704	146,659	6,716,090
85	1,095,522	4,204,763	627,504	229,464	121,487	6,278,740
86	1,171,480	3,913,955	583,961	152,833	170,041	5,992,270
87	1,090,324	1,859,932	538,251	170,345	163,101	3,821,953
88	1,224,129	2,033,646	484,357	745,412	491,791	4,979,335
Total	<u>\$12,484,099</u>	<u>\$38,813,327</u>	<u>\$5,260,586</u>	<u>\$4,344,798</u>	<u>\$2,204,611</u>	<u>\$63,107,421</u>
Percent of Total	<u>19.8</u>	<u>61.5</u>	<u>8.3</u>	<u>6.9</u>	<u>3.5</u>	<u>100.0</u>

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If you have any further questions regarding resource indemnity trust taxes and interest earnings, please let me know.

Sincerely,

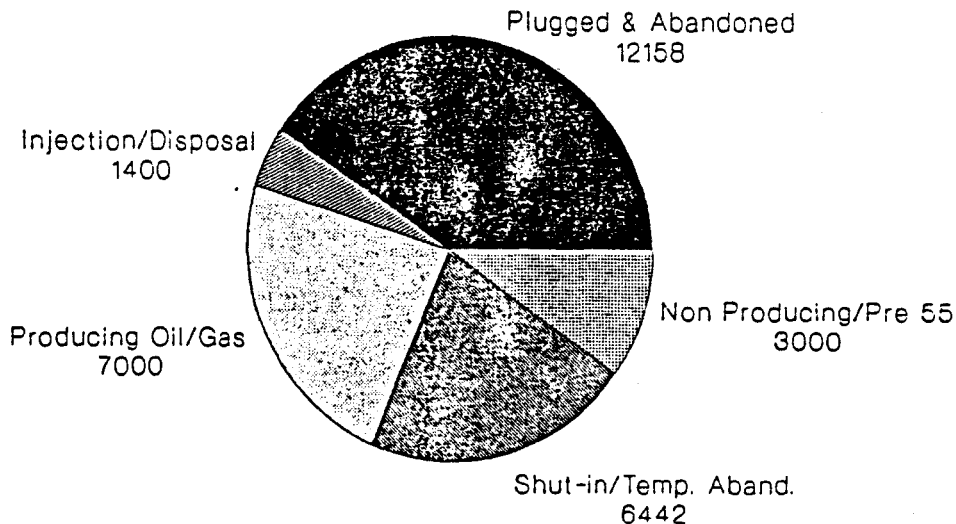
Madalyn Quinlan

Madalyn Quinlan
Associate Fiscal Analyst

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MONTANA BOARD OIL & GAS

Well Status Summary



30,000 Wells

Notes for well status chart:

1. Total wells shown are determined from oil and gas database.
2. Producing wells are estimated from actual production reports received by the Board on a monthly basis, and vary somewhat from month to month.
3. Non-producing pre-1955 wells are wells which the Board records do not show adequate information to determine actual status or acceptability of plugging methods. These wells are not covered by any bond.
4. Shut-in or temporarily abandoned wells are not currently being produced. Many of these wells are uneconomic under current conditions and may have been inactive for an extended period, but are owned by active operators and have future potential. Some of these wells were owned by operators which are no longer in business and have no potential for future production. Wells which are produced intermittently or seasonally will change status between this category and the producing well category, resulting in a month to month variation in the well count.
5. Injection well information is from the U.S. EPA inventory of injection wells.
6. Abandoned wells are either old wells that the Board has sufficient information to determine that plugging methods were adequate, or newer wells that have been plugged and surface restored under Board supervision.



BALCRON
OIL COMPANY

P.O. Box 21017
1601 Lewis Avenue Building
Billings, MT 59104
(406) 259-7860

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TO: Members of the House Natural Resources Committee

FROM: W. R. Cronoble, Balcron Oil Company

DATE: January 18, 1989

SUBJECT: House Bill 143
Drilling Bond Bill

Balcron Oil Company was formed in June of 1963. For more than 25 years we have operated within the State of Montana. During this time, we have drilled or caused to be drilled approximately 300 exploratory wells. All wells have either been plugged and abandoned as dry holes or completed as producers according to the rules and regulations of the oil and gas conservation commission. Balcron has always accepted its responsibility as a member of the Montana community and has never been derelict in discharging its duties with respect to oil and gas operations and no claims have been filed against the company.

Our bonding company has informed us that effective February 24, 1989, our bond will be cancelled for all new wells. We will be effectively shut down for drilling new exploratory or development wells as no bond will be in effect to cover such operations after February 24, 1989.

If a company such as ours, which has operated without an incident or claim against it can not secure a drilling bond, then all companies may be in some danger of losing their bond coverage.

My company supports House Bill 143 for the following reasons:

1. It limits the duration of time a bond will be required for a well in that a bond will be required for only the length of time to drill the well and plug or complete it. This, I believe, will permit bonding companies to issue

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bonds without an extended time period of exposure. (Sections 5 (5) and 7).

2. The state is protected (Section 9) in part by the ability to create a lien on all real and personal property in the state. This includes the well and all associated equipment. In most cases, the value of the well equipment itself will pay for any plugging and abandonment costs.

Let me emphasize that for exploratory wells in Montana, a success ratio of one successful oil or gas well out of each ten wells drilled is normal. This means for exploratory wells, only one time in ten will the proposed law be in effect.

For each well drilled in Montana the following list shows the persons receiving income from the drilling of the well and those persons paying taxes to the State of Montana:

1. Mineral owner - for leasing his minerals
2. Landowner - for damages done to his land
3. Surveyor - for surveying well location
4. Dirt contractor - for constructing drill site
5. Drilling contractor (minimum of 10 men)
6. Drilling mud company
7. Oil well cementing company
8. Oil well logging company (minimum of 2 men)
9. Oil well supply companies for pipe and wellhead equipment and drill bits
10. Fuel supplier - for gasoline, propane and diesel
11. Geologist
12. Petroleum Engineer

This list does not take into account the benefits to the nearby communities for restaurants, motels, grocery stores

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and clothing stores to supply the needs of the above listed workers. Please remember all of these persons pay taxes to the State of Montana.

To destroy this revenue base and tax base by a lack of effective bonding is unnecessary. Bonds will still be required for all wells until production is obtained. After completion of the well as a commercial well, then and only then will the proposed bill become effective and release the drilling bond for the well. Again, the value of the producing equipment alone should cover the cost of plugging and abandoning the well if the operator is unable to do so.

I sincerely endorse the passage of House Bill 143 to permit the oil and gas industry to continue to be a part of the Montana tax base.

Very truly yours



W. R. Cronoble

WRC:acf

W. M. VAUGHEY, JR.

P.O. BOX 46
HAVRE, MONTANA 59501-0046
(406) 265-5421

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143

January 18, 1989

The Honorable Bob Raney, Chairman
House Natural Resources Committee
Montana State House of Representatives
Capitol Station
Helena, MT 59620

RE: In Support of House Bill 143, the Drilling Bond Bill

Dear Representative Raney:

Once again, I am a small independent gas and oil producer who moved to Havre 20½ years ago as a result of the discovery of Tiger Ridge Gas Field at that time.

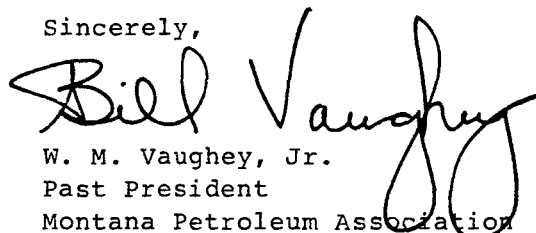
I'm writing in support of House Bill 143 because it answers a sore need of the small independent that has arisen in just the last few years. During that time, it has become nearly impossible for a small operator to obtain bonding in order to operate exploratory wells in our state. Senator Gage is familiar with this situation and addresses it very well in HB 143.

By no stretch of the imagination are members of my industry attempting to "get off the hook" as to reclamation requirements relating to a completed test, be it a successful oil or gas well or a dry hole.

Because it's the independent who drills the great majority of wildcat tests in Montana, it is important that any prudent operator who desires to do so be enabled to obtain a drilling bond needed to operate wells in our state.

I therefore urge the Committee's approval of this bill.

Sincerely,


W. M. Vaughey, Jr.
Past President
Montana Petroleum Association

WMV/aks

cc: All Natural Resources Committee Members of the House

State Senator Delwyn Gage
State Senator Loren Jenkins
State Rep. Bob Bachini
State Rep. Ray Peck
State Rep. Roger DeBruycker

VISITORS' REGISTER

Natural Resources COMMITTEEBILL NO. HB 143DATE 1-20-89

SPONSOR _____

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
FEROMIE ANDERSON	HELENA	✓	
Kelly D. Bunday	Helena		
Gay Halgerson	Helena		
Dora ABELIN	HELENA	✓	
W. P. Crumble	Billings	✓	
James C. Nelson	Cut Bank	✓	
Janelle Fallon	Helena	✓	
D. SCOTT FRIZZELL	BILLINGS	✓	
Wm. D. Dwyer	Cut Bank	✓	
Jim Jensen	Helena		X

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.