

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON NATURAL RESOURCES

Call to Order: By REP. BERV KIMBERLEY, on January 30, 1991, at 8:00 A.M.

ROLL CALL

Members Present:

Rep. Berv Kimberley, Chair (D)
Sen. Esther Bengtson, Vice Chair (D)
Sen. Gerry Devlin (R)
Rep. Ed Grady (R)
Rep. Jerry Nisbet (D)
Sen. Cecil Weeding (D)

Members Excused:

Members Absent:

Staff Present: Terri Perrigo, Associate Fiscal Analyst (LFA)
Carl Schweitzer, Budget Analyst (OBPP)
Theda Rossberg, Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Announcements/Discussion: CHAIR. KIMBERLEY said, the committee would take Executive Action on the Reserved Water Rights Compact Commission budget, but delay action on the funding issue until after Friday.

EXECUTIVE ACTION

RESERVED WATER RIGHTS COMPACT COMMISSION

EXHIBIT 10, January 29, 1991 Minutes (Budget)

Motion/Vote: SEN. DEVLIN moved to accept the LFA Budget. **Motion CARRIED** unanimously.

SEN. BENGTSON stated, In regard to the 1.0 FTE eliminated by the LFA, I'm wondering if this is as urgent as other areas. I would save money in other issues such fire suppression and negotiations with the tribes.

Mr. Wetzel DNRC, stated, this position is not filled and cannot be filled unless the committee approves reinstating it.

Karen Barclay stated this was the position they did not hire until they had a new Program Manager. One position has already

been eliminated from the budget and this would be the second FTE eliminated which leaves a very small group of people to run this Division.

Motion/Vote: REP. GRADY moved to accept the Executive Budget for Item D.1 - to include 1 FTE. **Motion CARRIED 5 - 1** (SEN. BENGTON voting "no").

Item D.2 - \$36,000 for consultation services.

Mr. Schweitzer said, this was for some legal consulting they felt they would need to help with tribal negotiations.

CHAIR. KIMBERLEY stated, he had a note that consulting services hadn't been used since 1984.

Ms. Cottingham said, we did use a contract consultant in 1985 & 1986 for negotiations with the Fork Peck Indian Reservation. We are now moving into the Milk River area and we will need experienced help there.

Motion/Vote: SEN. DEVLIN moved to accept the Executive Budget on Item D.2 - \$36,000 for Consultant Services. **Motion CARRIED 5 - 1** (SEN. BENGTON voting "no").

Item D.3 - \$46,672 for Computer Purchase.

Ms. Perrigo stated, this was for the purchase of a computer work station which was funded by the last legislature. However, the Compact Commission did not spend those funds.

Ms. Cottingham said, they rejected a bid last spring because it was too high. We hope this doesn't mean we won't get the funding.

Motion/Vote: SEN. BENGTON moved to accept the Executive Budget for Item D.3 - Computer Purchase and Item D.4 - Computer Maintenance. **Motion CARRIED** unanimously.

Item E.1 - Pay Exceptions.

SEN. BENGTON stated, both the LFA and the Executive agree on these two items.

Ms. Perrigo stated, the Executive and the LFA do not necessarily agree, it's just that neither one included funding for approved pay exceptions in their budget.

Mr. Schweitzer said, we don't support putting these amounts in the budget since we fully funded the pay plan, we feel these costs can be absorbed by the agency.

SEN. BENGTON asked, are there any exceptions for small agencies?

Mr. Schweitzer stated, the committee has approve some exceptions in the Department of State Lands for 2 pilots.

Ms. Perrigo stated, if the subcommittee does not approve the pay exceptions, no action is needed.

HEARING ON OIL & GAS REGULATIONS

EXHIBIT 1 & 2.

Dee Rickman, Executive Secretary for the Board of Oil & Gas introduced Tom Richmond, Administrator Oil & Gas Division.

Mr. Richmond gave testimony on this division. He stated, the Board of Oil & Gas Regulation is a quasi-judicial board with regulatory authority over oil & gas producing operations on private and state lands. The also have some authority over federal lands through an agreement with the Bureau of Land Management.

The board consists of seven members appointed by the Governor. Three of the members must have oil & gas experience; two members must be landowners, one with minerals and one without minerals; and two at large members, of which one has to be an attorney.

The division maintains offices in Billings, Helena and Shelby. The Billings office is the principal office where the administrator located. This is our southern technical office. The Helena office is the administrative office.

The Board employs a petroleum engineer, petroleum geologist, environmental coordinator, statistician, draftsman, chief field inspector and two clerical personnel in Billings. The office in Helena has 5 employees in statistical and clerical functions. The Shelby office has two field inspectors and a secretary. We also have field inspectors working out of their homes in Plentywood, Glendive and Roundup. We currently have two vacancies in Billings, a laboratory aid and a clerical position.

The Billings and Shelby offices issue drilling permits. of which we have issued about 350 permits the last few years. We issued in excess of 1200 permits in the late '70's and early '80's.

The board has 8 to 9 hearings per year to establish field rules, well spacing, enhanced recover projects and grant exceptions for drilling new wells.

We have a computerized production data base which has information on production on all the wells starting in 1983. The Board serves as a jurisdiction agency for the Natural Gas Policy Act. We classify wells for lawful price on non-federal lands. Natural gas has been de-controlled, but you still have to apply to the Federal Energy Regulatory Commission (FERC) for de-controlling on a well by well basis.

The wells are inspected after they are abandoned and before the well is released from the drilling bond. We try to inspect each producing location at least once a year.

In 1987 we were required to provide a programmatic Environmental Impact Statement on the board's drill permitting process and work began in FY88 & FY99.

In 1987 the legislature authorized us to negotiate for primacy under the EPA's Underground Injection Control Program. They authorized 4 FTE, appropriated about \$286,000 in program costs and a contingent authority to spend \$110,000 of anticipated federal grant money. The negotiations for the UIC program have been slow because of the small staff. The need to participate in the programmatic EIS became nearly a full-time task. As soon as we adopted the EIS program, the administrator retired. I spent time trying to fill two technical positions; a petroleum geologist and an environmental coordinator.

Last summer I signed a permit to drill a well on the North Fork of the Flathead River was issued and we were taken to task over the issuance of that permit. In 1989 Judge Robert Keller found the board's permitting process violated the public participation part of the Constitution. Therefore, we now have a new permitting process. This is for wells drilled in developed areas. For wildcat wells we have to publish notification in the Helena paper and one time in the paper in the county. Ten days after the publication date we can approve the permit. The main cost is the legal advertising in the Helena Independent Record.

In the 1989 legislature the Production Damage Mitigation account was established. See EXHIBIT 1, Page 14.

REP. BARDANOUE asked, where did the money come from for this program.

Mr. Richmond replied, it is the Governor's Emergency Environmental Contingency Account and comes from the RIT interest income. We used this account to plug a well next to an electrical supply store in Cut Bank which began leaking in about 1987.

Before 1954 oil & gas operations in Montana were regulated by the Montana Railroad Commission. They didn't have a bonding requirement and we suspect there are about 2400 wells in Montana that may not be plugged. A well in the Broadview area which was drilled in the '30's, has been leaking for some time. We received a \$65,000 Reclamation and Development Program (RDGP) grant to plug that well. We are anticipating it would cost from \$100,000 to \$125,000 to plug. Concrete was dumped into it at one time, old fire brick and a lot of debris so we anticipate a lot of trouble.

We applied for 3/4 million dollars of RDGP grants for 13 other orphaned wells. If HB199 passes these grants would be reduced dollar for dollar. So each dollar we would receive from RIT income would be removed from the grant.

The EPA would like for us to establish a UIC program and begin operating it, then they will give us primacy. We have been hesitant to spend any funds out of the UIC program until we are sure we will get the program.

CHAIR. KIMBERLEY asked, would you take a moment and explain primacy in the Underground Injection Control Program?

Mr. Richmond explained, the UIC program is a EPA program which came from the Safe Drinking Water Act in about 1979. It is a program to regulate underground disposal of any kind of waste. Now the federal rules allow only class 2 primacy delegation to conservation agencies.

REP. BARDANOUE said, you mention Broadview, what has happened there, have you successfully plugged that well?

Mr. Richmond said, they have not plugged it yet. There is some salt water and gas leaking from this.

REP. GRADY asked, are these wells abandoned and you don't know who the owner is?

Mr. Richmond replied, the well at Broadview was drilled before there was a Board of Oil & Gas and before there was a bond, so these are referred to as orphaned wells.

SEN. WEEDING asked, what prompts you to plug a certain well?

Mr. Richmond replied, some are from complaints and others we identify as being a problem. As I mentioned earlier, we have submitted a grant request to fund the plugging of 13 orphaned wells.

SEN. BENGTSON asked, in your data files do you keep a water data file to report to the DNRC?

Mr. Richmond said, we keep water data from potential oil wells.

Ms. Cottingham explained, the current law provides for us to inventory these abandoned wells on complaints from landowners. We had so few complaints that we contracted for someone one to research and determine where those wells are.

REP. GRADY asked, when you plug the wells and they start leaking, are you liable? Have you ever had one leak?

Mr. Richmond said, I suppose it is possible. However, we haven't had any leak after they had been plugged. One of the problems is the hydrology in the area could change. For instance a flood or high water could easily effect these abandoned wells.

SEN. WEEDING asked, after you release the bond and they begin to leak, do they become a mini-super fund?

Mr. Richmond replied, not under the EPA or the state. We can currently go the Governor's Environmental Contingency Account. However, there is only so much money in that account. HB199 would fund this from RIT interest to a cap of \$1,000,000. See EXHIBIT 1, Page 14.

SEN. BENGTON said, in 1987 you were asked to perform a EIS programmatic. Was that in compliance with federal law? What do you accomplish, is this ongoing?

Mr. Richman replied, the document is finished and was adopted by the Board. It made a number of recommendations for procedural changes and rule changes. The purpose was to incorporate the Montana Environmental Policy Act into our permitting process, which was done.

SEN BENGTON asked, has it been a costly venture? Has it impacted drilling in the state?

Mr. Richmond said, we haven't seen an impact on drilling. However, the process required to advertise proposed wildcat locations has slowed the permitting process by about 10 days.

Ms. Barclay said, in regard to programmatic, if you are drilling a well in a developed field you have to go through an environmental check list. If you are drilling in a environmental sensitive area you would need a EIS.

Mr. Richmond said, it has had a cost effect on our budget to implement the programmatic as it requires a environmental analysis on each well. It seem that most of the environmental sensitive property in Montana is owned by the Federal Government.

SEN WEEDING asked, what are the other environmental sensitive areas?

Mr. Richmond replied, anytime there is an application to drill in an environmental sensitive area it requires preparing a more extensive document to resolve specific issues, such as wildlife, etc.

Mr. Schweitzer asked, if these abandoned mines aren't plugged properly, are you liable.

Mr. Richmond replied, if we cannot find the operator and that well is causing a problem, we have to deal with it. I don't think we could evade responsibility for those kinds of things.

Ms. Barclay said, when we have known problems, for the state to ignore them would be a liability if there isn't a responsible party. If we plug that well and there is a problem afterward, we would still liable.

SEN. BENGTON said, you mentioned decontrol, what is decontrol of

natural gas?

Mr. Richmond replied, the price of natural gas is decontrolled.

SEN. BENGTON asked, how does it relate to your program?

Mr. Richmond said, I am totally confused by the federal government's natural gas policy. The Natural Gas Policy Act which was passed in 1978 attempted one more time to regulate natural gas by type and vintage. They developed a dozen categories of natural gas each one with a different price and a different escalator. Each month they would go up a different percent. The federal government new they couldn't physically classify all those wells in the various categories they established. Therefore, they have asked the states participation in classifying wells on a application basis and we are doing that.

Congress recently voted to decontrol gas. It is a phased-in decontrol so people are still applying for the various categories of gas. In addition Congress gave other categories a tax credit. Coal bed methane get about a 90 cent tax credit and type gas gets about a 50 cent tax credit per 1000 cubic feet. Therefore, we have to continue to classify these two type wells.

SEN. BENGTON asked, why does natural gas prices fluctuate so much more than oil?

Mr. Richmond replied, it doesn't fluctuate very much for the producer. We see a different attitude toward natural gas transportation from FERC. FERC thinks if you have a gas pipeline you shouldn't be in the business of producing gas or selling gas but in the business of transporting it. The Montana Power is establishing itself as transporting gas, even though they do have their own gas wells. Compared to oil, the price of gas has gone down.

SEN. BENGTON said, to the customer or consumer, the price of gas is very high.

Mr. Richmond replied, it is high. It is regulated by the Public Service Commission and they establish the charge to the consumer. New contracts for natural gas in the field from Montana Power Co. are paying about \$1.25 per 1000 cubic feet.

Ms. Barclay said that oil is regulated by OPEC in the middle east and gas is not. Gas is basically produced by Canada or Mexico in this country.

SEN. WEEDING asked, because of the gulf crisis I heard gas could be converted to propane for gasoline vehicles. Do you know anything about that?

Mr. Richmond replied, the major metropolitan areas with the push for the Clean Air Act are converting public transportation buses

to compressed natural gas. The problem is the gas tank storage. You can only go about 150 miles. Propane does work pretty well as you can get a lot of btu's from a tank of propane.

Mr. Richmond said, our principle revenue source is the license and privilege tax on oil and gas which is a state special revenue fund. We also receive some revenue from xerox and data base services and permit fees. There are no general fund monies.

EXHIBIT 3 - Budget

Terry Perrigo, LFA reviewed the differences between the LFA and the Executive budget.

The differences are explained in Item D, Program Issues: 1. 4.0 FTE, operating expenses and equipment. 2. Overtime and 3. \$16,485 for a vehicle.

Item D. Language Issues: \$110,000 per year for Underground Injection Control Program.

Item E. Additional Issues: Exempt position at a Grade 12, Step 10.

Modified Budget Request: The EIS/MEPA Compliance, the process for issuing oil and gas drilling permits.

Mr. Schweitzer stated, under the Additional Issues, we do support this exempt position at the higher level for the additional amount of \$36,269.

Item D.1, Program Issues:

Mr. Richmond stated, they had not spent anything from this budget even though it has been authorized. We haven't hired any of the authorized 4 FTE either because we didn't have a program. We don't feel it is appropriate to spend money for a program we don't have. However, we won't get primacy under the UIC program unless we can demonstrate to the EPA a commitment to get the job done. We feel that \$286,641 is a reasonable budget for this program. If we tell EPA we don't have a budget we will not get primacy for the program.

SEN. WEEDING asked, does EPA give you any money for primacy?

Mr. Richmond replied, the \$110,000 is an estimate of the amount that would be available. Both the Board of Oil and Gas Conservation and the Fort Peck Tribe is seeking primacy. The grant money is allocated according to the number of injection wells you have so we would share that money with the Fort Peck Tribe if we both got primacy.

SEN. BENGTON asked, how are they handling trying to attain primacy?

Mr. Richmond replied, they have hired an environmental person who

is working on primacy. They will have to adopt a budget and I don't know where they will get the money. We propose to get the money from a per well injection fee. The legislature authorized up to \$300 per well per year. There are about 1400 injection wells of which about 1000 are not on Indian land.

REP. NISBET asked, what account are these funds from? Mr. Richmond replied, from the state special revenue account and license and privilege tax and the per well injection fee.

Ms. Rickman stated, all of the revenues we receive on oil and gas are deposited into the special revenue account.

REP. NISBET asked, is the amount that was appropriated in the last biennium still in that account? Ms. Rickman answered, "yes."

SEN. BENGTON asked, is this injection process used to recover additional product or production? Mr. Richmond replied, we have enhanced injection well for increased production and disposal wells to dispose of the salt water.

SEN. BENGTON asked, is this profitable, do they get more production? Mr. Richmond replied, in the Bell Creek area this process has doubled their production.

Mr. Schweitzer said, in answer to REP. NISBET'S question, there isn't any money in this account at this moment. As soon as they start to collect the fees, they will go into this account.

Item D.2 - Overtime: Mr. Richmond stated, the drilling goes on 24 hours a day and we need someone on the site to make decisions as the process proceeds. Therefore, the \$2,500 is for the field inspectors.

Item D.3 - Vehicle: Mr. Richmond stated, we have a 110,000 mile replacement policy and two vehicles will need to be replaced in FY93.

Ms. Perrigo stated, when the LFA looked at the equipment budget, historical data was reviewed. It appears that 2 vehicles were replaced each biennium; and that is why the LFA included one vehicle in FY92 and one in FY93. However, the agency is requesting replacement of 2 vehicles in FY93.

SEN. DEVLIN asked, how much would the additional vehicle cost. Mr. Richmond replied, approximately \$16,485 which is based on a purchase we made a couple of weeks ago.

Item D. Language Issue: Ms. Perrigo stated, this language depends upon the action taken on Program Issue No. 1 - 4.0 FTE, operating expenses and equipment.

SEN. BENGTON asked, what is your equipment budget?

Ms. Rickman replied, for equipment we have a request for filing cabinets in FY92, desk, chairs, \$3,400 for a single-user computer, \$6,400 for safety equipment for our field inspectors and about \$900 for software.

Ms. Perrigo explained, in FY92 and FY93 the Board is requesting \$18,112 for equipment for the Underground Injection Control Program. This is not included in the LFA current level.

Ms. Rickman stated, those figures also represent vehicles. If we take on that program we will be hiring additional field inspectors and we will need vehicles for them.

SEN. BENGTON asked, how many vehicles do you have. **Mr. Richmond** replied, we have 5 vehicles and one we didn't surplus that the Environmental Coordinator is using. It has over 100,000 miles and needs replacing now.

SEN. BENGTON asked, what do you do if you run short of money? Do you raise the conservation tax? **Mr. Richmond** replied, we have already done that. The license and privilege tax is given to the board to finance its' operations. It is set at a rate up to a ceiling of two-tenths of one percent and we are at that ceiling now. Production in Montana is declining at about 5% per year. However, the price is going up so we are generating adequate revenue at this time.

SEN. BENGTON asked, what is the job description of a field inspector? What is the important function of his job?

Mr. Richmond replied, one of the functions is to look for violations of the board's rules which could be fire hazards from too many weeds, improper disposal of salt water, etc. They have to inspect every well.

SEN. BENGTON asked, do they inspect the gauges to make sure they are accurate? **Mr. Richmond** said, that is a process between the buyer and the seller, we don't have anything to do with that.

Item D. Language Issues: **Mr. Richmond** said, if they receive the 110,000 for the UIC program they will reduce that amount of fees.

Item E. Additional Issues: **Mr. Richmond** said, the difference is between an entry level field inspector and an environmental coordinator at a grade 12, step 10.

Executive Modification, EIS/MEPA Compliance: This includes the estimated cost of compliance, also includes office equipment, software, etc. This involves rules revisions, publication of rules, additional Board hearings. There would be some travel expenses for hearings elsewhere. The applicant pays the cost of a EIS if one is necessary. If they decide they only need and environmental analysis, the agency pays that, which can be a significant cost. Also includes legal fees, laboratory testing

of waist products. There was a test for in-organic compounds and now they want a test for organic compounds for some 200 organic chemicals. The cost has gone from \$100 to \$2,500 for the new process for testing water. You have to take a sample from the fluids and one from the solids.

We would like to print a user handbook to comply with the programmatic and explain the process for applying for a permit and what the implications MEPA are. We are estimating about \$11,500 for the biennium to do that. This also includes reprinting our current rules book

SEN. DEVLIN asked, how often do you have to reprint your rules?

Ms. Rickman replied, the last time we reprinted the rules was in 1984. We have reprinted some replacement pages since then.

SEN. DEVLIN asked, how much RIT is in the budget? Ms. Perrigo answered, there is no RIT in this budget.

SEN. BENGTON asked, do you have an increase in the number of vehicles? Mr. Richmond replied, we have 6 vehicles of which 3 need to be replaced and we have two new field inspectors so we need 5 new vehicles for a total of 8.

EXECUTIVE ACTION

OIL AND GAS REGULATION DIVISION

EXHIBIT 3 - Budget

Motion/Vote: SEN. BENGTON moved to accept the Executive budget on the Program Issues, 1,2 & 3. Motion CARRIED unanimously.

Motion/Vote: REP. NISBET moved to accept the Executive budget for the language which is part of Item D.1 of the program issues for \$110,000 each year of the biennium. Motion CARRIED unanimously.

Motion/Vote: SEN. BENGTON moved to accept the Executive budget for Item E. Additional Issues for the grade 12, step 10 position. Motion CARRIED unanimously.

Motion/Vote: SEN. WEEDING moved to accept the Executive budget for the modification - EIS/MEPA Compliance. Motion CARRIED unanimously.

HEARING ON WATER RESOURCES DIVISION

EXHIBIT 4

Gary Fritz, Administrator Water Resources Division gave an overview on this division. He reviewed a chart with the committee.

The division has 120 employees and 9 field offices in Montana. We have 55 employees in these field offices. We have field offices in Helena, Miles City, Bozeman, Havre, Glasgow,

Lewistown, Billings, Missoula and Kalispell.

Robin Harper, Assistant Administrator takes care of our budget and personnel management.

Mr. Fritz stated, he is currently involved with Saskatchewan for a potential water project on Battle Creek. He has also worked a lot on the Tongue River Dam project. He also spent a lot of time trying to get federal funds for this project. Also, spent a lot of time with the Reserve Water Rights Compact Commission. We have had some problems with Middle Creek trying to get permits from the Forest Service. He has spent a lot of time with the western states Water Council trying to interject Montana's perspective into Congressional and regional issues on hydropower water rights and how the FDRC and the Federal Energy Commission relate.

This division administers the Dam Safety program. We have a lot of high hazard dams in Montana. The purpose of the Dam Safety Act was to insure that existing dams and new dams under construction are being built in a safe manner and operated properly. We only regulate the high hazard dams which are defined as greater than 50 acres in size. Throughout the State we have 105 high hazard dams.

REP. GRADY stated. Dam Safety is a multi-million dollar cost to the State. Who decides whether or not the dams are high hazard?

Mr. Fritz stated, legislation was passed in 1985 because of the Montana Water Resources Association. The federal government did not want to be involved with water storage unless we had a Dam Safety program. A high hazard dam is defined as a 50 acre foot dam, which if it were to fail, would cause loss of life and property. There are over 3500 dams in Montana which are over 50 acre feet in size.

One of the recommendations from the water plan was, the Water Policy Commission should take a look at whether or not the State should relax some of the requirements for a safe dam. At present the owner of the dam is liable for the safety and for any damage or loss of life if that owner has been negligent.

REP. GRADY asked, how do you come up with the definition of high hazard? What is the criteria for deciding what would happen and what the cost would be?

Mr. Fritz stated, we base it on current hydrologic models. We try to estimate what the down-stream damage would be and if there was a potential for loss of life.

SEN. WEEDING asked, are you using 100 year maximum flood for your estimates?

Mr. Fritz replied, we use a sliding scale, but dams do not have

to pass the maximum flood possibility.

REP. GRADY stated, are you saying the dam owners' responsibility may be different than what you would estimate and they would probably have to retain an engineer to decide this.

Mr. Fritz answered, that is correct.

SEN. DEVLIN asked, what happens to a dam owners liability if you declare it a high hazard? Would it be higher?

Mr. Fritz replied, one of the reasons the Dam Safety Act was passed is because the state wanted to clarify the liability of owners. The Dam Safety Act states, a dam owner is not liable unless they are negligent in some way. This only related to high hazard dams.

SEN. DEVLIN asked, if DNRC investigated all of the 3500 dams? He also stated, you have found 105 high hazard dams so far.

Mr. Fritz replied, there may be more than the 105 when the review of all the dams is complete.

Ms Barclay said, basically we have identified the most high hazard dams. There are probably others. The Tongue River Dam is the highest hazard dam.

SEN. DEVLIN asked, was the Tongue River Dam a high hazard before they had a wash-away of the spillway?

Mr. Fritz replied, as I recall it was. What started all of this was the National Dam Safety Inventory done by the Corps of Engineers. It was a Congressional Act prompted by a dam failure in Virginia. The Corps of Engineers identified 92 of the 105 dams as high hazard.

SEN. WEEDING asked, of the 105, how many of them are State owned.

Mr. Fritz replied, 25 are DNRC owned.

REP. GRADY asked, if they are classified as high hazard, what happens if you can't afford to fix them?

Mr. Fritz replied, something has to be done. The question is, how much money should go into this project? The Dam Safety standards we have adopted are less stringent than any Federal standards and any other state dam safety standards that we are aware of.

REP. GRADY asked, will they still be able to operate that dam or will you shut them done? Mr. Fritz stated, of the 13 dams we classified as high hazard, only 4 of have been given an operating permit. The owners were supposed to have operating permits in place by July of last year. We did not shut them down, but are still working with them to develop a plan to bring those dams up to standard.

SEN. BENGTON said, in the Water Storage Plan we have these high hazard dams as the number one priority. One of the recommendations that came out of that was, we established an account for this very purpose. That bill is somewhere, probably appropriations committee.

Ms. Barclay replied, there is a bill in the legislature which addresses the state liability on hazardous dams. We have to utilize whatever means we have to collect monies so that we can fix these unsafe state facilities. The bill recommends establishing a water storage account to be utilized to rehabilitate unsafe, high hazard dams, both state and private owned. It states, we can no longer ignore the liability from a failure of a particular facility.

She stated, Mr. Fritz's people were on 24 hour call this past summer on the Tongue River Dam, as water was spilling over the top. We have an early warning system established which some things can be done before a potential dangerous situation. The estimate on property damage alone from the Tongue River Dam ranging all the way to Miles City was three to five hundred million dollars. This is the most expensive project right now.

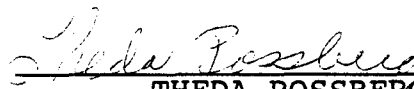
Mr. Fritz requested if you hear of any of our people being overly strict in their interpretation of their laws or rules, call me and let us know. We are very proud of our people throughout the state.

ADJOURNMENT

Adjournment: 11:00 A.M.



REP. BERV KIMBERLEY, Chair



THEDA ROSSBERG, Secretary

BK/tr

HOUSE OF REPRESENTATIVES
NATURAL RESOURCES SUBCOMMITTEE

ROLL CALL

DATE 1-30-91

NAME	PRESENT	ABSENT	EXCUSED
SEN. ESTHER BENGTON, VICE-CHAIR	✓		
REP. ED GRADY	✓		
REP. JERRY NISBET	✓		
SEN. GERRY DEVLIN	✓		
SEN. CECIL WEEDING	✓		
REP. "BERV" KIMBERLY, CHAIRMAN	✓		

Oil & Gas Regulation

	Fiscal 1990 Actual	Fiscal 1991 Appropriated	Base	Fiscal 1992 Incr/Decr	Recommended	Base	Fiscal 1993 Incr/Decr	Recommended
Full Time Equivalent Employees	26.00	26.00	26.00	.00	26.00	26.00	.00	26.00
Personal Services	521,210.36	732,407	740,249	1,641	741,890	738,840	1,641	740,481
Operating Expenses	256,415.60	358,114	457,393	45,428	502,821	457,508	34,526	492,034
Equipment	40,431.33	49,975	49,975	18,446	68,421	49,975	18,102	68,077
Debt Service	1,127.04	1,227	1,227	-247	980	1,227	-247	980
Total Agency Costs	\$819,184.33	\$1,141,723	\$1,248,844	\$65,268	\$1,314,112	\$1,247,550	\$54,022	\$1,301,572
State Special Revenue Fund	819,184.33	1,141,723	1,248,844	65,268	1,314,112	1,247,550	54,022	1,301,572
Total Funding Costs	\$819,184.33	\$1,141,723	\$1,248,844	\$65,268	\$1,314,112	\$1,247,550	\$54,022	\$1,301,572

Overview

The Oil and Gas Regulation Program administers the Montana Oil and Gas Conservation laws to promote conservation and to prevent waste in the recovery of these resources through regulation of exploration and production of oil and gas. Activities to meet this goal include 1) issuance of drilling permits; 2) classification of wells; 3) establishment of well spacing units and pooling orders; 4) inspection of drilling, production, and seismic operations; 5) investigation of complaints; 6) engineering studies; 7) collection and maintenance of complete well data and production information; and 8) administration of the federally delegated Underground Injection Control Program upon receiving primacy of the program from the Environmental Protection Agency.

Goals

- To issue drilling permits in a timely manner, identify those non-conforming permit requests which require Board approval, and prepare MEPA documentation for permits on non-federally supervised lands.
- To regulate development of oil and gas fields to insure compliance with Board rules and accepted industry practice and maximize the efficient recovery of Montana's

oil and gas resources.

- To collect, catalog and maintain oil and gas well information and production data, associated geological data and well logs and statistical information and summary data for use by the public and the industry.

- To operate a field inspection program to insure compliance with the Board's rules and to resolve complaints and gather accurate field information for use by the Board and staff in making decisions.

- To establish and administer the EPA delegated Underground Injection Control Program for the protection of ground water through regulation of waste disposal and enhanced recovery injection wells.

- To administer the Oil and Gas Production Damage Mitigation Account to assure timely plugging and restoration of oil and gas wells when a responsible person cannot be found or does not have sufficient funds to pay the plugging and restoration costs.

Authorization

82-11-111, MCA

Establishes the powers and duties of the Board of Oil and Gas Conservation relative to conservation and prevention

EXHIBIT 1
1-30-91

of waste through regulation of oil and gas exploration and production.

82-11-111(5), MCA
Establishes jurisdiction of Class II injection wells by the Board of Oil and Gas Conservation.

82-11-161, MCA
Establishes the Oil and Gas Production Damage Mitigation Account per HB143, adopted by the 1989 Legislature.

17-7-502, MCA
Establishes a statutory appropriation for expenditures from the Oil and Gas Production Damage Mitigation Account.

82-11-135, MCA
Provides that all money collected under Title 82, Chapter 11 be deposited in the state special revenue fund for the sole purpose of funding the operations of the Board of Oil and Gas Conservation.

82-1-101, MCA
Establishes the Board's authority regarding regulation of seismic exploration.

Base Program

The drilling permit program provides the mechanism to insure that oil and gas drilling proposals in Montana meet the regulatory requirements of the Board and accepted industry operating procedures. The program also insures that non-conforming drilling proposals are approved only after a public hearing before the Board. About 400 to 450 drilling permits are issued each year. As a result of the adoption of the Programmatic EIS by the Board at the end of 1989, this program also involves review of potential environmental impacts and preparation of a MEPA compliance document appropriate to the proposed activity and the attendant impacts, if any. This is a new activity and is included as an increase to base in the FY 92/93 budget.

The field development program is the regulatory program which addresses efficient development of the resources,

prevention of both physical and economic waste by prohibiting unnecessary wells, and the protection of the correlative rights of the various interest owners in a field or pool. Board hearings are held to determine appropriate spacing, well location requirements, and other field rules. Hearings are held approximately 8 times per year. About 90 individual dockets are heard each year. In addition to the public hearing process, this program includes staff activities that result in review, approval, or rejection of operator proposals to perform well workovers, re-completions, well abandonments, and similar requests. About 600 such notices are processed each year. Records of bonds and authorized operators are maintained for each well in the state; approximately 600 bonds are currently on file.

The Board and its staff administer the Natural Gas Policy Act to determine maximum lawful price for gas production from non-federally supervised wells in Montana. Approximately 200 to 250 NGPA applications are processed each year.

The development program includes response to environmental problems resulting from leaks, spills, improperly plugged wells, and in support of other government agencies by providing appropriate expertise.

The Division maintains well, field and geological information in support of its data collection program. A computer database contains information on the approximately 30,000 wells drilled in the state to date. Production records are stored for all producing wells in the state. Well records are maintained in Billings for all wells in the state, and in Shelby for wells in the Northern District. Cutting samples and core chips for approximately 11,600 key wells are stored in Billings for public use and inspection. The Board publishes quarterly statistical reports on oil and gas production, and an annual review that summarizes the years activities, and provides information about each active field in the state.

The Division maintains 16 regional and approximately 150 field maps of the major oil and gas fields; all maps are available for public use and may be copied. Also

available for public use and copying are production graphs for each of about 400 fields and enhanced recovery projects.

The Board's field inspection program is designed to insure that producing properties, drilling wells and abandoned wells are in compliance with the appropriate rules. Seismic crews operating in the state are also inspected to insure the permitting requirements are met and that shot holes are properly plugged. All abandoned well locations are inspected prior to bond release to insure that reclamation is adequate. Inspectors witness well plugging and various workover operations as well as drilling operations and construction activities.

Inspectors respond to complaints by landowners, investigate spills and leaks, provide recommendations for enforcement actions and provide reports and data in support of the regulatory program. Approximately 2100 producing well inspections are made and 250 drilling operations are inspected each year. About 300 abandoned well inspections are made and about 20 seismic crews are inspected during the year.

The Underground Injection Control Program has not been delegated as yet to the Board. Upon delegation, however this program involves issuance of permits to dispose of oil field waste by well injection, or to operate a project that injects fluids for enhanced recovery purpose. The program requires inspection and pressure testing of each injection well at least once each five years, or whenever the mechanical components of the well are changed or repaired. There are record keeping requirements associated with the program including monthly reports of quantities and injection pressures for each well. Quarterly and annual reports must be filed with EPA, and records of enforcement actions must also be reported periodically. There are approximately 1400 injection wells in Montana.

The Oil and Gas Production Damage Mitigation Account, established in 1989 by HB143, provides the authority and statutory appropriation for plugging oil and gas wells when a responsible person cannot be found or when the responsible person does not have sufficient financial resources. The legislation also provided for the removal

of producing wells completed after June 30, 1989 from the drilling bond, upon payment of a \$125 fee and proof that the well is subject to the Resource Indemnity Trust tax. The Board has compiled an inventory of approximately 2,500 wells drilled before drilling bonds were required that are either not plugged or there is insufficient information available to determine if properly plugged. This inventory, together with field inspection verification, will provide the basis for developing a prioritized list of wells which are unplugged or otherwise creating a hazard or nuisance and which are eligible to be plugged under this program or candidates for application to the RDGP grants program.

Base Funding

The operations of the Oil and Gas Conservation Division are totally funded by the Oil and Gas state special revenue account pursuant to 82-11-135, MCA. The primary revenue sources for this account are (1) the privilege and license tax assessed at the rate of .2% of the value of oil and gas produced and sold, and (2) drilling permit fees. Upon receiving primacy of the Underground Injection Control Program, a third major source of revenue will be an annual permit fee for underground injection wells. The fee will likely be between \$200 and \$300 per well and will generate approximately \$280,000 per year.

Pursuant to HB143, adopted by the 1989 Legislature, the Oil and Gas Production Damage Mitigation Account was established and codified under 82-11-161, MCA, for the purpose of plugging abandoned wells where the responsible party cannot be identified or located or does not have sufficient funds to pay the costs. On July 1, 1991, and at the beginning of each succeeding biennium, \$50,000 from the RIT interest income is to be deposited into the account up to a cap of \$200,000. Bond forfeiture moneys and filing fees collected pursuant to 82-11-162, MCA, are also to be deposited to this account.

Performance Indicators

	<u>FY90 Actual</u>	<u>FY91 Enacted</u>	<u>FY92 Base</u>	<u>FY93 Base</u>
<u>Drilling Permits</u>				
Permits issued	373	400	400	400
<u>Development Activities</u>				
Hearings	8	8	8	8
Orders issued	60	90	90	90
Sundry notices approved	600	600	600	600
Bonds on file	600	600	600	600
New bonds approved	100	100	100	100
NGPA applications	200	200	200	200
Rule revisions	3	3	3	3
Emergency responses	2	2	2	2
<u>Oil and Gas Data</u>				
New well data processed(wells completed)	350	400	400	400
Production reports processed	120,000	120,000	120,000	120,000
Decline curves calculated and maintained	400	400	400	400
Publications: Qtrly Stat. Bulletin, Annual Review(subscribers)	800	800	800	800
Core chip cataloging(new wells added)	150	150	150	150
Regional maps, Field maps(new well & status changes)	1,000	1,000	1,000	1,000
<u>Inspections</u>				
Drilling inspections	250	250	250	250
Producing well inspections	2,100	2,100	2,100	2,100
P & A inspections	300	300	300	300
Seis crew inspections	20	20	20	20
<u>UIC Program</u>				
New UIC permits	--	30	30	30
Witness pressure tests	--	280	280	280
Inspect existing inj. wells	--	1,000	1,000	1,000

Increase or Decrease from Base

<u>Item</u>	<u>Explanation</u>	<u>Fiscal 1992</u>	<u>Fiscal 1993</u>
Modification Request: <u>Oil & Gas EIS/MEPA</u> Compliance	This modification request is to provide a budget for the board to meet its MEPA compliance and rule revision obligations resulting from the Oil & Gas Programmatic Review adopted 12-23-89 pursuant to SB184 (Laws of 1987) and SB 201 (Laws of 1989).	\$50,000	\$50,000
Legal Fees	Attorney fees and expenditures which District Judge Robert S. Keller ordered the board to pay in cause No. DV-89-412B pursuant to legislative appropriation in accordance with Sec. 2-9-315, MCA.	9,962	
Miscellaneous	Miscellaneous adjustments to cover increased costs resulting from workers' compensation premium increases and inflation.	5,306	4,022
		<u>\$62,268</u>	<u>\$54,022</u>

1-30-91
For. For. Sub.

1-30-91
Mar. 4th Sub.
EXHIBIT
2

OIL & GAS CONSERVATION DIVISION

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	26.00	26.00	22.00	22.00	-4.00
Personal Services	521,210	732,407	622,477	621,319	-.78%
Operating Expenses	205,997	358,114	221,971	208,260	-23.73%
Equipment	40,431	49,975	31,150	15,625	-48.26%
Debt Service	1,127	1,227	980	980	-16.74%
Total Program	\$768,765	\$1,141,723	\$876,578	\$846,184	-9.83%
<u>Fund Sources</u>					
State Revenue Fund	768,765	1,141,723	876,578	846,184	-9.83%
Total Funds	\$768,765	\$1,141,723	\$876,578	\$846,184	-9.83%

Program Description

The Oil and Gas Conservation Division administers the Montana oil and gas conservation laws to promote conservation and prevent waste in the recovery of these resources through regulation of exploration and production of oil and gas. To meet this goal, the division: 1) issues drilling permits; 2) classifies wells; 3) establishes well spacing units and pooling orders; 4) inspects drilling, production, and seismic operations; 5) investigates complaints; 6) does engineering studies; and 7) collects and maintains complete well data and production information.

Current Level Budget

This division's current level budget decreases 9.8 percent primarily due to the elimination of funds for the Underground Injection Control (UIC) program. The UIC program was appropriated \$282,903 in fiscal 1990 and \$277,810 in fiscal 1991 from state special revenue funds for 4.0 FTE and related operating expenses. The 1989 legislature also appropriated the UIC program \$110,000 per year of federal revenue authority, contingent upon receipt of these funds from the Environmental Protection Agency (EPA). As of November 15, 1990, no FTE had been hired and no expenses incurred because the state has not been granted primacy or federal funding for this program by

the EPA. Since the division is unsure when primacy will be granted, no funds or FTE for this program are included in the current level budget.

The personal services reduction achieved by elimination of the 4.0 UIC FTE is partially offset by increases due to vacancy savings realized in fiscal 1990 and continuation of the 1991 pay plan into the 1993 biennium. While the 1993 biennium operating expenses are less than the fiscal 1991 appropriation due to the elimination of the UIC program, they are higher than fiscal 1990 actual expenditures because:

1) a \$9,962 court judgment the Board has been ordered to pay is included in 1992 current level; and

2) an increase of \$3,500 each year in repair and maintenance has been added due to increased field vehicle use associated with implementation of the Oil and Gas Programmatic EIS.

Equipment includes one replacement vehicle each year and various office, engineering, and field equipment. Debt service, which reflects this division's share of the DEC system, decreases because of reallocation of these expenses among programs.

The oil and gas conservation account funds this division. Revenue for this account is derived from drilling permits, a conservation tax on oil and gas production, interest earnings, and

OIL & GAS CONSERVATION DIVISION

miscellaneous fees for photocopy and other services. The department deposited \$946,502 from these sources in the account in fiscal 1990.

The 1989 legislature created the oil and gas production damage mitigation account for use in reclamation of resources disturbed by oil and gas exploration and production activities. Bond forfeitures, fees, and up to \$80,000 per biennium of RIT interest is deposited into the account. The division expended \$5,480 from the account in fiscal 1990 and anticipates expending \$200,000 in the 1993 biennium due to an expected increase in activity. Because this account is statutorily appropriated, no funds are included in current level.

Executive Budget Modification

Oil & Gas EIS/MEPA Compliance Program

The Oil and Gas Conservation Division is responsible for issuing oil and gas drilling permits. The 1989 legislature required that the Board of Oil and Gas Conservation adopt an environmental impact statement (EIS) addressing the process the division uses to issue permits, or a "programmatic" EIS. The requirement was made to ensure proper environmental review is completed on all permit requests in compliance with the procedures of the Montana Environmental Policy Act. The "programmatic" was completed and adopted by the board in December 1989. The Executive Budget includes \$50,000 per year from the oil and gas special revenue account to implement the "programmatic", including establishment and maintenance of an environmental review resource library and rule revisions.

Exhibit 3
1-30-91

EXHIBIT 3
DATE 1-30-91
HB 4901. per. Sub.

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	LFA Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	LFA Fiscal 1993	Difference Fiscal 1993
FTE	26.00	26.00	22.00	4.00	26.00	22.00	4.00
Personal Services	521,210	741,890	622,477	119,413	740,481	621,319	119,162
Operating Expenses	205,997	371,020	221,971	149,049	359,889	208,260	151,629
Equipment	40,431	50,222	31,150	19,072	50,222	15,625	34,597
Debt Service	1,127	980	980	0	980	980	0
Total Expend.	\$768,765	\$1,164,112	\$876,578	\$287,534	\$1,151,572	\$846,184	\$305,388
Fund Sources							
State Revenue Fund	768,765	1,164,112	876,578	287,534	1,151,572	846,184	305,388
Total Funds	\$768,765	\$1,164,112	\$876,578	\$287,534	\$1,151,572	\$846,184	\$305,388

---Executive Over (Under) LFA---

LFA Current Level Analysis Reference: page C-33
Executive Budget Summary Reference: page 89
Executive Budget Narrative Reference: page 12

Current Level Issues

- A. Reorganization Issues
NONE
- B. Appropriation Policy Issues (Non-Action Items)
1. Difference in Computer Network Charge (2,270) (2,270)
2. Difference in Inflation (1,375) (654)
- C. Budget Base Differences
1. Executive Budget includes 4.0 FTE, operating expenses, and equipment for Underground Injection Control Program, not included in LFA current level due to no staff or expenditures in fiscal 1990 and none anticipated in fiscal 1991. (state special revenue) \$2,038 \$3,116
2. Executive Budget includes \$5000 more than LFA for overtime. (state special) 4.0 4.0 286,641 286,211
3. Executive Budget includes \$16,485 for a vehicle not included in LFA current level. (state special) 2,500 2,500
- TOTAL 4.0 4.0 287,534 305,388

Resub Ex - Mon.

D. Language Issues
1. Underground Injection Control Program--language to appropriate \$110,000 per year of federal revenue to the Board of Oil & Gas Conservation contingent upon receipt of funds from the Environmental Protection Agency.

110,000 110,000

*Ex
Dunpton - Mon.*

E. Additional Issues
1. Neither the Executive Budget nor LFA current level include \$36,269 for exempt position #80040, shown as a classified position at grade 12, step 10 in the personal services "snapshot" (state special revenue)

18,169 18,100

Waeding Ex - Mon.

Executive Budget Modified Additions
A. EIS/NEPA Compliance

\$50,000 \$50,000

3
DATE 1-30-91
HE Nat. Res. Div.

MODIFIED BUDGET REQUEST

Department of Natural Resources & Conservation
Oil & Gas Regulation Division

OIL & GAS EIS/MEPA COMPLIANCE

This modification would allow the department to implement the programmatic environmental impact statement adopted by the Board in December 1989, which sets forth the process the division uses to issue oil and gas drilling permits. It is proposed that \$50,000 from the oil and gas special revenue account be used each year to fund this modification.

Object of Expenditure	Fiscal 1992	Fiscal 1993
Operating Expenses	\$31,801	\$32,145
Equipment	18,199	17,855
TOTAL	\$50,000	\$50,000
<u>Funding</u>		
State Special Revenue	\$50,000	\$50,000

WATER RESOURCES DIVISION

	Fiscal 1990 Actual	Fiscal 1991 Appropriated	Base	Fiscal 1992 Incr/Decr	Recommended	Base	Fiscal 1993 Incr/Decr	Recommended
Full Time Equivalent Employees	121.20	124.20	101.20	5.00	106.20	101.20	5.00	106.20
Personal Services	3,180,610.41	3,573,972	2,883,973	166,975	3,050,948	2,879,575	166,784	3,046,359
Operating Expenses	863,192.11	1,059,087	690,265	420,140	1,110,405	687,105	44,168	731,273
Equipment	123,215.94	84,297	122,394	-84,000	38,394	122,394	-84,000	38,394
Grants	0.00	0	0	18,000	18,000	0	18,000	18,000
Transfers	338,521.23	32,000	0	0	0	0	0	0
Debt Service	11,342.72	12,926	11,226	0	11,226	11,226	0	11,226
Total Agency Costs	\$4,516,882.41	\$4,762,282	\$3,707,858	\$521,115	\$4,228,973	\$3,700,300	\$144,952	\$3,845,252
General Fund	2,263,900.00	2,552,845	2,577,094	-19,823	2,557,271	2,570,059	-20,716	2,549,343
State Special Revenue Fund	2,214,050.40	2,157,145	1,130,764	488,646	1,619,410	1,130,241	113,376	1,243,617
Federal Special Revenue Fund	38,932.01	52,292	0	52,292	52,292	0	52,292	52,292
Total Funding Costs	\$4,516,882.41	\$4,762,282	\$3,707,858	\$521,115	\$4,228,973	\$3,700,300	\$144,952	\$3,845,252

Overview

The Water Resources Division is responsible for and administers a wide variety of programs associated with Montana's water and its use, development, and protection. The division administers Montana's water right permit process, assists the water courts in adjudicating existing water rights, prepares the state water plan, administers the Montana floodplain management program, carries out river basin studies, administers weather modification licensing and permitting, administers the

Montana Dam Safety Act, provides assistance to the Board of Water Well Contractors, conducts interstate and international water allocation negotiation and administration, directs drought planning and mitigation, coordinates Montana's water reservation process, and conducts special water management, water development, and groundwater availability studies.

The division consists of an administration unit with an attached dam safety compliance staff and two bureaus: Water Management Bureau and Water Rights Bureau.

EXHIBIT 4
DATE 1-30-91
Prepared By: [Signature]

ADMINISTRATION/DAM SAFETY

	Fiscal 1990 Actual	Fiscal 1991 Appropriated	Base	Fiscal 1992 Incr/Decr	Recommended	Base	Fiscal 1993 Incr/Decr	Recommended
Full Time Equivalent Employees	8.50	8.50	8.50	.00	8.50	8.50	.00	8.50
Personal Services	258,632.37	303,336	295,329	678	296,007	294,679	675	295,354
Operating Expenses	71,698.72	79,523	86,798	77	86,875	87,117	34	87,151
Equipment	11,480.91	1,984	1,434	0	1,434	1,434	0	1,434
Debt Service	2,495.00	2,080	2,080	0	2,080	2,080	0	2,080
Total Agency Costs	<u>\$344,307.00</u>	<u>\$386,923</u>	<u>\$385,641</u>	<u>\$755</u>	<u>\$386,396</u>	<u>\$385,310</u>	<u>\$709</u>	<u>\$386,019</u>
General Fund	18,766.38	176,980	172,707	408	173,115	172,384	402	172,786
State Special Revenue Fund	325,540.62	209,943	212,934	347	213,281	212,926	307	213,233
Total Funding Costs	<u>\$344,307.00</u>	<u>\$386,923</u>	<u>\$385,641</u>	<u>\$755</u>	<u>\$386,396</u>	<u>\$385,310</u>	<u>\$709</u>	<u>\$386,019</u>

Goals

actions.

o To successfully administer all water resource programs as mandated by the Montana Legislature. These programs include water reservations, the state water plan, weather modification, assistance to the Board of Water Well Contractors, groundwater management, dam safety, water rights, water right adjudication, and basin closures.

o To make recommendations to the department director, governor and legislature regarding water resource policy. These recommendations include components for the state water plan, water purchasing and leasing policy, positions on interstate and international negotiations and allocations, legislative changes, and other issues pertinent to improving the state's water resource management.

o To manage the division's programs and budget in such a manner as to provide the people of Montana with the best possible service and return for the cost of the program.

o To ensure that Montana's interests in water management are considered in regional and interstate water resource organizations and in congressional

o To ensure that Montana's water resource interests are protected during discussion, negotiations, and litigation with other basin states, federal agencies, and three Canadian provinces (British Columbia, Alberta, and Saskatchewan).

o To secure federal funds for Montana's water management programs.

o To accurately and efficiently review applications for construction and operation of high-hazard dams.

o To monitor the construction and rehabilitation of high-hazard dams to ensure dam safety compliance.

o To evaluate and formulate standards for construction, operation, and maintenance of high-hazard dams.

o To perform hazard classifications of dams in an efficient and timely manner.

o To educate dam owners about dam safety.

o To establish and maintain an inventory of regulated dams.

Authorization

ACA Title 85, Chap. 15

Ensure the safety of non-federal dams of 50 acre-feet or more by regulating the construction, operation, and maintenance of dams where failure would likely cause loss of life.

85-1-101, 85-1-223, 85-20-101-85-20-121, and 85-2-601-85-2-608

The DNRE has the authority to negotiate with other states and the United States government in the preparation of interstate compacts or agreements governing the distribution and allocation of waters that cross interstate boundaries. The DNRE is also responsible for the administration of the Yellowstone River Compact, which divides the flows of the interstate tributaries of the Yellowstone River among Montana, Wyoming, and part of the mainstem flows between North Dakota and Montana. In addition, the DNRE--acting on behalf of the state--has the authority to effect full use, conservation, and protection of its water resources as a sovereign power.

Base Program

The Administration Unit consists of the division administrator and his immediate staff. The unit provides leadership, management, technical guidance, and administrative support to the Water Resources Division's various programs. The unit also proposes water policy recommendations to the director, governor, and legislature and carries out special projects and assignments as directed. It manages the division budget, oversees the operation and personnel management of the division, ensures compliance with federal and state laws and established policy, and provides division secretarial support.

Montana water management interests need to be included in the activities of regional water resource organizations, including the Western States Water Council, the Missouri River Basin States Association, and Columbia River Basin

interests. Because water does not respect political boundaries, it is critical that Montana be represented in regional activities as well as in congressional actions that affect Montana water resources.

It is necessary to work closely with the other Missouri River and Columbia River basin states and federal agencies that have management responsibilities in the basins to ensure that Montana's interests are protected. The state must develop and actively pursue a strategy for receiving Pick-Sloan benefits, such as a revenue stream into the state, rehabilitation of infrastructure on existing water projects, and inexpensive Pick-Sloan power for Montana electric customers. The state also needs to work closely with the upper and lower basin states to make sure that the Master Manuals that control the operation of the river systems take Montana's needs into account. Finally, the DNRE must make sure that the state is in a strong position in the advent of an interstate apportionment proceeding, whether it be equitable apportionment, congressional apportionment, or negotiations.

The Dam Safety Program involves classifying dams for which applications for classification have been submitted; evaluating and approving high-hazard dam designs, construction plans, and specifications submitted with construction permit applications; evaluating and approving operation, maintenance, and emergency plans for high-hazard dam operating permits; monitoring construction and rehabilitation work on high-hazard dams; and formulating and evaluating construction standards and operation procedures for high-hazard dams.

Base Funding

The Water Resources Division receives funding from the general fund, a variety of state special revenue funds, and a small amount from the federal government. The Administration Unit/Dam Safety activity group is funded in FY 91 by the general fund (01100) for \$176,980 and state special revenue funds of \$209,943. A similar configuration is proposed for fiscal years 1992 and 1993.

EXHIBIT 4
DATE 1-30-93

Performance Indicators

Performance indicators for the Administration Unit do not readily lend themselves to specific quantification. However, performance expectations do expressly exist and include the following:

- o Water policy proposals are prepared in a timely manner as requested by the director, governor, or legislature.
- o Montana water resources are properly protected in interstate and international water allocation issues.
- o Regional activities give appropriate consideration to Montana water resource concerns.
- o Program budgets are reviewed and budget summary reports are prepared monthly.
- o Montana receives a proportional share of federal funds for its water resource activities.
- o Recruitment activities are carefully monitored to ensure compliance with state statutes and established policies.
- o Secretarial support is provided to all division programs and equalized among those programs.

The Dam Safety activity is more adaptable to quantification and includes the following:

Perform hazard classification within 60 days

Approve construction permits (permits required for Corps-inspected, high-hazard dams after July 1990)

Approve operation permits (permits required for non-Corps-inspected, high-hazard dams after October 1990, and Corps-inspected dams after July 1995)

Complaint investigations (on high-hazard dams with unsafe conditions)

Conduct dam owner workshops

<u>FY90 Actual</u>	<u>FY91 Enacted</u>	<u>FY92 Base</u>	<u>FY93 Base</u>
22	15	15	15
3	10	10	10
2	15	10	10
3	All	All	All
9	2	2	2

Increase or Decrease from Base

<u>Item</u>	<u>Explanation</u>	<u>Fiscal 1992</u>	<u>Fiscal 1993</u>
Personal Services	Worker's Comp rate increases	\$678	\$675
Operating Expenses	Inflation and deflation adjustments	77	34

WATER MANAGEMENT

	Fiscal 1990 Actual	Fiscal 1991 Appropriated	Base	Fiscal 1992 Incr/Decr	Recommended	Base	Fiscal 1993 Incr/Decr	Recommended
Full Time Equivalent Employees	18.50	18.20	18.50	3.00	21.50	18.50	3.00	21.50
Personal Services	487,846.79	537,660	562,397	87,220	649,617	561,755	87,026	648,781
Operating Expenses	201,978.71	215,007	212,117	395,337	607,454	212,705	20,264	232,969
Equipment	14,211.95	14,602	14,602	0	14,602	14,602	0	14,602
Grants	0.00	0	0	18,000	18,000	0	18,000	18,000
Post Service	2,842.72	3,189	3,189	0	3,189	3,189	0	3,189
Total Agency Costs	\$706,880.17	\$770,458	\$792,305	\$500,557	\$1,292,862	\$792,251	\$125,290	\$917,541
General Fund	166,220.10	35,235	43,454	-3,504	39,950	43,847	-3,509	40,338
State Special Revenue Fund	540,660.07	735,223	748,851	504,061	1,252,912	748,404	128,799	877,203
Total Funding Costs	\$706,880.17	\$770,458	\$792,305	\$500,557	\$1,292,862	\$792,251	\$125,290	\$917,541

Goals

- o To administer the water reservation statute in an accurate and timely fashion.
- o To continue the development of the statewide water plan that resolves water resource conflicts and problems throughout Montana in an efficient and effective manner.
- o To conduct special studies to resolve problems with water resource issues such as drought, adjudication prioritization, and basin closure.
- o To assist the Reserved Water Rights Compact Commission by providing technical expertise regarding quantification for negotiations on reserved water rights.
- o To promote sound groundwater management in Montana.
- o To maximize public benefits and minimize public risks from weather modification activities in Montana.
- o To prepare environmental impact statements on major state actions involving management of the state's water resources.

o To ensure the competency of monitoring and water well drillers and contractors and to prevent the waste and contamination of groundwater resources within the state.

Authorization

85-2-316, MEPA

The DNRE is responsible for determining that the reservation applications are correct and complete, making sure that an adequate environmental impact statement is completed, coordinating the reservation process, and providing the necessary assistance to the Board of Natural Resources and Environment.

85-1-203

The DNRE is required to develop a comprehensive inventory of the state's water resources and formulate a comprehensive, coordinated, multiple-use water resource plan.

85-1-101

Provides ten policy considerations that direct the actions of the DNRE with regard to the planning and development of the state's water resources and the development of the state water plan.

1-30-91
Mar. Res. Sec.

85-2-217, 85-2-702(3)

If the Reserved Water Rights Compact Commission negotiations are not successful, the DNRE and Attorney General's office are required to prepare for and litigate the Indian and federal reserved water rights as part of the statewide adjudication.

85-1-101(9), 85-1-203, 85-2-506, 85-2-507

The DNRE is to develop a comprehensive groundwater management inventory and technical justification for controlled groundwater areas and develop groundwater management plans.

85-3-101 - 85-3-204

The DNRE is required to determine whether an applicant is qualified to conduct weather modification activities and ensure that certain requirements are met. Final decisions are made by the Board of Natural Resources and Environment.

75-1-101 - 75-1-324

Prepare environmental impact statements on major actions affecting the state's water resources.

37-43-101 - 37-43-402

The Board of Water Well Contractors is required to establish and enforce minimum standards for the installation of monitoring and water wells, respond to consumer complaints, and ensure that the individuals who install monitoring and water wells are qualified to do so.

Base Program

The Water Management Bureau is comprised of 18.5 FTE and is organized into two sections: Planning and Hydrosciences. The Planning Section deals with a variety of issues such as the development of the state water plan, water reservations, interstate and international negotiations, and special studies. The Hydrosciences Section is more technically oriented and deals with areas such as technical hydrological issues, groundwater management, environmental impact statements, and monitoring well and water well licensure.

Currently, a number of projects and activities are being pursued by this bureau and should be summarily described.

Water Reservations

Reservation proceedings will be completed next biennium in the Clark Fork Basin above Miltown. It is conceivable that reservation applications will be submitted for other portions of the Clark Fork River Basin and Flathead River Basin. (The Missouri River Basin reservation proceeding is ongoing but addressed separately in a modified level request.)

State Water Plan

The following plan sections will be completed by 1993: Agricultural Water Use Efficiency, Instream Flow Protection, State Water Rights and the Federal Energy Regulatory Commission, Water Resource Data Management, Drought Management and Water Storage, Milk River Basin Implementation Strategy, Water Quality, and probably one to two more. The planning staff is required to implement many of the recommendations from the plan sections. For example, a new focus and agenda on water storage is recommended that must be developed and implemented. With greater demands for Montana's water resources within and outside the state, the need for basin planning is becoming critical. Basin planning will be initiated in a number of basins experiencing conflicts and problems. Moreover, a number of statewide issues may also be addressed.

Columbia River. The DNRE needs to work with the appropriate users within the basin to develop a unified position so that our input into the Columbia River Systems Operation Review process takes Montana's needs and interests into account. This major federal review will affect the re-negotiations of the 1964 Columbia River Treaty and the Northwest Power Coordinating Agreement. Accomplishing this task will require the basin water users to agree on the best approach to maximize all water uses, including the reserved water of the Salish-Kootenai tribes. The DNRE will participate in developing a strategy for dealing with competing water uses in the basin.

Yellowstone River Basin. A number of concerns with the Yellowstone River Compact needs to be addressed. The water quality issue in the Powder River Basin needs to be better understood in the event that Wyoming again tries to develop the better quality water and allows the poor quality water to enter Montana. Water quality studies and a simulation model are being developed for the basin to maximize water use in Montana and Wyoming. It is questionable whether the Yellowstone River Compact provides the benefits to Montana that were initially contemplated when formalized in 1950. Montana needs to work with Wyoming to modify the compact, if necessary, to meet contemporary needs within the basin. This might require a formal mechanism for apportioning flows between the two states.

Southern Tributaries of the Milk River and Poplar River. Governor Stephens and Saskatchewan's Premier Devine have initiated a joint water management initiative. During the 1993 biennium, the DNRE and its Saskatchewan counterparts will be negotiating a formal agreement on the apportionment on the Poplar River and determining Montana's apportionment needs and storage requirements from a proposed storage project on Battle Creek half a mile north of the U.S. boundary. DNRE will also assess the environmental impacts to Montana from the proposed projects.

Milk River. Montana will be determining and possibly finalizing an agreement on the potential for leasing 50,000 acre-feet/year from an Alberta storage project to relieve part of the water shortage problem in the Montana portion of the basin. DNRE needs to jointly assess the environmental impacts from the proposed project.

Special Studies

A number of important special studies to address problems across the state are ongoing.

1. Musselshell River Basin. Working with local water users, the DNRE is building a water supply model of the basin, and assisting local groups to develop options for resolving water shortage problems within the basin. During the biennium, a number of solutions will be implemented.

2. Milk River Basin. A number of the strategies for relieving water shortage problems in the Milk River Basin will be implemented. The DNRE will assist the water users in implementing the strategy.

3. Indian Tribes. Coordinate with Indian tribes in the water planning effort and work jointly with a number of the tribes to resolve water problems. For example, assist the Blackfeet Nation in defining irrigation projects on Cutbank Creek and potential sources of water supply. Moreover, assist the Reserved Water Rights Compact Commission in its negotiations by providing technical assistance and review.

4. Water Rights. Conduct studies with appropriate water users to determine water available for future appropriation and assist in the initiation of appropriate action. Studies in the Missouri, Flathead and Clark Fork river basins will be ongoing.

5. Drought Management. Provide the Disaster Advisory Council and interested parties with information regarding the status of state drought conditions. As necessary, help local basin water users to better manage water supplies among competing uses.

6. Missouri River Arsenic Studies. Determine the characteristics, mobility, and risks of arsenic concentrations in the Missouri River Basin and their effects on water availability for future use.

Technical Assistance

The Water Management Bureau includes professionals with expertise in the fields of policy analysis, economics, hydrology, geohydrology, soils, agricultural engineering, and civil engineering. Technical assistance is provided to the Governor's office, local water users, other departments of state government, and various bureaus and divisions within DNRE. Technical assistance is provided in the following areas: water rights, reservoir operations, new project development, instream concerns, impact assessments, development of proactive groundwater management plans, and optimization and maximization of water use.

EXHIBIT 4
DATE 1-30-91
TO Mr. [unclear]
[unclear]

Groundwater Management

Because there is less surface water to appropriate, more users are turning to groundwater as their source of supply. Groundwater problem areas and conflicts are increasing. The DNRE will be developing proactive groundwater management plans that solve potential problems before they become unsolvable. Moreover, the DNRE will be addressing surface-groundwater interactions and effects on existing water rights.

Weather Modification

Every year there is at least one request to conduct weather modification activities in Montana. The DNRE needs to be able to assess the project and applicant based on the criteria identified in the statute.

Environmental Impact Statement

Every major action involving water rights or water resource activities such as new projects may require an environmental impact statement under MEPA. The staff is required to develop these EISs.

Board of Water Well Contractors

The following items will be addressed by the Board.

1. Enforcement of the water well and monitoring well construction standards through periodic field inspections.

2. Respond to consumer complaints through field investigations. There are an average of 12 complaints a year.
3. A training program for licensees will be established with possible continuing education requirements.
4. Each year there are approximately 170 water well contractors, 20 water well drillers, and 100 monitoring well constructors who must renew their licenses by July 1. Water well contractors and monitoring well constructors must also submit current bonding information each year.
5. The examinations for each license category are annually reviewed and updated as needed.
6. Approximately 10 new water well contractors, 10 monitoring well constructors, and three new drillers apply for licensure each year.

Base Funding

The Water Management Bureau and Board of Water Well Contractors have traditionally received a small portion of their funding from the general fund and the majority from state special revenue funds. These state special revenue funds include water development, reclamation and development and water well funds. A similar combination of funding sources is proposed for FYs 1992 and 1993.

Performance Indicators

Water Reservations

Ensure that reservation applications are correct and complete.
EISs are comprehensive and adequately address all impacts and public input.
Provide the Board with technical support to assist it in its decision-making process.

State Water Plan

Component completion: Biennium 91 - 1; Biennium 93 - 4. For components requiring DNRE action for implementation, such action will be measured by successful implementation.

Special Studies

The Water Management Bureau conducts studies that successfully resolve problems regarding issues such as drought management, basin closure, controlled groundwater, etc.

Groundwater Management

The bureau develops information about groundwater resource characteristics and successfully resolves concerns about conflicting use, water quality protection, and supply.

Weather Modification

Acceptable performance is indicated by maximized public benefit and minimized public risk.

Environmental Impact Statements

Performance is measured by consideration of all relevant impacts and public input and timely completion of the EIS process.

Board of Water Well Contractors

Satisfactory performance is indicated by correct installation of monitoring and water wells following established standards, timely resolution of complaints to the satisfaction of the parties involved, overall improvement of the drilling industry, and protection of groundwater resources from waste and contamination.

Increase or Decrease from Base

<u>Item</u>	<u>Explanation</u>	<u>Fiscal 1992</u>	<u>Fiscal 1993</u>
<u>Modification Requests:</u>			
(1) Missouri Basin Reservation	The Missouri Basin Reservation program, ongoing since created by the 1985 Legislature, includes 3.0 FTE and an annual appropriation for personal services, \$85,943 in FY 92 and \$85,747 in FY 93, and a biennial appropriation for operating expenses, \$375,743.	\$461,686	\$ 85,747
(2) Poplar River Monitoring	The Poplar River Monitoring program was established to address both apportionment and water quality issues. This program funds work done by DNRE, DPH, and the Bureau of Mines.	\$ 33,050	\$ 33,750
Water Mediator Training	DNRE is statutorily required to provide training for water mediators and commissioners.	\$ 4,490	\$ 4,490

DATE 1-30-91
BY Mr. Paul Dull

706 24 00000

WATER RESOURCES DIVISION

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	120.20	137.00	120.20	120.20	-16.80
Personal Services	3,250,639	3,945,659	3,556,123	3,551,068	-1.24%
Operating Expenses	1,134,286	1,131,039	1,029,906	1,022,679	-9.39%
Equipment	123,707	85,960	64,984	60,984	-39.92%
Capital Outlay	4,500	0	0	0	-100.00%
Transfers	2,100,823	32,000	0	0	-100.00%
Debt Service	12,483	14,590	12,926	12,926	-4.51%
Total Program	\$6,626,438	\$5,209,248	\$4,663,939	\$4,647,657	-21.33%
Fund Sources					
General Fund	2,263,903	2,552,845	2,407,000	2,396,865	-.27%
State Revenue Fund	4,281,603	2,604,111	2,217,034	2,210,887	-35.70%
Federal Revenue Fund	80,932	52,292	39,905	39,905	-40.09%
Total Funds	\$6,626,438	\$5,209,248	\$4,663,939	\$4,647,657	-21.33%

Program Description

The Water Resources Division is responsible for many programs associated with the uses, development, and protection of Montana's water. The Division also develops and recommends water policy to the director, Governor, and legislature. The division consists of an administration unit with an attached dam safety compliance staff and three separate bureaus: Water Management Bureau, Water Rights Bureau, and Engineering Bureau.

reductions are offset by vacancy savings realized in fiscal 1990 and continuation of the 1991 pay plan increase in the 1993 biennium.

The Engineering Bureau includes 20.0 FTE of which eleven are engineers. In fiscal 1990, four engineer positions were vacant most of the year due to recruitment and retention difficulties. As of November 1990, two positions were still vacant. Because these engineers are necessary to ensure that state water projects are adequately maintained, the LFA current level budget includes funding for all positions.

Current Level Budget

The Water Resources Division had a 16.8 FTE reduction from the previous biennium because: 1) 12.8 FTE in the Water Development Bureau were moved to the Conservation and Resource Development Division in an agency reorganization; 2) 3.0 FTE included in the previous biennium for the Missouri River Reservation are included in an Executive Budget modification in the 1993 biennium; and 3) 1.0 FTE in the New Water Rights Bureau was deleted by the agency in the 1993 biennium budget request.

Operating expenses decrease 9.4 percent because various contracts expended in fiscal 1990 and appropriated in fiscal 1991 were not requested by the agency due to: 1) completion of the Broadwater Dam project; 2) inclusion of the Missouri River Basin in an Executive Budget modification in the 1993 biennium; and 3) elimination of contracted services expended in fiscal 1990 because of staff vacancies.

Equipment includes six replacement vehicles and various office, field monitoring, and computer equipment. Capital outlay expenditures in fiscal 1990 for the Middle Creek feasibility study are not continued since the study has been completed. Transfers in fiscal

The division's personal services budget increases by 1.2 percent because the FTE

WATER RESOURCES DIVISION

1990, which were used to move Broadwater Dam bond sale proceeds from a bond proceeds account into a debt service account, will not continue in the 1993 biennium. Debt service includes payment for phone system leases and this division's share of the department's DEC computer system.

The Water Resources Division is funded with a mixture of general fund, state special revenue, and federal funds.

Federal funds decline because funds for Missouri River Reservation activities are requested as a budget modification in the 1993 biennium. State special revenues decrease because Broadwater Dam bond proceeds were transferred from a state special revenue into a debt service account in fiscal 1990 and will not recur in the 1993 biennium. The following table shows funding in this division by program.

Table 7
Water Resources Division Funding
1993 Biennium

----- Fiscal 1992 -----								
	General Fund	Broadwtr O & M (State)	Water Rights Approp (State)	Water Devlpmt (State)	Reclamation and Developmnt (State)	Water Well Contract (State)	State Assistance (FMHA) (Federal)	Total
Administration	\$ 17,843			\$ 84,755	\$120,442			\$ 223,040
New Water Rights	1,430,287		\$60,000		99,000			1,589,287
Water Rights Adj	777,288		20,000		54,926			852,214
Engineering		\$223,448		780,523			\$39,905	1,043,876
Water Management	181,582			226,596	354,771			762,949
Water Well Cont						\$36,555		36,555
Dam Safety					156,018			156,018
Total	\$2,407,000	\$223,448	\$80,000	\$1,091,874	\$785,157	\$36,555	\$39,905	\$4,663,939
----- Fiscal 1993 -----								
	General Fund	Broadwtr O & M (State)	Water Rights Approp (State)	Water Devlpmt (State)	Reclamation and Developmnt (State)	Water Well Contract (State)	State Assistance (FMHA) (Federal)	Total
Administration	\$ 17,814			\$ 84,616	\$120,245			\$ 222,675
New Water Rights	1,425,426		\$60,000		99,000			1,584,426
Water Rights Adj	772,161		20,000		54,564			846,725
Engineering		\$223,448		775,723			\$39,905	1,039,076
Water Management	181,464			226,449	354,541			762,454
Water Well Cont						\$36,521		36,521
Dam Safety					155,780			155,780
Total	\$2,396,865	\$223,448	\$80,000	\$1,086,788	\$784,130	\$36,521	\$39,905	\$4,647,657

Executive Budget Modifications

Missouri Basin Reservation

This modification is proposed to continue implementation of a 1985 legislative mandate to: 1) complete comprehensive water reservation proceedings in the Missouri River basin

for the reservations of flows upstream of Fort Peck Dam by mid-fiscal 1992; 2) begin decision-making on water reservation applications in the remaining portion of the basin, which is to be completed by mid-fiscal 1994; 3) prepare the environmental impact statement on reservation applications in the lower Missouri and Little Missouri River basins; and 4) assist the Board of

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DATE 1-30-91

WATER RESOURCES DIVISION

Natural Resources in conducting contested case hearings concerning water reservation requests.

The Executive Budget includes appropriation authority of \$547,433, which includes \$166,826 from the Department of Fish, Wildlife, and Parks' miscellaneous state special revenue account and \$380,607 from water development state special revenue funds. This modification, which would add 3.0 TE and \$461,686 in fiscal 1992 and 85,747 in fiscal 1993, would continue funding for this project based on estimated actual costs during the current biennium. The 1991 biennium appropriation for this project was \$545,562 and actual expenditures are anticipated to total \$524,667.

Rehabilitation Water Projects

DNRC is responsible for 23 state-owned water storage projects that were constructed in the 1930's and 1940's. Used primarily for irrigation with ancillary recreational and flood-control benefits, several projects need repair and rehabilitation in order to eliminate potential hazards to downstream property and residents and lessen the state's liability exposure. The following projects are in need of repair and rehabilitation:

1) Rehabilitation Projects Using Water Development Funds

This modification adds a biennial appropriation of \$800,000 to complete feasibility studies, develop plans and specifications, oversee construction, and perform miscellaneous repairs on four state-owned water storage facilities. This modification, which would be funded from the water development special revenue fund (thus reducing the money available for other grants), would provide approximately the same funding level as has been appropriated in previous biennia for rehabilitation work.

The agency is requesting authority to vary funding amounts among the four projects described below and to include other priority projects as necessary.

a) Tongue River Dam: During the 1993 biennium, DNRC, in cooperation with several state and federal agencies, would develop a feasibility study on the rehabilitation of the Tongue River Dam. This project would require \$300,000 of state funds to match federal funds.

b) Middle Creek Dam: DNRC has completed rehabilitation planning for the Middle Creek Dam and has acquired federal funding to begin rehabilitation and expansion construction. State funding of \$300,000 is requested to oversee construction and conduct field inspections.

c) North Fork Smith River Dam: DNRC would conduct a feasibility study for an expected cost of \$100,000.

d) Miscellaneous Emergencies and Repairs: DNRC estimates \$100,000 will be necessary for unforeseen repair requirements on state water projects.

2) Rehabilitation Water Projects Using Funding From a Variety of Sources

The following requests for rehabilitation activities on state-owned projects would be funded through a variety of sources including federal grants, federal loans, state funds, and state bond proceeds.

a) Smith River: This modification adds authority to spend \$1,600,000 in federal funds during the next biennium to rehabilitate the water project on the North Fork of the Smith River, where seepage due to an undersized spillway has caused stability concerns. The federal funds will be in the form of a loan, which will be repaid by the water users. Although the water users have agreed to this arrangement, no formal agreements have yet been signed with the users or the federal government.

b) Middle Creek Dam: This modification adds authority to spend \$3,896,925 in federal funds

WATER RESOURCES DIVISION

during the next biennium to bring the Middle Creek Dam up to present dam safety standards and provide additional storage capacity. Funding for this project will be derived from a U.S. Bureau of Reclamation loan for \$3,121,925 and a federal grant for the remaining \$775,000. The loan will be repaid by the City of Bozeman and the water users. A formal agreement among the water users, the City of Bozeman, and the state is currently in the final negotiation stage.

c) Tongue River Dam: This modification proposes spending \$2,000,000 over the next biennium to complete final design specifications for the Tongue River Dam once the feasibility study is completed. Under the National Dam Safety Program, the U.S. Army Corps of Engineers has classified the Tongue River Dam as an unsafe high-hazard structure. Funding for this project will consist of \$1,600,000 from a U.S. Bureau of Reclamation grant and \$400,000 in state bond proceeds backed by the coal severance tax trust fund.

In the Executive Budget, the budget modifications for rehabilitating water projects are included in the Department of State Lands as part of the proposed reorganization.

Poplar River Monitoring

This modification adds \$33,050 in fiscal 1992 and \$33,570 in fiscal 1993 from the water development special revenue account to monitor water quality, quantity, and groundwater on the Poplar River at the international boundary between Montana and Saskatchewan in accordance with a bi-national monitoring committee request. Of this request, \$18,000 per year will be granted to the Bureau of Mines for groundwater studies. The remaining funds will be used to contract with the United States Geological Survey (USGS) for 50 percent of the cost of collecting water quality measurements. The USGS will be responsible for collecting the water quantity measurements. The cost of this program is currently being funded through existing programs. The Department of Health and Environmental Sciences is providing funding for the program in fiscal 1991 and DNRC contributed \$3,450 in fiscal 1990.

Subcommittee Schedule
Department of Natural Resources and Conservation
Prepared 1/24/91 by T. Perrigo

Day	Date	Program
Tuesday	1/29/91	Overview/Energy
Wednesday	1/30/91	Oil & Gas/Compact Comm.
Thursday	1/31/91	Water Resources
Friday	2/01/91	CARD/Central Services
Monday	2/04/91	Wrap-up

This is the presentation order that will be followed. The subcommittee may be ready to hear DNRC on Monday, January 28. Please be present and ready for agency overview and Energy Division on that date.

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

COMMITTEE

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Wayne Wetzel	DNRC			
Lee Rokman	DNRC			
TOM RICHMOND	"			
Debra Cottingham	RWRCC/DNRC			
John Armstrong	DNRC			
Lois Bergmeier	DSL			
KAREN BARCLAY	DNRC			
GARY LEITZ	DNRC			
Robin Harper	DNRC			

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