MINUTES

MONTANA SENATE
53rd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Mike Halligan, on January 21, 1993, at 8:00 a.m.

ROLL CALL

Members Present:
Sen. Mike Halligan, Chair (D)
Sen. Dorothy Eck, Vice Chair (D)
Sen. Bob Brown (R)
Sen. Steve Doherty (D)
Sen. Delwyn Gage (R)
Sen. Lorents Grosfield (R)
Sen. John Harp (R)
Sen. Spook Stang (D)
Sen. Tom Towe (D)
Sen. Bill Yellowtail (D)

Members Excused: Sen. Fred Van Valkenburg (D)

Members Absent: None.

Staff Present: Jeff Martin, Legislative Council
Bonnie Stark, Committee Secretary

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

Committee Business Summary:
Hearing: SB 53, SB 144, SB 148
Executive Action: None.

HEARING ON SB 53

Opening Statement by Sponsor:

Senator Bernie Swift, representing District #62, presented Senate Bill 53. Senator Swift said the object of this bill is an attempt to achieve fairness and equity in taxing state and local, federal, and private retired persons. Exhibit No. 1 to these minutes is an Amendment to Senate Bill No. 53, First Reading Copy, requested by the Department of Revenue, which changes this tax from a household tax to an individual tax. Senator Swift said the present law for federal retirees is based on a household income, not on an individual tax level, and has a penalty clause in it which states that if more than one retiree lives in the household, or income exceeds a certain level, the retiree will not receive benefit of the $3600 exemption.

Proponents' Testimony:

Ed Sheehy, a retired Federal employee, urged support of Senate Bill 53, which he believes will improve the retirement benefits of all retirees. Mr. Sheehy feels the $3600 exemption, adopted by the 1961 Legislature, is not appropriate now.

Bill Olson appeared on behalf of the American Association of Retired Persons (AARP), and presented written testimony attached to these minutes as Exhibit No. 2. Mr. Olson reported the AARP does support Senate Bill 53 in concept.

Opponents' Testimony:

Art Whitney, Vice President of the Association of Montana Retired Public Employees (AMPRE), presented Exhibit No. 3 to these minutes. The opposition by AMPRE to Senate Bill 53 pertains only to Section 15.

Jack E. Cohn, Legislative Representative of the Montana Retired Teachers and School Employees Association, expressed their opposition to Section 15 of Senate Bill 53. Mr. Cohn said that Section 15 of this bill would rescind the make-whole provision between the State and several groups of retired people, including retired teachers and school employees.

Tim Bergstrom, representing the Montana State Firemen's Association, said his group also opposed Senate Bill 53 because of Section 15. Many people in public employment do not have the right to participate in Social Security and do not have a cost-of-living increase for retirees.

Informational Testimony:

None.

Questions From Committee Members and Responses:

Senator Halligan stated Governor Racicot's comprehensive tax reform package includes an income tax provision allowing a $15,000 pension deduction and asked Senator Swift if this would accomplish his intent in Senate Bill No. 53. Senator Swift said that if the Governor's proposal addresses the questions here and treats retirees with fairness as well as the exemption, he would be willing to forget this legislation.

Senator Eck requested Mick Robinson, Director of the Montana Department of Revenue, to provide data showing how much additional income tax the state received from taxing retirees, and data indicating the amount of extra benefits paid out under the make-whole provision. The fiscal note to Senate Bill No. 53

indicates approximately $15.8 million decrease in revenue to the general fund during FY '94 and '95.

Closing by Sponsor:

Senator Swift said Senate Bill 53 would mean an over-all reduction of approximately $178.00 for each retiree. The state and local retirees will get an individual reduction of approximately $193.00 each, and the federal retirees will get an individual reduction of approximately $175.00 each.

HEARING ON SB 144

Opening Statement by Sponsor:

Senator Delwyn Gage, representing Senate District #5, presented Senate Bill #144. Senator Gage said Senate Bill 144 would exempt oil and gas producers from further Resource Indemnity Tax, and give the Oil and Gas Board the authority to assess that same 1/2 percent for the purpose of funding problem areas in that industry where there is no identifiable responsible party or where that responsible party does not have the financial ability to fund the cleanup or other problems that arise. In a previous legislative session, a bill was passed allowing $50,000 a year from Resource Indemnity Trust (RIT) earnings to go into the mitigation account, with a cap figure of $200,000. The original provisions of the RIT fund were that the tax could not be used until the trust fund reached $100 million. The interest from the trust, after it reached $10 million, has been used for grants and other natural resource related issues, including funding of some State departments involved in natural resource issues.

Senator Gage said the RIT Fund is projected to reach $100 million in either Fiscal '94 or Fiscal '98. Senate Bill 144 would not touch the interest earnings, but would be affecting the growth of the interest amounts for a 4-year period of time. Exhibits 4 and 5 to these minutes indicate information on the RIT fund.

Proponents' Testimony:

Tom Richmond, representing the Oil and Gas Conservation Board, said the Board supports Senate Bill 144. Mr. Richmond presented Exhibits 6 and 7 to these minutes, and reviewed the history of the Oil and Gas Production Damage Mitigation Account, which was established in 1989. The Mitigation Account is funded by a biennial allocation of $50,000 from RIT interest, by a fee of $125 per well for processing the bond release, and by monies collected by the Board when bonds are forfeited for non-compliance. Expenditures are made from the account regardless of the existence of a responsible party. The Board does pursue reimbursement of the account, if necessary through court action, where a responsible party can be identified and if there appears to be a reasonable likelihood of collection. The Board also participates in the grant program. Mr. Richmond further reviewed activities of the Board.

Janelle Fallan, Executive Director of the Montana Petroleum Association, spoke in favor of Senate Bill 144. Ms. Fallan said if the petroleum industry in Montana can't show that they are able to clean up oil field waste, the Federal government will step in and take over. This is a situation the Montana Petroleum Association would like to avoid. Ms. Fallan said Senate Bill 144 would benefit agriculture in the state because many of the orphan wells are on farms and ranches; it would benefit the environment because it puts RIT money into the ground; and it would benefit oil field service companies in the state by providing additional employment. Ms. Fallan said it is not a tax break for the petroleum industry; they will pay the same tax, it would just be applied differently. Under Senate Bill 144, Ms. Fallan said there is no relief from current reclamation requirements, and almost $4.7 million for the biennium would be invested directly to environmental cleanup.

Doug Abelin, Northern Montana Oil & Gas Association, said the Northern Montana oil and gas producers' position is that Senate Bill 144 would give the local economies a boost, and would help mitigate the liabilities of the wells. Mr. Abelin presented Exhibit 8 to these minutes.

Jerome Anderson, represented Shell Western Exploration and Production Company, which is the largest crude oil producer in Montana. Mr. Anderson said Shell paid approximately $1.4 of the $4.6 in this account over the last biennium. Mr. Anderson urged the committee to let the petroleum industry have this money to meet the environmental problems that exist today.

Jim Jensen, Executive Director of the Montana Environmental Information Center, spoke in support of Senate Bill 144. Mr. Jensen said the petroleum industry has a dismal record of responsible management of the problems it created in that there are thousands of inactive sites which have not been properly plugged and abandoned. Mr. Jensen said the MEIC feels some of the RIT funds could be used toward reclamation work to protect the environment. Mr. Jensen said the MEIC has some concern that the Oil and Gas Board is the regulatory agency policing its own industry.

Opponents' Testimony:

None.

Informational Testimony:

None.

Questions From Committee Members and Responses:

In response to the MEIC proposal for using RIT funds for reclamation work, Senator Towe said his notes indicate the intent of the RIT fund was to indemnify the people of Montana for loss of a valuable resource, and it was not intended to be conservation or environmentally oriented.

Senator Doherty questioned Senator Gage about Senate Bill 144 giving the Legislature's taxing authority to the Board of Oil and Gas Conservation so that if that Board came up with a determination that it wasn't necessary to spend this amount of money, they wouldn't have to impose a tax. Senator Gage replied that was correct.

Senator Eck suggested that since the petroleum industry is a difficult industry to regulate and to persuade to be responsible, what would be the disadvantage in having the EPA oversee the cleanup and insure that proper procedures are followed.

Senator Gage said there are amendments to Senate Bill 144 and Senator Halligan said the amendments would be presented during executive session on this bill.

Closing by Sponsor:

Senator Gage said many ideas have been tried unsuccessfully to create sufficient revenues to take care of problem areas in the petroleum industry, such as plugging abandoned wells, cleaning abandoned sites and tracking irresponsible operators. Senate Bill 144 would provide economic benefits for an industry that is almost non-existent in the service area in the state at the present time. Senator Gage presented Exhibit 9 to these minutes indicating what Texas has done in regard to this problem in that state.

HEARING ON SB 148

Opening Statement by Sponsor:

Senator Delwyn Gage, representing Senate District #5, presented Senate Bill 148. Senator Gage said he feels that water is our most precious commodity. Senate Bill 148 would take another 25 percent of the RIT funds to be applied into the Oil and Gas Production Damage Mitigation Account of which 14.1 percent goes into the ground water assessment program. Senator Gage said a suggestion by the Oil and Gas Commission is that a cap be placed on the amount of funds in the Mitigation Account so it doesn't continue to build up when there is no need for those funds.

Proponents' Testimony:

Tom Richmond, Administrator of the Montana Board of Oil and Gas, spoke in favor of Senate Bill 148, stating his testimony would be similar to that offered in the hearing on Senate Bill 144. Mr. Richmond further said the Board of Oil and Gas Conservation is imposed by state statute and they have statutory authority to expend money under the Damage Mitigation Account.

Janelle Fallan, Executive Director of the Montana Petroleum Association, said her testimony on the Senate Bill 144 will stand on Senate Bill 148.

Jerome Anderson, representing Shell Western Exploration and Production Company, said his testimony on Senate Bill 144 will stand on Senate Bill 148.

Doug Abelin, Northern Montana Oil & Gas Association, representing the Northern Montana oil and gas producers, said his testimony on Senate Bill 144 will stand on Senate Bill 148. Mr. Abelin presented Exhibit #10 to these minutes.

Jim Jensen, Executive Director of the Montana Environmental Information Center, spoke in support of Senate Bill 148, calling it a better bill than Senate Bill 144. Mr. Jensen suggested that some of the recipients under the RIT program have not paid into this program and suggested this committee look into solving that inequity.

Opponents' Testimony:

None.

Informational Testimony:

John Tubbs, Bureau Chief of the Resource Development Bureau, said his Department administers the reclamation development grant program as well as water development and renewable resource grant programs. Mr. Tubbs presented Exhibits 11, 12 and 13 to these minutes and explained the cash flow in the Resource Indemnity Trust fund. Exhibit 13 addresses Senate Bill 144.

Mr. Tubbs said oil and gas cleanup is funded in two forms: first, from the Oil and Gas Damage Mitigation account as an emergency fund and, second, through the Reclamation and Development Grant Program, of which approximately $1 million was funded in the last biennium. In the current biennium, approximately $724,000 in oil and gas cleanup grant projects are being recommended for funding.

Questions From Committee Members and Responses:

Senator Towe questioned Senator Gage about the differences between Senate Bill 144 and Senate Bill 148, and was told that

Senate Bill 148 would take 25% of the entire RIT tax, whereas Senate Bill 144 would specifically use funds from the Oil and Gas Tax. Senator Towe further questioned Senator Gage about why the Reclamation and Development Grant Program monies are not being used for the problems arising in the petroleum industry. Senator Gage said that others are making application for those funds and if the funds are not available for reclamation projects, a two-year wait for the funds could be detrimental. Senator Gage said that part of the process involved in Senate Bill 148 is to persuade the Oil and Gas Board that if they have access to these funds as problems arise, the Board won't need all of the bonding requirements it is imposing.

Senator Grosfield and Senator Eck questioned Tom Richmond on the determination of which problems have priority. Mr. Richmond said they have a program of looking for problem wells which are most likely to create environmental damage or ground water problems, and that they use the funds as they are available.

Closing by Sponsor:

Senator Gage said the Oil and Gas Commission is comprised of responsible people who are appointed by the Governor. Senator Gage further said the 25% would come out of the Resource Indemnity and Ground Water Assessment Tax, not the interest. He said the problems are there, and if the Board had these funds available, they would be able to correct the problems as they arise instead of having to do long-range planning to take care of them.

ADJOURNMENT

Adjournment: The meeting adjourned at 10:00 a.m.

MIKE HALLIGAN, Chair

Bonnie Stark

BONNIE STARK, Secretary

MH/bjs

ROLL CALL

SENATE COMMITTEE TAXATION DATE 1-21-93

NAME	PRESENT	ABSENT	EXCUSED
Sen. Halligan, Chair	✓		
Sen. Eck, Vice Chair	✓		
Sen. Brown	✓		
Sen. Doherty	✓		
Sen. Gage	✓		
Sen. Grosfield	✓		
Sen. Harp	✓		
Sen. Stang	✓		
Sen. Towe	✓		
Sen. Van Valkenburg			✓
Sen. Yellowtail	✓		

FC8

Attach to each day's minutes

SENATE TAXATION
EXHIBIT NO. 1
DATE 1-21-93
BILL NO. SB53

Amendments to Senate Bill No. 53
First Reading Copy

Requested by Dept. of Revenue
For the Committee on Taxation

Prepared by Lee Heiman
January 14, 1993

1. Title, line 5.
Following: "INCOME;"
Insert: "REPEALING THE ANNUAL ADJUSTMENT PAYMENT MADE TO RETIREES OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE TEACHERS' RETIREMENT SYSTEM;"

2. Page 2, line 22.
Following: "received"
Insert: ","
Following: "15-30-101"
Insert: ", by an individual"

1

Impact of $10,000 Blanket Retirement Exclusion
All Retiree Households
Tax Year 1991 Data

Total Income Bracket	No. of Hshlds.	Total Income	Retirement Income	Current Exclusion	Proposed Exclusion	Current Law Tax	Proposed Law Tax	Change in Tax	Change in Ave. tax
< $0	490	(27,030,512)	3,168,441	630,174	1,988,424	356	46	(310)	(0.63)
$ 0 – $ 1,999	474	573,590	830,801	367,281	772,404	63	12	(51)	(0.11)
$ 2,000 – $ 3,999	1,428	4,506,304	3,099,248	1,989,597	3,033,171	3,868	1,551	(2,317)	(1.62)
$ 4,000 – $ 5,999	2,727	13,894,125	8,327,897	5,583,746	8,229,077	15,526	8,036	(7,490)	(2.75)
$ 6,000 – $ 7,999	3,625	25,442,176	14,525,416	8,658,120	14,354,288	43,485	23,699	(19,786)	(5.46)
$ 8,000 – $ 9,999	3,944	35,585,641	19,154,213	10,281,296	18,945,885	91,550	48,484	(43,066)	(10.92)
$ 10,000 – $ 11,999	3,979	43,712,066	22,858,306	10,381,294	21,964,990	179,334	91,096	(88,238)	(22.18)
$ 12,000 – $ 13,999	3,820	49,641,118	24,203,938	10,118,966	22,244,483	282,358	145,994	(136,364)	(35.70)
$ 14,000 – $ 15,999	3,617	54,290,344	24,988,523	9,615,738	21,938,680	411,682	217,744	(193,938)	(53.62)
$ 16,000 – $ 17,999	3,242	55,070,412	25,036,675	8,711,996	20,662,026	496,521	258,329	(238,192)	(73.47)
$ 18,000 – $ 19,999	3,003	57,032,758	24,916,879	8,038,829	19,668,687	630,070	342,787	(287,283)	(95.67)
$ 20,000 – $ 24,999	6,292	140,814,745	57,798,705	16,309,784	42,110,903	1,927,039	1,122,767	(804,272)	(127.82)
$ 25,000 – $ 29,999	5,175	141,938,276	51,067,653	12,536,373	34,334,611	2,503,829	1,631,228	(872,601)	(168.62)
$ 30,000 – $ 34,999	4,212	136,704,916	42,968,932	6,483,516	27,145,541	3,056,345	1,999,883	(1,056,462)	(250.82)
$ 35,000 – $ 39,999	3,803	142,461,764	40,356,090	4,380,599	24,250,948	3,658,413	2,500,274	(1,158,139)	(304.53)
$ 40,000 – $ 44,999	3,353	142,273,066	38,391,618	3,724,843	22,492,907	3,967,921	2,802,931	(1,164,990)	(347.45)
$ 45,000 – $ 49,999	2,853	135,239,522	34,218,341	2,808,855	19,196,251	4,017,954	2,955,229	(1,062,725)	(372.49)
$ 50,000 – $ 54,999	2,172	113,742,861	26,616,734	1,704,809	14,593,774	3,546,903	2,672,335	(874,568)	(402.66)
$ 55,000 – $ 59,999	1,680	96,445,615	20,974,285	1,117,279	11,264,956	3,003,619	2,312,516	(691,103)	(411.37)
$ 60,000 – $ 64,999	1,295	80,755,382	17,364,143	668,193	8,735,387	2,674,486	2,088,445	(586,041)	(452.54)
$ 65,000 – $ 69,999	921	62,017,139	14,123,559	446,263	6,670,567	2,078,800	1,631,694	(447,106)	(485.46)
$ 70,000 – $ 74,999	728	52,705,869	10,677,077	280,326	5,131,479	1,756,026	1,408,021	(348,005)	(478.03)
$ 75,000 – $ 79,999	570	44,101,691	9,772,764	194,629	4,263,689	1,510,282	1,206,641	(303,641)	(532.70)
$ 80,000 – $ 89,999	808	68,359,907	13,848,031	229,843	5,655,646	2,340,363	1,933,601	(406,762)	(503.42)
$ 90,000 – $ 99,999	496	46,944,864	9,296,058	114,707	3,634,766	1,659,647	1,391,729	(267,918)	(540.16)
$100,000 – $109,999	343	35,863,706	6,002,254	88,649	2,435,270	1,332,518	1,143,789	(188,729)	(550.23)
$110,000 – $119,999	241	27,688,197	4,705,152	48,424	1,608,787	1,041,202	913,578	(127,624)	(529.56)
$120,000 – $129,999	197	24,588,758	3,342,774	26,715	1,191,216	890,166	803,247	(86,919)	(441.21)
$130,000 – $139,999	141	19,023,294	2,465,778	21,857	899,230	731,776	661,525	(70,251)	(498.23)
$140,000 – $149,999	103	14,902,287	1,663,072	17,995	535,346	563,054	527,258	(35,796)	(347.53)
$150,000 +	842	483,528,150	26,296,936	66,180	5,234,572	7,950,367	7,612,578	(337,789)	(401.17)
TOTALS	66,574	2,322,818,031	603,060,293	125,646,876	395,187,961	52,365,523	40,457,047	(11,908,476)	(178.88)

Impact of $10,000 Blanket Retirement Exclusion
State/Local Retiree Households
Tax Year 1991 Data

Total Income Bracket	No. of Hshlds.	Total Income	Retirement Income	Current Exclusion	Proposed Exclusion	Current Law Tax	Proposed Law Tax	Change in Tax	Change in Ave. tax
< $0	74	(1,601,715)	344,410	130,781	315,132	0	0	0	0.00
$ 0 – $ 1,999	52	61,229	156,543	88,820	148,190	4	0	(4)	(0.08)
$ 2,000 – $ 3,999	241	772,181	661,323	502,537	647,658	165	67	(98)	(0.41)
$ 4,000 – $ 5,999	555	2,851,289	2,080,056	1,575,772	2,075,983	681	299	(382)	(0.69)
$ 6,000 – $ 7,999	804	5,673,646	3,811,339	2,468,062	3,779,130	3,285	1,333	(1,952)	(2.43)
$ 8,000 – $ 9,999	883	7,951,183	5,003,431	2,919,242	4,980,742	9,558	3,246	(6,312)	(7.15)
$ 10,000 – $ 11,999	931	10,235,123	6,406,041	3,193,619	6,218,088	24,383	8,350	(16,033)	(17.22)
$ 12,000 – $ 13,999	922	12,014,168	7,231,715	3,360,370	6,714,235	41,112	12,070	(29,042)	(31.50)
$ 14,000 – $ 15,999	857	12,877,120	7,350,514	3,205,492	6,524,251	64,866	22,727	(42,139)	(49.17)
$ 16,000 – $ 17,999	758	12,883,133	7,276,745	2,895,939	6,125,133	79,698	28,690	(51,008)	(67.29)
$ 18,000 – $ 19,999	689	13,080,908	7,216,630	2,734,257	5,901,308	103,373	40,559	(62,814)	(91.17)
$ 20,000 – $ 24,999	1,338	29,862,743	15,332,877	5,294,173	11,789,212	317,411	142,189	(175,222)	(130.96)
$ 25,000 – $ 29,999	950	26,047,059	11,945,340	3,787,951	8,797,027	379,755	203,858	(175,897)	(185.15)
$ 30,000 – $ 34,999	776	25,223,716	10,107,679	2,263,345	7,063,190	519,130	286,761	(232,369)	(299.44)
$ 35,000 – $ 39,999	673	25,232,065	9,247,728	1,601,186	6,247,610	650,159	378,104	(272,055)	(404.24)
$ 40,000 – $ 44,999	587	24,884,510	8,834,572	1,420,753	5,614,860	690,714	429,907	(260,807)	(444.30)
$ 45,000 – $ 49,999	482	22,847,264	7,265,121	982,614	4,506,054	711,257	476,645	(234,612)	(486.75)
$ 50,000 – $ 54,999	392	20,537,321	6,255,076	827,228	3,865,125	648,076	440,259	(207,817)	(530.15)
$ 55,000 – $ 59,999	261	14,968,687	4,198,374	442,680	2,494,618	499,587	352,399	(147,188)	(563.94)
$ 60,000 – $ 64,999	214	13,330,701	3,661,260	318,164	2,134,553	468,803	333,588	(135,215)	(631.85)
$ 65,000 – $ 69,999	136	9,151,501	2,649,715	161,467	1,370,916	330,765	241,095	(89,670)	(659.34)
$ 70,000 – $ 74,999	119	8,614,941	2,023,266	101,053	1,092,990	348,386	265,921	(82,464)	(692.97)
$ 75,000 – $ 79,999	97	7,508,397	1,951,065	79,843	998,504	286,378	212,341	(74,037)	(763.27)
$ 80,000 – $ 89,999	116	9,823,919	1,553,248	89,915	957,383	368,157	298,150	(70,007)	(603.51)
$ 90,000 – $ 99,999	65	6,142,101	1,212,468	34,401	617,517	274,687	223,077	(51,610)	(794.00)
$100,000 – $109,999	53	5,541,194	921,543	37,056	527,963	249,989	206,441	(43,548)	(821.66)
$110,000 – $119,999	21	2,425,260	341,515	17,752	177,185	111,831	97,432	(14,399)	(685.67)
$120,000 – $129,999	20	2,493,762	236,019	0	157,424	110,233	96,037	(14,196)	(709.80)
$130,000 – $139,999	14	1,878,422	132,560	313	87,325	103,360	94,537	(8,823)	(630.21)
$140,000 – $149,999	10	1,443,868	84,293	3,900	52,289	70,848	67,686	(3,162)	(316.20)
$150,000 +	50	11,068,481	739,885	16,988	389,739	616,913	580,151	(36,762)	(735.24)

EXHIBIT 1
DATE 1-21-93
SB 53

Impact of $10,000 Blanket Retirement Exclusion
Other Retiree Households
Tax Year 1991 Data

Total Income Bracket	No. of Hshlds.	Total Income	Retirement Income	Current Exclusion	Proposed Exclusion	Current Law Tax	Proposed Law Tax	Change in Tax	Change in Ave. tax
< $0	416	(25,428,797)	2,824,031	499,393	1,673,292	356	46	(310)	(0.75)
$ 0 – $ 1,999	422	512,361	674,258	278,461	624,214	59	12	(47)	(0.11)
$ 2,000 – $ 3,999	1,187	3,734,123	2,437,925	1,487,060	2,385,513	3,703	1,484	(2,219)	(1.87)
$ 4,000 – $ 5,999	2,172	11,042,836	6,247,841	4,007,974	6,153,094	14,845	7,737	(7,108)	(3.27)
$ 6,000 – $ 7,999	2,821	19,768,530	10,714,077	6,190,058	10,575,158	40,200	22,366	(17,834)	(6.32)
$ 8,000 – $ 9,999	3,061	27,634,458	14,150,782	7,362,054	13,965,143	81,992	45,237	(36,754)	(12.01)
$ 10,000 – $ 11,999	3,048	33,476,943	16,452,265	7,187,675	15,746,902	154,951	82,746	(72,205)	(23.69)
$ 12,000 – $ 13,999	2,898	37,626,950	16,972,223	6,758,596	15,530,248	241,246	133,924	(107,322)	(37.03)
$ 14,000 – $ 15,999	2,760	41,413,224	17,638,009	6,410,246	15,414,429	346,816	195,018	(151,798)	(55.00)
$ 16,000 – $ 17,999	2,484	42,187,279	17,759,930	5,816,057	14,536,893	416,823	229,639	(187,184)	(75.36)
$ 18,000 – $ 19,999	2,314	43,951,850	17,700,249	5,304,572	13,767,379	526,697	302,228	(224,469)	(97.00)
$ 20,000 – $ 24,999	4,954	110,952,002	42,465,828	11,015,611	30,321,691	1,609,628	980,578	(629,050)	(126.98)
$ 25,000 – $ 29,999	4,225	115,891,217	39,122,313	8,748,422	25,537,584	2,124,074	1,427,370	(696,704)	(164.90)
$ 30,000 – $ 34,999	3,436	111,481,200	32,861,253	4,220,171	20,082,351	2,537,215	1,713,122	(824,093)	(239.84)
$ 35,000 – $ 39,999	3,130	117,229,699	31,108,362	2,779,413	18,003,338	3,008,254	2,122,170	(886,084)	(283.09)
$ 40,000 – $ 44,999	2,766	117,388,556	29,557,046	2,304,090	16,878,047	3,277,207	2,373,024	(904,183)	(326.89)
$ 45,000 – $ 49,999	2,371	112,392,258	26,953,220	1,826,241	14,690,197	3,306,697	2,478,584	(828,113)	(349.27)
$ 50,000 – $ 54,999	1,780	93,205,540	20,361,658	877,581	10,728,649	2,898,827	2,232,076	(666,751)	(374.58)
$ 55,000 – $ 59,999	1,419	81,476,928	16,775,911	674,599	8,770,338	2,504,032	1,960,117	(543,915)	(383.31)
$ 60,000 – $ 64,999	1,081	67,424,681	13,702,883	350,029	6,600,834	2,205,683	1,754,857	(450,826)	(417.05)
$ 65,000 – $ 69,999	785	52,865,638	11,473,844	284,796	5,299,651	1,748,035	1,390,599	(357,436)	(455.33)
$ 70,000 – $ 74,999	609	44,090,928	8,653,811	179,273	4,038,489	1,407,640	1,142,100	(265,540)	(436.03)
$ 75,000 – $ 79,999	473	36,593,294	7,821,699	114,786	3,265,185	1,223,904	994,300	(229,604)	(485.42)
$ 80,000 – $ 89,999	692	58,535,988	12,294,783	139,928	4,698,263	1,972,206	1,635,451	(336,755)	(486.64)
$ 90,000 – $ 99,999	431	40,802,763	8,083,590	80,306	3,017,249	1,384,960	1,168,652	(216,308)	(501.87)
$100,000 – $109,999	290	30,322,512	5,080,711	51,593	1,907,307	1,082,529	937,348	(145,181)	(500.62)
$110,000 – $119,999	220	25,262,937	4,363,637	30,672	1,431,602	929,371	816,146	(113,225)	(514.66)
$120,000 – $129,999	177	22,094,996	3,106,755	26,715	1,033,792	779,933	707,210	(72,723)	(410.86)
$130,000 – $139,999	127	17,144,872	2,333,218	21,544	811,905	628,416	566,988	(61,428)	(483.69)
$140,000 – $149,999	93	13,458,419	1,578,779	14,095	483,057	492,206	459,572	(32,634)	(350.90)
$150,000 +	792	472,459,669	25,557,051	49,192	4,844,833	7,333,454	7,032,427	(301,027)	(380.08)
TOTALS	53,434	1,976,993,854	466,827,942	85,091,203	292,816,627	44,281,959	34,913,128	(9,368,830)	(175.33)

AARP

Bringing lifetimes of experience and leadership to serve all generations.

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SECRETARY
Mr. Robert J. Souhrada
915 - 13th Street West
Columbia Falls, MT 59912
(406) 892-4642

Montana AARP State Legislative Committee
1992-1993 Position Paper

SENATE TAXATION
EXHIBIT NO. 2
DATE 1-21-93
BILL NO. SB 53

STATE RETIREMENT

POSITION: **The Montana AARP State Legislative Committee strongly supports legislation that would provide automatic cost-of-living adjustments to retirement benefits which will promote stability and fairness in all public retirement systems.**

PROBLEM: Inflation has seriously eroded the purchasing power of retired public employees. After many years of serving the state and contributing to their retirement systems, many retired workers now find that their retirement benefits do not provide a decent standard of living. This is neither just nor equitable.

This is not a new problem. The Legislature continues to study the problem year after year, just as inflation continues to erode retirement benefits year after year. If retirement benefits are to retain their purchasing power they must be increased periodically through post-retirement adjustments to offset the effects of inflation.

Over the years there have been ad hoc cost-of-living adjustments to individual retirement benefits. However, these ad hoc adjustments usually lag behind inflationary trends and give retired workers no guarantee that their benefits will be reviewed and adjusted on a regular basis.

SOLUTION: An automatic cost-of-living adjustment of retirement benefits would give retirees assurances that their benefits will reflect inflationary trends.

Legislation should be enacted that would provide benefits adjustment for those receiving public retirement benefits, commencing not later than three years after retirement. The benefit adjustments should accrue annually and be compounded, with the fixed-rate of the adjustment equal to the average rate of the Consumer Price Index - Urban (CPI-U) over the previous ten years.

Adjustments for current retirees and for current active employees should be funded by an actuarially sound and necessary increase in both employer and employee contributions.

CONTACT: Diana Dowling, State Legislative Committee Member
519 N. Rodney
Helena, MT 59601
(406) 443-2798

MT 8/31/92
POSPAPER.007

SENATE TAXATION
EXHIBIT NO. 3
DATE 1-21-93
BILL NO. SB 53

Statement on Senate Bill 53
Art Whitney
January 22, 1993

The Association of Montana Retired Public Employees is opposed to Section 15 of SB 53 which repeals MCA sections 19-15-101 and 19-15-102. Those are the sections that provide the statutory appropriation which funds the make-whole provision for state, county, city, school district and teacher retirees.

Senate Bill 226 of the 52nd Legislative session, now Chapter 823 laws of 1991, subjected our pensions to state income tax for the first time and then provided in increase to our pensions from the general fund, equal or comparable to what our tax was predicted to be. This was referred to as a make-whole provision amounting to about 2 1/2 percent in total benefits paid the prior year to be distributed to each retiree residing in Montana.

Our association agreed not to oppose the taxation of our pensions if the make-whole provision was included. We believed this provision was necessary to meet the state's moral (and probably also legal) obligation not to break with a 40-plus year promise to its own retirees by arbitrarily reducing their pensions. When the make-whole provision was added we did not oppose SB 226.

Sometime after the 52nd session ended several federal retirees sued the Montana Department of Revenue claiming among other things, that SB 226 was unconstitutional and that the state had no right to tax its own public retirees (and therefore as required by the Davis vs Michigan Case decision, and themselves as well). Our association (AMRPE) , the Retired Teachers Association (RTA) and several other groups of retired public employees intervened on the side of the state. AMRPE and the RTA spent over $16,000 of our associations funds supporting the state's right to tax its retired public employees as long as our make-whole provision was maintained. District Judge Honzel decided the issues of the case in the state's and our associations favor.

SB 226 in 1991 responded to a state taxation need and problem, it also honored a long term obligation to state, county, city, school district and teacher retirees by including the make-whole provision. We supported this bill and have helped defend the law with that provision. We believe our deal regarding SB 226 should continue to be honored.

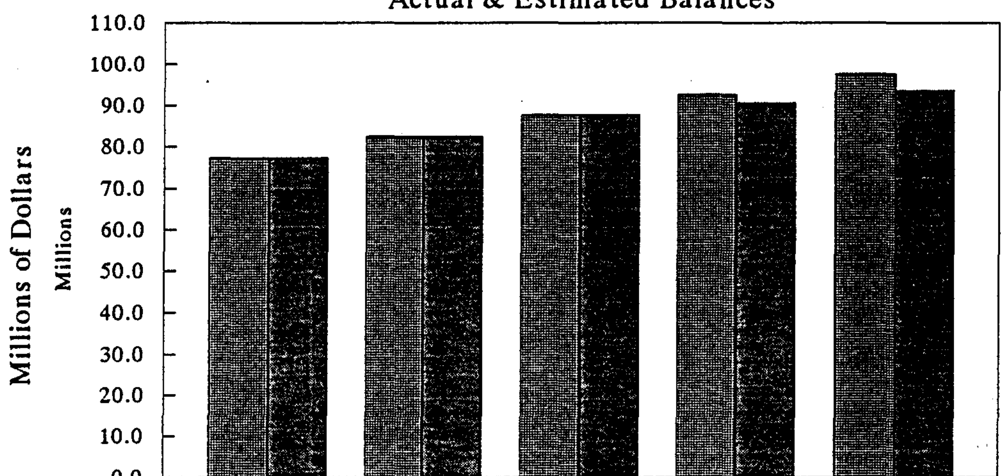
We would support SB 53 *IF* it were revised so as not to recind our make-whole provision. However as it stands AMPRE opposes Senate Bill 53.

SENATE TAXATION
EXHIBIT NO. 4
DATE 1-21-93
BILL NO. SB 144

Resource Indemnity Tax
Impact of Removing Oil & Natural Gas From Resource Indemnity Tax Base

	Fiscal Year	Oil RIT Tax	Natural Gas RIT Tax	Total Oil & Gas	Total RIT Tax	Trust Balance With Oil/Gas	Trust Balance No Oil/Gas
Act.	91	$2,120,447	$436,080	$2,556,527	$4,527,135	$77,324,921	$77,324,921
Act.	92	1,722,236	392,289	2,114,525	5,164,977	82,489,898	82,489,898
Est.	93	1,559,000	397,000	1,956,000	5,238,000	87,727,898	87,727,898
Est.	94	1,557,000	442,000	1,999,000	4,888,000	92,615,898	90,616,898
Est.	95	1,555,000	504,000	2,059,000	4,976,000	97,591,898	93,533,898

Resource Indemnity Trust Fund
Actual & Estimated Balances



Fiscal Year	91	92	93	94	95
Includes	$77,324,921	82,489,898	87,727,898	92,615,898	97,591,898
Excludes	$77,324,921	82,489,898	87,727,898	90,616,898	93,533,898

SENATE TAXATION
EXHIBIT NO. 5
DATE 1-21-93
BILL NO. SB 144

STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/444-2986

TERESA OLCOTT COHEA
LEGISLATIVE FISCAL ANALYST

January 16, 1993

TO: Senator Gage

FROM: Terry W. Johnson TWJ
Principal Fiscal Analyst

SUBJECT: Resource Indemnity Tax

This memo is in response to your request for information on the resource indemnity trust (RIT) tax. The attached document shows how much RIT tax was collected in fiscal 1991 and 1992 from oil, natural gas, and in total. The amounts estimated for fiscal 1993 through 1995 are based on oil production and price assumptions as adopted by the Revenue Oversight Committee on January 5, 1993.

Under current law, the resource indemnity trust fund will reach $100 million by the end of fiscal 1996. However, if oil and natural gas production is not subject to the tax starting in fiscal 1994, the trust fund will not reach $100 million until fiscal 1998.

Please let me know if I can provide any additional information.

TJ3F:lt:sg1-16.mem

SENATE TAXATION
EXHIBIT NO. 6
DATE 1-21-93
BILL NO. SB 144

INTERSTATE OIL AND GAS COMPACT COMMISSION

900 Northeast 23rd Street ■ P.O. Box 53127 ■ Oklahoma City, Oklahoma 73152-3127 ■ Phone: 405/525-3556 ■ Fax: 405/525-3592

January 11, 1993

Contact: W. Timothy Dowd
(405) 525-3556

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Joan Finney
Governor of Kansas

Past Chairmen:
David Walters
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Mike Sullivan
Governor of Wyoming
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STUDY FOCUSES ON IDLE OIL AND GAS WELLS

OKLAHOMA CITY -- Oil and Gas wells idled by economic conditions may yield large quantities of oil and gas, and states should implement measures that encourage production and address environmental concerns, a nationwide study has concluded.

The idle-well study was released this week by the Interstate Oil and Gas Compact Commission, a governmental entity representing the governors of the 20 oil-and-gas-producing states.

The 215,000 wells defined as idle by the study may provide as much as 2.6 billion barrels of oil and enhanced recovery efforts could add 500 million barrels. The IOGCC found a significant number of wells were idle due to natural production decline and low crude oil and gas prices, the lack of sophisticated recovery techniques, and a growing number of operators in financial trouble or out of business altogether.

But the report cautioned that states should protect themselves from possible liabilities associated with a growing number of idle wells.

"In most cases, an idle well is not an environmental threat. Many wells are allowed to remain idle with approval of the state regulatory authority because they are not threatening the environmental or public safety," the report said.

- more -

Add 1-1-1 idle well study

However, unplugged, abandoned wells can offer pathways for groundwater contamination and may include sites with surface contamination.

All of the producing states authorize financial assurance requirements from oil and gas operators to provide funds for plugging and environmental remediations. However, states should continually review these requirements to ensure adequate funds will be available, the report said.

The growing number of wells has already begun to pressure available plugging funds. In Texas, for example, nearly 2,000 wells are on a waiting list to be plugged. As a result, in 1991 the Texas legislature increased the well-plugging fund from $2 million to $10 million.

To slow the growth in the numbers of abandoned wells and other oil field sites that must be addressed with state funds, Texas also added new financial assurance and annual reporting requirements.

The IOGCC report called for each state to "continually evaluate the financial responsibility mechanisms most appropriate for the state and to implement changes when necessary to provide assurance for plugging."

In addition, states should consider procedures that require well operators to demonstrate the well has a "bona fide future use" and to agree to periodic testing as conditions of obtaining idle status.

"States should have adequate enforcement mechanisms to ensure compliance with state financial responsibility and temporary abandonment regulations, including sufficient funding and staffing," the report said.

- more -

EXHIBIT 6
DATE 1-21-93
SB-144

Add 2-2-2 idle well study

The IOGCC report also encouraged states to consider innovative approaches that permit additional oil and gas recovery from abandoned and unplugged wells.

The report, which was delivered to compact Chairman Gov. Joan Finney of Kansas, was developed under the guidance of the Idle Well Subcommittee of the Compact's Council on State Regulatory Officials. The subcommittee was chaired by D. Michael Wallen, director of the Kentucky Division of Oil & Gas, and included energy and environmental officials from 10 other states.

Other members of the committee are: Samuel Alguire, Michigan Geological Survey; Lawrence E. Bengal, Illinois Oil and Gas Division; Bill Guerard, California Department of Conservation; A. Richard Henderson, Mississippi State Oil and Gas Board; Steven Korf, Kansas Oil and Gas Conservation Division; Donald L. Mason, Ohio Department of Natural Resources; Michael W. Schmidt Oklahoma Oil and Gas Conservation Division; Jerry T. Sexton, New Mexico Oil Conservation Division; Gregory H. Sovas, New York Department of Environmental Conservation; and James W. Walker, Jr. Texas Railroad Commission.

- end -

END

EXHIBIT NO. 7
DATE 1-21-93
BILL NO. SB 144

SUMMARY OF NON-PRODUCING AND PRODUCING WELLS

Submitted to the Senate Taxation Committee
for SB144 and SB148 on January 21, 1993
by Department of Natural Resources & Conservation,
Board of Oil and Gas Conservation.

PRODUCING WELLS (AS OF LAST QUARTER, 1991

Gas Wells	2802
Oil Wells	3958
Total Producing Wells	6760

NON-PRODUCING (BONDED)

Gas	791
Oil	1806
Miscellaneous	198
Total, Bonded non-producing	2795

NON-PRODUCING (UNBONDED)

Gas	256
Oil	578
Miscellaneous	222
Total, Unbonded non-producing	1056

UNKNOWN STATUS

Total	3379

A study of pre-1954 wells found wells:

with inadequate plugging records	308
with no plugging records	2082
	2390 wells

Northern Montana Oil & Gas Association
P.O. Box 621
Shelby, Montana 59474
Phone 434-5401

SENATE TAXATION
EXHIBIT NO. 8
DATE 1-21-93
BILL NO. SB 144

SENATE TAX COMMITTEE
SPONSOR: SEN. DEL GAGE
THURSDAY, JANUARY 21, 1993, 8 A.M.

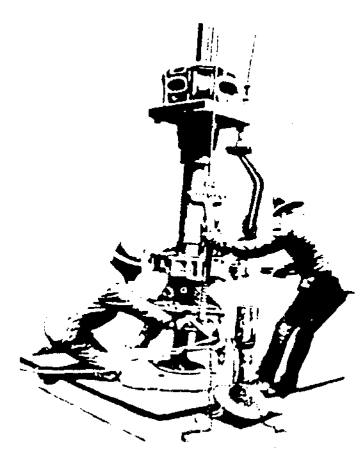
SB 144

As Montana Oil & Gas producers have paid into the RITT and Ground Water Assessment Tax since its creation, and has used very little of its earned interest, and is in need of either reductions in expenses, Workers Comp rates lowered , or new income bases, it seems time to address another method to help our industry survive until better times return.

SB 144 addresses a different method to help the industry get through rough times, lower our costs of operation, and to provide a stable and active pluggage program to reduce, and hopefully eventually remove the Liability of Orphan Wells.

By exemting Oil and Gas production from the Resource Indemnity and Ground Water Assessment Tax, and giving the Oil & Gas Board authority to lexy a 1/2 of 1% tax on our production to be used towards plugging of Orphaned wells, we would not change the tax burden on the industry, but shift us from the payer only, to the payer, receiver, operator and solver of a real burden to our industry, and to the people of the great state of Montana!

We would put our rigs to work plugging our Orphaned wells, remove the need for a bond on our wells, and help prevent any further increases in our well counts for Orphaned wells. And the putting our rigs to the task of plugging wells would mitigate the liability of unplugged wells, provide much needed work, for our dormat service companies, increase our wage, and tax base within the work areas, of the state of Montana.



SENATE TAXATION
EXHIBIT NO. 9
DATE 1-21-93
BILL NO. SB 144

Shell Western E&P Inc.
An affiliate of Shell Oil Company

P.O. Box 576
Houston, TX 77001

DEC 28 1992

December 18, 1992

Ms. Janelle Fallan
2030 11th Avenue, Suite 23
Helena, MT 59601

Dear Janelle:

Attached is an interesting proposal Arco made in New Mexico recently. It may have application in Montana, too. It is based on a law passed in Texas during the 1991 session to give the Railroad Commission the authority and funds to plug abandoned wells AND to clean abandoned sites AND to clamp down on irresponsible operators. Texas is now plugging nearly 180 wells a month.

When we discussed this with the New Mexico authorities they were very supportive. They already have a well plugging fund, so they suggested we simply broaden their definitions and authorities; if the fund is insufficient to cover the expenses, revisit the funding mechanism.

Does this have application in Montana?

Sincerely,

Rich G. Hansen
Manager External Affairs

RGH.sam

Attachment

Arco Proposal

DEC 28 1992

December 7, 1992

E&P CERCLA ISSUE

At Risk: Within CERCLA, the Superfund statute, is a provision that extends the RCRA hazardous waste exemption for oil and gas exploration and production wastes to CERCLA. Loss of this favorable language would be quite detrimental to the E&P industry. Abandoned E&P sites, such as old reserve pits or storage tanks, or sites where E&P wastes had been sent, such as commercial disposal sites or municipal landfills, could become subject to CERCLA. Under CERCLA, any past contributors of waste, can become liable for clean-up of the entire site.

What is Prompting Concern: CERCLA will be reviewed for reauthorization by the US Congress in 1993. Key members from producing states have expressed concern, saying that the oil industry is leaving the US and going elsewhere, abandoning sites as they leave. The message is clear that unless the states demonstrate that they can satisifactorily prevent wholesale and indiscriminate abandonment of sites, the federal government will step in and rectify the problem, possibly eliminating the CERCLA exemption for E&P wastes.

Recommended Action: If producing states establish strong programs to address site abandonment issues, a clear signal would be sent to Washington that states are serious about appropriately managing E&P wastes. Industry can take a proactive role in developing draft legislation, building coalitions supporting the legislation, and encouraging enactment. Texas began this effort in 1991 by authorizing the Railroad Commission to regulate oil and gas hazardous waste and by expanding the existing plugging fund to cover abandoned site cleanup for both exempt and non-exempt wastes.

EXHIBIT 9
DATE 1-21-93
SB-144

December 7, 1992

STATE OIL AND GAS CLEANUP LEGISLATION
GENERAL CONCEPTS

o Oil and gas industry will be source of cleanup funds

o Fund to be specifically designated only for well plugging/site cleanup.

o State oil and gas commission can recover costs of plugging and cleanup only from any person who plugged the well or any portion thereof, permanently abandoned the well, or operates or last operated the property from which the oil and gas wastes originated.

o State is directed to consider economics, technological feasibility, land value, and past and planned future use of the land when conducting cleanups.

o State can use present or modified version of financial security requirements.

o Regarding restrictions on approval of drilling permit applications due to compliance history:

oo Decide if restrictions are necessary

oo If deemed necessary, the criteria for restrictions should apply to officers, directors, etc. who have within the last two years held a position of ownership or control in the organization for which the application is filed. The critieria should not extend to any other organization in which the officers/directors, etc. of the organization filing for an application hold a position of ownership or control.

oo Violations should be defined so as to exclude organizations that are on a schedule for compliance.

o Oil and gas waste should be defined to include NORM.

o Civil penalties constitute a sufficient level of enforcement; criminal penalties are not necessary.

o Oil and gas hazardous waste should be included under the authority of the State oil and gas commission. This provides a complete umbrella of management and control for all oil and gas wastes.

o State oil and gas commission should also have the authority to regulate haulers of oil and gas waste (including salt water and hazardous waste). This is particularly key with the expanded authority for oil and gas hazardous waste.

o Hazardous oil and gas waste generation fees are not needed. The cleanup fund should be funded from other sources.

oo If a hazardous waste generation fee is included, any facility which is a conditionally exempt small quantity generator under EPA requirements should be exempt from the fees.

EXHIBIT 9
DATE 1-21-93
SB-144

AOGC MODIFICATIONS 12/7/92

[ ] = Deleted Language
< > = New Language

Bill Number: TX72RSB 1103 Date: 6/ 4/91
ENROLLED

AN ACT

relating to the prevention of pollution from oil and gas exploration, development, and production activities, including the creation of an oil-field cleanup fund and the imposition of certain fees; providing a penalty.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter D, Chapter 91, Natural Resources Code, is amended by adding Sections 91.111, 91.112, and 91.113 to read as follows:

<Sec. 91.111. OIL-FIELD CLEANUP FUND. (a) The oil-field> <cleanup fund is created as a special fund in the state treasury.>

<(b) The commission shall certify to the comptroller the date> <on which the balance in the fund equals or exceeds $10 million.> <The oil-field cleanup regulatory fees on oil and gas shall not be> <collected or required to be paid on or after the first day of the> <second month following the certification, except that the> <comptroller shall resume collecting the fees on receipt of a> <commission certification that the fund has fallen below $6 million.> <The comptroller shall continue collecting the fees until> <collections are again suspended in the manner provided by this> <subsection.>

<(c) The fund consists of:>

<(1) penalties imposed under Section 85.381 of this> <code for violation of a law, order, or rule relating to well> <plugging requirements;>

<(2) proceeds from bonds and other financial assurances> <required by this chapter, subject to the refund provisions of> <Section 91.1091 of this code;>

<(3) private contributions, including contributions> <made under Section 89.084 of this code;>

<(4) expenses collected under Section 89.083 of this> <code;>

<(5) drilling permit fees imposed under Subsections (a)> <and (c) of Section 85.2021 of this code;>

<(6) civil penalties collected for violations of> <Chapter 89 of this code or of rules or orders relating to plugging>

<that are adopted under this code;>
<(7) proceeds collected under Section 89.085 of this>
<code;>
<(8) interest earned on the funds deposited in the>
<fund;>
<(9) fees collected under Section 91.104 of this code;>
<(10) civil penalties or costs recovered under Section>
<91.457 or Section 91.459 of this code;>
<(11) oil and gas waste hauler permit application fees>
<collected under Section 29.015, Water Code;>
<(12) costs recovered under Subsection (f) of Section>
<91.113 of this code;>
<(13) hazardous oil and gas waste generation fees>
<collected under Section 91.605 of this code;>
<(14) oil-field cleanup regulatory fees on oil>
<collected under Section 81.116 of this code;>
<(15) oil-field cleanup regulatory fees on gas>
<collected under Section 81.117 of this code;>
<(16) fees for a reissued certificate collected under>
<Section 85.167 of this code;>
<(17) fees collected under Subsection (b) of Section>
<91.1013 of this code; and>
<(18) legislative appropriations.>
<Sec. 91.112. PURPOSE OF THE FUND. (a) Money in the fund>
<may be used by the commission or its employees or agents for:>
<(1) controlling or cleaning up oil and gas wastes or>
<other substances or materials regulated by the commission under>
<Section 91.101 of this code that are causing or are likely to cause>
<the pollution of surface or subsurface water, consistent with>
<Section 91.113 of this code;>
<(2) plugging abandoned wells and administering or>
<enforcing permits, orders, and rules relating to the commission's>
<authority to prevent pollution under this chapter, Chapter 89 of>
<this code, or any other law administered or enforced by the>
<commission under Title 3 of this code;>
<(3) implementing Subchapter N of this chapter and>
<enforcing rules, orders, and permits adopted or issued under that>
<subchapter; and>
<(4) preparing the report required under Subsection (b)>
<of this section.>
<(b) The commission shall submit to the legislature,>
<annually, a report that reviews the extent to which the funds>
<provided under Section 91.111 of this code have enabled the>
<commission to better protect the environment and enhance the income>
<of the oil-field cleanup fund. The report shall include:>

EXHIBIT 9
DATE 1-21-93
SB-144

<(1) the number of wells plugged;>

<(2) the number of wells abandoned;>

<(3) the number of inactive wells not currently in> <compliance with commission rules;>

<(4) the status of enforcement proceedings for all> <wells in violation of commission rules and the time period during> <which the wells have been in violation;>

<(5) the method by which the commission sets priorities> <by which it determines the order in which abandoned wells are> <plugged;>

<(6) a projection of the amount of oil-field cleanup> <funds needed for the next biennium for plugging of abandoned wells> <and remediating surface locations; and>

<(7) the status of implementation of the provisions of> <Section 89.085 of this code relating to possession and sale of> <equipment to recover plugging costs.>

<Sec. 91.113. CLEANUP BY COMMISSION. (a) If oil and gas> <wastes or other substances or materials regulated by the commission> <under Section 91.101 of this subchapter are causing or are likely> <to cause the pollution of surface or subsurface water, the> <commission, through its employees or agents, may use money in the> <oil-field cleanup fund to control or clean up the oil and gas> <wastes or other substances or materials if:>

<(1) the responsible person has failed or refused to> <control or clean up the oil and gas wastes or other substances or> <materials after notice and opportunity for hearing;>

<(2) the responsible person is unknown, cannot be> <found, or has no assets with which to control or clean up the oil> <and gas wastes or other substances or materials; or>

<(3) the oil and gas wastes or other substances or> <materials are causing the pollution of surface or subsurface water.>

<(b) For purposes of this section, "responsible person" means> <any operator or other person required by law, rules adopted by the> <commission, or a valid order of the commission to control or clean> <up the oil and gas wastes or other substances or materials.>

<(c) The commission or its employees or agents, on proper> <identification, may enter the land of another for the purpose of> <controlling or cleaning up oil and gas wastes or other substances> <or materials under this section.>

oooNew Section. In conducting control or clean up of oil and gas wastes and other substances and materials, the Commission is directed to consider economics, technological feasibility, land value, and past and planned future use of the land.

<(d) The control or cleanup of oil and gas wastes or other> <substances or materials by the commission under this section does>

<not prevent the commission from seeking penalties or other relief>
<provided by law from any person who plugged a well or any portion of a well, permanently abandoned a well, or operates or last operated the property, from which oil and gas wastes originated. ~~**is required by law, rules>**~~
~~**<adopted by the commission, or a valid order of the commission to>**~~
~~**<control or clean up the oil and gas wastes or other substances or>**~~
~~**<materials.>**~~

<(e) The commission and its employees are not liable for any>
<damages arising from an act or omission if the act or omission is>
<part of a good-faith effort to carry out this section.>

<(f) If the commission controls or cleans up oil and gas>
<wastes or other substances or materials under this section, the>
<commission may recover all costs incurred by the commission from>
<any person who was required by law, rules adopted by the>
<commission, or a valid order of the commission to control or clean>
<up the oil and gas wastes or other substances or materials. The>
<commission may request the attorney general to file suit in any>
<court of competent jurisdiction in Travis County to recover these>
<costs from any person who plugged a well, permanently abandoned a well, or operates or last operated the property from which the oil and gas wastes originated. Costs recovered under this subsection shall be deposited to the oil-field cleanup fund.>

SECTION 2. Subchapter E, Chapter 81, Natural Resources Code, is amended by adding Sections 81.116 and 81.117 to read as follows:

<Sec. 81.116. OIL-FIELD CLEANUP REGULATORY FEE ON OIL.>
<(a) An oil-field cleanup regulatory fee is imposed on crude>
<petroleum produced in this state in the amount of five-sixteenths>
<of one cent on each barrel of 42 standard gallons.>

<(b) The fee is in addition to the taxes imposed under>
<Section 81.111 of this code and Chapter 202, Tax Code.>

<(c) Except as provided by Subsection (d) of this section,>
<Chapter 202, Tax Code, applies to the administration and collection>
<of the fee, and the penalties provided by that chapter apply to any>
<person who fails to pay or report the fee.>

<(d) The comptroller shall suspend collection of the fee in>
<the manner provided by Section 91.111 of this code.>

<(e) Proceeds from the fee, including any penalties collected>
<in connection with the fee, shall be deposited to the oil-field>
<cleanup fund as provided by Section 91.111 of this code.>

<Sec. 81.117. OIL-FIELD CLEANUP REGULATORY FEE ON GAS.>
<(a) An oil-field cleanup regulatory fee is imposed on gas>
<initially produced and saved in this state in the amount of>
<one-thirtieth of one cent for each thousand cubic feet.>

<(b) The fee is in addition to the tax imposed under Section>

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<201.052, Tax Code.>

<(c) Except as provided by Subsection (d), the> <administration, collection, and enforcement of the fee is the same> <as for the tax imposed under Section 201.052, Tax Code.>

<(d) The comptroller shall suspend collection of the fee in> <the manner provided by Section 91.111 of this code.>

<(e) Proceeds from the fee, including any penalties collected> <in connection with the fee, shall be deposited to the oil-field> <cleanup fund as provided by Section 91.111 of this code.>

SECTION 3. Section 85.164, Natural Resources Code, is amended to read as follows:

Sec. 85.164. CANCELLATION OF CERTIFICATE. The commission may cancel any certificate of compliance issued under the provisions of this subchapter if it appears that the owner or operator of a well covered by the provisions of the certificate, in the operation of the well or the production of oil or gas from the well, has violated or is violating the oil and gas conservation laws of this state or rules or orders of the commission adopted under those laws. <Before canceling a certificate of compliance,> <the commission shall give notice to the owner or operator by> <personal service or by registered or certified mail of the facts or> <conduct alleged to warrant the cancellation and shall give the> <owner or operator an opportunity to show compliance with all> <requirements of law for retention of the certificate as required by> <Subsection (c), Section 18, Administrative Procedure and Texas> <Register Act (Article 6252-13a, Vernon's Texas Civil Statutes).>

SECTION 4. Subchapter E, Chapter 85, Natural Resources Code, is amended by adding Section 85.167 to read as follows:

<Sec. 85.167. FEE FOR REISSUED CERTIFICATE. (a) If a> <certificate of compliance has been canceled, the commission may not> <issue a new certificate of compliance until the owner or operator> <submits to the commission a nonrefundable fee of $100.>

<(b) Fees collected under this section shall be deposited to> <the oil-field cleanup fund.>

SECTION 5. Section 85.2021, Natural Resources Code, is amended to read as follows:

Sec. 85.2021. DRILLING PERMIT FEE. (a) With each application or materially amended application for a permit to drill, deepen, plug back, or reenter a well, the applicant shall submit to the commission a <nonrefundable> fee of<:>

<(1)> $100 <if the total depth of the well is 2,000 feet> <or less;>

<(2) $125 if the total depth of the well is greater> <than 2,000 feet but less than or equal to 4,000 feet;>

<(3) $150 if the total depth of the well is greater>

<than 4,000 feet but less than or equal to 9,000 feet;>

<(4) $200 if the total depth of the well is greater> <than 9,000 feet>.

<(b) An> [Additionally, the] applicant shall submit <an> <additional nonrefundable> [a] fee of $50 when requesting that the commission expedite the application for a permit to drill, deepen, plug back, or reenter a well.

<(c) With each application for an extension of time to plug a> <well pursuant to commission rules, an applicant shall submit to the> <commission a nonrefundable fee of $100, unless the applicant has> <filed a bond under Section 91.1041 or Section 91.1042 of this code> [(b) The drilling permit fee and the fee to expedite the drilling] [permit application may not be refunded].

<(d) All> [(c) Drilling permit] fees collected under this section shall be deposited in the state <oil-field cleanup> [well] [plugging] fund <except that fees>[. Fees] to expedite a drilling permit application shall be deposited in the general revenue fund.

SECTION 6. Subsection (d), Section 89.083, Natural Resources Code, is amended to read as follows:

(d) Money collected in a suit under this section shall be deposited in the state <oil-field cleanup> [well plugging] fund.

SECTION 7. Subsection (b), Section 89.121, Natural Resources Code, is amended to read as follows:

(b) Civil penalties collected for violations of this chapter or of rules relating to plugging that are adopted under this code shall be deposited in the state <oil-field cleanup> [well plugging] fund.

SECTION 8. Section 91.103, Natural Resources Code, is amended to read as follows:

Sec. 91.103. PERSONS REQUIRED TO EXECUTE BOND <OR ALTERNATE> <FORM OF FINANCIAL SECURITY>. <Any person, including any firm,> <Partnership, joint stock association, corporation, or other> <organization, required to file an organization report under Section> <91.142 of this code shall execute and file with the commission a> <bond or alternate form of financial security> [(a) Before approval] [of an application, the commission may require the following persons] [to execute and file with the commission a bond:]

[(1) an applicant to drill a new well or redrill or] [deepen an old well;]

[(2) an operator who has acquired a producing well and] [who is requesting authorization to connect a producing will or] [wells to a pipeline or other outlet; and]

[(3) an operator filing a well potential form who has] [reworked and brought into production a previously nonproducing]

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[well, resulting in making an application for an allowable for]
[production of oil and gas from the well.]

[(b) The commission may require the filing of a bond by any] [operator seeking an exception to the well plugging requirements] [established by law or rules and orders of the commission].

SECTION 9. Section 91.104, Natural Resources Code, is amended to read as follows:

Sec. 91.104. <BONDS AND ALTERNATE FORMS OF FINANCIAL SECURITY> [AMOUNT OF BOND]. <(a)> The commission <shall require a bond or an> <alternate form of financial security to be filed with the> <commission as provided by Subsection (b) of this section.>

<(b) A person required to file a bond under Section 91.103 of> <this code may choose to file:>

<(1) an individual bond as provided under Section> <91.1041 of this code;>

<(2) a blanket bond as provided under Section 91.1042> <of this code;>

<(3) a nonrefundable annual fee of $100, if the person> <can demonstrate to the commission an acceptable record of> <compliance with all commission rules, orders, licenses, permits, or> <certificates that relate to safety or the prevention or control of> <pollution for the previous 48 months and the person and, if a firm,> <partnership, joint stock association, corporation, or other> <organization, its officers, directors, general partners, or owners> <of more than 25 percent ownership interest or any trustee:>

<(A) has no outstanding violations of such> <commission rules, orders, licenses, permits, or certificates;>

<(B) has paid all administrative, civil, and> <criminal penalties, if any, relating to any violation of such> <commission rules, orders, licenses, permits, or certificates; and>

<(C) has paid all reimbursements of any costs and> <expenses assessed by the commission in relation to any violation of> <such commission rules, orders, licenses, permits, or certificates;>

<(4) a nonrefundable annual fee equal to three percent> <of the bond that otherwise would be required; or>

<(5) to give a first lien on tangible personal property> <associated with oil and gas production whose salvage value equals> <the value of an individual bond under Section 91.1041 of this code> <or the value of a blanket bond under Section 91.1042 of this code> <that otherwise would be required.>

<(c) A person who chooses to file a form of financial> <security other than a bond shall also submit a fee of $100 for each> <application to extend the time to plug a well in accordance with> <Section 85.2021 of this code> [may require that the bond be in an]

[amount equal to the cost of plugging each well or in a blanket]
[amount designed to assure the proper plugging of all wells drilled,]
[to be drilled, or to be operated in this state].

SECTION 10. Chapter 91, Natural Resources Code, is amended by adding Sections 91.1041 and 91.1042 to read as follows:

<Sec. 91.1041. INDIVIDUAL BOND. A person required to file a>
<bond under Section 91.103 who operates one or more wells may file a>
<bond in an amount equal to $2 for each foot of well depth for each>
<well.>

<Sec. 91.1042. BLANKET BOND. A person required to file a>
<bond under Section 91.103 may file a blanket bond to cover all>
<wells and operations for which a bond is required as follows:>

<(1) a person who operates 10 or fewer wells or>
<performs other operations shall file a $25,000 blanket bond;>

<(2) a person who operates more than 10 but fewer than>
<100 wells shall file a $50,000 blanket bond; and>

<(3) a person who operates 100 or more wells shall file>
<a $250,000 blanket bond.>

SECTION 11. Section 91.105, Natural Resources Code, is amended to read as follows:

Sec. 91.105. BOND CONDITIONS. Each bond <required by Section>
<91.103 of this code> shall be conditioned that the operator will plug and abandon <all wells and control, abate, and clean up>
<pollution associated with an operator's oil and gas activities>
<covered under the bond> [the well] in accordance with the law of the state and the <permits,> rules<,> and orders of the commission.

SECTION 12. Section 91.107, Natural Resources Code, is amended to read as follows:

Sec. 91.107. NEW BOND <OR ALTERNATE FORM OF FINANCIAL>
<SECURITY>. If a well covered by a bond <or alternate form of>
<financial security> is transferred, sold, or assigned by its operator, the commission <shall> [may] require the party acquiring the well to <file> [execute] a new bond <or alternate form of>
<financial security as provided by this subchapter>, and the bond <or>
<alternate form of financial security> of the prior operator shall
<continue to be required and to> remain in effect until the new bond
<or alternate form of financial security is provided or the>
<commission determines that the financial security previously>
<submitted to the commission by the person acquiring the well>
<complies with this subchapter> [is provided or filing of the bond is]
[waived].

1. PREFERRED OPTION FOR SECTION 13

~~SECTION 13. Subchapter D, Chapter 91, Natural Resources Code, is amended by adding Section 91.110 to read as follows:~~

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~~<Sec. 91.110. FILING OF A DRILLING PERMIT APPLICATION.>~~
~~<(a) The commission may not accept an application under Subsection>~~
~~<(a) of Section 85.2021 of this code if:>~~
~~<(1) an officer, director, general partner, owner of>~~
~~<more than 25 percent ownership interest, or trustee of the>~~
~~<organization has, within the five years preceding the date on which>~~
~~<the report is filed, held a position of ownership or control in the>~~
~~<organization for which the application is filed or in any other>~~
~~<organization registered with the commission; and>~~
~~<(2) during that period of ownership or control the>~~
~~<organization violated a provision of this title or a commission>~~
~~<rule, order, license, permit, or certificate that relates to safety>~~
~~<or the prevention or control of pollution.>~~
~~<(b) An organization has committed a violation if:>~~
~~<(1) an order finding the violation has been entered>~~
~~<against the organization and all appeals have been exhausted; or>~~
~~<(2) the commission and the organization have entered>~~
~~<into an agreed order relating to the alleged violation.>~~
~~<(c) A person holds a position of ownership or control in an>~~
~~<organization if the person is:>~~
~~<(1) an officer or director;>~~
~~<(2) a general partner;>~~
~~<(3) the owner of a sole proprietorship;>~~
~~<(4) the owner of more than a 25 percent ownership>~~
~~<interest; or>~~
~~<(5) the designated trustee.>~~
~~<(d) The commission shall accept the application if:>~~
~~<(1) the conditions that constituted the violation are>~~
~~<corrected;>~~
~~<(2) all administrative, civil, and criminal penalties>~~
~~<relating to those conditions are paid; and>~~
~~<(3) all reimbursements of costs and expenses assessed>~~
~~<by the commission to be collected in relation to those conditions>~~
~~<are collected.>~~

ALTERNATE OPTION FOR SECTION 13
SECTION 13. Subchapter D, Chapter 91, Natural Resources
Code, is amended by adding Section 91.110 to read as follows:
<Sec. 91.110. FILING OF A DRILLING PERMIT APPLICATION.>
<(a) The commission may not accept an application under Subsection>
<(a) of Section 85.2021 of this code if:>
<(1) an officer, director, general partner, owner of>
<more than 25 percent ownership interest, or trustee of the>
<organization has, within the ~~five~~ two years preceding the date on which>

<the report is filed, held a position of ownership or control in the>
<organization for which the application is filed ~~or in any other>~~
~~<organization registered with the commission;~~ and>

<(2) during that period of ownership or control the>
<organization violated a provision of this title or a commission>
<rule, order, license, permit, or certificate that relates to safety>
<or the prevention or control of pollution.>

<(b) An organization has committed a violation if:>

<(1) an order finding the violation has been entered>
<against the organization, ~~and~~ all appeals have been exhausted, and the organization is not in compliance or on a schedule for compliance with an order; or>

<(2) the commission and the organization have entered>
<into an agreed order relating to the alleged violation, and the organization is not in compliance or on a schedule for compliance with such order.>

<(c) A person holds a position of ownership or control in an>
<organization if the person is:>

<(1) an officer or director;>

<(2) a general partner;>

<(3) the owner of a sole proprietorship;>

<(4) the owner of more than a 25 percent ownership>
<interest; or>

<(5) the designated trustee.>

<(d) The commission shall accept the application if:>

<(1) the conditions that constituted the violation are>
<corrected;>

<(2) all administrative, civil, and criminal penalties>
<relating to those conditions are paid; and>

<(3) all reimbursements of costs and expenses assessed>
<by the commission to be collected in relation to those conditions>
<are collected.>

SECTION 14. Section 91.1013, Natural Resources Code, is amended to read as follows:

Sec. 91.1013. APPLICATION <FEES> [FEE]. <(a)> With each application for a fluid injection well permit, the applicant shall submit to the commission a nonrefundable fee of $100. In this section, "fluid injection well" means any well used to inject fluid or gas into the ground in connection with the exploration or production of oil or gas other than an oil and gas waste disposal well regulated by the commission pursuant to Chapter 27, Water Code.

<(b) With each application for a permit to discharge to>
<surface water under this chapter and commission rules, other than a>
<permit for a discharge that meets National Pollutant Discharge>

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<Elimination System requirements for agricultural or wildlife use,> <the applicant shall submit to the commission a nonrefundable fee of> <$200.>

<(c) Fees collected under Subsection (b) of this section> <shall be deposited in the state oil-field cleanup fund.>

SECTION 15. Section 91.108, Natural Resources Code, is amended to read as follows:

Sec. 91.108. DEPOSIT OF FUNDS. <Subject to the refund> <provisions of Section 91.1091 of this code, proceeds> [Proceeds] from bonds required pursuant to <this chapter> [state well plugging] [requirements] shall be deposited in the <oil-field cleanup> [state] [well plugging] fund.

SECTION 16. Subchapter D, Chapter 91, Natural Resources Code, is amended by adding Section 91.1091 to read as follows:

<Sec. 91.1091. REFUND. The commission shall refund the> <proceeds from a bond or other form of security required under this> <subchapter if:>

<(1) the conditions that caused the proceeds to be> <collected are corrected;>

<(2) all administrative, civil, and criminal penalties> <relating to those conditions are paid; and>

<(3) all reimbursements of costs and expenses assessed> <by the commission to be collected in relation to those conditions> <are collected.>

SECTION 17. Section 91.109, Natural Resources Code, is amended to read as follows:

Sec. 91.109. DISPOSAL SITE BOND. A person applying for or acting under a commission permit to store, handle, treat, reclaim, or dispose of oil and gas waste may be required by the commission to maintain a performance bond or other form of financial security conditioned that the permittee will operate and close the storage, handling, treatment, reclamation, or disposal site in accordance with state law, commission rules, and the permit to operate the site. However, this section does not authorize the commission to require a bond or other form of financial security for saltwater disposal pits, emergency saltwater storage pits (including blow-down pits), collecting pits, or skimming pits provided that such pits are used in conjunction with the operation of an individual oil or gas lease. <Subject to the refund provisions of> <Section 91.1091 of this code, proceeds> [Proceeds] from any bond or other form of financial security required by this section shall be placed in the <oil-field cleanup fund> [well plugging fund provided] [by Section 89.152 of this code]. Each bond or other form of financial security shall be renewed and continued in effect until the conditions have been met or release is authorized by the commission.

SECTION 18. Subsection (b), Section 91.457, Natural Resources Code, is amended to read as follows:

(b) If a person ordered to close a saltwater disposal pit under Subsection (a) of this section fails or refuses to close the pit in compliance with the commission's order and rules, the commission <may> [shall] close the pit <using money from the oil-field> <cleanup fund> and <may> [shall] direct the attorney general to file suits in any courts of competent jurisdiction in Travis County to recover applicable penalties and the costs incurred by the commission in closing the saltwater disposal pit from any person who operates or last operated the property.

SECTION 19. Subsection (c), Section 91.459, Natural Resources Code, is amended to read as follows:

(c) Any penalties or costs recovered by the attorney general under <this subchapter> [Section 91.457 of this code] shall be deposited in <the oil-field cleanup> [a saltwater disposal] fund.

SECTION 20. Chapter 91, Natural Resources Code, is amended by adding Subchapter N to read as follows:

<SUBCHAPTER N. OIL AND GAS HAZARDOUS WASTE>

<Sec. 91.601. DEFINITIONS. In this subchapter:>

<(1) "Oil and gas hazardous waste" means oil and gas> <waste that is a hazardous waste as defined by the administrator of> <the United States Environmental Protection Agency under the federal> <Solid Waste Disposal Act, as amended by the Resource Conservation> <and Recovery Act of 1976 (42 U.S.C. Section 6901 et seq.).>

<(2) "Oil and gas waste" means oil and gas waste as> <defined in Section 91.1011 of this chapter, which includes NORM wastes, including pipe scale containing NORM, sludges from production vessels containing NORM, and equipment containing NORM.>

<Sec. 91.602. RULES. (a) To protect human health and the> <environment, the commission shall adopt and enforce rules and> <orders and may issue permits relating to the generation,> <transportation, treatment, storage, and disposal of oil and gas> <hazardous waste.>

<(b) The rules adopted by the commission under this section> <must be consistent with the hazardous waste regulations adopted by> <the administrator of the United States Environmental Protection> <Agency under the federal Solid Waste Disposal Act, as amended> <the Resource Conservation and Recovery Act of 1976 (42 U.S.C.> <Section 6901 et seq.). The commission may adopt and enforce rules> <that are more stringent than the federal hazardous waste> <regulations if necessary to protect human health.>

<Sec. 91.603. ACCESS TO PROPERTY AND RECORDS. (a) A member> <or employee of the commission, on proper identification, may enter>

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<public or private property to:>

<(1) inspect and investigate conditions relating to the> <generation, transportation, treatment, storage, or disposal of oil> <and gas hazardous waste;>

<(2) inspect and investigate conditions relating to the> <development of rules, orders, or permits under Section 91.602 of> <this code;>

<(3) monitor compliance with a rule, order, or permit> <of the commission; or>

<(4) examine and copy, during reasonable working hours,> <those records or memoranda of the business being investigated.>

<(b) A member or employee acting under this section who> <enters an establishment on public or private property shall observe> <the establishment's posted safety, internal security, and fire> <protection rules.>

~~<Sec. 91.604. CRIMINAL PENALTY. (a) A person who knowingly> <violates a rule, order, or permit of the commission issued under> <this subchapter commits an offense.>~~

~~<(b) An offense under this section is punishable by> <imprisonment for up to six months, by a fine of up to $10,000 for> <each day the violation is committed, or by both.>~~

~~<(c) Venue for prosecution under this section is in the> <county in which the violation is alleged to have occurred.>~~

PREFERRED OPTION FOR SECTION 91.605

~~<Sec. 91.605. HAZARDOUS OIL AND GAS WASTE GENERATION> <FEE. (a) An annual fee is imposed on each operator who generates> <hazardous oil and gas waste.>~~

~~<(b) The commission by rule shall set the fee, which must:>~~

~~<(1) be based on the volume of hazardous oil and gas> <waste generated by the operator; and>~~

~~<(2) be reasonably related to the costs of implementing> <this subchapter and enforcing the rules, orders, and permits> <adopted or issued by the commission under this subchapter.>~~

~~<(c) The commission by rule shall also prescribe the> <procedures by which an operator must account for the volume of> <hazardous oil and gas waste generated and pay the fee.>~~

~~<(d) This section does not apply to an operator who, at all> <facilities operated in this state, satisfies the requirements> <established by the administrator of the United States Environmental> <Protection Agency for a conditionally exempt small quantity> <generator.>~~

~~<(e) The fees collected under this section shall be deposited> <in the oil field cleanup fund.>~~

ALTERNATE OPTION FOR SECTION 91.605

<Sec. 91.605. HAZARDOUS OIL AND GAS WASTE GENERATION> <FEE. (a) An annual fee is imposed on each operator who generates> <hazardous oil and gas waste.>

<(b) The commission by rule shall set the fee, which must:>

<(1) be based on the volume of hazardous oil and gas> <waste generated by the operator; and>

<(2) be reasonably related to the costs of implementing> <this subchapter and enforcing the rules, orders, and permits> <adopted or issued by the commission under this subchapter.>

<(c) The commission by rule shall also prescribe the> <procedures by which an operator must account for the volume of> <hazardous oil and gas waste generated and pay the fee.>

<(d) This section does not apply to ~~an operator who, at all>~~ ~~<facilities operated in this state~~, any facility which satisfies the requirements>
<established by the administrator of the United States Environmental> <Protection Agency for a conditionally exempt small quantity> <generator.>

<(e) The fees collected under this section shall be deposited> <in the oil-field cleanup fund.>

SECTION 21. Section 29.001, Water Code, is amended to read as follows:

Sec. 29.001. SHORT TITLE. This chapter may be cited as the <Oil and Gas Waste> [Salt Water] Haulers Act.

SECTION 22. Subdivisions (3) and (4), Section 29.002, Water Code; are amended to read as follows:

(3) <"Oil and gas waste" means oil and gas waste as> <defined by Section 91.1011, Natural Resources Code, and includes> ["Salt water" means] water containing salt or other mineralized substances produced by drilling an oil or gas well or produced in connection with the operation of an oil or gas well.

(4) "Hauler" means a person who transports <oil and gas> <waste> [salt water] for hire by any method other than by pipeline.

SECTION 23. Section 29.011, Water Code, is amended to read as follows:

Sec. 29.011. APPLICATION FOR PERMIT. Any person may apply to the railroad commission for a permit to haul and dispose of <oil> <and gas waste> [salt water].

SECTION 24. Section 29.013, Water Code, is amended to read as follows:

Sec. 29.013. CONTENTS OF APPLICATION. The application for a permit shall:

(1) state the number of vehicles the applicant plans

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to use for [salt water] hauling <oil and gas waste>;

(2) affirmatively show that the vehicles are designed so that they will not leak during transportation of <oil and gas> <waste> [salt water];

(3) include an affidavit from a person who operates an approved system of <oil and gas waste> [salt water] disposal stating that the applicant has permission to use the approved system;

(4) state the applicant's name, business address, and permanent mailing address; and

(5) include other relevant information required by railroad commission rules.

SECTION 25. Section 29.015, Water Code, is amended to read as follows:

Sec. 29.015. <APPLICATION FEE> [BOND]. <With each application> <for issuance, renewal, or material amendment of a permit, the> <applicant shall submit to the railroad commission a nonrefundable> <fee of $100. Fees collected under this section shall be deposited> <in the oil-field cleanup fund> [Before issuing a permit to a person] [whose application it has approved, the railroad commission shall] [require the person to file with it a bond in the amount of $5,000,] [guaranteed by a corporate surety company and conditioned on the] [payment of full damages to any person who may acquire a judgment] [against the permittee for damages done to the person's property by] [the permittee's improper hauling, handling, or disposal of salt] [water. However, the railroad commission may dispense with the bond] [requirement on a proper showing of financial responsibility].

SECTION 26. Section 29.034, Water Code, is amended to read as follows:

Sec. 29.034. ACCESS TO PROPERTY. Members and employees of the railroad commission, on proper identification, may enter public or private property to inspect and investigate conditions relating to the hauling of <oil and gas waste> [salt water], to monitor compliance with a rule, permit, or other order of the railroad commission, or to examine and copy, during reasonable working hours, those records or memoranda of the business being investigated. Members or employees acting under the authority of this section who enter an establishment on public or private property shall observe the establishment's <posted> safety, internal security, and fire protection rules.

SECTION 27. Section 29.041, Water Code, is amended to read as follows:

Sec. 29.041. HAULING WITHOUT PERMIT. No hauler may haul <or> [and] dispose of <oil and gas waste> [salt water] off the lease, unit, or other oil or gas property where it is <generated> [produced] unless the hauler has a permit issued under this chapter.

SECTION 28. Section 29.042, Water Code, is amended to read as follows:

Sec. 29.042. <EXCEPTIONS> [EXCEPTION]. <(a) >A person may haul <oil and gas waste> [salt water] for use in connection with drilling or servicing an oil or gas well without obtaining a hauler's permit under this chapter.

<(b) The commission by rule may except from the permitting> <requirements of this chapter specific categories of oil and gas> <waste other than salt water.>

SECTION 29. Section 29.043, Water Code, is amended to read as follows:

Sec. 29.043. USING HAULERS WITHOUT PERMIT. No person may knowingly utilize the services of a hauler to haul <or> [and] dispose of <oil and gas waste> [salt water] off the lease, unit, or other oil or gas property where it is <generated> [produced] if the hauler does not have a permit as required under this chapter.

SECTION 30. Section 29.044, Water Code, is amended to read as follows:

Sec. 29.044. DISPOSING OF <OIL AND GAS WASTE> [SALT WATER]. (a) No hauler may dispose of <oil and gas waste> [salt water] on public roads or on the surface of public land or private property in this state in other than a railroad commission-approved disposal <facility> [pit] without written authority from the railroad commission.

(b) No hauler may dispose of <oil and gas waste> [salt water] on property of another <in other than a railroad commission-approved> <disposal facility> without the written authority of the landowner.

SECTION 31. Section 29.045, Water Code, is amended to read as follows:

Sec. 29.045. USE OF UNMARKED VEHICLES. No person who is required to have a permit under this chapter may haul <oil and gas> <waste> [salt water] in a vehicle that does not bear the owner's name and the hauler's permit number. This information shall appear on both sides and the rear of the vehicle in characters not less than three inches high.

SECTION 32. The following laws are repealed:

(1) Subsection (d), Section 91.459, Natural Resources Code; and

(2) Subchapter F, Chapter 89, Natural Resources Code.

SECTION 33. (a) All funds in the well plugging fund under Section 89.151, Natural Resources Code, repealed by this Act, are transferred to the oil-field cleanup fund, Section 91.111, Natural Resources Code, as added by this Act.

(b) For the purpose of determining whether a bond or other security may be required under a provision of the Natural Resources

EXHIBIT 9
DATE 1-21-93
SB-144

Code amended or added by this Act, the Railroad Commission of Texas may consider violations of state law or commission rules, orders, or permits without regard to whether the violations occurred before, on, or after the effective date of this Act.

SECTION 34. Fees imposed under Sections 85.2021, 81.116, and 81.117, Natural Resources Code, are repealed effective August 31, 1999.

SECTION 35. This Act takes effect September 1, 1991, except that Sections 21 through 24 and Sections 26 through 31 of this Act take effect January 1, 1992.

SECTION 36. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended.

President of the Senate		Speaker of the House

I hereby certify that S.B. No. 1103 passed the Senate on May 10, 1991, by a viva-voce vote; May 25, 1991, Senate refused to concur in House amendments and requested appointment of Conference Committee; May 26, 1991, House granted request of the Senate; May 27, 1991, Senate adopted Conference Committee Report by a viva-voce vote.

Secretary of the Senate

I hereby certify that S.B. No. 1103 passed the House, with amendments, on May 23, 1991, by a non-record vote; May 26, 1991, House granted request of the Senate for appointment of Conference Committee; May 27, 1991, House adopted Conference Committee Report by a non-record vote.

Chief Clerk of the House

Approved:

Date

Governor

Northern Montana Oil & Gas Association
P.O. Box 621
Shelby, Montana 59474
Phone 434-5401

SENATE TAXATION
EXHIBIT NO. 10
DATE 1-21-93
BILL NO. SB 148

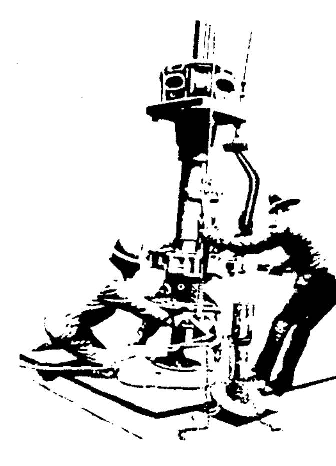
SENATE TAX COMMITTEE
SPONSOR: SEN. DEL GAGE
THURSDAY, JANUARY 21, 1993, 8A.M.

SB 148

This bill would transfer 25% of the Resource Indemnity and Ground Water Assessment Tax, (about half of our actual monies anually paid in by our industry) to the Oil & Gas Production Damage Mitigation Account; deletes certain other income from the account; amending sections 15-38-106, 15-38-202, and 82-11-161, MCA; and providing an Effective Date.

Like SB 144, this bills main intent is to help Mitigate the Orphan well problem, but in a slower time period. And it will help provide needed work for service companies, but at a slower rate time wise to achive removal of the Ophaned well liability.

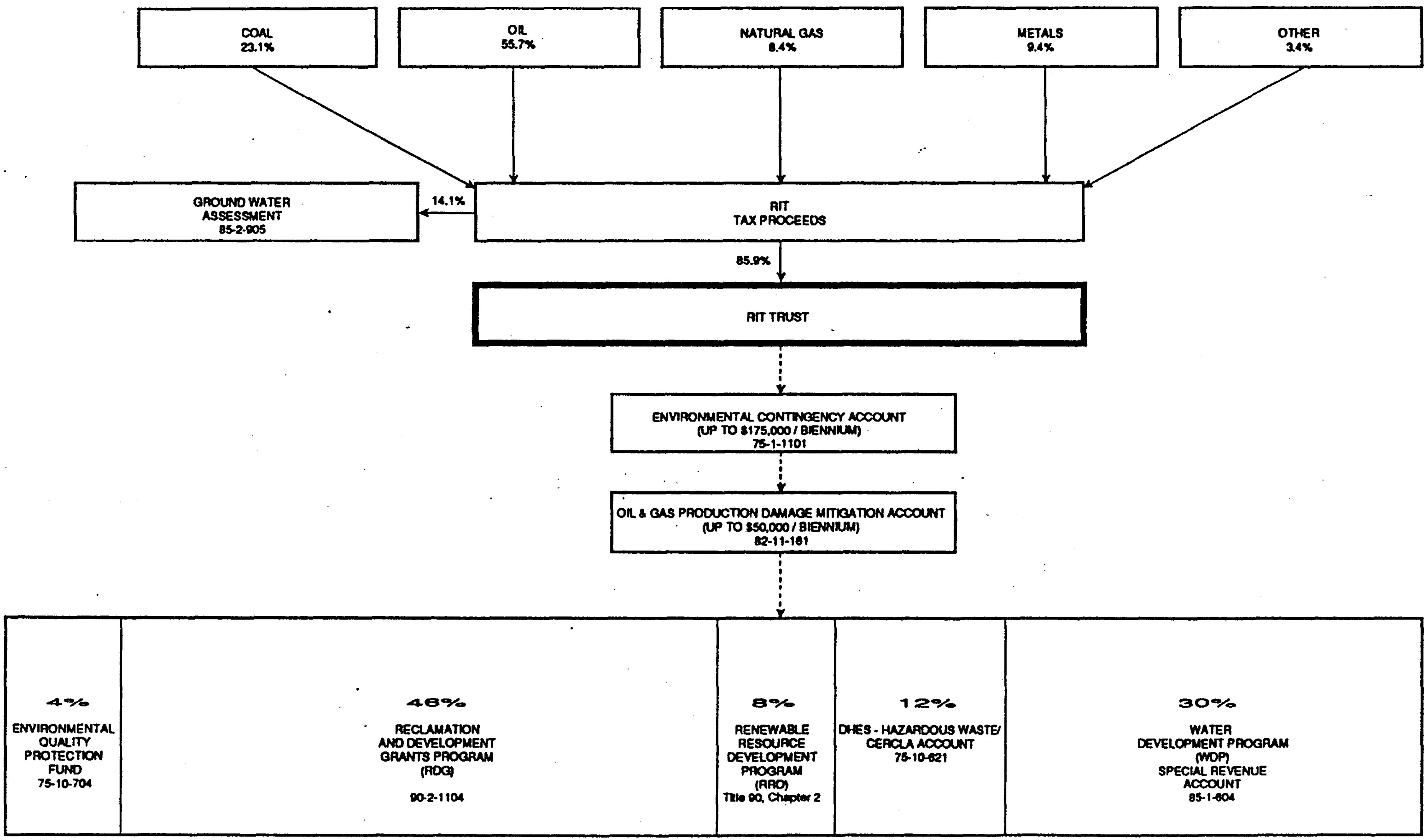
But the intent is basically the same, and the work it would provide would be a real boost to the Oil & Gas industry.



JANUARY 1993

RESOURCE INDEMNITY TRUST

SENATE TAXATION
EXHIBIT NO. 11
DATE 1-21-93
BILL NO. SB 144 & SB148



RESOURCE INDEMNITY TAX RECEIPTS
Source: Department of Revenue

FY	COAL	OIL	NATURAL GAS	METALS	OTHER	TOTAL	BALANCE
74	61,687	640,771	44,475	352,960	38,009	1,137,902	1,137,902
75	239,391	1,201,125	49,861	513,940	45,722	2,050,039	3,187,941
76	409,810	1,294,364	82,754	130,632	63,804	1,981,364	5,169,305
77	496,340	1,399,698	74,268	160,104	79,309	2,209,719	7,379,024
78	522,333	1,316,917	165,348	145,173	96,644	2,246,415	9,625,439
79	225,681	1,434,472	231,530	93,872	121,803	2,107,358	11,732,797
80	928,798	1,828,947	355,054	353,130	164,393	3,630,322	15,363,119
81	825,496	3,328,426	419,647	238,595	146,861	4,959,025	20,322,144
82	1,000,195	5,308,525	491,832	215,776	142,825	7,159,153	27,481,297
83	1,892,248	4,768,072	522,396	442,858	212,162	7,837,736	35,319,033
84	1,300,665	4,279,714	589,348	399,704	146,659	6,716,090	42,035,123
85	1,095,522	4,204,763	627,504	229,464	121,487	6,278,740	48,313,863
86	1,171,480	3,913,955	583,961	152,833	170,041	5,992,270	54,306,133
87	1,090,324	1,859,932	538,251	170,345	163,101	3,821,953	58,128,086
88	1,224,129	2,033,646	484,537	745,412	214,263	4,701,987	62,830,073
89	1,356,240	1,627,445	539,442	909,244	349,671	4,782,042	67,612,115
90	2,540,363	1,795,586	453,052	1,091,128	157,307	6,037,436	73,649,551
91	1,658,060	1,722,235	392,289	1,087,790	294,358	5,154,732	78,804,283
Total 91	18,038,762	43,958,593	6,645,549	7,432,960	2,728,419		78,804,283
Percent of Total	23.1	55.7	8.4	9.4	3.4		
92 Estimated							82,489,898

RIT | Analysis of SB 148 | 21-Jan-93

SENATE TAXATION
EXHIBIT NO. 12
DATE 1-21-93
BILL NO. SB148

RIT Assuming SB148

FISCAL YEARS 1994 AND 1995

		RIT Proceeds	RIT Trust Deposits	Ending Fund Balance
	FY 93	$5,012,489	$5,012,489	$87,502,387
RIT TRUST (Projected Ending Balance)	FY 94	4,855,568	2,957,041	90,459,428
	FY 95	4,927,161	3,000,641	93,460,069

RIT REVENUE INFORMATION

RIT INTEREST EARNINGS	
FY 94	$8,187,936
FY 95	8,739,758
Total	16,927,694

ALLOCATION OF EARNINGS (BIENNIAL APPROPRIATIONS)

Environmental Contingency Account	$175,000
Oil and Gas Production Damage Mitigation Account	$0
	$175,000
Distribution of Remaining Earning Amoung the Five Remaining Accounts	$16,752,694

Percent of RITT Interest	Water Development 30%	Renewable Resources 8%	Reclamation & Development 46%	Hazardous Waste/ CERCLA 12%	Envrionmental Quality Protection 4%	TOTAL 100%
Beginning Balance	$890,367	$0	$0	$1,241,749	$1,402,813	$3,534,929
Revenues						
RITT Interest	$5,025,808	$1,340,215	$7,706,239	$2,010,323	$670,108	$16,752,694
Coal Tax	391,750	391,750				$783,500
Loan Repayments	1,186,651	152,180				$1,338,831
NR Damage Repayment						$0
Interest (STIP)				100,000	110,000	$210,000
Administrative Fees	10,000					$10,000
State Owned Proj. Rev.	538,604					$538,604
Total Funds Available	$8,043,180	$1,884,145	$7,706,239	$3,352,072	$2,182,921	$23,168,558
Appropriation						
Bond Debt Service	$1,400,373	$433,900	$0	$0	$0	$1,834,273
DNRC Cent Serv Div	299,397	46,114	300,600			646,111
DNRC CARD	615,610	452,926	1,095,750			2,164,286
DNRC Water Res Div	1,776,926		1,971,846			3,748,772
Reserved Water Rights Compact Comm			672,295			672,295
DNRC State Water Proj	1,785,000					1,785,000
State Project Ownership Transfer	125,088					125,088
Missouri Water Reservations	323,749					323,749
Weather Seeding	20,000					20,000
Water Courts	1,035,150					1,035,150
DSL Reclamation Div			1,937,695			1,937,695
DH&ES Envir Div				2,253,140	1,040,869	3,294,009
State Library		199,999	177,000			376,999
Environmental Quality Council						0
Pay Plan	32,259	5,111	43,048	13,238	3,207	96,863
Total Appropriations	$7,413,552	$1,138,050	$6,198,234	$2,266,378	$1,044,076	$18,060,290
Projected Available for Grants	$472,221	$559,572	$1,508,005			$2,539,798
Projected Available for Water Storage	$157,407	$186,524				$343,931
Projected Biennium Ending Balance	$0	$0	$0	$1,085,694	$1,138,845	$2,224,539

DRAFT FOR DISCUSSION PURPOSES ONLY

RIT

SENATE TAXATION 21-Jan-93
EXHIBIT NO. 13
DATE 1-21-93
BILL NO. SB 144

RIT Assuming SB 144

FISCAL YEARS 1994 AND 1995

		RIT Proceeds	RIT Trust Deposits	Ending Fund Balance
	FY 93	$5,012,489	$5,012,489	$87,502,387
RIT TRUST (Projected Ending Balance)	FY 94	2,427,784	1,478,520	88,980,907
	FY 95	2,463,581	1,500,321	90,481,228

RIT REVENUE INFORMATION

RIT INTEREST EARNINGS	
FY 94	$7,994,089
FY 95	8,667,417
Total	16,661,507
ALLOCATION OF EARNINGS (BIENNIAL APPROPRIATIONS)	
Environmental Contingency Account	$175,000
Oil and Gas Production Damage Mitigation Account	$0
	$175,000
Distribution of Remaining Earning Amoung the Five Remaining Accounts	$16,486,507

	Water Development	Renewable Resources	Reclamation & Development	Hazardous Waste/ CERCLA	Envrionmental Quality Protection	TOTAL
Percent of RITT Interest	30%	8%	46%	12%	4%	100%
Beginning Balance	$890,367	$0	$0	$1,241,749	$1,402,813	$3,534,929
Revenues						
RITT Interest	$4,945,952	$1,318,921	$7,583,793	$1,978,381	$659,460	$16,486,507
Coal Tax	391,750	391,750				$783,500
Loan Repayments	1,186,651	152,180				$1,338,831
NR Damage Repayment						$0
Interest (STIP)				100,000	110,000	$210,000
Administrative Fees	10,000					$10,000
State Owned Proj. Rev.	538,604					$538,604
Total Funds Available	$7,963,324	$1,862,851	$7,583,793	$3,320,130	$2,172,273	$22,902,371
Appropriation						
Bond Debt Service	$1,400,373	$433,900	$0	$0	$0	$1,834,273
DNRC Cent Serv Div	299,397	46,114	300,600			646,111
DNRC CARD	615,610	452,926	1,095,750			2,164,286
DNRC Water Res Div	1,776,926		1,971,846			3,748,772
Reserved Water Rights Compact Comm			672,295			672,295
DNRC State Water Proj	1,785,000					1,785,000
State Project Ownership Transfer	125,088					125,088
Missouri Water Reservations	323,749					323,749
Weather Seeding	20,000					20,000
Water Courts	1,035,150					1,035,150
DSL Reclamation Div			1,937,695			1,937,695
DH&ES Envir Div				2,253,140	1,040,869	3,294,009
State Library		199,999	177,000			376,999
Environmental Quality Council						0
Pay Plan	32,259	5,111	43,048	13,238	3,207	96,863
Total Appropriations	$7,413,552	$1,138,050	$6,198,234	$2,266,378	$1,044,076	$18,060,290
Projected Available for Grants	$412,329	$543,600	$1,385,559			$2,341,488
Projected Available for Water Storage	$137,443	$181,200				$318,643

DATE January 21, 1993

SENATE COMMITTEE ON Taxation

BILLS BEING HEARD TODAY: SB 53, 144, 148

Name	Representing	Bill No.	Check One: Support	Check One: Oppose
Helen Dawson	Self - retired Fed	SB 53	✓	
Gwen Warren	Self Federal Fed. NARFE	SB53	✓	
Lloyd Meffel	USAF Ret.	SB53		
John Deichender	USAF Ret AARPE	SB53	~~AM~~	X
Bill Olson	AARP	SB53	✓	
ELWIN REDDING	NARFE	SB53	✓	
Tom Richmond	MT Board of Oil & Gas	144/148	✓	
Art Whitney	Mt Assn Ret Pub. Emp	SB53		✓
Jack E. Cohn	Mont Ret. Teachers + Emp. Assoc	SB53		✓
Dola Abelin	N.M.R.E.A.	SB148 SB144	✓ ✓	
Bernard F. Graning	NARFE	SB 53	✓	
Richard [illegible]	NARFE	SB53	✓	
Janelle Fallan	MPA	SB144	✓	
Janelle Fallan	MPA	SB148	✓	
J. Paladichuk	MDU	SB148 SB144	✓	
Ed Sheehy	NARFE	SB53	✓	
Tom Bilodeau	MEA	SB53		X

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

F10

DATE January 21, 1993

SENATE COMMITTEE ON Taxation

BILLS BEING HEARD TODAY: SB 53, 144, 148

Name	Representing	Bill No.	Check One: Support	Check One: Oppose
Kelley Woodward	MSCA	53	✓	
Tim Bergstrom	MT. State Firemens' Assoc	53		✓
Don Waldron	Mt Rural Ed Assn.	53	✓	
[illegible]	DNRC	144/148		
[illegible] Y. Cl[illegible]	Mont. Rural Water	144/148		✓
[illegible] Eland	Rep Shelby	144	✓	
Terry Minow	~~State~~ Employees SB 53 ~~SB~~ MT Fed Teachers 53	53		✓
Tom Ebzery	Exxon	SB 148 SB 144	✓	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

F10