

HOUSE BILL NO. 288

INTRODUCED BY FELAND
BY REQUEST OF THE DEPARTMENT OF
NATURAL RESOURCES AND CONSERVATION

IN THE HOUSE

JANUARY 20, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON NATURAL RESOURCES.
	FIRST READING.
FEBRUARY 8, 1993	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
FEBRUARY 9, 1993	PRINTING REPORT.
FEBRUARY 10, 1993	SECOND READING, DO PASS.
FEBRUARY 11, 1993	ENGROSSING REPORT.
FEBRUARY 13, 1993	THIRD READING, PASSED. AYES, 87; NOES, 7.
FEBRUARY 15, 1993	TRANSMITTED TO SENATE.

IN THE SENATE

FEBRUARY 16, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON NATURAL RESOURCES.
	FIRST READING.
MARCH 16, 1993	COMMITTEE RECOMMEND BILL BE CONCURRED IN AS AMENDED. REPORT ADOPTED.
MARCH 17, 1993	ON MOTION, CONSIDERATION PASSED FOR THE DAY.
MARCH 18, 1993	SECOND READING, CONCURRED IN.
MARCH 19, 1993	THIRD READING, CONCURRED IN. AYES, 47; NOES, 0.
	RETURNED TO HOUSE WITH AMENDMENTS.

IN THE HOUSE

APRIL 1, 1993

SECOND READING, AMENDMENTS
CONCURRED IN.

APRIL 2, 1993

THIRD READING, AMENDMENTS
CONCURRED IN.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 House BILL NO. 288
2 INTRODUCED BY Sen. [Signature]
3 BY REQUEST OF THE DEPARTMENT OF
4 NATURAL RESOURCES AND CONSERVATION
5

6 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE
7 REQUIREMENTS FOR OIL AND GAS OPERATIONS; REQUIRING THE
8 FILING OF GEOLOGICAL SAMPLE LOGS, MUD LOGS, CORE
9 DESCRIPTIONS, AND CORE ANALYSIS REPORTS; PROVIDING FOR AN
10 IDLE WELL FEE IN LIEU OF A BOND; CLARIFYING THAT THE ENTIRE
11 BOND MAY BE FORFEITED; AMENDING SECTION 82-11-123, MCA; AND
12 PROVIDING AN IMMEDIATE EFFECTIVE DATE AND FOR RETROACTIVE
13 APPLICABILITY."
14

15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

16 **Section 1.** Section 82-11-123, MCA, is amended to read:

17 "82-11-123. Requirements for oil and gas operations.

18 Subject to the administrative control of the department
19 under 2-15-121, the board shall require:

20 (1) identification of ownership of oil or gas wells,
21 producing properties, and tanks;

22 (2) the making and filing of acceptable well logs,
23 including bottom-hole temperatures, (in order to facilitate
24 the discovery of potential geothermal energy sources), the
25 making and filing of reports on well locations, and the

1 filing of directional surveys, geological sample logs, mud
2 logs, core descriptions, and core analysis reports, if made;
3 however, logs of exploratory or wildcat wells need not be
4 filed for a period of 6 months following completion of those
5 wells;

6 (3) the drilling, casing, producing, and plugging of
7 wells and class II injection wells in such a manner as to
8 prevent that prevents the escape of oil or gas out of one
9 stratum into another, the intrusion of water into oil or gas
10 strata, blowouts, cave-ins, seepages, and fires and the
11 pollution of fresh water supplies by oil, gas, salt, or
12 brackish water;

13 (4) the restoration of surface lands to their previous
14 grade and productive capability after a well is plugged or a
15 seismographic shot hole has been utilized and necessary
16 measures to prevent adverse hydrological effects from such
17 the well or hole, unless the surface owner agrees in
18 writing, with the approval of the board or its
19 representatives, to a different plan of restoration;

20 (5) the furnishing of a reasonable bond with good and
21 sufficient surety, conditioned for performance of the duty
22 to properly plug each dry or abandoned well, which The bond
23 may be forfeited in its entirety by the board for failure to
24 perform the duty to properly plug each dry or abandoned well
25 and may not be canceled or absolved;

1 (a) if the well fails to produce oil or gas in
2 commercial quantities, until:

3 (i) the board determines the well is properly plugged
4 and abandoned as provided in the board's rules; or

5 (ii) the requirements of 82-11-163 are met; or

6 (iii) as provided under rules adopted by the board, an
7 annual idle well fee in lieu of a bond has been paid; or

8 (b) if the well is completed after June 30, 1989, until
9 the owner notifies the board that the well is producing oil
10 and gas in commercial quantities and meets the requirements
11 of 82-11-162;

12 (6) proper gauging or other measuring of oil and gas
13 produced and saved to determine the quantity and quality
14 thereof of oil and gas;

15 (7) that every person who produces, transports, or
16 stores oil or gas or injects or disposes of water in this
17 state shall make available within this state for a period of
18 5 years complete and accurate records of the quantities
19 thereof, which The records shall must be available for
20 examination by the board or its employees at all reasonable
21 times, and--that-that The person shall file with the board
22 such reports as it may prescribe with respect to quantities,
23 transportations, and storages of the oil, or gas, or water;
24 and

25 (8) the installation, use, and maintenance of

1 monitoring equipment or methods in the operation of class II
2 injection wells."

3 NEW SECTION. Section 2. Retroactive applicability.

4 [This act] applies retroactively, within the meaning of
5 1-2-109, to all wells.

6 NEW SECTION. Section 3. Effective date. [This act] is
7 effective on passage and approval.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0288, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act generally revising the requirements for oil and gas operations; requiring the filing of geological sample logs, mud logs, core descriptions, and core analysis reports; providing for an idle well fee in lieu of a bond; clarifying that the entire bond may be forfeited.

ASSUMPTIONS:

1. The Department of Natural Resources and Conservation will absorb any costs associated with adopting rules or administering the proposed legislation.
2. The Board of Oil and Gas Conservation will adopt an idle well fee in lieu of a bond and the fee will be \$50 per well per year.
3. There are approximately 2800 idle wells that would be subject to the proposed law.
4. Operators of half (1400) of the idle wells may select this option of providing financial assurance in lieu of a bond.

FISCAL IMPACT:

Expenditures:

The proposed legislation would provide up to \$70,000 (1400 X \$50) per year which would be used for well plugging and restoration projects.

Revenues:

The anticipated revenue is \$70,000 per year using the assumptions above.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The long-range effects would be to provide a source of revenue to the oil and gas production damage mitigation account and would provide an alternative to use of surety bonds to cover idle wells.

TECHNICAL NOTES:

May need to amend bill to provide for deposit to the oil and gas production damage mitigation account. As currently written, these fees would be deposited to the oil and gas earmarked revenue account.

Dave Lewis 1-25-93
DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Gary Beland 1-27-93
GARY BELAND, PRIMARY SPONSOR DATE

Fiscal Note for HB0288, as introduced

HB 288

APPROVED BY COMM. ON
NATURAL RESOURCES

HOUSE BILL NO. 288

INTRODUCED BY PELAND

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NATURAL RESOURCES AND CONSERVATION

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

Section 1. Section 82-11-123, MCA, is amended to read:**"82-11-123. Requirements for oil and gas operations.**

Subject to the administrative control of the department under 2-15-121, the board shall require:

(1) identification of ownership of oil or gas wells, producing properties, and tanks;

(2) the making and filing of acceptable well logs, including bottom-hole temperatures, (in order to facilitate the discovery of potential geothermal energy sources), the making and filing of reports on well locations, and the

filing of directional surveys, geological sample logs, mud logs, core descriptions, and core analysis reports, if made; however, logs of exploratory or wildcat wells need not be filed for a period of 6 months following completion of those wells;

(3) the drilling, casing, producing, and plugging of wells and class II injection wells in such a manner as--to prevent that prevents the escape of oil or gas out of one stratum into another, the intrusion of water into oil or gas strata, blowouts, cave-ins, seepages, and fires and the pollution of fresh water supplies by oil, gas, salt, or brackish water;

(4) the restoration of surface lands to their previous grade and productive capability after a well is plugged or a seismographic shot hole has been utilized and necessary measures to prevent adverse hydrological effects from such the well or hole, unless the surface owner agrees in writing, with the approval of the board or its representatives, to a different plan of restoration;

(5) the furnishing of a reasonable bond with good and sufficient surety, conditioned for performance of the duty to properly plug each dry or abandoned well, which The bond may be forfeited in its entirety by the board for failure to perform the duty to properly plug each dry or abandoned well and may not be canceled or absolved;

(a) if the well fails to produce oil or gas in commercial quantities, until:

(i) the board determines the well is properly plugged and abandoned as provided in the board's rules; or OR

(ii) the requirements of 82-11-163 are met; or

~~(((as provided under rules adopted by the board, an annual idle well fee in lieu of a bond has been paid, or~~

(b) if the well is completed after June 30, 1989, until the owner notifies the board that the well is producing oil and gas in commercial quantities and meets the requirements of 82-11-162;

(6) proper gauging or other measuring of oil and gas produced and saved to determine the quantity and quality thereof of oil and gas;

(7) that every person who produces, transports, or stores oil or gas or injects or disposes of water in this state shall make available within this state for a period of 5 years complete and accurate records of the quantities thereof, which The records shall must be available for examination by the board or its employees at all reasonable times, and that that The person shall file with the board such reports as it may prescribe with respect to quantities, transportations, and storages of the oil, or gas, or water; and

(8) the installation, use, and maintenance of

monitoring equipment or methods in the operation of class II injection wells."

NEW SECTION. **Section 2.** Retroactive applicability.

[This act] applies retroactively, within the meaning of 1-2-109, to all wells.

NEW SECTION. **Section 3.** Effective date. [This act] is

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filing of directional surveys, geological sample logs, mud logs, core descriptions, and core analysis reports, if made; however, logs of exploratory or wildcat wells need not be filed for a period of 6 months following completion of those wells;

(3) the drilling, casing, producing, and plugging of wells and class II injection wells in such a manner as--to prevent that prevents the escape of oil or gas out of one stratum into another, the intrusion of water into oil or gas strata, blowouts, cave-ins, seepages, and fires and the pollution of fresh water supplies by oil, gas, salt, or brackish water;

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2 commercial quantities, until:

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4 and abandoned as provided in the board's rules; or OR

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6 ~~the requirements of 82-11-163 are met; or~~
7 ~~annual-idle-well-fee-in-lieu-of-a-bond-has-been-paid; or~~

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9 the owner notifies the board that the well is producing oil
10 and gas in commercial quantities and meets the requirements
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13 produced and saved to determine the quantity and quality
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16 stores oil or gas or injects or disposes of water in this
17 state shall make available within this state for a period of
18 5 years complete and accurate records of the quantities
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20 examination by the board or its employees at all reasonable
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SENATE STANDING COMMITTEE REPORT

Page 1 of 1
March 13, 1993

MR. PRESIDENT:

We, your committee on Natural Resources having had under consideration House Bill No. 288 (first reading copy -- blue), respectfully report that House Bill No. 288 be amended as follows and as so amended be concurred in.

Signed: _____

Don Bianchi
Senator Don Bianchi, Chair

That such amendments read:

1. Title, line 9.
Following: "AND"
Insert: "ORDINARY"
Strike: "REPORTS"

2. Page 2, line 2.
Following: "and"
Insert: "ordinary"
Strike: "reports"

-END-

APV
Amd. Coord.
Sec. of Senate

Keating
Senator Carrying Bill

SENATE
HB 288
571046SC.San

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