

1

HOUSE BILL NO. 72

2

INTRODUCED BY DEVANEY

3

BY REQUEST OF THE BOARD OF OIL AND GAS CONSERVATION

4

5 A BILL FOR AN ACT ENTITLED: "AN ACT SPECIFYING DRILLING ACTIVITIES REQUIRING A DRILLING
6 PERMIT FROM THE BOARD OF OIL AND GAS CONSERVATION; REQUIRING THE FILING OF A NOTICE OF
7 CHANGE OF OPERATOR; REQUIRING A NEW OPERATOR TO OBTAIN BOARD APPROVAL; AUTHORIZING
8 THE BOARD TO CHARGE A FEE FOR DRILLING PERMITS AND FILING NOTICES OF CHANGE OF
9 OPERATOR; LIMITING FEES TO BE CHARGED FOR DRILLING PERMITS AND NOTICES OF CHANGE OF
10 OPERATOR; AMENDING SECTION 82-11-134, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

11

12 STATEMENT OF INTENT

13 A statement of intent is required for this bill because the bill gives the board of oil and gas
14 conservation the authority to adopt administrative rules. In 82-11-134, the board is authorized to set by
15 rule drilling permit fees that may not exceed \$200 for a drilling permit and \$50 for filing a notice of change
16 of operator.

17

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

19

20 **Section 1.** Section 82-11-134, MCA, is amended to read:

21 ~~"82-11-134. Drilling permit -- notice and approval of change of operator -- Permit fees.(1) In~~
~~addition to the privilege and license tax, before commencing the A person shall obtain a drilling permit from~~
~~the board before drilling, redrilling, deepening, or horizontal recompletion of an oil or gas well, or~~
~~stratigraphic test well, or core hole, a person shall secure from the board a drilling permit and shall pay~~
~~to the board therefor the following amounts:~~

26 ~~(1) for each well whose estimated depth is 3,500 feet or less, \$25;~~
27 ~~(2) from 3,501 feet to 7,000 feet, \$75;~~
28 ~~(3) 7,000 feet and deeper, \$150.~~

29 (2) A person acquiring the rights to operate an existing well shall file a notice of change of operator
30 with the board and obtain board approval of the change prior to operating the well.

1 (3) The board may charge a fee not to exceed \$200 for a drilling permit and not to exceed \$50 for
2 filing a notice of change of operator. Fees must be set by board rule."

3

4 **NEW SECTION. Section 2. Effective date.** [This act] is effective on passage and approval.

5

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0072, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

Gives the Board of Oil and Gas Conservation the authority to set by administrative rule drilling permit fees that may not exceed \$200 for a drilling permit and \$50 for filing a notice of change of operator.

ASSUMPTIONS:

1. Existing three tier drilling permit fee (\$25-\$50-\$150) determined by depth drilled would be replaced with a single fee not to exceed \$200 regardless of the proposed drilling depth and set by administrative rule.
2. Establish by administrative rule a fee not to exceed \$50 for filing a notice of change of operator on an existing well.
3. Both fees are set by the Board of Oil and Gas Conservation at the maximum.
4. Drilling permits will average 269 per year and changes of operators will average 300 per year.
5. Expenditures will be minor and can be absorbed in the current level budget.

FISCAL IMPACT:

Revenue:

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
Drilling Permits	41,300	41,300
Change of Operators	<u>15,000</u>	<u>15,000</u>
Total	56,300	56,300

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

Revenue will continue to be generated in proportion to the level of drilling activity and the number of oil and gas properties changing ownership.

Dave Lewis 1-6-95
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Charles Devaney
CHARLES DEVANEY, PRIMARY SPONSOR DATE

Fiscal Note for HB0072, as introduced
HB 72

DEDICATION OF REVENUE:

a) Are there persons or entities that benefit from this dedicated revenue that do not pay? (Please explain)

No. Permit fees are paid by companies proposing to drill wells; change of operator fees are paid by those purchasing oil or gas wells. Many existing oil and gas operators neither drill new wells nor acquire additional wells--such parties will not pay any new or additional fees.

b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?

Revenue will be paid into the existing special revenue account - no additional accounting entities or accounts would be required. The existing account is dedicated to tracking these fees and the related costs of operating the Board of Oil and Gas Conservation.

c) Is the source of revenue relevant to current use of the funds and adequate to fund the program/activity that is intended? XXX Yes No (if no, explain)

Yes. The drilling permit fee and change of operator fees are intended to defray the cost of regulating oil and gas drilling and producing operations through the issuance of permits and monitoring of well ownership.

d) Does the need for this state special revenue provision still exist? XXX Yes
 No (Explain)

e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please explain)

No. The activities of the Board of Oil and Gas are subject to legislative scrutiny and all expenditures from the special revenue account are subject to appropriation and control by the legislature.

f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please explain)

Yes. The costs of regulating oil and gas operations in Montana and providing public information on wells and oil and gas resources are partially defrayed by the proposed legislation.

g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)

This dedicated revenue will be paid into an existing special revenue account - no additional accounting entities or accounts would be required. It provides one account for tracking revenues and expenses of this program, making it easier to account for and audit this program's activities. These accounts could probably be tracked within the general fund, but not as efficiently, and the industry would be uneasy if the funds were commingled with general fund revenues.

APPROVED BY COMM. ON
NATURAL RESOURCES

STATEMENT OF INTENT

A statement of intent is required for this bill because the bill gives the board of oil and gas conservation the authority to adopt administrative rules. In 82-11-134, the board is authorized to set by rule drilling permit fees that may not exceed \$200 for a drilling permit and ~~\$50~~ \$25 for filing a notice of change of operator. THE LEGISLATURE ENCOURAGES THE BOARD TO ADOPT A SLIDING SCALE BASED ON ACTUAL COSTS TO ESTABLISH THE FEES AUTHORIZED IN 82-11-134.

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

Section 1. Section 82-11-134, MCA, is amended to read:

"82-11-134. Drilling permit -- notice and approval of change of operator -- Permit fees.(1) In addition to the privilege and license tax, before commencing the A person shall obtain a drilling permit from the board before drilling, redrilling, deepening, or horizontal recompletion of an oil or gas well, or stratigraphic test well, or core hole, THE BOARD MAY NOT REQUIRE A PERMIT FOR DRILLING, REDRILLING, DEEPENING, OR HORIZONTAL RECOMPLETION OF AN EXISTING WELL IF THAT ACTIVITY DEEPENS OR EXTENDS A WELL 200 FEET OR LESS. EACH DRILLING PERMIT ISSUED UNDER THIS SECTION IS EFFECTIVE FOR 12 MONTHS AFTER ISSUANCE UNLESS TERMINATED FOR CAUSE BY THE BOARD. , a person shall secure from the board a drilling permit and shall pay to the board therefor the following amounts:



1 (1) ~~for each well whose estimated depth is 3,500 feet or less, \$25;~~
2 (2) ~~from 3,501 feet to 7,000 feet, \$75;~~
3 (3) ~~7,000 feet and deeper, \$150.~~

4 (2) A person acquiring the rights to operate an existing well shall file a notice of change of operator
5 with the board and obtain board approval of the change prior to operating the well.

6 (3) The board may charge a fee not to exceed \$200 for a drilling permit and not to exceed \$50 \$25
7 for filing a notice of change of operator. Fees must be set by board rule."

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