

HOUSE BILL NO. 928

INTRODUCED BY J. FITZPATRICK

A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING THAT THE BOARD OF OIL AND GAS CONSERVATION REGULATES CERTAIN WATERS PRODUCED FROM OIL AND GAS OPERATIONS; AUTHORIZING THE BOARD TO ESTABLISH A HEARINGS FEE; PROVIDING RULEMAKING AUTHORITY; AND AMENDING SECTIONS 82-11-111 AND 85-2-510, MCA."

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

Section 1. Section 82-11-111, MCA, is amended to read:

"82-11-111. (Temporary) Powers and duties of board. (1) The board shall make investigations that it considers proper to determine whether waste exists or is imminent or whether other facts exist that justify any action by the board under the authority granted by this chapter.

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

(a) require measures to be taken to prevent contamination of or damage to surrounding land or underground strata caused by drilling operations and production, including but not limited to regulating the disposal or injection of water and disposal of oil field wastes;

(b) classify wells as oil or gas wells or class II injection wells for purposes material to the interpretation or enforcement of this chapter;

(c) adopt and enforce rules and orders to implement this chapter; and

(d) adopt and enforce rules and orders to implement the provisions of 85-2-510, including the establishment of a fee for petitioners seeking a hearing.

(3) The board shall determine and prescribe which producing wells are defined as "stripper wells" and which wells are defined as "wildcat wells" and make orders that in its judgment are required to protect those wells and provide that stripper wells may be produced to capacity if that is considered necessary in the interest of conservation.

(4) With respect to any pool from which gas was being produced by a gas well on or prior to April

1 1, 1953, this chapter does not authorize the board to limit or restrain the rate, daily or otherwise, of production
2 of gas from that pool by any existing well or a well drilled after that date and producing from that pool to less
3 than the rate at which the well can be produced without adversely affecting the quantity of gas ultimately
4 recoverable by the well.

5 (5) The board has exclusive jurisdiction over all class II injection wells and all pits and ponds in
6 relation to those injection wells. The board may:

7 (a) issue, suspend, revoke, modify, or deny permits to operate class II injection wells consistent
8 with rules made by it;

9 (b) examine plans and other information needed to determine whether a permit should be issued
10 or require changes in plans as a condition to the issuance of a permit;

11 (c) clearly specify in a permit any limitations imposed as to the volume and characteristics of the
12 fluids to be injected and the operation of the well;

13 (d) authorize its staff to enter upon any public or private property at reasonable times to:

14 (i) investigate conditions relating to violations of permit conditions;

15 (ii) have access to and copy records required under this chapter;

16 (iii) inspect monitoring equipment or methods; and

17 (iv) sample fluids that the operator is required to sample; and

18 (e) adopt standards for the design, construction, testing, and operation of class II injection wells.

19 (6) The board shall determine, for the purposes of using the oil and gas production damage
20 mitigation account established in 82-11-161:

21 (a) when the person responsible for an abandoned well, sump, or hole cannot be identified or
22 located or, if the person is identified or located, when the person does not have sufficient financial resources to
23 properly plug the well, sump, or hole; or

24 (b) when a previously abandoned well, sump, or hole is the cause of potential environmental
25 problems and no responsible party can be identified or located or, if a responsible party can be identified and
26 located, when the person does not have sufficient financial resources to correct the problems.

27 (7) The board may take measures to demonstrate to the general public the importance of the
28 state's oil and gas exploration and production industry, to encourage and promote the wise and efficient use of

1 energy, to promote environmentally sound exploration and production methods and technologies, to develop
2 the state's oil and gas resources, and to support research and educational activities concerning the oil and
3 natural gas exploration and production industry. The board may:

4 (a) make grants or loans and provide other forms of financial assistance as necessary or
5 appropriate from available funds to qualified persons for research, development, marketing, educational
6 projects, and processes or activities directly related to the state's oil and gas exploration and production
7 industry;

8 (b) enter into contracts or agreements to carry out the purposes of this subsection (7), including
9 the authority to contract for the administration of an oil and gas research, development, marketing, and
10 educational program;

11 (c) cooperate with any private, local, state, or national commission, organization, agent, or group
12 and enter into contracts and agreements for programs benefiting the oil and gas exploration and production
13 industry;

14 (d) coordinate with the Montana university system, including Montana technological university or
15 any of its affiliated research programs;

16 (e) accept donations, grants, contributions, and gifts from any public or private source for deposit
17 in the oil and gas education and research account established in 82-11-110;

18 (f) distribute funds from the oil and gas education and research account to carry out the provisions
19 of this subsection (7); and

20 (g) make orders and rules to implement the provisions of this subsection (7).

21 **82-11-111. (Effective on occurrence of contingency) Powers and duties of board.** (1) The board
22 shall investigate matters it considers proper to determine whether waste exists or is imminent or whether other
23 facts exist that justify any action by the board under the authority granted by this chapter.

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

25 (a) require measures to be taken to prevent contamination of or damage to surrounding land or
26 underground strata caused by drilling operations and production, including but not limited to regulating the
27 disposal or injection of water or carbon dioxide and disposal of oil field wastes;

28 (b) classify wells as oil or gas wells, carbon dioxide injection wells, or class II injection wells for

1 purposes material to the interpretation or enforcement of this chapter;

2 (c) adopt and enforce rules and orders to implement this chapter; and

3 (d) adopt and enforce rules and orders to implement the provisions of 85-2-510, including the
4 establishment of a fee for petitioners seeking a hearing.

5 (3) The board shall determine and prescribe which producing wells are defined as "stripper wells"
6 and which wells are defined as "wildcat wells" and make orders that in its judgment are required to protect
7 those wells and provide that stripper wells may be produced to capacity if that is considered necessary in the
8 interest of conservation.

9 (4) With respect to any pool with gas being produced by a gas well on or prior to April 1, 1953, this
10 chapter does not authorize the board to limit or restrain the rate, daily or otherwise, of production of gas from
11 that pool by any existing well or a well drilled after that date and producing from that pool to less than the rate at
12 which the well can be produced without adversely affecting the quantity of gas ultimately recoverable by the
13 well.

14 (5) Subject to subsection (8), the board has exclusive jurisdiction over carbon dioxide injection
15 wells, geologic storage reservoirs, all class II injection wells, and all pits and ponds in relation to those injection
16 wells. The board may:

17 (a) issue, suspend, revoke, modify, or deny permits to operate carbon dioxide injection wells and
18 class II injection wells, consistent with rules made by it and pursuant to 82-11-123. If a permit for a carbon
19 dioxide injection well is revoked, an operator may not seek a refund of application or permitting fees or fees
20 paid pursuant to 82-11-181 or 82-11-184(2)(b).

21 (b) examine plans and other information needed to determine whether a permit should be issued
22 or require changes in plans as a condition to the issuance of a permit;

23 (c) clearly specify in a permit any limitations imposed as to the volume and characteristics of the
24 fluids to be injected and the operation of the well;

25 (d) authorize its staff to enter upon any public or private property at reasonable times to:

26 (i) investigate conditions relating to violations of permit conditions;

27 (ii) have access to and copy records required under this chapter;

28 (iii) inspect monitoring equipment or methods; and

1 (iv) sample fluids that the operator or geologic storage operator is required to sample; and

2 (e) adopt standards for the design, construction, testing, and operation of carbon dioxide injection
3 wells and class II injection wells.

4 (6) The board shall determine, for the purposes of using the oil and gas production damage
5 mitigation account established in 82-11-161 or the geologic storage reservoir program account established in
6 82-11-181:

7 (a) when the person responsible for an abandoned well, sump, or hole cannot be identified or
8 located or, if the person is identified or located, when the person does not have sufficient financial resources to
9 properly plug the well, sump, or hole; or

10 (b) when a previously abandoned well, sump, or hole is the cause of potential environmental
11 problems and a responsible party cannot be identified or located or, if a responsible party can be identified and
12 located, when the person does not have sufficient financial resources to correct the problems.

13 (7) The board may take measures to demonstrate to the general public the importance of the
14 state's oil and gas exploration and production industry, to encourage and promote the wise and efficient use of
15 energy, to promote environmentally sound exploration and production methods and technologies, to develop
16 the state's oil and gas resources, and to support research and educational activities concerning the oil and
17 natural gas exploration and production industry. The board may:

18 (a) make grants or loans and provide other forms of financial assistance as necessary or
19 appropriate from available funds to qualified persons for research, development, marketing, educational
20 projects, and processes or activities directly related to the state's oil and gas exploration and production
21 industry;

22 (b) enter into contracts or agreements to carry out the purposes of this subsection (7), including
23 the authority to contract for the administration of an oil and gas research, development, marketing, and
24 educational program;

25 (c) cooperate with any private, local, state, or national commission, organization, agent, or group
26 and enter into contracts and agreements for programs benefiting the oil and gas exploration and production
27 industry;

28 (d) coordinate with the Montana university system, including Montana technological university or

1 any of its affiliated research programs;

2 (e) accept donations, grants, contributions, and gifts from any public or private source for deposit
3 in the oil and gas education and research account established in 82-11-110;

4 (f) distribute funds from the oil and gas education and research account to carry out the provisions
5 of this subsection (7); and

6 (g) make orders and rules to implement the provisions of this subsection (7).

7 (8) (a) Before holding a hearing on a proposed permit for a carbon dioxide injection well, the board
8 shall solicit, document, consider, and address comments from the department of environmental quality on the
9 proposal.

10 (b) Notwithstanding the provisions of subsection (8)(a), the board makes the final decision on
11 issuance of a permit.

12 (9) Solely for the purposes of administering carbon dioxide injection wells under this part, carbon
13 dioxide within a geologic storage reservoir is not a pollutant, a nuisance, or a hazardous or deleterious
14 substance."

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16 **Section 2.** Section 85-2-510, MCA, is amended to read:

17 **"85-2-510. Production of water from oil and gas wells -- hearings -- jurisdiction of board of oil**
18 **and gas conservation.** ~~Within any designated or modified controlled ground water area or subarea wherein oil~~
19 ~~and/or gas wells produce either fresh, brackish, or saline water associated with oil and gas, the volume of~~
20 ~~production of which is dependent entirely on the oil and/or gas withdrawals, such production of water. The~~
21 regulation of the production, use, or disposal of fresh, brackish, or saline water that is entirely the result of the
22 production of oil or gas, or both, shall must be under the ~~prior~~ jurisdiction of the board of oil and gas
23 conservation and is subject to the requirements of 82-11-123. Hearings pertaining to the production, use, or
24 disposal of water from those wells ~~shall must~~ be held by that board in accordance with the procedures
25 established by that board. The department may petition the board of oil and gas conservation for hearings in
26 regard to those operations, and it ~~shall must~~ be notified by the board of oil and gas conservation of those
27 hearings instigated by other parties ~~when these hearings involve operations within a controlled ground water~~
28 ~~area or subarea."~~
