

Coal Bed Methane Legislation -- Approved
 2001 Montana Legislature
 June 2001

<p style="text-align: center;">Bill Number/ Sponsor</p>	<p style="text-align: center;">Key Provisions</p>
<p>HB 573 Bales</p>	<p><u>Coal Bed Methane Production Offset Act</u></p> <ul style="list-style-type: none"> ! Legislative findings: <ul style="list-style-type: none"> " A delay in the development of certain coal bed methane wells may inadvertently result in the loss of coal bed methane resources. " The coal bed methane resource is highly susceptible to collateral extraction and use through development on adjacent lands to the economic detriment of Montana and its citizens. " There is a compelling state interest to authorize the Board of Oil and Gas Conservation (BOGC) to act in a timely and expeditious manner to permit offset wells. ! Legislative purposes: <ul style="list-style-type: none"> " protect coal bed methane mineral reserves from collateral extraction by others, " provide economic benefits to Montana, " protect private property rights of owners of mineral reserves, " promote balanced development of state lands, " protect the mineral reserve interest held in trust for the benefit of state schools, and " assist in providing much needed energy resources to the region. ! Directs BOGC to permit coal bed methane wells to offset permitting of wells by federal, tribal, or other state agencies that are within 1 mile of the perimeter of lands under the jurisdiction of the BOGC. This section becomes effective when a record of decision is signed by the BOGC and the Department of Environmental Quality (DEQ) for a final environmental impact statement (EIS). All other provisions are effective on passage and approval. <p><u>Water Use Laws</u></p> <ul style="list-style-type: none"> ! Establishes requirements for management of ground water produced in association with a coal bed methane well: <ul style="list-style-type: none"> " irrigation, stock water, and other beneficial uses pursuant to the requirements of applicable Montana water use laws; " reinjection to an acceptable subsurface strata or aquifer pursuant to applicable law; " discharge to the surface or surface waters subject to the permit requirements of Title 75, chapter 5 (water quality laws); or " other methods allowed by law. <p><i>(continued next page)</i></p>

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	<ul style="list-style-type: none"> ! Requires developer of coal bed methane well to offer mitigation agreement to ground water appropriators with a point of diversion within 1 mile of the coal bed methane well or within 1/2 mile of a well that is adversely affected. ! Provides that water managed as provided in section 4 of the bill (described above) is not a waste of water under the section of the MCA that prohibits waste of ground water.
<p>HB 572 Bales</p>	<p><u>Coal Bed Methane Protection Act</u></p> <ul style="list-style-type: none"> ! Establishes coal bed methane protection program to compensate landowners and water right holders for uncompensated damage caused by the development of coal bed methane. Damage includes: <ul style="list-style-type: none"> " loss of agricultural production or loss in value of land, " reduction in quantity or quality of water available from a source that affects the beneficial use of water, and " contamination of water that prevents its beneficial use. ! Compensation may not exceed 75% of the cost of the damages or \$50,000. ! Except for emergencies, compensation may be made only after June 30, 2011. ! Compensation for an emergency may be made after June 30, 2005. ! Program administered by conservation districts in which coal bed methane impacts occur. ! Does not relieve coal bed methane developers or operators of: <ul style="list-style-type: none"> " the legal obligation to compensate landowners and water right holders for damages caused by the development of coal bed methane, " the liability associated with exploration or development, or " the responsibility for compliance with environmental and natural resource protection laws. ! Allocates \$400,000 each fiscal year until June 30, 2011 from oil and natural gas production taxes to coal bed methane account for compensation of landowners and water right holders. ! Law becomes effective on July 1 after certification that the resource indemnity trust (RIT) fund balance has reached \$100 million (anticipated to occur in FY 2002).
<p>HJ 27 Bales</p>	<ul style="list-style-type: none"> ! Requests EQC oversight of the coal bed methane EIS including: <ul style="list-style-type: none"> " receipt of quarterly status reports from the staff of the DEQ and the BOGC, " providing a forum for members of the public to present concerns regarding the timing and cost-effectiveness of the EIS, and " preparing a brief report of its findings and conclusions regarding the EIS process by September 15, 2002.

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HB 7 McCann	! Appropriates \$250,000 under the reclamation and development grants program for a grant to the DEQ to pay part of the cost of the coal bed methane gas EIS.
HB 226 Bales	! Allocates a portion of federal mineral royalty income to counties where the development of federally owned minerals has occurred.

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HB 310 Bixby	! Eliminated current exemption from water quality permit requirements for discharge of unaltered ground water from a coal bed methane well under certain conditions. Under current law, unaltered ground water may be discharged to surface water without a permit if the discharge does not: " contain industrial waste, sewage, or other wastes; " cause the receiving waters to exceed applicable standards; and " increase the concentration of parameters that exceed state standards in the receiving waters.
SB 518 Cobb	! Clarified that the coal board may award impact grants based on coal bed methane development.