

1 HOUSE BILL NO. 253

2 INTRODUCED BY V. COURT

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT PROHIBITING THE USE OF EARTHEN PITS OR PONDS DURING
5 OIL AND GAS DEVELOPMENT; REQUIRING THE USE OF CLOSED-LOOP SYSTEMS AT WELL SITES;
6 AMENDING SECTIONS 82-11-101, 82-11-111, 82-11-123, 82-11-124, 82-11-136, 82-11-163, 82-11-181, AND
7 82-11-182, MCA; AND PROVIDING AN APPLICABILITY DATE."

8
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

10
11 **Section 1.** Section 82-11-101, MCA, is amended to read:
12 **"82-11-101. (Temporary) Definitions.** As used in this chapter, unless the context requires otherwise,
13 the following definitions apply:

- 14 (1) "Administrator" means the administrator of the division of oil and gas conservation.
15 (2) "Board" means the board of oil and gas conservation provided for in 2-15-3303.
16 (3) "Class II injection well" means a well, as defined by the federal environmental protection agency or
17 any successor agency, that injects fluids:
18 (a) that have been brought to the surface in connection with oil or natural gas production;
19 (b) for purposes of enhancing the ultimate recovery of oil or natural gas; or
20 (c) for purposes of storing liquid hydrocarbons.
21 (4) "Closed-loop system" means a system that efficiently recycles circulated mud used during the drilling
22 process while preventing fluids from coming into contact with native soils and eliminating the need for an earthen
23 reserve pit or pond. The system uses a combination of solids control equipment or a self-contained unit that
24 continually separates drilling solids within the mud for continued use. Wastewater may also be chemically treated
25 to remove solids and reused or disposed of.

26 ~~(4)~~(5) "Department" means the department of natural resources and conservation provided for in Title
27 2, chapter 15, part 33.

28 ~~(5)~~(6) "Determinations" means those decisions delegated to the state by or under authority of the Natural
29 Gas Policy Act of 1978 or any successor or similar legislation relating to oil and gas.

30 ~~(6)~~(7) "Enhanced recovery" means the increased recovery from a pool achieved by artificial means or

1 by the application of energy extrinsic to the pool; such artificial means or application includes pressuring, cycling,
2 pressure maintenance, or injection into the pool of any substance or form of energy as is contemplated in
3 secondary recovery and tertiary programs but does not include the injection in a well of a substance or form of
4 energy for the sole purpose of aiding in the lifting of fluids in the well or stimulating of the reservoir at or near the
5 well by mechanical, chemical, thermal, or explosive means.

6 ~~(7)~~(8) "Field" means the general area overlaid by one or more pools.

7 ~~(8)~~(9) "Fluid" means any material or substance that flows or moves, whether in a semisolid, liquid,
8 sludge, gas, or any other form or state.

9 ~~(9)~~(10) "Owner" means the person who has the right to drill into and produce from a pool and to
10 appropriate the oil or gas the person produces from a pool either for the person or others or for the person and
11 others, and the term includes all persons holding that authority by or through the person with the right to drill.

12 ~~(10)~~(11) "Person" means any natural person, corporation, association, partnership, receiver, trustee,
13 executor, administrator, guardian, fiduciary, or other representative of any kind and includes any agency or
14 instrumentality of the state or any governmental subdivision of the state.

15 ~~(11)~~(12) "Pollution" means contamination or other alteration of the physical, chemical, or biological
16 properties of any state waters that exceeds that permitted by state water quality standards or standards adopted
17 by the board, including but not limited to the disposal, discharge, seepage, drainage, infiltration, flow, or injection
18 of any liquid, gaseous, solid, or other substance into any state waters that will or is likely to create a nuisance or
19 render the waters harmful, detrimental, or injurious to public health, recreation, safety, welfare, livestock, wild
20 animals, birds, fish, or other wildlife. A disposal, discharge, seepage, drainage, infiltration, flow, or injection of fluid
21 that is authorized under a rule, permit, or order of the board is not pollution under this chapter.

22 ~~(12)~~(13) "Pool" means an underground reservoir containing a common accumulation of oil or gas or both;
23 each zone of a structure which is completely separated from any other zone in the same structure is a pool, as
24 that term is used in this chapter.

25 ~~(13)~~(14) "Producer" means the owner of a well or wells capable of producing oil or gas or both.

26 ~~(14)~~(15) "Responsible person" means a person who is determined by the board under 82-10-402 to have
27 abandoned an oil or gas well, injection well, disposal well, water source well, drill site, sump, seismographic shot
28 hole, or other area where oil and gas drilling and production operations were conducted.

29 ~~(15)~~(16) "State waters" means any body of water, either surface or underground.

30 ~~(16)~~(17) (a) "Waste" means:

1 (i) physical waste, as that term is generally understood in the oil and gas industry;
2 (ii) the inefficient, excessive, or improper use of or the unnecessary dissipation of reservoir energy;
3 (iii) the location, spacing, drilling, equipping, operating, or producing of any oil or gas well or wells in a
4 manner which causes or tends to cause reduction in the quantity of oil or gas ultimately recoverable from a pool
5 under prudent and proper operations or which causes or tends to cause unnecessary or excessive surface loss
6 or destruction of oil or gas; and

7 (iv) the inefficient storing of oil or gas. (The production of oil or gas from any pool or by any well to the
8 full extent that the well or pool can be produced in accordance with methods designed to result in maximum
9 ultimate recovery, as determined by the board, is not waste within the meaning of this definition.)

10 (b) The loss of gas to the atmosphere during coal mining operations is not waste within the meaning of
11 this definition.

12 **82-11-101. (Effective on occurrence of contingency) Definitions.** As used in this chapter, unless the
13 context requires otherwise, the following definitions apply:

14 (1) "Administrator" means the administrator of the division of oil and gas conservation.

15 (2) "Board" means the board of oil and gas conservation provided for in 2-15-3303.

16 (3) "Carbon dioxide" means carbon dioxide produced by anthropogenic sources that is of such purity
17 and quality that it will not compromise the safety of a geologic storage reservoir and will not compromise those
18 properties of a geologic storage reservoir that allow the reservoir to effectively enclose and contain a stored gas.

19 (4) (a) "Carbon dioxide injection well" means a well that injects carbon dioxide for the underground
20 storage of carbon dioxide in a geologic storage reservoir.

21 (b) The term does not include a class II injection well in which carbon dioxide is injected for the purpose
22 of enhancing the recovery of oil and gas.

23 (5) "Class II injection well" means a well, as defined by the federal environmental protection agency or
24 any successor agency, that injects fluids:

25 (a) that have been brought to the surface in connection with oil or natural gas production;

26 (b) for purposes of enhancing the ultimate recovery of oil or natural gas; or

27 (c) for purposes of storing liquid hydrocarbons.

28 (6) "Closed-loop system" means a system that efficiently recycles circulated mud used during the drilling
29 process while preventing fluids from coming into contact with native soils and eliminating the need for an earthen
30 reserve pit or pond. The system uses a combination of solids control equipment or a self-contained unit that

1 continually separates drilling solids within the mud for continued use. Wastewater may also be chemically treated
2 to remove solids and reused or disposed of.

3 ~~(6)~~(7) "Department" means the department of natural resources and conservation provided for in Title
4 2, chapter 15, part 33.

5 ~~(7)~~(8) "Determinations" means those decisions delegated to the state by or under authority of the Natural
6 Gas Policy Act of 1978 or any successor or similar legislation relating to oil and gas.

7 ~~(8)~~(9) "Enhanced recovery" means the increased recovery from a pool achieved by artificial means or
8 by the application of energy extrinsic to the pool; artificial means or application includes pressuring, cycling,
9 pressure maintenance, or injection into the pool of any substance or form of energy as is contemplated in
10 secondary recovery and tertiary programs but does not include the injection in a well of a substance or form of
11 energy for the sole purpose of aiding in the lifting of fluids in the well or stimulating of the reservoir at or near the
12 well by mechanical, chemical, thermal, or explosive means.

13 ~~(9)~~(10) "Field" means the general area underlaid by one or more pools.

14 ~~(10)~~(11) "Fluid" means any material or substance that flows or moves, whether in a semisolid, liquid,
15 sludge, gas, or any other form or state.

16 ~~(11)~~(12) "Geologic storage operator" means a person holding or applying for a carbon dioxide injection
17 well permit.

18 ~~(12)~~(13) (a) "Geologic storage reservoir" means a subsurface sedimentary stratum, formation, aquifer,
19 cavity, or void, whether natural or artificially created, including vacant or filled reservoirs, saline formations, and
20 coal seams suitable for or capable of being made suitable for injecting and storing carbon dioxide.

21 (b) The term does not include a natural gas storage reservoir. However, the owner of a natural gas
22 storage reservoir may convert a depleted natural gas storage reservoir into a geologic storage reservoir to be
23 used pursuant to Title 82, chapter 11, parts 1 and 2.

24 ~~(13)~~(14) "Owner" means the person who has the right to drill into and produce from a pool and to
25 appropriate the oil or gas the person produces from a pool either for the person or others or for the person and
26 others, and the term includes all persons holding that authority by or through the person with the right to drill.

27 ~~(14)~~(15) "Person" means any natural person, corporation, association, partnership, receiver, trustee,
28 executor, administrator, guardian, fiduciary, or other representative of any kind and includes any agency or
29 instrumentality of the state or any governmental subdivision of the state.

30 ~~(15)~~(16) "Pollution" means contamination or other alteration of the physical, chemical, or biological

1 properties of any state waters that exceeds that permitted by state water quality standards or standards adopted
 2 by the board, including but not limited to the disposal, discharge, seepage, drainage, infiltration, flow, or injection
 3 of any liquid, gaseous, solid, or other substance into any state waters that will or is likely to create a nuisance or
 4 render the waters harmful, detrimental, or injurious to public health, recreation, safety, welfare, livestock, wild
 5 animals, birds, fish, or other wildlife. A disposal, discharge, seepage, drainage, infiltration, flow, or injection of fluid
 6 that is authorized under a rule, permit, or order of the board is not pollution under this chapter.

7 ~~(16)~~(17) "Pool" means an underground reservoir containing a common accumulation of oil or gas or both.
 8 Each zone of a structure that is completely separated from any other zone in the same structure is a pool. For
 9 the purposes of unitization pursuant to Title 82, chapter 11, part 2, "pool" also includes an underground reservoir
 10 for the long-term storage of carbon dioxide after the effective date of this section.

11 ~~(17)~~(18) "Producer" means the owner of a well or wells capable of producing oil or gas or both.

12 ~~(18)~~(19) "Responsible person" means a person who is determined by the board under 82-10-402 to have
 13 abandoned an oil or gas well, injection well, disposal well, water source well, drill site, sump, seismographic shot
 14 hole, or other area where oil and gas drilling and production operations were conducted.

15 ~~(19)~~(20) "State waters" means any body of water, either surface or underground.

16 ~~(20)~~(21) "Verification and monitoring" means measuring the amount of carbon dioxide stored at a specific
 17 geologic storage reservoir, checking the site for leaks or deterioration of storage integrity, and ensuring that
 18 carbon dioxide is stored in a way that is permanent and not harmful to the ecosystem. The term includes:

19 (a) using models to show, before injection is allowed, that injected carbon dioxide will be securely stored.
 20 Modeling includes but is not limited to consideration of seismic activity, possible paths for fugitive emissions, and
 21 chemical reactions in the geologic formation.

22 (b) tracking plume behavior after injection of carbon dioxide, including the use of pressure monitoring;
 23 and

24 (c) establishing a system of leak monitors.

25 ~~(21)~~(22) (a) "Waste" means:

26 (i) physical waste, as that term is generally understood in the oil and gas industry;

27 (ii) the inefficient, excessive, or improper use of or the unnecessary dissipation of reservoir energy;

28 (iii) the location, spacing, drilling, equipping, operating, or producing of any oil or gas well or wells in a
 29 manner that causes or tends to cause reduction in the quantity of oil or gas ultimately recoverable from a pool
 30 under prudent and proper operations or that causes or tends to cause unnecessary or excessive surface loss

1 or destruction of oil or gas; and

2 (iv) the inefficient storing of oil or gas.

3 (b) (i) The production of oil or gas from any pool or by any well to the full extent that the well or pool can
4 be produced in accordance with methods designed to result in maximum ultimate recovery, as determined by the
5 board, is not waste within the meaning of subsection ~~(21)(a)~~ (22)(a).

6 (ii) The loss of gas to the atmosphere during coal mining operations is not waste within the meaning of
7 subsection ~~(21)(a)~~ (22)(a)."

8

9 **Section 2.** Section 82-11-111, MCA, is amended to read:

10 **"82-11-111. (Temporary) Powers and duties of board.** (1) The board shall make investigations that
11 it considers proper to determine whether waste exists or is imminent or whether other facts exist that justify any
12 action by the board under the authority granted by this chapter.

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

14 (a) require measures, including the use of a closed-loop system, to be taken to prevent contamination
15 of or damage to surrounding land or underground strata caused by drilling operations and production, including
16 but not limited to regulating the disposal or injection of water and disposal of oil field wastes and prohibiting the
17 use of earthen reserve pits or ponds;

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

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

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

25 (4) With respect to any pool from which gas was being produced by a gas well on or prior to April 1,
26 1953, this chapter does not authorize the board to limit or restrain the rate, daily or otherwise, of production of
27 gas from that pool by any existing well or a well drilled after that date and producing from that pool to less than
28 the rate at which the well can be produced without adversely affecting the quantity of gas ultimately recoverable
29 by the well.

30 (5) The board has exclusive jurisdiction over all class II injection wells and all pits and ponds in relation

1 to those injection wells. The board may:

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

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

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

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

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

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

11 (iii) inspect monitoring equipment or methods; and

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

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

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

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

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

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

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

30 (b) enter into contracts or agreements to carry out the purposes of this subsection (7), including the

1 authority to contract for the administration of an oil and gas research, development, marketing, and educational
2 program;

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

5 (d) coordinate with the Montana university system, including Montana tech of the university of Montana
6 or any of its affiliated research programs;

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

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

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

12 **82-11-111. (Effective on occurrence of contingency) Powers and duties of board.** (1) The board
13 shall investigate matters it considers proper to determine whether waste exists or is imminent or whether other
14 facts exist that justify any action by the board under the authority granted by this chapter.

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

16 (a) require measures to be taken, including the use of a closed-loop system, to prevent contamination
17 of or damage to surrounding land or underground strata caused by drilling operations and production, including
18 but not limited to regulating the disposal or injection of water or carbon dioxide and disposal of oil field wastes
19 and prohibiting the use of earthen reserve pits or ponds;

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

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

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

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

1 (5) Subject to subsection (8), the board has exclusive jurisdiction over carbon dioxide injection wells,
2 geologic storage reservoirs, all class II injection wells, and all pits and ponds in relation to those injection wells.

3 The board may:

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

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

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

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

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

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

15 (iii) inspect monitoring equipment or methods; and

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

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

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

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

24 (b) when a previously abandoned well, sump, or hole is the cause of potential environmental problems
25 and a responsible party cannot be identified or located or, if a responsible party can be identified and located,
26 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 state's oil
28 and gas exploration and production industry, to encourage and promote the wise and efficient use of energy, to
29 promote environmentally sound exploration and production methods and technologies, to develop the state's oil
30 and gas resources, and to support research and educational activities concerning the oil and natural gas

1 exploration and production industry. The board may:

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

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

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

10 (d) coordinate with the Montana university system, including Montana tech of the university of Montana
11 or any of its affiliated research programs;

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

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

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

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

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

21 (9) Solely for the purposes of administering carbon dioxide injection wells under this part, carbon dioxide
22 within a geologic storage reservoir is not a pollutant, a nuisance, or a hazardous or deleterious substance."
23

24 **Section 3.** Section 82-11-123, MCA, is amended to read:

25 **"82-11-123. (Temporary) Requirements for oil and gas operations.** Subject to the administrative
26 control of the department under 2-15-121, the board shall require:

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

28 (2) the making and filing of acceptable well logs, including bottom-hole temperatures (in order to facilitate
29 the discovery of potential geothermal energy sources), the making and filing of reports on well locations, and the
30 filing of directional surveys, geological sample logs, mud logs, core descriptions, and ordinary core analysis, if

1 made; however, logs of exploratory or wildcat wells need not be filed for a period of 6 months following completion
2 of those wells;

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

7 (4) the use of a closed-loop system at well sites;

8 ~~(4)~~(5) the restoration of surface lands to their previous grade and productive capability after a well is
9 plugged or a seismographic shot hole has been utilized and necessary measures to prevent adverse hydrological
10 effects from the well or hole, unless the surface owner agrees in writing, with the approval of the board or its
11 representatives, to a different plan of restoration;

12 ~~(5)~~(6) the furnishing of a reasonable bond with good and sufficient surety, conditioned for performance
13 of the duty to properly plug each dry or abandoned well. The bond may be forfeited in its entirety by the board
14 for failure to perform the duty to properly plug each dry or abandoned well and may not be canceled or absolved
15 if the well fails to produce oil or gas in commercial quantities, until:

16 (a) the board determines the well is properly plugged and abandoned as provided in the board's rules;
17 or

18 (b) the requirements of 82-11-163 are met.

19 ~~(6)~~(7) proper gauging or other measuring of oil and gas produced and saved to determine the quantity
20 and quality of oil and gas;

21 ~~(7)~~(8) that every person who produces, transports, or stores oil or gas or injects or disposes of water in
22 this state shall make available within this state for a period of 5 years complete and accurate records of the
23 quantities. The records must be available for examination by the board or its employees at all reasonable times.
24 The person shall file with the board reports as it may prescribe with respect to quantities, transportations, and
25 storages of the oil, gas, or water.

26 ~~(8)~~(9) the installation, use, and maintenance of monitoring equipment or methods in the operation of
27 class II injection wells.

28 **82-11-123. (Effective on occurrence of contingency) Requirements for oil and gas and carbon**
29 **dioxide injection operations.** (1) Subject to the administrative control of the department under 2-15-121, the
30 board shall require:

1 (a) identification of ownership of carbon dioxide injection wells, carbon dioxide, geologic storage
2 reservoirs, and oil or gas wells, producing properties, and tanks;

3 (b) the making and filing of acceptable well logs, including bottom-hole temperatures, in order to facilitate
4 the discovery of potential geothermal energy sources, the making and filing of reports on well locations, and the
5 filing of directional surveys, geological sample logs, mud logs, core descriptions, and ordinary core analysis, if
6 made. However, logs of exploratory or wildcat wells need not be filed for a period of 6 months following
7 completion of those wells.

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

12 (d) the use of a closed-loop system at well sites;

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

17 ~~(e)(f)~~ except as provided in subsection ~~(1)(f)~~ (1)(g), the furnishing of a reasonable bond with good and
18 sufficient surety, conditioned for performance of the duty to properly plug each dry or abandoned well. The bond
19 may be forfeited in its entirety by the board for failure to perform the duty to properly plug each dry or abandoned
20 well and may not be canceled or absolved if the well fails to produce oil or gas in commercial quantities, until:

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

23 (ii) the requirements of 82-11-163 are met.

24 ~~(f)(g)~~ the furnishing of reasonable bond or other surety for a carbon dioxide injection well, geologic
25 storage reservoir, and the carbon dioxide stored in the reservoir with good and sufficient surety for performance
26 of the duty to operate and manage a carbon dioxide injection well, geologic storage reservoir, and the carbon
27 dioxide stored in the reservoir and to properly plug and reclaim each carbon dioxide injection well. The bond or
28 other surety may be forfeited in its entirety by the board for failure to perform the duty to properly manage and
29 operate a well, reservoir, and stored carbon dioxide or to plug a well. Except as provided in 82-11-183(8), the
30 bond or other surety may not be canceled or absolved.

1 ~~(g)~~(h) proper gauging or other measuring of oil and gas produced and saved to determine the quantity
2 and quality of oil and gas;

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

8 ~~(i)~~(j) the installation, use, and maintenance of monitoring equipment or methods in the operation of
9 carbon dioxide injection wells and class II injection wells.

10 (2) In addition to the requirements of subsection (1), the geologic carbon dioxide injection well permitting
11 system must include:

12 (a) recordkeeping and reporting requirements sufficient to measure the effectiveness of carbon dioxide
13 injection wells and geologic storage reservoirs;

14 (b) characterization of the injection zone and aquifers above and below the injection zone that may be
15 affected, including applicable pressure and fluid chemistry data to describe the projected effects of injection
16 activities;

17 (c) verification and monitoring at geologic storage reservoirs;

18 (d) mitigation of leaks, including the ability to stop the leaking of carbon dioxide and to address impacts
19 of leaks;

20 (e) adequate baseline monitoring of drinking water wells within 1 mile of the perimeter of the geologic
21 storage reservoir; and

22 (f) at a minimum, requirements pursuant to applicable federal regulatory standards established by:

23 (i) the Energy Independence and Security Act of 2007, Public Law 110-140, and subsequent acts;

24 (ii) the Safe Drinking Water Act, 42 U.S.C. 300f, et seq.; and

25 (iii) the underground injection control program, 40 CFR, parts 144 through 147."

26

27 **Section 4.** Section 82-11-124, MCA, is amended to read:

28 **"82-11-124. Requirements relating to waste prevention.** Subject to the administrative control of the
29 department under 2-15-121, the board shall, for the purpose of preventing waste:

30 (1) regulate the drilling, producing, and plugging of wells, the shooting and chemical treatment of wells,

1 the spacing of wells, operations voluntarily entered into to increase ultimate recovery such as cycling of gas, the
 2 maintenance of pressure, and the introduction of gas, water, or other substances into producing formations; and
 3 (2) prohibit the use of earthen reserve pits or ponds and require the use of a closed-loop system to
 4 minimize waste, entry by wildlife, fugitive emissions, and the risk of soil and ground water contamination; and
 5 ~~(2)~~(3) fix, upon application made by any interested person after hearing, efficient gas-oil and water-oil
 6 ratios for any particular well or wells."

7

8 **Section 5.** Section 82-11-136, MCA, is amended to read:

9 **"82-11-136. (Temporary) Expenditure of funds from bonds for plugging wells.** The board may
 10 accept and expend all funds received by it from bonds for properly plugging dry or abandoned wells as authorized
 11 in ~~82-11-123(5)~~ 82-11-123(6).

12 **82-11-136. (Effective on occurrence of contingency) Expenditure of funds from bonds for**
 13 **plugging wells.** (1) The board may accept and expend all funds received by it from bonds for properly plugging
 14 dry or abandoned wells as authorized in ~~82-11-123(1)(e)~~ 82-11-123(1)(f).

15 (2) The board may accept and expend all funds received by it from bonds for properly plugging
 16 abandoned carbon dioxide injection wells as authorized in ~~82-11-123(1)(f)~~ 82-11-123(1)(g)."

17

18 **Section 6.** Section 82-11-163, MCA, is amended to read:

19 **"82-11-163. (Temporary) Landowner's bond on noncommercial well.** If the owner of the surface land
 20 upon which has been drilled a well that fails to produce oil or gas in commercial quantities acquires the well for
 21 domestic purposes, the board may cancel and absolve the bond required in 82-11-123 upon its acceptance of
 22 surety in the form of a certificate of deposit or a surety bond in the amount of \$5,000 for a single well or in the
 23 amount of \$10,000 for more than one well or in the form of a property bond of two times the value of the required
 24 certificate of deposit or surety bond. The release of the certificate of deposit, surety bond, or property bond must
 25 be conditioned on proof provided by the landowner that the well has been properly plugged.

26 **82-11-163. (Effective on occurrence of contingency) Landowner's bond on noncommercial well.**
 27 If the owner of the surface land upon which has been drilled a well that fails to produce oil or gas in commercial
 28 quantities acquires the well for domestic purposes, the board may cancel and absolve the bond required in
 29 ~~82-11-123(1)(e)~~ 82-11-123(1)(f) upon its acceptance of surety in the form of a certificate of deposit or a surety
 30 bond in the amount of \$5,000 for a single well or in the amount of \$10,000 for more than one well or in the form

1 of a property bond of two times the value of the required certificate of deposit or surety bond. The release of the
 2 certificate of deposit, surety bond, or property bond must be conditioned on proof provided by the landowner that
 3 the well has been properly plugged."

4

5 **Section 7.** Section 82-11-181, MCA, is amended to read:

6 **"82-11-181. (Effective on occurrence of contingency) Geologic storage reservoir administrative**
 7 **fee -- account established.** (1) (a) A geologic storage operator shall pay to the board a fee on each ton of
 8 carbon dioxide injected for storage for the purpose of carrying out the state's responsibility to monitor and manage
 9 geologic storage reservoirs. If a geologic storage operator chooses to indefinitely accept liability pursuant to
 10 82-11-183(9)(a), the board shall remit the fee to the operator. If a geologic storage operator is required to
 11 maintain liability pursuant to 82-11-183(9)(b), the board may not remit the fee.

12 (b) The fee must be in the amount set by board rule.

13 (c) The amount must be based on the anticipated actual expenses that the board will incur in monitoring
 14 and managing geologic storage reservoirs during their postclosure phases.

15 (2) There is a geologic storage reservoir program account in the special revenue fund.

16 (3) (a) Each fiscal year there must be deposited in the account the fees collected pursuant to
 17 82-11-184(2)(b) and subsection (1) of this section, to be used by the board for monitoring and managing geologic
 18 storage reservoirs pursuant to 82-11-183(6) and (8).

19 (b) Funds received from bonds or other surety as authorized in ~~82-11-123(1)(f)~~ 82-11-123(1)(g) and
 20 82-11-183 must be deposited in the account.

21 (4) Interest and earnings on the funds in the geologic storage reservoir program account accrue to that
 22 account."

23

24 **Section 8.** Section 82-11-182, MCA, is amended to read:

25 **"82-11-182. (Effective on occurrence of contingency) Liability for carbon dioxide during injection.**

26 (1) Until the certificate of project completion is issued pursuant to 82-11-183(1) and title to the stored carbon
 27 dioxide and geologic storage reservoir is transferred to the state pursuant to 82-11-183(7), the geologic storage
 28 operator is liable for the operation and management of the carbon dioxide injection well, the geologic storage
 29 reservoir, and the injected or stored carbon dioxide.

30 (2) Bond or other surety furnished pursuant to ~~82-11-123(1)(f)~~ 82-11-123(1)(g) must be adequate to meet

1 the requirements of subsection (1).

2 (3) For the purposes of 82-11-183 and this section, "title" includes title to the geologic storage reservoir
3 and the stored carbon dioxide."

4
5 NEW SECTION. **Section 9. Notification to tribal governments.** The secretary of state shall send a
6 copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell
7 Chippewa tribe.

8
9 NEW SECTION. **Section 10. Saving clause.** [This act] does not affect rights and duties that matured,
10 penalties that were incurred, or proceedings that were begun before [the effective date of this act].

11
12 NEW SECTION. **Section 11. Applicability.** [This act] applies to operations initiated on or after [the
13 effective date of this act].

14 - END -