

1 SENATE BILL NO. 81
2 INTRODUCED BY J. KASSMIER
3 BY REQUEST OF THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
4
5 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR THE LEASE OF STATE LANDS FOR
6 UNDERGROUND STORAGE OF GAS OR LIQUIFIED GAS; DEFINING "GAS OR LIQUIFIED GAS";
7 PROVIDING RULEMAKING AUTHORITY; AND AMENDING SECTIONS 77-3-501, 77-3-502, 77-3-505, AND
8 77-3-507, MCA."

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

13 "77-3-501. Lease for underground storage of natural gas or liquified gas authorized --

14 **definition.** (1) The Subject to the Enabling Act, constitutional restrictions, and state law, the Safe Drinking

15 Water Act, and laws, regulations, criteria, and standards for class II and class IV injection wells, the board is

16 hereby authorized and empowered to lease, in such a manner and upon such on the terms as it may

17 determine, not inconsistent with The Enabling Act and the constitution, state lands to which the title has vested

18 in the state, subject to existing rights, for use for the underground storage of natural gas or liquified gas, as

19 defined in subsection (3), upon the prescribed terms and conditions herein prescribed, to any natural gas public

20 utility authorized to do business in this state and engaged in the business of transporting or distributing natural

21 gas by means of pipelines into, within, or through this state for ultimate public use person or government

22 agency qualified to engage in these activities pursuant to 82-11-181 through 82-11-184.

23 (2) The board may require compensation for commercially recoverable native oil or gas, for which
24 recovery will reasonably be precluded as a result of an underground lease. To determine this compensation,
25 the board shall consider the technology in use at the time the underground lease is executed.

26 (2)(3) State lands which that may be leased shall include lands in which that have the capability to
27 store gas or liquified gas, ~~or when the deposit of native gas shall have been is depleted, provided the lessee~~

1 ~~pays to the state the amount specified by the board for the native gas then remaining in the lands to be leased.~~

2 ~~(3)(4) As used in this chapter:~~

3 ~~(a) "gas or liquified gas" means all natural gases, carbon dioxide, methane, nitrous oxide,~~

4 ~~fluorinated gases, other gaseous hydrocarbons, or the liquified state of these gases; and~~

5 ~~(b) "commercially recoverable" means oil or gas, the recovery of which will profit a lessee at~~

6 ~~current market prices after subtracting operating expenses using current technology and industry practices."~~

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8 **Section 2.** Section 77-3-502, MCA, is amended to read:

9 ~~"77-3-502. Rules. The Subject to the Enabling Act, constitutional restrictions, and state law, the board~~

10 ~~shall have has the power and authority to prescribe such rules and to do and perform all acts and things not~~

11 ~~inconsistent with The Enabling Act, the constitution, and the statutes of this state as it may deem necessary~~

12 ~~and proper relating to the leasing of state lands for the underground storage of natural gas or liquified gas and~~

13 ~~the sale of the gas remaining in state lands in a gas field wherein in which native gas deposits have been~~

14 ~~depleted."~~

15

16 **Section 3.** Section 77-3-505, MCA, is amended to read:

17 ~~"77-3-505. Bond of lessees. A lessee under 77-3-501 shall furnish bond to the state in a form~~

18 ~~prescribed by the board and in an amount adequate to indemnify the state against loss, damage, or detriment~~

19 ~~by reason of failure of the lessee to fully discharge the obligations contained in any lease. No A bond in excess~~

20 ~~of \$20,000 is may not be required under any one lease for the storage of gas or liquified gas."~~

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22 **Section 4.** Section 77-3-507, MCA, is amended to read:

23 ~~"77-3-507. Lessee to prevent waste. (1) Leases-All leases issued under the provisions of this part~~

24 ~~shall all be are subject to the conditions that the lessee in conducting the underground storage of natural gas or~~

25 ~~liquified gas shall use all reasonable precautions to prevent waste of oil or gas developed in the land or the~~

26 ~~entrance of water, through wells drilled to store natural gas or liquified gas, to the oil or gas sands or oil or gas~~

27 ~~bearing to oil-bearing or gas-bearing strata to the destruction or injury of oil or gas deposits.~~

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