

BEFORE THE BOARD OF OIL AND GAS CONSERVATION AND
THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
OF THE STATE OF MONTANA

In the matter of the amendment of) NOTICE OF PUBLIC HEARING ON
ARM 36.22.1242 to regarding the oil) PROPOSED AMENDMENT
and gas privilege and license tax)

To: All Concerned Persons

1. On June 15, 2016, at 2:00 p.m., the Department of Natural Resources and Conservation and the Board of Oil and Gas Conservation will hold a public hearing at 2535 St. Johns Avenue, Billings, Montana, to consider the proposed amendment of the above-stated rule.

2. The department will make reasonable accommodations for persons with disabilities who wish to participate in this rulemaking process or need an alternative accessible format of this notice. If you require an accommodation, contact the board no later than June 3, 2016, to advise us of the nature of the accommodation that you need. Please contact Jim Halvorson, Board of Oil and Gas Conservation, 2535 St. Johns Avenue, Billings, MT 59102; telephone (406) 656-0040; fax (406) 655-6015; e-mail jhalvorson@mt.gov.

3. The rule as proposed to be amended provides as follows:

36.22.1242 REPORTS BY PRODUCERS – TAX REPORT – TAX RATE

(1) remains the same.

(2) The privilege and license tax on each barrel of crude petroleum and each 10,000 cubic feet of natural gas produced, saved, and marketed, or stored within the state or exported therefrom shall be ~~30.00~~ 100 percent (~~0.9/10 of 1%~~) of the rate authorized in 82-11-131, MCA, (3/10 of 1%) of the market value thereof. This rule is effective on all crude petroleum and natural gas produced on and after October 1, ~~2006~~ 2016.

AUTH: 82-11-111, MCA

IMP: 82-11-123, 82-11-131, ~~82-11-133~~, MCA

REASONABLE NECESSITY: Oil price during the past biennium averaged \$74 per barrel (Energy Information Administration First Purchaser Price) and quarterly expenditures generally exceeded income at the current tax rate of 0.0009 or 30% of the maximum allowable rate. The average oil price as of March 11, 2016, was \$26.25/barrel (North Dakota, NDIC weekly report).

The proposed increase of the authorized privilege and license tax under 82-11-131, MCA, is reasonably necessary to provide funds to maintain income for board operations and perform activities required by statute.

Under the proposed rule change the effective tax rate to producers will change from 0.0026 to 0.0030. The increase in tax is expected to affect 200 oil and gas producers with an increased tax burden of approximately \$240,000 over the 12 months following adoption of the new rate. This action is estimated to add approximately \$1,300,000 to the board's earmarked revenue account over the same period.

Additionally, implementation statute 82-11-133, MCA, is obsolete as it was repealed in 1995.

4. Concerned persons may submit their data, views, or arguments, either orally or in writing, at the hearing. Written data, views, or arguments may also be submitted in writing to Jim Halvorson, Board of Oil and Gas Conservation, 2535 St. Johns Avenue, Billings, MT 59102; telephone (406) 656-0040; fax (406) 655-6015; or e-mail jhalvorson@mt.gov, and must be received no later than 5:00 p.m. on June 17, 2016.

5. Jim Halvorson, Board of Oil and Gas Conservation, has been designated to preside over and conduct the public hearing.

6. The department maintains a list of interested persons who wish to receive notices of rulemaking actions proposed by this agency. Persons who wish to have their name added to the list shall make a written request that includes the name, e-mail, and mailing address of the person to receive notices and specifies that the person wishes to receive notices regarding conservation districts and resource development, forestry, oil and gas conservation, trust land management, water resources, or a combination thereof. Notices will be sent by e-mail unless a mailing preference is noted in the request. Such written request may be mailed or delivered to Lucy Richards, P.O. Box 201601, 1625 Eleventh Avenue, Helena, MT 59620; fax (406) 444-2684; e-mail dnrc_publicinfo@mt.gov; or may be made by completing a request form at any rules hearing held by the department.

7. An electronic copy of this proposal notice is available through the department's web site at <http://www.dnrc.mt.gov>. The department strives to make the electronic copy of the notice conform to the official version of the notice, as printed in the Montana Administrative Register, but advises all concerned persons that in the event of a discrepancy between the official printed text of the notice and the electronic version of the notice, only the official printed text will be considered.

8. The bill sponsor contact requirements of 2-4-302, MCA, do not apply.

9. With regard to the requirements of 2-4-111, MCA, the department has determined that the amendment of the above-referenced rule will not significantly and directly impact small businesses.

/s/ John E. Tubbs
JOHN E. TUBBS
Director
Natural Resources and Conservation

/s/ Dennison Butler
DENNISON BUTLER
Rule Reviewer

/s/ Linda Nelson
LINDA NELSON
Board Chair, Board of Oil and Gas Conservation

Certified to the Secretary of May 9, 2016.