

March 16, 2018

Energy and Telecommunications Interim Committee
GTUIT



In the Energy and Telecommunications Interim Committee's 2017-2018 work plan, the committee dedicated .1 FTE to reviewing the regulatory climate for energy generation. The review is to include a look at opportunities for developing Montana's energy resources and a discussion of regulations surrounding potential developments.

ETIC staff, as directed by the committee, worked with Representative Zolnikov to invite speakers to the March 15-16 meeting. Other energy industry representatives will be invited to future meetings. In consultation with Representative Zolnikov, a series of questions also were developed to be asked of the various energy industry representatives who participate in the committee's study. GTUIT's responses are below.

GTUIT

Please describe your company and the energy project you are developing or are interested in developing in Montana. Include potential project locations, proposed funding, and potential timelines for development.

GTUIT is a Billings-based company founded in 2011. GTUIT has developed mobile and modular miniature wellsite natural gas processing plants to liquefy significant portions of associated gas that would otherwise be flared and wasted. To date, GTUIT has condensed, collected, and sold to market over 1 million barrels of liquids from flare gas streams. GTUIT has a significant presence in North Dakota but has recently signed a contract to begin operations near Fairview in Montana. GTUIT is expanding our fleet to accommodate this project and is using an equity raise to fund the equipment. Operations should begin in the first quarter of 2018.

Have you reached out to or met with any executive agencies in Montana or elected officials about the project? What was your experience working with entities in Montana?

Usually the wellsite owner/producer is responsible for permitting and contact with agencies in Montana. We have discussed this project with Dave Aguirre at the Montana Department of Environmental Quality, and he was quite helpful.

Do you have suggestions for how Montana could assist companies in finding out what agencies to work with within Montana state government in the early stages of project development?

One improvement may be an interactive question and answer webpage that would help narrow a company's focus and/or direct individuals to the right department within state government.

Have you encountered any regulatory burdens to-date or are you concerned about any existing regulatory requirements in Montana? If so, please describe those regulations and your experiences or concerns.

GTUIT has not encountered any regulatory burdens to-date and most applicable on-site requirements are handled by the producer.

Are there any particular tax incentives, other incentives, or policies in Montana that make it a particularly attractive place to pursue energy development? If so, what are those incentives or policies?

Yes, tax exemption for environmental projects. In our business, the price of Natural Gas Liquids (NGLs) a producer can get on the open market greatly effects whether or not our gas capture business is a revenue generator or an expense to the producer. Having tax exemptions helps keep costs down making our services more attractive to producers.

The current horizontal drilling severance tax holiday is a great incentive that is definitely causing operators including our new customer to consider Montana in their development plans. Operators in the Bakken have to determine the best locations to invest their limited drilling capital, so the current tax holiday is a great way to help level the economic playing field. Increased drilling and completion activity in Montana will be good for the state and good for GTUIT.

One additional policy that we would encourage the Legislature to continue funding and even increase their funding is the Montana Manufacturing Extension Center (MMEC). We have utilized many services and training from the MMEC since the inception of our company and have found them to be incredibly helpful and responsive. Montana needs to do a better job of promoting the services of the MMEC, as they are a huge asset in our combined efforts to grow the state economy.

Are there additional incentives or policies that would make Montana a more attractive place for energy development? If so, please describe those policies or incentives.

We would like to see a tax credit for producers for the cost of producing NGLs derived from flare gas that could apply to either production/severance taxes or income taxes. There needs to be an incentive to producers to produce hydrocarbons from a pure waste stream of gas that is currently being flared. Due to the cost to build equipment such as GTUIT's mobile gas plants, if there is not enough gas at a wellsite or the gas composition is not "rich" enough, the economics of the project suffer and the gas gets wasted in the flare. As Montana's oil production begins to increase again with higher prices and improved completion technology, producers would utilize flare capture services such as GTUIT's if they were incentivized through tax credits that help projects reach break-even or better.

Also, a loan guarantee program for specialized equipment would be helpful. Financing specialized technologies is difficult as lenders are risk adverse for equipment they don't understand or unsure of the secondary market they would sell the equipment to if a loan was going into default. If the state was able to guarantee at least a portion of the loan principal in exchange for financial participation in the loan, then lenders would be more incentivized to loan growth capital to companies like GTUIT.