

Presentation on Senate Bill No. 336
Introduced by Sen. Lane Larson
**The Coal Bed Methane Operations
Reclamation Act**

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On behalf of
Northern Plains Resource Council

2005 Montana Legislature
February 11, 2005
Helena, MT

James R Kuipers, PE – Summary of Qualifications

- Graduate of Montana Tech and Professional Engineer
- Over 20 years experience in reclamation planning and financial assurance estimation
- Extensive involvement on behalf of individuals and organizations affected Pegasus Gold Bankruptcy
- Author of two major reports, numerous studies and over 50 evaluations of reclamation plans and financial assurance in the U.S.
- Presented at over 10 professional conferences and workshops on reclamation plans and financial assurance
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What is the Purpose of the CBMRA?

The Coal Bed Methane Reclamation Act (CBMRA) ensures the reclamation of all disturbed land and a clean and healthy environment consistent with the Montana State Constitution by providing:

- Protection of the environment
- Prevention of unreasonable depletion and degradation of natural resources

Why is the CBMRA needed?

Between 10,000 and 26,000 CBM wells will be drilled in Montana in the next 20 years creating:

- 9,000 miles of new roads
- 28,000 miles of new power lines and pipeline corridors
- 4,000 wastewater impoundments
- 70,000 acres of disturbed lands plus up to 4.7 million acres of impacted wildlife habitat

(source: MT Statewide CBM EIS)

(data based on 18,300 wells)

CBMRA Comparison

- The disturbance from CBM over the next 20 years will be equal to or greater than the combined total disturbance from coal mines, hardrock mines, and open cut mines
- Montana requires reclamation planning and financial assurance for those industries:
 - Montana Strip and Underground Mine Reclamation Act (82-4-201 et seq, MCA)
 - Addresses coal mines
 - Montana Metal Mine Reclamation Act (MMRA) (82-4-301 et seq, MCA)
 - Addresses hardrock mines
 - Montana Opencut Mining Act (82-4-401 et seq., MCA)
 - Addresses the mining of bentonite, clay, scoria, soil materials, peat, sand or gravel

What are the Key Components of the CBMRA?

1. Reclamation Plan and Requirements
2. Financial Assurance
3. Inspections and Enforcement

CBMRA

Reclamation Plan and Requirements

- Conduct reclamation simultaneously with the operation
- Completed within two years of cessation
- Avoid accumulation of stagnant water (WNV)
- Vegetative cover must be established
- Reclamation of all affected land to comparable utility/integrity
- Ensure public safety
- Prevent pollution of air or water
- Prevent degradation of adjacent areas
- Permanent landscaping and contouring
- Soil salvage and replacement
- Address surface owner concerns

What is Financial Assurance?

Financial Assurance is the basic concept that a company or corporation affecting public lands or resources (such as water) must provide funding to insure mitigation or remediation of any adverse impacts from those activities.

- Ensures that the polluter and not the affected public pays for reclamation
- Forms may include surety bonds, cash, cd's, irrevocable letter of credit
- Must be posted prior to operations and updated yearly

Why is Financial Assurance Needed?

- Based on \$4,000 reclamation cost per acre and 18,000 acres disturbed statewide liability will be \$72 million
- Costs could be \$40,000 per acre or more
- No corporation lasts forever or is immune from bankruptcy
 - Montana Power, Enron, Kmart
 - Pegasus Gold Co's bankruptcy will cost the state and federal taxpayers up to \$50 million

Inspections and Enforcement

- A permit may not be issued without a reclamation plan and financial assurance
- Requires initial and annual inspection of site
- Allows for suspension or revocation of permit for non-performance
- Allows for response to environmental emergencies
- Provides for forfeit and use of financial assurance
- Addresses financial assurance release upon performance of requirements

Why should CBMRA be administered by Montana DEQ?

- CBM and coal operations are often related
 - May affect same water or air resources
 - May interface and/or interfere with each other
 - Allows for cooperation in permitting and development
- DEQ charged with Water Quality Act and Air Quality Act that also govern CBM
- DEQ more experienced in interagency regulatory issues
- DEQ has professional staff with experience in reclamation
- DEQ not also charged with promoting CBM development

Conclusions about the CBMRA

- The CBMRA will:
 - ensure the protection of our unique environment and rural way-of-life
 - mean that the CBM industry pays for impacts and not our family farmers and ranchers and Montana taxpayers
 - reward operators who choose to do it right and encourage responsible operations and reclamation