

1 HOUSE BILL NO. 393

2 INTRODUCED BY B. MCCHESENEY

3

4 A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE MAXIMUM COMPENSATION AMOUNT UNDER
5 THE COAL BED METHANE PROTECTION ACT; DEFINING "IMPROVEMENTS"; AND AMENDING SECTIONS
6 76-15-903 AND 76-15-905, MCA."

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

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10 **Section 1.** Section 76-15-903, MCA, is amended to read:

11 **"76-15-903. Definitions.** As used in this part, unless the context requires otherwise, the following
12 definitions apply:

13 (1) "Agricultural production" means the production of:

14 (a) any growing grass, crops, or trees attached to the surface of the land; or

15 (b) farm animals with commercial value.

16 (2) "Coal bed methane developer or operator" means the person who acquires a lease for the purpose
17 of extracting natural gas from a coal bed.

18 (3) "Department" means the department of natural resources and conservation as provided for in Title
19 2, chapter 15, part 33.

20 (4) "Emergency" means the loss of a water supply that must be replaced immediately to avoid substantial
21 damage to a landowner or a water right holder.

22 (5) "Improvements" means artificial alterations to the land for agricultural purposes."

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24 **Section 2.** Section 76-15-905, MCA, is amended to read:

25 **"76-15-905. Coal bed methane protection program -- restrictions.** (1) There is a coal bed methane
26 protection program administered by conservation districts that have coal beds within the exterior boundary of the
27 district or whose water sources may be adversely affected by the extraction of coal bed methane. The purpose
28 of the coal bed methane protection program is to compensate private landowners or water right holders for
29 damage caused by coal bed methane development.

30 (2) A conservation district shall establish procedures, approved by the department, for evaluating claims

1 for compensation submitted by a landowner or water right holder. The procedures must include:

2 (a) a method for submitting an application for compensation for damages caused by coal bed methane
3 development;

4 (b) a process for determining the cost of the damage to land, surface water, or ground water, if any,
5 caused by coal bed methane development;

6 (c) the development of eligibility requirements for receiving compensation that include an applicant's
7 access to existing sources of state funding, including state-mandated payments, that compensate for damages;
8 and

9 (d) criteria for ranking applications related to available resources.

10 (3) An eligible recipient for compensation includes private landowners and water right holders who can
11 demonstrate as the result of damage caused by coal bed methane development:

12 (a) a loss of agricultural production or a loss in the value of land;

13 (b) a reduction in the quantity or quality of water available from a surface water or ground water source
14 that affects the beneficial use of water; or

15 (c) the contamination of surface water or ground water that prevents its beneficial use.

16 (4) (a) Subject to the conditions of subsections (5) through ~~(8)~~ (10), an eligible landowner may be
17 compensated for the damages incurred by the landowner for loss of agricultural production and income, lost land
18 value, and lost value of improvements caused by coal bed methane development. A payment made under this
19 subsection (4)(a) may only cover land directly affected by coal bed methane development.

20 (b) Subject to the conditions of subsections (5) through ~~(8)~~ (10), an eligible water right holder may be
21 compensated for damages caused by the contamination, diminution, or interruption of surface water or ground
22 water.

23 (5) In order to qualify for a payment of damages under this section, the landowner or water right holder
24 shall demonstrate that it is unlikely that compensation will be made by the coal bed methane developer or
25 operator who is liable for the damage to land or the reduction in or contamination of surface water or ground water
26 as the result of coal bed methane development.

27 (6) Compensation made to a landowner or a water right holder under this section may not exceed 75%
28 of the cost of the damages.

29 (7) The maximum amount paid to a landowner or water right holder for a reduction in water quantity may
30 not exceed \$50,000.

