GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill #	HB0587	**Title:**	Generally revise carbon based fuel taxation laws
Primary Sponsor:	Coffin, Douglas	**Status:**	As Introduced

- ☐ Significant Local Gov Impact
- ☐ Needs to be included in HB 2
- ☑ Technical Concerns
- ☐ Included in the Executive Budget
- ☐ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2014 Difference	FY 2015 Difference	FY 2016 Difference	FY 2017 Difference
Expenditures:				
General Fund	$0	$0	$0	$0
Revenue:				
General Fund	$0	$0	$0	$0
Net Impact-General Fund Balance:	$0	$0	$0	$0

Description of fiscal impact: This bill prohibits an oil or gas producer from flaring more than 50,000 cubic feet of natural gas per day unless granted an exception by the Board of Oil and Gas Conservation (BOCG). It requires natural gas produced in excess of this limit to be captured and taxed under Montana's oil and gas production tax and requires the Department of Revenue (DOR) to determine its value.

FISCAL ANALYSIS

Assumptions:

1. Based on data from the BOCG, currently there are approximately 51 wells that exceed the limit of 50 mcf (1,000 cubic feet = 1 mcf) of flared or vented gas, and of these 51 wells, 27 are in the completion/test phase and would be exempt under this bill.
2. It is estimated that the 24 wells that may be affected by HB 587 will vent or flare approximately 110 mcf per day, and therefore will average 60 mcf above the 50 mcf limit described in section 2 of HB 547.
3. Most of the gas vented or flared by these wells is either nitrogen or hydrogen sulfide and has no value. Additionally, nitrogen likely would not meet the statutory definition of natural gas.
4. The BOCG generally grants an exception for wells for various reasons including situations where it is uneconomical for the producer to sell the natural gas. It is assumed that wells that would be affected would apply for and be granted an exception for economic reasons, and as a result no fiscal impact is anticipated as a result of this bill.

Technical Notes:

1. On page 1, line 18 the requirement of "must be captured" is added in Title 15 (15-36-350, MCA). DOR does not have the expertise to monitor capture. DOR has no way to penalize an operator who does not capture the gas. This "capture" portion of the bill may be better served in Title 82.

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*