

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	21.50	21.50	24.50	24.50	21.50	24.50	3.00	13.95%
Personal Services	1,092,278	1,310,775	1,490,167	1,489,582	2,403,053	2,979,749	576,696	24.00%
Operating Expenses	494,829	3,757,299	872,251	745,329	4,252,128	1,617,580	(2,634,548)	(61.96%)
Equipment & Intangible Assets	52,729	48,075	86,729	86,729	100,804	173,458	72,654	72.07%
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$1,639,836	\$5,116,149	\$2,449,147	\$2,321,640	\$6,755,985	\$4,770,787	(\$1,985,198)	(29.38%)
State Special	1,532,366	5,008,598	2,337,677	2,210,170	6,540,964	4,547,847	(1,993,117)	(30.47%)
Federal Special	107,470	107,551	111,470	111,470	215,021	222,940	7,919	3.68%
Total Funds	\$1,639,836	\$5,116,149	\$2,449,147	\$2,321,640	\$6,755,985	\$4,770,787	(\$1,985,198)	(29.38%)

Program Description

The Oil and Gas Conservation Division administers the Montana oil and gas conservation laws to promote conservation and prevent waste in the recovery of these resources through regulation of exploration and production of oil and gas. The division's responsibilities include the following:

- Issue drilling permits
- Classify wells
- Establish well spacing units and pooling orders
- Inspect drilling, production, and seismic operations
- Investigate complaints
- Perform engineering studies
- Determine incremental production for enhanced recovery and horizontal wells to implement the tax incentive program for those projects
- Operate the underground injection control program
- Plug orphan wells
- Collect and maintain complete well data and production information

Program Highlights

Oil and Gas Conservation Division Major Budget Highlights
<p>◆ The legislatively approved budget decreased by 29.38% from the previous biennium due to one-time-only funding of \$3.0 million in the 2013 biennium to fund educational and research activities of the Board of Oil and Gas per 82-11-111(7), MCA</p>

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Dept Of Natural Resources & Conservation Funding by Source of Authority 2015 Biennium Budget - Oil & Gas Conservation Div.							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$4,547,847	\$0	\$0	\$4,547,847	95.3%		
02432 Oil & Gas Era	\$4,547,847	\$0	\$0	\$4,547,847	95.3%		
Federal Special Total	\$222,940	\$0	\$0	\$222,940	4.7%		
03356 Oil & Gas Federal	\$222,940	\$0	\$0	\$222,940	4.7%		
Total All Funds	\$4,770,787	\$0	\$0	\$4,770,787	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The division is funded through taxes levied on oil and gas wells and the class II annual operating fee. By statute (15-36-331, MCA), a percentage of oil production taxes and natural gas taxes are deposited to the account for the board’s use. The Board of Oil and Gas Conservation (BOGC) is authorized by statute (82-11-131, MCA) to set privilege and license taxes up to 3/10 of 1% of the market value of each barrel of crude petroleum produced and of each 10,000 cubic feet of natural gas produced to comply with 15-36-331, MCA. The privilege and license tax is currently set at 30% of the maximum allowed by statute. Section 82-11-137, MCA provides for a maximum \$300 annual operating fee for each class II injection well. The board set the fee at \$200.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	1,639,836	1,639,836	3,279,672	68.74%
Statewide PL Adjustments	0	0	0	0.00%	245,667	247,327	492,994	10.33%
Other PL Adjustments	0	0	0	0.00%	188,490	68,582	257,072	5.39%
New Proposals	0	0	0	0.00%	375,154	365,895	741,049	15.53%
Total Budget	\$0	\$0	\$0		\$2,449,147	\$2,321,640	\$4,770,787	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					300,427					300,028
Vacancy Savings					(55,457)					(55,439)
Inflation/Deflation					(2,851)					(880)
Fixed Costs					3,548					3,618
Total Statewide Present Law Adjustments		\$0	\$241,667	\$4,000	\$245,667		\$0	\$243,327	\$4,000	\$247,327
DP 50 - Initial Motion to FY 2012 Base	0.00	0	(241,667)	(4,000)	(245,667)	0.00	0	(243,327)	(4,000)	(247,327)
DP 51 - Adjustment for Statewide Personal Services	0.00	0	241,103	3,867	244,970	0.00	0	241,054	3,535	244,589
DP 52 - Adjustment for Statewide Operations	0.00	0	564	133	697	0.00	0	2,273	465	2,738
DP 2201 - BOGC Regulatory Program Adjustments (OTO)	0.00	0	40,360	0	40,360	0.00	0	40,452	0	40,452
DP 2202 - BOGC UIC Program Adjustments (OTO)	0.00	0	28,130	0	28,130	0.00	0	28,130	0	28,130
DP 2204 - Proc Manual & Field Inspections Sys (OTO/BIEN/RST)	0.00	0	120,000	0	120,000	0.00	0	0	0	0
Total Other Present Law Adjustments	0.00	\$0	\$188,490	\$0	\$188,490	0.00	\$0	\$68,582	\$0	\$68,582
Grand Total All Present Law Adjustments	0.00	\$0	\$430,157	\$4,000	\$434,157	0.00	\$0	\$311,909	\$4,000	\$315,909

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - The adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 2201 - BOGC Regulatory Program Adjustments OTO - The legislature approved funding from the oil and gas account for board member per diem, legal services, rent, janitorial services, property tax increases, and increased vehicle purchase costs.

DP 2202 - BOGC UIC Program Adjustments OTO - The legislature approved funding from the oil and gas account for board member per diem; legal services, janitorial services, rent, and property tax increases; an engineering contract for specialized Underground Injection Control (UIC) analyses; and increased vehicle purchase costs.

DP 2204 - Proc Manual & Field Inspections Sys OTO/BIEN/RST - The legislature approved funding from the oil and gas account for a biennial, one-time-only restricted appropriation to continue the development of a field inspection procedures manual and inspection system as suggested in a legislative audit of the Oil and Gas Division. Montana Tech did a scoping study of the project in FY 2012 and will perform the work through the 2015 biennium.

New Proposals

New Proposals										
	-----Fiscal 2014-----					-----Fiscal 2015-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2208 - BOGC EOR Study (OTO)										
22	0.00	0	178,976	0	178,976	0.00	0	169,717	0	169,717
DP 2209 - Compliance and Field Inspections (OTO)										
22	3.00	0	196,178	0	196,178	3.00	0	196,178	0	196,178
Total	3.00	\$0	\$375,154	\$0	\$375,154	3.00	\$0	\$365,895	\$0	\$365,895

DP 2208 - BOGC EOR Study OTO - The legislature approved funding from the oil and gas account to continue the Elm Coulee EOR study, which is an engineering feasibility study to evaluate the benefits of using miscible gases to improve the recovery of Bakken oil in the Elm Coulee Field in Richland County, Montana.

DP 2209 - Compliance and Field Inspections OTO - The legislature approved funding from the oil and gas account to fund 3.00 new FTE and related expenses to assist with compliance and field inspections associated with the Bakken oil boom in Eastern Montana.