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Testimony Presented to the Assembly Transportation Committee
Regarding AB 346

Robert M. St. Louis, Lang Exploratory Drilling, Elko, Nevada
8 April 2003

Madame Chairman, I wish to thank you and the Transportation Committee for the opportunity to speak today. I also wish to thank Assemblyman John Carpenter for introducing this bill, AB 346.

My comments today are primarily from the perspective of the drilling industry, but I am confident that other industries, including agriculture and construction, will benefit from the proposed legislation. I have received letters of support for this bill from other drilling contractors in Elko, and have submitted copies of these with my written testimony.

AB 346 is intended to help resolve an issue that many of us in the drilling industry face, namely the problem of dealing with the dyed fuel we use in off-highway applications when it is time for our equipment to move to another job site. Drilling rigs and their support equipment are generally classified as heavy-duty equipment, although some pieces may be special mobile equipment. It is important to note that these vehicles generally travel on the highways only to move from one job location to another, or back to the maintenance facility. These units are not engaged in the business of transporting goods for others.

Drilling projects have a wide variability in their duration and location. Some jobs last a matter of days, while others continue over a period of months. Oftentimes, we arrive on a job with a certain expected duration, only to find that it is either shorter or longer than originally planned. The changes in duration may stem from scope changes directed by the client, or from the drilling conditions encountered on the project. As a result, fuel for drilling rigs and support equipment becomes a significant operational issue.

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ASSEMBLY TRANSPORTATION *D1-7*
DATE: 4/8/03 ROOM: 3143 EXHIBIT D
SUBMITTED BY: Bob St. Louis

One might argue that we could simply avoid the issue of dyed fuel by burning only clear, or highway, fuel in our equipment. However, there are several business reasons that make this problematic. Firstly, a significant amount of money can be tied up in highway fuel taxes paid prior to a company receiving a refund of those taxes. Secondly, a good deal of labor is required to process the refund requests, adding costs to businesses that have struggled the past few years. Finally, many contracts stipulate that the client, often a mining company, will supply the fuel for the equipment. In most instances, the fuel that is supplied is dyed.

There are also instances where a drilling contractor has a fuel tank on the job site. This tank is serviced by a fuel supplier; if the supplier inadvertently places dyed fuel in the tank, and the drilling personnel fail to realize this, all the fuel systems involved become tainted.

The matter of draining dyed fuel from fuel tanks, purging lines, and flushing fuel tanks presents a number of safety and environmental problems. Personnel handling fuel in the field are performing a somewhat hazardous task, and are therefore exposed to a safety risk. With increasing awareness of the environmental issues and the heightened regulatory requirements related to petroleum spills, the draining and purging of fuel systems becomes a major logistical problem.

In addition, it is difficult to completely remove traces of dyed fuel from the fuel systems. The dye used seems to permeate any pore spaces in the fuel tanks and lines, in spite of attempts to flush it. Thus, even though a good attempt has been made to remove all traces of the dye from a fuel system, a portion often remains which then taints the clear fuel placed in the tanks.


To help mitigate the problems associated with dyed fuel in equipment that only uses the highways to move from one job to another, AB 346 proposes a system wherein the owner of the equipment can purchase a permit, similar to a trip or overweight permit. The permit fees would

include an amount equaling the fuel taxes that would have been paid had the equipment burned clear fuel, as well as an administrative fee. In addition, the bill would allow the Department of Transportation to specify the maximum distance over which special mobile equipment may travel on the highway using dyed fuel.

The permitting process should be simple to implement, perhaps utilizing the Transportation Permits office in Carson City. This office is familiar to most of us, as we already regularly utilize its services. Perhaps the most difficult part of implementation would be the determination of the fuel mileage a particular vehicle would likely obtain during a permitted trip. Based on my own experience, I would suggest that an average mileage figure of around four (4) to six (6) miles per gallon be used for all permits. This would simplify the process for everyone.

In conclusion, AB 346 would eliminate a number of practical issues related to the movement of drilling, construction, and agricultural equipment from one work location to another. Employees would not be exposed to unnecessary fuel handling hazards, the potential for environmental damage would be minimized, Highway Patrol officers could quickly assess the legality of a vehicle's fuel, much needed funds would not be tied up or spent processing and waiting for fuel tax refunds, and the State of Nevada should not incur any costs as a result of the proposed Act. Therefore, on behalf of the Elko area drilling industry, I urge you to support this bill.

Thank you for the opportunity to speak with you today. I am happy to answer any questions you might have.



Robert M. St. Louis
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April 14, 2003

Assembly Transportation Committee

RE: AB 346

The use of the dyed special fuel for our off road vehicles has certainly helped in reducing the amount of paperwork and resources for us as a business and for the government as well. It would additionally benefit us as a contractor and those to whom we contract if AB346 was passed. The equipment is moved to a location and remains there for weeks and even months at a time. Also there are many times when the equipment using the dyed fuel needs only to move a short distance on a public highway. It would save considerable time and money if we were able to obtain a special permit to allow such a move. We would be more than happy to pay the cost of a permit and any road tax due if this was allowed.

Our intent is not to circumvent to law, we have no problem with paying our 'ducs'. But this bill would very definitely make it easier for us to operate. We would appreciate your consideration of AB346.

Thank you,

A handwritten signature in black ink, appearing to read 'Nolan W. Lloyd', written in a cursive style.

Nolan W. Lloyd
General Manager

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EKLUND
DRILLING COMPANY, INC.
LANCE J. EKLUND - Owner



April 8, 2003

Senate & Assembly
STATE OF NEVADA
Carson City, Nevada

RE: Support for passage of AB346

Dear Representatives:

We are pleased with the introduction of AB346 as a solution to what is a very burdensome tax on companies whose income is earned working off road. While operators like Eklund Drilling are not opposed to paying the appropriate and fair tax on fuels, the cost to ensure compliance with dyed special fuel rules goes far beyond the amount of tax that should, by law, be collected.

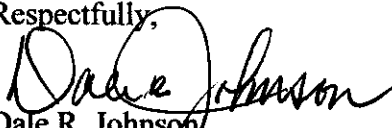
Due to the nature of the dye in dyed special fuel it is impossible to switch from off-road dyed special fuel to clear on-road fuel and be in compliance when an officer tests your fuel tanks. The reason you can not be in compliance is because the residue left in the fuel tanks by the dyed special fuel cannot be completely flushed from the fuel system. Therefore, an operator can be in complete compliance with the law but be cited and fined because dyed special fuel residue is detected in the fuel system when the equipment is on-road. This is a system that is simply not fair.

So what have we endured to ensure compliance? We have built and installed dual fuel supply systems to accommodate on-road and off-road fuel, we have purchased equipment with two separate motors, one to power the transport and one to power the operating systems to accommodate on-road and off-road fuel, and we have used on-road taxed fuel regardless of the off-road application without filing for a return of the taxes because of the burden of the filing. I don't believe the tax on fuels and compliance rules were meant to be so onerous, but they are.

AB346, if passed, would do much to cure an unfair system of collecting tax on fuel used by off-road operators. The permit system in AB346 would collect the fair tax and reduce the cost of compliance to the operator and the officers in charge of enforcement.

We support the passage of AB346 as a fair and equitable system for collecting the tax owed on on-road use fuel.

Respectfully,


Dale R. Johnson
Vice President - Finance

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April 7, 2003

Assembly Transportation Committee

This letter is to show our support for bill #AB346 in regards to governing the operation or maintenance of vehicles on highways using dyed special fuel.

Sincerely

Robert Oeschger
President
Hard Rock Exploration, Inc

<small>AMERICAN FAX</small> TO: JOHN CARPENTER FROM: ROB OESCHGER FAX #: 684-8891	DATE: 4/6/03 PAGES INCLUDING THIS PAGE: 1 <small>TCP# 1483</small>

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April 7, 2003

To: Assembly Transportation Committee
 Re: Special Dyed Fuel Bill

Please be advised that Rimrock Drilling is in support of Bill # AB346.

Thank You for your time.

Renee Weaver
 President