

1 *House* BILL NO. *472*  
 2 INTRODUCED BY *Baughman Richard Daniel Ellis*  
 3 *Kennis Meloy Menahan Karduch Wolfe*  
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO INCREASE THE MINIMUM  
 5 RENTALS AND TO AUTHORIZE THE BOARD OF LAND COMMISSIONERS TO  
 6 ESTABLISH THE RENTAL AND ROYALTY RATES FOR OIL AND GAS  
 7 LEASES ON STATE LANDS BY AMENDING SECTIONS 81-1702.1 AND  
 8 81-1704, R.C.M. 1947."

9  
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 Section 1. Section 81-1702.1, R.C.M. 1947, is amended  
12 to read as follows:

13 "~~81-1702.1. Rentals--filing fee--contiguity. (1)--The~~  
 14 ~~minimum-annual-money-rentals-to-be-paid-to-the-state-for-oil~~  
 15 ~~and-gas-leases--issued--before--March--3--1955--shall-be~~  
 16 ~~seventy-five-cents-(\$0.75)-for--each--acre--of--land--leased,~~  
 17 ~~however--this--rental--shall--in-no-case-be-less-than-fifty~~  
 18 ~~dollars-(\$50)-a-year.~~

19 ~~(2)~~ (1) The annual money rentals to be paid to the  
 20 state for oil and gas leases issued on and after ~~March-3,~~  
 21 ~~1955~~ July 1, 1975, shall be ~~one-dollar--(\$1) set by the~~  
 22 ~~board but may not be less than two dollars (\$2) for each~~  
 23 acre of land leased, except that in addition to the sum of  
 24 ~~one-dollar--(\$1) two dollars (\$2) per acre,~~ the rental for  
 25 the first year of the lease shall also include any sum in

1 excess of ~~one-dollar-(\$1)~~ two dollars (\$2) per acre offered  
 2 and accepted for the first year's rental; however, this  
 3 annual rental shall in no case be less than ~~fifty-dollars~~  
 4 ~~((\$50))~~ one hundred dollars (\$100) a year.

5 ~~(3)~~ (2) The first year's rental shall be paid before  
 6 the issuance of the lease. The rentals for each subsequent  
 7 year of the lease shall be due and payable before the  
 8 beginning of such subsequent year, and upon failure to make  
 9 such payment the lease terminates.

10 ~~(4)~~ (3) The lands shall be leased in as compact bodies  
 11 as the form and areas of the tracts held by the state and  
 12 offered for lease will permit. No lease may embrace  
 13 noncontiguous subdivisions of lands unless the subdivisions  
 14 are within an area comprising not more than one (1) square  
 15 mile.

16 ~~(5)~~ (4) In all cases where an oil and gas lease issued  
 17 after March 3, 1955, is surrendered for cancellation before  
 18 its expiration, relinquished to the state, or canceled  
 19 through proceedings on the part of the state, no new lease  
 20 on the lands under such lease may be issued within thirty  
 21 (30) days from the date of cancellation or relinquishing.  
 22 This restriction does not apply, however, in cases of bona  
 23 fide assignment."

24 Section 2. Section 81-1704, R.C.M. 1947, is amended to  
 25 read as follows:



1 "81-1704. Royalty -- time for payment -- computation  
 2 -- minimum royalty. In every oil and gas lease granted by  
 3 the state under this chapter, and acts amendatory thereto,  
 4 there shall be reserved to the state as consideration  
 5 therefor, in addition to the rentals as hereinbefore  
 6 provided, a royalty in all oil and gas produced and saved  
 7 from all lands covered thereby, and not used for light,  
 8 fuel, and operation purposes on the leased premises, which  
 9 shall be equivalent to the full market value, as ascertained  
 10 by the state board of land commissioners at the date of such  
 11 lease, of the estate or interest of the state in the lands  
 12 and oil and gas deposits disposed of under such lease;  
 13 provided that such royalty reservation shall be set by the  
 14 board but may not be less than twelve and one-half per  
 15 centum (12 1/2%) on gas, and not less than twelve and  
 16 one-half per centum (12 1/2%) on that portion of the average  
 17 production of oil or casing-head gasoline for each producing  
 18 well not exceeding three thousand (3,000) barrels for the  
 19 calendar month; provided, further, that the royalty on gas,  
 20 including casing-head gas and all gaseous substances, while  
 21 the same is not sold or used off the premises shall be at  
 22 the rate of ~~two--hundred--dollars--(\$200.00)~~ four hundred  
 23 dollars (\$400) per well each year or the amount of the  
 24 annual rental provided in said lease, in lieu of such per  
 25 well rate, whichever is the greater, payable on or before

1 the annual anniversary date of the lease, and as long as  
 2 such leased lands contain a well capable of such production  
 3 and such payment is made the lease shall be considered as a  
 4 producing lease under the lease terms. Such lease shall  
 5 provide for the rendering of payment of such royalty on all  
 6 oil and gas produced and saved and sold or used off the  
 7 premises in the following manner and upon the following  
 8 terms:

9 The lessee shall pay to the state, in cash, for all oil  
 10 and gas royalty reserved, the posted field price existing on  
 11 the day such oil or gas is run into any pipeline or storage  
 12 tank to the credit of the lessee, plus any bonus actually  
 13 paid, or agreed to be paid, to the lessee, for such oil or  
 14 gas; or, at the option of the state, exercised in writing by  
 15 the state board of land commissioners not oftener than every  
 16 thirty (30) days, the lessee shall deliver the state's  
 17 royalty oil or gas free of cost or deductions, into the  
 18 pipeline to which the wells of the lessee may be connected  
 19 or into any storage designated by the state and connected  
 20 with such wells."

-End-

Approved by Committee on Natural Resources

1 *House* BILL NO. *472*  
 2 INTRODUCED BY *Baucke Richard Duval Ellis*  
 3 *Gemmis Meloy Menahan Kenneth Wolfe*  
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO INCREASE THE MINIMUM  
 5 RENTALS AND TO AUTHORIZE THE BOARD OF LAND COMMISSIONERS TO  
 6 ESTABLISH THE RENTAL AND ROYALTY RATES FOR OIL AND GAS  
 7 LEASES ON STATE LANDS BY AMENDING SECTIONS 81-1702.1 AND  
 8 81-1704, R.C.M. 1947."

9  
 10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
 11 Section 1. Section 81-1702.1, R.C.M. 1947, is amended  
 12 to read as follows:

13 "81-1702.1. Rentals--filing fee--contiguity. ~~(1)~~--The  
 14 minimum-annual-money-rentals-to-be-paid-to-the-state-for-oil  
 15 and-gas-leases-issued-before-March-3,--1955,--shall-be  
 16 seventy-five-cents-~~(\$75)~~-for-cash-acre-of-land-leased,  
 17 however,--this-rental--shall--in-no-case-be-less-than-fifty  
 18 dollars-~~(\$50)~~-a-year.

19 ~~(2)~~ (1) The annual money rentals to be paid to the  
 20 state for oil and gas leases issued on and after ~~March 3,~~  
 21 1955 July 1, 1975, shall be ~~one-dollar--(\$1)~~ set by the  
 22 board but may not be less than two dollars (\$2) for each  
 23 acre of land leased, except that in addition to the sum of  
 24 ~~one-dollar--(\$1)~~ two dollars (\$2) per acre, the rental for  
 25 the first year of the lease shall also include any sum in

1 excess of ~~one-dollar--(\$1)~~ two dollars (\$2) per acre offered  
 2 and accepted for the first year's rental; however, this  
 3 annual rental shall in no case be less than ~~fifty-dollars~~  
 4 ~~(\$50)~~ one hundred dollars (\$100) a year.

5 ~~(3)~~ (2) The first year's rental shall be paid before  
 6 the issuance of the lease. The rentals for each subsequent  
 7 year of the lease shall be due and payable before the  
 8 beginning of such subsequent year, and upon failure to make  
 9 such payment the lease terminates.

10 ~~(4)~~ (3) The lands shall be leased in as compact bodies  
 11 as the form and areas of the tracts held by the state and  
 12 offered for lease will permit. No lease may embrace  
 13 noncontiguous subdivisions of lands unless the subdivisions  
 14 are within an area comprising not more than one (1) square  
 15 mile.

16 ~~(5)~~ (4) In all cases where an oil and gas lease issued  
 17 after March 3, 1955, is surrendered for cancellation before  
 18 its expiration, relinquished to the state, or canceled  
 19 through proceedings on the part of the state, no new lease  
 20 on the lands under such lease may be issued within thirty  
 21 (30) days from the date of cancellation or relinquishing.  
 22 This restriction does not apply, however, in cases of bona  
 23 fide assignment."

24 Section 2. Section 81-1704, R.C.M. 1947, is amended to  
 25 read as follows:

1       "81-1704. Royalty -- time for payment -- computation  
 2 -- minimum royalty. In every oil and gas lease granted by  
 3 the state under this chapter, and acts amendatory thereto,  
 4 there shall be reserved to the state as consideration  
 5 therefor, in addition to the rentals as hereinbefore  
 6 provided, a royalty in all oil and gas produced and saved  
 7 from all lands covered thereby, and not used for light,  
 8 fuel, and operation purposes on the leased premises, which  
 9 shall be equivalent to the full market value, as ascertained  
 10 by the state board of land commissioners at the date of such  
 11 lease, of the estate or interest of the state in the lands  
 12 and oil and gas deposits disposed of under such lease;  
 13 provided that such royalty reservation shall be set by the  
 14 board but may not be less than twelve and one-half per  
 15 centum (12 1/2%) on gas, and not less than twelve and  
 16 one-half per centum (12 1/2%) on that portion of the average  
 17 production of oil or casing-head gasoline for each producing  
 18 well not exceeding three thousand (3,000) barrels for the  
 19 calendar month; provided, further, that the royalty on gas,  
 20 including casing-head gas and all gaseous substances, while  
 21 the same is not sold or used off the premises shall be at  
 22 the rate of ~~two hundred dollars--(\$200.00)~~ four hundred  
 23 dollars (\$400) per well each year or the amount of the  
 24 annual rental provided in said lease, in lieu of such per  
 25 well rate, whichever is the greater, payable on or before

1 the annual anniversary date of the lease, and as long as  
 2 such leased lands contain a well capable of such production  
 3 and such payment is made the lease shall be considered as a  
 4 producing lease under the lease terms. Such lease shall  
 5 provide for the rendering of payment of such royalty on all  
 6 oil and gas produced and saved and sold or used off the  
 7 premises in the following manner and upon the following  
 8 terms:

9       The lessee shall pay to the state, in cash, for all oil  
 10 and gas royalty reserved, the posted field price existing on  
 11 the day such oil or gas is run into any pipeline or storage  
 12 tank to the credit of the lessee, plus any bonus actually  
 13 paid, or agreed to be paid, to the lessee, for such oil or  
 14 gas; or, at the option of the state, exercised in writing by  
 15 the state board of land commissioners not oftener than every  
 16 thirty (30) days, the lessee shall deliver the state's  
 17 royalty oil or gas free of cost or deductions, into the  
 18 pipeline to which the wells of the lessee may be connected  
 19 or into any storage designated by the state and connected  
 20 with such wells."

-End-

1 *House* BILL NO. 472  
 2 INTRODUCED BY *Baibron Richard Duval Zelle*  
 3 *Hennis Miloy Menahan Karluch Wolfe*  
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO INCREASE THE MINIMUM  
 5 RENTALS AND TO AUTHORIZE THE BOARD OF LAND COMMISSIONERS TO  
 6 ESTABLISH THE RENTAL AND ROYALTY RATES FOR OIL AND GAS  
 7 LEASES ON STATE LANDS BY AMENDING SECTIONS 81-1702.1 AND  
 8 81-1704, R.C.M. 1947."

9  
 10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
 11 Section 1. Section 81-1702.1, R.C.M. 1947, is amended  
 12 to read as follows:

13 "~~81-1702.1. Rentals--filing fee--contiguity. ~~(1)~~--The~~  
 14 ~~minimum-annual-money-rentals-to-be-paid-to-the-state-for-oil~~  
 15 ~~and--gas--leases--issued--before--March--3--1955--shall-be~~  
 16 ~~seventy-five-cents-(.75)-for--each--acre--of--land--leased,~~  
 17 ~~however--this--rental--shall--in--no--case--be--less--than--fifty~~  
 18 ~~dollars-(.50)-a-year.~~

19 ~~(2)~~ (1) The annual money rentals to be paid to the  
 20 state for oil and gas leases issued on and after ~~March-3,~~  
 21 ~~1955~~ July 1, 1975, shall be ~~one-dollar--(1)~~ set by the  
 22 board but may not be less than two dollars (\$2) for each  
 23 acre of land leased, except that in addition to the sum of  
 24 ~~one-dollar--(1)~~ two dollars (\$2) per acre, the rental for  
 25 the first year of the lease shall also include any sum in

1 excess of ~~one-dollar-(1)~~ two dollars (\$2) per acre offered  
 2 and accepted for the first year's rental; however, this  
 3 annual rental shall in no case be less than ~~fifty-dollars~~  
 4 ~~(.50)~~ one hundred dollars (\$100) a year.

5 ~~(3)~~ (2) The first year's rental shall be paid before  
 6 the issuance of the lease. The rentals for each subsequent  
 7 year of the lease shall be due and payable before the  
 8 beginning of such subsequent year, and upon failure to make  
 9 such payment the lease terminates.

10 ~~(4)~~ (3) The lands shall be leased in as compact bodies  
 11 as the form and areas of the tracts held by the state and  
 12 offered for lease will permit. No lease may embrace  
 13 noncontiguous subdivisions of lands unless the subdivisions  
 14 are within an area comprising not more than one (1) square  
 15 mile.

16 ~~(5)~~ (4) In all cases where an oil and gas lease issued  
 17 after March 3, 1955, is surrendered for cancellation before  
 18 its expiration, relinquished to the state, or canceled  
 19 through proceedings on the part of the state, no new lease  
 20 on the lands under such lease may be issued within thirty  
 21 (30) days from the date of cancellation or relinquishing.  
 22 This restriction does not apply, however, in cases of bona  
 23 fide assignment."

24 Section 2. Section 81-1704, R.C.M. 1947, is amended to  
 25 read as follows:

1 "81-1764. Royalty -- time for payment -- computation  
 2 -- minimum royalty. In every oil and gas lease granted by  
 3 the state under this chapter, and acts amendatory thereto,  
 4 there shall be reserved to the state as consideration  
 5 therefor, in addition to the rentals as hereinbefore  
 6 provided, a royalty in all oil and gas produced and saved  
 7 from all lands covered thereby, and not used for light,  
 8 fuel, and operation purposes on the leased premises, which  
 9 shall be equivalent to the full market value, as ascertained  
 10 by the state board of land commissioners at the date of such  
 11 lease, of the estate or interest of the state in the lands  
 12 and oil and gas deposits disposed of under such lease;  
 13 provided that such royalty reservation shall be set by the  
 14 board but may not be less than twelve and one-half per  
 15 centum (12 1/2%) on gas, and not less than twelve and  
 16 one-half per centum (12 1/2%) on that portion of the average  
 17 production of oil or casing-head gasoline for each producing  
 18 well not exceeding three thousand (3,000) barrels for the  
 19 calendar month; provided, further, that the royalty on gas,  
 20 including casing-head gas and all gaseous substances, while  
 21 the same is not sold or used off the premises shall be at  
 22 the rate of ~~two hundred dollars (\$200.00)~~ four hundred  
 23 dollars (\$400) per well each year or the amount of the  
 24 annual rental provided in said lease, in lieu of such per  
 25 well rate, whichever is the greater, payable on or before

1 the annual anniversary date of the lease, and as long as  
 2 such leased lands contain a well capable of such production  
 3 and such payment is made the lease shall be considered as a  
 4 producing lease under the lease terms. Such lease shall  
 5 provide for the rendering of payment of such royalty on all  
 6 oil and gas produced and saved and sold or used off the  
 7 premises in the following manner and upon the following  
 8 terms:

9 The lessee shall pay to the state, in cash, for all oil  
 10 and gas royalty reserved, the posted field price existing on  
 11 the day such oil or gas is run into any pipeline or storage  
 12 tank to the credit of the lessee, plus any bonus actually  
 13 paid, or agreed to be paid, to the lessee, for such oil or  
 14 gas; or, at the option of the state, exercised in writing by  
 15 the state board of land commissioners not oftener than every  
 16 thirty (30) days, the lessee shall deliver the state's  
 17 royalty oil or gas free of cost or deductions, into the  
 18 pipeline to which the wells of the lessee may be connected  
 19 or into any storage designated by the state and connected  
 20 with such wells."

-End-

## HOUSE BILL NO. 472

INTRODUCED BY BARDANOUVE, RICHARDS, DRISCOLL, ELLIS,  
KEMMIS, MELOY, MENAHAN, KANDUCH, WOLFE, GUNDERSON,  
THOMAS, STAIGMILLER, LORY

A BILL FOR AN ACT ENTITLED: "AN ACT TO INCREASE THE MINIMUM  
RENTALS AND TO AUTHORIZE THE BOARD OF LAND COMMISSIONERS TO  
ESTABLISH THE RENTAL AND ROYALTY RATES FOR OIL AND GAS  
LEASES ON STATE LANDS BY AMENDING SECTIONS 81-1702.1 AND  
81-1704, R.C.M. 1947; AND PROVIDING AN EFFECTIVE DATE."

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

Section 1. Section 81-1702.1, R.C.M. 1947, is amended  
to read as follows:

"81-1702.1. Rentals -- filing fee -- contiguity. ~~++~~  
~~The minimum annual money rentals to be paid to the state for~~  
~~oil and gas leases issued before March 3, 1955, shall be~~  
~~seventy-five cents (\$.75) for each acre of land leased,~~  
~~however, this rental shall in no case be less than fifty~~  
~~dollars (\$50) a year.~~

~~++~~ (1) The annual money rentals to be paid to the  
state for oil and gas leases issued on and after ~~March 3,~~  
~~1955~~ July 1, 1975, shall be ~~one dollar (\$1)~~ set by the board  
but may not be less than two dollars (\$2) for each acre of  
land leased, except that in addition to the sum of ~~one~~

~~one dollar (\$1)~~ two dollars (\$2) per acre, the rental for  
the first year of the lease shall also include any sum in  
excess of ~~one dollar (\$1)~~ two dollars (\$2) per acre offered  
and accepted for the first year's rental; however, this  
annual rental shall in no case be less than ~~fifty dollars~~  
~~(\$50)~~ one hundred dollars (\$100) a year.

~~++~~ (2) The first year's rental shall be paid before  
the issuance of the lease. The rentals for each subsequent  
year of the lease shall be due and payable before the  
beginning of such subsequent year, and upon failure to make  
such payment the lease terminates.

~~++~~ (3) The lands shall be leased in as compact bodies  
as the form and areas of the tracts held by the state and  
offered for lease will permit. No lease may embrace  
noncontiguous subdivisions of lands unless the subdivisions  
are within an area comprising not more than one (1) square  
mile.

~~++~~ (4) In all cases where an oil and gas lease issued  
after March 3, 1955, is surrendered for cancellation before  
its expiration, relinquished to the state, or canceled  
through proceedings on the part of the state, no new lease  
on the lands under such lease may be issued within thirty  
(30) days from the date of cancellation or relinquishing.  
This restriction does not apply, however, in cases of bona  
fide assignment."

THIRD READING  
SECOND PRINTING 4/10/75

1 Section 2. Section 81-1704, R.C.M. 1947, is amended to  
2 read as follows:

3 \*81-1704. Royalty -- time for payment -- computation  
4 -- minimum royalty. In every oil and gas lease granted by  
5 the state under this chapter, and acts amendatory thereto,  
6 there shall be reserved to the state as consideration  
7 therefor, in addition to the rentals as hereinbefore  
8 provided, a royalty in all oil and gas produced and saved  
9 from all lands covered thereby, and not used for light,  
10 fuel, and operation purposes on the leased premises, which  
11 shall be equivalent to the full market value, as ascertained  
12 by the state board of land commissioners at the date of such  
13 lease, of the estate or interest of the state in the lands  
14 and oil and gas deposits disposed of under such lease;  
15 provided that such royalty reservation shall be set by the  
16 board but may not be less than twelve and one-half per  
17 centum (12 1/2%) on gas, and not less than twelve and  
18 one-half per centum (12 1/2%) on that portion of the average  
19 production of oil or casing-head gasoline for each producing  
20 well not exceeding three thousand (3,000) barrels for the  
21 calendar month; provided, further, that the royalty on gas,  
22 including casing-head gas and all gaseous substances, while  
23 the same is not sold or used off the premises shall be at  
24 the rate of ~~two--hundred--dollars--(\$200.00)~~ four hundred  
25 dollars (\$400) per well each year or the amount of the

1 annual rental provided in said lease, in lieu of such per  
2 well rate, whichever is the greater, payable on or before  
3 the annual anniversary date of the lease, and as long as  
4 such leased lands contain a well capable of such production  
5 and such payment is made the lease shall be considered as a  
6 producing lease under the lease terms. Such lease shall  
7 provide for the rendering of payment of such royalty on all  
8 oil and gas produced and saved and sold or used off the  
9 premises in the following manner and upon the following  
10 terms:

11 The lessee shall pay to the state, in cash, for all oil  
12 and gas royalty reserved, the posted field price existing on  
13 the day such oil or gas is run into any pipeline or storage  
14 tank to the credit of the lessee, plus any bonus actually  
15 paid, or agreed to be paid, to the lessee, for such oil or  
16 gas; or, at the option of the state, exercised in writing by  
17 the state board of land commissioners not oftener than every  
18 thirty (30) days, the lessee shall deliver the state's  
19 royalty oil or gas free of cost or deductions, into the  
20 pipeline to which the wells of the lessee may be connected  
21 or into any storage designated by the state and connected  
22 with such wells."

23 SECTION 3. THIS ACT IS EFFECTIVE APRIL 1, 1975.

-End-



March 21, 1975

SENATE COMMITTEE ON STATE ADMINISTRATION  
AMENDMENTS TO HOUSE BILL NO. 472

That House Bill No. 472, third reading, be amended as follows:

1. Amend page 1, section 1, line 22.  
Following: "than"  
Strike: "two dollars (\$2)"  
Insert: "one dollar and fifty cents (\$1.50)"
2. Amend page 1, section 1, line 24.  
Following: "~~1~~"  
Strike: "two dollars (\$2)"  
Insert: "one dollar and fifty cents (\$1.50)"
3. Amend page 2, section 1, line 1.  
Following: "~~1~~"  
Strike: "two dollars (\$2)"  
Insert: "one dollar and fifty cents (\$1.50)"

## HOUSE BILL NO. 472

INTRODUCED BY BARDANOUVE, RICHARDS, DRISCOLL, ELLIS,  
KEMMIS, MELOY, MENAHAN, KANDUCH, WOLFE, GUNDERSON,  
THOMAS, STAIGMILLER, LORY

A BILL FOR AN ACT ENTITLED: "AN ACT TO INCREASE THE MINIMUM RENTALS AND TO AUTHORIZE THE BOARD OF LAND COMMISSIONERS TO ESTABLISH THE RENTAL AND ROYALTY RATES FOR OIL AND GAS LEASES ON STATE LANDS BY AMENDING SECTIONS 81-1702.1 AND 81-1704, R.C.M. 1947; AND PROVIDING AN EFFECTIVE DATE."

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

Section 1. Section 81-1702.1, R.C.M. 1947, is amended to read as follows:

"81-1702.1. Rentals -- filing fee -- contiguity. ~~(1) The minimum annual money rentals to be paid to the state for oil and gas leases issued before March 3, 1955, shall be seventy-five cents (\$0.75) for each acre of land leased; however, this rental shall in no case be less than fifty dollars (\$50) a year.~~

~~(2) (1)~~ (1) The annual money rentals to be paid to the state for oil and gas leases issued on and after ~~March 3, 1955~~ July 1, 1975, shall be ~~one dollar (\$1)~~ set by the board but may not be less than two dollars--(\$2) ONE DOLLAR AND FIFTY CENTS (\$1.50) for each acre of land leased, except

that in addition to the sum of ~~one dollar--(\$1)~~ two--dollars ~~(\$2)~~ ONE DOLLAR AND FIFTY CENTS (\$1.50) per acre, the rental for the first year of the lease shall also include any sum in excess of ~~one dollar--(\$1)~~ two--dollars--(\$2) ONE DOLLAR AND FIFTY CENTS (\$1.50) per acre offered and accepted for the first year's rental; however, this annual rental shall in no case be less than ~~fifty--dollars--(\$50)~~ one hundred dollars (\$100) a year.

~~(3) (2)~~ (2) The first year's rental shall be paid before the issuance of the lease. The rentals for each subsequent year of the lease shall be due and payable before the beginning of such subsequent year, and upon failure to make such payment the lease terminates.

~~(4) (3)~~ (3) The lands shall be leased in as compact bodies as the form and areas of the tracts held by the state and offered for lease will permit. No lease may embrace noncontiguous subdivisions of lands unless the subdivisions are within an area comprising not more than one (1) square mile.

~~(5) (4)~~ (4) In all cases where an oil and gas lease issued after March 3, 1955, is surrendered for cancellation before its expiration, relinquished to the state, or canceled through proceedings on the part of the state, no new lease on the lands under such lease may be issued within thirty (30) days from the date of cancellation or relinquishing.

1 This restriction does not apply, however, in cases of bona  
2 fide assignment."

3 Section 2. Section 81-1704, R.C.M. 1947, is amended to  
4 read as follows:

5 "81-1704. Royalty -- time for payment -- computation  
6 -- minimum royalty. In every oil and gas lease granted by  
7 the state under this chapter, and acts amendatory thereto,  
8 there shall be reserved to the state as consideration  
9 therefor, in addition to the rentals as hereinbefore  
10 provided, a royalty in all oil and gas produced and saved  
11 from all lands covered thereby, and not used for light,  
12 fuel, and operation purposes on the leased premises, which  
13 shall be equivalent to the full market value, as ascertained  
14 by the state board of land commissioners at the date of such  
15 lease, of the estate or interest of the state in the lands  
16 and oil and gas deposits disposed of under such lease;  
17 provided that such royalty reservation shall be set by the  
18 board but may not be less than twelve and one-half per  
19 centum (12 1/2%) on gas, and not less than twelve and  
20 one-half per centum (12 1/2%) on that portion of the average  
21 production of oil or casing-head gasoline for each producing  
22 well not exceeding three thousand (3,000) barrels for the  
23 calendar month; provided, further, that the royalty on gas,  
24 including casing-head gas and all gaseous substances, while  
25 the same is not sold or used off the premises shall be at

1 the rate of ~~two--hundred--dollars--(\$200.00)~~ four hundred  
2 dollars (\$400) per well each year or the amount of the  
3 annual rental provided in said lease, in lieu of such per  
4 well rate, whichever is the greater, payable on or before  
5 the annual anniversary date of the lease, and as long as  
6 such leased lands contain a well capable of such production  
7 and such payment is made the lease shall be considered as a  
8 producing lease under the lease terms. Such lease shall  
9 provide for the rendering of payment of such royalty on all  
10 oil and gas produced and saved and sold or used off the  
11 premises in the following manner and upon the following  
12 terms:

13 The lessee shall pay to the state, in cash, for all oil  
14 and gas royalty reserved, the posted field price existing on  
15 the day such oil or gas is run into any pipeline or storage  
16 tank to the credit of the lessee, plus any bonus actually  
17 paid, or agreed to be paid, to the lessee, for such oil or  
18 gas; or, at the option of the state, exercised in writing by  
19 the state board of land commissioners not oftener than every  
20 thirty (30) days, the lessee shall deliver the state's  
21 royalty oil or gas free of cost or deductions, into the  
22 pipeline to which the wells of the lessee may be connected  
23 or into any storage designated by the state and connected  
24 with such wells."

25 SECTION 3. THIS ACT IS EFFECTIVE APRIL 1, 1975.