

1 *Senate* BILL NO. 309  
2 INTRODUCED BY *Markus Turvey*

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING SECTION  
5 84-2202, R.C.M. 1947, TO PROVIDE THAT OIL PRODUCTION ROYALTY  
6 INTERESTS ARE REQUIRED TO SHARE THE BURDEN OF THE OIL  
7 PRODUCERS' LICENSE TAX ON A PRO RATA BASIS."

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

10 Section 1. Section 84-2202, R.C.M. 1947, is amended to  
11 read as follows:

12 "84-2202. Oil producers' license tax--amount--  
13 exceptions. Every person engaging in or carrying on the  
14 business of producing, within this state, petroleum, or  
15 other mineral or crude oil, or engaging in or carrying on  
16 the business of owning, controlling, managing, leasing or  
17 operating within this state any well or wells from which any  
18 merchantable or marketable petroleum or other mineral or  
19 crude oil is extracted or produced, sufficient in quantity  
20 to justify the marketing of the same, must, for the year  
21 beginning July 1, 1957, and each year thereafter, when  
22 engaged in or carrying on any such business in this state,  
23 pay to the state treasurer, for the exclusive use and  
24 benefit of the state of Montana, a license tax for engaging  
25 in and carrying on such business, computed at the following

1 rates:  
2 (a) Two and one-tenth per cent (2.1%) of the total  
3 gross value of that portion of all the petroleum and other  
4 mineral or crude oil produced by such person from each lease  
5 or unit in the calendar quarter not in excess of an amount  
6 obtained by multiplying the number of producing wells on  
7 such lease or unit by four hundred fifty (450) barrels.

8 (b) Two and sixty-five hundredths per cent (2.65%) of  
9 the total gross value of that portion of all the production  
10 of such person from each lease or unit in each calendar  
11 quarter in excess of four hundred fifty (450) barrels  
12 multiplied by the number of producing wells on such lease or  
13 unit; but in determining the amount of such tax there shall  
14 be excluded from consideration all petroleum, or other crude  
15 or mineral oil produced and used by such person during such  
16 year in connection with his operations in prospecting for,  
17 developing and producing such petroleum, crude or mineral  
18 oil; provided, however, that nothing in this act shall be  
19 construed as requiring laborers or employees, hired or  
20 employed by any person, to drill any oil well, or to work in  
21 or about any oil well, or prospect or explore for, or do any  
22 work for the purpose of developing any petroleum or other  
23 mineral or crude oil to pay such license tax, nor shall any  
24 work be done, or the drilling of any well or wells, for the  
25 purpose of prospecting or exploring for petroleum or other

1 mineral or crude oils, or for the purpose of developing  
 2 same, be deemed to be engaging in or carrying on of any such  
 3 business; provided, further, that in the doing of any such  
 4 work, or in the drilling of any oil well, or in such  
 5 prospecting, exploring or development work, any merchantable  
 6 or marketable petroleum or other mineral or crude oil in  
 7 excess of the quantity required by such person for carrying  
 8 on such operation shall be produced sufficient in quantity  
 9 to justify the marketing of the same, then such work,  
 10 drilling, prospecting, exploring or development work shall  
 11 be deemed to be the engaging in and carrying on of such  
 12 business within this state within the meaning of this  
 13 section.

14 (c) Every person required to pay such tax hereunder  
 15 shall pay the same in full for his own account and for the  
 16 account of each of the other owner or owners of the gross  
 17 proceeds in value or in kind of all the marketable petroleum  
 18 or other mineral or crude oil extracted and produced,  
 19 including owner or owners of working interest, royalty  
 20 interest, overriding royalty interest, carried working  
 21 interest, net proceeds interest, production payments and all  
 22 other interest or interests owned or carved out of the total  
 23 gross proceeds in value or in kind of such extracted  
 24 marketable petroleum or other mineral or crude oil, ~~in~~ in  
 25 all leases establishing royalty interests ~~entered--into~~

1 ~~hereafter~~ or in renewals of existing leases, or in division  
 2 of proceeds orders, or by other contracts, ~~such other--owner~~  
 3 ~~or--owners--may-agree-with-every-person-required-to-pay-such~~  
 4 ~~tax-that~~ such other owner or owners will pay their prorata  
 5 share of said tax, and ~~that~~ said prorata share ~~may~~ will be  
 6 deducted from any settlements under said lease or leases or  
 7 division of proceeds orders or other contracts."

8 Section 2. If a bill to amend section 84-2202 to tax  
 9 the production of natural gas is enacted in 1975, it is the  
 10 intention of the legislature that this act applies to  
 11 natural gas production as well as oil production.

12 Section 3. Nothing in this act may be construed to  
 13 impair obligations under contracts in force as of the  
 14 effective date of this act, if such construction would  
 15 violate the United States constitution.

-End-

Approved by Committee  
on Taxation

1 SENATE BILL NO. 308

2 INTRODUCED BY MATHERS, TURNAGE

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6 INTERESTS ~~ARE~~ MAY BE REQUIRED TO SHARE THE BURDEN OF THE OIL  
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8 GOVERNMENTAL ROYALTIES FROM SUCH TAX."

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17 the business of owning, controlling, managing, leasing or  
18 operating within this state any well or wells from which any  
19 merchantable or marketable petroleum or other mineral or  
20 crude oil is extracted or produced, sufficient in quantity  
21 to justify the marketing of the same, must, for the year  
22 beginning July 1, 1957, and each year thereafter, when  
23 engaged in or carrying on any such business in this state,  
24 pay to the state treasurer, for the exclusive use and  
25 benefit of the state of Montana, a license tax for engaging

1 in and carrying on such business, computed at the following  
2 rates:

3 (a) Two and one-tenth per cent (2.1%) of the total  
4 gross value of that portion of all the petroleum and other  
5 mineral or crude oil produced by such person from each lease  
6 or unit in the calendar quarter not in excess of an amount  
7 obtained by multiplying the number of producing wells on  
8 such lease or unit by four hundred fifty (450) barrels.

9 (b) Two and sixty-five hundredths per cent (2.65%) of  
10 the total gross value of that portion of all the production  
11 of such person from each lease or unit in each calendar  
12 quarter in excess of four hundred fifty (450) barrels  
13 multiplied by the number of producing wells on such lease or  
14 unit; but in determining the amount of such tax there shall  
15 be excluded from consideration all petroleum, or other crude  
16 or mineral oil produced and used by such person during such  
17 year in connection with his operations in prospecting for,  
18 developing and producing such petroleum, crude or mineral  
19 oil; provided, however, that nothing in this act shall be  
20 construed as requiring laborers or employees, hired or  
21 employed by any person, to drill any oil well, or to work in  
22 or about any oil well, or prospect or explore for, or do any  
23 work for the purpose of developing any petroleum or other  
24 mineral or crude oil to pay such license tax, nor shall any  
25 work be done, or the drilling of any well or wells, for the

SECOND READING

1 purpose of prospecting or exploring for petroleum or other  
 2 mineral or crude oils, or for the purpose of developing  
 3 same, be deemed to be engaging in or carrying on of any such  
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 5 work, or in the drilling of any oil well, or in such  
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 13 business within this state within the meaning of this  
 14 section.

15 (c) Every person required to pay such tax hereunder  
 16 shall pay the same in full for his own account and for the  
 17 account of each of the other owner or owners of the gross  
 18 proceeds in value or in kind of all the marketable petroleum  
 19 or other mineral or crude oil extracted and produced,  
 20 including owner or owners of working interest, royalty  
 21 interest, overriding royalty interest, carried working  
 22 interest, net proceeds interest, production payments and all  
 23 other interest or interests owned or carved out of the total  
 24 gross proceeds in value or in kind of such extracted  
 25 marketable petroleum or other mineral or crude oil, ~~in~~ in

1 ~~all--leases--establishing--royalty--interests--entered--into~~  
 2 ~~hereafter--or--in--renewals--of--existing--leases,--or--in--division~~  
 3 ~~of--proceeds--orders,--or--by--other--contracts,--such--other--owner~~  
 4 ~~or--owners--may--agree--with--every--person--required--to--pay--such~~  
 5 ~~tax--that--such--other--owner--or--owners--will--pay--their--prorata~~  
 6 ~~share--of--said--tax,--and--that--said--prorata--share, EXCEPT THAT~~  
 7 ANY OF THE AFORESAID INTERESTS THAT ARE OWNED BY THE  
 8 FEDERAL, STATE, COUNTY OR MUNICIPAL GOVERNMENTS SHALL BE  
 9 EXEMPT FROM TAXATION UNDER THIS CHAPTER. UNLESS OTHERWISE  
 10 PROVIDED IN A CONTRACT OR LEASE, THE PRORATA SHARE OF ANY  
 11 ROYALTY OWNER OR OWNERS may will be deducted from any  
 12 settlements under said lease or leases or division of  
 13 proceeds orders or other contracts."

14 Section 2. If a bill to amend section 84-2202 to tax  
 15 the production of natural gas is enacted in 1975, it is the  
 16 intention of the legislature that this act applies to  
 17 natural gas production as well as oil production.

18 Section 3. Nothing in this act may be construed to  
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18 developing and producing such petroleum, crude or mineral  
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22 or about any oil well, or prospect or explore for, or do any  
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