

SENATE BILL NO. 165  
INTRODUCED BY E. SMITH, TVEIT  
BY REQUEST OF THE DEPARTMENT OF STATE LANDS

IN THE SENATE

January 17, 1981	Introduced and referred to Committee on Natural Resources.
	Fiscal note requested.
January 23, 1981	Fiscal note returned.
February 3, 1981	Committee recommended bill do pass. Report adopted.
February 4, 1981	Bill printed and placed on members' desks.
February 5, 1981	Second reading, do pass.
February 6, 1981	Correctly engrossed.
February 7, 1981	Third reading, passed. Transmitted to House.

IN THE HOUSE

February 9, 1981	Introduced and referred to Committee on Natural Resources.
March 5, 1981	Committee recommend bill be concurred in. Report adopted.
March 7, 1981	Second reading, concurred in.
March 10, 1981	Third reading, concurred in. Ayes, 97; Noses, 0.

IN THE SENATE

March 11, 1981	Returned from House. Concurred in. Sent to enrolling.
	Reported correctly enrolled.

1 *Agout* BILL NO. 165  
2 INTRODUCED BY *E Smith Trust*  
3 BY REQUEST OF THE DEPARTMENT OF STATE LANDS

4  
5 A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR  
6 COMPENSATORY ROYALTIES IN LIEU OF OFFSET DRILLING ON STATE  
7 GIL AND GAS LEASES; AMENDING SECTION 77-3-427, MCA."

8  
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
10 Section 1. Section 77-3-427, MCA, is amended to read:  
11 "77-3-427. Provision for offset wells ~~compensatory~~  
12 royalties. Oil and gas leases granted by the state shall  
13 contain suitable provisions imposing upon all lessees the  
14 obligation to drill offset wells wherever and whenever  
15 necessary to prevent waste and damage to the property of the  
16 state. The board may allow the lessee the option of paying  
17 a compensatory royalty in lieu of drilling an offset well if  
18 it determines that such compensatory royalty will fully  
19 compensate the state for waste and damage to the property of  
20 the state. The compensatory royalty shall be based upon the  
21 estimated drainage, as determined by the board, and shall be  
22 paid on a monthly basis unless circumstances require  
23 otherwise."

-End-

INTRODUCED BILL  
SB 165

STATE OF MONTANA

REQUEST NO. 151-81

FISCAL NOTE

Form BD-15

In compliance with a written request received January 20, 1981, there is hereby submitted a Fiscal Note for Senate Bill No. 165 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

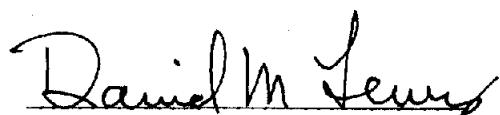
Description of Proposed Legislation:

An act to provide for compensatory royalties in lieu of offset drilling on State oil and gas leases; Amending Section 77-3-427, MCA.

Comments:

No additional expenses will be incurred by the enactment of this legislation. Any additional work will be absorbed by present staff.

Revenues are not expected to increase because of the passage of this legislation. The department would either receive royalties from the offset wells, as we do now, or receive compensatory royalty in lieu of drilling.



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-23-81

Approved by Committee  
on Natural Resources

1                   SENATE BILL NO. 165  
2                   INTRODUCED BY E. SMITH, TVEIT  
3                   BY REQUEST OF THE DEPARTMENT OF STATE LANDS  
4

5   A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR  
6   COMPENSATORY ROYALTIES IN LIEU OF OFFSET DRILLING ON STATE  
7   OIL AND GAS LEASES; AMENDING SECTION 77-3-427, MCA."  
8

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

10   Section 1. Section 77-3-427, MCA, is amended to read:  
11   "77-3-427. Provision for offset wells — compensatory  
12   royalties. Oil and gas leases granted by the state shall  
13   contain suitable provisions imposing upon all lessees the  
14   obligation to drill offset wells wherever and whenever  
15   necessary to prevent waste and damage to the property of the  
16   state. The board may allow the lessee the option of paying  
17   a compensatory royalty on a nonproducing lease in lieu of  
18   drilling an offset well if it determines that such  
19   compensatory royalty will fully compensate the state for  
20   waste and damage to the property of the state. The  
21   compensatory royalty shall be based upon the estimated  
22   drainage, as determined by the board, and shall be paid on a  
23   monthly basis unless circumstances require otherwise."

-End-

SECOND READING  
SB 165

1                   SENATE BILL NO. 165  
2                   INTRODUCED BY E. SMITH, TVEIT  
3                   BY REQUEST OF THE DEPARTMENT OF STATE LANDS  
4  
5   A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR  
6   COMPENSATORY ROYALTIES IN LIEU OF OFFSET DRILLING ON STATE  
7   OIL AND GAS LEASES; AMENDING SECTION 77-3-427, MCA."  
8

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

10   Section 1. Section 77-3-427, MCA, is amended to read:  
11   "77-3-427. Provision for offset wells compensatory  
12 royalties. Oil and gas leases granted by the state shall  
13 contain suitable provisions imposing upon all lessees the  
14 obligation to drill offset wells wherever and whenever  
15 necessary to prevent waste and damage to the property of the  
16 state. The board may allow the lessee the option of paying  
17 a compensatory royalty on a nonproducing lease in lieu of  
18 drilling an offset well if it determines that such  
19 compensatory royalty will fully compensate the state for  
20 waste and damage to the property of the state. The  
21 compensatory royalty shall be based upon the estimated  
22 drainage, as determined by the board, and shall be paid on a  
23 monthly basis unless circumstances require otherwise."

-End-

THIRD READING  
SB 165

## 1                   SENATE BILL NO. 165

2                   INTRODUCED BY E. SMITH, TVEIT

3                   BY REQUEST OF THE DEPARTMENT OF STATE LANDS

4  
5                   A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR  
6                   COMPENSATORY ROYALTIES IN LIEU OF OFFSET DRILLING ON STATE  
7                   OIL AND GAS LEASES; AMENDING SECTION 77-3-427, MCA."8  
9                   BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:10                  Section 1. Section 77-3-427, MCA, is amended to read:  
11                  "77-3-427. Provision for offset wells --compensatory  
12                  royalties. Oil and gas leases granted by the state shall  
13                  contain suitable provisions imposing upon all lessees the  
14                  obligation to drill offset wells wherever and whenever  
15                  necessary to prevent waste and damage to the property of the  
16                  state. The board may allow the lessee the option of paying  
17                  a compensatory royalty on a nonproducing lease in lieu of  
18                  drilling an offset well if it determines that such  
19                  compensatory royalty will fully compensate the state for  
20                  waste and damage to the property of the state. The  
21                  compensatory royalty shall be based upon the estimated  
22                  drainage, as determined by the board, and shall be paid on a  
23                  monthly basis unless circumstances require otherwise."

-End-

REFERENCE BILL

SB 165