

SENATE BILL NO. 159

INTRODUCED BY KEATING, TVEIT, SHAW,  
DOVER, GAGE, LEE, MCCALLUM, STOBIE,  
DEVLIN, SEIFERT, HARP, ROUSH, HANSON

IN THE SENATE

January 14, 1983	Introduced and referred to Committee on Taxation.
January 18, 1983	Fiscal Note requested.
January 21, 1983	Fiscal Note returned.
February 23, 1983	Committee recommend bill do pass as amended. Report adopted.
February 28, 1983	Bill printed and placed on members' desks.
March 1, 1983	Second reading, pass consideration.
March 2, 1983	Second reading, do pass.
March 3, 1983	Correctly engrossed.
March 4, 1983	Third reading, passed. Ayes, 27; Noes, 23. Transmitted to House.

IN THE HOUSE

March 7, 1983	Introduced and referred to Committee on Taxation.
March 22, 1983	Committee recommend bill be not concurred in. Report adopted.
	Objection to adverse committee report. Bill placed on second reading.

March 23, 1983	Second reading, pass consideration.
March 24, 1983	Second reading, concurred in as amended.
March 25, 1983	Third reading, concurred in.

#### IN THE SENATE

March 26, 1983	Returned to Senate with amendments.
April 6, 1983	Second reading, amendments concurred in.
April 7, 1983	Third reading, amendments concurred in. Ayes, 46; Noes, 4.
	Sent to enrolling.
April 11, 1983	Correctly enrolled.
April 12, 1983	Signed by President.
April 14, 1983	Signed by Speaker.
	Delivered to Governor.
April 20, 1983	Returned from Governor with recommended amendments.
	Second reading, Governor's amendments not concurred in.

#### IN THE HOUSE

April 20, 1983	Governor's amendments transmitted to House.
April 21, 1983	Second reading, Governor's amendments not concurred in.

IN THE SENATE

April 21, 1983

Returned to Senate. Sent to  
enrolling.

Reported correctly enrolled.

1 *Senate* BILL NO. *159*  
 2 INTRODUCED BY *Jeffrey Hunt* *Shaw* *Dave* *Hay*  
 3 *Lee McCallum* *Steve Devlin* *Seibert* *HARP*  
 4 *Russ* A BILL FOR AN ACT ENTITLED: "AN ACT TO REDUCE THE OIL *M. Hansen*  
 5 SEVERANCE TAX TO 3 PERCENT; AMENDING SECTION 15-36-101, MCA;  
 6 AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN  
 7 APPLICABILITY DATE."  
 8  
 9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
 10 Section 1. Section 15-36-101, MCA, is amended to read:  
 11 "15-36-101. Definitions and rate of tax. (1) Every  
 12 person engaging in or carrying on the business of producing  
 13 petroleum, other mineral or crude oil, or natural gas within  
 14 this state or engaging in or carrying on the business of  
 15 owning, controlling, managing, leasing, or operating within  
 16 this state any well or wells from which any merchantable or  
 17 marketable petroleum, other mineral or crude oil, or natural  
 18 gas is extracted or produced sufficient in quantity to  
 19 justify the marketing of the same must, except as provided  
 20 in 15-36-121, each year when engaged in or carrying on any  
 21 such business in this state pay to the department of revenue  
 22 for the exclusive use and benefit of the state of Montana a  
 23 severance tax computed at the following rates:  
 24 (a) 5% ~~2%~~ of the total gross value of all the  
 25 petroleum and other mineral or crude oil produced by such

1 person from each lease or unit on or after April 1, 1981  
 2 1982, and on or before March 31, 1983, and 6% of the total  
 3 gross value of all the petroleum and other mineral or crude  
 4 oil produced by such person from each lease or unit  
 5 thereafter; but in determining the amount of such tax there  
 6 shall be excluded from consideration all petroleum or other  
 7 crude or mineral oil produced and used by such person during  
 8 such year in connection with his operations in prospecting  
 9 for, developing, and producing such petroleum or crude or  
 10 mineral oil;  
 11 (b) 2.65% of the total gross value of natural gas  
 12 produced from each lease or unit; but in determining the  
 13 amount of such tax there shall be excluded from  
 14 consideration all gas produced and used by such person  
 15 during such year in connection with his operations in  
 16 prospecting for, developing, and producing such gas or  
 17 petroleum or crude or mineral oil; and there shall also be  
 18 excluded from consideration all gas recycled or reinjected  
 19 into the ground.  
 20 (2) Nothing in this part may be construed as requiring  
 21 laborers or employees hired or employed by any person to  
 22 drill any oil well or to work in or about any oil well or  
 23 prospect or explore for or do any work for the purpose of  
 24 developing any petroleum or other mineral or crude oil to  
 25 pay such severance tax, nor may any work done or the

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

15 (3) 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 or natural gas extracted and  
 20 produced, including owner or owners of working interest,  
 21 royalty interest, overriding royalty interest, carried  
 22 working interest, net proceeds interest, production  
 23 payments, and all other interest or interests owned or  
 24 carved out of the total gross proceeds in value or in kind  
 25 of such extracted marketable petroleum or other mineral or

1 crude oil or natural gas, except that any of the aforesaid  
 2 interests that are owned by the federal, state, county, or  
 3 municipal governments shall be exempt from taxation under  
 4 this chapter. Unless otherwise provided in a contract or  
 5 lease, the pro rata share of any royalty owner or owners  
 6 will be deducted from any settlements under said lease or  
 7 leases or division of proceeds orders or other contracts."  
 8 NEW SECTION. Section 2. Effective date —  
 9 applicability. This act is effective on passage and approval  
 10 and applies to crude oil produced on or after April 1, 1983.

-End-

## STATE OF MONTANA

REQUEST NO. 138-83

## FISCAL NOTE

Form BD-15

In compliance with a written request received January 18, , 19 83 , there is hereby submitted a Fiscal Note for Senate Bill 159 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:

Senate Bill 159 reduces the oil severance tax to 3 percent and provides an immediate effective date and an applicability date.

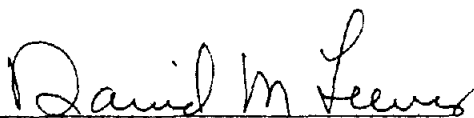
ASSUMPTIONS:

- 1) The projections of oil severance tax receipts and distribution prepared by the Office of Budget and Program Planning are the basis for comparison.

FISCAL IMPACT:

	<u>FY 1984</u>	<u>FY 1985</u>
Oil Severance Tax Collections		
Under Current Law	\$ 59,377,000	\$ 65,462,000
Under Proposed Law	<u>29,688,500</u>	<u>32,731,000</u>
Estimated Decrease	<u>\$(29,688,500)</u>	<u>\$(32,731,000)</u>
General Fund		
Under Current Law	\$ 56,374,000	\$ 62,179,000
Under Proposed Law	<u>28,187,000</u>	<u>31,089,500</u>
Estimated Decrease	<u>\$(28,187,000)</u>	<u>\$(31,089,500)</u>
Distribution to Producing Counties		
Under Current Law	\$ 3,003,000	\$ 3,283,000
Under Proposed Law	<u>1,501,500</u>	<u>1,641,500</u>
Estimated Decrease	<u>\$(1,501,500)</u>	<u>\$(1,641,500)</u>

FISCAL NOTE 5:AA/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-21-83

Approved by committee  
On Taxation

## SENATE BILL NO. 159

INTRODUCED BY KEATING, TVEIT, SHAW,  
DOVER, GAGE, LEE, MCCALLUM, STOBIE,  
DEVLIN, SEIFERT, HARP, ROUSH, HANSON

A BILL FOR AN ACT ENTITLED: "AN ACT TO REDUCE DELAY THE 1  
PERCENT INCREASE IN THE OIL SEVERANCE TAX 70-3-PERCENT;  
AMENDING SECTION 15-36-101, MCA; AND PROVIDING AN IMMEDIATE  
EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

Section 1. Section 15-36-101, MCA, is amended to read:

"15-36-101. Definitions and rate of tax. (1) Every  
person engaging in or carrying on the business of producing  
petroleum, other mineral or crude oil, or natural gas within  
this state or engaging in or carrying on the business of  
owning, controlling, managing, leasing, or operating within  
this state any well or wells from which any merchantable or  
marketable petroleum, other mineral or crude oil, or natural  
gas is extracted or produced sufficient in quantity to  
justify the marketing of the same must, except as provided  
in 15-36-121, each year when engaged in or carrying on any  
such business in this state pay to the department of revenue  
for the exclusive use and benefit of the state of Montana a  
severance tax computed at the following rates:

(a) ~~5% 2% 2%~~ of the total gross value of all the  
petroleum and other mineral or crude oil produced by such  
person from each lease or unit on or after April 1, ~~1981~~  
~~1983 1981~~ ~~--end--on-or-before-March-31-1983--and-6%--of--the~~  
~~total-gross-value-of-all-the-petroleum-and-other-mineral--or~~  
~~crude--oil--produced--by--such-person-from--each--lease--or--unit~~  
~~thereafter, AND ON OR BEFORE MARCH 31, 1985, AND 6% OF THE~~  
~~TOTAL GROSS VALUE OF ALL THE PETROLEUM AND OTHER MINERAL OR~~  
~~CRUDE OIL PRODUCED BY SUCH PERSON FROM EACH LEASE OR UNIT~~  
HEREAFTER; but in determining the amount of such tax there  
shall be excluded from consideration all petroleum or other  
crude or mineral oil produced and used by such person during  
such year in connection with his operations in prospecting  
for, developing, and producing such petroleum or crude or  
mineral oil;

(b) 2.65% of the total gross value of natural gas  
produced from each lease or unit; but in determining the  
amount of such tax there shall be excluded from  
consideration all gas produced and used by such person  
during such year in connection with his operations in  
prospecting for, developing, and producing such gas or  
petroleum or crude or mineral oil; and there shall also be  
excluded from consideration all gas recycled or reinjected  
into the ground.

(2) Nothing in this part may be construed as requiring

1 laborers or employees hired or employed by any person to  
 2 drill any oil well or to work in or about any oil well or  
 3 prospect or explore for or do any work for the purpose of  
 4 developing any petroleum or other mineral or crude oil to  
 5 pay such severance tax, nor may any work done or the  
 6 drilling of any well or wells for the purpose of prospecting  
 7 or exploring for petroleum or other mineral or crude oils or  
 8 for the purpose of developing same be considered to be the  
 9 engaging in or carrying on of any such business. If, in the  
 10 doing of any such work, in the drilling of any oil well, or  
 11 in such prospecting, exploring, or development work, any  
 12 merchantable or marketable petroleum or other mineral or  
 13 crude oil in excess of the quantity required by such person  
 14 for carrying on such operation is produced sufficient in  
 15 quantity to justify the marketing of the same, such work,  
 16 drilling, prospecting, exploring, or development work is  
 17 considered to be the engaging in and carrying on of such  
 18 business within this state within the meaning of this  
 19 section.

20 (3) Every person required to pay such tax hereunder  
 21 shall pay the same in full for his own account and for the  
 22 account of each of the other owner or owners of the gross  
 23 proceeds in value or in kind of all the marketable petroleum  
 24 or other mineral or crude oil or natural gas extracted and  
 25 produced, including owner or owners of working interest,

1 royalty interest, overriding royalty interest, carried  
 2 working interest, net proceeds interest, production  
 3 payments, and all other interest or interests owned or  
 4 carved out of the total gross proceeds in value or in kind  
 5 of such extracted marketable petroleum or other mineral or  
 6 crude oil or natural gas, except that any of the aforesaid  
 7 interests that are owned by the federal, state, county, or  
 8 municipal governments shall be exempt from taxation under  
 9 this chapter. Unless otherwise provided in a contract or  
 10 lease, the pro rata share of any royalty owner or owners  
 11 will be deducted from any settlements under said lease or  
 12 leases or division of proceeds orders or other contracts."  
 13 NEW SECTION. Section 2. Effective date --  
 14 applicability. This act is effective on passage and approval  
 15 and applies to crude oil produced on or after April 1, 1983.

-End-



## STATE OF MONTANA

REQUEST NO. 532-83

## FISCAL NOTE

Form BD-15

In compliance with a written request received April 11, , 19 83 , there is hereby submitted a Fiscal Note for Senate Bill 159, Amended pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. 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:

Senate Bill 159, amended, reduces the oil severance tax to five percent beginning April 1, 1985.

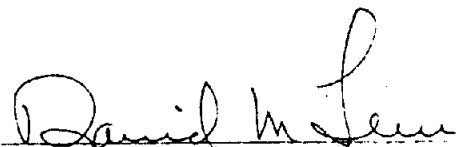
ASSUMPTIONS:

- 1) Constant production at 30 million barrels.
- 2) Oil price of \$30 per barrel.

FISCAL IMPACT:

	<u>FY85</u>	<u>FY86</u>
Oil Severance Tax Collections		
Under Current Law	\$ 54,000,000	\$ 54,000,000
Under Proposed Law	45,000,000	45,000,000
Estimated Decrease	<u>\$ (9,000,000)</u>	<u>\$ (9,000,000)</u>
General Fund		
Under Current Law	\$ 51,268,943	\$ 51,268,943
Under Proposed Law	42,724,119	42,724,119
Estimated Decrease	<u>\$ (8,544,824)</u>	<u>\$ (8,544,824)</u>
Distribution To Producing Counties		
Under Current Law	\$ 2,731,057	\$ 2,731,057
Under Proposed Law	2,275,881	2,275,881
Estimated Decrease	<u>\$ (455,176)</u>	<u>\$ (455,176)</u>

FISCAL NOTE 17: X/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 4-12-83

## STATE OF MONTANA

REQUEST NO. 532-83

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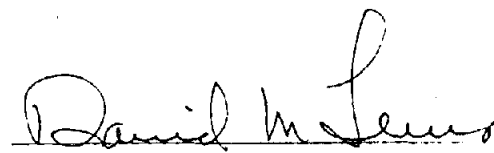
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Estimated Decrease	<u>\$ (455,176)</u>	<u>\$ (455,176)</u>

FISCAL NOTE 17: X/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 4-12-83

## SENATE BILL NO. 159

INTRODUCED BY KEATING, TVEIT, SHAW,  
DOVER, GAGE, LEE, MCCALLUM, STOBIE,  
DEVLIN, SEIFERT, HARP, ROUSH, HANSON

A BILL FOR AN ACT ENTITLED: "AN ACT TO REDUCE DELAY THE 1  
PERCENT INCREASE IN THE OIL SEVERANCE TAX ~~TO 3 PERCENT~~;  
AMENDING SECTION 15-36-101, MCA; AND PROVIDING AN IMMEDIATE  
EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

Section 1. Section 15-36-101, MCA, is amended to read:

"15-36-101. Definitions and rate of tax. (1) Every  
person engaging in or carrying on the business of producing  
petroleum, other mineral or crude oil, or natural gas within  
this state or engaging in or carrying on the business of  
owning, controlling, managing, leasing, or operating within  
this state any well or wells from which any merchantable or  
marketable petroleum, other mineral or crude oil, or natural  
gas is extracted or produced sufficient in quantity to  
justify the marketing of the same must, except as provided  
in 15-36-121, each year when engaged in or carrying on any  
such business in this state pay to the department of revenue  
for the exclusive use and benefit of the state of Montana a  
severance tax computed at the following rates:

(a) ~~58 22 52~~ of the total gross value of all the  
petroleum and other mineral or crude oil produced by such  
person from each lease or unit on or after April 1, 1981  
~~1982 1981--and--on--or--before--March--31--1983--and--62--of--the~~  
~~total--gross--value--of--all--the--petroleum--and--other--mineral--or~~  
~~crude--oil--produced--by--such--person--from--each--lease--or--unit~~  
~~thereafter, AND ON OR BEFORE MARCH 31, 1985, AND 6% OF THE~~  
~~TOTAL GROSS VALUE OF ALL THE PETROLEUM AND OTHER MINERAL OR~~  
~~CRUDE OIL PRODUCED BY SUCH PERSON FROM EACH LEASE OR UNIT~~  
~~THEREAFTER~~; but in determining the amount of such tax there  
shall be excluded from consideration all petroleum or other  
crude or mineral oil produced and used by such person during  
such year in connection with his operations in prospecting  
for, developing, and producing such petroleum or crude or  
mineral oil;

(b) 2.65% of the total gross value of natural gas  
produced from each lease or unit; but in determining the  
amount of such tax there shall be excluded from  
consideration all gas produced and used by such person  
during such year in connection with his operations in  
prospecting for, developing, and producing such gas or  
petroleum or crude or mineral oil; and there shall also be  
excluded from consideration all gas recycled or reinjected  
into the ground.

(2) Nothing in this part may be construed as requiring

1 laborers or employees hired or employed by any person to  
 2 drill any oil well or to work in or about any oil well or  
 3 prospect or explore for or do any work for the purpose of  
 4 developing any petroleum or other mineral or crude oil to  
 5 pay such severance tax, nor may any work done or the  
 6 drilling of any well or wells for the purpose of prospecting  
 7 or exploring for petroleum or other mineral or crude oils or  
 8 for the purpose of developing same be considered to be the  
 9 engaging in or carrying on of any such business. If, in the  
 10 doing of any such work, in the drilling of any oil well, or  
 11 in such prospecting, exploring, or development work, any  
 12 merchantable or marketable petroleum or other mineral or  
 13 crude oil in excess of the quantity required by such person  
 14 for carrying on such operation is produced sufficient in  
 15 quantity to justify the marketing of the same, such work,  
 16 drilling, prospecting, exploring, or development work is  
 17 considered to be the engaging in and carrying on of such  
 18 business within this state within the meaning of this  
 19 section.

20 (3) Every person required to pay such tax hereunder  
 21 shall pay the same in full for his own account and for the  
 22 account of each of the other owner or owners of the gross  
 23 proceeds in value or in kind of all the marketable petroleum  
 24 or other mineral or crude oil or natural gas extracted and  
 25 produced, including owner or owners of working interest,

1 royalty interest, overriding royalty interest, carried  
 2 working interest, net proceeds interest, production  
 3 payments, and all other interest or interests owned or  
 4 carved out of the total gross proceeds in value or in kind  
 5 of such extracted marketable petroleum or other mineral or  
 6 crude oil or natural gas, except that any of the aforesaid  
 7 interests that are owned by the federal, state, county, or  
 8 municipal governments shall be exempt from taxation under  
 9 this chapter. Unless otherwise provided in a contract or  
 10 lease, the pro rata share of any royalty owner or owners  
 11 will be deducted from any settlements under said lease or  
 12 leases or division of proceeds orders or other contracts."  
 13 NEW SECTION. Section 2. Effective date --  
 14 applicability. This act is effective on passage and approval  
 15 and applies to crude oil produced on or after April 1, 1983.

-End-

March 23, 1983

HOUSE COMMITTEE OF THE WHOLE AMENDMENTS TO SENATE BILL 159,  
THIRD READING COPY (BLUE)

1) Title, lines 6 and 7

Following: "~~REDUCE~~"

Strike: line 6 through "IN" on line 7

Insert: "REDUCE"

Following: "TAX" on line 7

Insert: "TO 5% BEGINNING APRIL 1, 1985"

2) Page 2, line 7

Following: "MARCH 31,"

Strike: "1985, AND"

Insert: "1983;"

3) Page 2, line 10

Following: line 9

Strike: "THEREAFTER"

Insert: "on or after April 1, 1983 and on or before March 31, 1985;  
and 5% of the total gross value of all the petroleum and other mineral  
or crude oil produced by such person from each lease or unit thereafter"

ADOPT

GOVERNOR'S PROPOSED AMENDMENTS  
TO SENATE BILL NO. 159  
REFERENCE BILL

1. Title, line 8.  
Following: " April 1, "  
Strike: " 1985 "  
Insert: "1987"
2. Page 2, lines 2 through 8.  
Following: "(a)" on line 2  
Strike: remainder of line 2 through " 1983; " on line 8
3. Page 2, line 12.  
Following: " 31, "  
Strike: " 1985 "  
Insert: "1987"

## SENATE BILL NO. 159

INTRODUCED BY KEATING, TVEIT, SHAW,

DOVER, GAGE, LEE, MCCALLUM, STOBIE,

DEVLIN, SEIFERT, HARP, ROUSH, HANSON

A BILL FOR AN ACT ENTITLED: "AN ACT TO ~~REDUCE~~ ~~THE~~ ~~1~~  
~~PERCENT--INCREASE--IN~~ REDUCE THE OIL SEVERANCE TAX ~~TO 3~~  
~~PERCENT TO 5 PERCENT BEGINNING APRIL 1, 1985~~; AMENDING  
 SECTION 15-36-101, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE  
 DATE AND AN APPLICABILITY DATE."

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

Section 1. Section 15-36-101, MCA, is amended to read:

"15-36-101. Definitions and rate of tax. (1) Every  
 person engaging in or carrying on the business of producing  
 petroleum, other mineral or crude oil, or natural gas within  
 this state or engaging in or carrying on the business of  
 owning, controlling, managing, leasing, or operating within  
 this state any well or wells from which any merchantable or  
 marketable petroleum, other mineral or crude oil, or natural  
 gas is extracted or produced sufficient in quantity to  
 justify the marketing of the same must, except as provided  
 in 15-36-121, each year when engaged in or carrying on any  
 such business in this state pay to the department of revenue  
 for the exclusive use and benefit of the state of Montana a

severance tax computed at the following rates:

(a) ~~5% 3% 5%~~ of the total gross value of all the  
 petroleum and other mineral or crude oil produced by such  
 person from each lease or unit on or after April 1, ~~1981~~  
~~1983 1981~~ ~~--and--on--or--before--March--31--1985--and--6%--of--the~~  
~~total--gross--value--of--all--the--petroleum--and--other--mineral--or~~  
~~crude--oil--produced--by--such--person--from--each--lease--or--unit~~  
~~thereafter, AND ON OR BEFORE MARCH 31, 1985, AND 1983, 6% OF~~  
~~THE TOTAL GROSS VALUE OF ALL THE PETROLEUM AND OTHER MINERAL~~  
~~OR CRUDE OIL PRODUCED BY SUCH PERSON FROM EACH LEASE OR UNIT~~  
~~THEREAFTER ON OR AFTER APRIL 1, 1983, AND ON OR BEFORE MARCH~~  
~~31, 1985, AND 5% OF THE TOTAL GROSS VALUE OF ALL THE~~  
~~PETROLEUM AND OTHER MINERAL OR CRUDE OIL PRODUCED BY SUCH~~  
~~PERSON FROM EACH LEASE OR UNIT THEREAFTER; but in~~  
 determining the amount of such tax there shall be excluded  
 from consideration all petroleum or other crude or mineral  
 oil produced and used by such person during such year in  
 connection with his operations in prospecting for,  
 developing, and producing such petroleum or crude or mineral  
 oil;

(b) 2.65% of the total gross value of natural gas  
 produced from each lease or unit; but in determining the  
 amount of such tax there shall be excluded from  
 consideration all gas produced and used by such person  
 during such year in connection with his operations in

1 prospecting for, developing, and producing such gas or  
 2 petroleum or crude or mineral oil; and there shall also be  
 3 excluded from consideration all gas recycled or reinjected  
 4 into the ground.

5 (2) Nothing in this part may be construed as requiring  
 6 laborers or employees hired or employed by any person to  
 7 drill any oil well or to work in or about any oil well or  
 8 prospect or explore for or do any work for the purpose of  
 9 developing any petroleum or other mineral or crude oil to  
 10 pay such severance tax, nor may any work done or the  
 11 drilling of any well or wells for the purpose of prospecting  
 12 or exploring for petroleum or other mineral or crude oils or  
 13 for the purpose of developing same be considered to be the  
 14 engaging in or carrying on of any such business. If, in the  
 15 doing of any such work, in the drilling of any oil well, or  
 16 in such prospecting, exploring, or development work, any  
 17 merchantable or marketable petroleum or other mineral or  
 18 crude oil in excess of the quantity required by such person  
 19 for carrying on such operation is produced sufficient in  
 20 quantity to justify the marketing of the same, such work,  
 21 drilling, prospecting, exploring, or development work is  
 22 considered to be the engaging in and carrying on of such  
 23 business within this state within the meaning of this  
 24 section.

25 (3) Every person required to pay such tax hereunder

1 shall pay the same in full for his own account and for the  
 2 account of each of the other owner or owners of the gross  
 3 proceeds in value or in kind of all the marketable petroleum  
 4 or other mineral or crude oil or natural gas extracted and  
 5 produced, including owner or owners of working interest,  
 6 royalty interest, overriding royalty interest, carried  
 7 working interest, net proceeds interest, production  
 8 payments, and all other interest or interests owned or  
 9 carved out of the total gross proceeds in value or in kind  
 10 of such extracted marketable petroleum or other mineral or  
 11 crude oil or natural gas, except that any of the aforesaid  
 12 interests that are owned by the federal, state, county, or  
 13 municipal governments shall be exempt from taxation under  
 14 this chapter. Unless otherwise provided in a contract or  
 15 lease, the pro rata share of any royalty owner or owners  
 16 will be deducted from any settlements under said lease or  
 17 leases or division of proceeds orders or other contracts."

18 NEW SECTION. Section 2. Effective date --  
 19 applicability. This act is effective on passage and approval  
 20 and applies to crude oil produced on or after April 1, 1983.

-End-