# HOUSE BILL NO. 524

#### INTRODUCED BY ADDY

# BY REQUEST OF THE DEPARTMENT OF STATE LANDS

# IN THE HOUSE

January 28, 1985	Introduced and referred to Committee on State Administration.
February 13, 1985	Committee recommend bill do pass as amended. Report adopted.
February 14, 1985	Bill printed and placed on members' desks.
February 16, 1985	Second reading, do pass.
February 18, 1985	Considered correctly engrossed.
February 19, 1985	Third reading, passed.
	Transmitted to Senate.

### IN THE SENATE

February 21, 1985	Introduced and referred to Committee on Natural Resources.
March 12, 1985	Committee recommend bill be concurred in. Report adopted.
March 14, 1985	Second reading, concurred in.
March 16, 1985	Third reading, concurred in. Ayes, 47; Noes, 0.
	Returned to House.

### IN THE HOUSE

March 16, 1985

Received from Senate.

Sent to enrolling.

Reported correctly enrolled.

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OF

1	HOUSE BILL NO. 524
2	INTRODUCED BY
3	BY REQUEST OF THE DEPARTMENT OF STATE LANDS
4	
5	A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW THE
6	COMMISSIONER OF STATE LANDS TO LIMIT OVERRIDING ROYALTIES
7	AND PAYMENTS OUT OF PRODUCTION FROM STATE OIL AND GAS
8	LEASES; AND PROVIDING AN APPLICABILITY DATE."
9	
10	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
11	Section 1. Limitation on overriding royalties and
12	payments out of production. (1) No person, partnership, or
13	association may enter into an agreement which in the
14	aggregate creates overriding royalties or payments out of
15	the production of oil and gas in excess of 5% above the
16	landowner's royalty payable to the state of Montana unless
17	that agreement expressly provides that the obligation to pay
18	overriding royalties or payments out of production may be
19	suspended by the commissioner at any time upon a
20	determination that the excess overriding royalties or
21	payments out of production constitute a burden on lease
22	operations to the extent that:
23	<ul><li>(a) proper and timely development may be retarded;</li></ul>
24	(b) continued operation of the lease may be impaired;

(c)	premature	abandonment	οF	the	welle	mav	00001	

- 2 (2) This section applies separately to any zone or 3 portion of a lease segregated for computing a royalty due to 4 the state of Montana.
- 5 (3) All agreements of any kind creating overriding 6 royalties or payments out of production of oil and gas must 7 be filed with the department within 30 days of their 8 creation by the lessee.
- 9 Section 2. Filing of prior agreements. All agreements
  10 that created overriding royalties or payments out of
  11 production of oil and gas from state oil and gas leases
  12 prior to the effective date of this act must be filed by the
  13 lessee with the department of state lands during the 30-day
  14 period following the next anniversary date of the lease.
- Section 3. Extension of authority. Any existing
  authority of the board of land commissioners to make rules
  on the subject of the provisions of this act is extended to
  the provisions of this act.
- 19 Section 4. Codification instruction. Section 1 is 20 intended to be codified as an integral part of Title 77, 21 chapter 3, part 4, and the provisions of Title 77, chapter 22 3, part 4, apply to section 1.
- 23 Section 5. Severability. If a part of this act is 24 invalid, all valid parts that are severable from the invalid 25 part remain in effect. If a part of this act is invalid in

one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

Section 6. Applicability. Section 1 does not apply to overriding royalties or payments out of production agreements entered into before the effective date of this act.

#### APPROVED BY COMMITTEE ON STATE ADMINISTRATION

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- 9 Section 2. Filing of prior agreements. Alt--agreements 10 that THE BOARD OF LAND COMMISSIONERS MAY REQUIRE THAT AN 11 AGREEMENT WHICH created overriding royalties or payments out 12 of production of oil and gas from state oil and gas leases 13 prior to the effective date of this act must be filed by the 14 lessee with the department of state lands during the 30-day 15 period following the next anniversary date of the lease.
- 16 Section 3. Extension of authority. Any existing 17 authority of the board of land commissioners to make rules 18 on the subject of the provisions of this act is extended to 19 the provisions of this act.
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