

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 concurrent 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.

HOUSE BILL NO. 524
INTRODUCED BY [Signature]
BY REQUEST OF THE DEPARTMENT OF STATE LANDS

A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW THE COMMISSIONER OF STATE LANDS TO LIMIT OVERRIDING ROYALTIES AND PAYMENTS OUT OF PRODUCTION FROM STATE OIL AND GAS LEASES; AND PROVIDING AN APPLICABILITY DATE."

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

Section 1. Limitation on overriding royalties and payments out of production. (1) No person, partnership, or association may enter into an agreement which in the aggregate creates overriding royalties or payments out of the production of oil and gas in excess of 5% above the landowner's royalty payable to the state of Montana unless that agreement expressly provides that the obligation to pay overriding royalties or payments out of production may be suspended by the commissioner at any time upon a determination that the excess overriding royalties or payments out of production constitute a burden on lease operations to the extent that:

(a) proper and timely development may be retarded;

(b) continued operation of the lease may be impaired;

DE

1 (c) premature abandonment of the wells may occur.

(2) This section applies separately to any zone or portion of a lease segregated for computing a royalty due to the state of Montana.

(3) All agreements of any kind creating overriding royalties or payments out of production of oil and gas must be filed with the department within 30 days of their creation by the lessee.

Section 2. Filing of prior agreements. All agreements that created overriding royalties or payments out of production of oil and gas from state oil and gas leases prior to the effective date of this act must be filed by the lessee with the department of state lands during the 30-day 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.

Section 4. Codification instruction. Section 1 is intended to be codified as an integral part of Title 77, chapter 3, part 4, and the provisions of Title 77, chapter 3, part 4, apply to section 1.

Section 5. Severability. If a part of this act is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of this act is invalid in

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

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

-End-

APPROVED BY COMMITTEE
ON STATE ADMINISTRATION

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AND PAYMENTS OUT OF PRODUCTION FROM STATE OIL AND GAS
LEASES; AND PROVIDING AN APPLICABILITY DATE."

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

Section 1. Limitation on overriding royalties and
payments out of production. (1) No person, partnership, or
association may enter into an agreement which in the
aggregate creates overriding royalties or payments out of
the production of oil and gas in excess of 5% above the
landowner's royalty payable to the state of Montana unless
that agreement expressly provides that the obligation to pay
overriding royalties or payments out of production may be
suspended by the commissioner at any time upon a
determination that the excess overriding royalties or
payments out of production constitute a burden on lease
operations to the extent that:

(a) proper and timely development may be retarded;

(b) continued operation of the lease may be impaired;

or

(c) premature abandonment of the wells may occur.

(2) This section applies separately to any zone or
portion of a lease segregated for computing a royalty due to
the state of Montana.

(3) All agreements of any kind creating overriding
royalties or payments out of production of oil and gas must
be filed with the department within 30 days of their
creation by the lessee.

Section 2. Filing of prior agreements. ~~All~~--agreements
that THE BOARD OF LAND COMMISSIONERS MAY REQUIRE THAT AN
AGREEMENT WHICH created overriding royalties or payments out
of production of oil and gas from state oil and gas leases
prior to the effective date of this act must be filed by the
lessee with the department of state lands during the 30-day
period following the next anniversary date of the lease.

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