

SENATE BILL NO. 377

INTRODUCED BY GAGE, KEATING

IN THE SENATE

February 11, 1985	Introduced and referred to Committee on Natural Resources.
February 21, 1985	Committee recommend bill do pass. Report adopted.
February 22, 1985	Bill printed and placed on members' desks.
February 23, 1985	Second reading, do pass.
February 25, 1985	Considered correctly engrossed.
	Third reading, passed. Ayes, 48; Noes, 0.
	Transmitted to House.

IN THE HOUSE

February 27, 1985	Introduced and referred to Committee on Natural Resources.
April 20, 1985	Committee recommend bill be concurred in as amended. Report adopted.
April 22, 1985	Second reading, concurred in.
April 23, 1985	Third reading, concurred in.
	Returned to Senate with amendments.

IN THE SENATE

April 23, 1985

Received from House.

April 25, 1985

On motion, rules suspended to accept SB 377. Motion adopted.

Second reading, amendments concurred in.

Third reading, amendments concurred in.

Sent to enrolling

Reported correctly enrolled.

1 *Senate* BILL NO. 377  
 2 INTRODUCED BY *Defer* \_\_\_\_\_ *Keating*  
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4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR 100  
 5 PERCENT RECOVERY OF EQUIPMENT ABOVE GROUND, 300 PERCENT  
 6 RECOVERY OF OTHER WELL COSTS, AND 100 PERCENT RECOVERY OF  
 7 OPERATING COSTS ON OIL AND GAS WELLS IN POOLED SPACING UNITS  
 8 IF AN OWNER OF AN INTEREST IN THE UNIT REFUSES TO JOIN THE  
 9 UNIT; AMENDING SECTION 82-11-202, MCA."

10  
 11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12 Section 1. Section 82-11-202, MCA, is amended to read:

13 "82-11-202. Pooling of interest within spacing unit.

14 (1) When two or more separately owned tracts are embraced  
 15 within a spacing unit or when there are separately owned  
 16 interests in all or a part of the spacing unit, then the  
 17 persons owning those interests may pool their interests for  
 18 the development and operation of the spacing unit. In the  
 19 absence of voluntary pooling within the spacing unit, the  
 20 board, upon the application of an interested person, may  
 21 enter an order pooling all interests in the spacing unit for  
 22 the development and operation thereof. The pooling order  
 23 shall be made after hearing and shall be upon terms and  
 24 conditions that are just and reasonable and that afford to  
 25 the owner of each tract or interest in the spacing unit the

1 opportunity to recover or receive without unnecessary  
 2 expense his just and equitable share of the oil or gas  
 3 produced and saved from the spacing unit. Operations  
 4 incident to the drilling of a well upon any portion of a  
 5 spacing unit covered by a pooling order shall be considered,  
 6 for all purposes, the conduct of the operations upon each  
 7 separately owned tract in the spacing unit by the several  
 8 owners thereof. That portion of the production allocated to  
 9 each tract included in a spacing unit covered by a pooling  
 10 order shall when produced be considered for all purposes to  
 11 have been produced from the tract by a well drilled thereon.

12 (2) (a) The pooling order shall provide for the  
 13 drilling and operating of a well on the spacing unit and for  
 14 the payment of the cost thereof, which cost may include a  
 15 reasonable charge for supervision, handling, and storage. As  
 16 to each owner who refuses to pay his share of the costs of  
 17 drilling and operating the well, the order shall provide for  
 18 payment of his share of the cost out of and only out of  
 19 production from the well allocable to his interest in the  
 20 spacing unit, excluding royalty or other interest not  
 21 obligated to pay any part of the cost thereof, and excluding  
 22 the royalty provided for in subsection (2)(c) of this  
 23 section. If a dispute arises as to the cost, the board by  
 24 order shall determine the proper cost. The order may provide  
 25 in substance that the owners who agree to share in the cost



-2- INTRODUCED BILL  
 SB 377

1 of drilling and operating the well are, unless they agree  
 2 otherwise, entitled to receive, subject to royalty or  
 3 similar obligations, all of the production of the well until  
 4 they have recovered all of the costs out of the production,  
 5 and thereafter all of the owners in the spacing unit are  
 6 entitled to receive their respective shares of the  
 7 production of the well as their interest may appear after  
 8 deducting their respective shares of current operating  
 9 costs.

10 (b) If an owner refuses to pay his share of the costs  
 11 of drilling and operating the well, the order must include  
 12 as cost:

13 (i) 100% of the refusing owner's share of the cost of  
 14 newly acquired surface equipment beyond the wellhead  
 15 connections, including but not limited to stock tanks,  
 16 separators, treaters, pumping equipment, and piping, plus  
 17 100% of the refusing owner's share of the cost of operation  
 18 of the well commencing with first production and continuing  
 19 until the agreeing owners have recovered such costs; and

20 (ii) 300% of the costs and expenses of staking, well  
 21 site preparation, obtaining rights-of-way, rigging up,  
 22 drilling, reworking, deepening or plugging back, testing,  
 23 and completing the well, after deducting any cash  
 24 contributions received from the refusing owners by the  
 25 agreeing owners, and 300% of that portion of the cost of

1 equipment in the well, including the wellhead connections.

2 (c) A refusing owner of an oil and gas interest in a  
 3 spacing unit which is not subject to any lease or other  
 4 contract for development of oil and gas is considered to own  
 5 a landowner royalty equal to one-eighth of his proportionate  
 6 share of production from the well until such time as the  
 7 consenting owners recover the costs specified in subsection  
 8 (2)(b). Any interest in production from the spacing unit to  
 9 which the interest of the refusing owner may be subject must  
 10 be deducted from the royalty considered to be owned by the  
 11 refusing owner. After costs have been recovered by the  
 12 agreeing owners, the refusing owner owns his proportionate  
 13 share of the well, surface facilities, and production and is  
 14 liable for further costs as if he had originally agreed to  
 15 drilling of the well.

16 (d) The operator of a well under a pooling order in  
 17 which there is a refusing owner shall upon demand furnish  
 18 such owner with a monthly statement of all costs incurred,  
 19 together with the quantity of oil or gas produced and the  
 20 amount of proceeds realized from the sale of production  
 21 during the preceding month."

-End-

APPROVED BY COMM. ON  
NATURAL RESOURCES

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*Senate* BILL NO. 377

INTRODUCED BY *Rep. [Signature]* *Acting*

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR 100 PERCENT RECOVERY OF EQUIPMENT ABOVE GROUND, 300 PERCENT RECOVERY OF OTHER WELL COSTS, AND 100 PERCENT RECOVERY OF OPERATING COSTS ON OIL AND GAS WELLS IN POOLED SPACING UNITS IF AN OWNER OF AN INTEREST IN THE UNIT REFUSES TO JOIN THE UNIT; AMENDING SECTION 82-11-202, MCA."

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

Section 1. Section 82-11-202, MCA, is amended to read:

"82-11-202. Pooling of interest within spacing unit.

(1) When two or more separately owned tracts are embraced within a spacing unit or when there are separately owned interests in all or a part of the spacing unit, then the persons owning those interests may pool their interests for the development and operation of the spacing unit. In the absence of voluntary pooling within the spacing unit, the board, upon the application of an interested person, may enter an order pooling all interests in the spacing unit for the development and operation thereof. The pooling order shall be made after hearing and shall be upon terms and conditions that are just and reasonable and that afford to the owner of each tract or interest in the spacing unit the

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opportunity to recover or receive without unnecessary expense his just and equitable share of the oil or gas produced and saved from the spacing unit. Operations incident to the drilling of a well upon any portion of a spacing unit covered by a pooling order shall be considered, for all purposes, the conduct of the operations upon each separately owned tract in the spacing unit by the several owners thereof. That portion of the production allocated to each tract included in a spacing unit covered by a pooling order shall when produced be considered for all purposes to have been produced from the tract by a well drilled thereon.  
(2) (a) The pooling order shall provide for the drilling and operating of a well on the spacing unit and for the payment of the cost thereof, which cost may include a reasonable charge for supervision, handling, and storage. As to each owner who refuses to pay his share of the costs of drilling and operating the well, the order shall provide for payment of his share of the cost out of and only out of production from the well allocable to his interest in the spacing unit, excluding royalty or other interest not obligated to pay any part of the cost thereof, and excluding the royalty provided for in subsection (2)(c) of this section. If a dispute arises as to the cost, the board by order shall determine the proper cost. The order may provide in substance that the owners who agree to share in the cost



1 of drilling and operating the well are, unless they agree  
 2 otherwise, entitled to receive, subject to royalty or  
 3 similar obligations, all of the production of the well until  
 4 they have recovered all of the costs out of the production,  
 5 and thereafter all of the owners in the spacing unit are  
 6 entitled to receive their respective shares of the  
 7 production of the well as their interest may appear after  
 8 deducting their respective shares of current operating  
 9 costs.

10 (b) If an owner refuses to pay his share of the costs  
 11 of drilling and operating the well, the order must include  
 12 as cost:

13 (i) 100% of the refusing owner's share of the cost of  
 14 newly acquired surface equipment beyond the wellhead  
 15 connections, including but not limited to stock tanks,  
 16 separators, treaters, pumping equipment, and piping, plus  
 17 100% of the refusing owner's share of the cost of operation  
 18 of the well commencing with first production and continuing  
 19 until the agreeing owners have recovered such costs; and

20 (ii) 300% of the costs and expenses of staking, well  
 21 site preparation, obtaining rights-of-way, rigging up,  
 22 drilling, reworking, deepening or plugging back, testing,  
 23 and completing the well, after deducting any cash  
 24 contributions received from the refusing owners by the  
 25 agreeing owners, and 300% of that portion of the cost of

1 equipment in the well, including the wellhead connections.

2 (c) A refusing owner of an oil and gas interest in a  
 3 spacing unit which is not subject to any lease or other  
 4 contract for development of oil and gas is considered to own  
 5 a landowner royalty equal to one-eighth of his proportionate  
 6 share of production from the well until such time as the  
 7 consenting owners recover the costs specified in subsection  
 8 (2)(b). Any interest in production from the spacing unit to  
 9 which the interest of the refusing owner may be subject must  
 10 be deducted from the royalty considered to be owned by the  
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 13 share of the well, surface facilities, and production and is  
 14 liable for further costs as if he had originally agreed to  
 15 drilling of the well.

16 (d) The operator of a well under a pooling order in  
 17 which there is a refusing owner shall upon demand furnish  
 18 such owner with a monthly statement of all costs incurred,  
 19 together with the quantity of oil or gas produced and the  
 20 amount of proceeds realized from the sale of production  
 21 during the preceding month."

-End-

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 21 site preparation, obtaining rights-of-way, rigging up,  
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 21 during the preceding month."

-End-



# STANDING COMMITTEE REPORT

April 19

19 85

## HOUSE

MR. SPEAKER:

We, your committee on NATURAL RESOURCES

having had under consideration SENATE BILL 377 Bill No.

THIRD reading copy ( BLUE color )

AN ACT PROVIDING FOR 100 PERCENT RECOVERY OF EQUIPMENT ABOVE GROUND, 200 PERCENT RECOVERY OF OTHER WELL COSTS, AND 100 PERCENT RECOVERY OF OPERATING COSTS ON OIL AND GAS WELLS IN POOLED SPACING UHITS IF AN OWNER OF AN INTEREST IN THE UNIT REFUSES TO JOIN THE UNIT

Respectfully report as follows: That SENATE BILL 377 Bill No.

BE AMENDED AS FOLLOWS:

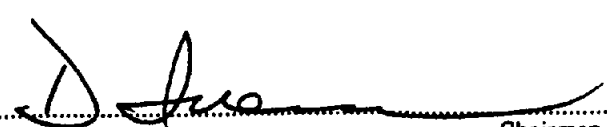
- 1) Title, line 5.  
Strike: "300"  
Insert: "200"
- 2) Page 3, line 20.  
Following: "(ii)"  
Strike: "300%"  
Insert: "200% of the refusing owner's share"
- 3) Page 3, line 25.  
Strike: "300%"  
Insert: "200%"

AND AS AMENDED,

BE CONCURRED IN

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SL 4/20

  
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Rep. DENNIS IVERSON,

Chairman.

## 1 SENATE BILL NO. 377

2 INTRODUCED BY GAGE, KEATING

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR 100  
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REFERENCE BILL  
SB 377

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 2 otherwise, entitled to receive, subject to royalty or  
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 19 until the agreeing owners have recovered such costs; and

20 (ii) ~~300%~~ 200% OF THE REFUSING OWNER'S SHARE of the  
 21 costs and expenses of staking, well site preparation,  
 22 obtaining rights-of-way, rigging up, drilling, reworking,  
 23 deepening or plugging back, testing, and completing the  
 24 well, after deducting any cash contributions received from  
 25 the refusing owners by the agreeing owners, and ~~300%~~ 200% of

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3 (c) A refusing owner of an oil and gas interest in a  
 4 spacing unit which is not subject to any lease or other  
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-End-