

HOUSE BILL NO. 208

INTRODUCED BY ADDY

BY REQUEST OF THE DEPARTMENT OF STATE LANDS

IN THE HOUSE

JANUARY 14, 1987	INTRODUCED AND REFERRED TO COMMITTEE ON NATURAL RESOURCES.
JANUARY 26, 1987	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
JANUARY 27, 1987	PRINTING REPORT.
JANUARY 28, 1987	ON MOTION, CONSIDERATION PASSED FOR THE DAY.
JANUARY 29, 1987	SECOND READING, DO PASS.
JANUARY 30, 1987	ENGROSSING REPORT.
	THIRD READING, PASSED. AYES, 98; NOES, 0.
	TRANSMITTED TO SENATE.

IN THE SENATE

FEBRUARY 2, 1987	INTRODUCED AND REFERRED TO COMMITTEE ON NATURAL RESOURCES.
MARCH 5, 1987	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
MARCH 9, 1987	SECOND READING, CONCURRED IN.
MARCH 11, 1987	THIRD READING, CONCURRED IN. AYES, 50; NOES, 0.
	RETURNED TO HOUSE.

IN THE HOUSE

MARCH 12, 1987

RECEIVED FROM SENATE.

SENT TO ENROLLING.

1 HB BILL NO. 208
 2 INTRODUCED BY Ally
 3 BY REQUEST OF THE DEPARTMENT OF STATE LANDS
 4

5 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING STATE OIL
 6 LESSEES TO DEDUCT PROPORTIONALLY THE COSTS OF TRANSPORTING
 7 OIL TO MARKET; AND AMENDING SECTION 77-3-432, MCA."
 8

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

10 Section 1. Section 77-3-432, MCA, is amended to read:
 11 "77-3-432. Royalty. In every oil and gas lease granted
 12 by the state under this part and acts amendatory thereto,
 13 there shall be reserved to the state as consideration
 14 therefor, in addition to the rentals as hereinbefore
 15 provided, a royalty in all oil and gas produced and saved
 16 from all lands covered thereby and not used for light, fuel,
 17 and operation purposes on the leased premises, which shall
 18 be equivalent to the full market value, as ascertained by
 19 the board at the date of such lease, of the estate or
 20 interest of the state in the lands and oil and gas deposits
 21 disposed of under such lease. Such royalty reservation shall
 22 be set by the board but may not be less than 12 1/2% on gas
 23 and not less than 12 1/2% on that portion of the average
 24 production of oil or casinghead gasoline for each producing
 25 well not exceeding 3,000 barrels for the calendar month. If

1 oil cannot be sold by the lessee at the wellhead to a
 2 purchaser, then the state will share the expense of
 3 transporting the oil to the nearest market on a basis
 4 proportional to the state's royalty interest in such oil,
 5 and at a rate per mile acceptable to the department."

6 NEW SECTION. Section 2. Extension of authority. Any
 7 existing authority of the department of state lands and the
 8 board of land commissioners to make rules on the subject of
 9 the provisions of this act is extended to the provisions of
 10 this act.

-End-



-2- INTRODUCED BILL
 HB-208

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB208, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

This bill would allow state oil lessees to proportionally share the cost of transporting oil to market.

ASSUMPTIONS:

1. Fifty percent of all crude oil produced on state trust lands is transported by truck.
2. The average trucking charge is \$.90 per barrel.
3. Production for the next two years will be at the October, 1986 level.
4. New leases drilled will be at the 13% royalty rate.
5. There will be no appreciable workload increase in implementing this bill.

FISCAL IMPACT:Expenditures:

	<u>FY88</u>			<u>FY89</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Revenues:</u>						
School Trust Funds	\$ 346,000	\$ 336,000	\$ (11,000)	\$ 386,000	\$ 376,000	\$ (11,000)

David L. Hunter DATE 1/20/87
 DAVID L. HUNTER, BUDGET DIRECTOR
 Office of Budget and Program Planning

Kelly Adly DATE 2/2/87
 KELLY ADLY, PRIMARY SPONSOR
 Fiscal Note for HB208, as introduced.

HB 208

APPROVED BY COMM. ON
NATURAL RESOURCES

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16 provided, a royalty in all oil and gas produced and saved
17 from all lands covered thereby and not used for light, fuel,
18 and operation purposes on the leased premises, which shall
19 be equivalent to the full market value, as ascertained by
20 the board at the date of such lease, of the estate or
21 interest of the state in the lands and oil and gas deposits
22 disposed of under such lease. Such royalty reservation shall
23 be set by the board but may not be less than 12 1/2% on gas
24 and not less than 12 1/2% on that portion of the average
25 production of oil or casinghead gasoline for each producing

1 well not exceeding 3,000 barrels for the calendar month. if
2 oil cannot be sold by the lessee at the wellhead to a
3 purchaser, then the THE state will MAY share the expense of
4 transporting the oil to the nearest market on a basis
5 proportional to the state's royalty interest in such oil,
6 and at a rate per mile acceptable to the department."

7 NEW SECTION. SECTION 2. APPLICABILITY TO EXISTING AND
8 NEW LEASES. SECTION 1 IS APPLICABLE TO STATE OIL AND GAS
9 LEASES EXISTING ON [THE EFFECTIVE DATE OF THIS ACT] AND TO
10 STATE OIL AND GAS LEASES ENTERED INTO AFTER [THE EFFECTIVE
11 DATE OF THIS ACT]; HOWEVER, TRANSPORTATION CHARGES PAID
12 BEFORE [THE EFFECTIVE DATE] SHALL NOT BE REFUNDED.

13 NEW SECTION. Section 3. Extension of authority. Any
14 existing authority of the department of state lands and the
15 board of land commissioners to make rules on the subject of
16 the provisions of this act is extended to the provisions of
17 this act.

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NEW SECTION. SECTION 2. APPLICABILITY TO EXISTING AND NEW LEASES. SECTION 1 IS APPLICABLE TO STATE OIL AND GAS LEASES EXISTING ON [THE EFFECTIVE DATE OF THIS ACT] AND TO STATE OIL AND GAS LEASES ENTERED INTO AFTER [THE EFFECTIVE DATE OF THIS ACT]; HOWEVER, TRANSPORTATION CHARGES PAID BEFORE [THE EFFECTIVE DATE] SHALL NOT BE REFUNDED.

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