

HB 688 INTRODUCED BY BROWN, D., ET AL.
WAIVE ROYALTY FOR OIL AND GAS LEASES ON STATE LANDS

2/10 INTRODUCED
2/10 REFERRED TO TAXATION
2/10 FISCAL NOTE REQUESTED
2/18 HEARING
2/18 FISCAL NOTE RECEIVED
2/20 TABLED IN COMMITTEE

1 *House* BILL NO. *688*
 2 INTRODUCED BY *One Branch*
 3 *Trent, Bengtson Ramsey*

4 A BILL FOR AN ACT ENTITLED: "AN ACT WAIVING OIL AND GAS
 5 ROYALTIES ON STATE LANDS FOR LEASES GRANTED AFTER JUNE 1,
 6 1987; AMENDING SECTIONS 77-3-432, 77-3-434, AND 77-3-435,
 7 MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A
 8 TERMINATION DATE."
 9

10 WHEREAS, the Legislature recognizes its fiduciary
 11 responsibility in the management of state lands granted
 12 under the Enabling Act and held in trust for the schools and
 13 people of the State of Montana;

14 WHEREAS, the average amount per acre of bonuses
 15 received from oil and gas leases on state lands has
 16 decreased significantly since June of 1984;

17 WHEREAS, incentives must be established to encourage
 18 exploration, increase competition, and thereby increase
 19 bonuses;

20 WHEREAS, if royalties for oil and gas leases on state
 21 lands are waived in order to stimulate exploration, bonuses
 22 are expected to increase; and

23 WHEREAS, the anticipated increase in bonuses would at
 24 least offset any revenues lost through the waiver of
 25 royalties.

1 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 2

3 Section 1. Section 77-3-432, MCA, is amended to read:
 4 "77-3-432. Royalty. in (1) Except as provided in
 5 subsection (2), in every oil and gas lease granted by the
 6 state under this part and acts amendatory thereto, there
 7 shall be reserved to the state as consideration therefor, in
 8 addition to the rentals as hereinbefore provided, a royalty
 9 in all oil and gas produced and saved from all lands covered
 10 thereby and not used for light, fuel, and operation purposes
 11 on the leased premises, which shall be equivalent to the
 12 full market value, as ascertained by the board at the date
 13 of such lease, of the estate or interest of the state in the
 14 lands and oil and gas deposits disposed of under such lease.
 15 Such royalty reservation shall be set by the board but may
 16 not be less than 12 1/2% on gas and not less than 12 1/2% on
 17 that portion of the average production of oil or casinghead
 18 gasoline for each producing well not exceeding 3,000 barrels
 19 for the calendar month.

20 (2) For leases granted after June 1, 1987, the royalty
 21 is waived for 24 months from the first day of the month in
 22 which oil or gas from the well is sold for the first time."

23 Section 2. Section 77-3-434, MCA, is amended to read:
 24 "77-3-434. Manner of making royalty payment. Such
 25 Except when the royalty is waived pursuant to 77-3-432, such



-2- INTRODUCED BILL
 HB 688

1 lease shall provide for the rendering of payment of such
2 royalty on all oil and gas produced and saved and sold or
3 used off the premises in the following manner and upon the
4 following terms:

5 (1) the lessee shall pay to the state in cash, for all
6 oil and gas royalty reserved, the posted field price
7 existing on the day such oil or gas is run into any pipeline
8 or storage tank to the credit of the lessee, plus any bonus
9 actually paid or agreed to be paid to the lessee for such
10 oil or gas; or

11 (2) at the option of the state exercised in writing by
12 the board not oftener than every 30 days, the lessee shall
13 deliver the state's royalty oil or gas free of cost or
14 deductions into the pipeline to which the wells of the
15 lessee may be connected or into any storage designated by
16 the state and connected with such wells."

17 Section 3. Section 77-3-435, MCA, is amended to read:

18 "77-3-435. Payments due to state. (1) The report under
19 77-3-431 shall be accompanied by payment of the amount due
20 the state as royalty for the month covered by the report
21 unless the state's royalty is being or has been paid direct
22 by the purchaser thereof or unless the royalty has been
23 waived pursuant to 77-3-432. However, where the amount of
24 royalty due from any lease is determined by the board to be
25 so small as to make it uneconomical to collect monthly, the

1 board may authorize royalty payments to be made
2 semiannually.

3 (2) Oil and gas leases granted by the state shall
4 contain suitable provisions imposing upon all lessees the
5 obligation to make payments due the state in the manner, at
6 the time, and to such representative of the state as may be
7 required by the board."

8 NEW SECTION. Section 4. Extension of authority. Any
9 existing authority of the board of land commissioners to
10 make rules on the subject of the provisions of this act is
11 extended to the provisions of this act.

12 NEW SECTION. Section 5. Effective date --
13 termination. (1) This act is effective on passage and
14 approval.

15 (2) This act terminates July 1, 1991.

-End-