

SB 221 INTRODUCED BY WEEDING, SCHYE, POFF  
REQUIRES LANDOWNER COMPENSATION WHEN OIL/GAS WELLS  
TEMPORARILY ABANDONED

1/26 INTRODUCED

1/26 REFERRED TO NATURAL RESOURCES

2/04 HEARING

2/16 ADVERSE COMMITTEE REPORT ADOPTED

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1 Senate BILL NO. 221  
2 INTRODUCED BY Wedge & Schuy

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE OIL AND GAS  
5 DEVELOPERS TO COMPENSATE SURFACE OWNERS FOR LOSS OF  
6 PRODUCTIVE USE AND VALUE WHEN A WELL HAS BEEN TEMPORARILY  
7 ABANDONED FOR 5 YEARS OR MORE; AMENDING SECTION 82-10-504,  
8 MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."  
9

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

11 Section 1. Section 82-10-504, MCA, is amended to read:

12 "82-10-504. Surface damage and disruption payments --  
13 penalty for late payment. (1) (a) The oil and gas developer  
14 or operator shall pay the surface owner a sum of money or  
15 other compensation equal to the amount of damages sustained  
16 by the surface owner for loss of agricultural production and  
17 income, lost land value, and lost value of improvements  
18 caused by drilling operations.

19 (b) The amount of damages may be determined by any  
20 formula mutually agreeable between the surface owner and the  
21 oil and gas developer or operator. When determining damages,  
22 consideration shall be given to the period of time during  
23 which the loss occurs.

24 (c) The surface owner may elect to receive annual  
25 damage payments over a period of time, except that the

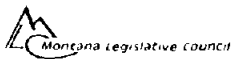
1 surface owner shall be compensated by a single sum payment  
2 for harm caused by exploration only.

3 (d) The payments contemplated by this subsection (1)  
4 may only cover land directly affected by drilling operations  
5 and production. Payments under this subsection (1) are  
6 intended to compensate the surface owner for damage and  
7 disruption; no person may reserve or assign that  
8 compensation apart from the surface estate except to a  
9 tenant of the surface estate.

10 (2) An oil and gas developer or operator who fails to  
11 timely pay an installment under any annual damage agreement  
12 negotiated with a surface owner is liable for payment to the  
13 surface owner of twice the amount of the unpaid installment  
14 if the installment payment is not paid within 60 days of  
15 receipt of notice of failure to pay from the surface owner.

16 (3) The oil and gas developer or operator shall pay  
17 the surface owner as specified in subsection (3)(b) to  
18 compensate for loss of agricultural production and income,  
19 lost land value, and lost value of improvements caused by  
20 oil and gas production facilities, including roads and  
21 electric power lines, after an oil or gas well has been  
22 temporarily abandoned for 5 years or more.

23 (a) For purposes of this subsection (3), a temporarily  
24 abandoned oil or gas well is a facility that has not been  
25 permanently plugged and abandoned in compliance with



1 plugging, pollution prevention, and reclamation rules of the  
2 board of oil and gas conservation, but that has not been  
3 operated for the production of oil or gas for 5 years or  
4 more.

5 (b) The oil and gas developer or operator shall pay  
6 the surface owner \$1,000 annually for each oil or gas well  
7 located on land that is used to raise crops and \$200  
8 annually for each well located on land that is used to graze  
9 animals."

10 NEW SECTION. Section 2. Effective date. This act is  
11 effective on passage and approval.

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