

SB 347 INTRODUCED BY SMITH, E.  
CLARIFY METHOD OF COMPUTING OIL OR GAS ROYALTY

2/16 INTRODUCED  
2/16 REFERRED TO NATURAL RESOURCES  
2/20 HEARING  
2/20 TABLED IN COMMITTEE

1 *Senate* BILL NO. 347  
 2 INTRODUCED BY E. Smith  
 3

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO CLARIFY THE METHOD  
 5 OF CALCULATING ROYALTY PAYMENTS ON PRODUCING OIL OR GAS  
 6 LEASES; TO PROVIDE THAT DIVISION ORDERS MAY NOT VARY THE  
 7 TERMS OF AN OIL OR GAS LEASE CONCERNING COMPUTATION OF THE  
 8 ROYALTY PAYMENT; AND AMENDING SECTION 82-10-104, MCA."

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

11 Section 1. Section 82-10-104, MCA, is amended to read:

12 "82-10-104. Payment of royalties -- form of record  
 13 required. (1) An oil and gas producer paying royalties by  
 14 check, draft, or order shall include with every such payment  
 15 a form showing the following matters relating to that  
 16 payment:

- 17 (a) the name of the royalty owner to whom the payment
- 18 is made;
- 19 (b) the date of the check, draft, or order;
- 20 (c) any royalty owner identification number used by
- 21 the producer for such royalty owner;
- 22 (d) the month and year during which production
- 23 occurred for which payment is being made;
- 24 (e) any number used to identify the lease under which
- 25 production occurred;

- 1 (f) the type of product produced;
- 2 (g) barrels of oil and/or cubic feet of gas for which
- 3 payment is made;
- 4 (h) the amount and type of all taxes withheld;
- 5 (i) the gross and net value of production; and
- 6 (j) the royalty-owner's-net-value amount of payment.

7 (2) "Gross value of production" means the value of  
 8 production at the well without deduction of expenses to  
 9 transport, gather, process, or refine oil or gas after the  
 10 time of production.

11 ~~(2)~~(3) Any person purposely and knowingly violating  
 12 the provisions of subsection (1) is guilty of a misdemeanor  
 13 and upon conviction shall be punished by a fine of not more  
 14 than \$1,000."

15 NEW SECTION. Section 2. Division order -- definition  
 16 -- function -- determination of royalty amounts. (1) A  
 17 division order is an instrument executed by the operator,  
 18 the royalty owners, and any other person having an interest  
 19 in the production of an oil or gas well, directing the  
 20 purchaser of oil or gas to pay for the products taken in the  
 21 proportions set out in the instrument.

22 (2) A division order may not alter or amend the terms  
 23 of the oil or gas lease. A division order that varies the  
 24 terms of the oil or gas lease is invalid to the extent of  
 25 the variance, and the terms of the oil or gas lease take



1 precedence.

2 (3) Unless the oil or gas lease specifies otherwise,  
3 calculation of the royalty payment must be based on the  
4 gross value of production as defined in 82-10-104(2).

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