

HOUSE BILL NO. 327

INTRODUCED BY GIACOMETTO, O'KEEFE,  
GILBERT, GAGE, KEATING

BY REQUEST OF THE DEPARTMENT OF STATE LANDS

IN THE HOUSE

JANUARY 20, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON NATURAL RESOURCES.
JANUARY 21, 1989	FIRST READING.
FEBRUARY 8, 1989	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
FEBRUARY 9, 1989	PRINTING REPORT.
FEBRUARY 10, 1989	SECOND READING, DO PASS.  ENGROSSING REPORT.
FEBRUARY 13, 1989	THIRD READING, PASSED. AYES, 95; NOES, 2.  TRANSMITTED TO SENATE.

IN THE SENATE

FEBRUARY 14, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON NATURAL RESOURCES.  FIRST READING.
MARCH 7, 1989	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
MARCH 8, 1989	SECOND READING, CONCURRED IN.
MARCH 10, 1989	THIRD READING, CONCURRED IN. AYES, 48; NOES, 0.  RETURNED TO HOUSE.

MARCH 11, 1989

IN THE HOUSE

RECEIVED FROM SENATE.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 HOUSE BILL NO. 327  
2 INTRODUCED BY Senator Jeff Gullent  
3 BY REQUEST OF THE DEPARTMENT OF STATE LANDS  
4

5 A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW THE BOARD OF  
6 LAND COMMISSIONERS TO EXTEND THE PRIMARY TERM OF STATE OIL  
7 AND GAS LEASES WHERE EXPLORATION OR PRODUCTION DURING THE  
8 PRIMARY LEASE TERM HAS BEEN THREATENED OR PRECLUDED BY  
9 LITIGATION; AMENDING SECTION 77-3-421, MCA; AND PROVIDING AN  
10 IMMEDIATE EFFECTIVE DATE."  
11

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

13 **Section 1.** Section 77-3-421, MCA, is amended to read:

14 "77-3-421. Duration of lease. (1) All state oil and  
15 gas leases entered by the board shall be granted for a  
16 primary term of not more than 10 years or less than 5 years  
17 and as long thereafter as oil or gas in paying quantities is  
18 produced, on condition that all drilling, rental, and other  
19 obligations are fully kept and performed by the lessee.  
20 However, leases for a period of less than 5 years may be  
21 issued if the board determines that such shorter term is  
22 necessary to ensure full compensation for the oil and gas  
23 resource.

24 (2) Oil or gas produced from any part of a unit in  
25 which state lands are included by virtue of a pooling

1 agreement are considered to be produced from the state lands  
2 therein within the meaning of this part.

3 (3) The board may grant reasonable extensions of the  
4 primary term of a state oil or gas lease upon a showing that  
5 the lessee, despite due care and diligence, is or has been  
6 directly or indirectly prevented from exploring, developing,  
7 or operating the lease or is threatened with substantial  
8 economic loss due to litigation, state compliance with the  
9 Montana Environmental Policy Act, Title 75, chapter 1, parts  
10 1 through 3, rules adopted under Title 75, chapter 1, or  
11 adverse operating conditions beyond the reasonable control  
12 of the lessee."

13 NEW SECTION. **Section 2.** Extension of authority. Any  
14 existing authority to make rules on the subject of the  
15 provisions of [this act] is extended to the provisions of  
16 [this act].

17 NEW SECTION. **Section 3.** Effective date. [This act] is  
18 effective on passage and approval.

-End-

APPROVED BY COMM. ON  
NATURAL RESOURCES

HOUSE BILL NO. 327

INTRODUCED BY GIACOMETTO, O'KEEFE,

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BY REQUEST OF THE DEPARTMENT OF STATE LANDS

A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW THE BOARD OF LAND COMMISSIONERS TO EXTEND THE PRIMARY TERM OF STATE OIL AND GAS LEASES WHERE, DUE TO LITIGATION, STATE COMPLIANCE WITH THE MONTANA ENVIRONMENTAL POLICY ACT, OR ADVERSE CONDITIONS CAUSED BY NATURAL OCCURRENCES, EXPLORATION OR PRODUCTION DURING THE PRIMARY LEASE TERM HAS BEEN THREATENED OR--PRECLUDED--BY--LITIGATION PREVENTED OR THE LESSEE IS THREATENED WITH SUBSTANTIAL ECONOMIC LOSS; AMENDING SECTION 77-3-421, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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**Section 1.** Section 77-3-421, MCA, is amended to read:

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necessary to ensure full compensation for the oil and gas resource.

(2) Oil or gas produced from any part of a unit in which state lands are included by virtue of a pooling agreement are considered to be produced from the state lands therein within the meaning of this part.

(3) The board may grant reasonable extensions of the primary term of a state oil or gas lease upon a showing that the lessee, despite due care and diligence, is or has been directly or indirectly prevented from exploring, developing, or operating the lease or is threatened with substantial economic loss due to litigation REGARDING THE LEASE OR ANOTHER LEASE IN THE IMMEDIATE AREA HELD BY THE SAME LESSEE, state compliance with the Montana Environmental Policy Act, Title 75, chapter 1, parts 1 through 3, rules adopted under Title 75, chapter 1, or adverse operating conditions beyond the-reasonable-control-of--the--lessee CAUSED BY NATURAL OCCURRENCES."

**NEW SECTION. Section 2. Extension of authority.** Any existing authority to make rules on the subject of the provisions of [this act] is extended to the provisions of [this act].

**NEW SECTION. Section 3. Effective date.** [This act] is effective on passage and approval.

-End-

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