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

ON NATURAL RESOURCES.

INTRODUCED AND REFERRED TO COMMITTEE

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.

IN THE HOUSE

MARCH 11, 1989

RECEIVED FROM SENATE. SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

HOUSE BILL NO. 327 1 INTRODUCED BY 2 BY REQUEST OF THE DEPARTMENT OF STATE LANDS 3 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:

Section 1. Section 77-3-421, MCA, is amended to read: 13 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 in25 which state lands are included by virtue of a pooling



agreement are considered to be produced from the state lands 1 therein within the meaning of this part. 2 (3) The board may grant reasonable extensions of the 3 primary term of a state oil or gas lease upon a showing that 4 the lessee, despite due care and diligence, is or has been 5 directly or indirectly prevented from exploring, developing, 6 or operating the lease or is threatened with substantial 7 economic loss due to litigation, state compliance with the 8 Montana Environmental Policy Act, Title 75, chapter 1, parts 9 1 through 3, rules adopted under Title 75, chapter 1, or 10 adverse operating conditions beyond the reasonable control 11 12 of the lessee." NEW SECTION. Section 2. Extension of authority. Any 13 existing authority to make rules on the subject of the 14 provisions of [this act] is extended to the provisions of 15 16 [this act]. NEW SECTION. Section 3. Effective date. [This act] is 17 effective on passage and approval. 18

-End-

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INTRODUCED BILL HB 327

APPROVED BY COMM. ON NATURAL RESOURCES

1	HOUSE BILL NO. 327
2	INTRODUCED BY GIACOMETTO, O'KEEFE,
3	GILBERT, GAGE, KEATING
4	BY REQUEST OF THE DEPARTMENT OF STATE LANDS
5	
6	A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW THE BOARD OF
7	LAND COMMISSIONERS TO EXTEND THE PRIMARY TERM OF STATE OIL
8	AND GAS LEASES WHERE, DUE TO LITIGATION, STATE COMPLIANCE
9	WITH THE MONTANA ENVIRONMENTAL POLICY ACT, OR ADVERSE
10	CONDITIONS CAUSED BY NATURAL OCCURRENCES, EXPLORATION OR
11	PRODUCTION DURING THE PRIMARY LEASE TERM HAS BEEN THREATENED
12	ORPRECLUDEDBYLITICATION PREVENTED OR THE LESSEE IS
13	THREATENED WITH SUBSTANTIAL ECONOMIC LOSS; AMENDING SECTION
14	77-3-421, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."
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16	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
17	Section 1. Section 77-3-421, MCA, is amended to read:
18	"77-3-421. Duration of lease. (1) All state oil and
19	gas leases entered by the board shall be granted for a
20	primary term of not more than 10 years or less than 5 years
21	and as long thereafter as oil or gas in paying quantities is
22	produced, on condition that all drilling, rental, and other
23	obligations are fully kept and performed by the lessee.
24	However, leases for a period of less than 5 years may be
25	issued if the board determines that such shorter term is

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

3 (2) Oil or gas produced from any part of a unit in 4 which state lands are included by virtue of a pooling 5 agreement are considered to be produced from the state lands 6 therein within the meaning of this part.

7 (3) The board may grant reasonable extensions of the 8 primary term of a state oil or gas lease upon a showing that the lessee, despite due care and diligence, is or has been 9 10 directly or indirectly prevented from exploring, developing, or operating the lease or is threatened with substantial 11 12 economic loss due to litigation REGARDING THE LEASE OR ANOTHER LEASE IN THE IMMEDIATE AREA HELD BY THE SAME LESSEE, 13 14 state compliance with the Montana Environmental Policy Act, 15 Title 75, chapter 1, parts 1 through 3, rules adopted under 16 Title 75, chapter 1, or adverse operating conditions beyond the-reasonable-control--of--the--lessee CAUSED BY NATURAL 17 OCCURRENCES." 18 19 NEW SECTION. Section 2. Extension of authority. Any 20 existing authority to make rules on the subject of the 21 provisions of [this act] is extended to the provisions of

22 [this act].

23 <u>NEW SECTION.</u> Section 3. Effective date. [This act] is
 24 effective on passage and approval.

-End-

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HB 327 SECOND READING

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resource.

1	HOUSE BILL NO. 327
2	INTRODUCED BY GIACOMETTO, O'KEEFE,
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4	BY REQUEST OF THE DEPARTMENT OF STATE LANDS
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7	LAND COMMISSIONERS TO EXTEND THE PRIMARY TERM OF STATE OIL
8	AND GAS LEASES WHERE, DUE TO LITIGATION, STATE COMPLIANCE
9	WITH THE MONTANA ENVIRONMENTAL POLICY ACT, OR ADVERSE
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23	obligations are fully kept and performed by the lessee.

However, leases for a period of less than 5 years may be

issued if the board determines that such shorter term is

NEW SECTION. Section 3. Effective date. [This act] is 23 effective on passage and approval. 24

-End-

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HB 327 THIRD READING

(3) The board may grant reasonable extensions of the

(2) Oil or gas produced from any part of a unit in

necessary to ensure full compensation for the oil and gas

which state lands are included by virtue of a pooling

agreement are considered to be produced from the state lands

primary term of a state oil or gas lease upon a showing that

therein within the meaning of this part.

- the lessee, despite due care and diligence, is or has been
- 10 directly or indirectly prevented from exploring, developing,
- or operating the lease or is threatened with substantial 11
- economic loss due to litigation REGARDING THE LEASE OR 13 ANOTHER LEASE IN THE IMMEDIATE AREA HELD BY THE SAME LESSEE,
- 14 state compliance with the Montana Environmental Policy Act,
- 15 Title 75, chapter 1, parts 1 through 3, rules adopted under
- Title 75, chapter 1, or adverse operating conditions beyond 16
- the-reasonable-control-of--the--lessee CAUSED BY NATURAL 17 18 OCCURRENCES."
- NEW SECTION. Section 2. Extension of authority. Any 19 existing authority to make rules on the subject of the 20 provisions of [this act] is extended to the provisions of 21 22 [this act].

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necessary to ensure full compensation for the oil and gas

23 <u>NEW SECTION.</u> Section 3. Effective date. [This act] is
24 effective on passage and approval.

-End-

-2-

CORRECTED HB 327 REFERENCE BILL