

SENATE BILL NO. 311

INTRODUCED BY JERGSON, BERGSAGEL, NATHE,
BACHINI, GILBERT, SCHYE, HOCKETT, GAGE, SCHWINDEN

IN THE SENATE

FEBRUARY 3, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON NATURAL RESOURCES.
	FIRST READING.
FEBRUARY 10, 1993	COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.
FEBRUARY 11, 1993	PRINTING REPORT.
FEBRUARY 12, 1993	SECOND READING, DO PASS.
FEBRUARY 13, 1993	ENGROSSING REPORT.
	THIRD READING, PASSED. AYES, 50; NOES, 0.
	TRANSMITTED TO HOUSE.

IN THE HOUSE

FEBRUARY 23, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON NATURAL RESOURCES.
	FIRST READING.
MARCH 29, 1993	COMMITTEE RECOMMEND BILL BE CONCURRED IN AS AMENDED. REPORT ADOPTED.
MARCH 30, 1993	SECOND READING, CONCURRED IN.
APRIL 1, 1993	THIRD READING, CONCURRED IN. AYES, 99; NOES, 0.
	RETURNED TO SENATE WITH AMENDMENTS.

IN THE SENATE

APRIL 3, 1993	ON MOTION, CONSIDERATION PASSED UNTIL 77TH LEGISLATIVE DAY.
APRIL 6, 1993	SECOND READING, AMENDMENTS NOT

CONCURRED IN.

APRIL 7, 1993

ON MOTION, FREE CONFERENCE COMMITTEE
REQUESTED AND APPOINTED.

IN THE HOUSE

APRIL 13, 1993

ON MOTION, FREE CONFERENCE COMMITTEE
REQUESTED AND APPOINTED.

APRIL 19, 1993

FREE CONFERENCE COMMITTEE REPORT
ADOPTED.

IN THE SENATE

APRIL 20, 1993

SECOND READING, FREE CONFERENCE
COMMITTEE REPORT ADOPTED.

APRIL 21, 1993

THIRD READING, FREE CONFERENCE
COMMITTEE REPORT ADOPTED.

APRIL 23, 1993

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 *Senate* BILL NO. *311*
 2 INTRODUCED BY *Jefferson* *Burgess* *NATHAN*
 3 *Dabrum* *Schult* *Schultz* *John* *Boj* *Schultz*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT DEFINING A DIVISION
 5 ORDER FOR THE DISTRIBUTION OF OIL OR GAS PROCEEDS;
 6 ESTABLISHING CERTAIN TERMS REQUIRED TO BE IN A DIVISION
 7 ORDER; AND PROVIDING THAT TERMS OF A DIVISION ORDER THAT
 8 CONFLICT WITH THE UNDERLYING LEASE ARE INVALID."

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

11 NEW SECTION. Section 1. Division order -- definition
 12 -- effect. (1) As used in this section, "division order"
 13 means an instrument used for directing the distribution of
 14 proceeds from the sale of oil, gas, casinghead gas, or other
 15 related hydrocarbons.

16 (2) A division order is executed to enable the first
 17 purchaser of the oil or gas production or the holder of
 18 proceeds of the production to make remittance of proceeds
 19 directly to the owners legally entitled to the proceeds. A
 20 division order does not relieve a lessee of any liabilities
 21 or obligations under the terms of the underlying oil or gas
 22 lease.

23 (3) A division order must be in writing and must:

24 (a) warrant the division of interest;

25 (b) contain the name, address, and tax identification

1 number of each interest owner; and

2 (c) contain a provision requiring notice of change of
 3 ownership.

4 (4) Terms of a division order that conflict with terms
 5 of any underlying oil or gas lease are invalid.

-End-

1 *Senate* BILL NO. *311*
 2 INTRODUCED BY *WATHE*
 3 *Barber* *Robert Schy* *John D. Schuler*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT DEFINING A DIVISION
 5 ORDER FOR THE DISTRIBUTION OF OIL OR GAS PROCEEDS;
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-End-



HOUSE STANDING COMMITTEE REPORT

March 29, 1993
Page 2 of 2

March 29, 1993

Page 1 of 2

Mr. Speaker: We, the committee on Natural Resources report
that Senate Bill 311 (third reading copy -- blue) be concurred
in as amended.

Signed: Dick Knox
Dick Knox, Chair

And, that such amendments read:

Carried by: Rep. Bergsagel

1. Title, lines 7 and 8.
Following: the first "THAT"
Strike: "TERMS" on line 7 through "INVALID" on line 8
Insert: "THE DIVISION ORDER MAY NOT ALTER OR AMEND THE TERMS OF
THE UNDERLYING OIL OR GAS LEASE"

2. Page 1, line 12.
Following: "section,"
Insert: "the term"

3. Page 1, line 13.
Strike: "means"
Insert: "is limited to mean"
Following: "instrument"
Strike: "used for directing"
Insert: "executed by the lessor of an oil or gas lease to
authorize the sale of and direct"

4. Page 1, lines 16 through 19.
Strike: "is" on line 16 through "proceeds" on line 19
Insert: "may not alter or amend the terms of the underlying oil
or gas lease"

5. Page 1, line 23.
Following: "and"
Strike: "must"

6. Page 1, line 24.
Following: "(a)"
Insert: "must"

7. Page 1, line 25
Following: "(b)"
Insert: "must"

8. Page 2, line 2.
Following: "(c)"
Insert: "must"

9. Page 2, line 3.
Following: "ownership"
Insert: "; and
(d) may contain any other terms that are necessary to
facilitate the transaction"

10. Page 2, line 4.
Strike: subsection (4) in its entirety

Committee Vote:
Yes 16, No .

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HOUSE
5B311

SENATE BILL NO. 311

INTRODUCED BY JERGESON, BERGSAGEL, NATHE,

BACHINI, GILBERT, SCHYE, HOCKETT, GAGE, SCHWINDEN

A BILL FOR AN ACT ENTITLED: "AN ACT DEFINING A DIVISION ORDER FOR THE DISTRIBUTION OF OIL OR GAS PROCEEDS; ESTABLISHING CERTAIN TERMS REQUIRED TO BE IN A DIVISION ORDER; AND PROVIDING THAT ~~TERMS-OF-A-DIVISION-ORDER-THAT CONFLICT-WITH-THE-UNDERLYING-LEASE-ARE-INVALID~~ THE DIVISION ORDER MAY NOT ALTER OR AMEND THE TERMS OF THE UNDERLYING OIL OR GAS LEASE."

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

NEW SECTION. Section 1. Division order -- definition -- effect. (1) As used in this section, THE TERM "division order" means IS LIMITED TO MEAN an instrument used for directing EXECUTED BY THE LESSOR OF AN OIL OR GAS LEASE TO AUTHORIZE THE SALE OF AND DIRECT the distribution of proceeds from the sale of oil, gas, casinghead gas, or other related hydrocarbons.

(2) A division order ~~is-executed-to-enable-the-first purchaser-of-the-oil-or-gas--production--or--the--holder--of proceeds--of--the--production-to-make-remittance-of-proceeds directly-to-the-owners-legally-entitled-to-the-proceeds~~ MAY NOT ALTER OR AMEND THE TERMS OF THE UNDERLYING OIL OR GAS

LEASE. A division order does not relieve a lessee of any liabilities or obligations under the terms of the underlying oil or gas lease.

(3) A division order must be in writing and must:

(a) MUST warrant the division of interest;(b) MUST contain the name, address, and tax identification number of each interest owner; and(c) MUST contain a provision requiring notice of change of ownership; AND(D) MAY CONTAIN ANY OTHER TERMS THAT ARE NECESSARY TO FACILITATE THE TRANSACTION.~~{4}--Terms-of-a-division-order-that-conflict-with--terms of-any-underlying-oil-or-gas-lease-are-invalid.~~

-End-

Free Conference Committee
on Senate Bill No. 311
Report No. 1, April 19, 1993

Page 1 of 1

Mr. President and Mr. Speaker:

We, your Free Conference Committee on Senate Bill No. 311, met and considered: Senate Bill No. 311. We recommend that Senate Bill No. 311 (reference copy - salmon) be amended as follows:

1. Page 2, line 7.

Following: "owner"

Insert: "to whom disbursements are made by the holder of the proceeds from the sale of oil, gas, casinghead gas, or other related hydrocarbons"

And that this Free Conference Committee report be adopted.

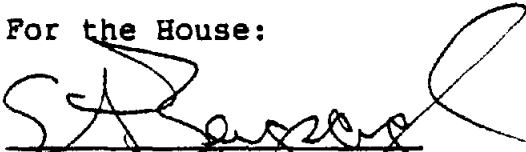
For the Senate:

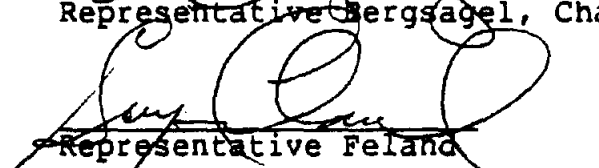

Senator Jergeson, Chair


Senator Gage



Senator Hockett

For the House:


Representative Bergsagel, Chair


Representative Feland


Representative McCarthy

M -
Am. Coord.

Sec. of Senate

ADOPT

SB 311
F.C.C.R.#1

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2 INTRODUCED BY JERGSON, BERGSAGEL, NATHE,
3 BACHINI, GILBERT, SCHYE, HOCKETT, GAGE, SCHWINDEN

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5 A BILL FOR AN ACT ENTITLED: "AN ACT DEFINING A DIVISION
6 ORDER FOR THE DISTRIBUTION OF OIL OR GAS PROCEEDS;
7 ESTABLISHING CERTAIN TERMS REQUIRED TO BE IN A DIVISION
8 ORDER; AND PROVIDING THAT ~~TERMS-OF-A-DIVISION-ORDER-THAT~~
9 ~~CONFLICT-WITH-THE-UNDERLYING-LEASE-ARE-INVALID~~ THE DIVISION
10 ORDER MAY NOT ALTER OR AMEND THE TERMS OF THE UNDERLYING OIL
11 OR GAS LEASE."
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13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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15 -- effect. (1) As used in this section, THE TERM "division
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17 directing EXECUTED BY THE LESSOR OF AN OIL OR GAS LEASE TO
18 AUTHORIZE THE SALE OF AND DIRECT the distribution of
19 proceeds from the sale of oil, gas, casinghead gas, or other
20 related hydrocarbons.

21 (2) A division order is-executed-to-enable-the-first
22 purchaser-of-the-oil-or-gas--production--or--the--holder--of
23 proceeds--of--the--production-to-make-remittance-of-proceeds
24 directly-to-the-owners-legally-entitled-to-the-proceeds MAY
25 NOT ALTER OR AMEND THE TERMS OF THE UNDERLYING OIL OR GAS

1 LEASE. A division order does not relieve a lessee of any
2 liabilities or obligations under the terms of the underlying
3 oil or gas lease.

4 (3) A division order must be in writing and must:

5 (a) MUST warrant the division of interest;

6 (b) MUST contain the name, address, and tax
7 identification number of each interest owner TO WHOM
8 DISBURSEMENTS ARE MADE BY THE HOLDER OF THE PROCEEDS FROM
9 THE SALE OF OIL, GAS, CASINGHEAD GAS, OR OTHER RELATED
10 HYDROCARBONS; and

11 (c) MUST contain a provision requiring notice of change
12 of ownership; AND

13 (D) MAY CONTAIN ANY OTHER TERMS THAT ARE NECESSARY TO
14 FACILITATE THE TRANSACTION.

15 (4)--Terms--of-a-division-order-that-conflict-with-terms
16 of-any-underlying-oil-or-gas-lease-are-invalid.

-End-

REFERENCE BILL: Includes Free
Conference Committee Report
Dated 4-19-93