

## 1 HOUSE BILL NO. 661

2 INTRODUCED BY J. KASSMIER, D. BARTEL, W. GALT, C. KNUDSEN, B. LER

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING STRIPPER OIL ~~AND NATURAL GAS TAX LAWS;~~  
5 ~~REVISING THE TAX RATES FOR STRIPPER OIL AND NATURAL GAS PRODUCTION; PROVIDING~~  
6 ~~DEFINITIONS; AMENDING SECTIONS 15-36-303, AND 15-36-304, ~~AND 15-36-334,~~ MCA; AND PROVIDING~~  
7 ~~AN EFFECTIVE DATE.~~ EFFECTIVE DATES, APPLICABILITY DATES, AND TERMINATION DATES."

8  
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

10  
11 (Refer to Blue Bill – HB 661.2)

12 Strike everything after the enacting clause and insert:

13  
14 **Section 1.** Section 15-36-303, MCA, is amended to read:

15 **"15-36-303. Definitions.** As used in this part, the following definitions apply:

16 (1) "Board" means the board of oil and gas conservation provided for in 2-15-3303.

17 (2) "Department" means the department of revenue provided for in 2-15-1301.

18 (3) "Enhanced recovery project" means the use of any process for the displacement of oil from the  
19 earth other than primary recovery and includes the use of an immiscible, miscible, chemical, thermal, or  
20 biological process.

21 (4) "Existing enhanced recovery project" means an enhanced recovery project that began  
22 development before January 1, 1994.

23 (5) "Expanded enhanced recovery project" or "expansion" means the addition of injection wells or  
24 production wells, the recompletion of existing wells as horizontally completed wells, the change of an injection  
25 pattern, or other operating changes to an existing enhanced recovery project that will result in the recovery of  
26 oil that would not otherwise be recovered. The project must be developed after December 31, 1993.

27 (6) "Gross taxable value", for the purpose of computing the oil and natural gas production tax, means  
28 the gross value of the product as determined in 15-36-305.

1 (7) "Horizontal drain hole" means that portion of a wellbore with 70 degrees to 110 degrees deviation  
2 from the vertical and a horizontal projection within the common source of supply, as that term is defined by the  
3 board, that exceeds 100 feet.

4 (8) "Horizontally completed well" means:

5 (a) a well with one or more horizontal drain holes; or

6 (b) any other well classified by the board as a horizontally completed well.

7 (9) "Incremental production" means:

8 (a) the volume of oil produced by a new enhanced recovery project, by a well in primary recovery  
9 recompleted as a horizontally completed well, or by an expanded enhanced recovery project, which volume of  
10 production is in excess of the production decline rate established under the conditions existing before:

11 (i) commencing the recompletion of a well as a horizontally completed well;

12 (ii) expanding the existing enhanced recovery project; or

13 (iii) commencing a new enhanced recovery project; or

14 (b) in the case of any project that had no taxable production prior to commencing the enhanced  
15 recovery project, all production of oil from the enhanced recovery project.

16 (10) "Natural gas" or "gas" means natural gas and other fluid hydrocarbons, other than oil, produced at  
17 the wellhead.

18 (11) "New enhanced recovery project" means an enhanced recovery project that began development  
19 after December 31, 1993.

20 (12) "Nonworking interest owner" means any interest owner who does not share in the exploration,  
21 development, and operation costs of the lease or unit, except for production taxes.

22 (13) "Oil" means crude petroleum or mineral oil and other hydrocarbons, regardless of gravity, that are  
23 produced at the wellhead in liquid form and that are not the result of condensation of gas after it leaves the  
24 wellhead.

25 (14) "Operator" or "producer" means a person who produces oil or natural gas within this state or who  
26 owns, controls, manages, leases, or operates within this state any well or wells from which any marketable oil  
27 or natural gas is extracted or produced.

28 (15) (A) "Post-1999 stripper well" means AN oil well drilled on or after January 1, 1999, that produces

1 more than 3 barrels but fewer than 15 barrels a day for the calendar year immediately preceding the current  
2 year if the average price for a barrel of west Texas intermediate crude oil REPORTED AND RECEIVED BY THE  
3 PRODUCER FOR MONTANA OIL MARKETED during a calendar quarter is less than \$30. If the price of oil is equal to or  
4 greater than \$30 a barrel in a calendar quarter, there is no stripper tax rate in that quarter.

5 (b) The average price for a barrel is computed by dividing the sum of the daily price for a barrel of  
6 west Texas intermediate crude oil for the calendar quarter by the number of days on which the price was  
7 reported in the quarter.

8 (c) Production must be determined by dividing the amount of production from a lease or unitized area  
9 for the year immediately preceding the current calendar year by the number of producing wells in the lease or  
10 unitized area and then dividing the resulting quotient by 365.

11 ~~(15)~~(16) "Post-1999 well" means an oil or natural gas well drilled on or after January 1, 1999, that  
12 produces oil or natural gas or a well that has not produced oil or natural gas during the 5 years immediately  
13 preceding the first month of qualifying as a post-1999 well.

14 (17) (A) "Pre-1999 stripper well" means an oil well that was drilled before January 1, 1999, that  
15 produces MORE THAN 3 BARRELS A DAY BUT FEWER THAN 10 barrels a day or less.

16 (B) Production must be determined by dividing the amount of production from a lease or unitized area  
17 for the year immediately preceding the current calendar year by the number of producing wells in the lease or  
18 unitized area and then dividing the resulting quotient by 365.

19 ~~(16)~~(18) "Pre-1999 well" means an oil or natural gas well that was drilled before January 1, 1999.

20 ~~(17)~~(19) "Primary recovery" means the displacement of oil from the earth into the wellbore by means of  
21 the natural pressure of the oil reservoir and includes artificial lift.

22 ~~(18)~~(20) "Production decline rate" means the projected rate of future oil production, extrapolated by a  
23 method approved by the board, that must be determined for a project area prior to commencing a new or  
24 expanded enhanced recovery project or the recompletion of a well as a horizontally completed well. The  
25 approved production decline rate must be certified in writing to the department by the board. In that certification,  
26 the board shall identify the project area and shall specify the projected rate of future oil production by calendar  
27 year and by calendar quarter within each year. The certified rate of future oil production must be used to  
28 determine the volume of incremental production that qualifies for the tax rate imposed under 15-36-304(5)(e).

1           ~~(19)~~(21) (a) "Qualifying production" means the first 12 months of production of oil or natural gas from a  
2 well drilled after December 31, 1998, or the first 18 months of production of oil or natural gas from a horizontally  
3 completed well drilled after December 31, 1998, or from a well that has not produced oil or natural gas during  
4 the 5 years immediately preceding the first month of qualifying production.

5           (b) Qualifying production does not include oil production from a horizontally recompleted well.

6           ~~(20)~~(22) "Secondary recovery project" means an enhanced recovery project, other than a tertiary  
7 recovery project, that commenced or was expanded after December 31, 1993, and meets each of the following  
8 requirements:

9           (a) The project must be certified as a secondary recovery project to the department by the board. The  
10 certification may be extended only after notice and hearing in accordance with Title 2, chapter 4.

11           (b) The property to be affected by the project must be adequately delineated according to the  
12 specifications required by the board.

13           (c) The project must involve the application of secondary recovery methods that can reasonably be  
14 expected to result in an increase, determined by the board to be significant in light of all the facts and  
15 circumstances, in the amount of oil that may potentially be recovered. For purposes of this part, secondary  
16 recovery methods include but are not limited to:

17           (i) the injection of water into the producing formation for the purposes of maintaining pressure in that  
18 formation or for the purpose of increasing the flow of oil from the producing formation to a producing wellbore;  
19 or

20           (ii) any other method approved by the board as a secondary recovery method.

21           ~~(24)~~(23) "Stripper natural gas" means the natural gas produced from any well that produces less than  
22 60,000 cubic feet of natural gas a day during the calendar year immediately preceding the current year.  
23 Production must be determined by dividing the amount of production from a lease or unitized area for the year  
24 immediately preceding the current calendar year by the number of producing wells in the lease or unitized area  
25 and by dividing the resulting quotient by 365.

26           ~~(22)~~ (a) "~~Stripper oil" means the oil produced from any well that produces more than 3 barrels but~~  
27 ~~fewer than 15 barrels a day for the calendar year immediately preceding the current year if the average price for~~  
28 ~~a barrel of west Texas intermediate crude oil during a calendar quarter is less than \$30. If the price of oil is~~

1 equal to or greater than \$30 a barrel in a calendar quarter, there is no stripper tax rate in that quarter.

2 (b) ~~The average price for a barrel is computed by dividing the sum of the daily price for a barrel of~~  
 3 ~~west Texas intermediate crude oil for the calendar quarter by the number of days on which the price was~~  
 4 ~~reported in the quarter.~~

5 (c) ~~Production must be determined by dividing the amount of production from a lease or unitized area~~  
 6 ~~for the year immediately preceding the current calendar year by the number of producing wells in the lease or~~  
 7 ~~unitized area and then dividing the resulting quotient by 365.~~

8 ~~(23)(24)~~ "Stripper well exemption" or "stripper well bonus" means petroleum and other mineral or crude  
 9 oil produced by a stripper well that produces 3 barrels a day or less. Production from this type of well must be  
 10 determined as provided in subsection ~~(22)(e)~~ (15)(c).

11 ~~(24)(25)~~ "Tertiary recovery project" means an enhanced recovery project, other than a secondary  
 12 recovery project, using a tertiary recovery method that meets the following requirements:

13 (a) The project must be certified as a tertiary recovery project to the department by the board. The  
 14 certification may be extended only after notice and hearing in accordance with Title 2, chapter 4.

15 (b) The property to be affected by the project must be adequately delineated in the certification  
 16 according to the specifications required by the board.

17 (c) The project must involve the application of one or more tertiary recovery methods that can  
 18 reasonably be expected to result in an increase, determined by the board to be significant in light of all the facts  
 19 and circumstances, in the amount of crude oil that may potentially be recovered. For purposes of this part,  
 20 tertiary recovery methods include but are not limited to:

21 (i) miscible fluid displacement;

22 (ii) steam drive injection;

23 (iii) micellar/emulsion flooding;

24 (iv) in situ combustion;

25 (v) polymer augmented water flooding;

26 (vi) cyclic steam injection;

27 (vii) alkaline or caustic flooding;

28 (viii) carbon dioxide water flooding;

1 (ix) immiscible carbon dioxide displacement; and

2 (x) any other method approved by the board as a tertiary recovery method.

3 ~~(25)(26)~~ "Well" or "wells" means a single well or a group of wells in one field or production unit and  
4 under the control of one operator or producer.

5 ~~(26)(27)~~ "Working interest owner" means the owner of an interest in an oil or natural gas well or wells  
6 who bears any portion of the exploration, development, and operating costs of the well or wells."

7

8 **SECTION 2. SECTION 15-36-303, MCA, IS AMENDED TO READ:**

9 **"15-36-303. Definitions.** As used in this part, the following definitions apply:

10 (1) "Board" means the board of oil and gas conservation provided for in 2-15-3303.

11 (2) "Department" means the department of revenue provided for in 2-15-1301.

12 (3) "Enhanced recovery project" means the use of any process for the displacement of oil from the  
13 earth other than primary recovery and includes the use of an immiscible, miscible, chemical, thermal, or  
14 biological process.

15 (4) "Existing enhanced recovery project" means an enhanced recovery project that began  
16 development before January 1, 1994.

17 (5) "Expanded enhanced recovery project" or "expansion" means the addition of injection wells or  
18 production wells, the recompletion of existing wells as horizontally completed wells, the change of an injection  
19 pattern, or other operating changes to an existing enhanced recovery project that will result in the recovery of  
20 oil that would not otherwise be recovered. The project must be developed after December 31, 1993.

21 (6) "Gross taxable value", for the purpose of computing the oil and natural gas production tax, means  
22 the gross value of the product as determined in 15-36-305.

23 (7) "Horizontal drain hole" means that portion of a wellbore with 70 degrees to 110 degrees deviation  
24 from the vertical and a horizontal projection within the common source of supply, as that term is defined by the  
25 board, that exceeds 100 feet.

26 (8) "Horizontally completed well" means:

27 (a) a well with one or more horizontal drain holes; or

28 (b) any other well classified by the board as a horizontally completed well.

1 (9) "Incremental production" means:

2 (a) the volume of oil produced by a new enhanced recovery project, by a well in primary recovery  
3 recompleted as a horizontally completed well, or by an expanded enhanced recovery project, which volume of  
4 production is in excess of the production decline rate established under the conditions existing before:

5 (i) commencing the recompletion of a well as a horizontally completed well;

6 (ii) expanding the existing enhanced recovery project; or

7 (iii) commencing a new enhanced recovery project; or

8 (b) in the case of any project that had no taxable production prior to commencing the enhanced  
9 recovery project, all production of oil from the enhanced recovery project.

10 (10) "Natural gas" or "gas" means natural gas and other fluid hydrocarbons, other than oil, produced at  
11 the wellhead.

12 (11) "New enhanced recovery project" means an enhanced recovery project that began development  
13 after December 31, 1993.

14 (12) "Nonworking interest owner" means any interest owner who does not share in the exploration,  
15 development, and operation costs of the lease or unit, except for production taxes.

16 (13) "Oil" means crude petroleum or mineral oil and other hydrocarbons, regardless of gravity, that are  
17 produced at the wellhead in liquid form and that are not the result of condensation of gas after it leaves the  
18 wellhead.

19 (14) "Operator" or "producer" means a person who produces oil or natural gas within this state or who  
20 owns, controls, manages, leases, or operates within this state any well or wells from which any marketable oil  
21 or natural gas is extracted or produced.

22 (15) (a) "Post-1999 stripper well" means an oil well drilled on or after January 1, 1999, that produces  
23 more than 3 barrels but fewer than 15 barrels a day for the calendar year immediately preceding the current  
24 year if the average price for a barrel of crude oil reported and received by the producer for Montana oil  
25 marketed during a calendar quarter is less than \$30. If the price of oil is equal to or greater than \$30 a barrel in  
26 a calendar quarter, there is no stripper tax rate in that quarter.

27 (b) The average price for a barrel is computed by dividing the sum of the daily price for a barrel of  
28 west Texas intermediate crude oil for the calendar quarter by the number of days on which the price was

1 reported in the quarter.

2 (c) Production must be determined by dividing the amount of production from a lease or unitized area  
3 for the year immediately preceding the current calendar year by the number of producing wells in the lease or  
4 unitized area and then dividing the resulting quotient by 365.

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7 preceding the first month of qualifying as a post-1999 well.

8 (17) (a) "Pre-1999 stripper well" means an oil well that was drilled before January 1, 1999, that  
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15 the natural pressure of the oil reservoir and includes artificial lift.

16 ~~(18)~~(20) "Production decline rate" means the projected rate of future oil production, extrapolated by a  
17 method approved by the board, that must be determined for a project area prior to commencing a new or  
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21 year and by calendar quarter within each year. The certified rate of future oil production must be used to  
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27 (b) Qualifying production does not include oil production from a horizontally recompleted well.

28 ~~(20)~~(22) "Secondary recovery project" means an enhanced recovery project, other than a tertiary



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4 certification may be extended only after notice and hearing in accordance with Title 2, chapter 4.

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7 (c) The project must involve the application of secondary recovery methods that can reasonably be  
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9 circumstances, in the amount of oil that may potentially be recovered. For purposes of this part, secondary  
10 recovery methods include but are not limited to:

11 (i) the injection of water into the producing formation for the purposes of maintaining pressure in that  
12 formation or for the purpose of increasing the flow of oil from the producing formation to a producing wellbore;  
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15 ~~(24)~~(23) "Stripper natural gas" means the natural gas produced from any well that produces less than  
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20 ~~(22)~~ (a) "Stripper oil" means the oil produced from any well that produces more than 3 barrels but  
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22 a barrel of west Texas intermediate crude oil during a calendar quarter is less than \$30. If the price of oil is  
23 equal to or greater than \$30 a barrel in a calendar quarter, there is no stripper tax rate in that quarter.

24 ~~(b)~~ The average price for a barrel is computed by dividing the sum of the daily price for a barrel of  
25 west Texas intermediate crude oil for the calendar quarter by the number of days on which the price was  
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27 ~~(c)~~ Production must be determined by dividing the amount of production from a lease or unitized area  
28 for the year immediately preceding the current calendar year by the number of producing wells in the lease or

1 unitized area and then dividing the resulting quotient by 365.

2 ~~(23)~~(24) "Stripper well exemption" or "stripper well bonus" means petroleum and other mineral or crude  
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13 and circumstances, in the amount of crude oil that may potentially be recovered. For purposes of this part,  
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24 (x) any other method approved by the board as a tertiary recovery method.

25 ~~(25)~~(26) "Well" or "wells" means a single well or a group of wells in one field or production unit and  
26 under the control of one operator or producer.

27 ~~(26)~~(27) "Working interest owner" means the owner of an interest in an oil or natural gas well or wells  
28 who bears any portion of the exploration, development, and operating costs of the well or wells."

1

2        **SECTION 3. SECTION 15-36-303, MCA, IS AMENDED TO READ:**3        **"15-36-303. Definitions.** As used in this part, the following definitions apply:

4            (1) "Board" means the board of oil and gas conservation provided for in 2-15-3303.

5            (2) "Department" means the department of revenue provided for in 2-15-1301.

6            (3) "Enhanced recovery project" means the use of any process for the displacement of oil from the  
7 earth other than primary recovery and includes the use of an immiscible, miscible, chemical, thermal, or  
8 biological process.9            (4) "Existing enhanced recovery project" means an enhanced recovery project that began  
10 development before January 1, 1994.11           (5) "Expanded enhanced recovery project" or "expansion" means the addition of injection wells or  
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14 oil that would not otherwise be recovered. The project must be developed after December 31, 1993.15           (6) "Gross taxable value", for the purpose of computing the oil and natural gas production tax, means  
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27            (i) commencing the recompletion of a well as a horizontally completed well;

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 10 60,000 cubic feet of natural gas a day during the calendar year immediately preceding the current year.  
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14 ~~(22)~~ (a) "Stripper oil" means the oil produced from any well that produces more than 3 barrels but  
 15 fewer than 15 barrels a day for the calendar year immediately preceding the current year if the average price for  
 16 a barrel of west Texas intermediate crude oil during a calendar quarter is less than \$30. If the price of oil is  
 17 equal to or greater than \$30 a barrel in a calendar quarter, there is no stripper tax rate in that quarter.

18 ~~(b)~~ The average price for a barrel is computed by dividing the sum of the daily price for a barrel of  
 19 west Texas intermediate crude oil for the calendar quarter by the number of days on which the price was  
 20 reported in the quarter.

21 ~~(c)~~ Production must be determined by dividing the amount of production from a lease or unitized area  
 22 for the year immediately preceding the current calendar year by the number of producing wells in the lease or  
 23 unitized area and then dividing the resulting quotient by 365.

24 ~~(23)~~(24) "Stripper well exemption" or "stripper well bonus" means petroleum and other mineral or crude  
 25 oil produced by a stripper well that produces 3 barrels a day or less. Production from this type of well must be  
 26 determined as provided in subsection ~~(22)~~(e), ~~(15)~~(c).

27 ~~(24)~~(25) "Tertiary recovery project" means an enhanced recovery project, other than a secondary  
 28 recovery project, using a tertiary recovery method that meets the following requirements:

1 (a) The project must be certified as a tertiary recovery project to the department by the board. The  
2 certification may be extended only after notice and hearing in accordance with Title 2, chapter 4.

3 (b) The property to be affected by the project must be adequately delineated in the certification  
4 according to the specifications required by the board.

5 (c) The project must involve the application of one or more tertiary recovery methods that can  
6 reasonably be expected to result in an increase, determined by the board to be significant in light of all the facts  
7 and circumstances, in the amount of crude oil that may potentially be recovered. For purposes of this part,  
8 tertiary recovery methods include but are not limited to:

9 (i) miscible fluid displacement;

10 (ii) steam drive injection;

11 (iii) micellar/emulsion flooding;

12 (iv) in situ combustion;

13 (v) polymer augmented water flooding;

14 (vi) cyclic steam injection;

15 (vii) alkaline or caustic flooding;

16 (viii) carbon dioxide water flooding;

17 (ix) immiscible carbon dioxide displacement; and

18 (x) any other method approved by the board as a tertiary recovery method.

19 ~~(25)~~(26) "Well" or "wells" means a single well or a group of wells in one field or production unit and  
20 under the control of one operator or producer.

21 ~~(26)~~(27) "Working interest owner" means the owner of an interest in an oil or natural gas well or wells  
22 who bears any portion of the exploration, development, and operating costs of the well or wells."  
23

24 **SECTION 4. SECTION 15-36-303, MCA, IS AMENDED TO READ:**

25 **"15-36-303. Definitions.** As used in this part, the following definitions apply:

26 (1) "Board" means the board of oil and gas conservation provided for in 2-15-3303.

27 (2) "Department" means the department of revenue provided for in 2-15-1301.

28 (3) "Enhanced recovery project" means the use of any process for the displacement of oil from the

1 earth other than primary recovery and includes the use of an immiscible, miscible, chemical, thermal, or  
2 biological process.

3 (4) "Existing enhanced recovery project" means an enhanced recovery project that began  
4 development before January 1, 1994.

5 (5) "Expanded enhanced recovery project" or "expansion" means the addition of injection wells or  
6 production wells, the recompletion of existing wells as horizontally completed wells, the change of an injection  
7 pattern, or other operating changes to an existing enhanced recovery project that will result in the recovery of  
8 oil that would not otherwise be recovered. The project must be developed after December 31, 1993.

9 (6) "Gross taxable value", for the purpose of computing the oil and natural gas production tax, means  
10 the gross value of the product as determined in 15-36-305.

11 (7) "Horizontal drain hole" means that portion of a wellbore with 70 degrees to 110 degrees deviation  
12 from the vertical and a horizontal projection within the common source of supply, as that term is defined by the  
13 board, that exceeds 100 feet.

14 (8) "Horizontally completed well" means:

15 (a) a well with one or more horizontal drain holes; or

16 (b) any other well classified by the board as a horizontally completed well.

17 (9) "Incremental production" means:

18 (a) the volume of oil produced by a new enhanced recovery project, by a well in primary recovery  
19 recompleted as a horizontally completed well, or by an expanded enhanced recovery project, which volume of  
20 production is in excess of the production decline rate established under the conditions existing before:

21 (i) commencing the recompletion of a well as a horizontally completed well;

22 (ii) expanding the existing enhanced recovery project; or

23 (iii) commencing a new enhanced recovery project; or

24 (b) in the case of any project that had no taxable production prior to commencing the enhanced  
25 recovery project, all production of oil from the enhanced recovery project.

26 (10) "Natural gas" or "gas" means natural gas and other fluid hydrocarbons, other than oil, produced at  
27 the wellhead.

28 (11) "New enhanced recovery project" means an enhanced recovery project that began development



1 after December 31, 1993.

2 (12) "Nonworking interest owner" means any interest owner who does not share in the exploration,  
3 development, and operation costs of the lease or unit, except for production taxes.

4 (13) "Oil" means crude petroleum or mineral oil and other hydrocarbons, regardless of gravity, that are  
5 produced at the wellhead in liquid form and that are not the result of condensation of gas after it leaves the  
6 wellhead.

7 (14) "Operator" or "producer" means a person who produces oil or natural gas within this state or who  
8 owns, controls, manages, leases, or operates within this state any well or wells from which any marketable oil  
9 or natural gas is extracted or produced.

10 (15) (a) "Post-1999 stripper well" means an oil well drilled on or after January 1, 1999, that produces  
11 more than 3 barrels but fewer than 15 barrels a day for the calendar year immediately preceding the current  
12 year if the average price for a barrel of crude oil reported and received by the producer for Montana oil  
13 marketed during a calendar quarter is less than \$30. If the price of oil is equal to or greater than \$30 a barrel in  
14 a calendar quarter, there is no stripper tax rate in that quarter.

15 (b) The average price for a barrel is computed by dividing the sum of the daily price for a barrel of  
16 west Texas intermediate crude oil for the calendar quarter by the number of days on which the price was  
17 reported in the quarter.

18 (c) Production must be determined by dividing the amount of production from a lease or unitized area  
19 for the year immediately preceding the current calendar year by the number of producing wells in the lease or  
20 unitized area and then dividing the resulting quotient by 365.

21 ~~(15)~~(16) "Post-1999 well" means an oil or natural gas well drilled on or after January 1, 1999, that  
22 produces oil or natural gas or a well that has not produced oil or natural gas during the 5 years immediately  
23 preceding the first month of qualifying as a post-1999 well.

24 (17) (a) "Pre-1999 stripper well" means an oil well that was drilled before January 1, 1999, that  
25 produces more than 3 barrels a day but fewer than 10 barrels a day.

26 (b) Production must be determined by dividing the amount of production from a lease or unitized area  
27 for the year immediately preceding the current calendar year by the number of producing wells in the lease or  
28 unitized area and then dividing the resulting quotient by 365.

1           ~~(16)~~(18) "Pre-1999 well" means an oil or natural gas well that was drilled before January 1, 1999.

2           ~~(17)~~(19) "Primary recovery" means the displacement of oil from the earth into the wellbore by means of  
3 the natural pressure of the oil reservoir and includes artificial lift.

4           ~~(18)~~(20) "Production decline rate" means the projected rate of future oil production, extrapolated by a  
5 method approved by the board, that must be determined for a project area prior to commencing a new or  
6 expanded enhanced recovery project or the recompletion of a well as a horizontally completed well. The  
7 approved production decline rate must be certified in writing to the department by the board. In that certification,  
8 the board shall identify the project area and shall specify the projected rate of future oil production by calendar  
9 year and by calendar quarter within each year. The certified rate of future oil production must be used to  
10 determine the volume of incremental production that qualifies for the tax rate imposed under 15-36-304(5)(e).

11           ~~(19)~~(21) (a) "Qualifying production" means the first 12 months of production of oil or natural gas from a  
12 well drilled after December 31, 1998, or the first 18 months of production of oil or natural gas from a horizontally  
13 completed well drilled after December 31, 1998, or from a well that has not produced oil or natural gas during  
14 the 5 years immediately preceding the first month of qualifying production.

15           (b) Qualifying production does not include oil production from a horizontally recompleted well.

16           ~~(20)~~(22) "Secondary recovery project" means an enhanced recovery project, other than a tertiary  
17 recovery project, that commenced or was expanded after December 31, 1993, and meets each of the following  
18 requirements:

19           (a) The project must be certified as a secondary recovery project to the department by the board. The  
20 certification may be extended only after notice and hearing in accordance with Title 2, chapter 4.

21           (b) The property to be affected by the project must be adequately delineated according to the  
22 specifications required by the board.

23           (c) The project must involve the application of secondary recovery methods that can reasonably be  
24 expected to result in an increase, determined by the board to be significant in light of all the facts and  
25 circumstances, in the amount of oil that may potentially be recovered. For purposes of this part, secondary  
26 recovery methods include but are not limited to:

27           (i) the injection of water into the producing formation for the purposes of maintaining pressure in that  
28 formation or for the purpose of increasing the flow of oil from the producing formation to a producing wellbore;

1 or

2 (ii) any other method approved by the board as a secondary recovery method.

3 ~~(24)~~(23) "Stripper natural gas" means the natural gas produced from any well that produces less than  
4 60,000 cubic feet of natural gas a day during the calendar year immediately preceding the current year.  
5 Production must be determined by dividing the amount of production from a lease or unitized area for the year  
6 immediately preceding the current calendar year by the number of producing wells in the lease or unitized area  
7 and by dividing the resulting quotient by 365.

8 ~~(22)~~ (a) "Stripper oil" means the oil produced from any well that produces more than 3 barrels but  
9 fewer than 15 barrels a day for the calendar year immediately preceding the current year if the average price for  
10 a barrel of west Texas intermediate crude oil during a calendar quarter is less than \$30. If the price of oil is  
11 equal to or greater than \$30 a barrel in a calendar quarter, there is no stripper tax rate in that quarter.

12 ~~(b)~~ The average price for a barrel is computed by dividing the sum of the daily price for a barrel of  
13 west Texas intermediate crude oil for the calendar quarter by the number of days on which the price was  
14 reported in the quarter.

15 ~~(c)~~ Production must be determined by dividing the amount of production from a lease or unitized area  
16 for the year immediately preceding the current calendar year by the number of producing wells in the lease or  
17 unitized area and then dividing the resulting quotient by 365.

18 ~~(23)~~(24) "Stripper well exemption" or "stripper well bonus" means petroleum and other mineral or crude  
19 oil produced by a stripper well that produces 3 barrels a day or less. Production from this type of well must be  
20 determined as provided in subsection ~~(22)(c)~~ (15)(c).

21 ~~(24)~~(25) "Tertiary recovery project" means an enhanced recovery project, other than a secondary  
22 recovery project, using a tertiary recovery method that meets the following requirements:

23 (a) The project must be certified as a tertiary recovery project to the department by the board. The  
24 certification may be extended only after notice and hearing in accordance with Title 2, chapter 4.

25 (b) The property to be affected by the project must be adequately delineated in the certification  
26 according to the specifications required by the board.

27 (c) The project must involve the application of one or more tertiary recovery methods that can  
28 reasonably be expected to result in an increase, determined by the board to be significant in light of all the facts

1 and circumstances, in the amount of crude oil that may potentially be recovered. For purposes of this part,  
 2 tertiary recovery methods include but are not limited to:

3 (i) miscible fluid displacement;

4 (ii) steam drive injection;

5 (iii) micellar/emulsion flooding;

6 (iv) in situ combustion;

7 (v) polymer augmented water flooding;

8 (vi) cyclic steam injection;

9 (vii) alkaline or caustic flooding;

10 (viii) carbon dioxide water flooding;

11 (ix) immiscible carbon dioxide displacement; and

12 (x) any other method approved by the board as a tertiary recovery method.

13 ~~(25)~~(26) "Well" or "wells" means a single well or a group of wells in one field or production unit and  
 14 under the control of one operator or producer.

15 ~~(26)~~(27) "Working interest owner" means the owner of an interest in an oil or natural gas well or wells  
 16 who bears any portion of the exploration, development, and operating costs of the well or wells."

17

18 **SECTION 5. SECTION 15-36-303, MCA, IS AMENDED TO READ:**

19 **"15-36-303. Definitions.** As used in this part, the following definitions apply:

20 (1) "Board" means the board of oil and gas conservation provided for in 2-15-3303.

21 (2) "Department" means the department of revenue provided for in 2-15-1301.

22 (3) "Enhanced recovery project" means the use of any process for the displacement of oil from the  
 23 earth other than primary recovery and includes the use of an immiscible, miscible, chemical, thermal, or  
 24 biological process.

25 (4) "Existing enhanced recovery project" means an enhanced recovery project that began  
 26 development before January 1, 1994.

27 (5) "Expanded enhanced recovery project" or "expansion" means the addition of injection wells or  
 28 production wells, the recompletion of existing wells as horizontally completed wells, the change of an injection

1 pattern, or other operating changes to an existing enhanced recovery project that will result in the recovery of  
2 oil that would not otherwise be recovered. The project must be developed after December 31, 1993.

3 (6) "Gross taxable value", for the purpose of computing the oil and natural gas production tax, means  
4 the gross value of the product as determined in 15-36-305.

5 (7) "Horizontal drain hole" means that portion of a wellbore with 70 degrees to 110 degrees deviation  
6 from the vertical and a horizontal projection within the common source of supply, as that term is defined by the  
7 board, that exceeds 100 feet.

8 (8) "Horizontally completed well" means:

9 (a) a well with one or more horizontal drain holes; or

10 (b) any other well classified by the board as a horizontally completed well.

11 (9) "Incremental production" means:

12 (a) the volume of oil produced by a new enhanced recovery project, by a well in primary recovery  
13 recompleted as a horizontally completed well, or by an expanded enhanced recovery project, which volume of  
14 production is in excess of the production decline rate established under the conditions existing before:

15 (i) commencing the recompletion of a well as a horizontally completed well;

16 (ii) expanding the existing enhanced recovery project; or

17 (iii) commencing a new enhanced recovery project; or

18 (b) in the case of any project that had no taxable production prior to commencing the enhanced  
19 recovery project, all production of oil from the enhanced recovery project.

20 (10) "Natural gas" or "gas" means natural gas and other fluid hydrocarbons, other than oil, produced at  
21 the wellhead.

22 (11) "New enhanced recovery project" means an enhanced recovery project that began development  
23 after December 31, 1993.

24 (12) "Nonworking interest owner" means any interest owner who does not share in the exploration,  
25 development, and operation costs of the lease or unit, except for production taxes.

26 (13) "Oil" means crude petroleum or mineral oil and other hydrocarbons, regardless of gravity, that are  
27 produced at the wellhead in liquid form and that are not the result of condensation of gas after it leaves the  
28 wellhead.

1 (14) "Operator" or "producer" means a person who produces oil or natural gas within this state or who  
2 owns, controls, manages, leases, or operates within this state any well or wells from which any marketable oil  
3 or natural gas is extracted or produced.

4 (15) (a) "Post-1999 stripper well" means an oil well drilled on or after January 1, 1999, that produces  
5 more than 3 barrels but fewer than 15 barrels a day for the calendar year immediately preceding the current  
6 year if the average price for a barrel of crude oil reported and received by the producer for Montana oil  
7 marketed during a calendar quarter is less than \$30. If the price of oil is equal to or greater than \$30 a barrel in  
8 a calendar quarter, there is no stripper tax rate in that quarter.

9 (b) The average price for a barrel is computed by dividing the sum of the daily price for a barrel of  
10 west Texas intermediate crude oil for the calendar quarter by the number of days on which the price was  
11 reported in the quarter.

12 (c) Production must be determined by dividing the amount of production from a lease or unitized area  
13 for the year immediately preceding the current calendar year by the number of producing wells in the lease or  
14 unitized area and then dividing the resulting quotient by 365.

15 ~~(15)~~(16) "Post-1999 well" means an oil or natural gas well drilled on or after January 1, 1999, that  
16 produces oil or natural gas or a well that has not produced oil or natural gas during the 5 years immediately  
17 preceding the first month of qualifying as a post-1999 well.

18 (17) (a) "Pre-1999 stripper well" means an oil well that was drilled before January 1, 1999, that  
19 produces more than 3 barrels a day but fewer than 10 barrels a day.

20 (b) Production must be determined by dividing the amount of production from a lease or unitized area  
21 for the year immediately preceding the current calendar year by the number of producing wells in the lease or  
22 unitized area and then dividing the resulting quotient by 365.

23 ~~(16)~~(18) "Pre-1999 well" means an oil or natural gas well that was drilled before January 1, 1999.

24 ~~(17)~~(19) "Primary recovery" means the displacement of oil from the earth into the wellbore by means of  
25 the natural pressure of the oil reservoir and includes artificial lift.

26 ~~(18)~~(20) "Production decline rate" means the projected rate of future oil production, extrapolated by a  
27 method approved by the board, that must be determined for a project area prior to commencing a new or  
28 expanded enhanced recovery project or the recompletion of a well as a horizontally completed well. The

1 approved production decline rate must be certified in writing to the department by the board. In that certification,  
 2 the board shall identify the project area and shall specify the projected rate of future oil production by calendar  
 3 year and by calendar quarter within each year. The certified rate of future oil production must be used to  
 4 determine the volume of incremental production that qualifies for the tax rate imposed under 15-36-304(5)(e).

5 ~~(19)~~(21) (a) "Qualifying production" means the first 12 months of production of oil or natural gas from a  
 6 well drilled after December 31, 1998, or the first 18 months of production of oil or natural gas from a horizontally  
 7 completed well drilled after December 31, 1998, or from a well that has not produced oil or natural gas during  
 8 the 5 years immediately preceding the first month of qualifying production.

9 (b) Qualifying production does not include oil production from a horizontally recompleted well.

10 ~~(20)~~(22) "Secondary recovery project" means an enhanced recovery project, other than a tertiary  
 11 recovery project, that commenced or was expanded after December 31, 1993, and meets each of the following  
 12 requirements:

13 (a) The project must be certified as a secondary recovery project to the department by the board. The  
 14 certification may be extended only after notice and hearing in accordance with Title 2, chapter 4.

15 (b) The property to be affected by the project must be adequately delineated according to the  
 16 specifications required by the board.

17 (c) The project must involve the application of secondary recovery methods that can reasonably be  
 18 expected to result in an increase, determined by the board to be significant in light of all the facts and  
 19 circumstances, in the amount of oil that may potentially be recovered. For purposes of this part, secondary  
 20 recovery methods include but are not limited to:

21 (i) the injection of water into the producing formation for the purposes of maintaining pressure in that  
 22 formation or for the purpose of increasing the flow of oil from the producing formation to a producing wellbore;

23 or

24 (ii) any other method approved by the board as a secondary recovery method.

25 ~~(24)~~(23) "Stripper natural gas" means the natural gas produced from any well that produces less than  
 26 60,000 cubic feet of natural gas a day during the calendar year immediately preceding the current year.

27 Production must be determined by dividing the amount of production from a lease or unitized area for the year  
 28 immediately preceding the current calendar year by the number of producing wells in the lease or unitized area

1 and by dividing the resulting quotient by 365.

2 ~~(22)~~ (a) "Stripper oil" means the oil produced from any well that produces more than 3 barrels but  
3 fewer than 15 barrels a day for the calendar year immediately preceding the current year if the average price for  
4 a barrel of west Texas intermediate crude oil during a calendar quarter is less than \$30. If the price of oil is  
5 equal to or greater than \$30 a barrel in a calendar quarter, there is no stripper tax rate in that quarter.

6 ~~(b)~~ The average price for a barrel is computed by dividing the sum of the daily price for a barrel of  
7 west Texas intermediate crude oil for the calendar quarter by the number of days on which the price was  
8 reported in the quarter.

9 ~~(c)~~ Production must be determined by dividing the amount of production from a lease or unitized area  
10 for the year immediately preceding the current calendar year by the number of producing wells in the lease or  
11 unitized area and then dividing the resulting quotient by 365.

12 ~~(23)~~(24) "Stripper well exemption" or "stripper well bonus" means petroleum and other mineral or crude  
13 oil produced by a stripper well that produces 3 barrels a day or less. Production from this type of well must be  
14 determined as provided in subsection ~~(22)(e)~~ (15)(c).

15 ~~(24)~~(25) "Tertiary recovery project" means an enhanced recovery project, other than a secondary  
16 recovery project, using a tertiary recovery method that meets the following requirements:

17 (a) The project must be certified as a tertiary recovery project to the department by the board. The  
18 certification may be extended only after notice and hearing in accordance with Title 2, chapter 4.

19 (b) The property to be affected by the project must be adequately delineated in the certification  
20 according to the specifications required by the board.

21 (c) The project must involve the application of one or more tertiary recovery methods that can  
22 reasonably be expected to result in an increase, determined by the board to be significant in light of all the facts  
23 and circumstances, in the amount of crude oil that may potentially be recovered. For purposes of this part,  
24 tertiary recovery methods include but are not limited to:

25 (i) miscible fluid displacement;

26 (ii) steam drive injection;

27 (iii) micellar/emulsion flooding;

28 (iv) in situ combustion;



- 1 (v) polymer augmented water flooding;
- 2 (vi) cyclic steam injection;
- 3 (vii) alkaline or caustic flooding;
- 4 (viii) carbon dioxide water flooding;
- 5 (ix) immiscible carbon dioxide displacement; and
- 6 (x) any other method approved by the board as a tertiary recovery method.

7 ~~(25)~~(26) "Well" or "wells" means a single well or a group of wells in one field or production unit and  
 8 under the control of one operator or producer.

9 ~~(26)~~(27) "Working interest owner" means the owner of an interest in an oil or natural gas well or wells  
 10 who bears any portion of the exploration, development, and operating costs of the well or wells."

11

12 **Section 6.** Section 15-36-304, MCA, is amended to read:

13 **"15-36-304. Production tax rates imposed on oil and natural gas -- exemption.** (1) The  
 14 production of oil and natural gas is taxed as provided in this section. The tax is distributed as provided in 15-36-  
 15 331 and 15-36-332.

16 (2) Natural gas is taxed on the gross taxable value of production based on the type of well and type of  
 17 production according to the following schedule for working interest and nonworking interest owners:

	Working Interest	Nonworking Interest
(a) (i) first 12 months of qualifying production	0.5%	14.8%
(ii) after 12 months:		
(A) pre-1999 wells	14.8%	14.8%
(B) post-1999 wells	9%	14.8%
(b) stripper natural gas pre-1999 wells	11%	14.8%
(c) horizontally completed well production:		
(i) first 18 months of qualifying production	0.5%	14.8%
(ii) after 18 months	9%	14.8%

18 (3) The reduced tax rates under subsection (2)(a)(i) on production for the first 12 months of natural

1 gas production from a well begin following the last day of the calendar month immediately preceding the month  
 2 in which natural gas is placed in a natural gas distribution system, provided that notification has been given to  
 3 the department.

4 (4) The reduced tax rates under subsection (2)(c)(i) on production from a horizontally completed well  
 5 for the first 18 months of production begin following the last day of the calendar month immediately preceding  
 6 the month in which natural gas is placed in a natural gas distribution system, provided that notification has been  
 7 given to the department.

8 (5) Oil is taxed on the gross taxable value of production based on the type of well and type of  
 9 production according to the following schedule for working interest and nonworking interest owners:

	Working Interest	Nonworking Interest
(a) primary recovery production:		
(i) first 12 months of qualifying production	0.5%	14.8%
(ii) after 12 months:		
(A) pre-1999 wells	12.5%	14.8%
(B) post-1999 wells	9%	14.8%
(b) <u>(i) pre-1999 stripper oil production wells</u>	<u>5% 9.2%</u>	<u>14.8%</u>
<u>(ii) (A) pre-1999 stripper well exemption production</u>	<u>0.5%</u>	<u>14.8%</u>
<u>(B) PRE-1999 STRIPPER WELL BONUS PRODUCTION</u>	<u>5%</u>	<u>14.8%</u>
(c) (i) <u>post-1999 stripper wells:</u>		
<del>(i)(A)</del> first 1 through 10 barrels a day production	5.5%	14.8%
<del>(ii)(B)</del> more than 10 barrels a day production	9.0%	14.8%
<del>(e)(ii)(i)-(A)</del> <u>post-1999 stripper well exemption</u> production	0.5%	14.8%
<del>(ii)(B)</del> <u>post-1999 stripper well bonus production</u>	6.0%	14.8%
(d) horizontally completed well production:		
(i) first 18 months of qualifying production	0.5%	14.8%

(ii) after 18 months:		
(A) pre-1999 wells	12.5%	14.8%
(B) post-1999 wells	9%	14.8%
(e) incremental production:		
(i) new or expanded secondary recovery production	8.5%	14.8%
(ii) new or expanded tertiary production	5.8%	14.8%
(f) horizontally recompleted well:		
(i) first 18 months	5.5%	14.8%
(ii) after 18 months:		
(A) pre-1999 wells	12.5%	14.8%
(B) post-1999 wells	9%	14.8%

1 (6) (a) The reduced tax rates under subsection (5)(a)(i) for the first 12 months of oil production from a  
 2 well begin following the last day of the calendar month immediately preceding the month in which oil is pumped  
 3 or flows, provided that notification has been given to the department.

4 (b) (i) The reduced tax rates under subsection (5)(d)(i) on oil production from a horizontally  
 5 completed well for the first 18 months of production begin following the last day of the calendar month  
 6 immediately preceding the month in which oil is pumped or flows if the well has been certified as a horizontally  
 7 completed well to the department by the board.

8 (ii) The reduced tax rates under subsection (5)(f)(i) on oil production from a horizontally recompleted  
 9 well for the first 18 months of production begin following the last day of the calendar month immediately  
 10 preceding the month in which oil is pumped or flows if the well has been certified as a horizontally recompleted  
 11 well to the department by the board.

12 (c) New or expanded secondary recovery production is taxed as provided in subsection (5)(e)(i) only if  
 13 the average price for a barrel of west Texas intermediate crude reported and received by the producer for  
 14 Montana oil marketed during a calendar quarter is less than \$54. If the price of oil is equal to or greater than  
 15 \$54 a barrel in a calendar quarter as determined in subsection (6)(e), then new or expanded secondary  
 16 recovery production from pre-1999 wells and from post-1999 wells is taxed at the rate imposed on primary  
 17 recovery production under subsections (5)(a)(ii)(A) and (5)(a)(ii)(B), respectively, for production occurring in that

1 quarter, other than exempt stripper well production.

2 (d) ~~(i) Stripper Pre-1999 stripper well exemption production is taxed as provided in subsection~~  
 3 ~~(5)(c)(i)-(5)(b)(ii)(A)~~ only if the average price reported and received by the producer for Montana oil marketed  
 4 during a calendar quarter is less than \$54 a barrel. If the price of oil is equal to or greater than \$54 a barrel,  
 5 there is no pre-1999 stripper well exemption tax rate and oil produced from a well that produces 3 barrels a day  
 6 or less is taxed as pre-1999 stripper well ~~bonus~~-BONUS production.

7 (e) (i) Post-1999 stripper well exemption production is taxed as provided in subsection (5)(c)(ii)(A)  
 8 only if the average price reported and received by the producer for Montana oil marketed during a calendar  
 9 quarter is less than \$54 a barrel. If the price of oil is equal to or greater than \$54 a barrel, there is no post-1999  
 10 stripper well exemption tax rate and oil produced from a well that produces 3 barrels a day or less is taxed as  
 11 stripper well bonus production.

12 (ii) Stripper well bonus production is subject to taxation as provided in subsection (5)(c)(ii)(B) only if the  
 13 average price reported and received by the producer for Montana oil marketed during a calendar quarter is  
 14 equal to or greater than \$54 a barrel.

15 ~~(e) For the purposes of subsection (6)(c), the average price for each barrel must be computed by~~  
 16 ~~dividing the sum of the daily price for a barrel of west Texas intermediate crude oil for the calendar quarter by~~  
 17 ~~the number of days on which the price was reported in the quarter.~~

18 (7) The tax rates imposed under subsections (2) and (5) on working interest owners and nonworking  
 19 interest owners must be adjusted to include the privilege and license tax adopted by the board of oil and gas  
 20 conservation pursuant to 82-11-131 and the tax for the oil and gas natural resource distribution account. The  
 21 total of the privilege and license tax and the tax for the oil and gas natural resource distribution account  
 22 established in 90-6-1001(1) is 0.3%.

23 (8) Any interest in production owned by the state or a local government is exempt from taxation under  
 24 this section."

25

26 **SECTION 7. SECTION 15-36-304, MCA, IS AMENDED TO READ:**

27 **"15-36-304. Production tax rates imposed on oil and natural gas -- exemption.** (1) The  
 28 production of oil and natural gas is taxed as provided in this section. The tax is distributed as provided in 15-36-

1 331 and 15-36-332.

2 (2) Natural gas is taxed on the gross taxable value of production based on the type of well and type of  
 3 production according to the following schedule for working interest and nonworking interest owners:

	Working Interest	Nonworking Interest
(a) (i) first 12 months of qualifying production	0.5%	14.8%
(ii) after 12 months:		
(A) pre-1999 wells	14.8%	14.8%
(B) post-1999 wells	9%	14.8%
(b) stripper natural gas pre-1999 wells	11%	14.8%
(c) horizontally completed well production:		
(i) first 18 months of qualifying production	0.5%	14.8%
(ii) after 18 months	9%	14.8%

4 (3) The reduced tax rates under subsection (2)(a)(i) on production for the first 12 months of natural  
 5 gas production from a well begin following the last day of the calendar month immediately preceding the month  
 6 in which natural gas is placed in a natural gas distribution system, provided that notification has been given to  
 7 the department.

8 (4) The reduced tax rates under subsection (2)(c)(i) on production from a horizontally completed well  
 9 for the first 18 months of production begin following the last day of the calendar month immediately preceding  
 10 the month in which natural gas is placed in a natural gas distribution system, provided that notification has been  
 11 given to the department.

12 (5) Oil is taxed on the gross taxable value of production based on the type of well and type of  
 13 production according to the following schedule for working interest and nonworking interest owners:

	Working Interest	Nonworking Interest
(a) primary recovery production:		
(i) first 12 months of qualifying production	0.5%	14.8%

(ii) after 12 months:		
(A) pre-1999 wells	12.5%	14.8%
(B) post-1999 wells	9%	14.8%
(b) <u>(i) pre-1999 stripper oil production: wells</u>	<u>5% 9.2%</u>	<u>14.8%</u>
<u>(ii) (A) pre-1999 stripper well exemption production</u>	<u>0.5%</u>	<u>14.8%</u>
<u>(B) pre-1999 stripper well bonus production</u>	<u>5%</u>	<u>14.8%</u>
(c) (i) <u>post-1999 stripper wells:</u>		
<del>(i)</del> (A) first 1 through 10 barrels a day production	5.5%	14.8%
<del>(ii)</del> (B) more than 10 barrels a day production	9.0%	14.8%
<del>(e)</del> (ii) <del>(i)</del> (A) <u>post-1999 stripper well exemption</u>	0.5%	14.8%
production		
<del>(ii)</del> (B) <u>post-1999 stripper well bonus production</u>	6.0%	14.8%
(d) horizontally completed well production:		
(i) first 18 months of qualifying production	0.5%	14.8%
(ii) after 18 months:		
(A) pre-1999 wells	12.5%	14.8%
(B) post-1999 wells	9%	14.8%
(e) incremental production:		
(i) new or expanded secondary recovery production	8.5%	14.8%
(ii) new or expanded tertiary production	5.8%	14.8%
(f) horizontally recompleted well:		
(i) first 18 months	5.5%	14.8%
(ii) after 18 months:		
(A) pre-1999 wells	12.5%	14.8%
(B) post-1999 wells	9%	14.8%

- 1 (6) (a) The reduced tax rates under subsection (5)(a)(i) for the first 12 months of oil production from a  
2 well begin following the last day of the calendar month immediately preceding the month in which oil is pumped  
3 or flows, provided that notification has been given to the department.

1 (b) (i) The reduced tax rates under subsection (5)(d)(i) on oil production from a horizontally  
2 completed well for the first 18 months of production begin following the last day of the calendar month  
3 immediately preceding the month in which oil is pumped or flows if the well has been certified as a horizontally  
4 completed well to the department by the board.

5 (ii) The reduced tax rates under subsection (5)(f)(i) on oil production from a horizontally recompleted  
6 well for the first 18 months of production begin following the last day of the calendar month immediately  
7 preceding the month in which oil is pumped or flows if the well has been certified as a horizontally recompleted  
8 well to the department by the board.

9 (c) New or expanded secondary recovery production is taxed as provided in subsection (5)(e)(i) only if  
10 the average price for a barrel of west Texas intermediate crude reported and received by the producer for  
11 Montana oil marketed during a calendar quarter is less than \$54. If the price of oil is equal to or greater than  
12 \$54 a barrel in a calendar quarter as determined in subsection (6)(e), then new or expanded secondary  
13 recovery production from pre-1999 wells and from post-1999 wells is taxed at the rate imposed on primary  
14 recovery production under subsections (5)(a)(ii)(A) and (5)(a)(ii)(B), respectively, for production occurring in that  
15 quarter, other than exempt stripper well production.

16 (d) ~~(i) Stripper~~ Pre-1999 stripper well exemption production is taxed as provided in subsection  
17 ~~(5)(c)(i)~~ (5)(b)(ii)(A) only if the average price reported and received by the producer for Montana oil marketed  
18 during a calendar quarter is less than \$54 a barrel. If the price of oil is equal to or greater than \$54 a barrel,  
19 there is no pre-1999 stripper well exemption tax rate and oil produced from a well that produces 3 barrels a day  
20 or less is taxed as pre-1999 stripper well bonus production.

21 (e) (i) Post-1999 stripper well exemption production is taxed as provided in subsection (5)(c)(ii)(A)  
22 only if the average price reported and received by the producer for Montana oil marketed during a calendar  
23 quarter is less than \$54 a barrel. If the price of oil is equal to or greater than \$54 a barrel, there is no post-1999  
24 stripper well exemption tax rate and oil produced from a well that produces 3 barrels a day or less is taxed as  
25 stripper well bonus production.

26 (ii) Stripper well bonus production is subject to taxation as provided in subsection (5)(c)(ii)(B) only if the  
27 average price reported and received by the producer for Montana oil marketed during a calendar quarter is  
28 equal to or greater than \$54 a barrel.

1           ~~(e) For the purposes of subsection (6)(c), the average price for each barrel must be computed by~~  
 2 ~~dividing the sum of the daily price for a barrel of west Texas intermediate crude oil for the calendar quarter by~~  
 3 ~~the number of days on which the price was reported in the quarter.~~

4           (7) The tax rates imposed under subsections (2) and (5) on working interest owners and nonworking  
 5 interest owners must be adjusted to include the privilege and license tax adopted by the board of oil and gas  
 6 conservation pursuant to 82-11-131 and the tax for the oil and gas natural resource distribution account. The  
 7 total of the privilege and license tax and the tax for the oil and gas natural resource distribution account  
 8 established in 90-6-1001(1) is 0.3%.

9           (8) Any interest in production owned by the state or a local government is exempt from taxation under  
 10 this section."  
 11

12           **SECTION 8. SECTION 15-36-304, MCA, IS AMENDED TO READ:**

13           **"15-36-304. Production tax rates imposed on oil and natural gas -- exemption.** (1) The  
 14 production of oil and natural gas is taxed as provided in this section. The tax is distributed as provided in 15-36-  
 15 331 and 15-36-332.

16           (2) Natural gas is taxed on the gross taxable value of production based on the type of well and type of  
 17 production according to the following schedule for working interest and nonworking interest owners:

	Working Interest	Nonworking Interest
(a) (i) first 12 months of qualifying production	0.5%	14.8%
(ii) after 12 months:		
(A) pre-1999 wells	14.8%	14.8%
(B) post-1999 wells	9%	14.8%
(b) stripper natural gas pre-1999 wells	11%	14.8%
(c) horizontally completed well production:		
(i) first 18 months of qualifying production	0.5%	14.8%
(ii) after 18 months	9%	14.8%

18           (3) The reduced tax rates under subsection (2)(a)(i) on production for the first 12 months of natural



1 gas production from a well begin following the last day of the calendar month immediately preceding the month  
 2 in which natural gas is placed in a natural gas distribution system, provided that notification has been given to  
 3 the department.

4 (4) The reduced tax rates under subsection (2)(c)(i) on production from a horizontally completed well  
 5 for the first 18 months of production begin following the last day of the calendar month immediately preceding  
 6 the month in which natural gas is placed in a natural gas distribution system, provided that notification has been  
 7 given to the department.

8 (5) Oil is taxed on the gross taxable value of production based on the type of well and type of  
 9 production according to the following schedule for working interest and nonworking interest owners:

	Working Interest	Nonworking Interest
(a) primary recovery production:		
(i) first 12 months of qualifying production	0.5%	14.8%
(ii) after 12 months:		
(A) pre-1999 wells	12.5%	14.8%
(B) post-1999 wells	9%	14.8%
(b) <del>(i) pre-1999 stripper oil production: wells</del>	<del>5% 9.2%</del>	<u>14.8%</u>
<u>(ii) (A) pre-1999 stripper well exemption production</u>	<u>0.5%</u>	<u>14.8%</u>
<u>(B) pre-1999 stripper well bonus production</u>	<u>5%</u>	<u>14.8%</u>
(c) (i) <u>post-1999 stripper wells:</u>		
<del>(i)(A)</del> first 1 through 10 barrels a day production	5.5%	14.8%
<del>(ii)(B)</del> more than 10 barrels a day production	9.0%	14.8%
<del>(e)(ii)(i)</del> <u>(A) post-1999 stripper well exemption</u> production	0.5%	14.8%
<del>(ii)(B)</del> <u>post-1999 stripper well bonus production</u>	6.0%	14.8%
(d) horizontally completed well production:		
(i) first 18 months of qualifying production	0.5%	14.8%

(ii) after 18 months:		
(A) pre-1999 wells	12.5%	14.8%
(B) post-1999 wells	9%	14.8%
(e) incremental production:		
(i) new or expanded secondary recovery production	8.5%	14.8%
(ii) new or expanded tertiary production	5.8%	14.8%
(f) horizontally recompleted well:		
(i) first 18 months	5.5%	14.8%
(ii) after 18 months:		
(A) pre-1999 wells	12.5%	14.8%
(B) post-1999 wells	9%	14.8%

1 (6) (a) The reduced tax rates under subsection (5)(a)(i) for the first 12 months of oil production from a  
 2 well begin following the last day of the calendar month immediately preceding the month in which oil is pumped  
 3 or flows, provided that notification has been given to the department.

4 (b) (i) The reduced tax rates under subsection (5)(d)(i) on oil production from a horizontally  
 5 completed well for the first 18 months of production begin following the last day of the calendar month  
 6 immediately preceding the month in which oil is pumped or flows if the well has been certified as a horizontally  
 7 completed well to the department by the board.

8 (ii) The reduced tax rates under subsection (5)(f)(i) on oil production from a horizontally recompleted  
 9 well for the first 18 months of production begin following the last day of the calendar month immediately  
 10 preceding the month in which oil is pumped or flows if the well has been certified as a horizontally recompleted  
 11 well to the department by the board.

12 (c) New or expanded secondary recovery production is taxed as provided in subsection (5)(e)(i) only if  
 13 the average price for a barrel of west Texas intermediate crude reported and received by the producer for  
 14 Montana oil marketed during a calendar quarter is less than \$54. If the price of oil is equal to or greater than  
 15 \$54 a barrel in a calendar quarter as determined in subsection (6)(e), then new or expanded secondary  
 16 recovery production from pre-1999 wells and from post-1999 wells is taxed at the rate imposed on primary  
 17 recovery production under subsections (5)(a)(ii)(A) and (5)(a)(ii)(B), respectively, for production occurring in that

1 quarter, other than exempt stripper well production.

2 (d) ~~(i) Stripper Pre-1999 stripper well exemption~~ production is taxed as provided in subsection  
 3 ~~(5)(c)(i) (5)(b)(ii)(A)~~ only if the average price reported and received by the producer for Montana oil marketed  
 4 during a calendar quarter is less than \$54 a barrel. If the price of oil is equal to or greater than \$54 a barrel,  
 5 there is no pre-1999 stripper well exemption tax rate and oil produced from a well that produces 3 barrels a day  
 6 or less is taxed as pre-1999 stripper well bonus production.

7 (e) (i) Post-1999 stripper well exemption production is taxed as provided in subsection (5)(c)(ii)(A)  
 8 only if the average price reported and received by the producer for Montana oil marketed during a calendar  
 9 quarter is less than \$54 a barrel. If the price of oil is equal to or greater than \$54 a barrel, there is no post-1999  
 10 stripper well exemption tax rate and oil produced from a well that produces 3 barrels a day or less is taxed as  
 11 stripper well bonus production.

12 (ii) Stripper well bonus production is subject to taxation as provided in subsection (5)(c)(ii)(B) only if the  
 13 average price reported and received by the producer for Montana oil marketed during a calendar quarter is  
 14 equal to or greater than \$54 a barrel.

15 ~~(e) For the purposes of subsection (6)(c), the average price for each barrel must be computed by~~  
 16 ~~dividing the sum of the daily price for a barrel of west Texas intermediate crude oil for the calendar quarter by~~  
 17 ~~the number of days on which the price was reported in the quarter.~~

18 (7) The tax rates imposed under subsections (2) and (5) on working interest owners and nonworking  
 19 interest owners must be adjusted to include the privilege and license tax adopted by the board of oil and gas  
 20 conservation pursuant to 82-11-131 and the tax for the oil and gas natural resource distribution account. The  
 21 total of the privilege and license tax and the tax for the oil and gas natural resource distribution account  
 22 established in 90-6-1001(1) is 0.3%.

23 (8) Any interest in production owned by the state or a local government is exempt from taxation under  
 24 this section."

25

26 **SECTION 9.** SECTION 15-36-304, MCA, IS AMENDED TO READ:

27 **"15-36-304. Production tax rates imposed on oil and natural gas -- exemption.** (1) The  
 28 production of oil and natural gas is taxed as provided in this section. The tax is distributed as provided in 15-36-

1 331 and 15-36-332.

2 (2) Natural gas is taxed on the gross taxable value of production based on the type of well and type of  
 3 production according to the following schedule for working interest and nonworking interest owners:

	Working Interest	Nonworking Interest
(a) (i) first 12 months of qualifying production	0.5%	14.8%
(ii) after 12 months:		
(A) pre-1999 wells	14.8%	14.8%
(B) post-1999 wells	9%	14.8%
(b) stripper natural gas pre-1999 wells	11%	14.8%
(c) horizontally completed well production:		
(i) first 18 months of qualifying production	0.5%	14.8%
(ii) after 18 months	9%	14.8%

4 (3) The reduced tax rates under subsection (2)(a)(i) on production for the first 12 months of natural  
 5 gas production from a well begin following the last day of the calendar month immediately preceding the month  
 6 in which natural gas is placed in a natural gas distribution system, provided that notification has been given to  
 7 the department.

8 (4) The reduced tax rates under subsection (2)(c)(i) on production from a horizontally completed well  
 9 for the first 18 months of production begin following the last day of the calendar month immediately preceding  
 10 the month in which natural gas is placed in a natural gas distribution system, provided that notification has been  
 11 given to the department.

12 (5) Oil is taxed on the gross taxable value of production based on the type of well and type of  
 13 production according to the following schedule for working interest and nonworking interest owners:

	Working Interest	Nonworking Interest
(a) primary recovery production:		
(i) first 12 months of qualifying production	0.5%	14.8%

(ii) after 12 months:		
(A) pre-1999 wells	12.5%	14.8%
(B) post-1999 wells	9%	14.8%
(b) (i) <u>pre-1999 stripper oil production wells</u>	<u>5% 9.2%</u>	<u>14.8%</u>
<u>(ii) (A) pre-1999 stripper well exemption production</u>	<u>0.5%</u>	<u>14.8%</u>
<u>(B) pre-1999 stripper well bonus production</u>	<u>5%</u>	<u>14.8%</u>
(c) (i) <u>post-1999 stripper wells:</u>		
<del>(i)</del> (A) first 1 through 10 barrels a day production	5.5%	14.8%
<del>(ii)</del> (B) more than 10 barrels a day production	9.0%	14.8%
<del>(e)</del> (ii) <del>(i)</del> (A) <u>post-1999 stripper well exemption</u>	0.5%	14.8%
production		
<del>(ii)</del> (B) <u>post-1999 stripper well bonus production</u>	6.0%	14.8%
(d) horizontally completed well production:		
(i) first 18 months of qualifying production	0.5%	14.8%
(ii) after 18 months:		
(A) pre-1999 wells	12.5%	14.8%
(B) post-1999 wells	9%	14.8%
(e) incremental production:		
(i) new or expanded secondary recovery production	8.5%	14.8%
(ii) new or expanded tertiary production	5.8%	14.8%
(f) horizontally recompleted well:		
(i) first 18 months	5.5%	14.8%
(ii) after 18 months:		
(A) pre-1999 wells	12.5%	14.8%
(B) post-1999 wells	9%	14.8%

- 1 (6) (a) The reduced tax rates under subsection (5)(a)(i) for the first 12 months of oil production from a  
2 well begin following the last day of the calendar month immediately preceding the month in which oil is pumped  
3 or flows, provided that notification has been given to the department.

1 (b) (i) The reduced tax rates under subsection (5)(d)(i) on oil production from a horizontally  
 2 completed well for the first 18 months of production begin following the last day of the calendar month  
 3 immediately preceding the month in which oil is pumped or flows if the well has been certified as a horizontally  
 4 completed well to the department by the board.

5 (ii) The reduced tax rates under subsection (5)(f)(i) on oil production from a horizontally recompleted  
 6 well for the first 18 months of production begin following the last day of the calendar month immediately  
 7 preceding the month in which oil is pumped or flows if the well has been certified as a horizontally recompleted  
 8 well to the department by the board.

9 (c) New or expanded secondary recovery production is taxed as provided in subsection (5)(e)(i) only if  
 10 the average price for a barrel of west Texas intermediate crude reported and received by the producer for  
 11 Montana oil marketed during a calendar quarter is less than \$54. If the price of oil is equal to or greater than  
 12 \$54 a barrel ~~in a calendar quarter as determined in subsection (6)(e)~~, then new or expanded secondary  
 13 recovery production from pre-1999 wells and from post-1999 wells is taxed at the rate imposed on primary  
 14 recovery production under subsections (5)(a)(ii)(A) and (5)(a)(ii)(B), respectively, for production occurring in that  
 15 quarter, other than exempt stripper well production.

16 (d) ~~(i) Stripper~~ Pre-1999 stripper well exemption production is taxed as provided in subsection  
 17 ~~(5)(c)(i)~~ (5)(b)(ii)(A) only if the average price reported and received by the producer for Montana oil marketed  
 18 during a calendar quarter is less than \$54 a barrel. If the price of oil is equal to or greater than \$54 a barrel,  
 19 there is no pre-1999 stripper well exemption tax rate and oil produced from a well that produces 3 barrels a day  
 20 or less is taxed as pre-1999 stripper well bonus production.

21 (e) (i) Post-1999 stripper well exemption production is taxed as provided in subsection (5)(c)(ii)(A)  
 22 only if the average price reported and received by the producer for Montana oil marketed during a calendar  
 23 quarter is less than \$54 a barrel. If the price of oil is equal to or greater than \$54 a barrel, there is no post-1999  
 24 stripper well exemption tax rate and oil produced from a well that produces 3 barrels a day or less is taxed as  
 25 stripper well bonus production.

26 (ii) Stripper well bonus production is subject to taxation as provided in subsection (5)(c)(ii)(B) only if the  
 27 average price reported and received by the producer for Montana oil marketed during a calendar quarter is  
 28 equal to or greater than \$54 a barrel.

1           ~~(e) For the purposes of subsection (6)(c), the average price for each barrel must be computed by~~  
 2 ~~dividing the sum of the daily price for a barrel of west Texas intermediate crude oil for the calendar quarter by~~  
 3 ~~the number of days on which the price was reported in the quarter.~~

4           (7) The tax rates imposed under subsections (2) and (5) on working interest owners and nonworking  
 5 interest owners must be adjusted to include the privilege and license tax adopted by the board of oil and gas  
 6 conservation pursuant to 82-11-131 and the tax for the oil and gas natural resource distribution account. The  
 7 total of the privilege and license tax and the tax for the oil and gas natural resource distribution account  
 8 established in 90-6-1001(1) is 0.3%.

9           (8) Any interest in production owned by the state or a local government is exempt from taxation under  
 10 this section."  
 11

12           **SECTION 10. SECTION 15-36-304, MCA, IS AMENDED TO READ:**

13           **"15-36-304. Production tax rates imposed on oil and natural gas -- exemption.** (1) The  
 14 production of oil and natural gas is taxed as provided in this section. The tax is distributed as provided in 15-36-  
 15 331 and 15-36-332.

16           (2) Natural gas is taxed on the gross taxable value of production based on the type of well and type of  
 17 production according to the following schedule for working interest and nonworking interest owners:

	Working Interest	Nonworking Interest
(a) (i) first 12 months of qualifying production	0.5%	14.8%
(ii) after 12 months:		
(A) pre-1999 wells	14.8%	14.8%
(B) post-1999 wells	9%	14.8%
(b) stripper natural gas pre-1999 wells	11%	14.8%
(c) horizontally completed well production:		
(i) first 18 months of qualifying production	0.5%	14.8%
(ii) after 18 months	9%	14.8%

18           (3) The reduced tax rates under subsection (2)(a)(i) on production for the first 12 months of natural

1 gas production from a well begin following the last day of the calendar month immediately preceding the month  
 2 in which natural gas is placed in a natural gas distribution system, provided that notification has been given to  
 3 the department.

4 (4) The reduced tax rates under subsection (2)(c)(i) on production from a horizontally completed well  
 5 for the first 18 months of production begin following the last day of the calendar month immediately preceding  
 6 the month in which natural gas is placed in a natural gas distribution system, provided that notification has been  
 7 given to the department.

8 (5) Oil is taxed on the gross taxable value of production based on the type of well and type of  
 9 production according to the following schedule for working interest and nonworking interest owners:

	Working Interest	Nonworking Interest
(a) primary recovery production:		
(i) first 12 months of qualifying production	0.5%	14.8%
(ii) after 12 months:		
(A) pre-1999 wells	12.5%	14.8%
(B) post-1999 wells	9%	14.8%
(b) <u>(i) pre-1999 stripper oil production wells</u>	<u>5% 9.2%</u>	<u>14.8%</u>
<u>(ii) (A) pre-1999 stripper well exemption production</u>	<u>0.5%</u>	<u>14.8%</u>
<u>(B) pre-1999 stripper well bonus production</u>	<u>5%</u>	<u>14.8%</u>
(c) (i) <u>post-1999 stripper wells:</u>		
<del>(i)</del> (A) first 1 through 10 barrels a day production	5.5%	14.8%
<del>(ii)</del> (B) more than 10 barrels a day production	9.0%	14.8%
<del>(e)</del> (ii) <del>(i)</del> (A) <u>post-1999 stripper well exemption</u> production	0.5%	14.8%
<del>(ii)</del> (B) <u>post-1999 stripper well bonus production</u>	6.0%	14.8%
(d) horizontally completed well production:		
(i) first 18 months of qualifying production	0.5%	14.8%



(ii) after 18 months:		
(A) pre-1999 wells	12.5%	14.8%
(B) post-1999 wells	9%	14.8%
(e) incremental production:		
(i) new or expanded secondary recovery production	8.5%	14.8%
(ii) new or expanded tertiary production	5.8%	14.8%
(f) horizontally recompleted well:		
(i) first 18 months	5.5%	14.8%
(ii) after 18 months:		
(A) pre-1999 wells	12.5%	14.8%
(B) post-1999 wells	9%	14.8%

1 (6) (a) The reduced tax rates under subsection (5)(a)(i) for the first 12 months of oil production from a  
 2 well begin following the last day of the calendar month immediately preceding the month in which oil is pumped  
 3 or flows, provided that notification has been given to the department.

4 (b) (i) The reduced tax rates under subsection (5)(d)(i) on oil production from a horizontally  
 5 completed well for the first 18 months of production begin following the last day of the calendar month  
 6 immediately preceding the month in which oil is pumped or flows if the well has been certified as a horizontally  
 7 completed well to the department by the board.

8 (ii) The reduced tax rates under subsection (5)(f)(i) on oil production from a horizontally recompleted  
 9 well for the first 18 months of production begin following the last day of the calendar month immediately  
 10 preceding the month in which oil is pumped or flows if the well has been certified as a horizontally recompleted  
 11 well to the department by the board.

12 (c) New or expanded secondary recovery production is taxed as provided in subsection (5)(e)(i) only if  
 13 the average price for a barrel of west Texas intermediate crude reported and received by the producer for  
 14 Montana oil marketed during a calendar quarter is less than \$54. If the price of oil is equal to or greater than  
 15 \$54 a barrel in a calendar quarter as determined in subsection (6)(e), then new or expanded secondary  
 16 recovery production from pre-1999 wells and from post-1999 wells is taxed at the rate imposed on primary  
 17 recovery production under subsections (5)(a)(ii)(A) and (5)(a)(ii)(B), respectively, for production occurring in that

1 quarter, other than exempt stripper well production.

2 (d) ~~(i) Stripper~~ Pre-1999 stripper well exemption production is taxed as provided in subsection  
 3 ~~(5)(c)(i)~~ (5)(b)(ii)(A) only if the average price reported and received by the producer for Montana oil marketed  
 4 during a calendar quarter is less than \$54 a barrel. If the price of oil is equal to or greater than \$54 a barrel,  
 5 there is no pre-1999 stripper well exemption tax rate and oil produced from a well that produces 3 barrels a day  
 6 or less is taxed as pre-1999 stripper well bonus production.

7 (e) (i) Post-1999 stripper well exemption production is taxed as provided in subsection (5)(c)(ii)(A)  
 8 only if the average price reported and received by the producer for Montana oil marketed during a calendar  
 9 quarter is less than \$54 a barrel. If the price of oil is equal to or greater than \$54 a barrel, there is no post-1999  
 10 stripper well exemption tax rate and oil produced from a well that produces 3 barrels a day or less is taxed as  
 11 stripper well bonus production.

12 (ii) Stripper well bonus production is subject to taxation as provided in subsection (5)(c)(ii)(B) only if the  
 13 average price reported and received by the producer for Montana oil marketed during a calendar quarter is  
 14 equal to or greater than \$54 a barrel.

15 ~~(e) For the purposes of subsection (6)(c), the average price for each barrel must be computed by~~  
 16 ~~dividing the sum of the daily price for a barrel of west Texas intermediate crude oil for the calendar quarter by~~  
 17 ~~the number of days on which the price was reported in the quarter.~~

18 (7) The tax rates imposed under subsections (2) and (5) on working interest owners and nonworking  
 19 interest owners must be adjusted to include the privilege and license tax adopted by the board of oil and gas  
 20 conservation pursuant to 82-11-131 and the tax for the oil and gas natural resource distribution account. The  
 21 total of the privilege and license tax and the tax for the oil and gas natural resource distribution account  
 22 established in 90-6-1001(1) is 0.3%.

23 (8) Any interest in production owned by the state or a local government is exempt from taxation under  
 24 this section."

25  
 26 NEW SECTION. SECTION 11. SEVERABILITY. IF A PART OF [THIS ACT] IS INVALID, ALL VALID PARTS THAT  
 27 ARE SEVERABLE FROM THE INVALID PART REMAIN IN EFFECT. IF A PART OF [THIS ACT] IS INVALID IN ONE OR MORE OF ITS  
 28 APPLICATIONS, THE PART REMAINS IN EFFECT IN ALL VALID APPLICATIONS THAT ARE SEVERABLE FROM THE INVALID

1 APPLICATIONS.

2

3 NEW SECTION. Section 12. Effective date DATES -- APPLICABILITY. (1) ~~[This act]~~ EXCEPT AS  
 4 PROVIDED IN SUBSECTIONS (2) THROUGH (6), [THIS ACT] is effective July 1, 2021.

5 (2) [SECTIONS 1 AND 6] ARE EFFECTIVE JANUARY 1, 2022, AND APPLY TO THE CALENDAR YEAR BEGINNING  
 6 AFTER DECEMBER 31, 2021.

7 (3) [SECTIONS 2 AND 7] ARE EFFECTIVE JANUARY 1, 2023, AND APPLY TO THE CALENDAR YEAR BEGINNING  
 8 AFTER DECEMBER 31, 2022.

9 (4) [SECTIONS 3 AND 8] ARE EFFECTIVE JANUARY 1, 2024, AND APPLY TO THE INCOME CALENDAR YEAR  
 10 BEGINNING AFTER DECEMBER 31, 2023.

11 (5) [SECTIONS 4 AND 9] ARE EFFECTIVE JANUARY 1, 2025, AND APPLY TO THE CALENDAR YEAR BEGINNING  
 12 AFTER DECEMBER 31, 2024.

13 (6) [SECTIONS 5 AND 10] ARE EFFECTIVE JANUARY 1, 2026, AND APPLY TO CALENDAR YEARS BEGINNING  
 14 AFTER DECEMBER 31, 2025.

15

16 NEW SECTION. SECTION 13. TERMINATION. (1) [SECTIONS 1 AND 6] TERMINATE DECEMBER 31, 2022.

17 (2) [SECTIONS 2 AND 7] TERMINATE DECEMBER 31, 2023.

18 (3) [SECTIONS 3 AND 8] TERMINATE DECEMBER 31, 2024.

19 (4) [SECTIONS 4 AND 9] TERMINATE DECEMBER 31, 2025.

20 (5) [SECTION 14] TERMINATES JANUARY 1, 2025.

21

22 NEW SECTION. SECTION 14. CONTINGENT TERMINATION -- LEGISLATIVE INTENT -- SPECIFIC FINDINGS --

23 REPORT TO LEGISLATIVE FINANCE COMMITTEE. (1) THE LEGISLATURE INTENDS TO PROVIDE THE TAX RELIEF PROVIDED

24 BY [THIS ACT] WHILE ALSO PREVENTING THE LOSS OF FEDERAL FUNDS THAT ARE AVAILABLE TO THE STATE AS PART OF

25 THE RECENTLY ENACTED AMERICAN RESCUE PLAN ACT, PUBLIC LAW 117-2. THE CONTINGENT TERMINATION

26 PROVISIONS IN SUBSECTIONS (2) THROUGH (5) ARE LIMITED TO THE DURATION OF TIME ESTABLISHED BY EACH

27 SUBSECTION AND ARE NECESSARY BASED ON THE LACK OF INFORMATION AVAILABLE TO THE LEGISLATURE FROM THE

28 FEDERAL GOVERNMENT AT THE TIME OF ENACTMENT OF [THIS ACT].

1           (2) [SECTIONS 1 AND 6] TERMINATE ON THE DATE THAT THE BUDGET DIRECTOR PROVIDES THE CERTIFICATION  
2 PROVIDED FOR IN SUBSECTION (7). IN ORDER TO BE EFFECTIVE, THE CERTIFICATION MUST BE MADE IN CALENDAR YEAR  
3 2021.

4           (3) [SECTIONS 2 AND 7] TERMINATE ON THE DATE THAT THE BUDGET DIRECTOR PROVIDES THE CERTIFICATION  
5 PROVIDED FOR IN SUBSECTION (7). IN ORDER TO BE EFFECTIVE, THE CERTIFICATION MUST BE MADE BETWEEN OCTOBER  
6 1, 2022, AND DECEMBER 31, 2022.

7           (4) [SECTIONS 3 AND 8] TERMINATE ON THE DATE THAT THE BUDGET DIRECTOR PROVIDES THE CERTIFICATION  
8 PROVIDED FOR IN SUBSECTION (7). IN ORDER TO BE EFFECTIVE, THE CERTIFICATION MUST BE MADE BETWEEN OCTOBER  
9 1, 2023, AND DECEMBER 31, 2023.

10           (5) [SECTIONS 4 AND 9] TERMINATE ON THE DATE THAT THE BUDGET DIRECTOR PROVIDES THE CERTIFICATION  
11 PROVIDED FOR IN SUBSECTION (7). IN ORDER TO BE EFFECTIVE, THE CERTIFICATION MUST BE MADE BETWEEN OCTOBER  
12 1, 2024, AND DECEMBER 31, 2024.

13           (6) (A) THE BUDGET DIRECTOR SHALL CONTINUALLY EVALUATE WHETHER IMPLEMENTATION OF A SECTION OF  
14 [THIS ACT] WILL:

15           (I) RESULT IN A REDUCTION OF FUNDS FROM THE AMERICAN RESCUE PLAN ACT; OR

16           (II) REQUIRE THE STATE TO REPAY OR REFUND TO THE FEDERAL GOVERNMENT PURSUANT TO THE AMERICAN  
17 RESCUE PLAN ACT.

18           (B) THE BUDGET DIRECTOR SHALL CONSIDER GUIDANCE FROM:

19           (I) THE FEDERAL GOVERNMENT ABOUT THE AMERICAN RESCUE PLAN ACT;

20           (II) COURT DECISIONS ABOUT THE AMERICAN RESCUE PLAN ACT;

21           (III) AMENDMENTS TO THE AMERICAN RESCUE PLAN ACT;

22           (IV) ANY INFORMATION PROVIDED BY THE ATTORNEY GENERAL; AND

23           (V) OTHER RELEVANT INFORMATION ABOUT THE AMERICAN RESCUE PLAN ACT.

24           (C) IF THE BUDGET DIRECTOR DETERMINES THAT THE IMPLEMENTATION OF A SECTION OF [THIS ACT] MAY  
25 SATISFY THE CRITERIA IN SUBSECTION (6)(A) BASED ON THE GUIDANCE IN SUBSECTION (6)(B), THE BUDGET DIRECTOR  
26 SHALL NOTIFY THE LEGISLATIVE FINANCE COMMITTEE OF THE PRELIMINARY DETERMINATION. THE BUDGET DIRECTOR'S  
27 NOTIFICATION OF THE PRELIMINARY DETERMINATION MAY OCCUR AFTER JANUARY 1 BUT NO LATER THAN DECEMBER 10  
28 OF EACH OF THE CALENDAR YEARS 2021, 2022, 2023, AND 2024. WITHIN 20 DAYS OF NOTIFICATION, THE LEGISLATIVE

1 FINANCE COMMITTEE SHALL PROVIDE THE BUDGET DIRECTOR WITH ANY RECOMMENDATIONS CONCERNING THE  
2 PRELIMINARY DETERMINATION. THE BUDGET DIRECTOR SHALL CONSIDER ANY RECOMMENDATIONS OF THE LEGISLATIVE  
3 FINANCE COMMITTEE.

4 (7) IF THE BUDGET DIRECTOR DETERMINES THAT THE IMPLEMENTATION OF A SECTION OF [THIS ACT] WOULD  
5 MORE LIKELY THAN NOT SATISFY THE CRITERIA IN SUBSECTION (6)(A) BASED ON THE GUIDANCE IN SUBSECTION (6)(B)  
6 AND THE RECOMMENDATIONS OF THE LEGISLATIVE FINANCE COMMITTEE IN SUBSECTION (6)(C), THE BUDGET DIRECTOR  
7 SHALL PROVIDE CERTIFICATION IN WRITING TO THE LEGISLATIVE FINANCE COMMITTEE AND THE CODE COMMISSIONER OF  
8 THE OCCURRENCE OF THE RELEVANT CONTINGENCY PROVIDED FOR IN SUBSECTIONS (2) THROUGH (5).

9 - END -