

HOUSE BILL NO. 587

INTRODUCED BY D. COFFIN

A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING THE CAPTURE AND TAXATION OF CERTAIN NATURAL GAS THAT IS VENTED OR FLARED; LIMITING THE AMOUNT OF NATURAL GAS THAT CAN BE VENTED OR FLARED; REQUIRING THAT CERTAIN CAPTURED NATURAL GAS BE TAXED; PROVIDING A METHOD FOR VALUING CAPTURED NATURAL GAS THAT IS NOT SOLD; AMENDING SECTIONS 15-36-305 AND 82-11-121, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

Section 1. Section 15-36-305, MCA, is amended to read:

"15-36-305. Determination of gross value of product. (1) The total gross value of all oil or natural gas produced and sold each quarter must be determined by taking the total number of barrels or cubic feet of oil or natural gas produced and sold each month at the average value at the mouth of the well during the month that the oil or natural gas is produced and sold, as determined by the department. ~~However, in~~

(2) Natural gas produced as part of the oil or natural gas production process that exceeds the limit in 82-11-121(2) must be captured and taxed as provided in 15-36-304 unless an exception is granted pursuant to 82-11-121(2). The department shall determine the value of the natural gas as provided in subsection (1). If the natural gas is not sold, the department shall value the natural gas using the average value for all natural gas produced and sold over the previous 4 calendar quarters.

(3) In computing the total number of barrels of oil or cubic feet of gas produced and sold or captured under subsections (1) and (2), there must be deducted the amount of oil or gas used by the person in connection with the operation of the well from which the oil or gas is produced or for pumping the oil or gas from the well to a tank or pipeline.

~~(2)~~(4) For the purposes of determining average value at the mouth of a well, a fee of up to 25 cents a barrel paid to the operator or producer to administer royalty payments, whether or not the fee is payable on a per barrel basis, may not be considered a part of the value of the oil."

Section 2. Section 82-11-121, MCA, is amended to read:

1 **"82-11-121. Oil and gas waste prohibited.** (1) Waste of oil and gas or either of them as waste is
2 defined in this chapter is prohibited.

3 (2) A well may not flare or vent more than 50,000 cubic feet of natural gas per day after a 60-day
4 stabilized production test unless the board grants an exception."

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6 NEW SECTION. **Section 3. Effective date.** [This act] is effective July 1, 2013.

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8 NEW SECTION. **Section 4. Applicability.** [This act] applies to natural gas vented or flared after June
9 30, 2013.

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