

SENATE BILL NO. 295

INTRODUCED BY C. KAUFMANN

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3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TERMINATING THE REDUCED TAX RATES FOR NEW OIL
5 PRODUCTION AND NEW NATURAL GAS PRODUCTION AND USING THE PROCEEDS FOR OIL AND
6 NATURAL GAS IMPACT PROJECTS AND THE PROMOTION OF RENEWABLE RESOURCES; PROVIDING
7 THAT THE REVISED TAX RATES APPLY TO OIL AND NATURAL GAS WELLS DRILLED AFTER DECEMBER
8 31, 2013; DEFINING OIL AND GAS IMPACT PROJECTS; ESTABLISHING PRIORITIES FOR OIL AND GAS
9 IMPACT PROJECTS PROPOSALS FROM LOCAL GOVERNMENTS; PROVIDING REVIEW OF OIL AND GAS
10 IMPACT PROJECT PROPOSALS BY THE DEPARTMENT OF COMMERCE; CREATING A COMMUNITY OIL
11 AND NATURAL GAS IMPACT RELIEF ACCOUNT TO PROVIDE FINANCIAL ASSISTANCE TO LOCAL
12 GOVERNMENTS; CREATING A RENEWABLE RESOURCES TRUST FUND; PROVIDING FOR THE USE OF
13 THE INTEREST AND INCOME FROM THE RENEWABLE RESOURCES TRUST FUND FOR PROMOTION OF
14 RENEWABLE RESOURCES AND HUNTING AND FISHING ACCESS OPPORTUNITY; PROVIDING
15 RULEMAKING AUTHORITY; AMENDING SECTIONS 15-36-303, 15-36-304, AND 15-36-331, MCA; AND
16 PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

17
18 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

19
20 NEW SECTION. **Section 1. Definitions.** As used in [sections 1 through 4], the following definitions
21 apply:

- 22 (1) "Department" means the department of commerce provided for in 2-15-1801.
23 (2) "Local government" means an incorporated city or town, a county, a consolidated local government,
24 a tribal government, a county or multicounty water, sewer, or solid waste district, or an authority as defined in
25 75-6-304.
26 (3) "Oil and gas impact projects" means:
27 (a) drinking water systems;
28 (b) wastewater treatment;
29 (c) sanitary sewer or storm sewer systems;
30 (d) solid waste disposal and separation systems, including site acquisition, preparation, or monitoring;

- 1 (e) roads;
2 (f) bridges; or
3 (g) facilities for government administration, fire protection, law enforcement, and emergency services.
4 (4) "Tribal government" means the government of a federally recognized Indian tribe within the state of
5 Montana.

6

7 **NEW SECTION. Section 2. Priorities for community infrastructure projects -- procedure --**
8 **rulemaking.** (1) The department must:

9 (a) receive proposals for oil and gas impact projects from local governments that have been required
10 to maintain and expand local government infrastructure as a consequence of oil and gas development on a
11 continual basis;

12 (b) work with a local government in preparing cost estimates for oil and gas impact projects; and

13 (c) prepare and submit a list containing the recommended oil and gas impact projects and the
14 recommended form and amount of financial assistance for each oil and gas impact project to the governor,
15 prioritized pursuant to subsection (3) after taking into consideration the amount of money projected to be available
16 in the community oil and natural gas impact relief account provided for in [section 3].

17 (2) Before making recommendations to the governor, the department may adjust the ranking of oil and
18 gas impact projects by giving priority to urgent and serious public health or safety problems. The governor shall
19 review the oil and gas impact projects recommended by the department and shall submit the lists of
20 recommended oil and gas impact projects and the recommended financial assistance to the legislature for
21 approval.

22 (3) In preparing recommendations under subsection (1), preference must be given to oil and gas impact
23 projects based on the following order of priority:

24 (a) projects that solve urgent and serious public health or safety problems or that enable local
25 governments to meet state or federal health or safety standards;

26 (b) projects that reflect greater need for financial assistance than other projects;

27 (c) projects that incorporate appropriate, cost-effective technical design and that provide thorough,
28 long-term solutions to community public facility needs;

29 (d) projects that enable local governments to obtain funds from sources other than the funds provided
30 under this part; and

1 (e) projects that are high local priorities and have strong community support.

2 (4) The department shall report to each regular session of the legislature the status of all oil and gas
3 impact projects that have not been completed in order for the legislature to review each project's status and
4 determine whether the authorized grant should be withdrawn.

5
6 **NEW SECTION. Section 3. Community oil and natural gas impact relief account.** (1) There is a
7 community oil and natural gas impact relief account in the state special revenue fund provided for in 17-2-102.
8 There must be deposited in the account oil and natural gas production taxes, if any, pursuant to
9 15-36-331(1)(c)(i). The funds must be administered by the department.

10 (2) The purpose of the account is to assist local governments that have been required to maintain and
11 expand local government infrastructure as a consequence of oil and gas development.

12 (3) A local government may submit proposals to the department for oil and gas impact projects on a
13 continual basis as provided in [section 2].

14
15 **NEW SECTION. Section 4. Rulemaking authority.** (1) The department shall adopt rules necessary
16 for the administration of [sections 1 through 4].

17 (2) The rules may include but are not limited to:

18 (a) consistent with [section 2], the criteria to use when evaluating grant proposals and prioritizing and
19 awarding grants;

20 (b) application procedures;

21 (c) disbursement of grants; and

22 (d) reporting procedures for grant recipients.

23
24 **NEW SECTION. Section 5. Renewable resources trust fund.** (1) There is a renewable resources trust
25 fund within the permanent fund type. There must be deposited in the trust fund oil and natural gas production
26 taxes, if any, pursuant to 15-36-331(1)(c)(ii). The funds must be administered by the department.

27 (2) The money in the fund may be used to assist in the promotion of renewable resources in Montana,
28 including but not limited to securing, developing, and maintaining wildlife habitat to enhance opportunity for
29 hunting and fishing access and funding programs administered by the state to conserve Montana's water
30 resources.

1 (3) The interest and income earned on money in the trust fund must be retained within the fund until the
2 principal reaches \$50 million. When the fund balance reaches \$50 million, the interest earned may be
3 appropriated for the promotion of renewable resources in Montana as specified in subsection (2).

4 (4) The department shall provide to the legislature, as provided in 5-11-210, a biennial report of the
5 expenditures of the money appropriated from the renewable resources trust fund.

6

7 **Section 6.** Section 15-36-303, MCA, is amended to read:

8 **"15-36-303. Definitions.** As used in this part, the following definitions apply:

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

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

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

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

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

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

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

25 (8) "Horizontally completed well" means:

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

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

28 (9) "Incremental production" means:

29 (a) the volume of oil produced by a new enhanced recovery project, by a well in primary recovery
30 recompleted as a horizontally completed well, or by an expanded enhanced recovery project, which volume of

1 production is in excess of the production decline rate established under the conditions existing before:

2 (i) the commencement of the recompletion of a well as a horizontally completed well;

3 (ii) expansion of the existing enhanced recovery project; or

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

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

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

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

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

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

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

19 (15) "Post-1999 well" means an oil or natural gas well drilled on or after January 1, 1999, and before
20 January 1, 2014, that produces oil or natural gas or a well that has not produced oil or natural gas during the 5
21 years immediately preceding the first month of qualifying as a post-1999 well.

22 (16) "Post-2013 well" means an oil or natural gas well or horizontally completed well drilled on or after
23 January 1, 2014, that produces oil or natural gas.

24 ~~(16)~~(17) "Pre-1999 well" means an oil or natural gas well that was drilled before January 1, 1999.

25 (18) "Pre-2014 well" means an oil or natural gas well or horizontally completed well drilled on or before
26 December 31, 2013, that produces oil or natural gas.

27 ~~(17)~~(19) "Primary recovery" means the displacement of oil from the earth into the well bore by means of
28 the natural pressure of the oil reservoir and includes artificial lift.

29 ~~(18)~~(20) "Production decline rate" means the projected rate of future oil production, extrapolated by a
30 method approved by the board, that must be determined for a project area prior to commencing a new or

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

6 ~~(19)(21)~~ (a) "Qualifying production" means, except as provided in subsection (21)(b), the first 12 months
 7 of production of oil or natural gas from a well drilled after December 31, 1998, and before January 1, 2014, or,
 8 except as provided in subsection (21)(b), the first 18 months of production of oil or natural gas from a horizontally
 9 completed well drilled after December 31, 1998, and before January 1, 2014, or from a well that has not produced
 10 oil or natural gas during the 5 years immediately preceding the first month of qualifying production.

11 (b) Qualifying production does not include oil and natural gas production from:

12 (i) an oil and natural gas well drilled after December 31, 2013;

13 (ii) a horizontally recompleted well; or

14 (iii) a horizontally completed well drilled after December 31, 2013.

15 ~~(20)(22)~~ "Secondary recovery project" means an enhanced recovery project, other than a tertiary recovery
 16 project, that commenced or was expanded after December 31, 1993, and meets each of the following
 17 requirements:

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

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

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

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

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

30 ~~(24)(23)~~ "Stripper natural gas" means the natural gas produced from any well that produces less than

1 60,000 cubic feet of natural gas a day during the calendar year immediately preceding the current year.
2 Production must be determined by dividing the amount of production from a lease or unitized area for the year
3 immediately preceding the current calendar year by the number of producing wells in the lease or unitized area
4 and by dividing the resulting quotient by 365.

5 ~~(22)~~(24) (a) "Stripper oil" means the oil produced from any well that produces more than 3 barrels but less
6 than 15 barrels a day for the calendar year immediately preceding the current year if the average price for a barrel
7 of oil as reported in the Wall Street Journal for west Texas intermediate crude oil during a calendar quarter is less
8 than \$30 a barrel. If the price of oil is equal to or greater than \$30 a barrel in a calendar quarter, there is no
9 stripper tax rate in that quarter.

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

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

16 ~~(23)~~(25) "Stripper well exemption" or "stripper well bonus" means petroleum and other mineral or crude
17 oil produced by a stripper well that produces 3 barrels a day or less. Production from this type of well must be
18 determined as provided in subsection ~~(22)~~(e) (24)(c).

19 ~~(24)~~(26) "Tertiary recovery project" means an enhanced recovery project, other than a secondary
20 recovery project, using a tertiary recovery method that meets the following requirements:

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

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

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

29 (i) miscible fluid displacement;

30 (ii) steam drive injection;

- 1 (iii) micellar/emulsion flooding;
- 2 (iv) in situ combustion;
- 3 (v) polymer augmented water flooding;
- 4 (vi) cyclic steam injection;
- 5 (vii) alkaline or caustic flooding;
- 6 (viii) carbon dioxide water flooding;
- 7 (ix) immiscible carbon dioxide displacement; or
- 8 (x) any other method approved by the board as a tertiary recovery method.

9 ~~(25)~~(27) "Well" or "wells" means a single well or a group of wells in one field or production unit and under
 10 the control of one operator or producer.

11 ~~(26)~~(28) "Working interest owner" means the owner of an interest in an oil or natural gas well or wells who
 12 bears any portion of the exploration, development, and operating costs of the well or wells."

13

14 **Section 7.** Section 15-36-304, MCA, is amended to read:

15 **"15-36-304. Production tax rates imposed on oil and natural gas -- exemption.** (1) The production
 16 of oil and natural gas is taxed as provided in this section. The tax is distributed as provided in 15-36-331 and
 17 15-36-332.

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

	Working	Nonworking
	Interest	Interest
22 (a) (i) <u>pre-2014 wells:</u>		
23 <u>(i)</u> first 12 months of qualifying production	0.5%	14.8%
24 <u>(ii)</u> after 12 months:		
25 (A) pre-1999 wells	14.8%	14.8%
26 (B) post-1999 wells	9%	14.8%
27 (b) stripper natural gas pre-1999 wells	11%	14.8%
28 (c) horizontally completed well production:		
29 <u>(i)</u> <u>pre-2014 wells:</u>		
30 <u>(A)</u> first 18 months of qualifying production	0.5%	14.8%

1	(ii)(B) after 18 months	9%	14.8%
2	<u>(ii) post-2013 wells</u>	<u>9%</u>	<u>14.8%</u>

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

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

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

	Working	Nonworking
	Interest	Interest
13 (a) primary recovery production <u>from pre-2014 wells</u> :		
14 (i) first 12 months of qualifying production	0.5%	14.8%
15 (ii) after 12 months:		
16 (A) pre-1999 wells	12.5%	14.8%
17 (B) post-1999 wells	9%	14.8%
18 (b) stripper oil production:		
19 (i) first 1 through 10 barrels a day production	5.5%	14.8%
20 (ii) more than 10 barrels a day production	9.0%	14.8%
21 (c) (i) stripper well exemption production	0.5%	14.8%
22 (ii) stripper well bonus production	6.0%	14.8%
23 (d) horizontally completed well production <u>from pre-2014 wells</u> :		
24 (i) first 18 months of qualifying production	0.5%	14.8%
25 (ii) after 18 months:		
26 (A) pre-1999 wells	12.5%	14.8%
27 (B) post-1999 wells	9%	14.8%
28 (e) incremental production:		
29		
30		

1	(i) new or expanded secondary recovery production	8.5%	14.8%
2	(ii) new or expanded tertiary production	5.8%	14.8%
3	(f) horizontally recompleted well <u>production from pre-2014 wells:</u>		
4	(i) first 18 months	5.5%	14.8%
5	(ii) after 18 months:		
6	(A) pre-1999 wells	12.5%	14.8%
7	(B) post-1999 wells	9%	14.8%
8	<u>(g) horizontally recompleted well production from post-2013 wells</u>	<u>9%</u>	<u>14.8%</u>
9	<u>(h) post-2013 wells</u>	<u>9%</u>	<u>14.8%</u>
10	(6) (a) The reduced tax rates <u>rate</u> under subsection (5)(a)(i) <u>on qualifying primary recovery production</u>		
11	for the first 12 months of oil production from a well begins following the last day of the calendar month		
12	immediately preceding the month in which oil is pumped or flows, provided that notification has been given to the		
13	department.		
14	(b) (i) The reduced tax rates <u>rate</u> under subsection (5)(d)(i) on <u>qualifying</u> oil production from a horizontally		
15	completed well for the first 18 months of production begins following the last day of the calendar month		
16	immediately preceding the month in which oil is pumped or flows if the well has been certified as a horizontally		
17	completed well to the department by the board.		
18	(ii) The reduced tax rate under subsection (5)(f)(i) on oil production from a horizontally recompleted well		
19	for the first 18 months of production begins following the last day of the calendar month immediately preceding		
20	the month in which oil is pumped or flows if the well has been certified as a horizontally recompleted well to the		
21	department by the board.		
22	(c) Incremental production is taxed as provided in subsection (5)(e) only if the average price for each		
23	<u>a</u> barrel of oil as reported in the Wall Street Journal for west Texas intermediate crude oil during a calendar		
24	quarter is less than \$30 a barrel. If the price of oil is equal to or greater than \$30 a barrel in a calendar quarter		
25	as determined in subsection (6)(e), then incremental production from pre-1999 wells and from post-1999 wells		
26	is taxed at the rate imposed on primary recovery production under subsections (5)(a)(ii)(A) and (5)(a)(ii)(B),		
27	respectively, for production occurring in that quarter, other than exempt stripper well production.		
28	(d) (i) Stripper well exemption production is taxed as provided in subsection (5)(c)(i) only if the average		
29	price for a barrel of oil as reported in the Wall Street Journal for west Texas intermediate crude oil during a		
30	calendar quarter is less than \$38 a barrel <u>as determined in subsection (6)(e)</u> . If the price of oil is equal to or		

1 greater than \$38 a barrel, there is no stripper well exemption tax rate and oil produced from a well that produces
2 3 barrels a day or less is taxed as stripper well bonus production.

3 (ii) Stripper well bonus production is subject to taxation as provided in subsection (5)(c)(ii) only if the
4 average price for a barrel of oil as reported in the Wall Street Journal for west Texas intermediate crude oil during
5 a calendar quarter is equal to or greater than \$38 a barrel as determined in subsection (6)(e).

6 (e) For the purposes of subsections (6)(c) and (6)(d), the average price for ~~each a~~ barrel of oil must be
7 computed by dividing the sum of the daily price for west Texas intermediate crude oil as reported in the Wall
8 Street Journal for the calendar quarter by the number of days on which the price was reported in the quarter.

9 (7) (a) The tax rates imposed under subsections (2) and (5) on working interest owners and nonworking
10 interest owners must be adjusted to include the total of the privilege and license tax adopted by the board of oil
11 and gas conservation pursuant to 82-11-131 and the derived rate for the oil and gas natural resource distribution
12 account as determined under subsection (7)(b).

13 (b) The total of the privilege and license tax and the tax for the oil and gas natural resource distribution
14 account established in 90-6-1001(1) may not exceed 0.3%. The base rate for the tax for oil and gas natural
15 resource distribution account funding is 0.08%, but when the rate adopted pursuant to 82-11-131 by the board
16 of oil and gas conservation for the privilege and license tax:

17 (i) exceeds 0.22%, the rate for the tax to fund the oil and gas natural resource distribution account is
18 equal to the difference between the rate adopted by the board of oil and gas conservation and 0.3%; or

19 (ii) is less than 0.18%, the rate for the tax to fund the oil and gas natural resource distribution account
20 is equal to the difference between the rate adopted by the board of oil and gas conservation and 0.26%.

21 (c) The board of oil and gas conservation shall give the department at least 90 days' notice of any
22 change in the rate adopted by the board. Any rate change of the tax to fund the oil and gas natural resource
23 distribution account is effective at the same time that the board of oil and gas conservation rate is effective.

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

26

27 **Section 8.** Section 15-36-331, MCA, is amended to read:

28 **"15-36-331. Distribution of taxes.** (1) (a) For each calendar quarter, the department shall determine
29 the amount of tax, late payment interest, and penalties collected under this part.

30 (b) For the purposes of distribution of oil and natural gas production taxes to county and school district

1 taxing units under 15-36-332 and to the state, the department shall determine the amount of oil and natural gas
2 production taxes paid on production in the taxing unit.

3 (c) After the allocations are made under subsections (2)(a) and (2)(b), the department shall calculate
4 the amount of taxes attributable to the increased tax rates under the provisions of 15-36-304 because of the
5 elimination of reduced tax rates for oil and natural gas production required by the amendment of 15-36-303 and
6 15-36-304 in [sections 6 and 7]. The amount of taxes attributable to the increased tax rates after the allocations
7 are made under subsections (2)(a) and (2)(b) must be deposited for each fiscal year as follows:

8 (i) 50% to the community oil and natural gas impact relief account established in [section 3]; and

9 (ii) 50% to the renewable resources trust fund established in [section 5].

10 (2) (a) The amount of oil and natural gas production taxes collected for the privilege and license tax
11 pursuant to 82-11-131 must be deposited, in accordance with the provisions of 17-2-124, in the state special
12 revenue fund for the purpose of paying expenses of the board, as provided in 82-11-135.

13 (b) The amount of the tax allocated in 15-36-304(7)(b) for the oil and gas natural resource distribution
14 account established in 90-6-1001(1) must be deposited in the account.

15 (3) (a) For each tax year, the amount of oil and natural gas production taxes determined under
16 subsection (1)(b) is allocated to each county according to the following schedule:

17 Big Horn	45.05%
18 Blaine	58.39%
19 Carbon	48.27%
20 Chouteau	58.14%
21 Custer	69.53%
22 Daniels	50.81%
23 Dawson	47.79%
24 Fallon	41.78%
25 Fergus	69.18%
26 Garfield	45.96%
27 Glacier	58.83%
28 Golden Valley	58.37%
29 Hill	64.51%
30 Liberty	57.94%

1	McCone	49.92%
2	Musselshell	48.64%
3	Petroleum	48.04%
4	Phillips	54.02%
5	Pondera	54.26%
6	Powder River	60.9%
7	Prairie	40.38%
8	Richland	47.47%
9	Roosevelt	45.71%
10	Rosebud	39.33%
11	Sheridan	47.99%
12	Stillwater	53.51%
13	Sweet Grass	61.24%
14	Teton	46.1%
15	Toole	57.61%
16	Valley	51.43%
17	Wibaux	49.16%
18	Yellowstone	46.74%
19	All other counties	50.15%

20 (b) The oil and natural gas production taxes allocated to each county must be deposited in the state
 21 special revenue fund and transferred to each county for distribution, as provided in 15-36-332.

22 (4) The department shall, in accordance with the provisions of 17-2-124, distribute the state portion of
 23 oil and natural gas production taxes remaining after the distributions pursuant to subsections (2) and (3) as
 24 follows:

25 (a) for each fiscal year through the fiscal year ending June 30, 2011, to be distributed as follows:

26 (i) 1.23% to the coal bed methane protection account established in 76-15-904;

27 (ii) 1.45% to the natural resources projects state special revenue account established in 15-38-302;

28 (iii) 1.45% to the natural resources operations state special revenue account established in 15-38-301;

29 (iv) 2.99% to the orphan share account established in 75-10-743;

30 (v) 2.65% to the state special revenue fund to be appropriated to the Montana university system for the

- 1 purposes of the state tax levy as provided in 15-10-108; and
2 (vi) all remaining proceeds to the state general fund;
3 (b) for fiscal years beginning after June 30, 2011, to be distributed as follows:
4 (i) 2.16% to the natural resources projects state special revenue account established in 15-38-302;
5 (ii) 2.02% to the natural resources operations state special revenue account established in 15-38-301;
6 (iii) 2.95% to the orphan share account established in 75-10-743;
7 (iv) 2.65% to the state special revenue fund to be appropriated to the Montana university system for the
8 purposes of the state tax levy as provided in 15-10-108; and
9 (v) all remaining proceeds to the state general fund."

10
11 **NEW SECTION. Section 9. Notification to tribal governments.** The secretary of state shall send a
12 copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell
13 Chippewa tribe.

14
15 **NEW SECTION. Section 10. Codification instruction.** (1) [Sections 1 through 4] are intended to be
16 codified as an integral part of Title 90, chapter 6, and the provisions of Title 90, chapter 6, apply to [sections 1
17 through 4].

18 (2) [Section 5] is intended to be codified as an integral part of Title 87, chapter 1, part 2, and the
19 provisions of Title 87, chapter 1, part 2, apply to [section 5].

20
21 **NEW SECTION. Section 11. Effective date.** [This act] is effective July 1, 2013.

22
23 **NEW SECTION. Section 12. Applicability.** [This act] applies to oil and natural gas wells drilled after
24 December 31, 2013.

25 - END -