

MONTANA

Administration

1. State agency: Board of Oil and Gas Conservation, P.O. Box 217, Helena, MT 59624. Phone (406) 449-2622. Technical Office: 2535 St. Johns Avenue, Billings, MT 59102, Phone (406) 656-0040. Northern Field Office: 218 Main Street, P.O. Box 690, Shelby, MT 59474, Phone (406) 434-2422.
2. Docketing procedure: Upon receipt of petition concerning any matter within the jurisdiction of the Board, the Board will promptly fix a date for hearing and cause notice of the hearing to be given. The Board must enter its order within 30 days after its hearing.
 - (a) Emergency orders: Sections 82-11-141, 82-11-151, Montana Code Annotated (MCA). Yes, when an emergency requiring immediate action is found to exist, the Board is authorized to issue an emergency order without advance notice or hearing, which shall be effective upon promulgation. An emergency order may not remain in effect beyond the next regular meeting of the Board.
 - (b) Notice: An order or amendment thereof may not be made by the Board without a public hearing upon at least ten (10) days notice. At least 20 days prior to the public hearing, a person who applies for a well spacing unit or who applies to pool all interests in a well spacing unit shall cause written notice to be served upon the record owners of the oil and gas leasehold interests sought to be spaced or pooled.

Bond

1. Compliance bond required: Yes. Rule 36.22.1308.
2. Conditions of bond: Conditioned upon proper plugging and abandonment of a well and restoration of the surface to its original contours.
 - (a) Amount per well: \$1500 (2000 feet or less); \$5,000 (3500 feet or less); \$10,000 greater than 3500 feet.
 - (b) Amount of blanket bond: \$50,000.

May be increased to \$3,000, \$10,000, \$20,000, or \$100,000 respectively at the Board's discretion.

Spacing

1. Spacing requirements: Yes. Rule 36.22.702.
 - (a) Density: 40 acres for oil wells less than 6,000' deep; 160 acres for wells from 6,001' to 11,000'; 320 acres for wells deeper than 11,000'. For a gas well, 640 acres.
 - (b) Lineal: 330' from legal subdivision line for wells less than 6,000'; 660' from quarter section lines for wells 6,001 to 11,000'; 660' from drilling unit boundaries for wells below 11,000'. For gas wells, 990' from governmental section lines.
2. Exceptions: Yes, Rule 36.22.702(1).
 - (a) Basis: For wildcat wells less than 6,000', wells may be moved a maximum of 75' closer to quarter-quarter section line, and wells between 6,000' to 11,000' may be moved a maximum for 150' closer to quarter section lines in extremely rough terrain where it is impractical to move in any other direction but only after inspection by the Board representative and subsequent approval by the petroleum engineer or his authorized agent. No tolerance for wells below 11,000' nor for gas wells.

- (b) The Board may also grant exceptions to protect correlative rights or to prevent waste. Section 82-11-124, MCA.
- (c) Approval: Administrative approval for tolerances described in (a). Exceptions beyond those tolerances in (a) require notice and hearing.

Pooling

1. Authority to establish voluntary: Yes.
2. Authority to establish compulsory: Yes.

Drilling Permit

1. Require permits for:
 - (a) Drilling a producing or service well: Yes. Rule 36.22.601.
 - (b) Seismic drilling: Permit is issued by County Clerk and Recorder. Rule 36.22.503; Section 82-1-105, MCA.
 - (c) Recompletion: Yes. Rule 36.22.601(2).
 - (d) Plugging and abandoning. Yes. Rule 36.22.1301.
2. Permit fee:
 - (a) Drilling: Fee is based on depths as follows: 0 - 3,500, \$25; 3501' - 7,000', \$75; 7,001 - below, \$150. Rule 36.22.603.
 - (b) Seismic drilling: \$5.00. Section 82-1-105(4), MCA.
 - (c) Plugging and abandoning: None.
3. Require filing report of work performed: Yes. Rule 36.22.1013.
4. Require publication of notice of intent to drill: Yes. If the proposed well or hole is not located within the boundaries of a delineated field for which, after public hearing, an order has been entered by the Board that drilling permits may issue for locations within that field without further public hearing, the applicant must cause publication of notice in a format prescribed by the Board in one issue of a newspaper in general circulation in Helena and a newspaper of general circulation in the county where the proposed well or hole is located. Proof of such publication in the form of a copy of the page on which the ad appears showing the ad and the date of publication or an affidavit of the publisher must be filed with the Board. Any party may demand in writing an opportunity to be heard within ten (10) days after the date of the publication of the notice. Rule 36.22.601.
5. Require notice to surface owner: Yes. Sections 82-10-503, 82-11-122, MCA.

Vertical Deviation

1. Regulation requirement: Yes, Rule 36.22.1003. Unless otherwise ordered by the Board upon hearing all wells shall be so drilled that the horizontal distance between the bottom of the hole and the location at the top of the hole shall be at all times at a practical minimum.

- (a) When is directional survey necessary? When the intent is to direct the bottom of the hole away from the vertical, notice shall be filed with the Board and administrative approval obtained. Deviations to straighten the hole, sidetrack junk or correct mechanical difficulties need not be approved. Administrative approval for controlled directional drilling is not available where the proposed bottomhole location is not in compliance with applicable field or statewide well locations rules. Rule 36.22.1003.
- (b) Filing of survey required? Yes, within 30 days after completion of work.

Casing and Tubing

1. Minimum amount required: Rule 36.22.1001.
 - (a) Surface casing: Yes. Shall be run to reach a depth below all potable fresh water located at levels accessible for agricultural and domestic use.
 - (b) Production casing: No specific requirements.
2. Minimum amount of cement required: Rule 36.22.1001.
 - (a) Surface casing: Yes. Sufficient to circulate to surface.
 - (b) Production casing: No.
 - (c) Setting time: Yes, 8 hours before pressure testing. All cemented casing strings shall stand under pressure until the cement has reached a compressive strength of 300 pounds per square inch.
3. Tubing requirements: Rule 36.22.1206.
 - (a) Oil wells: Yes. All flowing oil wells shall be equipped with and producing through tubing unless the well is a dual completion.
 - (b) Gas wells: No.

Completion

1. Completion report required: Yes. Rule 36.22.1013.
 - (a) Time limit: Within 30 days after completion for field development wells, within six (6) months for wildcat wells, within three (3) years for stratigraphic test wells.
 - (b) Where submitted: Board of Oil and Gas Conservation, 2535 St. Johns Avenue, Billings, MT 59102 for wells drilled in Southern District; Board Field Office, Box 690, Shelby, MT 59474 for wells drilled in Northern District.
2. Well logs required to be filed: Yes. Rule 36.22.1013.
 - (a) Time limit: Within 30 days of completion for field development wells, within six (6) months of completion for exploratory wells, within three (3) years for completion for stratigraphic test wells.
 - (b) Where submitted: Two copies to the Board of Oil and Gas Conservation district office where the well is located (Billings or Shelby).
 - (c) Confidential time period: Operator may withhold filing of logs and completion information on exploratory wells for up to six (6) months after the completion date; information from stratigraphic test wells may be held confidential for three (3) years.

- (d) Available for public use: Yes. Logs and other well information are available for public use in Billings for the entire state and in Shelby for the Northern district wells only.
 - (e) Log catalog available: No.
3. Multiple completion regulation: Yes. Rule 36.22.1004 for dual completion.
- (a) Approval obtained: By first notifying the Board on Form No. 2 and by notifying each offset operator in writing at least 10 days prior to commencement and obtaining approval from the petroleum engineer or his authorized agent after such 10 days. If within such 10 days any offset operator shall file with the Board a written protest to the proposal, the matter shall be immediately set for hearing, after notice, and shall not be approved until permitted by order of the Board after such hearing.
4. Commingling in well bore: Yes. Rule 36.22.1208.
- (a) Approval obtained: Must receive written permission from the Board, which may require at the discretion of the Board, notice and hearing.

Oil Production

1. Definition of an oil well: Any well capable of producing oil in paying quantities; not a gas well. Rule 36.22.302(33).
2. Potential tests required: Yes. Rule 36.22.1013.
- (a) Time interval: Filed on prescribed form within 30 days following completion of field wells and 6 months following completion of wildcats.
 - (b) Witness required: No.
3. Statewide allowable: No.
- (a) Pool allowable: Yes. The Board may set allowables for pools or wells when warranted to protect correlative rights or prevent waste. None in effect at this time.
 - (b) Well allowable: See (a).
 - (c) Exempt allowable: No provision.
4. Maximum gas-oil ratio: No.
- (a) Provision for limiting gas-oil ratio: Yes. Rule 36.22.1216; Section 82-11-124(2), MCA. GOR's to be reported within 30 days after completion. May be limited after notice and hearing upon application.
 - (b) Exception to limiting gas-oil ratio: Yes.
5. Bottom-hole pressure test reports required. Rule 36.22.1214. Yes, within 30 days following completion, and reported on prescribed form within 20 days after test is made.
- (a) Periodical bottom-hole pressure surveys: Subsequent tests may be required by the Board to provide adequate data for establishing the maximum efficiency rates of production (MER).
6. Commingling oil in common facilities: No provision.
7. Measurement involving meters: No provision.
8. Production reports: Rule 36.22.1242.

- (a) By lease: No.
- (b) By well: Yes.
- (c) Time limit: Filed on prescribed form on or before the last day of each month succeeding the month in which the production or taking occurs.

Gas Production

1. Definition of a gas well: Any well which produces natural gas only; or any well capable or producing gas in commercial quantities and also producing oil from the same common source of supply but not in commercial quantities; and any well classified as a gas well by the Board for any reason. Rule 36.22.302(27).
2. Pressure base 14.73 psia @ 60 degrees F. Rule 36.22.1218.
3. Initial potential tests: Yes. Rule 36.22.1013.
 - (a) Time interval: 30 days after completion for field wells; 6 months after completion for "wildcat" wells.
 - (b) Witness required: no.
4. Statewide allowable: No provision.
 - (a) Pool allowable: The Board has the authority to limit production when warranted to prevent waste and to protect correlative rights. Usually, operators only limit production in times of low market demand.
 - (b) Well allowable: See (a).
 - (c) Exempt allowable: No provision.
5. Bottom-hole pressure test reports required. Rule 36.22.1214. Yes, within 30 days following completion, and reported on prescribed form within 20 days after test is made.
 - (a) Periodical bottom-hole pressure surveys: Subsequent tests may be required by the Board to provide adequate data for establishing the maximum efficiency rate of production (MER).
6. Commingling oil in common facilities: No provision.
7. Measurement involving meters: Yes. Rule 36.22.1218.
8. Production reports: Rule 36.22.1242.
 - (a) By lease: No.
 - (b) By well: Yes.
 - (c) Time limit: Filed on prescribed form on or before the last day of each month succeeding the month in which the production or taking occurs.

Water Disposal

1. State agencies that control disposal of produced salt water: Yes. Rule 36.22.1226. Controlled by Board of Oil and Gas Conservation.

Unitization

1. Compulsory unitization of all or part of a pool or common source of supply: Yes. Sections 82-11-204, 205, 206, 207, and 208, MCA.
2. Minimum percentage of voluntary agreement before approval of compulsory unitization: Yes. Section 82-11-207, MCA.
 - (a) Working interest: 80%.
 - (b) Royalty interest: 80%.

Taxation

Gas severance tax = see chart below
 Gas ad valorem tax = see chart below
 Total gas tax burden = variable; see summary below

Oil severance tax = see chart below
 Oil ad valorem tax = see chart below
 Total oil tax burden = variable; see summary below

1. Tax collecting agency: Department of Revenue, Natural Resources and Corporation Tax Division, Mitchell Building, Helena, MT 59601.
2. How tax is computed:

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

Natural gas production tax in Montana:	Working Interest	Nonworking Interest
(a) Primary Recovery Production:		
(1) first twelve months of qualifying production:	0.8%	15.1%
(2) after twelve months:		
(a) pre-1999 wells:	15.1%	15.1%
(b) post-1999 wells:	9.3%	15.1%
(b) Stripper Natural Gas :	11.3%	15.1%
(c) Horizontally Completed Well Production:		
(1) first 18 months:	0.8%	15.1%
(2) next 18 months:	9.3%	15.1%

- The total gross value of natural gas produced and sold each quarter is determined by taking the total number of cubic feet of natural gas produced and sold each month as the average value at the mouth of the well during the month that the natural gas is produced and sold, as determined by the department.
- In computing the total number of cubic feet of gas produced and sold, the amount of gas used by the person in connection with the operation of the well must be deducted from the total.

Oil is taxed on the gross taxable value of production based on the type of well and type of production according to the

following schedule for working and nonworking interest owners.

Oil production tax in Montana:	Working Interest	Nonworking Interest
(a) Primary Recovery Production:		
(1) first twelve months of qualifying production:	0.8%	15.1%
(2) after 12 months:		
(a) pre-1999 wells:	12.8%	15.1%
(b) post-1999 wells:	9.3%	15.1%
(b) Stripper Oil Production:		
(1) first 1 through 10 a day production:	5.8%	15.1%
(2) more than 10 barrels a day production:	9.3%	15.1%
(c) Stripper Well Exemption Production:	0.8%	15.1%
(d) Horizontally Completed Well Production:		
(1) first 18 months of qualifying production:	0.8%	15.1%
(2) after 18 months:		
(a) pre-1999 wells:	12.8%	15.1%
(b) post-1999 wells:	9.3%	15.1%
(e) Incremental Production:		
(1) new or expanded secondary recovery production:	8.8%	15.1%
(2) new or expanded tertiary production:	6.1%	15.1%
(f) Horizontally Recompleted Well:		
(1) first 18 months:	5.8%	15.1%
(2) after 18 months:		
(a) pre-1999 wells:	12.8%	15.1%
(b) post-1999 wells:	9.3%	15.1%

3. Exemptions or exceptions: Exemptions for natural gas used by the operator in connection with his operations is exempt.
4. Name of tax: Production Tax (ex-severance).
5. Statutory citation: Production Tax (ex-severance): Sections 15-36-301 through 324, MCA.

Land Leasing Information

1. Leasing Method: Public auction - oral bidding.
2. Notice Method: Advertisement in three Montana newspapers, Montana Department of Natural Resources Web site, www.dnrc.state.mt.us/trust/mmbog.htm and Rocky Mountain Oil Journal.
3. Minimum bidding \$ (per acre): \$1.50 per acre, minimum bid is \$100.
4. Qualification of the bidder: Any person can submit bids. Corporations must be incorporated in Montana or licensed to do business in the state.
5. State Statutes:
6. Maximum acres: 1 section or 1 portion of 1 section

- 7. Contact: Barbara Hamburg
Phone: (406) 444-4561

Naturally Occurring Radioactive Material (NORM)

- 1. Regulating Agency: Montana Department of Public Health and Human Services.
- 2. Relevant Statute/Regulations: None; will be developing regulations within the next year, based on the CRCPD's state suggested regulations.
- 3. Scope:
- 4. Licensing:
- 5. Cleaning Equipment:
- 6. Disposal of Waste:
- 7. Subsequent Use of Equipment:
- 8. Subsequent Use of Materials:
- 9. Release/Sale of NORM-Contaminated Land:
- 10. Projected Volume of stored NORM in the State:
- 11. Respondent: George Eicholtz