



ADMINISTRATIVE RULES OF MONTANA



42.25.1801 DEFINITIONS

In addition to the definitions found in 15-36-303, MCA, the following definitions apply to terms used in this subchapter:

- (1) "Arm's-length contract" means a contract or an agreement to sell that has been arrived at between independent, nonaffiliated parties with adverse economic interests. Contracts or agreements for the purposes of these rules will be defined to be non-arm's-length if the parties to the contract or agreements have business relationships other than the agreement between the buyer and seller which have influenced the sales price.
- (2) "Central facilities" are installations which are used to cool, heat, separate, dehydrate, compress, sweeten, or gather/transport natural gas at a point remote from the well or wells.
- (3) "Delivery point" means a point away from the well or lease where the natural gas is sold.
- (4) "Delivery price adjustments" includes all expenses directly incurred and paid for in the operation and maintenance of "central facilities". Delivery price adjustments are merely a reduction in price and are not meant to be a deductible expense beyond the well or wells. Delivery price adjustments only occur when the department deems it necessary to establish the correct natural gas gross value.
- (5) "Lease" means that particularly described tract of land contained in a contract in writing whereby a person having a legal interest in the land so described conveys a portion of his interest to another, in consideration of a certain rental or other recompense or consideration. A lease may contain one or more wells. One operator shall be named as the lease operator and shall be responsible for filing the oil and natural gas production tax return.
- (6) "MCF" means 1,000 cubic feet of natural gas measured at a pressure of 14.73 pounds per square inch and a temperature of 60 degrees Fahrenheit.
- (7) "Natural gas" means a mixture of hydrocarbon gases and other products which at normal atmospheric conditions of temperature and pressure are in a gaseous state. This includes coalbed methane gas.
- (8) "Natural gas liquids" means all ethane, butane, propane, hexane, heptane, and heavier gases which are removed for natural gas by processing.
- (9) "Producing well" means a well that produced natural gas, petroleum, or other crude or mineral oil in the year prior to the current calendar year.
 - (a) A well that is used for injection purposes only is not a producing well.

- (b) A well that produces only water is not a producing well.
 - (c) A well that was capable of producing oil or gas but in fact did not produce oil or gas in the year prior to the current calendar year is not a producing well.
- (10) "Qualifying production time period" is the first 12 months of production of a vertical well or the first 18 months of production of a horizontally completed well.
- (11) "Stripper well bonus" applies to wells producing an average of three barrels a day or less, and the average price received by a producer for their Montana production for a barrel of crude oil during a calendar quarter is equal to, or greater than, \$54 a barrel. The average daily production is calculated by dividing the amount of production from a lease or unitized area for the year immediately preceding the current calendar year, by the number of producing wells in the lease or unitized area, and by dividing the resulting quotient by 365. The average price for a barrel is computed by dividing the sum of the total revenue received for all crude oil sold from wells within the state of Montana for the calendar quarter by the number of barrels sold in the quarter.
- (12) "Stripper well exemption" applies to wells producing an average of three barrels a day or less, and the average price received by a producer for their Montana production for a barrel of crude oil during a calendar quarter is less than \$54 a barrel. The average daily production is calculated by dividing the amount of production from a lease or unitized area for the year immediately preceding the current calendar year by the number of producing wells in the lease or unitized area and by dividing the resulting quotient by 365. The average price for a barrel is computed by dividing the sum of the total revenue received for all crude oil sold from wells within the state of Montana for the calendar quarter by the number of barrels sold in the quarter.
- (13) "Unit operation" is one in which persons owning leasehold interest in one or more pools or portions thereof in a field combine their operations to function as one unit operation for pressure maintenance of secondary recovery purposes, to increase ultimate recovery, or to prevent waste of gas from pools or portions of pools where gas only is produced. One operator must be named as the unit operator and shall be responsible for filing the oil and natural gas production tax return.

Authorizing statute(s): 15-36-322, MCA

Implementing statute(s): 15-1-101, 15-36-301, 15-36-302, 15-36-303, 15-36-304, 15-36-305, 15-36-309, 15-36-310, 15-36-311, 15-36-312, 15-36-313, 15-36-314, 15-36-315, 15-36-319, 15-36-321, 15-36-326, 82-1-111, MCA

History: NEW, 1996 MAR p. 2001, Eff. 7/19/96; AMD, 2000 MAR p. 1347, Eff. 5/26/00; AMD, 2005 MAR p. 2470, Eff. 12/9/05; AMD, 2010 MAR p. 2580, Eff. 10/29/10; AMD, 2013 MAR p. 180, Eff. 2/1/13; AMD, 2016 MAR p. 735, Eff. 4/23/16; AMD, 2018 MAR p. 1170, Eff. 6/23/18; AMD, 2021 MAR p. 77, Eff. 1/16/21.