



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1414

PRINTERS NO. 1939

PRIME SPONSOR: Everett

COST / (SAVINGS)

FUND	FY 2012/13	FY 2013/14
General Fund	\$0	\$0

SUMMARY: House Bill 1414, Printer's Number 1939, amends Act 60 of 1979 which regulates the terms and conditions of certain leases regarding natural gas and oil. This legislation would take effect in 60 days upon enactment.

ANALYSIS: This bill amends Act 60 of 1979 to rename the act stating that the act shall be known as the "Oil and Gas Lease Act" and inserts new language outlining terms and conditions of certain leases. It adds a section outlining "royalty guaranteed," specifically that a lease is not valid if it does not guarantee the lessor at least one-eighth royalty of all oil, natural gas or gas of other designation removed or recovered from the subject real property.

Another new section addresses the issue of apportionment where an operator has the right to develop multiple contiguous leases separately. The operator may develop those leases jointly by horizontal drilling unless expressly prohibited by a lease. In the absence of an agreement by all affected royalty owners, the production shall be allocated to each lease in such proportion to as the operator reasonably determines to be attributable to each lease.

The bill outlines all payment information, at a minimum, shall be included on the check stub or on an attachment to the form of payment, unless the information is provided on a regular basis. This information includes, but is not limited to, name and number identifying the lease, property, unit or well for which payment is made; county where the property is located; the month and year of gas production; total barrels of production; total price per barrel; total amount of severance and other production taxes; and contact information, including address and telephone number.

The bill also provides that, unless otherwise requested, proceeds from production of oil and gas may be accumulated and remitted annually if totaling less than \$100. All accumulated proceeds shall be paid to the owner when production ceases or upon relinquishment or transfer of the payment responsibility.

FISCAL IMPACT: Enactment of this bill will have no fiscal impact on Commonwealth funds.

PREPARED BY: Jeffrey Clukey
House Appropriations Committee (R)

DATE: June 11, 2013

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.