

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 259 Session of 2013

INTRODUCED BY YAW AND BAKER, JANUARY 18, 2013

REFERRED TO ENVIRONMENTAL RESOURCES AND ENERGY, JANUARY 18, 2013

AN ACT

1 Amending the act of July 20, 1979 (P.L.183, No.60), entitled "An  
 2 act regulating the terms and conditions of certain leases  
 3 regarding natural gas and oil," adding definitions; providing  
 4 for payment information to interest owners for accumulation  
 5 of proceeds from production; and making editorial changes.

6 The General Assembly of the Commonwealth of Pennsylvania  
 7 hereby enacts as follows:

8 Section 1. Section 1 of the act of July 20, 1979 (P.L.183,  
 9 No.60), entitled "An act regulating the terms and conditions of  
 10 certain leases regarding natural gas and oil," is repealed:

11 [Section 1. A lease or other such agreement conveying the  
 12 right to remove or recover oil, natural gas or gas of any other  
 13 designation from lessor to lessee shall not be valid if such  
 14 lease does not guarantee the lessor at least one-eighth royalty  
 15 of all oil, natural gas or gas of other designations removed or  
 16 recovered from the subject real property.]

17 Section 2. The act is amended by adding sections to read:

18 Section 1.1. Short title.

19 This act shall be known and may be cited as the Oil and Gas  
 20 Lease Act.

1 Section 1.2. Definitions.

2 The following words and phrases when used in this act shall  
3 have the meanings given to them in this section unless the  
4 context clearly indicates otherwise:

5 "Check stub." The financial record attached to a check.

6 "Division order." An agreement signed by an interest owner  
7 directing the distribution of proceeds from the sale of oil,  
8 gas, casing head gas or other related hydrocarbons. The order  
9 shall direct and authorize the payor to make payment for the  
10 products taken in accordance with the division order.

11 "Interest owner." A person who is legally entitled to  
12 payment from the proceeds derived from the sale of oil or gas  
13 from an oil or gas well located in this Commonwealth.

14 "Mcf." A unit of measurement expressed by 1,000 cubic feet.

15 Section 1.3. Royalty guaranteed.

16 A lease or other such agreement conveying the right to remove  
17 or recover oil, natural gas or gas of any other designation from  
18 the lessor to the lessee shall not be valid if the lease does  
19 not guarantee the lessor at least one-eighth royalty of all oil,  
20 natural gas or gas of other designations removed or recovered  
21 from the subject real property.

22 Section 3. Section 2 of the act is amended to read:

23 [Section 2. An oil, natural gas or other designation gas  
24 well or oil, natural gas or other designation gas lease which  
25 does not provide a one-eighth metered royalty shall be subject  
26 to such an escalation when its original state is altered by new  
27 drilling, deeper drilling, redrilling, artificial well  
28 stimulation, hydraulic fracturing or any other procedure for  
29 increased production. A lease shall not be affected when the  
30 well is altered through routine maintenance or cleaning.]

1 Section 2. Escalation required for alteration to original  
2 state.

3 An oil, natural gas or other designation gas well or oil,  
4 natural gas or other designation gas lease which does not  
5 include a one-eighth metered royalty shall be subject to an  
6 escalation equal to one-eighth metered royalty when its original  
7 state is altered by new drilling, deeper drilling, redrilling,  
8 artificial well stimulation, hydraulic fracturing or any other  
9 procedure to increase production. A lease shall not be affected  
10 when the well is altered through routine maintenance or  
11 cleaning.

12 Section 4. The act is amended by adding sections to read:

13 Section 3.1. Commencement of guaranteed royalty.

14 Whenever a procedure to increase production has been  
15 completed prior to the effective date of this section, metering  
16 and the royalty required under section 1.3 or 2 shall commence  
17 within 90 days after the effective date of this section.

18 Section 3.2. Payment information to interest owners.

19 Whenever payment is made for oil or gas production to an  
20 interest owner, whether pursuant to a division order, lease,  
21 servitude or other agreement, all of the following information  
22 shall be included on the check stub or on an attachment to the  
23 form of payment, unless the information is otherwise provided on  
24 a regular basis:

25 (1) A name, number or combination of name and number  
26 that identifies the lease, property, unit or well or wells  
27 for which payment is being made; and the county in which the  
28 lease, property or well is located.

29 (2) Month and year of gas production.

30 (3) Total barrels of crude oil or number of Mcf of gas

1 or volume of natural gas liquids sold.

2 (4) Price received per barrel, Mcf or gallon.

3 (5) Total amount of severance and other production taxes  
4 and other deductions permitted under the lease, with the  
5 exception of windfall profit tax.

6 (6) Net value of total sales from the property less  
7 taxes and deductions from paragraph (5).

8 (7) Interest owner's interest, expressed as a decimal or  
9 fraction, in production from paragraph (1).

10 (8) Interest owner's share of the total value of sales  
11 prior to deduction of taxes and deductions from paragraph  
12 (5).

13 (9) Interest owner's share of the sales value less the  
14 interest owner's share of taxes and deductions from paragraph  
15 (5).

16 (10) Contact information, including an address and  
17 telephone number.

18 Section 3.3. Accumulation of proceeds from production.

19 (a) General rule.--Proceeds from production of oil and gas  
20 may be accumulated and remitted to the persons entitled thereto  
21 annually for the 12 months' accumulation of proceeds totaling  
22 less than \$100.

23 (b) Owner to be paid.--Notwithstanding any other provision  
24 of this section to the contrary, all accumulated proceeds shall  
25 be paid to the owner thereof when production ceases or upon  
26 relinquishment or transfer of the payment responsibility.

27 Section 5. Section 4 of the act is amended to read:

28 [Section 4. This act shall take effect in 60 days.]

29 Section 4. Effective date.

30 This act shall take effect in 60 days.

1 Section 6. This act shall take effect in 60 days.