

AMENDMENTS TO SENATE BILL NO. 259

Sponsor: REPRESENTATIVE WHITE

Printer's No. 1290

1 Amend Bill, page 2, line 19, by inserting before "A"

2 (a)

3 Amend Bill, page 2, by inserting between lines 24 and 25

4 (b) The lessee shall compute and pay oil and gas royalties
5 due under each lease on the gross proceeds received by the
6 seller based on the fair market value at the point of sale. The
7 lessee shall not deduct from royalties any severance taxes,
8 impact fees imposed under 58 Pa.C.S. Ch. 23 (relating to
9 unconventional gas well fee) or applicable fees charged by any
10 Commonwealth agency or department, or any post-production costs.
11 Post-production costs include:

12 (1) All losses of produced volumes, whether by use as
13 fuel, line loss, flaring, venting or otherwise.

14 (2) All costs actually incurred by the lessee from and
15 after the wellhead to the point of sale, including, without
16 limitation, all gathering, dehydration, compression,
17 treatment, processing, marketing and transportation costs
18 incurred in connection with the sale of such production.

19 (c) For the purpose of computing and paying royalties, the
20 fair market value shall be presumed to be the gross proceeds
21 received pursuant to a bona fide contract entered into by
22 nonaffiliated parties of adverse economic interests. If a
23 contract is not negotiated at arm's length or was between
24 affiliated parties, the presumption that market value is equal
25 to gross proceeds shall not apply, and the lessee shall have the
26 burden to establish that royalties paid are based on market
27 value. Parties are affiliated under this subsection if they are
28 related by blood, marriage or common business enterprise, are
29 members of a corporate affiliated group or where one party owns
30 a 10% or greater interest in the other.

31 (d) Nothing in subsection (b) shall be construed to amend or
32 alter the provisions of an existing lease agreement between a
33 lessor and a lessee entered into prior to the effective date of
34 this subsection. The provisions of subsection (b) shall apply to
35 new or modified leases between a lessor and a lessee entered
36 into on or after the effective date of this subsection.