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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. 806 Session of  
2021

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INTRODUCED BY YAW, BARTOLOTTA, HUTCHINSON, BAKER, MENSCH,  
YUDICHAK, PITTMAN, TARTAGLIONE AND BROOKS, JUNE 25, 2021

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AS REPORTED FROM COMMITTEE ON ENVIRONMENTAL RESOURCES AND  
ENERGY, HOUSE OF REPRESENTATIVES, AS AMENDED,  
OCTOBER 24, 2022

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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," further providing for  
4 definitions, for payment information to interest owners and  
5 for accumulation of proceeds from production.

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

8 Section 1. The definitions of "division order" and "interest  
9 owner" in section 1.2 of the act of July 20, 1979 (P.L.183,  
10 No.60), known as the Oil and Gas Lease Act, are amended and the  
11 section is amended by adding a definition to read:

12 Section 1.2. Definitions.

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

16 \* \* \*

17 "Division order." An agreement signed by [an interest owner]  
18 a royalty owner directing the distribution of proceeds from the

1 sale of oil, gas, casing head gas or other related hydrocarbons.  
2 The order shall direct and authorize the payor to make payment  
3 for [the] products taken in accordance with the [division order]  
4 lease at the royalty owner's share established by the division  
5 order.

6 ["Interest owner." A person who is legally entitled to  
7 payment from the proceeds derived from the sale of oil or gas  
8 from an oil or gas well located in this Commonwealth.]

9 \* \* \*

10 "Royalty owner." Any owner of oil or gas in place or oil or  
11 gas rights, subject to a lease covering such oil or gas in place  
12 or oil or gas rights. The term includes the owner of an interest  
13 in an oil or gas lease which entitles him to share in the  
14 production of the oil or gas under such lease and the owner of  
15 any interest in the oil or gas in place, or oil or gas rights,  
16 who has not executed an oil and gas lease, to the extent that  
17 the owner is not designated an "operator" under 58 Pa.C.S. §  
18 3203 (relating to definitions).

19 Section 2. Sections 3.2 and 3.3 of the act are amended to  
20 read:

21 Section 3.2. Payment information to [interest owners] royalty  
22 owners for oil, natural gas and natural gas liquids  
23 from a conventional formation.

24 Whenever payment is made [for oil or gas production to an  
25 interest owner, whether pursuant to a division order, lease,  
26 servitude or other agreement,] to a royalty owner for the  
27 production of oil, gas or natural gas liquids from a  
28 conventional formation, pursuant to an oil and gas lease, all of  
29 the following information, at a minimum, shall be included on  
30 the check stub provided to the royalty owner or on an attachment

1 to the form of payment provided to the royalty owner, unless the  
2 information is otherwise provided on a regular basis:

3 (1) A name, number or combination of name and number  
4 that identifies the lease, property, unit or well or wells  
5 for which payment is being made; and the county in which the  
6 lease, property or well is located.

7 (2) Month and year of [gas production] oil, gas or  
8 natural gas liquids production for which payment is being  
9 made.

10 (3) Total barrels of crude oil or number of Mcf of gas  
11 or volume of natural gas liquids sold.

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

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

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

18 (7) [Interest] Royalty owner's interest, expressed as a  
19 decimal or fraction, in production from paragraph (1).

20 (8) [Interest] Royalty owner's share of the total value  
21 of sales prior to deduction of taxes and deductions from  
22 paragraph (5).

23 (9) [Interest] Royalty owner's share of the sales value  
24 less the [interest] royalty owner's share of taxes and  
25 deductions from paragraph (5).

26 (10) Contact information, including an address and  
27 telephone number.

28 Section 3.3. [Accumulation of proceeds from production.

29 (a) General rule.--Proceeds from production of oil and gas  
30 may be accumulated and remitted to the persons entitled thereto

1 annually for the 12 months' accumulation of proceeds totaling  
2 less than \$100.

3 (b) Owner to be paid.--Notwithstanding any other provision  
4 of this section to the contrary, all accumulated proceeds shall  
5 be paid to the owner thereof when production ceases or upon  
6 relinquishment or transfer of the payment responsibility.]

7 Payment information to royalty owners for oil, natural gas and  
8 natural gas liquids from an unconventional formation.

9 (a) Payment information.--Whenever payment is made to a  
10 royalty owner for the production of oil, gas or natural gas  
11 liquids from an unconventional formation, pursuant to an oil and  
12 gas lease, all of the following information, at a minimum, shall  
13 be included on the check stub provided to the royalty owner or  
14 on an attachment to the form of payment provided to the royalty  
15 owner, unless the information is otherwise provided on a regular  
16 basis:

17 (1) A common well name and the American Petroleum  
18 Institute identification number that identifies the well for  
19 which payment is being made.

20 (2) Month and year of oil, gas or natural gas liquids  
21 production for which payment is being made.

22 (3) Total barrels of crude oil or number of Mcf or MMBtu  
23 of gas and volume of natural gas liquids produced and sold  
24 from each well.

25 (4) Price received by the payor per unit of oil, natural  
26 gas and natural gas liquids produced and sold.

27 (5) The aggregate amounts for each category of  
28 deductions for each well incurred by the payor which reduces  
29 the royalty owner's payment, including all severance and  
30 other production taxes.

1       (6) Net and gross value of the payor's total sales from  
2 the sale of oil, gas and natural gas liquids from each well  
3 less any deductions identified in paragraph (5).

4       (7) Royalty owner's legal and contractual interest in  
5 the payor's share, expressed as a decimal or fraction.

6       (8) Royalty owner's share of the gross value of the  
7 payor's total sales for the oil, gas and natural gas liquids  
8 before any deductions identified in paragraph (5).

9       (9) Royalty owner's share of the sales value less the  
10 royalty owner's share of taxes and any deductions identified  
11 in paragraph (5).

12       (10) Payor's contact information, including an address  
13 and telephone number.

14       (b) Summary statements.--A payor may make available and  
15 provide for a summary statement format for a royalty owner to  
16 receive the information under subsection (a) upon the mutual  
17 consent of the royalty owner and payor. The summary statement  
18 shall conspicuously disclose that the royalty owner has the  
19 right to receive the information under subsection (a) in its  
20 entirety upon written request, sent by certified mail, to the  
21 payor. Upon receipt of a written request under this subsection,  
22 the payor shall provide all the information under subsection (a)  
23 in its entirety from the month of the notice and each subsequent  
24 month thereafter and for any prior period requested by the  
25 royalty owner. Nothing in this subsection shall be construed as  
26 a waiver of the ability of a royalty owner to receive the  
27 information under subsection (a).

28       (c) Noncompliance.--If a payor does not provide the payment  
29 information to a royalty owner as required under this section,  
30 the royalty owner may send a written request for the information

1 to the payor by certified mail. The royalty owner shall identify  
2 the lease information under subsection (a) (1) in the written  
3 request. If the payor does not provide payment information or  
4 does not supply a reason for not providing the payment  
5 information within 60 days after receiving the written request,  
6 the royalty owner may bring a civil action to enforce the  
7 provisions of this section and to recover any resulting attorney  
8 fees or court costs incurred in the civil action.

9 ~~(d) Transmission of information. All information required~~ <--  
10 ~~to be included under subsection (a) may be provided or made~~  
11 ~~available to a royalty owner by electronic means, including, but~~  
12 ~~not limited to, electronic mail or a website or database~~  
13 ~~accessible to the royalty owner, upon the mutual written consent~~  
14 ~~of the information payor and the royalty owner.~~

15 (D) TRANSMISSION OF INFORMATION.--IF A ROYALTY OWNER HAS <--  
16 ALREADY BEEN RECEIVING THE PAYMENT INFORMATION REQUIRED UNDER  
17 THIS ACT ELECTRONICALLY BEFORE THE EFFECTIVE DATE OF THIS  
18 SUBSECTION OR UPON THE MUTUAL WRITTEN CONSENT OF THE INFORMATION  
19 PAYOR AND THE ROYALTY OWNER, ALL INFORMATION REQUIRED TO BE  
20 INCLUDED UNDER SUBSECTION (A) MAY BE PROVIDED OR MADE AVAILABLE  
21 TO THE ROYALTY OWNER BY ELECTRONIC MEANS, INCLUDING, BUT NOT  
22 LIMITED TO, ELECTRONIC MAIL OR A WEBSITE OR DATABASE ACCESSIBLE  
23 TO THE ROYALTY OWNER.

24 (e) Remittance of proceeds.--

25 (1) Except as provided under subsection (f) or as  
26 otherwise provided in the lease, all proceeds due and payable  
27 to the royalty owner under the terms of the lease from the  
28 sale or production of oil, gas and natural gas liquids shall  
29 be remitted in a timely manner as follows:

30 (i) no later than 120 days from the date of the

1 first sale of oil, gas or natural gas liquids; and  
2 (ii) thereafter, within 60 days after the end of the  
3 month when the production is sold.

4 (2) A payor shall not be required to comply with  
5 paragraph (1) if any of the following apply:

6 (i) There is a lack of marketable record title in  
7 the royalty owner.

8 (ii) There is bona fide dispute concerning the  
9 royalty owner's interest.

10 (iii) The owner of interest is missing or not able  
11 to be located.

12 (3) Failure to remit a timely payment of the proceeds as  
13 required under paragraph (1) shall result in a mandatory  
14 payment of an interest penalty to be set at the legal rate of  
15 interest in accordance with section 202 of the act of January  
16 30, 1974 (P.L.13, No.6), referred to as the Loan Interest and  
17 Protection Law, until the payment of production proceeds due  
18 and payable to the royalty owner under the terms of the lease  
19 is made, unless otherwise provided for in the lease.

20 (f) Accumulation of proceeds.--Proceeds from the production  
21 of oil, gas and natural gas liquids may be accumulated and  
22 remitted annually for a 12-month accumulation of proceeds  
23 totaling less than \$100, unless production permanently ceases or  
24 a relinquishment or transfer of the payment responsibility  
25 occurs.

26 Section 3. This act shall take effect in 120 days.