



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

SENATE BILL NO. 259

PRINTERS NO. 1290

PRIME SPONSOR: Yaw

COST / (SAVINGS)

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

SUMMARY: Senate Bill 259, Printer's Number 1290, amends Act 60 of 1979 to provide payment information to interest owners of leases regarding natural gas and oil. This legislation would take effect in 60 days upon enactment.

ANALYSIS: This bill amends Act 60 of 1979 addressing terms and conditions of leases to provide payment information to interest owners regarding natural gas and oil. It states that the act shall be known and cited as the Oil and Gas Lease Act. Definitions related to payment information are included as follows: check stub, division order, interest owner and Mcf. This is in addition to new sections addressing the royalty guaranteed and escalation required for alteration to original state, which states that a lease shall not be affected when the well is altered through routine maintenance or cleaning.

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 proportion to the amount of production the operator reasonably determines to be attributable to each lease.

The legislation states that, at a minimum, payment information shall be included to interest owners on the check stub or on an attachment to the form of payment, unless the information is otherwise provided on a regular basis. It shall include owner and location; month and year of gas production; total barrels of crude oil or number of Mcf of gas or volume of natural gas liquids sold; price received per barrel, Mcf or gallon; total amount of severance and other production taxes; net value of total sales from the property, less taxes and deductions; interest owner's interest, expressed as a decimal or fraction, in production; interest owner's share of the total value of sales prior to deduction of taxes and deductions; interest owner's share of the sales value less the interest owner's share of taxes and deductions; and contact information, including an address and telephone number.

The bill also addresses the accumulation of proceeds from production, specifically that they may be accumulated and remitted to the persons entitled thereto annually for the 12 months'

accumulation of proceeds totaling less than \$100. It further adds that 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 28, 2013

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