HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

SENATE BILL NO. 806 **PRINTERS NO.** 2000 **PRIME SPONSOR**: Yaw

COST / (SAVINGS)

FUND	FY 2022/23	FY 2023/24
General Fund	**$0**	**$0**

SUMMARY: Senate Bill 806, Printer's Number 2000, amends the Oil and Gas Lease Act to increase the amount of payment information that an unconventional operator must provide to a royalty owner and provides timelines for payments.

ANALYSIS: This bill amends the Oil and Gas Lease Act (Act 60 of 1979) to increase the amount of payment information that must be provided to a royalty owner and provides timelines for payments and additional information.

The definition of "interest owner" is deleted from the act and a definition for "royalty owner" is added as follows: "any owner of oil or gas in place or oil or gas rights, subject to a lease covering such oil or gas in place or oil or gas rights. The term includes the owner of an interest in an oil or gas lease which entitles him to share in the production of the oil or gas under such lease and the owner of any interest in the oil or gas in place, or oil or gas rights, who has not executed an oil and gas lease, to the extent that the owner is not designated an "operator" under 58 Pa.C.S. § 3203 (relating to definitions)."

This definitional change revises the payment information required under Section 3.2 for royalty owners for oil, natural gas and natural gas liquids from a conventional formation.

Section 3.3 is amended with additional information, specifically for payment information to royalty owners for oil, natural gas and natural gas liquids from an unconventional formation. Information for an unconventional formation must be provided that includes the American Petroleum Institute's well number and the aggregate amount for each category of deduction taken out of the payment which reduces the royalty owner's payment.

For unconventional formations, the payor may make available a summary statement to receive the required information upon the mutual consent of the royalty owner and payor. If the payor is not providing the required information, the royalty owner may bring a civil action for the information and to recover any fees incurred. All information may be provided electronically upon the mutual consent of both parties.

All payments for unconventional formations shall be remitted no later than 120 days from the date of first sale of the oil or gas, and after that, within 60 days after the end of the month when production was sold.

A payor does not have to follow this timeline if any of the following apply:

(i) There is a lack of marketable record title in the royalty owner.
(ii) There is bona fide dispute concerning the royalty owner's interest.
(iii) The owner of interest is missing or not able to be located.

Failure to remit a timely payment of the proceeds as required shall result in a mandatory payment of an interest penalty to be set at the legal rate of interest in accordance with the Loan Interest and Protection Law, until the payment of production proceeds due and payable to the royalty owner under the terms of the lease is made, unless otherwise provided for in the lease.

Proceeds from the production of oil, gas and natural gas liquids may be accumulated and remitted annually for a 12-month accumulation of proceeds totaling less than $100, unless production permanently ceases or a relinquishment or transfer of the payment responsibility occurs.

This legislation would take effect in 120 days upon enactment.

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

PREPARED BY: Jeffrey Clukey
House Appropriations Committee (R)

DATE: October 26, 2022

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