

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. Senate Bill 806

PRINTER NO. 1105

AMOUNT

No Fiscal Impact

FUND

General Fund

DATE INTRODUCED

June 25, 2021

PRIME SPONSOR

Senator Yaw

DESCRIPTION

Senate Bill 806 amends the Oil and Gas Lease Act making changes to the information provided by oil and natural gas producers to royalty owners and providing for penalties for untimeliness of royalty payments.

This bill provides for additional information to be provided by the payor of royalty payments. The new information to be provided includes:

- Common well name and identification number;
- Month and year of oil or natural gas liquids production for which payment is being made;
- Total barrels of crude oil or number of Mcf or MMBtu of gas and volume of gas liquids produced and sold from each well;
- Price received per unit produced and sold;
- Aggregate amounts for each category of deductions for each well incurred by the payor that reduces royalty payments, including all severance and other production taxes;
- Net and gross value of the payor's total sales from each well less any allowable deductions;
- Royalty owner's legal and contractual interest in the payor's share, expressed as a decimal or fraction;
- Royalty owner's share of the gross value of the payor's total sales before any allowable deductions;
- Royalty owner's share of the sales value less the royalty owner's share of taxes and any deductions; and
- Payor contact information.

Upon mutual consent of the payor and royalty owner, the payor may make the information available in a summary statement, sent by electronic means or sent by mail upon request of the royalty owner. If the payor fails to provide the information within 60 days of the request of a royalty owner, the royalty owner may bring civil action.

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This legislation also requires payment to the royalty owner within 120 days of the first sale and, thereafter, within 60 days after the end of the month when the production is sold. Failure to make a timely payment shall result in the accumulation of an interest penalty as provided under the Loan Interest and Protection Law until the payment is made. Proceeds from production of less than \$100 may be accumulated and remitted annually.

FISCAL IMPACT:

Senate Bill 806 will have no fiscal impact on Commonwealth funds. Royalty owners would be eligible for interest penalty payments and would be eligible for the reimbursements of attorney fees and court costs incurred by bringing successful civil action against payors not providing mandatory information.