

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL**No. 259** Session of
2013

INTRODUCED BY YAW, BAKER, FONTANA, RAFFERTY, FOLMER, VOGEL,
WAUGH, BROWNE, McILHINNEY AND VULAKOVICH, JANUARY 18, 2013

AS AMENDED ON THIRD CONSIDERATION, FEBRUARY 4, 2013

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," adding definitions; providing
4 for payment information to interest owners for accumulation
5 of proceeds from production; and making editorial changes.

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

8 Section 1. Section 1 of the act of July 20, 1979 (P.L.183,
9 No.60), entitled "An act regulating the terms and conditions of
10 certain leases regarding natural gas and oil," is repealed:

11 [Section 1. A lease or other such agreement conveying the
12 right to remove or recover oil, natural gas or gas of any other
13 designation from lessor to lessee shall not be valid if such
14 lease does not guarantee the lessor at least one-eighth royalty
15 of all oil, natural gas or gas of other designations removed or
16 recovered from the subject real property.]

17 Section 2. The act is amended by adding sections to read:

18 Section 1.1. Short title.

19 This act shall be known and may be cited as the Oil and Gas

1 Lease Act.

2 Section 1.2. Definitions.

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

6 "Check stub." The financial record attached to a check.

7 "Division order." An agreement signed by an interest owner
8 directing the distribution of proceeds from the sale of oil,
9 gas, casing head gas or other related hydrocarbons. The order
10 shall direct and authorize the payor to make payment for the
11 products taken in accordance with the division order.

12 "Interest owner." A person who is legally entitled to
13 payment from the proceeds derived from the sale of oil or gas
14 from an oil or gas well located in this Commonwealth.

15 "Mcf." A unit of measurement expressed by 1,000 cubic feet.

16 Section 1.3. Royalty guaranteed.

17 A lease or other such agreement conveying the right to remove
18 or recover oil, natural gas or gas of any other designation from
19 the lessor to the lessee shall not be valid if the lease does
20 not guarantee the lessor at least one-eighth royalty of all oil,
21 natural gas or gas of other designations removed or recovered
22 from the subject real property.

23 Section 3. Section 2 of the act is amended to read:

24 [Section 2. An oil, natural gas or other designation gas
25 well or oil, natural gas or other designation gas lease which
26 does not provide a one-eighth metered royalty shall be subject
27 to such an escalation when its original state is altered by new
28 drilling, deeper drilling, redrilling, artificial well
29 stimulation, hydraulic fracturing or any other procedure for
30 increased production. A lease shall not be affected when the

1 well is altered through routine maintenance or cleaning.]

2 Section 2. Escalation required for alteration to original
3 state.

4 An oil, natural gas or other designation gas well or oil,
5 natural gas or other designation gas lease which does not
6 include a one-eighth metered royalty shall be subject to an
7 escalation equal to one-eighth metered royalty when its original
8 state is altered by new drilling, deeper drilling, redrilling,
9 artificial well stimulation, hydraulic fracturing or any other
10 procedure to increase production. A lease shall not be affected
11 when the well is altered through routine maintenance or
12 cleaning.

13 Section 4. The act is amended by adding sections to read:

14 Section 3.1. Commencement of guaranteed royalty.

15 Whenever a procedure to increase production has been
16 completed prior to the effective date of this section, metering
17 and the royalty required under section 1.3 or 2 shall commence
18 within 90 days after the effective date of this section AFTER <--
19 DECEMBER 17, 1979.

20 Section 3.2. Payment information to interest owners.

21 Whenever payment is made for oil or gas production to an
22 interest owner, whether pursuant to a division order, lease,
23 servitude or other agreement, all of the following information, <--
24 AT A MINIMUM, shall be included on the check stub or on an
25 attachment to the form of payment, unless the information is
26 otherwise provided on a regular basis:

27 (1) A name, number or combination of name and number
28 that identifies the lease, property, unit or well or wells
29 for which payment is being made; and the county in which the
30 lease, property or well is located.

1 (2) Month and year of gas production.

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

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

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

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

10 (7) Interest owner's interest, expressed as a decimal or
11 fraction, in production from paragraph (1).

12 (8) Interest owner's share of the total value of sales
13 prior to deduction of taxes and deductions from paragraph
14 (5).

15 (9) Interest owner's share of the sales value less the
16 interest owner's share of taxes and deductions from paragraph
17 (5).

18 (10) Contact information, including an address and
19 telephone number.

20 Section 3.3. Accumulation of proceeds from production.

21 (a) General rule.--Proceeds from production of oil and gas
22 may be accumulated and remitted to the persons entitled thereto
23 annually for the 12 months' accumulation of proceeds totaling
24 less than \$100.

25 (b) Owner to be paid.--Notwithstanding any other provision
26 of this section to the contrary, all accumulated proceeds shall
27 be paid to the owner thereof when production ceases or upon
28 relinquishment or transfer of the payment responsibility.

29 Section 5. Section 4 of the act is amended to read:

30 [Section 4. This act shall take effect in 60 days.]

1 Section 4. Effective date.

2 This act shall take effect in 60 days.

3 Section 6. This act shall take effect in 60 days.