

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 138 Session of 2017

INTRODUCED BY YAW, VOGEL, GREENLEAF, YUDICHAK, VULAKOVICH,
SCHWANK, WHITE, COSTA, BREWSTER, HUGHES, BAKER, RAFFERTY,
SCARNATI AND BARTOLOTTA, JANUARY 19, 2017

REFERRED TO ENVIRONMENTAL RESOURCES AND ENERGY, JANUARY 19, 2017

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, for
5 accumulation of proceeds from production and for conflicts
6 and providing for joint ventures and for inspection of
7 records.

8 The General Assembly of the Commonwealth of Pennsylvania
9 hereby enacts as follows:

10 Section 1. Sections 1.2, 3.2, 3.3 and 3.4 of the act of July
11 20, 1979 (P.L.183, No.60), known as the Oil and Gas Lease Act,
12 are amended to read:

13 Section 1.2. Definitions.

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

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

18 "Division order." An agreement signed by an interest owner
19 directing the distribution of proceeds from the sale of oil,
20 gas, casing head gas or other related hydrocarbons. The order

1 shall direct and authorize the payor to make payment for the
2 products taken in accordance with the division order.

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

6 "Joint venture." An association or any other contractual
7 relationship of two or more individuals or companies engaged in
8 the production of an oil or natural gas well for profit without
9 actual partnership or incorporation.

10 "Lessee." A person that has obtained the right to explore,
11 drill, stimulate, produce, market or sell oil, gas or natural
12 gas liquids pursuant to an executed lease.

13 "Lessor." An owner of oil and gas in place that controls the
14 oil and gas rights and executes a lease granting the right to
15 explore, drill, stimulate, produce, market or sell oil, gas or
16 natural gas liquids.

17 "Mcf." A unit of measurement expressed by 1,000 cubic feet.
18 Section 3.2. Payment information to interest owners.

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

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

30 (2) Month and year of gas production.

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

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

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

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

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

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

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

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

19 Section 3.3. Accumulation of proceeds from production.

20 (a) General rule.--[Proceeds] Unless otherwise provided by
21 contract, proceeds from production of oil and gas [may be
22 accumulated and remitted to the persons entitled thereto
23 annually for the 12 months' accumulation of proceeds totaling
24 less than \$100.] shall be paid within 90 days of production.

25 (a.1) Remittance.--Proceeds from production of oil and gas
26 may be accumulated and remitted to the persons entitled thereto
27 quarterly for the three months' accumulation of proceeds
28 totaling less than \$100.

29 (a.2) Delinquency.--Delinquent payments under this section
30 shall be paid at the legal rate of interest.

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

5 Section 3.4. Conflicts.

6 If there is [any] a conflict between a division order and an
7 oil and gas lease, the terms and conditions of the oil and gas
8 lease shall control. A division order may not amend or
9 supplement the terms and conditions of an oil and gas lease.

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

11 Section 3.5. Joint ventures.

12 In the case of a joint venture, interest owners shall be
13 provided the following information related to a joint venture
14 company on an annual basis if the joint venture company is
15 separately paying its share of the royalty:

16 (1) Name of company.

17 (2) Company address.

18 (3) Company telephone number.

19 (4) The proportionate share of oil or natural gas that
20 each joint venture markets, expressed as a decimal interest.

21 Section 4. Inspection of records.

22 (a) Authority.--A lessor or a person acting on behalf of a
23 lessor may inspect the supporting documentation of a lessee for
24 the payment information required under section 3.2.

25 (b) Procedure.--

26 (1) A lessor or a person acting on behalf of a lessor
27 seeking inspection under subsection (a) must make a written
28 request for inspection of records for any property for which
29 the lessor has been paid royalties within the three-year
30 period immediately preceding the date of the request.

1 (2) Within 30 days of receipt of the request, the lessee
2 shall do all of the following:

3 (i) Designate a location in this Commonwealth for
4 inspection which shall not impose an unreasonable travel
5 burden on the lessor or the lessor's representative.

6 (ii) Designate a date for inspection:

7 (A) as mutually agreed; or

8 (B) within 90 days of receipt of the request.

9 (iii) Designate a time for inspection which is
10 reasonable to permit completion of the inspection.

11 (iv) Provide supporting documentation of payment
12 information required under section 3.2. For services that
13 are provided by third parties, supporting documentation
14 shall consist of invoiced amounts for the services
15 provided, but shall not include the composition of the
16 fees charged by an unaffiliated third party.

17 (v) Make available a knowledgeable individual who is
18 able to answer questions pertaining to accounting issues
19 regarding a well which is the subject of the request.

20 (c) Confidentiality.--

21 (1) Except as set forth in paragraph (2), information
22 provided to a lessor or person acting on behalf of a lessor
23 that makes a request under subsection (a):

24 (i) shall be confidential; and

25 (ii) may not be disclosed to any other person except
26 an attorney or accountant employed by the lessor.

27 (2) Paragraph (1) does not apply to disclosure in a
28 judicial proceeding.

29 (d) Frequency.--A request for inspection under this section
30 may not be made more than once in a 12-month period.

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