

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 806 Session of 2021

INTRODUCED BY YAW, BARTOLOTTA, HUTCHINSON, BAKER, MENSCH, YUDICHAK, PITTMAN AND TARTAGLIONE, JUNE 25, 2021

SENATOR YAW, ENVIRONMENTAL RESOURCES AND ENERGY, AS AMENDED, SEPTEMBER 28, 2021

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 and
5 for accumulation of proceeds from production.

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

8 Section 1. The definitions of "division order" and "interest
9 owner" in section 1.2 of the act of July 20, 1979 (P.L.183,
10 No.60), known as the Oil and Gas Lease Act, are amended and the
11 section is amended by adding ~~definitions~~ A DEFINITION to read: <--

12 Section 1.2. Definitions.

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

16 * * *

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

1 The order shall direct and authorize the payor to make payment
2 for [the] products taken in accordance with the [division order]
3 lease at the royalty owner's share established by the division
4 order.

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

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

11 * * *

12 "Royalty owner." Any owner of oil or gas in place or oil or
13 gas rights, subject to a lease covering such oil or gas in place
14 or oil or gas rights. The term includes the owner of an interest
15 in an oil or gas lease which entitles him to share in the
16 production of the oil or gas under such lease and the owner of
17 any interest in the oil or gas in place, or oil or gas rights,
18 who has not executed an oil and gas lease, to the extent that
19 the owner is not designated an "operator" under 58 Pa.C.S. §
20 3203 (relating to definitions).

21 Section 2. Sections 3.2 and 3.3 of the act are amended to
22 read:

23 Section 3.2. Payment information to [interest owners] royalty
24 owners.

25 (a) Payment information.--Whenever payment is made [for oil
26 or gas production to an interest owner, whether pursuant to a
27 division order, lease, servitude or other agreement,] to a
28 royalty owner for the production of oil, gas or natural gas
29 liquids, pursuant to an oil and gas lease, all of the following
30 information, at a minimum, shall be included on the check stub

1 provided to the royalty owner or on an attachment to the form of
2 payment provided to the royalty owner, unless the information is
3 otherwise provided on a regular basis:

4 (1) A common well name[, number or combination of name
5 and number] and the American Petroleum Institute
6 identification number that identifies [the lease, property,
7 unit or well or wells] the well for which payment is being
8 made[; and the county in which the lease, property or well is
9 located].

10 (2) Month and year of OIL, gas OR NATURAL GAS LIQUIDS <--
11 production for which payment is being made.

12 (3) Total barrels of crude oil or number of Mcf [of gas]
13 or MMBtu of gas and volume of natural gas liquids [sold]
14 produced and sold from each well.

15 (4) Price received [per barrel, Mcf or gallon] by the
16 payor per unit of oil, natural gas and natural gas liquids
17 produced and sold.

18 (5) [Total amount of severance and other production
19 taxes and other deductions permitted under the lease, with
20 the exception of windfall profit tax.] The aggregate amounts
21 for each category of deductions for each well incurred by the
22 payor which reduces the royalty owner's payment, including
23 all severance and other production taxes.

24 (6) Net and gross value of the payor's total sales from
25 the [property less taxes and deductions from paragraph (5)]
26 sale of oil, gas and natural gas liquids from each well less
27 any deductions identified in paragraph (5).

28 (7) [Interest owner's] Royalty owner's legal and
29 contractual interest in the payor's share, expressed as a
30 decimal or fraction[, in production from paragraph (1)].

1 (8) [Interest owner's] Royalty owner's share of the
2 [total] gross value of ~~total~~ THE PAYOR'S TOTAL sales [prior <--
3 to deduction of taxes and deductions from] for the oil, gas
4 and natural gas liquids before any deductions identified in
5 paragraph (5).

6 (9) [Interest owner's] Royalty owner's share of the
7 sales value less the [interest owner's] royalty owner's share
8 of taxes and any deductions [from] identified in paragraph
9 (5).

10 (10) [Contact] Payor's contact information, including an
11 address and telephone number.

12 (b) Summary statements.--A payor may make available and
13 provide for a summary statement format for a royalty owner to
14 receive the information under subsection (a) UPON THE MUTUAL <--
15 CONSENT OF THE ROYALTY OWNER AND PAYOR. The summary statement
16 shall conspicuously disclose that the royalty owner has the
17 right to receive the information under subsection (a) in its
18 entirety upon written request, sent by certified mail, to the
19 payor. Upon receipt of a written request under this subsection,
20 the payor shall provide all the information under subsection (a)
21 in its entirety from the month of the notice and each subsequent
22 month thereafter and for any prior period requested by the
23 royalty owner. Nothing in this subsection shall be construed as
24 a waiver of the ability of a royalty owner to receive the
25 information under subsection (a).

26 (c) Noncompliance.--Subject to the provisions of section
27 3.3, if a payor does not provide the payment information to a
28 royalty owner as required under this section, the royalty owner
29 may send a written request for the information to the payor by
30 certified mail. The royalty owner shall identify the lease

1 information under subsection (a)(1) in the written request. If
2 the payor does not provide payment information or does not
3 supply a reason for not providing the payment information within
4 60 days after receiving the written request, the royalty owner
5 may bring a civil action to enforce the provisions of this
6 section and to recover any resulting attorney fees or court
7 costs incurred in the civil action.

8 (d) Transmission of information.--All information required
9 to be included under subsection (a) may be provided or made
10 available to a royalty owner by electronic means, including, but
11 not limited to, electronic mail or a website or database
12 accessible to the royalty owner, upon the mutual written consent
13 of the information payor and the royalty owner.

14 Section 3.3. Accumulation of proceeds from production.

15 [(a) General rule.--Proceeds from production of oil and gas
16 may be accumulated and remitted to the persons entitled thereto
17 annually for the 12 months' accumulation of proceeds totaling
18 less than \$100.]

19 (b) Owner to be paid.--Notwithstanding any other provision
20 of this section to the contrary, all accumulated proceeds shall
21 be paid to the owner thereof when production ceases or upon
22 relinquishment or transfer of the payment responsibility.]

23 (c) Remittance of proceeds.--

24 (1) Except as provided under subsection (d) or as
25 otherwise provided in the lease, all proceeds due and payable
26 to the royalty owner under the terms of the lease from the
27 sale or production of oil, gas and natural gas liquids shall
28 be remitted in a timely manner as follows:

29 (i) no later than 120 days from the date of the
30 first sale of oil, gas or natural gas liquids; and

1 (ii) thereafter, within 60 days after the end of the
2 month when the production is sold.

3 (2) A payor shall not be required to comply with
4 paragraph (1) if any of the following apply:

5 (i) There is a lack of marketable record title in
6 the royalty owner.

7 (ii) There is bona fide dispute concerning the
8 royalty owner's interest.

9 (iii) The owner of interest is missing or not able
10 to be located.

11 (3) Failure to remit a timely payment of the proceeds as
12 required under paragraph (1) shall result in a mandatory
13 payment of an interest penalty to be set at the legal rate of
14 interest in accordance with section 202 of the act of January
15 30, 1974 (P.L.13, No.6), referred to as the Loan Interest and
16 Protection Law, until the payment of production proceeds due
17 and payable to the royalty owner under the terms of the lease
18 is made, unless otherwise provided for in the lease.

19 (d) Accumulation of proceeds.--Proceeds from the production
20 of oil, gas and natural gas liquids may be accumulated and
21 remitted annually for a 12-month accumulation of proceeds
22 totaling less than \$100, unless production PERMANENTLY ceases or <--
23 a relinquishment or transfer of the payment responsibility
24 occurs.

25 Section 3. This act shall take effect in 120 days.