

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

AS AMENDED ON THIRD CONSIDERATION, JANUARY 25, 2022

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 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 * * *

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

18 Section 2. Sections 3.2 and 3.3 of the act are amended to
19 read:

20 ~~Section 3.2. Payment information to [interest owners] royalty~~ <--
21 ~~owners.~~

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

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

7 ~~(2) Month and year of oil, gas or natural gas liquids~~
8 ~~production for which payment is being made.~~

9 ~~(3) Total barrels of crude oil or number of Mcf [of gas]~~
10 ~~or MMBtu of gas and volume of natural gas liquids [sold]~~
11 ~~produced and sold from each well.~~

12 ~~(4) Price received [per barrel, Mcf or gallon] by the~~
13 ~~payor per unit of oil, natural gas and natural gas liquids~~
14 ~~produced and sold.~~

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

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

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

28 ~~(8) [Interest owner's] Royalty owner's share of the~~
29 ~~[total] gross value of the payor's total sales [prior to~~
30 ~~deduction of taxes and deductions from] for the oil, gas and~~

1 ~~natural gas liquids before any deductions identified in~~
2 ~~paragraph (5).~~

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

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

9 SECTION 3.2. PAYMENT INFORMATION TO [INTEREST OWNERS] ROYALTY <--
10 OWNERS FOR OIL, NATURAL GAS AND NATURAL GAS LIQUIDS
11 FROM A CONVENTIONAL FORMATION.

12 WHENEVER PAYMENT IS MADE [FOR OIL OR GAS PRODUCTION TO AN
13 INTEREST OWNER, WHETHER PURSUANT TO A DIVISION ORDER, LEASE,
14 SERVITUDE OR OTHER AGREEMENT,] TO A ROYALTY OWNER FOR THE
15 PRODUCTION OF OIL, GAS OR NATURAL GAS LIQUIDS FROM A
16 CONVENTIONAL FORMATION, PURSUANT TO AN OIL AND GAS LEASE, ALL OF
17 THE FOLLOWING INFORMATION, AT A MINIMUM, SHALL BE INCLUDED ON
18 THE CHECK STUB PROVIDED TO THE ROYALTY OWNER OR ON AN ATTACHMENT
19 TO THE FORM OF PAYMENT PROVIDED TO THE ROYALTY OWNER, UNLESS THE
20 INFORMATION IS OTHERWISE PROVIDED ON A REGULAR BASIS:

21 (1) A NAME, NUMBER OR COMBINATION OF NAME AND NUMBER
22 THAT IDENTIFIES THE LEASE, PROPERTY, UNIT OR WELL OR WELLS
23 FOR WHICH PAYMENT IS BEING MADE; AND THE COUNTY IN WHICH THE
24 LEASE, PROPERTY OR WELL IS LOCATED.

25 (2) MONTH AND YEAR OF [GAS PRODUCTION] OIL, GAS OR
26 NATURAL GAS LIQUIDS PRODUCTION FOR WHICH PAYMENT IS BEING
27 MADE.

28 (3) TOTAL BARRELS OF CRUDE OIL OR NUMBER OF MCF OF GAS
29 OR VOLUME OF NATURAL GAS LIQUIDS SOLD.

30 (4) PRICE RECEIVED PER BARREL, MCF OR GALLON.

1 (5) TOTAL AMOUNT OF SEVERANCE AND OTHER PRODUCTION TAXES
2 AND OTHER DEDUCTIONS PERMITTED UNDER THE LEASE, WITH THE
3 EXCEPTION OF WINDFALL PROFIT TAX.

4 (6) NET VALUE OF TOTAL SALES FROM THE PROPERTY LESS
5 TAXES AND DEDUCTIONS FROM PARAGRAPH (5).

6 (7) [INTEREST] ROYALTY OWNER'S INTEREST, EXPRESSED AS A
7 DECIMAL OR FRACTION, IN PRODUCTION FROM PARAGRAPH (1).

8 (8) [INTEREST] ROYALTY OWNER'S SHARE OF THE TOTAL VALUE
9 OF SALES PRIOR TO DEDUCTION OF TAXES AND DEDUCTIONS FROM
10 PARAGRAPH (5).

11 (9) [INTEREST] ROYALTY OWNER'S SHARE OF THE SALES VALUE
12 LESS THE [INTEREST] ROYALTY OWNER'S SHARE OF TAXES AND
13 DEDUCTIONS FROM PARAGRAPH (5).

14 (10) CONTACT INFORMATION, INCLUDING AN ADDRESS AND
15 TELEPHONE NUMBER.

16 SECTION 3.3. [ACCUMULATION OF PROCEEDS FROM PRODUCTION.]

17 (A) GENERAL RULE.--PROCEEDS FROM PRODUCTION OF OIL AND GAS
18 MAY BE ACCUMULATED AND REMITTED TO THE PERSONS ENTITLED THERETO
19 ANNUALLY FOR THE 12 MONTHS' ACCUMULATION OF PROCEEDS TOTALING
20 LESS THAN \$100.

21 (B) OWNER TO BE PAID.--NOTWITHSTANDING ANY OTHER PROVISION
22 OF THIS SECTION TO THE CONTRARY, ALL ACCUMULATED PROCEEDS SHALL
23 BE PAID TO THE OWNER THEREOF WHEN PRODUCTION CEASES OR UPON
24 RELINQUISHMENT OR TRANSFER OF THE PAYMENT RESPONSIBILITY.]

25 PAYMENT INFORMATION TO ROYALTY OWNERS FOR OIL, NATURAL GAS AND
26 NATURAL GAS LIQUIDS FROM AN UNCONVENTIONAL FORMATION.

27 (A) PAYMENT INFORMATION.--WHENEVER PAYMENT IS MADE TO A
28 ROYALTY OWNER FOR THE PRODUCTION OF OIL, GAS OR NATURAL GAS
29 LIQUIDS FROM AN UNCONVENTIONAL FORMATION, PURSUANT TO AN OIL AND
30 GAS LEASE, ALL OF THE FOLLOWING INFORMATION, AT A MINIMUM, SHALL

1 BE INCLUDED ON THE CHECK STUB PROVIDED TO THE ROYALTY OWNER OR
2 ON AN ATTACHMENT TO THE FORM OF PAYMENT PROVIDED TO THE ROYALTY
3 OWNER, UNLESS THE INFORMATION IS OTHERWISE PROVIDED ON A REGULAR
4 BASIS:

5 (1) A COMMON WELL NAME AND THE AMERICAN PETROLEUM
6 INSTITUTE IDENTIFICATION NUMBER THAT IDENTIFIES THE WELL FOR
7 WHICH PAYMENT IS BEING MADE.

8 (2) MONTH AND YEAR OF OIL, GAS OR NATURAL GAS LIQUIDS
9 PRODUCTION FOR WHICH PAYMENT IS BEING MADE.

10 (3) TOTAL BARRELS OF CRUDE OIL OR NUMBER OF MCF OR MMBTU
11 OF GAS AND VOLUME OF NATURAL GAS LIQUIDS PRODUCED AND SOLD
12 FROM EACH WELL.

13 (4) PRICE RECEIVED BY THE PAYOR PER UNIT OF OIL, NATURAL
14 GAS AND NATURAL GAS LIQUIDS PRODUCED AND SOLD.

15 (5) THE AGGREGATE AMOUNTS FOR EACH CATEGORY OF
16 DEDUCTIONS FOR EACH WELL INCURRED BY THE PAYOR WHICH REDUCES
17 THE ROYALTY OWNER'S PAYMENT, INCLUDING ALL SEVERANCE AND
18 OTHER PRODUCTION TAXES.

19 (6) NET AND GROSS VALUE OF THE PAYOR'S TOTAL SALES FROM
20 THE SALE OF OIL, GAS AND NATURAL GAS LIQUIDS FROM EACH WELL
21 LESS ANY DEDUCTIONS IDENTIFIED IN PARAGRAPH (5).

22 (7) ROYALTY OWNER'S LEGAL AND CONTRACTUAL INTEREST IN
23 THE PAYOR'S SHARE, EXPRESSED AS A DECIMAL OR FRACTION.

24 (8) ROYALTY OWNER'S SHARE OF THE GROSS VALUE OF THE
25 PAYOR'S TOTAL SALES FOR THE OIL, GAS AND NATURAL GAS LIQUIDS
26 BEFORE ANY DEDUCTIONS IDENTIFIED IN PARAGRAPH (5).

27 (9) ROYALTY OWNER'S SHARE OF THE SALES VALUE LESS THE
28 ROYALTY OWNER'S SHARE OF TAXES AND ANY DEDUCTIONS IDENTIFIED
29 IN PARAGRAPH (5).

30 (10) PAYOR'S CONTACT INFORMATION, INCLUDING AN ADDRESS

1 AND TELEPHONE NUMBER.

2 (b) Summary statements.--A payor may make available and
3 provide for a summary statement format for a royalty owner to
4 receive the information under subsection (a) upon the mutual
5 consent of the royalty owner and payor. The summary statement
6 shall conspicuously disclose that the royalty owner has the
7 right to receive the information under subsection (a) in its
8 entirety upon written request, sent by certified mail, to the
9 payor. Upon receipt of a written request under this subsection,
10 the payor shall provide all the information under subsection (a)
11 in its entirety from the month of the notice and each subsequent
12 month thereafter and for any prior period requested by the
13 royalty owner. Nothing in this subsection shall be construed as
14 a waiver of the ability of a royalty owner to receive the
15 information under subsection (a).

16 (c) Noncompliance.--~~Subject to the provisions of section~~ <--
17 ~~3.3, if~~ IF a payor does not provide the payment information to a <--
18 royalty owner as required under this section, the royalty owner
19 may send a written request for the information to the payor by
20 certified mail. The royalty owner shall identify the lease
21 information under subsection (a)(1) in the written request. If
22 the payor does not provide payment information or does not
23 supply a reason for not providing the payment information within
24 60 days after receiving the written request, the royalty owner
25 may bring a civil action to enforce the provisions of this
26 section and to recover any resulting attorney fees or court
27 costs incurred in the civil action.

28 (d) Transmission of information.--All information required
29 to be included under subsection (a) may be provided or made
30 available to a royalty owner by electronic means, including, but

1 not limited to, electronic mail or a website or database
2 accessible to the royalty owner, upon the mutual written consent
3 of the information payor and the royalty owner.

4 ~~Section 3.3. Accumulation of proceeds from production.~~ <--

5 ~~{(a) General rule. Proceeds from production of oil and gas~~
6 ~~may be accumulated and remitted to the persons entitled thereto~~
7 ~~annually for the 12 months' accumulation of proceeds totaling~~
8 ~~less than \$100.~~

9 ~~(b) Owner to be paid. Notwithstanding any other provision~~
10 ~~of this section to the contrary, all accumulated proceeds shall~~
11 ~~be paid to the owner thereof when production ceases or upon~~
12 ~~relinquishment or transfer of the payment responsibility.}~~

13 ~~(c) (E) Remittance of proceeds.--~~ <--

14 (1) Except as provided under subsection (d) (F) or as <--
15 otherwise provided in the lease, all proceeds due and payable
16 to the royalty owner under the terms of the lease from the
17 sale or production of oil, gas and natural gas liquids shall
18 be remitted in a timely manner as follows:

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

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

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

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

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

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

1 (3) Failure to remit a timely payment of the proceeds as
2 required under paragraph (1) shall result in a mandatory
3 payment of an interest penalty to be set at the legal rate of
4 interest in accordance with section 202 of the act of January
5 30, 1974 (P.L.13, No.6), referred to as the Loan Interest and
6 Protection Law, until the payment of production proceeds due
7 and payable to the royalty owner under the terms of the lease
8 is made, unless otherwise provided for in the lease.

9 ~~(d)~~ (F) Accumulation of proceeds.--Proceeds from the <--
10 production of oil, gas and natural gas liquids may be
11 accumulated and remitted annually for a 12-month accumulation of
12 proceeds totaling less than \$100, unless production permanently
13 ceases or a relinquishment or transfer of the payment
14 responsibility occurs.

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