

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1236 Session of 2014

INTRODUCED BY YAW, RAFFERTY, FONTANA, VOGEL, SCHWANK, YUDICHAK, HUGHES, GREENLEAF, COSTA, BAKER, SCARNATI, VULAKOVICH, KASUNIC, SOLOBAY AND BROWNE, JANUARY 24, 2014

SENATOR YAW, ENVIRONMENTAL RESOURCES AND ENERGY, AS AMENDED, MARCH 11, 2014

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(1) and, 3.3 AND 3.4 of the act <--
11 of July 20, 1979 (P.L.183, No.60), known as the Oil and Gas
12 Lease Act, added July 9, 2013 (P.L.473, No.66), are amended to
13 read:

14 Section 1.2. Definitions.

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

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

19 "Division order." An agreement signed by an interest owner

1 directing the distribution of proceeds from the sale of oil,  
2 gas, casing head gas or other related hydrocarbons. The order  
3 shall direct and authorize the payor to make payment for the  
4 products taken in accordance with the division 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 "JOINT VENTURE." AN ASSOCIATION OR ANY OTHER CONTRACTUAL <--  
9 RELATIONSHIP OF TWO OR MORE INDIVIDUALS OR COMPANIES ENGAGED IN  
10 THE PRODUCTION OF AN OIL OR NATURAL GAS WELL FOR PROFIT WITHOUT  
11 ACTUAL PARTNERSHIP OR INCORPORATION.

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

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

19 "Mcf." A unit of measurement expressed by 1,000 cubic feet.  
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 unique property identification and the name,  
28 number or combination of name and number that identifies the  
29 lease, property, unit or well or wells for which payment is  
30 being made; and the county in which the lease, property or

1 well is located.

2 \* \* \*

3 SECTION 3.3. ACCUMULATION OF PROCEEDS FROM PRODUCTION. <--

4 (A) GENERAL RULE.--[PROCEEDS] UNLESS OTHERWISE PROVIDED BY  
5 CONTRACT, PROCEEDS FROM PRODUCTION OF OIL AND GAS [MAY BE  
6 ACCUMULATED AND REMITTED TO THE PERSONS ENTITLED THERETO  
7 ANNUALLY FOR THE 12 MONTHS' ACCUMULATION OF PROCEEDS TOTALING  
8 LESS THAN \$100.] SHALL BE PAID WITHIN 60 DAYS OF PRODUCTION.

9 (A.1) REMITTANCE.--PROCEEDS FROM PRODUCTION OF OIL AND GAS  
10 MAY BE ACCUMULATED AND REMITTED TO THE PERSONS ENTITLED THERETO  
11 QUARTERLY FOR THE THREE MONTHS' ACCUMULATION OF PROCEEDS  
12 TOTALING LESS THAN \$100.

13 (A.2) DELINQUENCY.--DELINQUENT PAYMENTS UNDER THIS SECTION  
14 SHALL BE PAID AT THE LEGAL RATE OF INTEREST.

15 (B) OWNER TO BE PAID.--NOTWITHSTANDING ANY OTHER PROVISION  
16 OF THIS SECTION TO THE CONTRARY, ALL ACCUMULATED PROCEEDS SHALL  
17 BE PAID TO THE OWNER THEREOF WHEN PRODUCTION CEASES OR UPON  
18 RELINQUISHMENT OR TRANSFER OF THE PAYMENT RESPONSIBILITY.

19 Section 3.4. Conflicts.

20 If there is [any] a conflict between a division order and an  
21 oil and gas lease, the terms and conditions of the oil and gas  
22 lease shall control. A division order may not amend or  
23 supplement the terms and conditions of an oil and gas lease.

24 Section 2. The act is amended by adding sections to read:  
25 Section 3.5. Joint ventures.

26 In the case of a joint venture, interest owners shall be  
27 provided the following information related to a joint venture  
28 company on an annual basis IF THE JOINT VENTURE COMPANY IS <--  
29 SEPARATELY PAYING ITS SHARE OF THE ROYALTY:

30 (1) Name of company.

1           (2) Company address.  
2           (3) Company telephone number.  
3           ~~(4) Each joint venture decimal interest.~~ <--  
4           (4) THE PROPORTIONATE SHARE OF OIL OR NATURAL GAS THAT <--  
5           EACH JOINT VENTURE MARKETS, EXPRESSED AS A DECIMAL INTEREST.  
6 Section 4. Inspection of records.  
7           (a) Authority.--A lessor or a person acting on behalf of a  
8           lessor may inspect the records of a lessee SUPPORTING <--  
9           DOCUMENTATION OF A LESSEE FOR THE PAYMENT INFORMATION REQUIRED  
10           UNDER SECTION 3.2.  
11           (b) Procedure.--  
12           (1) A lessor or a person acting on behalf of a lessor  
13           seeking inspection under subsection (a) must make a written  
14           request for inspection of records for any property for which  
15           the lessor has been paid royalties within the three-year  
16           period immediately preceding the date of the request.  
17           (2) Within 30 days of receipt of the request, the lessee  
18           shall do all of the following:  
19           (i) Designate a location in this Commonwealth for  
20           inspection which shall not impose an unreasonable travel  
21           burden on the lessor or the lessor's representative.  
22           (ii) Designate a date for inspection:  
23           (A) as mutually agreed; or  
24           (B) within 90 days of receipt of the request.  
25           (iii) Designate a time for inspection which is  
26           reasonable to permit completion of the inspection.  
27           (iv) Provide supporting documentation of payment  
28           information required under section 3.2 for 3.2. FOR <--  
29           services that are provided by third parties. Supporting, <--  
30           SUPPORTING documentation shall consist of invoiced

1 amounts for the services provided, but shall not include  
2 the composition of the fees charged by an unaffiliated  
3 third party.

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

7 (c) Confidentiality.--

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

11 (i) shall be confidential; and

12 (ii) may not be disclosed to any other person.

13 (2) Paragraph (1) does not apply to disclosure in a  
14 judicial proceeding.

15 (D) FREQUENCY.--A REQUEST FOR INSPECTION UNDER THIS SECTION <--  
16 MAY NOT BE MADE MORE THAN ONCE IN A 12-MONTH PERIOD.

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