

2022 Pa. Legis. Serv. Act 2022-153 (S.B. 806) (PURDON'S)

PENNSYLVANIA 2022 LEGISLATIVE SERVICE

Two Hundred Sixth Regular Session of the General Assembly

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~~Text~~.

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ACT NO. 2022-153

S.B. No. 806

AN ACT Amending the act of July 20, 1979 (P.L. 183, No. 60), entitled “An act regulating the terms and conditions of certain leases regarding natural gas and oil,” further providing for definitions, for payment information to interest owners and for accumulation of proceeds from production.

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

Section 1. The definitions of “division order” and “interest owner” in section 1.2 of the act of July 20, 1979 (P.L. 183, No. 60), known as the Oil and Gas Lease Act, are amended and the section is amended by adding a definition to read:

<< PA ST 58 P.S. § 33.2 >>

Section 1.2. Definitions¹

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

* * *

“Division order.” An agreement signed by ~~an interest owner~~ **a royalty owner** directing the distribution of proceeds from the sale of oil, gas, casing head gas or other related hydrocarbons. The order shall direct and authorize the payor to make payment for the products taken in accordance with the ~~division order~~ **lease at the royalty owner's share established by the division order**.

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

* * *

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

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

<< PA ST 58 P.S. § 35.2 >>

Section 3.2. Payment information to ~~interest owners~~ royalty owners for oil, natural gas and natural gas liquids from a conventional formation²

Whenever payment is made for oil or gas production to an interest owner, whether pursuant to a division order, lease, servitude or other agreement, **to a royalty owner for the production of oil, gas or natural gas liquids from a conventional formation, pursuant to an oil and gas lease**, all of the following information, at a minimum, shall be included on the check stub **provided to the royalty owner** or on an attachment to the form of payment **provided to the royalty owner**, unless the information is otherwise provided on a regular basis:

- (1) A name, number or combination of name and number that identifies the lease, property, unit or well or wells for which payment is being made; and the county in which the lease, property or well is located.
- (2) Month and year of ~~gas production~~ **oil, gas or natural gas liquids production for which payment is being made**.
- (3) Total barrels of crude oil or number of Mcf of gas or volume of natural gas liquids sold.
- (4) Price received per barrel, Mcf or gallon.
- (5) Total amount of severance and other production taxes and other deductions permitted under the lease, with the exception of windfall profit tax.
- (6) Net value of total sales from the property less taxes and deductions from paragraph (5).
- (7) Interest **Royalty** owner's interest, expressed as a decimal or fraction, in production from paragraph (1).
- (8) Interest **Royalty** owner's share of the total value of sales prior to deduction of taxes and deductions from paragraph (5).
- (9) Interest **Royalty** owner's share of the sales value less the interest ~~royalty~~ owner's share of taxes and deductions from paragraph (5).
- (10) Contact information, including an address and telephone number.

<< PA ST 58 P.S. § 35.3 >>

Section 3.3. ~~Accumulation of proceeds from production~~ Payment information to royalty owners for oil, natural gas and natural gas liquids from an unconventional formation³

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

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

(a) Payment information.—Whenever payment is made to a royalty owner for the production of oil, gas or natural gas liquids from an unconventional formation, pursuant to an oil and gas lease, all of the following information, at a minimum, shall be included on the check stub provided to the royalty owner or on an attachment to the form of payment provided to the royalty owner, unless the information is otherwise provided on a regular basis:

- (1) **A common well name and the American Petroleum Institute identification number that identifies the well for which payment is being made.**

- (2) Month and year of oil, gas or natural gas liquids production for which payment is being made.
 - (3) Total barrels of crude oil or number of Mcf or MMBtu of gas and volume of natural gas liquids produced and sold from each well.
 - (4) Price received by the payor per unit of oil, natural gas and natural gas liquids produced and sold.
 - (5) The aggregate amounts for each category of deductions for each well incurred by the payor which reduces the royalty owner's payment, including all severance and other production taxes.
 - (6) Net and gross value of the payor's total sales from the sale of oil, gas and natural gas liquids from each well less any deductions identified in paragraph (5).
 - (7) Royalty owner's legal and contractual interest in the payor's share, expressed as a decimal or fraction.
 - (8) Royalty owner's share of the gross value of the payor's total sales for the oil, gas and natural gas liquids before any deductions identified in paragraph (5).
 - (9) Royalty owner's share of the sales value less the royalty owner's share of taxes and any deductions identified in paragraph (5).
 - (10) Payor's contact information, including an address and telephone number.
- (b) Summary statements.—A payor may make available and provide for a summary statement format for a royalty owner to receive the information under subsection (a) upon the mutual consent of the royalty owner and payor. The summary statement shall conspicuously disclose that the royalty owner has the right to receive the information under subsection (a) in its entirety upon written request, sent by certified mail, to the payor. Upon receipt of a written request under this subsection, the payor shall provide all the information under subsection (a) in its entirety from the month of the notice and each subsequent month thereafter and for any prior period requested by the royalty owner. Nothing in this subsection shall be construed as a waiver of the ability of a royalty owner to receive the information under subsection (a).
- (c) Noncompliance.—If a payor does not provide the payment information to a royalty owner as required under this section, the royalty owner may send a written request for the information to the payor by certified mail. The royalty owner shall identify the lease information under subsection (a)(1) in the written request. If the payor does not provide payment information or does not supply a reason for not providing the payment information within 60 days after receiving the written request, the royalty owner may bring a civil action to enforce the provisions of this section and to recover any resulting attorney fees or court costs incurred in the civil action.
- (d) Transmission of information.—If a royalty owner has already been receiving the payment information required under this act electronically before the effective date of this subsection or upon the mutual written consent of the information payor and the royalty owner, all information required to be included under subsection (a) may be provided or made available to the royalty owner by electronic means, including, but not limited to, electronic mail or a website or database accessible to the royalty owner.
- (e) Remittance of proceeds.—
- (1) Except as provided under subsection (f) or as otherwise provided in the lease, all proceeds due and payable to the royalty owner under the terms of the lease from the sale or production of oil, gas and natural gas liquids shall be remitted in a timely manner as follows:
 - (i) no later than 120 days from the date of the first sale of oil, gas or natural gas liquids; and

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

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

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

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

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

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

(f) Accumulation of proceeds.—Proceeds from the production of oil, gas and natural gas liquids may be accumulated and remitted annually for a 12-month accumulation of proceeds totaling less than \$100, unless production permanently ceases or a relinquishment or transfer of the payment responsibility occurs.

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

Approved November 3, 2022.

¹ 58 P.S. § 33.2.

² 58 P.S. § 35.2.

³ 58 P.S. § 35.3.

⁴ 41 P.S. § 202.