

**SENATE BILL No. 267**

By Committee on Ways and Means

3-24

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AN ACT concerning oil and gas; relating to percent of proceeds gas purchase agreements.

*Be it enacted by the Legislature of the State of Kansas:*

Section 1. (a) As used in this section:

(1) Words and phrases used in this section shall have the meaning ascribed to such word or phrase under K.S.A. 55-150, and amendments thereto.

(2) "Percent of proceeds gas purchase agreement" means an agreement to purchase natural gas or components of the gas, wherein the amount to be paid by the first purchaser for the gas or components of the gas, is a percentage of the actual or theoretical proceeds received by the first purchaser upon resale of the gas or components of the gas.

(b) On and after July 1, 2003, no person shall enter into a percent of proceeds gas purchase agreement to purchase or sell natural gas or components of the gas produced within this state, if the terms of that agreement are such that the lessor's royalty due on the gas and components of the gas would be less than the amount of royalty due based on the amount and quality of the gas as produced and measured at the wellhead, priced per unit of volume or heating value.

(c) On and after July 1, 2003, no person shall enter into a percent of proceeds gas purchase agreement to purchase or sell natural gas or components of the gas produced within this state to a first purchaser, if the terms of such agreement are that the severance tax owed on such gas pursuant to K.S.A. 79-4217, and amendments thereto, would be less than the amount of severance tax due on the volume of the gas as produced and measured at the wellhead.

(d) A percent of proceeds gas purchase agreement that violates this statute is declared to be against the public policy of this state, and such agreement shall be void.

Sec. 2. This act shall take effect and be in force from and after its publication in the statute book.