

SENATE BILL No. 401

By Committee on Utilities

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AN ACT relating to oil and gas; concerning information to be included with payment to interest owners from sales of oil and gas; amending K.S.A. 2003 Supp. 55-1620 and 55-1622 and repealing the existing sections.

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

New Section 1. (a) Any district court within this state shall have the jurisdiction to enforce the provisions of this act.

(b) An owner or the attorney general shall have the right to seek enforcement of the provisions of this act.

(c) The court may award court costs, attorney fees and other allowable litigation expenses incurred by a party in an action to enforce this act.

(d) Any person or entity who willfully violates any provision of K.S.A. 2003 Supp. 55-1620 through 55-1622, and amendments thereto, upon conviction shall be guilty of a misdemeanor punishable by a fine of not more than \$1,000 for each violation and \$1,000 for each day that violation continues.

Sec. 2. K.S.A. 2003 Supp. 55-1620 is hereby amended to read as follows: 55-1620. When a payment is made *to an owner of a royalty interest, overriding royalty interest or any other nonworking interest* for proceeds attributable to *the sale of oil or gas production*, ~~the payment shall be accompanied by the following information, or the following information shall be calculable from the information provided with the payment or associated products, the following information, at a minimum, shall be included and labeled on each check stub, attachment to the payment form, or other remittance advice, unless the information is otherwise provided in writing on a monthly basis:~~

(a) The lease, property, or well name *for each producing well*, or any lease, property, or well ~~identification~~ number used to identify ~~the lease, or well~~ *each producing well and the county and state in which each producing well is located*;

(b) the month and year during which the sale occurred for which payment is being made;

(c) ~~the total volume of oil, attributable to such payment, for each~~

1 month identified in subsection (b), the total produced volume of oil meas-
2 ured in barrels ~~and~~, the total produced volume of either wet or dry gas,
3 ~~attributable to such payment~~, measured in thousand cubic feet ~~and the~~
4 ~~total produced volume of any associated products, including the units of~~
5 ~~measurement for the sale thereof. In the event the payment for production~~
6 ~~from the well is for less than for the cumulative production from such well~~
7 ~~for the payment period, then the payor shall also provide the total volume~~
8 ~~of oil, measured in barrels, produced from such well for the payment~~
9 ~~period, and the total volume of either wet or dry gas, measured in thou-~~
10 ~~sand cubic feet, produced from such well for the payment period;~~

11 ~~(d) the price per barrel of oil or thousand cubic feet of gas sold third-~~
12 ~~party price received per unit of measurement, prior to any deductions or~~
13 ~~adjustments, which shall be the price per barrel in the case of oil and the~~
14 ~~price per thousand cubic feet, MCF, or per million British thermal units,~~
15 ~~MMBTU, in the case of gas, or the appropriate unit of measurement for~~
16 ~~associated products sold. As used in this section, "third-party price" means~~
17 ~~the price received from another, which does not directly or indirectly~~
18 ~~control, is not controlled by, or is not under common control with, the~~
19 ~~payor;~~

20 ~~(e) total amount of state severance and any other production taxes or~~
21 ~~levies applied to the sale;~~

22 ~~(f) payee's owner's interest in the sale expressed as a decimal and~~
23 ~~calculated to at least the sixth decimal place. In the event the payment for~~
24 ~~production from the well is for less than the owner's ownership interest~~
25 ~~in production from such well, then payor shall also provide owner's total~~
26 ~~interest in such production expressed as a decimal and calculated to at~~
27 ~~least the sixth decimal place;~~

28 ~~(g) payee's share of the sale before any deductions or adjustments;~~

29 ~~(h) payee's share of the sale after deductions or adjustments;~~

30 ~~(i) an address and telephone number from which additional infor-~~
31 ~~mation may be obtained and any questions answered.~~

32 ~~(g) an itemized list of any other deductions or adjustments, including~~
33 ~~any volume deductions or adjustments from the produced volume;~~

34 ~~(h) the net value of total sales after deductions or adjustments;~~

35 ~~(i) the total value attributed to the owner of an interest in the sales~~
36 ~~of the production from the oil or gas well, lease or property, or associated~~
37 ~~products, before any deductions or adjustments from the third-party price~~
38 ~~and after any deductions or adjustments from the third-party price;~~

39 ~~(j) the heating value of the gas subject to the sale expressed in~~
40 ~~MMBTU;~~

41 ~~(k) a name, address, telephone number and an email address, where~~
42 ~~the owner of an interest may receive clarification or supplementation of~~
43 ~~the information reported pursuant to this act.~~

1 Sec. 3. K.S.A. 2003 Supp. 55-1622 is hereby amended to read as
2 follows: 55-1622. ~~Upon written request by the payee, submitted to the~~
3 ~~payor by certified mail, the payor shall provide to the payee in writing a~~
4 ~~specific listing of the amount and purpose of any other deductions or~~
5 ~~adjustments, including volumetric deductions, with explanation of such~~
6 ~~treatment. A written response shall be provided within 60 days of the~~
7 ~~receipt of such certified mail request.~~

8 *(a) If the interest owner requests, by certified mail, the reason for any*
9 *deductions from or adjustments to any payment, the payor must provide*
10 *a full explanation to the interest owner by certified mail not later than*
11 *the 30th day after the date the payor receives the request.*

12 *(b) If an interest owner requests, by certified mail, information con-*
13 *cerning transactions, such as, but not limited to, sales or services to pro-*
14 *duce, gather, compress, treat or process the gas and oil being produced*
15 *and sold between the payor and an affiliate of the payor, the payor must*
16 *provide a full explanation of the details of any such transaction to the*
17 *interest owner by certified mail not later than the 30th day after the date*
18 *the payor receives the request.*

19 *(c) Within six months from the effective date of this act, and at least*
20 *once every 12 months thereafter, the payor shall provide the following*
21 *statement to each interest owner to whom the payor makes a payment:*

22 *“K.S.A. 2003 Supp. 55-1620 et seq., and amendments thereto, gives an*
23 *owner of a royalty interest in oil or gas produced in Kansas the right to*
24 *request from a payor information about itemized deductions and about*
25 *transactions between the payor and the payor’s affiliate. The request must*
26 *be in writing and must be made by certified mail. The payor must respond*
27 *to a request for such information by certified mail not later than the 30th*
28 *day after the date the request is received.”*

29 *(d) If the information required by K.S.A. 2003 Supp. 55-1620, and*
30 *amendments thereto, is provided in some other manner on a monthly*
31 *basis, in writing, the payor is not required to include the information on*
32 *the check stub, attachment to the payment form or other remittance*
33 *advice.*

34 Sec. 4. K.S.A. 2003 Supp. 55-1620 and 55-1622 are hereby repealed.

35 Sec. 5. This act shall take effect and be in force from and after its
36 publication in the statute book.

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