

1 **SENATE FLOOR VERSION**

2 February 19, 2015

3 **AS AMENDED**

4 SENATE BILL NO. 614

5 By: Crain of the Senate

6 [ oil and gas - Production Revenue Standards Act -  
7 compound interest annually - payment of proceeds -  
8 effective date ]

9  
10 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

11 SECTION 1. AMENDATORY 52 O.S. 2011, Section 570.10, is  
12 amended to read as follows:

13 Section 570.10. A. All proceeds from the sale of production  
14 shall be regarded as separate and distinct from all other funds of  
15 any person receiving or holding the same until such time as such  
16 proceeds are paid to the owners legally entitled thereto. Any  
17 person holding revenue or proceeds from the sale of production shall  
18 hold such revenue or proceeds for the benefit of the owners legally  
19 entitled thereto. Nothing in this subsection shall create an  
20 express trust.

21 B. Except as otherwise provided in this section:

22 1. Proceeds from the sale of oil or gas production from an oil  
23 or gas well shall be paid to persons legally entitled thereto:  
24

- 1 a. commencing not later than six (6) months after the  
2 date of first sale, and  
3 b. thereafter not later than the last day of the second  
4 succeeding month after the end of the month within  
5 which such production is sold.

6 2. Notwithstanding paragraph 1 above, royalty proceeds from the  
7 sale of gas production from an oil or gas well remitted to the  
8 operator pursuant to subsection B of Section 570.4 of this title  
9 shall be paid to persons legally entitled thereto:

- 10 a. commencing not later than six (6) months after the  
11 date of first sale, and  
12 b. thereafter not later than the last day of the third  
13 succeeding month after the end of the month within  
14 which such production is sold; provided, however, when  
15 proceeds are received by the operator in its capacity  
16 as a producing owner, the operator may pay the royalty  
17 share of such proceeds to the royalty interest owners  
18 legally entitled thereto at the same time that it pays  
19 the royalty proceeds received from other producing  
20 owners for the same production month, but not later  
21 than the last day of the third succeeding month after  
22 the end of the month within which such production was  
23 sold.

1       3.    a.    Proceeds from production may be remitted to the  
2                   persons entitled to such proceeds annually for the  
3                   twelve (12) months accumulation of proceeds totaling  
4                   at least Ten Dollars (\$10.00) but less than One  
5                   Hundred Dollars (\$100.00). Amounts less than Ten  
6                   Dollars (\$10.00) may be held but shall be remitted  
7                   when production ceases or by the payor upon  
8                   relinquishment of payment responsibility.

9            b.    Proceeds totaling less than One Hundred Dollars  
10                   (\$100.00) but more than Twenty-five Dollars (\$25.00)  
11                   shall be remitted monthly if requested by the person  
12                   entitled to the proceeds. Amounts less than Ten  
13                   Dollars (\$10.00) shall be remitted annually if  
14                   requested by the person entitled to the proceeds.

15           c.    Before proceeds greater than Twenty-five Dollars  
16                   (\$25.00) may be accumulated, payor shall provide  
17                   notice to the person owning interest as defined in  
18                   Section 570.2 of this title, entitled to such proceeds  
19                   that there is an option to be paid monthly for  
20                   proceeds greater than Twenty-five Dollars (\$25.00).  
21                   Such notice to the person shall also provide  
22                   directions for requesting monthly payment, and  
23                   constitutes notice to all heirs, successors,  
24                   representatives, and assigns of the person.

1           4. Any delay in determining the persons legally entitled to  
2 proceeds from production caused by unmarketable title shall not  
3 affect payments to persons whose title is marketable.

4           C. 1. A first purchaser that pays or causes to be paid  
5 proceeds from production to the producing owner of such production  
6 or, at the direction of the producing owner, pays or causes to be  
7 paid royalty proceeds from production to:

8                 a. the royalty interest owners legally entitled thereto,  
9                         or

10                b. the operator of the well,  
11 shall not thereafter be liable for such proceeds so paid and shall  
12 have thereby discharged its duty to pay those proceeds on such  
13 production.

14           2. A working interest owner that pays or causes to be paid  
15 royalty proceeds from production to:

16                 a. the royalty interest owners legally entitled thereto,  
17                         or

18                b. the operator of the well,  
19 shall not thereafter be liable for such proceeds so paid and shall  
20 have thereby discharged its duty to pay those proceeds on such  
21 production.

22           3. An operator that pays or causes to be paid royalty proceeds  
23 from production, received by it as operator, to the royalty interest  
24 owners legally entitled thereto shall not thereafter be liable for

1 such proceeds so paid and shall have thereby discharged its duty to  
2 pay those proceeds on such production.

3 4. Where royalty proceeds are paid or withheld incorrectly as a  
4 result of an error or omission, the party whose error or omission  
5 caused the incorrect royalty payments shall be liable for the  
6 additional royalty proceeds on such production and all resulting  
7 costs or damages incurred by the party making or withholding the  
8 incorrect payment.

9 D. 1. Except as otherwise provided in paragraph 2 of this  
10 subsection, where proceeds from the sale of oil or gas production or  
11 some portion of such proceeds are not paid prior to the end of the  
12 applicable time periods provided in this section, that portion not  
13 timely paid shall earn interest at the rate of twelve percent (12%)  
14 per annum ~~to be compounded annually~~, calculated from the end of the  
15 month in which such production is sold until the day paid.

16 2. a. Where such proceeds are not paid because the title  
17 thereto is not marketable, such proceeds shall earn  
18 interest at the rate of six percent (6%) per annum ~~to~~  
19 ~~be compounded annually~~, calculated from the end of the  
20 month in which such production was sold until such  
21 time as the title to such interest becomes marketable.  
22 Marketability of title shall be determined in  
23 accordance with the then current title examination  
24 standards of the Oklahoma Bar Association.

1           b.   Where marketability has remained uncured for a period  
2           of one hundred twenty (120) days from the date payment  
3           is due under this section, the holder of such proceeds  
4           may, and any person claiming to own the right to  
5           receive proceeds which have not been paid because of  
6           unmarketable title may require the holder ~~of such~~  
7           ~~proceeds~~ to interplead the proceeds ~~and all accrued~~  
8           ~~interest~~ into court for a determination of the persons  
9           legally entitled thereto. Upon payment into court the  
10          holder of such proceeds shall be relieved of any  
11          further liability for the proper payment of such  
12          proceeds and interest thereon.

13          c.   In the event title remains unmarketable for two (2)  
14          years after an operator provides written notice of the  
15          unmarketable title, the operator may presume the  
16          accrued proceeds to be abandoned and remit payment  
17          pursuant to the Unclaimed Property Act, Section 651 et  
18          seq. of Title 60 of the Oklahoma Statutes.

19          d.   Interest on proceeds that has not been paid prior to  
20          the applicable time periods provided in this section  
21          shall not apply in the following circumstances:

22          i.   when mineral owners or their assignees elect to take  
23          their proportionate share of production in kind, or  
24

1           ii. when a mineral owner or assignee cannot be located  
2           after reasonable inquiry by the operator and the  
3           proceeds have been remitted to the state pursuant to  
4           the Unclaimed Property Act.

5           E. 1. Except as provided in paragraph 2 of this subsection, a  
6 first purchaser or holder of proceeds who fails to remit proceeds  
7 from the sale of oil or gas production to owners legally entitled  
8 thereto within the time limitations set forth in paragraph 1 of  
9 subsection B of this section shall be liable to such owners for  
10 interest as provided in subsection D of this section on that portion  
11 of the proceeds not timely paid. When two or more persons fail to  
12 remit within such time limitations, liability for such interest  
13 shall be shared by those persons holding said proceeds in proportion  
14 to the time each person held such proceeds.

15           2. When royalty proceeds on gas production are remitted  
16 pursuant to subsection B of Section 570.4 of this title:

17           a. A first purchaser that causes such proceeds to be  
18           received by the operator or by a producing owner in  
19           the well for distribution to the royalty interest  
20           owner legally entitled thereto within the first month  
21           following the month in which such production was sold  
22           shall not be liable for interest on such proceeds.

23           b. A producing owner receiving royalty proceeds that  
24           causes such proceeds to be received by the royalty

1 interest owner legally entitled thereto or by the  
2 operator for distribution to the royalty interest  
3 owner legally entitled thereto not later than the end  
4 of the first month following the month in which  
5 proceeds for such production was received by the  
6 producing owner from the purchaser shall not be liable  
7 for interest on such proceeds.

8 c. An operator receiving royalty proceeds that causes  
9 such proceeds to be received by the royalty interest  
10 owner legally entitled thereto, not later than the end  
11 of the first month following the month in which  
12 proceeds for such production was received by the  
13 operator from the purchaser or producing owner shall  
14 not be liable for interest on such proceeds.

15 d. Liability for interest provided in subsection D of  
16 this section shall be borne solely by the person, or  
17 persons, failing to remit royalty proceeds within the  
18 time limitations set forth in subsection B of this  
19 section. When two or more persons fail to remit  
20 within such time limitations, liability for such  
21 interest shall be shared by such persons in proportion  
22 to the time each person held such proceeds.

23 F. Nothing in this section shall be construed to impair or  
24 amend existing or future contractual rights provided for in gas



1 balancing agreements or other written agreements which expressly  
2 provide for the taking, sharing, marketing or balancing of gas or  
3 the proceeds therefrom. Any proceeds to be paid pursuant to any  
4 such agreement shall not commence to earn interest until the sooner  
5 of the time provided in such agreement for the payment of such  
6 proceeds or ninety (90) days from the date of the depletion of the  
7 well. Nothing herein shall be deemed to alter or limit the payment  
8 of royalty proceeds as provided in the Production Revenue Standards  
9 Act.

10 G. All payments under the Production Revenue Standards Act to  
11 owners or any other person or governmental entity legally entitled  
12 to the payment may be made by electronic means including but not  
13 limited to electronic funds transfer, Automated Clearing House  
14 (ACH), direct deposit, wire transfer, or any other similar form of  
15 transfer, upon the mutual written consent of the payor and payee.

16 SECTION 2. This act shall become effective November 1, 2015.

17 COMMITTEE REPORT BY: COMMITTEE ON ENERGY  
18 February 19, 2015 - DO PASS AS AMENDED  
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