

**SENATE SUBSTITUTE FOR SENATE BILL No. 401**

By Committee on Utilities

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

New Section 1. (a) "Payee" means any person or persons legally entitled to payment from the proceeds derived from the sale of oil or gas from an oil or gas well located in this state.

(b) "Payor" means the party who undertakes to distribute oil and gas proceeds to the payee, whether as the purchaser of the production of oil or gas generating such proceeds or as operator of the well from which such production was obtained or as lessee under the lease on which royalty is due. The payor is the first purchaser of such production of oil or gas from an oil or gas well, unless the owner of the right to produce under an oil or gas lease, unit declaration, or pooling ~~order~~ agreement and the first purchaser have entered into arrangements providing that the proceeds derived from the sale of oil or gas are to be paid by the first purchaser to the owner of the right to produce who is thereby deemed to be the payor having the responsibility of paying those proceeds received from the first purchaser to the payee.

(c) "Division order" means an agreement signed by the payee directing the distribution of proceeds from the sale of oil, gas, casinghead gas, or other related hydrocarbons. The order directs and authorizes the payor to make payment for the products taken in accordance with the division order. When used herein "division order" shall also include "transfer order."

(d) "Transfer order" means an agreement signed by a payee and his transferee (new payee) directing the payor under the division order to pay another person a share in the oil or gas produced.

New Sec 2. If a division order is not provided to a payee that includes the description of the property from which the oil or gas is being produced and the type of production, the payor must, at a minimum, provide prior to or with that payor's first payment to the payee a description of the property from which the oil or gas is being produced and the type of production.

New Sec 3. (a) If the payor does not explain on the check stub, attachment to the payment form, or other remittance advice, or by a separate mailing, deductions from or adjustments to payments, or the heating value of the gas, the payor must provide an explanation by certified mail not later than the 60th day after the date the payor receives a request from the royalty interest owner. The royalty interest owner must send the request by certified mail.

(b) A royalty interest owner who received a payment from a payor during the preceding calendar year may request in writing by certified mail that the payor provide a report listing the following information for the preceding year:

- (1) each lease, property, or well identification number;
- (2) each lease, property, or well name;
- (3) the field name;
- (4) the county and state in which the property is located; and
- (5) the commission lease identification number or commingling permit number or any other identification number under which the production for the lease, property, or well is being reported to the state.

(c) A payor who receives a request for information under Subsection ~~(c)~~ that has not otherwise provided such information shall provide ~~the~~ such information by certified mail not later than the 60th day after the date the payor receives the request.

(d) At least once every 12 months, a payor shall provide the following statement to each royalty interest owner to whom the payor makes a payment:

“Section \_\_\_\_\_, Kansas \_\_\_\_\_, gives an owner of a royalty interest in oil or gas produced in Kansas the right to request from a payor information about itemized deductions, the heating value of the gas, and the Corporation Commission of Kansas identification number for the lease, property, or well that ~~may not have~~ has not been previously provided to the royalty interest owner. The request must be in writing and must be made by certified mail. A payor must respond to a request regarding itemized deductions, the heating value of the gas, or the ~~Railroad Corporation~~ Commission of ~~Texas~~ Kansas identification number by certified mail not later than the 60th day after the date the request is received. Additional information regarding production and related information may be obtained by contacting the Corporation Commission of Kansas or accessing the commission's website.”

New Sec 4. If a royalty interest owner requests information or answers to questions concerning a payment made pursuant to this subchapter, other than information requested under Section \_\_\_\_\_ (above), and the request is made by certified mail, the payor must respond to the request by certified mail not later than 60 days after the request is received. Nothing in this section shall give the royalty interest owner a right to the requested information, but shall require payor to respond in accordance with this section. If such requested information is not provided, then payor must provide an explanation as to why such information has not been provided.

New Sec 5. (a) A royalty interest owner who does not receive the information required to be provided under Section \_\_\_ [check stub law or property description] in a timely manner may send a written request for the information to the payor by certified mail.

(b) Not later than the 60th day after the date the payor receives the written request for information under this section, the payor shall provide the requested information by certified mail.

(c) If a payor fails to provide the requested information within the period specified by Subsection (b), either party may request mediation.

(d) If the royalty interest owner makes a written request for information under Section [deductions or heating value section] or this section and the payor does not provide the information within the 60-day period, the royalty interest owner may bring a civil action against the payor to enforce the provisions of Section [deductions or heating value section] or this section, as applicable. The prevailing party is entitled to recover reasonable court costs and attorney's fees.”

Sec 6. K.S.A. 2003 Supp. 55-1620 is hereby amended to read as follows: 55-1620. When a payment is made for proceeds attributable to 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:

- (a) The lease, property, or well name or any lease, property, or well identification number used to identify the lease, or well *and a county and state in which the lease, property, or 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, measured in barrels and the total volume of either wet or dry gas, attributable to such payment, measured in thousand cubic feet;
- (d) the price per barrel of oil or thousand cubic feet of gas sold;
- (e) total amount of state severance and production taxes;
- (f) payee's interest in the sale expressed as a decimal;
- (g) payee's share of the sale before any deductions or adjustments;
- (h) payee's share of the sale after deductions or adjustments;

(i) an address and telephone number from which additional information may be obtained and any questions answered.

Sec 7. K.S.A. 2003 Supp. 55-1620 is hereby repealed.

Sec 8. This act shall take effect and be in force from and after its publication in the statute book.