
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1236 Session of
2014

INTRODUCED BY YAW, RAFFERTY, FONTANA, VOGEL, SCHWANK, YUDICHAK,
HUGHES, GREENLEAF, COSTA, BAKER, SCARNATI, VULAKOVICH,
KASUNIC AND SOLOBAY, JANUARY 24, 2014

REFERRED TO ENVIRONMENTAL RESOURCES AND ENERGY, JANUARY 24, 2014

AN ACT

1 Amending the act of July 20, 1979 (P.L.183, No.60), entitled "An
2 act regulating the terms and conditions of certain leases
3 regarding natural gas and oil," further providing for
4 definitions, for payment information to interest owners and
5 for conflicts; and providing for joint ventures and for
6 inspection of records.

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

9 Section 1. Sections 1.2, 3.2(1) and 3.4 of the act of July
10 20, 1979 (P.L.183, No.60), known as the Oil and Gas Lease Act,
11 added July 9, 2013 (P.L.473, No.66), are amended to read:

12 Section 1.2. Definitions.

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

16 "Check stub." The financial record attached to a check.

17 "Division order." An agreement signed by an interest owner
18 directing the distribution of proceeds from the sale of oil,
19 gas, casing head gas or other related hydrocarbons. The order

1 shall direct and authorize the payor to make payment for the
2 products taken in accordance with the division order.

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

6 "Lessee." A person that has obtained the right to explore,
7 drill, stimulate, produce, market or sell oil, gas or natural
8 gas liquids pursuant to an executed lease.

9 "Lessor." An owner of oil and gas in place that controls the
10 oil and gas rights and executes a lease granting the right to
11 explore, drill, stimulate, produce, market or sell oil, gas or
12 natural gas liquids.

13 "Mcf." A unit of measurement expressed by 1,000 cubic feet.
14 Section 3.2. Payment information to interest owners.

15 Whenever payment is made for oil or gas production to an
16 interest owner, whether pursuant to a division order, lease,
17 servitude or other agreement, all of the following information,
18 at a minimum, shall be included on the check stub or on an
19 attachment to the form of payment, unless the information is
20 otherwise provided on a regular basis:

21 (1) A unique property identification and the name,
22 number or combination of name and number that identifies the
23 lease, property, unit or well or wells for which payment is
24 being made; and the county in which the lease, property or
25 well is located.

26 * * *

27 Section 3.4. Conflicts.

28 If there is [any] a conflict between a division order and an
29 oil and gas lease, the terms and conditions of the oil and gas
30 lease shall control. A division order may not amend or

1 supplement the terms and conditions of an oil and gas lease.

2 Section 2. The act is amended by adding sections to read:

3 Section 3.5. Joint ventures.

4 In the case of a joint venture, interest owners shall be
5 provided the following information related to a joint venture
6 company on an annual basis:

7 (1) Name of company.

8 (2) Company address.

9 (3) Company telephone number.

10 (4) Each joint venture decimal interest.

11 Section 4. Inspection of records.

12 (a) Authority.--A lessor or a person acting on behalf of a
13 lessor may inspect the records of a lessee.

14 (b) Procedure.--

15 (1) A lessor or a person acting on behalf of a lessor
16 seeking inspection under subsection (a) must make a written
17 request for inspection of records for any property for which
18 the lessor has been paid royalties within the three-year
19 period immediately preceding the date of the request.

20 (2) Within 30 days of receipt of the request, the lessee
21 shall do all of the following:

22 (i) Designate a location in this Commonwealth for
23 inspection which shall not impose an unreasonable travel
24 burden on the lessor or the lessor's representative.

25 (ii) Designate a date for inspection:

26 (A) as mutually agreed; or

27 (B) within 90 days of receipt of the request.

28 (iii) Designate a time for inspection which is
29 reasonable to permit completion of the inspection.

30 (iv) Provide supporting documentation of payment

1 information required under section 3.2 for services that
2 are provided by third parties. Supporting documentation
3 shall consist of invoiced amounts for the services
4 provided, but shall not include the composition of the
5 fees charged by an unaffiliated third party.

6 (v) Make available a knowledgeable individual who is
7 able to answer questions pertaining to accounting issues
8 regarding a well which is the subject of the request.

9 (c) Confidentiality.--

10 (1) Except as set forth in paragraph (2), information
11 provided to a lessor or person acting on behalf of a lessor
12 that makes a request under subsection (a):

13 (i) shall be confidential; and

14 (ii) may not be disclosed to any other person.

15 (2) Paragraph (1) does not apply to disclosure in a
16 judicial proceeding.

17 Section 3. This act shall take effect in 60 days.