

HOUSE BILL No. 2673

AN ACT concerning oil and gas; requiring information; amending K.S.A. 55-1622 and repealing the existing section.

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

Section 1. K.S.A. 55-1622 is hereby amended to read as follows: 55-1622. (a) Upon written request by ~~the payee~~ *the owner of a royalty interest in oil or gas production*, submitted to the payor by certified mail, the payor shall provide to the ~~payee royalty owner~~ *royalty owner* in writing a ~~specific listing of the amount and purpose of any other deductions or adjustments, including volumetric deductions, with explanation of such treatment. A written response shall be provided within 60 days of the receipt of such certified mail request.~~ *any of the following information which has been specifically requested:*

(1) *Each lease, property or well identification number used by the payor for royalty payment purposes and corresponding lease, property or well identification number(s) used for identification by the department of revenue, state corporation commission or American petroleum institute (API).*

(2) *Each lease, property or well name and its corresponding section, township, range and county.*

(3) *The field name or producing formation.*

(4) *For a given sales period for which payment has been received or is due the royalty owner, the total produced volume as reported for each well, lease or unit to the state corporation commission and department of revenue.*

(5) *A specific listing of the amount and purpose of any other deductions or adjustments from the royalty owner's share of the sale of oil and gas not identified on the payment statement.*

(6) *Whether any payments reported on payor's statement are from a split-stream sale and, if so, the manner in which the payor accounts to the royalty owner for such sale. As used in this paragraph, "split-stream sale" means a sale for which the payment from a payor to the royalty owner is for the sale of less than all of the oil and gas produced and sold from the lease or well for the sales period.*

(7) *Whether the sale of any of the production for which payment is made by payor has been made to an affiliate of the payor. As used in this paragraph, "affiliate" means any entity which, directly or indirectly, controls or is controlled by, or is under common control with, the payor.*

(b) *Any request made by a royalty owner pursuant to this section shall be made in writing, specifying the information desired and the sales period or periods for which information is needed, and shall be made by certified mail. The payor shall respond to such a request by certified mail not later than the 60th day after the date the request is received. A payor shall not be required by virtue of this section to: (1) Provide any information pursuant to a request made on behalf of multiple royalty owners; (2) provide any information for sales periods prior to the 12-month period immediately preceding the first day of the month in which the request is received, except that, if adjustments to a royalty owner's payment have been made within such 12-month period for sales periods prior to such 12-month period, information concerning such adjustments shall be provided; and (3) seek information from other payors or third parties.*

(c) *If a payor does not have any of the information requested by a royalty owner pursuant to subsection (a), the payor shall provide to the royalty owner the name and address of the seller of the production for which the royalty owner is being paid by payor. A royalty owner thereafter may request from the seller the information not provided by the payor and the seller shall respond to the royalty owner in the same manner as provided for in this section. As used in this subsection, "seller" means the lessee of the oil and gas lease from which a royalty owner derives its royalty interest or the operator of the oil and gas production unit which produced the oil and gas for which payment is being made.*

New Sec. 2. Not later than December 31, 2006, and at least once every 12 months thereafter, the payor shall provide the following statement to each royalty interest owner to whom the payor makes a payment:

"Section 55-1622 of the Kansas Statutes Annotated gives an owner of a royalty interest in oil or gas produced in Kansas the right to specifically request any of the following information from a payor about the owner's royalty payment and the wells for which payment is made:

(1) Each lease, property or well identification number used by the payor for royalty payment purposes and corresponding lease, property or well identification number(s) used for identification by the Kansas department of revenue, state corporation commission or American petroleum institute (API).

(2) Each lease, property or well name and its corresponding section, township, range and county.

(3) The field name or producing formation.

(4) For a given sales period for which payment has been received or is due the royalty owner, the total produced volume as reported for each well, lease or unit to the state corporation commission and Kansas department of revenue.

(5) A specific listing of the amount and purpose of any other deductions or adjustments from the royalty owner's share of the sale of oil and gas not identified on the payment statement.

(6) Whether any payments reported on the payor's statement are from a split-stream sale and, if so, the manner in which the payor accounts to the royalty owner for such sale. As used in this paragraph, "split-stream sale" means a sale for which the payment from a payor to the royalty owner is for the sale of less than all of the oil and gas produced and sold from the lease or well for the sales period.

(7) Whether the sale of any of the production for which payment is made by payor has been made to an affiliate of the payor. As used in this paragraph, "affiliate" means any entity which, directly or indirectly, controls or is controlled by, or is under common control with, the payor.

The request by the royalty owner must be made in writing, specifying the information desired and the sales period or periods for which information is needed, and must be made by certified mail. The payor must respond to such a request by certified mail not later than the 60th day after the date the request is received. A payor shall not be required to (1) provide any information pursuant to a request made on behalf of multiple royalty owners, (2) provide any information for sales periods which were prior to the 12-month period immediately preceding the first day of the month in which the request is received, except that, if adjustments to a royalty owner's payment have been made within such 12-month period for sales periods prior to such 12-month period, information concerning such adjustments shall be provided and (3) seek information from other payors or third parties.

If a payor does not have any of the information requested by a royalty owner in accordance with this law, the payor shall provide to the royalty owner the name and address of the seller of the production for which the royalty owner is being paid by payor. A royalty owner may thereafter request from the seller the information not provided by the payor and the seller shall respond to the royalty owner, all in the same manner as provided for in this law. As used in this paragraph, "seller" means the lessee of the oil and gas lease from which a royalty owner derives its royalty interest or the operator of the oil and gas production unit which produced the oil and gas for which payment is being made.

This law is not meant to discourage or prohibit the royalty owner from contacting the payor by telephone, email or other means of communication concerning the above information or any other information about the owner's royalty payment. Additional information regarding production and related information may also be obtained by contacting the state corporation commission or Kansas geological survey, or by accessing their websites."

New Sec. 3. (a) If a payor fails to provide information under K.S.A. 55-1620, and amendments thereto, or a royalty owner makes a written request for information pursuant to K.S.A. 55-1622, and amendments thereto, and the payor or seller of production, or both, fail to respond within the 60-day period, either party may request mediation. The conservation division of the state corporation commission shall maintain a list of qualified mediators, which shall be available to parties requesting mediation under this section.

(b) If a payor fails to provide information under K.S.A. 55-1620, and amendments thereto, or the royalty owner makes a written request for information under K.S.A. 55-1622, and amendments thereto, and the payor or seller of production, or both, fail to respond within the 60-day

period after receipt of the request, the royalty owner may bring a civil action against such payor or seller of production, or both, in the district court of the county in which the royalty owner's oil or gas is produced to enforce the provisions of K.S.A. 55-1620 or 55-1622, and amendments thereto. The prevailing party in such action shall be entitled to recover reasonable court costs and attorney fees.

Sec. 4. K.S.A. 55-1622 is hereby repealed.

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

I hereby certify that the above BILL originated in the HOUSE, and passed that body

Speaker of the House.

Chief Clerk of the House.

Passed the SENATE _____

President of the Senate.

Secretary of the Senate.

APPROVED _____

Governor.