

SESSION OF 2006

**CONFERENCE COMMITTEE REPORT BRIEF  
HOUSE BILL NO. 2104**

As Agreed to March 30, 2006

**Brief\***

HB 2104 would restore the Kansas version of the Uniform Commercial Code (UCC) Article 9, security interests in oil and gas production as it existed prior to the Article 9 recodification in 2000.

The bill would provide a security interest in favor of interest owners (as secured parties) to secure the obligations of the first purchaser of oil and gas production (as debtor) to pay the purchase price. A signed writing giving the interest owner a right under real estate law would operate as a security agreement created under Article 9. The act of the first purchaser in signing an agreement to purchase oil or gas production, in issuing a division order, or in making any other voluntary communication to the interest owner or any governmental agency recognizing the interest owner's right would operate as an authentication and adoption of the security agreement.

The bill would provide that, in order for any interest owner to claim the security interest provided, an affidavit of production must be filed which would show that a well or wells are capable of producing in paying quantities on the pertinent oil and gas lease or leases and lands covered. This filing would be effective as a financing statement and the security interest provided is perfected as of the date of recording. There would be no requirement of refiling every five years.

**Conference Committee Action**

The House Committee acceded to all Senate amendments to the bill. The Conference Committee further agreed to insert the number 9 after the word "article."

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\*Conference committee report briefs are prepared by the Legislative Research Department and do not express legislative intent. No summary is prepared when the report is an agreement to disagree. The conference committee summary report may be accessed on the Internet at <http://www.kslegislature.org>

## **Background**

Representatives of the Kansas Independent Oil and Gas Association and the southwest Kansas Royalty Owners Association testified in favor of the bill.

Amendments were suggested by the Kansas Bankers Association and the Kansas Livestock Association.

The Senate Committee amendments added the affidavit filing requirement and made other clarifying amendments.

The bill has no fiscal impact.