

STATE OF OKLAHOMA

1st Session of the 44th Legislature (1993)

HOUSE BILL NO. 1357

By: Rice

AS INTRODUCED

An Act relating to oil and gas; amending Section 8, Chapter 190, O.S.L. 1992 (52 O.S. Supp. 1992, Section 570.8), which relates to the Production Revenue Standards Act; clarifying language; and providing an effective date.

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

SECTION 1. AMENDATORY Section 8, Chapter 190, O.S.L. 1992 (52 O.S. Supp. 1992, Section 570.8), is amended to read as follows:

Section 570.8 A. Within sixty (60) days after receiving a written request from the operator, each working interest owner in a well producing gas shall furnish or cause to be furnished to the operator a written statement showing the name, address, royalty interest, taxpayer identification number and payment status of owners of royalty interest to which such working interest is subject. Thereafter, each working interest owner shall furnish or cause to be furnished to the operator a written statement showing:

1. Changes in the above specified information within sixty (60) days of receipt of notification thereof; or
2. Changes in its working interests within sixty (60) days of the occurrence of the change.

B. Each producing owner of gas from a well shall provide to the operator no later than five (5) business days, but earlier if required by the purchaser, prior to the end of the month prior to the month in which the producing owner's nomination is to be effective, the name of the shipper and the volumes of gas nominated for production for such producing owner's account. The term "shipper", as used in this section, shall include producers, pipeline companies, local distribution companies, consumers, marketers, gatherers and gas processing plants. If a nomination is not timely received by the operator it shall have the right, but not the obligation, to confirm zero volume of gas sales for such noncomplying producing owner. The owner of the gas meter shall confirm all nominations with the operator of the well prior to the month in which production occurs.

C. Within sixty (60) days after the end of the month of production, each producing owner shall report and account to the operator of the well, the identity of the first purchaser or shipper of the gas and the information specified in Section ~~42~~ 570.12 of this ~~act~~ title. Within thirty (30) days after receiving notice of any retroactive gas volume adjustment, each producing owner shall furnish, or cause to be furnished, notice of such retroactive adjustment to the operator of the well.

D. Within sixty (60) days after the end of the month of production, each owner of a gas meter shall provide or cause to be provided to the operator of the well, the gross volume of gas measured by such meter, both in MCF and British Thermal Unit equivalent, and the volume allocation supplied to each entity that shipped gas and each producing owner that sold gas to the owner of the gas meter.

The owner of a gas meter who has a gas contract, whether one or more, with one or more producing owners covering all of the gas flowing through its gas meter, may, as an alternative to supplying

the operator with the information stated in this subsection, furnish monthly volume statements to the operator of the well, provided it has already furnished the operator with the names of the producing owners and the decimal interest owned by each such producing owner or any method other than by decimal interest then in effect for allocating gas among the producing owners. Thereafter, the owner of the gas meter shall only be required to supply the operator with changes to the name of a producing owner, the decimal interest owned by a producing owner or the method, other than by decimal interest, for allocating gas among the producing owners within thirty (30) days after receiving notice of such change.

Within thirty (30) days after receiving notice of any retroactive gas volume adjustment, each owner of a gas meter shall furnish notice of such retroactive adjustment to the operator of the well.

E. Within sixty (60) days after the end of the month of production each shipper of gas from a gas meter shall furnish or cause to be furnished to the operator of the well, a volume allocation statement showing the volume of gas shipped for each producing owner. Within thirty (30) days after making any retroactive gas volume adjustment for such well, the shipper shall furnish notice of such retroactive gas volume adjustment to the operator of the well.

F. Any owner of a gas meter, or any gas shipper that does not provide the information required under subsection D or E of this section shall be subject to a penalty assessment, payable to the operator of the well, of One Hundred Dollars (\$100.00) per violation. The operator of the well shall promptly serve notice of such noncompliance, by certified mail, to each noncomplying party.

The penalty assessment shall be due and payable within fifteen (15) days after receipt of such notice, unless the noncomplying party provides the operator of the well with the required volume

allocation statement within said fifteen-day period. No penalty shall be assessed against a party that provides the volume allocation statement to the operator within said fifteen-day period. The assessment shall be promptly paid to the operator of the well by each noncomplying party.

Any noncomplying party that disagrees with the information contained in the required notice of noncompliance shall have the right to challenge such noncompliance notice under subsection J of this section.

G. For production occurring after August 31, 1992, each person distributing proceeds to a royalty interest owner shall maintain for a period of not less than five (5) years:

1. Copies of information furnished to the operator pursuant to the Production Revenue Standards Act, Section 570.1 et seq. of this title; and

2. A record of receipts and payments of proceeds which have occurred pursuant to the Production Revenue Standards Act.

Such records shall be available for inspection upon reasonable notice by any royalty interest owner in the well.

H. The Production Revenue Standards Act shall not supersede or limit the operator's right to control gas nominations and allocations pursuant to the provisions of any joint operating agreement, gas balancing agreement or other agreement then in effect between the operator of the well and any producing owner, or any order of the Oklahoma Corporation Commission. If the operator of the well is not provided with the information set forth in subsections A and C of this section within the sixty-day period set forth in each said subsection, the operator of the well shall have the right, but not the obligation, to make available for nomination and sale to the producing owners in the well then in compliance with the provisions of subsections A and C of this section, all of the noncomplying producing owner's share of production for the next

subsequent calendar month of production and for each and every month thereafter during which such producing owner is in noncompliance with provisions of subsections A and C of this section. If the operator elects to make the noncomplying producing owner's share of production available for nomination and sale, the operator shall immediately notify the noncomplying producing owner, by certified mail, that it shall no longer have the right to nominate any volume of gas until it is in compliance with the provisions of subsections A and C of this section. Such notice shall contain the following information:

1. Lease or well identification;
2. Legal location; and
3. Production months of noncompliance with subsections A and C of this section.

The operator shall then immediately notify each producing owner then in compliance with subsections A and C of this section that additional gas may be available for nomination and sale. The operator shall also immediately notify the noncomplying producing owner's shipper and the owner of the gas meter that the noncomplying producing owner is in noncompliance with the provisions of subsections A and C of this section and thus does not have the right to nominate and sell any volume of gas until it is in compliance with subsections A and C of this section.

The noncomplying producing owner shall have ten (10) days after receipt of the notice sent by the operator within which to provide the operator with all unsatisfied information required pursuant to subsections A and C of this section for the relevant time period covered in the notice. If the required information is provided to the operator within the ten-day period specified by this subsection, the noncomplying producing owner's gas volume nomination will be reestablished and the operator shall immediately notify the shipper, the owner of the gas meter, and all producing owners then in

compliance that the noncomplying producing owner has fully complied with subsections A and C of this section.

As soon as a noncomplying producing owner is in compliance with the provisions of subsections A and C of this section, the operator of the well shall give such producing owner the opportunity to make-up, through existing agreements or by common practice within the oil and gas industry, the volume of gas it did not receive as a consequence of the actions taken by the operator pursuant to this subsection.

Any noncomplying party that disagrees with the information contained in the operator's written notice required under this subsection shall have the right to challenge the operator's actions pursuant to the provisions of subsection J of this section.

I. All elections and notices given pursuant to the provisions of the Production Revenue Standards Act shall become effective as of the first day of the month following the end of any time period specified in the Production Revenue Standards Act.

J. Any noncomplying party that disagrees with the action taken by the operator of the well pursuant to subsections F and H of this section may seek relief in the district courts of Oklahoma or before the Oklahoma Corporation Commission. An action before the Commission shall be commenced by filing an application in the secretary's office. Notice that an application has been filed shall be published by the applicant in a newspaper of general circulation in Oklahoma County and published in a newspaper of general circulation in the county in which the well is located. Notice shall be served by the applicant by regular mail upon the operator of the well. Notice shall be given not less than fifteen (15) days prior to the date of the hearing. Until such application is resolved through administrative or judicial hearings, the operator of the well shall have the continuing right to allocate zero gas sales to the noncomplying producing owner.

K. The remedies provided for in this section shall not preclude any party from pursuing the remedies available to it through the district courts, as provided by existing law, including the right of offset.

SECTION 2. This act shall become effective September 1, 1993.

44-1-5328

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