

SB 419

THE STATE SENATE  
Monday, February 23, 2009

Senate Bill No. 419

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

SENATE BILL NO. 419 - By: Branan of the Senate and Thompson of the House.

An Act relating to oil and gas; amending 52 O.S. 2001, Section 570.2, which relates to the Production Revenue Standards Act; modifying definition; and declaring an emergency.

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

SECTION 1. AMENDATORY 52 O.S. 2001, Section 570.2, is amended to read as follows:

Section 570.2 As used in the Production Revenue Standards Act:

1. "Owner" means a person or governmental entity with a legal interest in the mineral acreage under a well which entitles that person or entity to oil or gas production or the proceeds or revenues therefrom;

2. "Produce", "Producing" and "Production" mean the physical act of severance of oil and gas from a well by an owner and includes but is not limited to the sale or other disposition thereof;

3. "Producing owner" means an owner entitled to produce who during a given month produces oil or gas for its own account or the account of subsequently created interests as they burden its interest;

1           4. "Proportionate production interest" means that interest in  
2 production which a working interest owner is entitled to produce in  
3 order to adjust for shifting of royalty burdens among working  
4 interest owners under the royalty payment provisions of this act,  
5 and is equal to the quotient of:

6           a. the sum of that working interest owner's net revenue  
7 interests plus the net revenue interests of any  
8 subsequently created interests as they burden such  
9 owner's working interest,

10           b. divided by the remainder of one (1) less the royalty  
11 share;

12           5. "Proportionate royalty share" means the percentage of the  
13 royalty share owned by a royalty interest owner calculated by  
14 dividing such owner's royalty interest in a well by the royalty  
15 share;

16           6. "Royalty interest" means the entirety of the percentage  
17 interest in production or proceeds therefrom:

18           a. reserved or granted by a mineral interest owner  
19 exclusive of any interest defined as a working  
20 interest or a subsequently created interest, or

21           b. otherwise provided or ascribed to a mineral interest  
22 owner by statute, rule, order or operation of law.

1           The interest of a participating mineral interest owner shall be  
2 designated in part as a royalty interest and in part as a working  
3 interest as set forth in Section 87.1 of ~~Title 52 of the Oklahoma~~  
4 ~~Statutes~~ this title;

5           7. "Royalty interest in a well" means an owner's royalty  
6 interest multiplied by the quotient of:

7           a. the gross mineral acres under the well attributable to  
8 such interest, divided by

9           b. the total mineral acres under the well;

10          8. "Royalty proceeds" means the share of proceeds or other  
11 revenue derived from or attributable to any production of oil and  
12 gas attributable to the royalty share, but shall not include  
13 payments of bonus, delay rentals, shut-in royalties or any  
14 additional royalty payable to the Commissioners of the Land Office  
15 or other governmental entity, pursuant to and valued according to  
16 the terms of its oil and gas lease, which is calculated separately  
17 from the royalty portion of actual proceeds from the sale of oil or  
18 gas;

19          9. "Royalty share" means the percentage of the well equal to  
20 the sum of all royalty interests in a well;

21          10. "Subsequently created interest" means any interest carved  
22 from a working interest other than a royalty interest, including but  
23 not limited to overriding royalty interest. In addition to the

1 royalty interest contained in a lease, a nonparticipatory interest  
2 created by a working interest owner for the benefit of a mineral  
3 interest owner in excess of a one-eighth (1/8) royalty interest may,  
4 by separate agreement other than the oil and gas lease, be a  
5 subsequently created interest and thereby not be communitized under  
6 the terms of the Production Revenue Standards Act only if there is  
7 clear and unambiguous language expressing that intent in the  
8 creating document. The additional royalty payable to the  
9 Commissioners of the Land Office or other governmental entity,  
10 pursuant to and valued according to the terms of its oil and gas  
11 lease, which is calculated separately from the royalty portion of  
12 actual proceeds from the sale of oil or gas shall also be a  
13 subsequently created interest and thereby shall not be communitized  
14 under the Production Revenue Standards Act;

- 15 11. "Well" means an oil or gas well, and shall include:
- 16 a. a well having uniform ownership as to all producing  
17 zones,
  - 18 b. a drilling and spacing unit having uniform ownership  
19 wherein multiple wells producing gas are commonly  
20 metered, and
  - 21 c. each separately metered producing zone within a single  
22 wellbore wherein ownership varies by zone; and

1           12. "Working interest" means the interest in a well entitling  
2 the owner thereof to drill for and produce oil and gas, including  
3 but not limited to the interest of a participating mineral owner to  
4 the extent set forth in Section 87.1 of ~~Title 52 of the Oklahoma~~  
5 ~~Statutes~~ this title.

6           SECTION 2. It being immediately necessary for the preservation  
7 of the public peace, health and safety, an emergency is hereby  
8 declared to exist, by reason whereof this act shall take effect and  
9 be in full force from and after its passage and approval.

10 COMMITTEE REPORT BY: COMMITTEE ON ENERGY & ENVIRONMENT, dated 2-5-09  
11 - DO PASS, As Coauthored.