

1 STATE OF OKLAHOMA

2 2nd Session of the 58th Legislature (2022)

3 COMMITTEE SUBSTITUTE

4 FOR

SENATE BILL 1524

By: Taylor

7 COMMITTEE SUBSTITUTE

8 An Act relating to the Production Revenue Standards  
9 Act; amending 52 O.S. 2021, Sections 570.10 and  
10 570.11, which relate to payment of proceeds from  
11 certain sales and division orders; requiring division  
12 or transfer order be submitted to receive certain  
13 proceeds; modifying interest rate for oil and gas  
14 proceeds not timely paid; modifying conditions by  
15 which interest for certain proceeds shall not accrue;  
16 establishing time period for payment once certain  
17 conditions are cured; requiring division or transfer  
18 order contain certain provisions; providing that  
19 payment of proceeds may be withheld without penalty  
20 of interest under certain circumstances; establishing  
21 process for remitting payment upon receipt of  
22 completed division or transfer order; updating  
23 statutory language; and providing an effective date.

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

19 SECTION 1. AMENDATORY 52 O.S. 2021, Section 570.10, is  
20 amended to read as follows:

21 Section 570.10. A. All proceeds from the sale of production  
22 shall be regarded as separate and distinct from all other funds of  
23 any person receiving or holding the same until such time as such  
24 proceeds are paid to the owners legally entitled thereto. Any

1 person holding revenue or proceeds from the sale of production shall  
2 hold such revenue or proceeds for the benefit of the owners legally  
3 entitled thereto. Nothing in this subsection shall create an  
4 express trust.

5 B. Except as otherwise provided in this section:

6 1. Proceeds from the sale of oil or gas production from an oil  
7 or gas well shall be paid to persons legally entitled thereto:

8 a. commencing not later than six (6) months after the  
9 date of first sale, and

10 b. thereafter not later than the last day of the second  
11 succeeding month after the end of the month within  
12 which such production is sold.

13 2. Notwithstanding paragraph 1 of this subsection, royalty  
14 proceeds from the sale of gas production from an oil or gas well  
15 remitted to the operator pursuant to subsection B of Section 570.4  
16 of this title shall be paid to persons legally entitled thereto:

17 a. commencing not later than six (6) months after the  
18 date of first sale, and

19 b. thereafter not later than the last day of the third  
20 succeeding month after the end of the month within  
21 which such production is sold; provided, however, when  
22 proceeds are received by the operator in its capacity  
23 as a producing owner, the operator may pay the royalty  
24 share of such proceeds to the royalty interest owners

1           legally entitled thereto at the same time that it pays  
2           the royalty proceeds received from other producing  
3           owners for the same production month, but not later  
4           than the last day of the third succeeding month after  
5           the end of the month within which such production was  
6           sold.

7           3.    a.   Proceeds from production may be remitted to the  
8               persons entitled to such proceeds annually for the  
9               twelve (12) ~~months~~ months' accumulation of proceeds  
10              totaling at least Ten Dollars (\$10.00) but less than  
11              One Hundred Dollars (\$100.00). Amounts less than Ten  
12              Dollars (\$10.00) may be held but shall be remitted  
13              when production ceases or by the payor upon  
14              relinquishment of payment responsibility.

15           b.   Proceeds totaling less than One Hundred Dollars  
16               (\$100.00) but more than Twenty-five Dollars (\$25.00)  
17               shall be remitted monthly if requested by the person  
18               entitled to the proceeds. Amounts less than Ten  
19               Dollars (\$10.00) shall be remitted annually if  
20               requested by the person entitled to the proceeds.

21           c.   Before proceeds greater than Twenty-five Dollars  
22               (\$25.00) may be accumulated, the payor shall provide  
23               notice to the person owning interest as defined in  
24               Section 570.2 of this title, entitled to such proceeds

1           that there is an option to be paid monthly for  
2           proceeds greater than Twenty-five Dollars (\$25.00).  
3           Such notice to the person shall also provide  
4           directions for requesting monthly payment, and  
5           constitutes notice to all heirs, successors,  
6           representatives, and assigns of the person.

7           4. Any delay in determining the persons legally entitled to  
8           proceeds from production caused by unmarketable title shall not  
9           affect payments to persons whose title is marketable, or that  
10          portion of a person's interest which is marketable.

11          C. 1. A first purchaser that pays or causes to be paid  
12          proceeds from production to the producing owner of such production  
13          or, at the direction of the producing owner, pays or causes to be  
14          paid royalty proceeds from production to:

- 15              a. the royalty interest owners legally entitled thereto,  
16              or  
17              b. the operator of the well,

18          shall not thereafter be liable for such proceeds so paid and shall  
19          have thereby discharged its duty to pay those proceeds on such  
20          production.

21          2. A working interest owner that pays or causes to be paid  
22          royalty proceeds from production to:

- 23              a. the royalty interest owners legally entitled thereto,  
24              or

1           b.    the operator of the well,  
2 shall not thereafter be liable for such proceeds so paid and shall  
3 have thereby discharged its duty to pay those proceeds on such  
4 production.

5           3.   An operator that pays or causes to be paid royalty proceeds  
6 from production, received by it as operator, to the royalty interest  
7 owners legally entitled thereto shall not thereafter be liable for  
8 such proceeds so paid and shall have thereby discharged its duty to  
9 pay those proceeds on such production.

10          4.   Where royalty proceeds are paid incorrectly as a result of  
11 an error or omission, the party whose error or omission caused the  
12 incorrect royalty payments shall be liable for the additional  
13 royalty proceeds on such production and all resulting costs or  
14 damages incurred by the party making the incorrect payment.

15          D.   1.   Except as otherwise provided in paragraph 2 of this  
16 subsection, where proceeds from the sale of oil or gas production or  
17 some portion of such proceeds are not paid prior to the end of the  
18 applicable time periods provided in this section, that portion not  
19 timely paid shall earn interest at the rate of twelve percent (12%)  
20 per annum to be compounded annually, ~~calculated from the end of the~~  
21 ~~month in which such production is sold until the day paid.~~

22          2.    ~~a.   Where such proceeds are not paid because the title~~  
23               ~~thereto is not marketable, such proceeds shall earn~~  
24               ~~interest at the rate of (i) six percent (6%) per annum~~

1 ~~to be compounded annually for time periods prior to~~  
2 ~~November 1, 2018, and (ii) the prime interest rate as~~  
3 ~~reported in the Wall Street Journal for time periods~~  
4 ~~on or after November 1, 2018, calculated from the end~~  
5 ~~of the month in which such production was sold until~~  
6 ~~such time as the title to such interest becomes~~  
7 ~~marketable or the holder has received an acceptable~~  
8 ~~affidavit of death and heirship in conformity with~~  
9 ~~Section 67 of Title 16 of the Oklahoma Statutes, or as~~  
10 ~~set forth in subparagraph b of this paragraph.~~

11 ~~Marketability of title shall be determined in~~  
12 ~~accordance with the then current title examination~~  
13 ~~standards of the Oklahoma Bar Association.~~

14 ~~b. Where marketability has remained uncured, or the~~  
15 ~~holder has not been provided an acceptable affidavit~~  
16 ~~of death and heirship in conformity with Section 67 of~~  
17 ~~Title 16 of the Oklahoma Statutes, for a period of one~~  
18 ~~hundred twenty (120) days from the date payment is due~~  
19 ~~under this section, any person claiming to own the~~  
20 ~~right to receive proceeds which have not been paid~~  
21 ~~because of unmarketable title may require the holder~~  
22 ~~of such proceeds, or the holder of such proceeds may~~  
23 ~~elect, to interplead the proceeds and all accrued~~  
24 ~~interest into court for a determination of the persons~~

1 ~~legally entitled thereto. Upon payment into court the~~  
2 ~~holder of such proceeds shall be relieved of any~~  
3 ~~further liability for the proper payment of such~~  
4 ~~proceeds and interest thereon~~

5 Notwithstanding any other provisions of this subsection,  
6 proceeds that are not paid on time pursuant to this section will not  
7 accrue interest if the proceeds are subject to any of the following  
8 conditions:

- 9 a. the owner legally entitled to the proceeds has not  
10 requested in writing to the person holding revenue or  
11 proceeds from the sale of production that interest be  
12 paid,
- 13 b. the proceeds have been paid to any state, county, or  
14 municipal government or agency thereof under any act  
15 governing unclaimed or abandoned property including  
16 but not limited to Section 552 et seq. of this title  
17 and Section 651 et seq. of Title 60 of the Oklahoma  
18 Statutes,
- 19 c. the proceeds are held in suspense by the producing  
20 owner, operator, or first purchaser due to the filing  
21 of an oil and gas lien pursuant to Section 144 et seq.  
22 of Title 42 of the Oklahoma Statutes,
- 23 d. the party responsible for remitting proceeds from the  
24 sale of production:

1           (1) elects to send the owner a division order or  
2           transfer order,  
3           (2) sends the division order or transfer order in  
4           accordance with Section 570.11 of this title, and  
5           (3) the person legally entitled to the proceeds does  
6           not submit a properly executed division order in  
7           accordance with Section 570.11 of this title, or  
8       e. the title is not free from apparent defects, grave  
9       doubts and litigious uncertainty, and does not consist  
10       of both legal and equitable title fairly deducible of  
11       record.

12       3. If the conditions in subparagraph a, c, d, or e of paragraph  
13       2 of this subsection exist and are cured, the proceeds shall be paid  
14       to persons legally entitled to payment by the last day of the  
15       succeeding month after the condition is cured. If proceeds are not  
16       paid prior to that date, the portion not timely paid shall earn  
17       interest at the rate of twelve percent (12%) per annum to be  
18       compounded annually calculated from the first date that the proceeds  
19       are late under this subsection until the date that the proceeds are  
20       paid.

21       4. Interest payments as set forth in paragraph 1 of subsection  
22       D of this section shall be calculated from the first date that the  
23       proceeds are late pursuant to paragraph 1 of subsection D of this  
24       section until the date that the proceeds are paid.



1       E. 1. Except as provided in paragraph 2 of this subsection, a  
2 first purchaser or holder of proceeds who fails to remit proceeds  
3 from the sale of oil or gas production to owners legally entitled  
4 thereto within the time limitations set forth in paragraph 1 of  
5 subsection B of this section shall be liable to such owners for  
6 interest as provided in subsection D of this section on that portion  
7 of the proceeds not timely paid. When two or more persons fail to  
8 remit within such time limitations, liability for such interest  
9 shall be shared by those persons holding the proceeds in proportion  
10 to the time each person held such proceeds.

11       2. When royalty proceeds on gas production are remitted  
12 pursuant to subsection B of Section 570.4 of this title:

13           a. A first purchaser that causes such proceeds to be  
14           received by the operator or by a producing owner in  
15           the well for distribution to the royalty interest  
16           owner legally entitled thereto within the first month  
17           following the month in which such production was sold  
18           shall not be liable for interest on such proceeds.

19           b. A producing owner receiving royalty proceeds that  
20           causes such proceeds to be received by the royalty  
21           interest owner legally entitled thereto or by the  
22           operator for distribution to the royalty interest  
23           owner legally entitled thereto not later than the end  
24           of the first month following the month in which

1           proceeds for such production was received by the  
2           producing owner from the purchaser shall not be liable  
3           for interest on such proceeds.

4           c.   An operator receiving royalty proceeds that causes  
5           such proceeds to be received by the royalty interest  
6           owner legally entitled thereto, not later than the end  
7           of the first month following the month in which  
8           proceeds for such production was received by the  
9           operator from the purchaser or producing owner, shall  
10          not be liable for interest on such proceeds.

11          d.   Liability for interest provided in subsection D of  
12          this section shall be borne solely by the person, or  
13          persons, failing to remit royalty proceeds within the  
14          time limitations set forth in subsection B of this  
15          section. When two or more persons fail to remit  
16          within such time limitations, liability for such  
17          interest shall be shared by such persons in proportion  
18          to the time each person held such proceeds.

19          F.   Nothing in this section shall be construed to impair or  
20          amend existing or future contractual rights provided for in gas  
21          balancing agreements or other written agreements which expressly  
22          provide for the taking, sharing, marketing or balancing of gas or  
23          the proceeds therefrom. Any proceeds to be paid pursuant to any  
24          such agreement shall not commence to earn interest until the sooner

1 of the time provided in such agreement for the payment of such  
2 proceeds or ninety (90) days from the date of the depletion of the  
3 well. Nothing herein shall be deemed to alter or limit the payment  
4 of royalty proceeds as provided in the Production Revenue Standards  
5 Act.

6 G. All payments under the Production Revenue Standards Act to  
7 owners or any other person or governmental entity legally entitled  
8 to the payment may be made by electronic means including but not  
9 limited to electronic funds transfer, Automated Clearing House  
10 (ACH), direct deposit, wire transfer, or any other similar form of  
11 transfer, upon the mutual written consent of the payor and payee.

12 H. Nothing in this section shall be construed as repealing  
13 Section 901 et seq. of this title.

14 I. The provisions of this section shall apply to all production  
15 taking place on or after the effective date of this act.

16 SECTION 2. AMENDATORY 52 O.S. 2021, Section 570.11, is  
17 amended to read as follows:

18 Section 570.11. A. A division order is an instrument for the  
19 purpose of directing the distribution of proceeds from the sale of  
20 oil, gas, casinghead gas or other related hydrocarbons which  
21 ~~warrants~~ states in writing the division of interest and the name,  
22 address and tax identification number of each interest owner with a  
23 provision requiring notice of change of ownership. A division order  
24 or transfer order is executed to enable the first purchaser of the

1 production or holder of proceeds to make remittance of proceeds  
2 directly to the owners legally entitled thereto and does not relieve  
3 the lessee of any liabilities or obligations under the oil and gas  
4 lease. Terms of a division order which conflict with the terms of  
5 any oil and gas lease are invalid, unless previously agreed to by  
6 the affected parties. This subsection shall only apply to division  
7 orders or transfer orders executed on or after July 1, 1989.

8 B. If the party remitting production proceeds from the sale of  
9 production sends a division order to the owner in accordance with  
10 this section, then, as a condition precedent to the payment of  
11 proceeds from such sale, the party remitting production proceeds  
12 shall be entitled to receive a signed division or transfer order  
13 from each owner that contains the following provisions:

14 1. The effective date of the division order, transfer order, or  
15 other instrument;

16 2. A description of the property from which the oil or gas is  
17 being produced and the type of production;

18 3. The name, address, and taxpayer identification number of the  
19 owner;

20 4. The fractional or decimal ownership interest in the  
21 property;

22 5. The owner's confirmation of title to the share of production  
23 claimed, and requirement that owner provide notice to the party  
24 remitting proceeds from the sale of production at least one (1)

1 month in advance of the effective date of any change in the interest  
2 in production owned by the owner;

3 6. A notification to the owner that other statutory rights may  
4 be available to an owner regarding payments;

5 7. The owner agrees to release, hold harmless, and reimburse  
6 the party remitting production proceeds, and reimburse the party for  
7 payments made if the owner does not have marketable title to the  
8 production sold; and

9 8. The division order does not amend any lease, operating  
10 agreement, farmout, development agreement, or any other agreement  
11 related to mineral rights and rights belonging thereto, between the  
12 undersigned and the lessee or operator or any other contracts for  
13 the purchase of oil or gas.

14 C. If the party remitting proceeds elects to send a division or  
15 transfer order to the person legally entitled to receive proceeds  
16 from the sale of oil or gas production, then it must deliver the  
17 order to the owner by registered first class mail, certified mail,  
18 or electronic mail with proof of delivery at least sixty (60) days  
19 before the proceeds are due pursuant to Section 570.10 of this  
20 title. If the order is timely delivered to the owner and the owner  
21 does not return the order with the provisions specified in  
22 subsection B of this section within forty-five (45) days of the date  
23 that the order is sent from the person remitting proceeds, then the  
24 party remitting proceeds may withhold payment without penalty of

1 interest in accordance with subsection D of Section 570.10 of this  
2 title until such time as the division or transfer order is received.  
3 If the person legally entitled to receive proceeds returns a signed  
4 division or transfer order with the provisions specified in  
5 subsection B of this section, then the proceeds shall be paid to  
6 persons legally entitled to payment by the last day of the  
7 succeeding month after the division or transfer order is received.  
8 If proceeds are not paid prior to that time, that portion not timely  
9 paid shall earn interest at the rate of twelve percent (12%) per  
10 annum to be compounded annually calculated from the first date that  
11 the proceeds are late pursuant to this subsection until the date  
12 that the proceeds are paid.

13 D. A division order received by a party remitting proceeds  
14 shall be deemed received by any successors and assigns of such party  
15 remitting proceeds and will inure to the benefit of and be binding  
16 to the successors and assigns of the party remitting proceeds.

17 E. The provisions of this section shall apply to all production  
18 from wells drilled on or after the effective date of this act.

19 SECTION 3. This act shall become effective November 1, 2022.

21 58-2-3544 RJ 3/3/2022 11:38:58 AM