

STATE OF OKLAHOMA

1st Session of the 58th Legislature (2021)

HOUSE BILL 2230

By: Moore

AS INTRODUCED

An Act relating to oil and gas; enacting the Royalty Standardization Act; defining terms; providing for uniformity, standardization and simplification of royalty payments; supplementing the Production Revenue Standards Act and the Energy Litigation Reform Act; providing rights to royalty owners owed proceeds pursuant to the Production Revenue Standards Act and derived from or attributable to the production from oil or gas wells; providing that the Royalty Standardization Act applies to all owners and production; and declaring an emergency.

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

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 571.1 of Title 52, unless there is created a duplication in numbering, reads as follows:

This act shall be known and may be cited as the "Royalty Standardization Act".

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 571.2 of Title 52, unless there is created a duplication in numbering, reads as follows:

As used in the Royalty Standardization Act:

1 1. "Working interest" means the interest granted under an oil
2 and gas lease or a pooling order, giving the owner the right to work
3 on the property to search for, develop and produce oil and gas, and
4 the obligation to pay all costs of production and to receive a
5 portion of the production proceeds;

6 2. "Royalty" means the mineral owner's share of production or
7 production proceeds, free of the costs of production;

8 3. "Overriding royalty" means a share of production or
9 production proceeds, other than a working interest, but carved out
10 of the interest of the working interest owner;

11 4. "Costs of production" means all costs incurred for
12 exploration, development, primary or enhanced recovery, production
13 and abandonment operations including, but not limited to, lease
14 acquisition, drilling and completion, pumping or lifting, operating
15 and all costs incurred to obtain a marketable product;

16 5. "Costs incurred to obtain a marketable product" means all
17 gathering charges, processing charges and costs incurred either
18 directly or indirectly for moving oil to the storage tanks and
19 storing the oil located at or near the lease location; costs
20 incurred to obtain a marketable product do not include
21 transportation costs or the reasonable and actual direct costs
22 associated with transporting the oil from the storage tanks to
23 market;

1 6. "Gathering charges" shall mean all types of fees, charges,
2 and volumetric or price adjustments reflecting the consideration for
3 services performed by the owner of a gathering system to move
4 natural gas from the custody transfer meter on or near the well
5 location to the inlet of a gas processing facility, or if the gas is
6 not processed at a gas processing facility, to the inlet of an
7 intrastate or interstate pipeline, including any consideration for
8 gathering, fuel, compression, dehydration, and treating services
9 performed upstream of the inlet to the gas processing plant, or
10 upstream of the inlet to the intrastate or interstate pipeline for
11 gas not processed at a gas processing plant;

12 7. "Processing charges" shall mean all types of fees, charges,
13 price adjustments, reductions in value, reductions in volume, in-
14 kind fuel, percentage of proceeds, percentage of index, and any
15 other consideration related to the processing and movement of
16 natural gas from the gas plant inlet meter to custody transfer meter
17 on or near the tailgate of the processing facility into a mainline
18 transmission pipeline, including, but not limited to, processing,
19 compression, dehydration, treating, blending, fuel, line loss, and
20 any other services occurring inside the gas processing plant;

21 8. "Transportation charges" shall mean all types of fees,
22 charges, price adjustments, reductions in value, reductions in
23 volume, in-kind fuel, percentage of proceeds, percentage of index,
24 and any other consideration related to movement of natural gas on a

1 mainline transmission pipeline, including, but not limited to,
2 compression, dehydration, treating, blending, fuel, line loss, and
3 any other services occurring on the mainline transmission line; and

4 9. "Mainline transmission pipeline" means a pipeline or
5 pipeline system that is:

- 6 a. downstream of the tailgate of a field processing plant
7 where the raw natural gas is processed and separated
8 into natural gas liquids and dry methane gas,
- 9 b. an interstate pipeline subject to regulation by the
10 Federal Energy Regulatory Commission, or
- 11 c. an intrastate common carrier transmission pipeline, as
12 defined by Section 24 of Title 52 of the Oklahoma
13 Statutes.

14 SECTION 3. NEW LAW A new section of law to be codified
15 in the Oklahoma Statutes as Section 571.3 of Title 52, unless there
16 is created a duplication in numbering, reads as follows:

17 To promote uniformity, standardization and simplification of
18 royalty payments in this state, to encourage a more cooperative
19 relationship between Oklahoma's producers and royalty owners, and to
20 decrease the volume of litigation over royalty disputes, the
21 provisions of the Royalty Standardization Act shall be considered a
22 supplement to the Production Revenue Standards Act and the Energy
23 Litigation Reform Act, and the terms defined in Section 570.2 of
24

1 Title 52 of the Oklahoma Statutes shall have the same meaning in
2 this act and shall be further supplemented by this act.

3 SECTION 4. NEW LAW A new section of law to be codified
4 in the Oklahoma Statutes as Section 571.4 of Title 52, unless there
5 is created a duplication in numbering, reads as follows:

6 For purposes of determining the respective rights of the owners
7 to the proceeds due pursuant to the Production Revenue Standards Act
8 and derived from or attributable to the production from an oil or
9 gas well located in this state:

10 1. The working interest owners shall be responsible for the
11 costs of production; and

12 2. The proceeds due owners of a royalty interest shall not be
13 decreased, either directly or indirectly, by any costs of
14 production.

15 SECTION 5. NEW LAW A new section of law to be codified
16 in the Oklahoma Statutes as Section 571.5 of Title 52, unless there
17 is created a duplication in numbering, reads as follows:

18 The Royalty Standardization Act shall apply to all owners and
19 shall apply to all production occurring on or after the effective
20 date of this act, from all producing wells in the State of Oklahoma,
21 regardless of the date pooled, drilled or of the date of the
22 underlying leases.

23 SECTION 6. It being immediately necessary for the preservation
24 of the public peace, health or safety, an emergency is hereby

1 declared to exist, by reason whereof this act shall take effect and
2 be in full force from and after its passage and approval.

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