

1 **SENATE FLOOR VERSION**

2 April 24, 2025

3 **AS AMENDED**

4 ENGROSSED HOUSE

5 BILL NO. 1371

6 By: Boles of the House

7 and

8 Green of the Senate

9 [oil and gas - payment of proceeds - Production
10 Revenue Standard Act - undeliverable - uncashed -
11 interest - effective date]

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

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

15 Section 570.10. A. All proceeds from the sale of production
16 shall be regarded as separate and distinct from all other funds of
17 any person receiving or holding the same until such time as such
18 proceeds are paid to the owners legally entitled thereto. Any
19 person holding revenue or proceeds from the sale of production shall
20 hold such revenue or proceeds for the benefit of the owners legally
21 entitled thereto. Nothing in this subsection shall create an
22 express trust.

23 B. Except as otherwise provided in this section:

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

- 1 a. commencing not later than six (6) months after the
2 date of first sale, and
3 b. thereafter not later than the last day of the second
4 succeeding month after the end of the month within
5 which such production is sold.

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

- 10 a. commencing not later than six (6) months after the
11 date of first sale, and
12 b. thereafter not later than the last day of the third
13 succeeding month after the end of the month within
14 which such production is sold; provided, however, when
15 proceeds are received by the operator in its capacity
16 as a producing owner, the operator may pay the royalty
17 share of such proceeds to the royalty interest owners
18 legally entitled thereto at the same time that it pays
19 the royalty proceeds received from other producing
20 owners for the same production month, but not later
21 than the last day of the third succeeding month after
22 the end of the month within which such production was
23 sold.

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

9 b. Proceeds totaling less than One Hundred Dollars
10 (\$100.00) but more than Twenty-five Dollars (\$25.00)
11 shall be remitted monthly if requested by the person
12 entitled to the proceeds. Amounts less than Ten
13 Dollars (\$10.00) shall be remitted annually if
14 requested by the person entitled to the proceeds.

15 c. Before proceeds greater than Twenty-five Dollars
16 (\$25.00) may be accumulated, payor shall provide
17 notice to the person owning interest as defined in
18 Section 570.2 of this title, entitled to such proceeds
19 that there is an option to be paid monthly for
20 proceeds greater than Twenty-five Dollars (\$25.00).
21 Such notice to the person shall also provide
22 directions for requesting monthly payment, and
23 constitutes notice to all heirs, successors,
24 representatives, and assigns of the person.

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

5 C. 1. A first purchaser that pays or causes to be paid
6 proceeds from production to the producing owner of such production
7 or, at the direction of the producing owner, pays or causes to be
8 paid royalty proceeds from production to:

9 a. the royalty interest owners legally entitled thereto,
10 or

11 b. the operator of the well,
12 shall not thereafter be liable for such proceeds so paid and shall
13 have thereby discharged its duty to pay those proceeds on such
14 production.

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

17 a. the royalty interest owners legally entitled thereto,
18 or

19 b. the operator of the well,
20 shall not thereafter be liable for such proceeds so paid and
21 shall have thereby discharged its duty to pay those proceeds on such
22 production.

23 3. An operator that pays or causes to be paid royalty proceeds
24 from production, received by it as operator, to the royalty interest

1 owners legally entitled thereto shall not thereafter be liable for
2 such proceeds so paid and shall have thereby discharged its duty to
3 pay those proceeds on such production.

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

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

16 2. a. Where such proceeds are not paid because the title
17 thereto is not marketable, such proceeds shall earn
18 interest at the rate of (i) six percent (6%) per annum
19 to be compounded annually for time periods prior to
20 November 1, 2018, and (ii) the prime interest rate as
21 reported in the Wall Street Journal for time periods
22 on or after November 1, 2018, calculated from the end
23 of the month in which such production was sold until
24 such time as the title to such interest becomes

1 marketable or the holder has received an acceptable
2 affidavit of death and heirship in conformity with
3 Section 67 of Title 16 of the Oklahoma Statutes, or as
4 set forth in subparagraph b of this paragraph.

5 Marketability of title shall be determined in
6 accordance with the then current title examination
7 standards of the Oklahoma Bar Association.

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

23 c. Where such proceeds are not paid because the physical
24 payment check was returned to the payor operator as

1 undeliverable or the physical payment check is never
2 cashd by the royalty owner, such proceeds shall not
3 earn interest after the date the physical payment
4 check was mailed. The payor operator shall maintain
5 records of such mailing dates and copies of any
6 undeliverable envelopes and physical payment checks.
7 This provision shall only apply to physical payment
8 checks mailed to an address provided by such royalty
9 owner to the payor operator.

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

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

22 a. A first purchaser that causes such proceeds to be
23 received by the operator or by a producing owner in
24 the well for distribution to the royalty interest

1 owner legally entitled thereto within the first month
2 following the month in which such production was sold
3 shall not be liable for interest on such proceeds.

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

13 c. An operator receiving royalty proceeds that causes
14 such proceeds to be received by the royalty interest
15 owner legally entitled thereto, not later than the end
16 of the first month following the month in which
17 proceeds for such production was received by the
18 operator from the purchaser or producing owner, shall
19 not be liable for interest on such proceeds.

20 d. Liability for interest provided in subsection D of
21 this section shall be borne solely by the person, or
22 persons, failing to remit royalty proceeds within the
23 time limitations set forth in subsection B of this
24 section. When two or more persons fail to remit

1 within such time limitations, liability for such
2 interest shall be shared by such persons in proportion
3 to the time each person held such proceeds.

4 F. Nothing in this section shall be construed to impair or
5 amend existing or future contractual rights provided for in gas
6 balancing agreements or other written agreements which expressly
7 provide for the taking, sharing, marketing or balancing of gas or
8 the proceeds therefrom. Any proceeds to be paid pursuant to any
9 such agreement shall not commence to earn interest until the sooner
10 of the time provided in such agreement for the payment of such
11 proceeds or ninety (90) days from the date of the depletion of the
12 well. Nothing herein shall be deemed to alter or limit the payment
13 of royalty proceeds as provided in the Production Revenue Standards
14 Act.

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

21 SECTION 2. This act shall become effective November 1, 2025.

22 COMMITTEE REPORT BY: COMMITTEE ON ENERGY
23 April 24, 2025 - DO PASS AS AMENDED
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