

## HOUSE BILL No. 2146

By Committee on Utilities

1-25

---

9 AN ACT relating to oil and gas; concerning information to be included  
10 with payments to interest owners from sales of oil and gas; amending  
11 K.S.A. 2004 Supp. 55-1620 and 55-1622 and repealing the existing  
12 sections.

13

14 *Be it enacted by the Legislature of the State of Kansas:*

15 Section 1. K.S.A. 2004 Supp. 55-1620 is hereby amended to read as  
16 follows: 55-1620. ~~When a payment is made for proceeds attributable to~~  
17 ~~oil or gas production, the payment shall be accompanied by the following~~  
18 ~~information, or the following information shall be calculable from the~~  
19 ~~information provided with the payment:~~

20 ~~—(a) The lease, property, or well name or any lease, property, or well~~  
21 ~~identification number used to identify the lease, or well;~~

22 ~~—(b) the month and year during which the sale occurred for which~~  
23 ~~payment is being made;~~

24 ~~—(c) the total volume of oil, attributable to such payment, measured in~~  
25 ~~barrels and the total volume of either wet or dry gas, attributable to such~~  
26 ~~payment, measured in thousand cubic feet;~~

27 ~~—(d) the price per barrel of oil or thousand cubic feet of gas sold;~~

28 ~~—(e) total amount of state severance and production taxes;~~

29 ~~—(f) payee's interest in the sale expressed as a decimal;~~

30 ~~—(g) payee's share of the sale before any deductions or adjustments;~~

31 ~~—(h) payee's share of the sale after deductions or adjustments;~~

32 ~~—(i) an address and telephone number from which additional infor-~~  
33 ~~mation may be obtained and any questions answered. (a) As used in this~~  
34 ~~section:~~

35 (1) "Affiliated party" means any entity which, directly or indirectly,  
36 controls or is controlled by, or is under common control with, the payor.

37 (2) "Associated products" means all constituent elements, including,  
38 but not limited to, liquid hydrocarbons and helium, in solution in the gas  
39 or oil production stream, which may be separated by a reduction in pres-  
40 sure at the wellhead or in a separator, absorption or processing plant or  
41 by other manufacturing process.

42 (3) "Check stub" means the financial record attached to a check, in-  
43 cluded with a check or mailed separately at or near the time the check is

1 mailed.

2 (4) "Interest owner" means any person or persons owning a royalty  
3 interest or working interest in an oil or gas well or unit.

4 (5) "Payee" means any person or persons legally entitled to payment  
5 from the proceeds derived from the sale of oil or gas, or from the sale of  
6 any associated products, from an oil or gas well located in this state.

7 (6) "Payor" means the party who undertakes to distribute oil and gas  
8 proceeds to the payee, whether as the purchaser of the production of oil  
9 or gas generating such proceeds or as operator of the well from which  
10 such production was obtained or as lessee under the lease on which roy-  
11 alty is due.

12 (b) Whenever a payment is made to an interest owner for proceeds  
13 attributable to the sale of oil production, or for the sale of associated  
14 products, if any, the following information, at a minimum, shall be in-  
15 cluded and labeled on the check stub:

16 (1) The lease, property or well name, or any lease, property or well  
17 identification number used to identify the lease or well, and the county  
18 and state in which each producing well is located;

19 (2) the month and year during which the sale occurred for which  
20 payment is being made;

21 (3) the total volume of oil attributable to such payment, measured in  
22 barrels;

23 (4) the price per barrel of oil;

24 (5) the total amount of state severance and production taxes;

25 (6) the owner's interest in the sale expressed as a decimal;

26 (7) the owner's share of the sale before any deductions or adjustments;

27 and

28 (8) the owner's share of the sale after deductions or adjustments.

29 (c) Whenever a payment is made to an interest owner for proceeds  
30 attributable to the sale of gas production, or for the sale of associated  
31 products, if any, the following information, at a minimum, shall be in-  
32 cluded and labeled on the check stub:

33 (1) The lease, property or well name, or any lease, property or well  
34 number used to identify the lease or well, and the county and state in  
35 which the lease, property or well is located;

36 (2) the month and year during which the sale occurred for which  
37 payment is being made;

38 (3) the total volume attributable to such payment, measured in thou-  
39 sand cubic feet (MCF) or in million British thermal units (MMBTU), and  
40 the total volume of any associated products attributable to such payment,  
41 including the units of measurement for the sale thereof;

42 (4) the price received per unit of measurement, prior to any deduc-  
43 tions or adjustments, which shall be the price per MCF or MMBTU, in

- 1 *the case of gas, or the appropriate unit of measurement for associated*  
2 *products sold;*
- 3 (5) *the conversion factor between MCF and MMBTU for the volume*  
4 *attributable to such payment;*
- 5 (6) *the total amount of state severance and any other production taxes*  
6 *or levies applied to the sale;*
- 7 (7) *the owner's interest in oil and gas production from such lease or*  
8 *property, expressed as a decimal and calculated to at least the sixth dec-*  
9 *imal place;*
- 10 (8) *an itemized list of any other deductions or adjustments, including*  
11 *any volume or value deductions or adjustments from the produced*  
12 *volume;*
- 13 (9) *the total value attributed to the owner's interest in the sale of the*  
14 *production from the gas well, lease or property, or associated products,*  
15 *before and after any deductions or adjustments;*
- 16 (10) *an advice or alert to the owner if such payment includes pro-*  
17 *duction from more than one well;*
- 18 (11) *an advice or alert to the owner if such payment is for less than*  
19 *the total production from the lease, property or well during which the*  
20 *sale occurred for which payment is being made; and*
- 21 (12) *an advice or alert to the owner if the price reported under sub-*  
22 *section (c)(4) is for a sale between payor and an affiliated party.*
- 23 (d) *With respect to all payments for the sale of gas or oil, or associated*  
24 *products, the check stub shall include a name, address and telephone*  
25 *number, and an email address if available, where the interest owner may*  
26 *receive clarification or supplementation of the information reported pur-*  
27 *suant to this act.*
- 28 Sec. 2. K.S.A. 2004 Supp. 55-1622 is hereby amended to read as  
29 follows: 55-1622. ~~Upon written request by the payee, submitted to the~~  
30 ~~payor by certified mail, the payor shall provide to the payee in writing a~~  
31 ~~specific listing of the amount and purpose of any other deductions or~~  
32 ~~adjustments, including volumetric deductions, with explanation of such~~  
33 ~~treatment. A written response shall be provided within 60 days of the~~  
34 ~~receipt of such certified mail request.~~ (a) *An interest owner who has*  
35 *received a payment from a payor may request in writing, by certified*  
36 *mail, additional information from the payor, such as:*
- 37 (1) *Each lease, property or well identification number used by the*  
38 *payor for royalty payment purposes and a corresponding lease, property*  
39 *or well identification number for identification by the payor used by the*  
40 *state corporation commission and/or the A.P.I. number;*
- 41 (2) *each lease, property or well name;*
- 42 (3) *each well which may have contributed to production and sale of*  
43 *gas or oil, when the royalty payment may have only identified the sale in*

1 *relation to the lease, property or unit description;*

2 *(4) the field name;*

3 *(5) for a given month of production for which payment has been re-*  
4 *ceived or is due the owner, the total produced volume of oil, measured in*  
5 *barrels, and/or total produced volume, measured in MCF, as reported for*  
6 *each well, lease or unit to the state corporation commission, the depart-*  
7 *ment of revenue and/or the Kansas geological survey;*

8 *(6) details on the conversion from a fractional interest to a decimal*  
9 *interest, used by payor to calculate owner's interest in production from*  
10 *each lease, property or well;*

11 *(7) the reason for any deductions from or adjustments to any pay-*  
12 *ment; and*

13 *(8) information concerning transactions, such as, but not limited to,*  
14 *sales or services to produce, gather, compress, treat or process gas, be-*  
15 *tween the payor and an affiliated party.*

16 *(b) A payor who receives a request for information under subsection*  
17 *(a) and has not otherwise provided such information shall provide a full*  
18 *explanation of the requested information to the interest owner by certified*  
19 *mail not later than the 30th day after the date the payor receives the*  
20 *request.*

21 *(c) Within six months after the effective date of this act, and at least*  
22 *once every 12 months thereafter, the payor shall provide the following*  
23 *statement to each interest owner to whom the payor makes a payment:*

24 *“K.S.A. 55-1620 et seq., and amendments thereto, gives an owner of an*  
25 *interest in oil or gas produced in Kansas the right to request from us infor-*  
26 *mation about itemized deductions and about transactions between us and*  
27 *any affiliated company. The request must be in writing and must be made*  
28 *to us by certified mail at the following address: (supply address).*  
29 *We must respond to a request for such information by certified mail not*  
30 *later than the 30th day after the date the request is received.”*

31 *(d) If the information required by K.S.A. 55-1620, and amendments*  
32 *thereto, is provided in some other manner on a monthly basis, in writing,*  
33 *the payor is not required to include such information on the check stub.*

34 *New Sec. 3. Any district court within this state shall have jurisdiction*  
35 *to enforce the provisions of this act. The court may award court costs,*  
36 *reasonable attorney fees and other allowable litigation expenses incurred*  
37 *by a party in an action to enforce this act.*

38 *Sec. 4. K.S.A. 2004 Supp. 55-1620 and 55-1622 are hereby repealed.*

39 *Sec. 5. This act shall take effect and be in force from and after its*  
40 *publication in the statute book.*