2012 Kansas Statutes

55-1308.   Existing rights, rights in unleased land, and royalties and lease burdens. Property rights, leases, contracts, and other rights or obligations shall be regarded as amended and modified only to the extent necessary to conform to the provisions and requirements of this act and to any valid order of the commission providing for the unit operation of a pool or a part thereof, but otherwise shall remain in full force and effect. For the purpose of this act the owner, or owners, of oil and gas rights in and under an unleased tract of land shall be regarded as a working interest owner to the extent of a 7/8 interest in and to such rights and a royalty owner to the extent of the remaining 1/8 interest therein, except that, if the commission finds that, under the prevailing industry practice in the area where the unit is located, oil and gas leases contain a higher amount of royalty than 1/8 royalty interest, then the owner or owners shall be regarded as a royalty interest owner to the extent of the royalty interest determined by the commission to be in accordance with prevailing industry practice and a working interest owner as to the remainder of the owner's or owners' interest in such tract of land.

A 1/8 part of the production allocated to each tract under an order providing for the unit operation of a pool or a part thereof, shall in all events be and remain free and clear of any cost or expense of developing or operating the unit and of any lien therefor as an unencumbered source from which to pay the royalties or other cost free obligations due or payable with respect to the production from such tract. If a lease or other contract pertaining to a tract or interest stipulates a royalty, overriding royalty, production payment or other obligation in excess of 1/8 of the production or proceeds therefrom, then the working interest owner subject to such excess payment or other obligation shall bear and pay the same.

History: L. 1967, ch. 299, § 8; L. 2000, ch. 15, § 3; Mar. 30.