

**As Introduced**

**129th General Assembly  
Regular Session  
2011-2012**

**H. B. No. 528**

**Representatives Carney, Okey**

—

**A BILL**

To enact section 1509.081 of the Revised Code to  
require the lessee of an oil and gas lease to  
provide to the lessor monthly oil and gas  
production statements, to specify the minimum  
information that must be included in a monthly  
statement, and to establish procedures and  
requirements in accordance with which a lessor may  
conduct an audit of the lessee's records and  
documents related to production or post-production  
costs under the lease.

**BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:**

**Section 1.** That section 1509.081 of the Revised Code be  
enacted to read as follows:

**Sec. 1509.081.** (A) The lessee of an oil and gas lease that is  
necessary for the formation of a drilling unit in which is located  
a well and all applicable assignees, lessees, and  
successors-in-interest shall provide to the lessor a statement  
each month during which the lease is in effect. The statement  
shall contain at least all of the following:

(1) An identification of the lease, the property that is the  
subject of the lease, or the well that is located in the drilling  
unit that was formed in whole or in part with the lease;

<u>(2) The nature of the royalty clause in the lease;</u>	22
<u>(3) The lessor's royalty interest under the lease expressed in decimals;</u>	23 24
<u>(4) The period for which the lessee, assignee, or successor-in-interest is paying royalties to the lessor;</u>	25 26
<u>(5) The identity of each product on which the lessee, assignee, or successor-in-interest is paying royalties. In addition, the statement shall include the grade, quality, or other applicable classification of each product.</u>	27 28 29 30
<u>(6) A separate listing of the total volume of each product on which the lessee, assignee, or successor-in-interest is paying royalties;</u>	31 32 33
<u>(7) The price or value on which the lessee, assignee, or successor-in-interest calculates the royalty payments;</u>	34 35
<u>(8) The total amount of severance taxes, production taxes, windfall profit taxes, and other taxes paid on the lessor's share of the production;</u>	36 37 38
<u>(9) The accounting method used to determine each royalty payment. In addition, if the lessee, assignee, or successor-in-interest uses a workback accounting method, the statement shall include the nature and amount of each expense that was deducted in determining the royalty payments.</u>	39 40 41 42 43
<u>(10) The lessor's share of the total value or price of the production before and after any deductions;</u>	44 45
<u>(11) The amount of the royalty payment;</u>	46
<u>(12) The name and address of all entities to which the lessee, assignee, or successor-in-interest sold or otherwise transferred any product for the immediately preceding month;</u>	47 48 49
<u>(13) If any product was sold or otherwise transferred to more than one entity in the immediately preceding month, a separate</u>	50 51

indication of the amount of oil, gas, condensate, and liquid 52  
hydrocarbon, as applicable, that was sold or otherwise transferred 53  
to each entity; 54

(14) The address and telephone number of the lessee, 55  
assignee, or successor-in-interest that the lessor may use to 56  
contact the lessee, assignee, or successor-in-interest with 57  
questions regarding royalty payments; 58

(15) If no production occurred in the immediately preceding 59  
month, the reason for the lack of production. 60

(B)(1) For the purpose of conducting an audit, the lessor of 61  
an oil and gas lease that is necessary for the formation of a 62  
drilling unit in which is located a well or the lessor's agent may 63  
request the lessee or the lessee's employees, officers, 64  
accountants, attorneys, or other agents to provide a copy of any 65  
and all records and documents that are related to the exploration, 66  
production, processing, sale, marketing, taxes, gathering, 67  
dehydration, compression, transportation, treatment, or other 68  
post-production costs for any product resulting from the well. Not 69  
later than thirty days after receipt of a request for such records 70  
and documents, the lessee and the lessee's employees, officers, 71  
accountants, attorneys, and other agents shall provide to the 72  
lessor or the lessor's agent all relevant records and documents 73  
requested. 74

(2) If the lessee of an oil and gas lease that is necessary 75  
for the formation of a drilling unit in which is located a well 76  
receives a request for records and documents from the lessor 77  
pursuant to division (B)(1) of this section, the lessee 78  
immediately shall send to each entity to which the lessee sold or 79  
otherwise transferred any product resulting from the well a 80  
written document that instructs and authorizes the entity to 81  
provide to the lessor or the lessor's authorized agent all records 82  
and documents that are related to the sale or transfer that are in 83

the possession of the entity or the entity's employees, 84  
accountants, attorneys, or other agents. 85

In addition, the lessee immediately shall send a written 86  
document to all applicable taxing authorities that instructs and 87  
authorizes each such taxing authority to provide to the lessor or 88  
the lessor's authorized agent all records and documents regarding 89  
taxes levied on, paid by, or refunded to the lessee or to the 90  
lessee's assignees, successors-in-interest, or agents. If a taxing 91  
authority does not accept the written document as sufficient 92  
authorization for release of the tax information, the lessee shall 93  
execute any additional documents that are necessary for that 94  
taxing authority to provide tax information to the lessor or the 95  
lessor's authorized agent. 96

(3) A written document required under division (B)(2) of this 97  
section shall include both of the following: 98

(a) A statement that the authorization to provide all records 99  
and documents to the lessor does not expire; 100

(b) A statement that the lessee waives all legal claims or 101  
causes of action for the provision of records and documents to the 102  
lessor. 103

(4) A lessee or the lessee's assignee or 104  
successor-in-interest, as applicable, shall provide a copy of each 105  
written document that is prepared pursuant to division (B)(2) of 106  
this section to all subsequent assignees and 107  
successors-in-interest. 108

(C) As used in this section, "product" means oil, gas, 109  
condensate, and liquid hydrocarbon. 110