



Ohio Legislative Service Commission

Bill Analysis

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H.B. 400

130th General Assembly
(As Introduced)

Reps. Carney and Cera

BILL SUMMARY

- Revises and expands the provisions in current law governing the reporting of information to a holder of a royalty interest in a well by the owner first by applying the provisions to owners of and holders of royalty interests in both oil and gas wells rather than only natural gas wells.
- Requires an owner to provide specified information to the holder of a royalty interest in any oil or gas well when payment is made rather than authorizing the holder of a royalty interest in a natural gas well to request only certain information from the owner.
- Authorizes the holder of a royalty interest to bring a civil action against the owner to enforce the bill's reporting requirements.

CONTENT AND OPERATION

Oil and gas well owner reporting requirements

The bill revises and expands the provisions in current law governing the reporting of information to a holder of a royalty interest in any natural gas well from the owner. It first applies the provisions to owners of and holders of royalty interests in both oil and gas wells rather than only natural gas wells.

Information to be reported

The bill requires the owner, when, pursuant to a lease, another agreement between an owner and the holder of a royalty interest in an oil or gas well, or an order by the Division of Oil and Gas Resources Management, payment is made to the holder of the royalty interest from the proceeds derived from the sale of oil or gas, to include

all of the following information on the check stub, an attachment to the payment form, or another remittance device:

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

(2) The month and year during which the sales occurred for which payment is being made;

(3) The volume of natural gas or number of barrels of oil for which the holder is being paid;

(4) The price per 1,000 cubic feet or per barrel of oil paid to the holder for the gas or oil;

(5) The volume of natural gas that was shown to have passed through the owner's meter for or the number of barrels of oil that were removed from the field containing the holder's well during the applicable payment period, defined by the bill to mean the period specified by the owner in item (2), above;¹

(6) The total amount of state severance and any other production taxes paid on the holder's interest during the applicable payment period;

(7) Any windfall profit tax paid on the holder's interest during the applicable payment period;

(8) Any other deductions from or adjustments on the holder's interest during the applicable payment period;

(9) The net value of total sales of oil and natural gas produced from the lease, property, or well after deductions during the applicable payment period;

(10) The holder's royalty interest in sales from the lease, property, or well during the applicable payment period expressed as a decimal;

(11) The holder's share of the total value of sales from the lease, property, or well before any tax deductions during the applicable payment period;

(12) The holder's share of the value of sales from the lease, property, or well less the holder's share of taxes and deductions during the applicable payment period; and

¹ R.C. 1509.30(E).

(13) An address and telephone number at which additional information regarding the payment may be obtained and questions may be answered.²

Current law instead authorizes the holder of a royalty interest in any natural gas well to request the owner to report to the holder, no more frequently than the payment period in the holder's contract with the owner, the volume of natural gas for which the holder was or is being paid for the most recent period in the holder's contract with the owner, and for any other previous periods within two years of the date of production for which the owner has not already given the holder such a report; the price per 1,000 cubic feet paid to the holder for the gas; and the volume of natural gas which was shown to have passed through the owner's meter for the field containing the holder's well.³

The bill retains the existing requirement that the volume of gas required to be reported be indicated on the basis of a standard cubic foot of gas and adds that the volume of oil required to be reported must be indicated on the basis of a standard barrel.⁴

Submission of information

The bill specifies that if the owner does not provide the holder of the royalty interest with the required information, the holder may submit a written request by certified mail to the owner that the information be provided. Upon receipt by the owner or the owner's agent of such a request, the owner must supply the information to the holder by certified mail within 30 days, or the end of the current payment period in the contract, whichever is later.⁵ Current law instead requires the owner, upon receipt by the owner or the owner's agent of a request for information by the holder as discussed above, to supply the information to the holder within 15 days, or the end of the current payment period in the contract, whichever is later.

Preservation of records

The bill requires the owner to preserve records of the information required to be provided by the bill for at least two years after the date on which the information is

² R.C. 1509.30(A).

³ R.C. 1509.30.

⁴ R.C. 1509.30(B).

⁵ R.C. 1509.30(D).

provided. Under current law, the owner must preserve records of reported volume for at least two years after the date the record is made.⁶

Civil action

Under the bill, if the holder makes a written request and the owner does not provide the requested information within the applicable time period, the holder may bring a civil action against the owner to enforce the reporting requirements. The prevailing party is entitled to recover reasonable court costs and attorney's fees.⁷

HISTORY

ACTION	DATE
Introduced	01-09-14

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⁶ R.C. 1509.30(C).

⁷ R.C. 1509.30(D).

