

Governor Enacts Law Amending Oil and Gas Lease Act to Provide Additional Royalty Payment Transparency

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On November 3, 2022, then-Pennsylvania Governor Tom Wolf signed Senate Bill 806 into law as Act 153 of 2022. The Act, effective March 3, 2023, amends the Oil and Gas Lease Act to clarify the minimum amount of information that a conventional or unconventional oil and gas operator is required to provide to a royalty owner on a royalty payment check stub or in an attachment to other forms of payment. The Act requires that an operator/payor furnish the following items (the complete details of which are available in the Act's text):

- identifying information for the lease, property, unit, or wells for which payment is being made;
- the month and year of oil, gas, or natural gas liquids production for which the payment is being made;
- the total volume of oil, gas, or natural gas liquids produced and sold per well;
- the price received per unit of oil, natural gas, or natural gas liquids sold;
- the aggregate amounts for each category of deductions for each well incurred that reduces the royalty owner's payment, including all severance and other production taxes;
- net and gross value of the payor's total sales from each well less any deductions;
- the royalty owner's legal and contractual interest in the payor's share, expressed as a decimal or fraction;
- the royalty owner's share of the gross value of the payor's total sales before any deductions;
- the royalty owner's share of the sales value less the royalty owner's share of taxes and any deductions; and
- the payor's contact information, including an address and telephone number.

See 58 Pa. Stat. §§ 35.2, .3(a).

The Act allows an unconventional operator and royalty owner to agree that the operator may provide this information in a summary format, so long as the operator provides the complete information upon the royalty owner's request by certified mail. *Id.* § 35.3(b). If an unconventional operator fails to provide complete payment information without good reason within 60 days of a royalty owner's request, the amendments authorize a royalty owner to bring a civil action against the operator to obtain the information and recover any incurred associated attorney's fees and court costs in doing so. *Id.* § 35.3(c). The Act also sets deadlines for payment for unconventional operators (within 120 days from the date of first sale; thereafter, within 60 days after the end of the month when the production is sold), subject to certain exceptions, and imposes interest penalties for late payments. *Id.* § 35.3(e).

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