

CHAPTER 255

Original Senate File No. 48

ROYALTY INTERESTS

AN ACT to create W.S. 30-5-304 and 30-5-305; and to amend W.S. 30-5-303 by creating a new subsection (c) relating to oil and gas; providing definitions and making them applicable to specified statutes; providing that a division order shall not supersede the terms of an oil or gas lease or other agreement; requiring the reporting of certain information when making payments for oil or gas production; providing penalties; and providing for an effective date.

Be It Enacted by the Legislature of the State of Wyoming:

Section 1. W.S. 30-5-304 and 30-5-305 are created to read:

30-5-304. Definitions.

(a) As used in this act:

(i) "Lessee" means the person entitled under an oil and gas lease to drill and operate wells, paying the lessor a royalty and retaining the remainder, known as the working interest. The lessee pays all costs of production out of his interest, the lessor's interest being free and clear of all those costs;

(ii) "Lessor" means the mineral owner who has executed a lease and who is entitled to the payment of a royalty on production, free and clear of the costs of production;

(iii) "Operator" means a person engaged in the business of drilling and producing wells for oil and gas;

(iv) "Other nonworking interest" means any interest in an oil and gas lease or well which is not a royalty, overriding royalty or working interest;

(v) "Overriding royalty" means a share of production, free of the costs of production, carved out of the lessee's interest under an oil and gas lease;

(vi) "Costs of production" means all costs incurred for exploration, development, primary or enhanced recovery and abandonment operations including, but not limited to lease acquisition, drilling and completion, pumping or lifting, recycling, gathering, compressing, pressurizing, heater treating, dehydrating, separating, storing or transporting the oil to the storage tanks or the gas into the market pipeline. "Costs of production" does not include the reasonable and actual direct costs associated with transporting the oil from the storage tanks to market or the gas from the point of entry into the market pipeline or the processing of gas in a processing plant;

(vii) "Royalty" means the mineral owner's share of production, free of the costs of production;

(viii) "Working interest" means the interest granted under an oil and gas lease, giving the lessee the right to work on the leased property to search for, develop and produce oil and gas and the obligation to pay all costs of production;

(ix) "This act" means W.S. 30-5-301 through 30-5-305.

30-5-305. Collection; reporting and remittance of royalties.

(a) Unless otherwise expressly provided for by specific language in an executed written agreement, "royalty", "overriding royalty", "other nonworking interests" and "working interests" shall be interpreted as defined in W.S. 30-5-304. A division order may not alter or amend the terms of an oil or gas lease or other contractual agreement. A division order that alters or amends the terms of an oil and gas lease or other contractual agreement is invalid to the extent of the alteration or amendment and the terms of the oil and gas lease or other contractual agreement shall take precedence.

(b) Whenever payment is made for oil or gas production to an interest owner, all of the following information shall be included and labeled on the check stub or on an attachment to the form of payment, unless the information is otherwise provided on a regular monthly basis:

(i) The lease, property or well name or any lease, property or well identification number used to identify the lease property or well;

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

(iii) The total number of barrels of oil or thousands of cubic feet of gas sold;

(iv) The price per barrel of oil or the price per thousand cubic feet of gas;

(v) The total amount of state severance, ad valorem and other production taxes;

(vi) An itemized list of any other deductions or adjustments;

(vii) The net value of total sales after deductions;

(viii) The owner's interest in sales from the lease, property, or well expressed as a decimal;

(ix) The owner's share of the total value of sales prior to any deductions;

(x) The owner's share of the sales value less deductions; and

(xi) An address where additional information pertaining to the owner's interest in production may be obtained and questions answered. If information is requested by certified mail, an answer must be mailed by certified mail within thirty (30) days of receipt of the request.

STATE OF WYOMING GENERAL SESSION 1989

Section 2. W.S. 30-5-303 by creating a new subsection (c) is amended to read:

30-5-303. Payment for production; penalty for violation; jurisdiction; costs and fees.

(c) Any person who fails to provide royalty information as provided in W.S. 30-5-305(b) is liable to the affected royalty, overriding royalty or other nonworking interest owner in the amount of one hundred dollars (\$100.00) per month that complete reporting is not provided to the interest owner.

Section 3. This act is effective July 1, 1989.

Approved March 9, 1989.