



HOUSE BILL No. 5934

June 6, 1996, Introduced by Reps. Alley, Lowe, Gnodtke, Gernaat, Wetters, Bodem, Bobier, Harder, Baade and Gagliardi and referred to the Committee on Conservation, Environment and Great Lakes.

A bill to amend Act No. 451 of the Public Acts of 1994,
entitled
"Natural resources and environmental protection act,"
as amended, being sections 324.101 to 324.90106 of the Michigan
Compiled Laws, by adding section 61503a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Act No. 451 of the Public Acts of 1994, as
2 amended, being sections 324.101 to 324.90106 of the Michigan
3 Compiled Laws, is amended by adding section 61503a to read as
4 follows:

5 SEC. 61503A. (1) A PERSON SHALL NOT ENTER INTO AN OIL OR
6 GAS LEASE AS A LESSEE WITH THE OWNER OF PRIVATE PROPERTY WITHIN
7 THIS STATE UNLESS THE FOLLOWING ARE PROVIDED IN THE LEASE
8 AGREEMENT:

1 (A) THE EXACT PERCENTAGE OF ROYALTY INTEREST ENTITLED BY THE
2 LESSOR AS DETERMINED BY THE VALUE OF THE OIL, GAS, OR RELATED
3 PRODUCTS EXTRACTED FROM THE LEASED SITE TAKING INTO ACCOUNT ANY
4 STANDARD OR NONSTANDARD EXPECTED DEDUCTIONS.

5 (B) IF ANY REDUCTIONS IN THE ROYALTIES ACCRUING TO THE
6 LESSOR ARE ALLOWED UNDER THE LEASE AGREEMENT DUE TO POSTPRODUC-
7 TION COSTS, A PROVISION THAT THE LESSOR SHALL RECEIVE A DETAILED
8 AND ITEMIZED LIST OF POTENTIAL POSTPRODUCTION COSTS.

9 (C) IF POSTPRODUCTION DEDUCTIONS ARE PROVIDED FOR AND AGREED
10 TO BY BOTH THE LESSEE AND THE LESSOR, THE LEASE AGREEMENT SHALL
11 CONTAIN THE FOLLOWING PROVISIONS:

12 (i) THE DEFINITION OF POSTPRODUCTION COSTS.

13 (ii) SPECIFIC AREAS OF ITEMS ELIGIBLE FOR DEDUCTIONS.

14 (iii) A CLEAR PROCESS ENABLING THE LESSEE TO MONITOR ELIGI-
15 BLE DEDUCTIONS BEING CHARGED.

16 (iv) A MAXIMUM PERCENTAGE OF COSTS TO BE DEDUCTED.

17 (D) IF THE POSSIBILITY EXISTS UNDER THE LEASE AGREEMENT FOR
18 THE LESSOR TO BE REQUIRED TO MAKE A PAYMENT TO THE LESSEE IN ANY
19 GIVEN MONTH DUE TO DEDUCTIONS FOR POSTPRODUCTION COSTS OR OTHER
20 ITEMS, THE LEASE MUST SPECIFICALLY STATE THIS POSSIBILITY.

21 (2) ALL OF THE PROVISIONS LISTED IN SUBSECTION (1)(A) TO (D)
22 SHALL BE PROVIDED IN THE LEASE AGREEMENT IN 12-POINT BOLDFACED
23 TYPE WHICH IS AT LEAST 4 POINTS LARGER THAN THE BODY OF THE LEASE
24 AGREEMENT.

25 (3) IF A PERSON HAS ENTERED INTO AN OIL OR GAS LEASE AS A
26 LESSEE WITH THE OWNER OF PRIVATE PROPERTY WITHIN THE STATE ON THE
27 EFFECTIVE DATE OF THIS SECTION AND THE LEASE AGREEMENT OR ANY

1 SUBSEQUENT AGREEMENT ALLOWS FOR POSTPRODUCTION DEDUCTIONS, THE
2 LESSEE SHALL, WITHIN 90 DAYS AFTER THE EFFECTIVE DATE OF THIS
3 SECTION, PROVIDE THE LESSOR WITH ALL OF THE FOLLOWING:

4 (A) THE DEFINITION OF POSTPRODUCTION COSTS.

5 (B) SPECIFIC AREAS OF ITEMS ELIGIBLE FOR DEDUCTIONS.

6 (C) A CLEAR PROCESS ENABLING THE LESSEE TO MONITOR ELIGIBLE
7 DEDUCTIONS BEING CHARGED.

8 (D) A MAXIMUM PERCENTAGE OF COSTS TO BE DEDUCTED.

9 (4) A PERSON WHO KNOWINGLY VIOLATES THIS SECTION IS RESPON-
10 SIBLE FOR THE PAYMENT OF A CIVIL FINE OF NOT MORE THAN
11 \$25,000.00. A DEFAULT IN THE PAYMENT OF A CIVIL FINE OR COSTS
12 ORDERED UNDER THIS SECTION OR AN INSTALLMENT OF THE FINE OR COSTS
13 MAY BE REMEDIED BY ANY MEANS AUTHORIZED UNDER THE REVISED JUDICA-
14 TURE ACT OF 1961, ACT NO. 236 OF THE PUBLIC ACTS OF 1961, BEING
15 SECTIONS 600.101 TO 600.9947 OF THE MICHIGAN COMPILED LAWS.

16 (5) THE ATTORNEY GENERAL OR OTHER PERSON MAY BRING AN ACTION
17 IN CIRCUIT COURT FOR INJUNCTIVE RELIEF OR DAMAGES, OR BOTH,
18 AGAINST A PERSON WHO VIOLATES THIS SECTION.