

Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536

**SFA****BILL ANALYSIS**

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

House Bill 4259 (Substitute S-2 as reported)

Sponsor: Representative Tom Alley

House Committee: Conservation, Environment and Recreation

Senate Committee: Economic Development, International Trade and Regulatory Affairs

### **CONTENT**

The bill would amend Part 615 of the Natural Resources and Environmental Protection Act (Regulation of Oil and Gas Wells) to impose penalties on a person who violated provisions of House Bill 5261 (which would govern the deduction of postproduction costs from a lessor's royalties), or House Bill 5262 (which would require gas lessees to provide monthly revenue statements, pay lessors their proper share, and prepare annual accountings of sales). House Bill 4259 (S-2) is tie-barred to those bills.

A person who knowingly violated House Bill 5261 or 5262 would be subject to a civil fine of up to \$1,000. Each day the violation continued would constitute a separate offense for five days, but not each day thereafter. If the person had entered into a gas lease as a lessee, and the violation would affect more than one lessor having an interest in the same well, pooled unit, or unitized area, the violation would constitute only one offense. Further, the Attorney General or the lessor of a gas lease could bring an action in circuit court for injunctive relief or damages, or both.

If a court found that a lessee had deducted postproduction costs from a lessor's royalty contrary to House Bill 5261, the lessor could recover as damages the amount of postproduction costs deducted contrary to the lease and damages. Also, a party who prevailed in litigation under this provision could recover reasonable attorney fees if the court found that the position taken by the prevailing party was frivolous, spurious, or otherwise lacking a reasonable basis.

A person could not bring an action under the bill, unless the lessee was first given a detailed written notice of the alleged violation, and allowed at least 30 days to cure the alleged violation.

Proposed MCL 324.61503c

Legislative Analyst: N. Nagata

### **FISCAL IMPACT**

The bill would have no fiscal impact on State government, and an indeterminate impact on local units of government depending on the amount of mineral rights leases on local government-owned land.

Date Completed: 3-26-98

Fiscal Analyst: G. Cutler

[floor/hb4259](#)

Analysis available @ <http://www.michiganlegislature.org>

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.