

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 5262 (Substitute S-1 as reported)
Sponsor: Representative Larry DeVuyst
House Committee: Forestry and Mineral Rights
Senate Committee: Economic Development, International Trade and Regulatory Affairs

CONTENT

The bill would amend the Natural Resources and Environmental Protection Act to require a person who entered into a gas lease as a lessee to provide the lessor with monthly revenue statements that indicated the price received for gas sold, and to pay the lessor his or her proper share of the gross proceeds or value, as provided in the lease. The statement also would have to indicate the deductions taken from the lessor's royalty, and their purpose. These requirements would start after production began, for a well that began continuous production after the bill's effective date; or on that date, for a well that began continuous production on or before the bill's effective date.

A lessee also would have to prepare an annual accounting of gas sales from the leased property and any deductions taken from the lessor's royalty during the calendar year or other 12-month accounting period. This requirement would start at the beginning of the calendar year or other 12-month period after production began for a well that began continuous production after the bill's effective date; or at the end of the calendar or other 12-month period when the bill became effective for a well that began continuous production on or before the effective date. The lessee would have to notify the lessor of the availability of the accounting within 180 days after the end of the calendar year or other 12-month period, and furnish a copy of the accounting upon the lessor's request, within 30 days of receiving the request.

The monthly revenue statements and payments would have to be initiated promptly after the determination of the divisions of interest of the parties entitled to share in the production. Payments could be deferred if the lessor's entitlement to payment were in question because of lack of good and marketable record title, or because of a circumstance that could expose the lessee to multiple liability or liability to a third party. If the total amount of the royalties were less than \$50 at the end of any month, payment could be deferred until the total amount reached \$50. These provisions would not apply if a valid agreement between the lessee and the lessor provided otherwise.

The bill would take effect 91 days following enactment, and is tie-barred to House Bill 4259.

Proposed MCL 324.61503a

Legislative Analyst: S. Lowe

FISCAL IMPACT

The bill would result in an indeterminate reduction of costs to State government to perform audits on oil and gas production. For FY 1996-97, \$147,400 in Natural Resources Trust Fund money was spent on audits.

Date Completed: 3-19-98

Fiscal Analyst: G. Cutler

[floor/hb5262](http://www.michiganlegislature.org/floor/hb5262)

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.