

**SUBSTITUTE FOR
HOUSE BILL NO. 5262**

(As amended December 10, 1997)

A bill to amend 1994 PA 451, entitled
"Natural resources and environmental protection act,"
(MCL 324.101 to 324.90106) by adding section 61503a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 61503A. (1) BEGINNING 12 MONTHS AFTER THE EFFECTIVE
2 DATE OF THIS SECTION, A PERSON WHO HAS ENTERED INTO A GAS LEASE
3 AS A LESSEE PRIOR TO OR AFTER THE EFFECTIVE DATE OF THIS SECTION
4 SHALL DO ALL OF THE FOLLOWING:

5 (A) STARTING WHEN PRODUCTION BEGINS, [IN THE CASE OF A WELL
6 WHICH COMMENCES CONTINUOUS GAS PRODUCTION,] PROVIDE THE LESSOR WHO
7 HAS AN INTEREST IN THE LEASED PROPERTY WITH MONTHLY REVENUE
8 STATEMENTS WRITTEN IN PLAIN ENGLISH THAT PROVIDE ALL OF THE
9 FOLLOWING:

10 (i) UNDER THE HEADING "UNIT PRICE", THE PRICE RECEIVED BY
THE LESSEE PER 1,000 CUBIC FEET OR 1,000,000 BTUS OF GAS SOLD.

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1 THE LESSEE SHALL PAY TO THE LESSOR HIS OR HER PROPER SHARE OF THE
2 GROSS PROCEEDS.

3 (ii) A STATEMENT OF THE DEDUCTIONS TAKEN FROM THE LESSOR'S
4 ROYALTY, AND THE PURPOSE OF THOSE DEDUCTIONS. THE STATEMENT OF
5 THE DEDUCTIONS SHALL BE ITEMIZED, EXCEPT THAT A LESSEE MAY GROUP
6 DEDUCTIONS UNDER GENERAL CATEGORIES IF THE LESSEE DOES BOTH OF
7 THE FOLLOWING IN THE MONTHLY REVENUE STATEMENT: STATES THAT A
8 SEPARATE ITEMIZED STATEMENT OF THE DEDUCTIONS WILL BE FURNISHED
9 UPON WRITTEN REQUEST, AND STATES THE ADDRESS TO WHICH A WRITTEN
10 REQUEST FOR AN ITEMIZED STATEMENT SHOULD BE DIRECTED. THIS SEC-
11 TION DOES NOT PROHIBIT A LESSEE FROM MAKING DEDUCTIONS ON AN
12 ESTIMATED BASIS FOR A CALENDAR OR FISCAL YEAR IF THIS IS DIS-
13 CLOSED IN THE MONTHLY REVENUE STATEMENT OR THE SEPARATE ITEMIZED
14 STATEMENT. HOWEVER, IF AN ESTIMATE IS USED, THE LESSEE SHALL
15 DETERMINE THE ACTUAL AMOUNT AND MAKE ANY NECESSARY ADJUSTMENTS
16 WITHIN 180 DAYS AFTER THE END OF THE CALENDAR OR FISCAL YEAR.

17 (B) STARTING AT THE END OF THE CALENDAR YEAR OR OTHER
18 12-MONTH PERIOD WHEN PRODUCTION BEGINS IN THE CASE OF A WELL
19 WHICH COMMENCES CONTINUOUS PRODUCTION AFTER THE EFFECTIVE DATE OF
20 THIS SECTION, OR STARTING AT THE END OF THE CALENDAR YEAR OR
21 OTHER 12-MONTH PERIOD WHEN THIS SECTION BECOMES EFFECTIVE IN THE
22 CASE OF A WELL WHICH COMMENCED CONTINUOUS PRODUCTION ON OR BEFORE
23 THE EFFECTIVE DATE OF THIS SECTION, PREPARE AN ANNUAL ACCOUNTING
24 OF GAS SALES FROM THE LEASED PROPERTY AND ANY DEDUCTIONS TAKEN
25 FROM THE LESSOR'S ROYALTY DURING THE CALENDAR YEAR OR OTHER
26 12-MONTH PERIOD. [IN THE CASE OF A WELL WHICH COMMENCES
27 CONTINUOUS GAS PRODUCTION,

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] THE LESSEE SHALL COMPLETE THE ACCOUNTING WITHIN 180

3 DAYS AFTER THE END OF THE CALENDAR YEAR OR OTHER 12-MONTH

4 PERIOD. THE LESSEE SHALL NOTIFY THE LESSOR OF THE AVAILABILITY

5 OF THE ACCOUNTING WITHIN 180 DAYS AFTER THE END OF THE CALENDAR

6 YEAR OR OTHER 12-MONTH PERIOD, AND SHALL PROMPTLY FURNISH A COPY

7 OF THE ACCOUNTING UPON REQUEST OF THE LESSOR WITHIN 30 DAYS OF

8 RECEIPT OF THE REQUEST. THE NOTIFICATION AS TO THE AVAILABILITY

9 OF THE ACCOUNTING MAY BE MADE ON A MONTHLY REVENUE STATEMENT AND

10 NEED NOT BE A SEPARATE DOCUMENT.

11 (2) THE MONTHLY REVENUE STATEMENTS [AND PAYMENTS] UNDER
SUBSECTION (1)(A)

12 SHALL BE INITIATED PROMPTLY AFTER THE DETERMINATION OF THE DIVI-

13 SIONS OF INTEREST OF THE PARTIES ENTITLED TO SHARE IN THE PRODUC-

14 TION, UNLESS A VALID AGREEMENT BETWEEN THE LESSEE AND THE LESSOR

15 PROVIDES OTHERWISE. HOWEVER, IF THE ENTITLEMENT OF THE LESSOR TO

16 RECEIVE PAYMENT IS IN QUESTION BECAUSE OF LACK OF GOOD AND MAR-

17 KETABLE RECORD TITLE OR BECAUSE OF ANY CIRCUMSTANCE THAT MAY

18 EXPOSE THE LESSEE TO THE RISK OF MULTIPLE LIABILITY OR LIABILITY

19 TO A THIRD PARTY IF THE PAYMENT IS MADE, THE LESSEE MAY DEFER

20 PAYMENT TO THAT LESSOR UNTIL THE TITLE OR OTHER CIRCUMSTANCE HAS

21 BEEN RESOLVED, UNLESS A VALID AGREEMENT BETWEEN THE LESSEE AND

22 THE LESSOR PROVIDES OTHERWISE. IF THE MAILING ADDRESS OF THE

23 LESSOR, OR PLACE WHERE PAYMENT SHOULD BE MADE, IS UNKNOWN, PAY-

24 MENT MAY BE DEFERRED UNTIL THE LESSEE RECEIVES THAT INFORMATION.

25 IF THE TOTAL AMOUNT OF THE ROYALTIES IS LESS THAN [\$25.00] AT THE

26 END OF ANY MONTH, PAYMENT MAY BE DEFERRED UNTIL THE TOTAL AMOUNT

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1 REACHES AT LEAST \$50.00, UNLESS A VALID AGREEMENT BETWEEN THE
2 LESSOR AND THE LESSEE PROVIDES OTHERWISE.

3 Enacting section 1. This amendatory act takes effect upon
4 the expiration of 90 days after the date of its enactment.