

HOUSE BILL No. 4259

February 11, 1997, Introduced by Reps. Alley, Freeman, Martinez, Bobier, LaForge and Wetters and referred to the Committee on Conservation, Environment and Recreation.

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) A PERSON SHALL NOT ENTER INTO AN OIL OR
2 GAS LEASE AS A LESSEE WITH THE OWNER OF PRIVATE PROPERTY WITHIN
3 THIS STATE UNLESS THE FOLLOWING ARE PROVIDED IN THE LEASE
4 AGREEMENT:

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

9 (B) IF ANY REDUCTIONS IN THE ROYALTIES ACCRUING TO THE
10 LESSOR ARE ALLOWED UNDER THE LEASE AGREEMENT DUE TO

1 POSTPRODUCTION COSTS, A PROVISION THAT THE LESSOR SHALL RECEIVE A
2 DETAILED AND ITEMIZED LIST OF POTENTIAL POSTPRODUCTION COSTS.

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

6 (i) THE DEFINITION OF POSTPRODUCTION COSTS.

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

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

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

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

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

19 (3) IF A PERSON HAS ENTERED INTO AN OIL OR GAS LEASE AS A
20 LESSEE WITH THE OWNER OF PRIVATE PROPERTY WITHIN THE STATE ON THE
21 EFFECTIVE DATE OF THIS SECTION AND THE LEASE AGREEMENT OR ANY
22 SUBSEQUENT AGREEMENT ALLOWS FOR POSTPRODUCTION DEDUCTIONS, THE
23 LESSEE SHALL, WITHIN 90 DAYS AFTER THE EFFECTIVE DATE OF THIS
24 SECTION, PROVIDE THE LESSOR WITH ALL OF THE FOLLOWING:

25 (A) THE DEFINITION OF POSTPRODUCTION COSTS.

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

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

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

4 (4) A PERSON WHO KNOWINGLY VIOLATES THIS SECTION IS RESPON-
5 SIBLE FOR THE PAYMENT OF A CIVIL FINE OF NOT MORE THAN
6 \$25,000.00. A DEFAULT IN THE PAYMENT OF A CIVIL FINE OR COSTS
7 ORDERED UNDER THIS SECTION OR AN INSTALLMENT OF THE FINE OR COSTS
8 MAY BE REMEDIED BY ANY MEANS AUTHORIZED UNDER THE REVISED JUDICA-
9 TURE ACT OF 1961, 1961 PA 236, MCL 600.101 TO 600.9948.

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