

BILL ANALYSIS

Senate Research Center
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S.B. 817
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Natural Resources & Economic Development
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

An oil and gas lease provides that the royalty owner receives a certain percentage of the proceeds of sales of oil and gas produced. In 2001, legislation passed requiring operators to report sales of natural gas by volume sold, price per thousand cubic feet (MCF), and proceeds of sale on check details provided to the royalty owner. Additionally, if the royalty owner requests information concerning the heating value, which is the number of British Thermal Units (Btu) in the volume of gas sold or produced, the operator has 60 days to provide it to the royalty owner.

Since gas is actually sold based on its heating value, the MCF data is not enough information for royalty owners to ensure they are being paid correctly on the natural gas production. To calculate the heating value, the royalty owner must know the Btu factor (i.e., the mmBTU per MCF). Requiring operators to include the Btu factor for gas sold on the check stub will allow a royalty owner to immediately verify the payment is correct. Furthermore, it will add transparency and uniformity to the royalty reporting standards. Adding the Btu factor will not require the producing company to gather additional data, as they are already required to provide this information upon the royalty owner's request.

As proposed, S.B. 817 amends current law relating to the information required to be provided by a payor of the proceeds derived from the sale of oil or gas production to a royalty interest owner.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 91.502, Natural Resources Code, as follows:

Sec. 91.502. TYPES OF INFORMATION PROVIDED. Requires each check stub, attachment to a payment form, or other remittance advice to include:

(1)–(4) makes no changes to these subdivisions;

(4-a) the Btu factor for gas sold; and

(5)–(12) makes no changes to these subdivisions.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2019.