

Stricken language would be deleted from and underlined language would be added to present law.

State of Arkansas  
89th General Assembly  
Regular Session, 2013

As Engrossed: H3/21/13  
**A Bill**

HOUSE BILL 2198

By: Representative Gillam

### **For An Act To Be Entitled**

AN ACT TO AMEND ARKANSAS LAW CONCERNING THE TIME AND METHOD OF THE PAYMENT OF PROCEEDS OF SALES OF OIL AND GAS PRODUCTION; AND FOR OTHER PURPOSES.

### **Subtitle**

TO AMEND ARKANSAS LAW CONCERNING THE TIME AND METHOD OF THE PAYMENT OF PROCEEDS OF SALES OF OIL AND GAS PRODUCTION.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

*SECTION 1. Arkansas Code § 15-72-305(a)(3)(A)(iii)(b), concerning the allocation of production cost following an integration order concerning oil and gas, is amended to read as follows:*

*(b) File an application with the commission, setting forth sufficient facts to identify the well concerned and the responsible working interest owner, requesting that the commission issue an order requiring the working interest owner to appear at the next regularly scheduled hearing and show cause with respect to its failure to timely comply with the provisions of this section. Subsequent to the hearing, the commission shall impose upon a working interest owner who has failed to meet its obligations hereunder such sanctions as are reasonably calculated to enforce compliance with this section. These sanctions shall include, but not be limited to, a ~~civil penalty of up to, but not more than, five hundred dollars (\$500)~~ under § 15-74-709. The commission shall have the authority to suspend the imposition of any sanction for a maximum period of sixty (60) days in order to allow the noncompliant owner the opportunity to furnish*



*proof to the commission of his or her compliance with any commission order. All ~~civil~~ penalties levied by the commission as a result of this provision shall be collected by the commission and shall be deposited in the State Treasury to the credit of the Oil and Gas Commission Fund. The commission may promulgate such other rules and regulations as it deems appropriate and necessary to carry out the purposes of this section;*

*SECTION 2. Arkansas Code § 15-72-305(a)(3)(B)(ii)(a), concerning the allocation of production cost following an integration order concerning oil and gas, is amended to read as follows:*

*(a) File an application with the commission, setting forth sufficient facts to identify the well concerned and the responsible operator, requesting that the commission issue an order requiring the operator to appear at the next regularly scheduled hearing and show cause with respect to its failure to timely comply with the provisions of this section. Subsequent to the hearing, the commission shall impose upon an operator who has failed to meet its obligations hereunder such sanctions as are reasonably calculated to enforce compliance with this section. The sanctions shall include, but not be limited to, a ~~civil penalty of up to, but not more than, five hundred dollars (\$500)~~ under § 15-74-709. The commission shall have the authority to suspend the imposition of any sanction for a maximum period of sixty (60) days in order to allow the noncompliant the opportunity to furnish proof to the commission of his or her compliance with any commission order. All civil penalties levied by the commission as a result of this provision shall be collected by the commission and deposited in the State Treasury to the credit of the fund. The commission may promulgate such other rules and regulations as it deems appropriate and necessary to carry out the purposes of this section; or*

*SECTION 3. Arkansas Code § 15-72-305(a)(3)(5)(A), concerning the allocation of production cost following an integration order concerning oil and gas, is amended to read as follows:*

*(5)(A) On or before the thirtieth day of the next calendar month following its receipt of the royalty moneys as provided above, the operator shall distribute the moneys by check or by any form of electronic funds transfer to all royalty owners as provided in this subsection. The*

*distribution may be made annually for the aggregate of up to twelve (12) months of accumulated royalty moneys where the aggregate amount due any royalty owner is at least ten dollars (\$10.00), but less than one hundred dollars (\$100) or less one hundred and fifty dollars (\$150). However, upon written request by the royalty owner, the payment shall be made when the aggregate amount exceeds fifty dollars (\$50.00). Accumulated amounts of less than ten dollars (\$10.00) may be held, but shall be paid when production ceases or by the payor of payment upon relinquishing responsibility. ~~The payment shall be made in a form evidencing~~ With respect to each such distribution the operator shall provide the following to the royalty owner in paper form or make accessible in electronic form:*

SECTION 4. Arkansas Code § 15-74-601(a) and (b), concerning the method of payment for oil and gas sales, is amended to read as follows:

(a) The proceeds derived from the sale of oil or gas production from any oil or gas well shall be paid to persons legally entitled thereto, commencing no later than six (6) months after the date of first sale and thereafter no later than sixty (60) days after the end of the calendar month within which subsequent production is sold or as provided for under subdivision (b)(2) of this section.

(b)(1) The payment of proceeds under subsection (a) of this section is to be made to persons entitled thereto by the first purchasers of the production.

(2) The payment may be made annually for the aggregate of up to twelve (12) months of accumulation of proceeds if the aggregate amount owed is at least ten dollars (\$10.00), but less than one hundred dollars (\$100) or less one hundred fifty dollars (\$150), provided, upon written request by the royalty owner, the payment shall be made when the aggregate amount exceeds fifty dollars (\$50.00). Accumulated amounts of less than ten dollars (\$10.00) may be held but shall be paid when production ceases or by the payor of the payment upon relinquishing responsibility.

SECTION 5. Arkansas Code § 15-74-601, concerning the method of payment for oil and gas sales, is amended to add an additional subsection to read as follows:

(g) Moneys paid by the payor under this section may be paid by either

check or any form of electronic funds transferred to the persons legally entitled to the moneys under § 15-72-305.

*/s/Gillam*