



www.lsc.ohio.gov

# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

H.B. 55  
133rd General Assembly

## Bill Analysis

**Version:** As Introduced

**Primary Sponsor:** Rep. Cera

Helena Volzer, Attorney

### Summary

- Revises and expands the current requirements that govern the information that an owner of an oil and gas well must report to the holder of a royalty interest in the well.
- Applies reporting requirements to owners of oil and gas wells rather than only to owners of gas wells as in current law.
- Requires an owner to report specified information to the holder of a royalty interest in an oil or gas well when royalty payments are made, rather than requiring the owner to report the information only if the holder of a royalty interest requests the information from the owner, as in current law.
- Authorizes the holder of a royalty interest to bring a civil action against the owner to enforce the bill's reporting requirements.
- Specifies that anyone who violates any of the bill's provisions is subject to criminal and civil penalties.

### Detailed Analysis

#### Oil and gas well owner reporting requirements

The bill revises and expands the current requirements that govern the information that an owner of an oil and gas well must report to the holder of a royalty interest in the well. It also applies the reporting requirements to owners of and holders of royalty interests in both oil and gas wells rather than only gas wells, as in current law. Under current law, in order to receive a report from an oil and gas well owner, the holder of a royalty interest must request the owner to issue the report. The bill makes the report mandatory.

#### Information to be reported

As indicated above, the bill requires the owner of an oil or gas well to include all of the following information on the check stub, an attachment to the payment form, or another

remittance device when payment is made to the holder of the royalty interest from the proceeds derived from the sale of oil and gas:

1. The lease, property, or well name, any lease, property, or well identification number used to identify the lease, property, or well, and the county and state in which the lease, property, or well is located;
2. The beginning and ending date of the payment period;
3. The volume of natural gas or number of barrels of oil for which the holder was or is being paid during the payment period and for each month of the payment period;
4. The price per 1,000 cubic feet or per barrel of oil paid to the holder for the gas or oil;
5. The volume of natural gas that was shown to have passed through the owner's meter for or the number of barrels of oil that were removed from the field containing the holder's well during the payment period and for each month of the payment period;
6. The total amount of state severance taxes and any other production taxes paid on the holder's interest during the payment period and for each month of the payment period;
7. Any windfall profit tax paid on the holder's interest during the payment period and for each month of the payment period;
8. Any other deductions from or adjustments to the holder's interest during the payment period and for each month of the payment period;
9. The net value of total sales of oil and natural gas produced from the lease, property, or well after deductions during the payment period and for each month of the payment period;
10. The holder's royalty interest in sales from the lease, property, or well during the payment period and for each month of the payment period expressed as a decimal;
11. The holder's share of the total value of sales from the lease, property, or well before any tax deductions during the payment period and for each month of the payment period;
12. The holder's share of the value of sales from the lease, property, or well less the holder's share of taxes and deductions during the payment period and for each month of the payment period; and
13. An address and telephone number at which additional information regarding the payment may be obtained and questions may be answered.<sup>1</sup>

Under current law, the information that a holder of a royalty interest may request from the owner of an oil and gas well includes only the following:

1. The volume of natural gas for which the holder was or is being paid for the most recent period in the holder's contract with the owner, and for any other previous periods within two years of the date of production for which the owner has not already given the holder such a report;

---

<sup>1</sup> R.C. 1509.30(A).

2. The price per 1,000 cubic feet paid to the holder for the gas; and
3. The volume of natural gas that was shown to have passed through the owner's meter for the field containing the holder's well.<sup>2</sup>

Currently, an owner of a royalty interest may request the report no more frequently than the payment period in the holder's contract with the owner.

The bill retains the existing requirement that the volume of gas required to be reported must be reported on the basis of a standard cubic foot of gas and adds that the volume of oil required to be reported must be reported on the basis of a standard barrel.<sup>3</sup>

### **Submission of information**

The bill specifies that if the owner does not provide the holder of the royalty interest with the required information, the holder may submit a written request by certified mail to the owner that the information be provided. If the owner or the owner's agent receives such a request, the owner must supply the information to the holder by certified mail within 30 days, or the end of the current payment period in the contract, whichever is later.<sup>4</sup> Current law instead requires the owner, upon receipt by the owner or the owner's agent of a request for information by the holder as discussed above, to supply the information to the holder within 15 days, or the end of the current payment period in the contract, whichever is later.

### **Civil action**

Under the bill, if the holder makes a written request and the owner does not provide the requested information within the applicable time period, the holder may bring a civil action against the owner to enforce the reporting requirements. The prevailing party is entitled to recover reasonable court costs and attorney's fees.<sup>5</sup>

### **Preservation of records**

The bill requires the owner to preserve records of the information required to be provided by the bill for at least two years after the date on which the information is provided. Under current law, the owner must preserve records of reported volume for at least two years after the date the record is made.<sup>6</sup>

### **Criminal and civil penalties**

The bill specifically prohibits anyone from failing to comply with the above requirements.<sup>7</sup> A person who recklessly violates the prohibition must be criminally fined not less than \$100 nor more than \$1,000 for a first offense and not less than \$200 nor more than

---

<sup>2</sup> R.C. 1509.30.

<sup>3</sup> R.C. 1509.30(B).

<sup>4</sup> R.C. 1509.30(D).

<sup>5</sup> R.C. 1509.30(D).

<sup>6</sup> R.C. 1509.30(C).

<sup>7</sup> R.C. 1509.30(E).

\$2,000 for each subsequent offense.<sup>8</sup> Further, a person who violates the prohibition is subject to a civil penalty of not more than \$10,000 for each offense.<sup>9</sup>

---

## History

Action	Date
Introduced	02-12-19

---

H0055-I-133/ts

---

<sup>8</sup> R.C. 1509.99(E).

<sup>9</sup> R.C. 1509.33(A), not in the bill.