

1 State of Arkansas  
2 89th General Assembly  
3 Regular Session, 2013  
4

*As Engrossed: H3/21/13*

# A Bill

HOUSE BILL 2198

5 By: Representative Gillam  
6

## For An Act To Be Entitled

8 AN ACT TO AMEND ARKANSAS LAW CONCERNING THE TIME AND  
9 METHOD OF THE PAYMENT OF PROCEEDS OF SALES OF OIL AND  
10 GAS PRODUCTION; AND FOR OTHER PURPOSES.  
11

## Subtitle

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14 TO AMEND ARKANSAS LAW CONCERNING THE TIME  
15 AND METHOD OF THE PAYMENT OF PROCEEDS OF  
16 SALES OF OIL AND GAS PRODUCTION.  
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18  
19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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21 *SECTION 1. Arkansas Code § 15-72-305(a)(3)(A)(iii)(b), concerning the*  
22 *allocation of production cost following an integration order concerning oil*  
23 *and gas, is amended to read as follows:*

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



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

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

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

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

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

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

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

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

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

24 (2) The payment may be made annually for the aggregate of up to  
 25 twelve (12) months of accumulation of proceeds if the aggregate amount owed  
 26 is at least ten dollars (\$10.00), but less than ~~one hundred dollars (\$100) or~~  
 27 less one hundred fifty dollars (\$150), provided, upon written request by the  
 28 royalty owner, the payment shall be made when the aggregate amount exceeds  
 29 fifty dollars (\$50.00). Accumulated amounts of less than ten dollars  
 30 (\$10.00) may be held but shall be paid when production ceases or by the payor  
 31 of the payment upon relinquishing responsibility.

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

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

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

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