

SUBJECT: Ensuring standard royalty reporting information accompanies a payment

COMMITTEE: Energy Resources — committee substitute recommended

VOTE: 12 ayes — Darby, C. Anderson, G. Bonnen, Canales, Clardy, Craddick, Guerra, Isaac, Lambert, Landgraf, Schubert, Walle

0 nays

1 absent — P. King

WITNESSES: For —Tom Daniel, Texas Land & Mineral Owners Association; Ross Smith; (*Registered, but did not testify:* Mark Harmon, Chesapeake Energy; Julie Williams, Chevron; Stan Casey, Concho Resources; Teddy Carter, Devon Energy; Julie Moore, Occidental Petroleum; Ben Shepperd, Permian Basin Petroleum Association; Lindsey Miller, Texas Independent Producers and Royalty Owners Association; Laura Buchanan, Texas Land & Mineral Owners Association; Mari Ruckel, Texas Oil and Gas Association; Tricia Davis, Texas Royalty Council)

Against — (*Registered, but did not testify:* Paula Barnett, BP America)

On — (*Registered, but did not testify:* Bill Stevens, Texas Alliance of Energy Producers)

BACKGROUND: Natural Resources Code, ch. 91, subch. L describes the royalty reporting standards a payor must follow. If a payment is made to a royalty interest owner from proceeds derived from the sale of oil and gas production pursuant to a division order, lease, servitude, or other agreement, the payor must include specific information listed in sec. 91.502 on the check stub, an attachment to the payment form, or another remittance advice. An exemption from this requirement exists if the information required by sec. 91.502 is provided in some other manner on a monthly basis.

Observers have noted that several payors of proceeds derived from the sale of oil and gas production have opted to use an online service to

provide standard royalty reporting information to royalty interest owners. Some owners have security concerns and do not want to access this information online.

DIGEST:

CSHB 129 would not allow a payor paying an owner by paper check to include the information required by Natural Resources Code, sec. 91.502 in a manner other than by including it on the check stub, an attachment to the payment form, or another remittance advice that accompanied the payment. A payor could use a different manner only if the payor obtained the written consent of the owner.

A payor choosing to include the required information on a remittance advice would have to ensure that the remittance advice accompanied the payment.

This bill would take effect September 1, 2017.