

Act No. 127
Public Acts of 1998
Approved by the Governor
June 16, 1998
Filed with the Secretary of State
June 17, 1998

EFFECTIVE DATE: September 16, 1998, provided tie-barred HB 4259 is enacted before that date

STATE OF MICHIGAN
89TH LEGISLATURE
REGULAR SESSION OF 1998

Introduced by Reps. DeVuyst, DeHart, Voorhees, Wetters, Goschka, Bobier, Jellema, Lowe, Anthony, Brater, Raczkowski, Middleton, Gilmer, Cassis, Green, Bodem, Bogardus and Birkholz

ENROLLED HOUSE BILL No. 5262

AN ACT to amend 1994 PA 451, entitled "An act to protect the environment and natural resources of the state; to codify, revise, consolidate, and classify laws relating to the environment and natural resources of the state; to regulate the discharge of certain substances into the environment; to regulate the use of certain lands, waters, and other natural resources of the state; to prescribe the powers and duties of certain state and local agencies and officials; to provide for certain charges, fees, and assessments; to provide certain appropriations; to prescribe penalties and provide remedies; to repeal certain parts of this act on a specific date; and to repeal certain acts and parts of acts," (MCL 324.101 to 324.90106) by adding section 61503a.

The People of the State of Michigan enact:

Sec. 61503a. (1) Beginning 12 months after the effective date of this section, a person who has entered into a gas lease as a lessee prior to or after the effective date of this section shall do all of the following:

(a) Starting after production begins, for a well that begins continuous gas production after the effective date of this section, or starting on the effective date of this section for a well that began continuous gas production on or before the effective date of this section, provide the lessor who has an interest in the leased property with monthly revenue statements written in plain English that provide all of the following:

(i) Under the heading "unit price", the price received by the lessee per 1,000 cubic feet or 1,000,000 BTUs of gas sold. The lessee shall pay to the lessor his or her proper share of the gross proceeds or value, as provided in the lease.

(ii) A statement of the deductions taken from the lessor's royalty, and the purpose of those deductions. The statement of the deductions shall be itemized, except that a lessee may group deductions under general categories if the lessee states that a separate itemized statement of the deductions will be furnished upon written request and states the address to which a written request for an itemized statement should be directed. This section does not prohibit a lessee from making deductions on an estimated basis for a calendar year or other 12-month accounting period if this is disclosed in the monthly revenue statement or the separate itemized statement. If an estimate is used, the lessee shall determine the actual amount and make any necessary adjustments within 180 days after the end of the calendar year or other 12-month accounting period. However, if any costs have not been finally determined, the lessee may reserve an amount which the lessee considers in good faith to be adequate to cover the costs that have not been finally determined and shall make any necessary adjustments when the actual costs have been finally determined.

(b) Starting at the end of the calendar year or other 12-month accounting period after production begins for a well that begins continuous production after the effective date of this section, or starting at the end of the calendar year or other 12-month accounting period when this section becomes effective for a well that began continuous production on or before the effective date of this section, prepare an annual accounting of gas sales from the leased property and any deductions taken from the lessor's royalty during the calendar year or other 12-month accounting period. The lessee

shall complete the accounting within 180 days after the end of the calendar year or other 12-month accounting period. However, if any costs have not been finally determined, the lessee may account for these on the basis of a reserve which the lessee considers in good faith to be adequate to cover the costs that have not been finally determined, and shall prepare a supplemental accounting when the actual costs have been finally determined. The lessee shall notify the lessor of the availability of the accounting within 180 days after the end of the calendar year or other 12-month accounting period, and shall furnish a copy of the accounting upon request of the lessor within 30 days of receipt of the request. The notification as to the availability of the accounting may be made on a monthly revenue statement and need not be a separate document.

(2) Subject to section 61503b(4), the monthly revenue statements and payments under subsection (1)(a) shall be initiated promptly after the determination of the divisions of interest of the parties entitled to share in the production, unless a valid agreement between the lessee and the lessor provides otherwise. However, if the entitlement of the lessor to receive payment is in question because of lack of good and marketable record title or because of any circumstance that may expose the lessee to the risk of multiple liability or liability to a third party if the payment is made, the lessee may defer payment to that lessor until the title or other circumstance has been resolved, unless a valid agreement between the lessee and the lessor provides otherwise. If the mailing address of the lessor, or place where payment should be made, is unknown, payment may be deferred until the lessee receives that information. If the total amount of the royalties is less than \$50.00 at the end of any month, payment may be deferred until the total amount reaches at least \$50.00, unless a valid agreement between the lessor and the lessee provides otherwise.

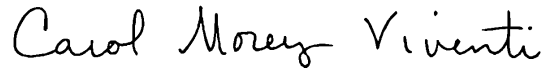
Enacting section 1. This amendatory act takes effect upon the expiration of 90 days after the date of its enactment.

Enacting section 2. This amendatory act does not take effect unless House Bill No. 4259 of the 89th Legislature is enacted into law.

This act is ordered to take immediate effect.



Clerk of the House of Representatives.



Secretary of the Senate.

Approved _____

Governor.