

55-1614. Interest payments on payments from oil or gas production; definitions. As used in this act:

(a) "Payee" means any person or persons, or a court of competent jurisdiction, to whom payment of revenues accrued from the first sale of oil or gas from an oil or gas well located in Kansas should be made, whether the same arises from ownership of the proceeds or an interest in the producing property or a contract right to receive or disburse the payment.

(b) "Payment" means the sum to be paid to a payee by a payor arising from payee's interest in a first sale of oil or gas occurring on or after the effective date of this act.

(c) "Payor" means:

(1) The first purchaser of production of oil or gas from an oil or gas well. If the first purchaser makes payment to a third party for distribution to payee, the first purchaser is a payor as to the third party to whom payment is made, or

(2) any person who has entered into an agreement with the first purchaser to make payment to payee and receives moneys from the first purchaser for distribution pursuant to such agreement.

(d) "First sale" means the transfer of ownership of oil or gas first occurring after its severance from the ground.

(e) "First purchaser" means the owner of the oil or gas after consummation of a first sale.

(f) "Initial sale" means that first sale first made in time after a well commences initial oil or gas production, excluding any sale of frac oil or swab oil.

(g) "Person" means any individual, corporation, limited partnership, partnership, association, joint stock company, living trust, irrevocable trust, trust where the interest of the beneficiaries are evidenced by a security, an unincorporated organization, a government, a political subdivision of government, or any combination thereof.

(h) "Interest rate provided herein" means that rate equal to one and one-half percentage points above the interest rate charged on loans to depository institutions by the New York Federal Reserve Bank at the start of business on the first business day of each month, unless the payor segregates the payment from its operating funds and deposits the same in a demand deposit account with a federally insured bank or savings and loan institution that earns interest at the highest rate being offered by that institution for the amount due payee by payor in such account, in which case the "interest rate provided herein" means the interest rate actually earned by payor on that account.

(i) "Excluded payments" means:

(1) Payments which in the aggregate of 12 months' accumulation of oil or gas proceeds to one payee do not exceed \$100, provided such excluded payments are disbursed annually if exceeding \$10, and provided that upon written request of the payee, such excluded payments are disbursed monthly if exceeding \$25; or

(2) payments which in the aggregate of the accumulation of oil or gas proceeds to one payee do not exceed \$10, provided such excluded payments are disbursed when production from the relevant well or wells ceases or when the payor's responsibility for making payment for production ceases, whichever occurs first, and provided that upon written request of the payee, such excluded payments are disbursed annually.

Before proceeds greater than \$25 may be accumulated, the payor shall provide notice to the payee that there is an option to be paid monthly for proceeds greater than \$25. Such notice to the person shall also provide directions for requesting monthly payment and constitutes notice to all heirs, successors, representatives and assigns of the payee.

History: L. 1991, ch. 160, § 1; L. 1996, ch. 100, § 1; July 1.