

## ***Kansas Statutes relating to interest payments on oil and gas production***

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**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.

**55-1615. Same; interest on certain payments required; commencement and amount of payments; exception.** The payor shall owe its payee interest on any payment, other than excluded payments, at the interest rate provided herein, determined on the first business day of the month that interest commences to accrue for that payment. For each subsequent month, the payor shall owe its payee interest on the unpaid balance due payee on the last day of the month preceding such subsequent month at the interest rate provided herein determined on the first business day of each such subsequent month. Interest shall commence to accrue 60 days following the last calendar day of the month of first sale and shall cease to accrue upon the day that payor places the payment in the United States mail, postage prepaid and addressed to payee. In the event a payor pays a payee's payment or portion thereof to a state under applicable unclaimed, abandoned or escheat property laws, then payor's obligation to pay interest on the portion paid over to the state shall cease upon the day that such state receives the payment from payor. Notwithstanding the above, interest shall not commence on oil or gas sales occurring during the first 60 days following the initial sale provided payment is placed in the United States mail, postage prepaid, and addressed to payee, within 120 days following the last calendar day of the month of the initial sale.

**History:** L. 1991, ch. 160, § 3; July 1.

**55-1616. Same; force and effect of waivers.** Any waiver of the interest provided by this act shall be of no force or effect, unless such waiver is evidenced by a written document executed by payee which clearly states that payee waives payee's right to receive interest provided by this act by an express reference to this act, including reference to the rate of interest provided in this act.

**History:** L. 1991, ch. 160, § 3; July 1.

**55-1617. Same; jurisdiction of court to settle disputes; attorney fees.** The district court of the county in which oil or gas is produced shall be a court of proper venue for proceedings brought pursuant to this act. The prevailing party in a proceeding brought pursuant to this act on which a judgment is rendered may recover court costs and reasonable attorney fees at the discretion of the court.

**History:** L. 1991, ch. 160, § 4; July 1.

**55-1618. Same; nonapplicability to certain interest payments.** No provision of this act shall be construed to apply to any interest payment governed, in law or equity, by any statute of the United States of America or any valid rule and regulation or order promulgated thereunder.

**History:** L. 1991, ch. 160, § 5; July 1.

**55-1619. Same; rights of payee not limited or impaired.** No provision of this act shall be construed to limit or otherwise impair the rights of the payee to receive or recover any payment or any other right of payee whatsoever conferred in law or equity or by statute or otherwise.

**History:** L. 1991, ch. 160, § 6; July 1.