

AN ACT concerning civil law.

**Be it enacted by the People of the State of Illinois,
represented in the General Assembly:**

Section 5. The Oil and Gas Rights Act is amended by changing Section 10 as follows:

(765 ILCS 520/10) (from Ch. 96 1/2, par. 4910)

Sec. 10. (1) in this Section:

(a) "Payee" means any person or persons legally entitled to payment from the proceeds derived from the sale of oil or gas from an oil or gas well located in this State.

(b) "Payor" means the first purchaser of production of oil or gas from an oil or gas well, but the owner of the right to produce under an oil or gas lease or pooling order is deemed to be the payor if the owner of the right to produce and the first purchaser have entered into arrangements providing that the proceeds derived from the sale of oil or gas have been paid by the first purchaser to the owner who assumes the responsibility of paying those proceeds to the payee.

(2) (a) the proceeds derived from the sale of oil or gas production from an oil or gas well must be paid to each payee on or before 150 days after the end of the month of first purchase by a payor. After that time, payments must be made to each payee on a timely basis according to the frequency of

payment specified in a lease or other written agreement between payee and payor. If the lease or other agreement does not specify the time for payment, subsequent proceeds must be paid no later than:

(1) 60 days after the end of the calendar month in which subsequent oil production is sold; or

(2) 90 days after the end of the calendar month in which subsequent gas production is sold.

(b) Payments may be remitted to payees annually for the aggregate of up to 12 months' accumulation of proceeds, if the total amount owed is \$100 ~~\$25~~ or less.

(3) (a) If payment has not been made for any reason in the time limits specified in subsection (2)(a) of this Act, the payor must pay interest to a payee beginning at the expiration of those time limits at the rate charged on loans to depository institutions by the New York Federal Reserve Bank, unless a different rate of interest is specified in a written agreement between payor and payee.

(b) Subsection (a) of this Section does not apply where payments are withheld or suspended by a payor beyond the time limits specified in subsection (2)(a) of this Act because there is:

(1) a dispute concerning title that would affect distribution of payments;

(2) a reasonable doubt that the payee does not have clear title to the interest in the proceeds of production; or

(3) a requirement in a title opinion that places in issue the title, identity, or whereabouts of the payee and that has not been satisfied by the payee after a reasonable request for curative information has been made by the payor.

(4) (a) If a payee seeks relief for the failure of a payor to make timely payment of proceeds from the sale of oil or gas or an interest in oil or gas as required under Section (2) or (3) of this Act, the payee must give the payor written notice by mail of that failure as a prerequisite to beginning judicial action against the payor for nonpayment.

(b) The payor has 30 days after receipt of the required notice from the payee in which to pay the proceeds due, or to respond by stating in writing a reasonable cause for nonpayment.

(c) A payee has a cause of action for nonpayment of oil or gas proceeds or interest on those proceeds as required in Section (2) or (3) of this Act in any court of competent jurisdiction in the county in which the oil or gas well is located.

(Source: P.A. 84-872.)