

1 AN ACT concerning civil law.

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

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

6 (765 ILCS 520/10) (from Ch. 96 1/2, par. 4910)

7 Sec. 10. (1) in this Section:

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

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

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

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

5 (1) 60 days after the end of the calendar month in which
6 subsequent oil production is sold; or

7 (2) 90 days after the end of the calendar month in which
8 subsequent gas production is sold.

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

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

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

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

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

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

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

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

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

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