

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.)