

# **WEST VIRGINIA LEGISLATURE**

## **2026 REGULAR SESSION**

**Introduced**

### **House Bill 4867**

By Delegate Willis

[Introduced January 28, 2026; referred to the  
Committee on Energy and Public Works then the  
Judiciary]

1 A BILL to amend and reenact §37C-1-1, §37C-1-2, and §37C-1-3 of the Code of West Virginia,  
2 1931, as amended; and to amend said code by adding a new article designated §37C-2-1,  
3 §37C-2-2, §37C-2-3, and §37C-2-4, all relating to production of oil and natural gas,  
4 reporting and payments from all oil and gas wells; royalty payments; providing definitions;  
5 providing the method of calculations and payment of royalties; and requiring auditing of  
6 information relating to leased premises, transparency and monitoring of leased minerals.

*Be it enacted by the Legislature of West Virginia:*

## **ARTICLE 1. INFORMATION REPORTING AND PAYMENTS TO OWNERS.**

### **§37C-1-1. Oil and natural gas production information reporting from ~~horizontal~~ all oil and gas wells.**

1 (a) An operator or producer or their agents, contractors or assigns shall provide the  
2 following information with each payment to all interest owners receiving payments resulting from  
3 the development and production of oil, natural gas, or their constituents by horizontal wells  
4 governed by §22-6A-1 *et seq.* of this code, being the Natural Gas Horizontal Well Control Act : and  
5 all other wells governed by §22-6-1 *et seq.* of this code.

6 (1) A name, number, or combination of name and number, and the state issued American  
7 Petroleum Institute number that identifies each lease, property, unit, pad, and well, for which  
8 payment is being made, and the county in which the lease, property, and well are located;

9 (2) Month and year of production;

10 (3) Total barrels of oil; number of MCF, MMBTU, or DTH of natural gas; and volume of  
11 natural gas liquids produced from each well and sold;

12 (4) Price received per unit of oil, natural gas, and natural gas liquids produced;

13 (5) Gross value of the total proceeds from the sale of oil, natural gas, and natural gas  
14 liquids from each well less taxes and deductions set forth in ~~§37B-1-1(a)(6)~~ §37C-1-1(a)(6) of this  
15 code;

(6) Aggregate amounts for each category of deductions for each well which affect payment and are allowed by law, including without limitation those deductions provided for under the terms of the governing lease;

(7) Interest owner's interest in production from each well expressed as a decimal or fraction and reported pursuant to ~~§37B-1-1(a)(1)~~ §37C-1-1(a)(1) of this code;

(8) Interest owner's ratable share of the total value of the proceeds of the sale of oil, natural gas, and natural gas liquids prior to the deduction of taxes, if applicable, and other deductions set forth in ~~§37B-1-1(a)(6)~~ §37C-1-1(a)(6) of this code;

(9) Interest owner's ratable share of the proceeds from the sale of oil, natural gas, and natural gas liquids less the interest owner's ratable share of taxes, if applicable, and other deductions set forth in ~~§37B-1-1(a)(6)~~ §37C-1-1(a)(6) of this code; and

(10) Contact information of the producer of the oil, natural gas, or natural gas liquids, including a mailing address and telephone number.

(11) Statements shall be provided monthly in any instance in which lessee is recouping any payments to lessor and lessor is not receiving actual payments.

(b) An interest owner who does not receive the information required to be provided under this section in a timely manner may send a written request for the information by certified mail. Not later than the 60th day after the date the operator or producer receives the written request for information under this section, the operator or producer shall provide the requested information to the interest owner. If the interest owner makes a written request for information under this section and the operator or producer does not provide the information within the 60-day period, the interest owner may bring a civil action against the operator or producer to enforce the provisions of this section, and a prevailing interest owner shall be entitled to recover reasonable attorneys' fees and court costs incurred in the civil action.

**§37C-1-2. Accumulation and payment of proceeds from production from horizontal all oil and gas wells.**

1 Notwithstanding any of the other provisions of this article, proceeds from production of oil,  
2 natural gas, and natural gas liquids from ~~horizontal~~ all oil and gas wells may be accumulated by  
3 the owners, cotenants, lessees, operators, or their agents, contractors, or assigns, until such time  
4 as proceeds attributable to any interest owner exceeds \$100 before making a remittance:  
5 *Provided, That*, regardless of the amount of money accumulated, the owners, cotenants, lessees,  
6 operators, or their agents, contractors, or assigns shall remit proceeds from ~~horizontal~~ all oil and  
7 gas wells attributable to the interest owners not less than once annually: *Provided, however, That*  
8 all accumulated proceeds from ~~horizontal~~ all oil and gas wells shall be paid to the interest owners  
9 entitled thereto immediately, or as soon as practicable, upon cessation of production of oil, natural  
10 gas, or natural gas liquids or upon relinquishment or transfer of the payment responsibility to  
11 another party.

12 **§37C-1-3. Payments from ~~horizontal~~ all oil and gas wells to be made timely; interest**  
13 **penalties.**

1 All regular production payments from ~~horizontal~~ all oil and gas wells due and owing to an  
2 interest owner shall be tendered in a timely manner, which ~~shall~~ may not exceed 120 days from the  
3 first date of sale of oil, natural gas, or natural gas liquids is realized from a well and within ~~60~~ 90  
4 days thereafter for each additional sale, unless such failure to remit is due to lack of record title in  
5 the interest owner, a legal dispute concerning the interest, a missing or unlocatable owner of the  
6 interest, or due to conditions otherwise specified in this article. Failure to remit timely payment for  
7 ~~horizontal~~ any oil and gas wells shall result in a mandatory additional payment of an interest  
8 penalty to be set at the prime rate plus an additional two percent until ~~such~~ the payment is made, to  
9 be compounded quarterly. The prime rate shall be the rate published on the day of the sale of oil,  
10 natural gas, and natural gas liquids in the Wall Street Journal reflecting the base rate on corporate  
11 loans posted by at least 75 percent of the nation's 30 largest banks. An interest owner may bring a  
12 civil action against the operator or producer to enforce the provisions of this section, and a

13 prevailing interest owner shall be entitled to recover reasonable attorneys' fees and court costs  
14 incurred in the civil action.

## **ARTICLE 2. ROYALTY PAYMENTS.**

### **§37C-2-1. Legislative findings; Declarations of Public policy.**

1 (a) The Legislature hereby finds and declares:  
2 (1) For decades Wellman v. Energy Resources, Inc. (2001), and the Estate of Tawney v.  
3 Columbia Natural Resources, L.L.C. (2006), have been the law of the land in West Virginia in  
4 regards to royalty payment calculations.  
5 (2) West Virginia Courts have repeatedly upheld those decisions including most recently  
6 Romeo v. Antero.  
7 (3) In the one instance the West Virginia Supreme Court deviated from that interpretation  
8 in Leggett v. EQT, the West Virginia legislature promptly reaffirmed both Wellman and The Estate  
9 of Tawney interpretation into code for Flat Rate Royalty leases by passing §22-6-8 of this code in  
10 2018.  
11 (4) The Oil and Gas Industry has demonstrated that even with Wellman (2001) and  
12 Tawney (2006) and the passage of §22-6-8 of this code as law of the land there has been  
13 significant development of the minerals within the state due to the lucrative nature of the state's  
14 natural resources.  
15 (5) Tens of Thousands of people across the state have relied upon the interpretation of  
16 Wellman and Tawney and the Legislature's affirmation of them in §22-6-8 of this code for lease  
17 negotiations and to order their economic affairs.  
18 (6) Altering decades of judicial interpretation and Legislative intent would create massive  
19 upheaval, thus maintaining the status quo should be our objective.  
20 (7) Clarifying and codifying these interpretations as well as creating stiff penalties should  
21 encourage adherence to the law and reduce disputes and litigation between lessor and lessee.

22           (b) In the light of the foregoing findings, the Legislature hereby declares that it is the policy  
23 of this state and in the public interest to establish that all royalties paid and severance tax  
24 collections shall be based upon the following:

25           (1) If an oil and gas lease provides for a royalty based on proceeds received by the lessee,  
26 unless the lease provides otherwise, the lessee shall bear all costs incurred in exploring for,  
27 producing, marketing, and transporting the product to the point of sale.

28           (2) Where an oil and gas lease contains an express or implied duty to market, the  
29 requirements of marketing extend to the point of sale, not just to the point of marketability or to the  
30 first available market.

31           (3) Unless the oil and gas lease provides otherwise, royalties are payable to the mineral  
32 owner/lessor not only from the producer/lessee's sale of wet gas and residue gas but also from the  
33 lessee's sale of any byproducts of the wet gas such as natural gas liquids.

34           (4) The requirements of marketing the production from the leasehold to the point of sale  
35 apply not only to wet gas and residue gas but also to the sale of any byproducts such as natural  
36 gas liquids.

37           (5) The general rule as to oil and gas leases is that these contracts will generally be  
38 liberally construed in favor of the lessor, and strictly as against the lessee.

39           (6) Language in an oil and gas lease that is intended to allocate between the lessor and  
40 the lessee the costs of marketing the product and transporting it to the point of sale shall expressly  
41 provide that the lessor bear some part of the costs incurred between the wellhead and the point of  
42 sale, identify with particularity the specific deductions the lessee intends to take from the lessor's  
43 royalty, and indicate the method of calculating the amount to be deducted from the royalty for such  
44 post-production costs.

45           (7) Absent express language in a gas lease sufficient to satisfy the requirements set forth  
46 above in §37C-2-1(b)(6) of this code a producer/lessee may not deduct from a mineral

47 owner/lessor's royalties a proportionate share of the costs incurred in processing, fractionating,  
48 and transporting residue gas and natural gas liquids to the point of sale.

**§37C-2-2.****Definitions**

1 (a) As used in this article:

2 "Affiliate of Lessee" means any person, corporation, firm, or other entity in which Lessee,  
3 or any parent company, subsidiary or affiliate of lessee, owns an interest, whether by stock  
4 ownership, or otherwise, or over which lessee, or any parent company of affiliate of lessee,  
5 exercises any degree of control, directly or indirectly, by ownership, interlocking directorate, or in  
6 any other manner, and any corporation, firm or other entity which owns any interest in lessee,  
7 whether by stock ownership or otherwise, or which exercises any degree of control directly or  
8 indirectly, over lessee, by stock ownership, interlocking directorate, or any other manner.

9 "Executed Lease" means any oil and gas lease which has been executed within the state,  
10 being duly signed, notarized, and recorded.

11 "Leased Minerals" means the oil and gas which is under lease for production in the  
12 executed lease and shall include all saleable hydrocarbons produced from the leased premises  
13 including oil, gas, condensate and other liquid or gaseous hydrocarbons, including, but not limited  
14 to, any and all natural gas liquids such as butane, ethane, isobutane, natural gasolines, pentanes,  
15 propane, and similar liquids or byproducts produced in association with the oil or gas in or  
16 underlying the leased premises.

17 "Leased Premises" means the tract of land for which an executed lease is binding on.

18 "Lessee" means the lessee in the executed lease.

19 "Lessor" means the lessor in the executed lease.

20 "Proceeds" means the total monies and other consideration accruing to Lessee for the  
21 disposition of the leased minerals or any other marketable by-products, including condensate,  
22 produced from the leased premises. Proceeds shall be calculated based on the total gross  
23 volume of leased minerals produced and sold, exclusive of production and post-production costs

and severance taxes or other taxes of any nature unless the executed lease provides a specific mention and method of calculation of the post- production expense and/or taxes. If a specific mention and method of calculation of post- production expense and/or taxes exists then the royalty due the lessor may be reduced from the stated royalty percentage in the executed lease by the amount of the specified deduction(s).

"The Stated Royalty Percentage" means the royalty percentage stated in the executed lease.

"Unaffiliated Third Party" means a party to an arm's-length transaction that is in no way affiliated with or related to the other party.

**§37C-2-3. Royalty Calculation and payment.**

(a) The lessee shall pay and deliver or cause to be delivered to the lessor, or its successors, nominees, agents, or assigns, at no cost to the lessor, a royalty equal to the stated royalty percentage in the executed lease based on the proceeds realized by the lessee, or any affiliate of the lessee, from the final point of sale of the leased minerals, produced and sold from the leased premises, to an unaffiliated third party.

(b) Royalty statements shall be provided as specified in §37C-1-1 of this code and shall accurately reflect the actual price(s) received by the lessee and any affiliate of the lessee, which shall include any premiums, bonuses, or any form of compensation received, for each individual product produced and sold from the leased premises, at the final point of sale to an unaffiliated third party.

(c) If the royalty payments for which the lessor is entitled are not paid within the time prescribed in §37C-1-3 of this code, the lessor shall provide the lessee written notice of nonpayment of royalty in accordance with this code. If the lessee fails to pay the lessor the royalty owed to the lessor within 30 days from the lessee's receipt of the notice, the lessor's executed lease shall automatically terminate. Inaccurate royalty payments may not be governed by the provisions of this paragraph, but shall be resolved in good faith between the lessor and the lessee



17 in a timely manner.

18 (d) If the lessor believes that royalty payments are inaccurate, the lessor shall set forth the  
19 inaccuracy and provide notice to the lessee by certified mail. If the lessor and the lessee have  
20 been unable to resolve any inaccurate payment within 180 days of receipt of certified mail by the  
21 lessee of the alleged inaccuracy, the lessor may petition a court of competent jurisdiction for relief.  
22 If a final judgment favors the lessor then, in addition to the interest charged by §37C-1-3 of this  
23 code, the lessor shall be awarded three times the value of the disputed amount of royalty due. In  
24 addition, the lessee shall compensate the lessor for reasonable attorney fees and costs required  
25 to litigate the matter.

26 (1) If final judgment favors the lessor, and the lessor is forced to bring another lawsuit  
27 against the lessee, then the lessee shall be subject to three times the value of the entire royalty  
28 payment due the lessor if the final judgment in the second or subsequent cases favors the lessor.  
29 In addition to the interest charged by §37C-1-3 of this code, the lessee shall compensate the  
30 lessor for reasonable attorney fees and costs required to litigate the matter.

31 (e) If the lessee changes any unit in which the leased premises has been included, the  
32 lessee shall reallocate payments to the lessor accordingly. In any instance that the lessee is  
33 recouping a payment from the lessor, a monthly statement shall be provided to the lessor.

**§37C-2-4. Auditing, Transparency, and monitoring.**

1 (a) Upon written request, the lessee shall furnish to the lessor copies of title opinions  
2 covering the leased premises; copies of filings made by the lessee with the Department of  
3 Environmental Protection related to the leased premises; copies of daily drilling reports, gauge  
4 tickets, sales receipts, division orders, or amounts of gross production; copies of gas contracts or  
5 any other agreements pursuant to which the lessee will sell, use, transfer, process, or dispose of  
6 the leased minerals produced from the leased premises; or any other information related to the  
7 production and sales of the leased minerals. The lessee shall meter gas deriving from the leased  
8 premises at the wellhead in accordance with West Virginia law. The lessor may, on an annual

9 basis, upon reasonable prior written notice to the lessee, audit the books, accounts, contracts,  
10 records and data of lessee pertaining to the development and sale of the leased minerals.

11 (b) Upon written request by the lessor, the lessee shall provide in a timely fashion,  
12 electronic read-only account access or any other acceptable form of daily well monitoring agreed  
13 upon by both parties to each well that the lessor is associated with, for the purpose of verifying the  
14 amount of products produced from the leased premises, as listed on the royalty statement  
15 provided to the lessor.

16 (1) If the lessee fails to accommodate the lessor as specified in §37C-2-4(a) and §37C-2-  
17 4(b) of this code within 120 days of the lessor's written request, then the lessor may petition a court  
18 of competed jurisdiction to enforce compliance and the lessee shall be subject to \$1000 a day fine,  
19 including weekends and holidays, payable to lessor starting from the date the lessor petitions the  
20 court and continuing until the lessee accommodates the lessor's request.

21 (c) The lessee and affiliates of the lessee selling any of the leased minerals from the  
22 leased premises, shall submit a quarterly report to the WVDEP Office of Oil and Gas. The  
23 contents of the report shall be posted to the WVDEP website in a timely fashion. The report shall  
24 detail the following for each well:

25 (1) Monthly production for each individual product produced and sold;

26 (2) The actual price(s) received by the lessee and any affiliate of the lessee, which shall  
27 include any premiums, bonuses, or any form of compensation received, for each individual  
28 product produced and sold from the leased premises at the final point of sale to an unaffiliated third  
29 party;

30 (3) The amount of severance tax paid to the state by the lessee and affiliates of the lessee  
31 for the well.

NOTE: The purpose of this bill is to clarify the method of reporting and payments from all oil and gas wells royalties. The bill provides the method of calculations and payment of royalties requiring auditing of information relating to leased premises, and transparency

and monitoring of leased minerals.

Strike-throughs indicate language that would be stricken from a heading or the present law and underscoring indicates new language that would be added.