

# Okla. Reforms Will Curb Oil, Gas Royalty Litigation Risk

By **Nick Merkley, Brooks Richardson and Scott Kiplinger** (June 25, 2026)

On May 6, Oklahoma Gov. Kevin Stitt signed H.B. 1371, enacting the most significant amendments to the state's Production Revenue Standards Act, or PRSA, since its adoption in 1980.

Taken together, H.B. 1371's amendments represent the most comprehensive modernization of the PRSA in decades.

They raise the stakes for true noncompliance, while offering oil and gas operators clearer rules, defined interest boundaries and predictable exits from prolonged suspense situations.

## Understanding the PRSA

One of us was first exposed to oil and gas law in a practical way during a law school summer internship, observing a dozen employees of a large operator analyzing the chain of title for a small royalty interest in an asset the operator had recently acquired.

That experience offered a valuable lesson on the structural realities of oil and gas ownership: highly fractionalized mineral estates, layered conveyances across generations, gaps in record title and the risks inherent in administering such complex ownership systems.

That structural reality is the foundation on which royalty payment laws and litigation have been built.

For decades, the PRSA has been Oklahoma's statutory framework for addressing the risks associated with errors in these royalty payment systems, governing the timing and manner in which operators must pay proceeds from the sale of oil and gas production to mineral owners.

The statute required payment to commence within six months after first sale, and to continue on a periodic basis thereafter. If proceeds were not timely paid, the PRSA imposed statutory interest and provided mineral owners with an exclusive remedy to recover unpaid proceeds and interest, subject to limited exceptions.

Historically, disputes under the PRSA focused on the accrual of interest during title defects, probate proceedings and other common delays, and therefore could result in substantial interest exposure and litigation costs for operators.

For example, when proceeds were not paid, statutory interest would begin to accrue automatically, often regardless of the reason for nonpayment.

Even when proceeds were held in good-faith suspense due to unmarketable title, heirship and probate proceedings, liens, or unlocatable owners, operators could face ongoing interest exposure at 12% compounded annually, or 6% for unmarketable title.



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They also faced prevailing-party attorney fees when there was no true PRSA claim on which to prevail, because the withholding of royalties was solely due to non-PRSA title and unknown owner issues.

This structure fueled a cottage litigation industry that gave rise to large-scale royalty litigation, often pursued through class actions with recovery of attorney fees.

### **The Old System: A Litigation Engine, Not Just a Payment Statute**

The prior PRSA regime combined three features that, together, created a predictable cycle of aggregation and litigation.

#### ***Strict Liability Coupled With Automatic Interest***

Under the prior statute, once payment timing requirements were not met, interest accrued, often without regard to why funds were withheld. Even where proceeds were held in good-faith suspense due to title defects, probate issues or missing owners, interest continued to run.

For much of the past two decades, the interest available under the PRSA for nonmarketable title exceeded the highest available interest one could get from any banking institution.

Such design resulted in a system where operational necessity based on title ambiguities amounted to per se legal fault, and it incentivized owners not to clear their title because the statutory interest rate made the unmarketable title a good investment.

Only recent increases in interest rates have weakened this perverse incentive.

#### ***Compounding at Litigation-Scale Rates***

Under the prior PRSA regime, with title being key to marketability, the 12% compounded interest rate for delays in payment transformed delay — even legitimate delay due to contractual interpretation disputes — into exponential exposure.

Over time, relatively modest principal amounts became dominated by compounding interest. This mattered not because individual claims were necessarily large, but because they could become scalable across thousands of fractionalized owners and payments.

#### ***Fee-Shifting and Predictable Proof***

The PRSA provided a straightforward litigation calculus: unpaid proceeds plus statutory interest plus attorney fees.

Indeed, courts often recognized that the statute was straightforward and relatively easy to prove, thus causing adversarial asymmetry between plaintiffs and defendants.

Moreover, that combination — plus easy liability, compounding interest and fee recovery — planted the seed for scale and aggregation of claims.

#### ***Aggregation: Rational and Inevitable***

Given such PRSA structure, the risk of large-scale royalty litigation couldn't even be called opportunistic — it was simply economically rational.

For example, small claims become attractive for litigation because statutory interest and fees made them economically justifiable.

Furthermore, the nature of these payment systems and timing issues were the basis for class action theories — i.e., where there is one, there are many — particularly where operators followed consistent payment practices.

And prudence no longer was justified from operators, because suspense accounts became targets — even where the underlying delay was justified because of marketable title issues.

The result of all of this was aggregation of plaintiffs into major class actions.

Case law generally followed, with courts resisting certification where individualized issues dominated — e.g., marketable product disputes. But claims based on timing and interest frequently survived aggregation.

Liability could accrue even in the presence of operational consistency and diligence. Exposure increased over time regardless of conduct, and there was no clean way to close open-ended legacy risk.

Prior to the passage of Oklahoma's H.B. 1371, suspense liabilities behaved like environmental liabilities. They could sit indefinitely, quietly accruing interest and litigation risk.

### **H.B. 1371: A Structural Rewrite**

H.B. 1371 materially reshapes the PRSA interest regime, clarifying when interest does and does not accrue, and it creates a new statutory mechanism allowing operators to escrow long-term unpaid proceeds if they cannot locate the mineral owner and obtain a release from future liability.

H.B. 1371 replaces the prior 12% compounded annual interest rate with a 15% simple interest rate for untimely paid proceeds. While the nominal rate is higher, eliminating compounding substantially narrows the historical escalation of PRSA interest exposure.

The legislation also clarifies that interest does not accrue during several common, good-faith payment delays — including probate proceedings, unresolved lien disputes, owner-requested payment holds, and situations involving uncashed or returned checks or rejected electronic payments.

Importantly, these nonaccrual periods are available provided the operator maintains appropriate records and demonstrates reasonable diligence.

Another consequential change for operators is that H.B. 1371 establishes a mineral owner's fund — an escrow account administered by the state treasurer. After proceeds remain unpaid for 36 months, operators may remit the proceeds and accrued interest to the fund, thereby fully discharging further payment and interest liability.

This mechanism functions as a statutory alternative to interpleader, allowing operators to eliminate long-term suspense exposure without court involvement. Mineral owners retain the right to recover funds directly from the state upon proof of identity and ownership.

In this manner, H.B. 1371 also aligned the PRSA with Oklahoma's Unclaimed Property Act, by clarifying that mineral proceeds are not presumed abandoned until 36 months after they become due, unless earlier remitted to the mineral owner's fund.

### **Bottom Line for Practitioners**

For attorneys advising operators, H.B. 1371's strategic implications are immediate. Historic operator risks have shifted. While the stakes have been raised for noncompliance, the rules for operators have been clarified.

H.B. 1371's reforms will not eliminate litigation, but they will narrow it. They remove the structural incentives that previously encouraged aggregation of claims, amplified minor delays into major risk exposure and made indefinite suspense a compounding and uncertain liability problem.

For plaintiffs counsel, the landscape has changed: The easy cases driven by timing and compounding will be harder to scale.

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