The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Tyler S. McCloud.

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<u>Present law</u> provides for the assessment of the risk charge against nonparticipating owners in the cost of a unit well, substitute well, alternate unit well, or cross-unit well for a drilling unit.

<u>Proposed law provides for terminology and technical corrections to present law and adds a definition of "net production proceeds".</u>

<u>Present law</u> (R.S. 30:10(A)(2)(b)(ii)(aa) and (bb)) requires the drilling owner to pay certain amounts to the nonparticipating owner for the benefit of his lessor royalty owner and overriding royalty owner.

<u>Proposed law</u> provides for the manner in which such payments are made and the formulas used for calculating them. <u>Proposed law</u> also imposes a requirement that the nonparticipating owner provide certain information to the drilling owner.

<u>Present law</u> (R.S. 30:10(A)(2)(b)(ii)(dd) and (ee)) sets forth the obligations owed by the lessee and drilling owner with respect to the payment of any lessor royalty and overriding royalty due.

<u>Proposed law</u> provides for terminology used in <u>present law</u> and the applicable procedures and remedies available to the lessor royalty owner and overriding royalty owner against the nonparticipating owner and the drilling owner. <u>Proposed law</u> further provides that in the event of nonpayment by the nonparticipating owner, the notice provided to the drilling owner must include a true and complete copy of the mineral lease or other document creating the royalty.

<u>Present law</u> (R.S. 30:10(A)(2)(b)(ii)(ff)) provides with respect to nonpayment by the drilling owner of the lessor and overriding royalties and the payment of these amounts by the nonparticipating owner.

<u>Proposed law</u> provides for terminology used in <u>present law</u> and provides that payment by the nonparticipating owner may be a good faith estimate of the royalties due.

<u>Proposed law</u> (R.S. 30:10(A)(2)(b)(ii)(gg)) requires the nonparticipating owner to furnish certain information to the drilling owner. <u>Proposed law</u> further states that the nonparticipating owner may also provide copies of any title opinions in its possession.

<u>Proposed law</u> (R.S. 30:10(A)(2)(b)(ii)(hh)) requires the nonparticipating owner to indemnify and hold the drilling owner harmless against claims related to amounts paid based on information provided by the nonparticipating owner.

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<u>Proposed law</u> (R.S. 30:10(A)(2)(b)(ii)(ii)) provides that no change in the ownership of a nonparticipating owner shall be binding upon a drilling owner until a certified copy of the instrument constituting the chain of title has been furnished to the drilling owner.

<u>Proposed law</u> (R.S. 30:10(A)(2)(b)(ii)(jj)) provides that the actual reasonable costs incurred by the drilling owner in obtaining a title examination and title opinion shall be chargeable as a unit operating cost and recoverable by the drilling owner.

<u>Present law</u> (R.S. 30:10(A)(2)(b)(iii)) provides with respect to the nonparticipating owner's obligation to bear his tract's share of the expenditures incurred in drilling, testing, completing, equipping, and operating the unit well.

Proposed law provides for terminology and revises present law to include subsequent unit operations.

<u>Proposed law</u> (R.S. 30:10(A)(2)(a)(b)(iv)) provides with respect to subsequent unit operations, setting forth definitions, required notices, the applicable risk charge, and other related provisions.

Effective August 1, 2021.

(Amends R.S. 30:10(A)(2)(a)(i)(intro para) and (aa) and (ee), (ii), and (iii), (b)(i), (ii)(aa), (bb), (dd), (ee), and (ff), and (iii), (e)(ii), (h), and (i) and (3) and (B); adds R.S. 30:10(A)(2)(b)(ii)(gg), (hh), (ii), and (jj) and (iv))