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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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DIGEST

SB 38 Original

2022 Regular Session

Hensgens

Present law 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.

Proposed law provides for terminology and technical corrections including providing that the notice by a owner drilling, intending to drill, or who has drilled to the other owners is called the "risk charge notice".

Proposed law requires financial adjustments of estimated authorization for expenditure form (AFE) costs be made within 60 days of receipt of detailed invoices in order to account for the difference between estimated and actual cost.

Proposed law requires that if the well is being drilled or has been drilled at the time of mailing the risk charge notice, the risk charge notice contain a copy of all available logs, core analysis, production data, and well test data not made public.

Proposed law authorizes the drilling owner to require an election to participate to include payment of notified owner's share of the cost as provided by the AFE.

Proposed law deems failure to timely deliver payment by an owner as an election not to participate.

Proposed law in addition to any other legal remedies, authorizes the drilling owner to recover any unpaid costs out of production for unpaid costs of an owner who initially elected to participate, but failed to pay.

Present law sets forth the obligations owed by the lessee and drilling owner with respect to the payment of any lessor royalty and overriding royalty due.

Proposed law imposes a requirement that the nonparticipating owner provide certain information to the drilling owner.

Proposed law provides for the manner in which the drilling owner pays certain amounts to the nonparticipating owner for the benefit of his lessor royalty owner and overriding royalty owner are made and the formulas used for calculating such payments.

Proposed law requires payments to the overriding royalty owner are made in accordance with the terms of the contract or agreement creating the overriding royalty.

Proposed law provides the nonparticipating owner is not relieved of any obligation to pay any lessor

royalty and overriding royalty during or after the recoupment of recoverable costs and the risk charge.

Proposed law provides the procedures and remedies available to the lessor royalty owner and overriding royalty owner for nonpayment of royalties against the nonparticipating owner and the drilling owner are set out in the provisions in the Mineral Code. However, in cases against a drilling owner, dissolution is unavailable.

Proposed law further provides that in the event of nonpayment by the nonparticipating owner, the notice provided to the drilling owner by the lessor royalty owner or overriding royalty owner must include a true and complete, or redacted, copy of the mineral lease or other document creating the royalty.

Proposed law provides that when the drilling owner fails to pay the royalty or overriding royalty due, payment by the nonparticipating owner may be a good faith estimate of the royalties due.

Proposed law requires the nonparticipating owner to furnish certain information to the drilling owner. Authorizes a true and complete, or redacted, copy of a mineral lease or other agreement creating any lessor royalty or overriding royalty. A redacted portion in lieu of a complete copy must contain in full the provisions dealing with the determination and calculation of the portion of proceeds from the sale or other disposition of production due to the lessor or overriding royalty owner.

Proposed law further states that the nonparticipating owner may also provide copies of any title opinions in its possession or portions of title opinions. Such submissions do not relieve the owner of the obligation to provide a sworn statement of ownership.

Proposed law 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.

Proposed law provides that no change or division in the ownership of a nonparticipating owner shall be binding upon a drilling owner for the purpose of paying to the nonparticipating owner for the benefit of its lessor royalty owner or overriding royalty owner until a certified copy of the instrument constituting the chain of title has been furnished to the drilling owner.

Proposed law 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.

Proposed law 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 includes subsequent unit operations.

Proposed law provides with respect to subsequent unit operations, setting forth definitions, required notices, the applicable risk charge, and other related provisions.

Effective August 1, 2022.

(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)(a)(i)(ff) and (b)(ii)(gg), (hh), (ii), and (jj), (iv), (v), (vi), and (vii), and (C))