

2022 Regular Session

SENATE BILL NO. 38

BY SENATOR HENSGENS

MINERALS. Provides for the risk charge against nonparticipating owners in drilling units.
(8/1/22)

1 AN ACT

2 To amend and reenact R.S. 30:10(A)(2)(a), the introductory paragraph of (i) and (aa) and
3 (ee), (ii), and (iii), (b)(i), (ii)(aa), (bb), (dd), (ee), and (ff), and (iii), (e)(ii), (h), and
4 (i) and (3) and (B), and to enact R.S. 30:10(A)(2)(a)(i)(ff) and (b)(ii)(gg), (hh), (ii),
5 and (jj), (iv), (v), (vi), and (vii), and (C), relative to drilling units; to provide for
6 definitions; to provide for procedures, obligations, and remedies; to provide for
7 written notice; to provide for information required to be furnished; to provide for
8 indemnification; to provide for changes of ownership; to provide for title opinions;
9 to provide for subsequent unit operations; to provide terminology; and to provide for
10 related matters.

11 Be it enacted by the Legislature of Louisiana:

12 Section 1. R.S. 30:10(A)(2)(a), the introductory paragraph of (i) and (aa) and (ee),
13 (ii), and (iii), (b)(i), (ii)(aa), (bb), (dd), (ee), and (ff), and (iii), (e)(ii), (h), and (i) and (3) and
14 (B) are hereby amended and reenacted and R.S. 30:10(A)(2)(a)(i)(ff) and (b)(ii)(gg), (hh),
15 (ii), and (jj), (iv), (v), (vi), and (vii), and (C) are hereby enacted to read as follows:

16 §10. Agreements for drilling units; pooling interests; terms and conditions; expenses

17 A.

1 * * *

2 (2)

3 * * *

4 (a)(i) Any owner drilling, intending to drill, or who has drilled a unit well, a
5 substitute unit well, an alternate unit well, or a cross-unit well on any drilling unit
6 heretofore or hereafter created by the commissioner, may, by registered mail, return
7 receipt requested, or other form of guaranteed delivery and notification method, not
8 including electronic communication or mail, notify all other owners in the unit of the
9 drilling or the intent to drill and give each owner an opportunity to elect to
10 participate in the risk and expense of such well. Such notice shall **be called a "risk**
11 **charge notice" and shall** contain:

12 (aa) An authorization for expenditure form (AFE), which shall include a
13 detailed estimate or the actual amount of the cost of drilling, testing, completing, and
14 equipping such well. The AFE shall be dated within one hundred twenty days of the
15 date of the mailing of the **risk charge** notice.

16 * * *

17 (ee) In the event that the well is being drilled or has been drilled at the time
18 of **mailing** the **risk charge** notice, then a copy of all available logs, core analysis,
19 production data, and well test data from the well which has not been made public.

20 **(ff) At the option of the drilling owner, a statement that payment in full**
21 **of the notified owner's share of costs as set forth in the AFE is required to be**
22 **included with any election to participate.**

23 (ii) An election to participate must be exercised by mailing written notice
24 thereof by registered mail, return receipt requested, or other form of guaranteed
25 delivery and notification method, not including electronic communication or mail,
26 to the owner drilling or intending to drill the proposed well within thirty days after
27 receipt of the initial **risk charge** notice. **If required by the drilling owner in**
28 **accordance with Subitem (i)(ff) of this Subparagraph, such an election to**
29 **participate shall include payment of the notified owner's share of costs as set**

1 **forth in the AFE.** Failure to give timely written notice of the election to participate
2 **or, if required by the drilling owner in accordance with Subitem (i)(ff) of this**
3 **Subparagraph, timely delivery of such payment of the notified owner's share of**
4 **the costs as set forth in the AFE** shall be deemed to be an election not to participate
5 and the owner shall be deemed a nonparticipating owner. **In cases where some or**
6 **all of the AFE costs are estimated, financial adjustments shall be made between**
7 **the drilling owner and the participating owners within sixty days of receipt of**
8 **detailed invoices in order to account for the difference between any cost**
9 **estimates and actual costs.**

10 (iii) If the drilling of the proposed well is not commenced in accordance with
11 the initial **risk charge** notice within ninety days after receipt of the initial **risk**
12 **charge** notice, then the drilling owner shall send a supplemental **risk charge** notice
13 in order for the provisions of this Subsection to apply.

14 (b)(i) Should a notified owner elect not to participate, **or be deemed a**
15 **nonparticipating owner,** in the risk and expense of the unit well, substitute unit
16 well, alternate unit well, or cross-unit well or should such owner elect to participate
17 in the risk and expense of the proposed well but, **except where the drilling owner**
18 **has required payment with the election in accordance with Subitem (a)(i)(ff) of**
19 **this Paragraph,** then fail to pay his share of the estimated drilling costs determined
20 by the AFE timely or fail to pay his share of actual reasonable drilling, testing,
21 completing, equipping, and operating expenses within sixty days of receipt of
22 detailed invoices, then such owner shall be deemed a nonparticipating owner, and the
23 drilling owner shall, in addition to any other available legal remedies to enforce
24 collection of such expenses, be entitled to own and recover out of production from
25 such well allocable to the tract under lease to the nonparticipating owner such tract's
26 allocated share of the actual reasonable expenditures incurred in drilling, testing,
27 completing, equipping, and operating the well, including a charge for supervision,
28 together with a risk charge. **Should the drilling owner require payment with the**
29 **election, failure to include payment in full with the election in accordance with**

1 **Subitem (a)(i)(ff) of this Paragraph, regardless of the election, shall be deemed**
2 **an election not to participate. Should a notified owner elect to participate by**
3 **satisfying the requirements of this Paragraph and subsequently fails to pay any**
4 **actual costs that were not previously paid by that owner as set forth in the AFE,**
5 **the drilling owner, in addition to any other available legal remedies, shall be**
6 **entitled to recover such unpaid costs out of production of such well.** For purposes
7 of this Subparagraph, **and except where the drilling owner has required payment**
8 **with the election in accordance with Subitem (a)(i)(ff) of this Paragraph,** the
9 payment of estimated drilling costs shall be deemed timely if received by the drilling
10 owner within sixty days of the actual spudding of the well or the receipt by the
11 notified owner of the notice required by this Subsection, whichever is later. The risk
12 charge for a unit well, substitute unit well, or cross-unit well that will serve as the
13 unit well or substitute well for the unit shall be two hundred percent of such tract's
14 allocated share of the cost of drilling, testing, and completing the well, exclusive of
15 amounts the drilling owner remits to the nonparticipating owner for the benefit of the
16 nonparticipating owner's royalty and overriding royalty owner. The risk charge for
17 an alternate unit well or cross-unit well that will serve as an alternate unit well for
18 the unit shall be one hundred percent of such tract's allocated share of the cost of
19 drilling, testing, and completing such well, exclusive of amounts the drilling owner
20 remits to the nonparticipating owner for the benefit of the nonparticipating owner's
21 royalty and overriding royalty owner.

22 (ii)(aa) During the recovery of the actual reasonable expenditures incurred
23 in drilling, testing, completing, equipping, and operating the well, the charge for
24 supervision, and the risk charge, the nonparticipating owner **who has furnished the**
25 **information set forth in Subitem (gg) of this Item,** shall be entitled to receive from
26 the drilling owner for the benefit of his lessor royalty owner that portion of **the**
27 **proceeds from the sale or other disposition of** production due to the lessor royalty
28 owner under the terms of the contract or agreement creating the royalty between the
29 **lessor** royalty owner and the nonparticipating owner reflected of record at the time

1 of the ~~well proposal~~ **risk charge notice**.

2 (bb) In addition, during the recovery set forth in Subitem (aa) of this Item,
 3 the nonparticipating owner shall receive from the drilling owner for the benefit of the
 4 overriding royalty owner **a portion of the proceeds from the sale or other**
 5 **disposition of production that is** the lesser of: (I) the nonparticipating owner's total
 6 percentage of actual overriding royalty burdens associated with the existing lease or
 7 leases which cover each tract attributed to the nonparticipating owner reflected of
 8 record at the time of the ~~well proposal~~ **risk charge notice**; or (II) the difference
 9 between the weighted average percentage of the total actual **lessor** royalty and
 10 overriding royalty burdens of the drilling owner's leasehold within the unit and the
 11 **weighted average percentage of the total actual lessor royalty of the**
 12 nonparticipating owner's ~~actual leasehold royalty burdens~~ **within the unit** reflected
 13 of record at the time of the ~~well proposal~~ **risk charge notice**. **Payment of the**
 14 **amount due shall be made in accordance with the terms of the contract or**
 15 **agreement creating the overriding royalty**.

16 * * *

17 (dd) Nothing in this Section shall relieve any lessee of its obligations to pay,
 18 from the commencement of production, any lessor royalty and overriding royalty due
 19 under the terms of his lease; and other agreements during the ~~recovery of actual well~~
 20 **recoupment of recoverable** costs and the risk charge, or shall relieve any lessee of
 21 ~~his~~ **its** obligation to pay all **lessor** royalty and overriding royalty due under the terms
 22 of his lease and other agreements after the ~~recovery of the actual well~~ **recoupment**
 23 **of recoverable** costs and the risk charge. ~~Except as provided in this Paragraph, the~~
 24 ~~drilling owner's obligation to pay the royalty and the overriding royalty to the~~
 25 ~~nonparticipating owner in no way creates an obligation, duty, or relationship between~~
 26 ~~the drilling owner and any person to whom the nonparticipating owner is liable to,~~
 27 ~~contractually or otherwise.~~ **The lessor royalty owner and overriding royalty**
 28 **owner shall follow the same procedure and have the same remedies against the**
 29 **nonparticipating owner provided in Part 6 of Chapter 7 of Title 31 of the**

1 Louisiana Revised Statutes of 1950 or Part 2-A of Chapter 13 of Title 31 of the
2 Louisiana Revised Statutes of 1950.

3 (ee) Except as provided in this Paragraph, the drilling owner's obligation
4 to pay the lessor royalty and the overriding royalty to the nonparticipating
5 owner in no way creates an obligation, duty, or relationship between the drilling
6 owner and any person to whom the nonparticipating owner is liable,
7 contractually or otherwise. In the event of nonpayment by the nonparticipating
8 owner of the lessor royalty and overriding royalty due, and as a prerequisite to a
9 judicial demand for damages against the drilling owner, the lessor royalty owner
10 and overriding royalty owner shall provide written notice of such failure to the
11 nonparticipating owner and drilling owner as a prerequisite to a judicial demand for
12 damages. The lessor royalty owner and overriding royalty owner shall follow the
13 same procedure and have the same remedies against the drilling owner, except
14 dissolution, provided in Part 6 of Chapter 7 of Title 31 of the Louisiana Revised
15 Statutes of 1950 or Part 2-A of Chapter 13 of Title 31 of the Louisiana Revised
16 Statutes of 1950, ~~respectively, against the nonparticipating owner and the drilling~~
17 ~~owner.~~ The written notice provided to the drilling owner by the lessor royalty
18 owner or overriding royalty owner shall include a true and complete, or
19 redacted, copy of the mineral lease or other agreement creating any lessor
20 royalty or overriding royalty. If the drilling owner provides sufficient proof of
21 payment of the royalties to the nonparticipating owner, then the lessor royalty owner
22 and overriding royalty owner shall have no cause of action against the drilling owner
23 for nonpayment.

24 (ff) In the event of nonpayment by the drilling owner of the lessor royalty
25 and overriding royalty due to the nonparticipating owner for the benefit of the lessor
26 royalty owner and overriding royalty owner, and payment by the nonparticipating
27 owner of a good faith estimate of the lessor royalty and overriding royalty due, the
28 nonparticipating owner shall provide written notice of such failure to pay to the
29 drilling owner as a prerequisite to a judicial demand for damages. The drilling owner

1 shall have thirty days after receipt of the required notice within which to pay the
2 royalties due or to respond in writing by stating a reasonable cause for nonpayment.

3 If the drilling owner fails to make payment of the royalties or fails to state a
4 reasonable cause for nonpayment within this period, the court may award to the
5 nonparticipating owner as damages double the amount of royalties due, interest on
6 that sum from the date due, and a reasonable attorney fee regardless of the cause for
7 the original failure to pay royalties. If the drilling owner provides sufficient proof of
8 payment of the royalties to the nonparticipating owner, then the nonparticipating
9 owner shall have no cause of action against the drilling owner for nonpayment.

10 **(gg) Each nonparticipating owner entitled to receive a portion of the**
11 **proceeds from the sale or other disposition of production as provided in**
12 **Subitems (aa) and (bb) of this Item shall furnish to the drilling owner both of**
13 **the following:**

14 **(I) A true and complete, or redacted, copy of the mineral lease or other**
15 **agreement creating any lessor royalty or overriding royalty for which the**
16 **nonparticipating owner is entitled to receive a portion of the proceeds from the**
17 **sale or other disposition of production; provided that a redacted copy may be**
18 **submitted in lieu of a complete copy, if it contains in full the provisions dealing**
19 **with the determination and calculation of the portion of proceeds from the sale**
20 **or other disposition of production due to the lessor or overriding royalty owner.**

21 **(II) A sworn statement of the ownership of the nonparticipating owner**
22 **as to each tract embraced within the unit in which the nonparticipating owner**
23 **has an interest and the amounts of the lessor royalty and overriding royalty**
24 **burdens for which the nonparticipating owner is entitled to receive a portion of**
25 **the proceeds from the sale or other disposition of production. In its discretion,**
26 **the nonparticipating owner may also provide to the drilling owner copies of any**
27 **title opinions in its possession or portions thereof on which the statement of**
28 **ownership is based in whole or in part; however doing so shall not relieve the**
29 **nonparticipating owner of its obligation to provide the sworn statement**

1 described in this Subsubitem.

2 (hh) Each nonparticipating owner who has received from the drilling
3 owner a portion of the proceeds from the sale or other disposition of production
4 for the benefit of a lessor royalty owner or overriding royalty owner, based only
5 on the information furnished pursuant to Subitem (gg) of this Item, shall
6 indemnify and hold harmless the drilling owner from and against any claims
7 asserted against the drilling owner related to any amounts paid to the
8 nonparticipating owner. The nonparticipating owner shall also restore to the
9 drilling owner any amounts paid by the drilling owner to the nonparticipating
10 owner in reliance on the information furnished pursuant to Subitem (gg) of this
11 Item, if and to the extent determined to be incorrect.

12 (ii) No change or division of the ownership of a nonparticipating owner
13 who is receiving a portion of the proceeds from the sale or other disposition of
14 production from the drilling owner shall be binding upon the drilling owner for
15 the purpose of paying to the nonparticipating owner for the benefit of its lessor
16 royalty owner or overriding royalty owner, under Subitems (aa) and (bb) of this
17 Item, until such new nonparticipating owner acquiring any interest has
18 furnished the drilling owner at the drilling owner's address as reflected in the
19 records maintained by the office of conservation, with a certified copy of the
20 instrument or instruments, constituting the chain of title from the original
21 nonparticipating owner.

22 (jj) In the event that the drilling owner secures a title opinion from a
23 licensed Louisiana attorney covering a tract of land in a unit burdened by a
24 mineral lease, or other agreement, that creates any lessor royalty or overriding
25 royalty for which a nonparticipating owner is entitled to receive from the
26 drilling owner a portion of the proceeds from the sale or other disposition of
27 production, the actual reasonable costs incurred by the drilling owner in
28 obtaining the title examination and the title opinion may, at the drilling owner's
29 sole discretion, be chargeable as a cost recoverable by the drilling owner out of

1 the tract's allocable share of production. In such case, the drilling owner shall
2 provide the nonparticipating owner applicable excerpts of such title opinion.

3 (iii) Any owner not notified shall bear only his tract's allocated share of the
4 actual reasonable expenditures incurred in drilling, testing, completing, equipping,
5 and operating the unit well or in connection with any subsequent unit operation,
6 including a charge for supervision, which share shall be subject to the same
7 obligation and remedies and rights to own and recover out of production in favor of
8 the drilling party or parties owner as provided in this Subsection. ~~A participating~~
9 The drilling owner shall deliver to the owner ~~whom has not been notified,~~ for the
10 benefit of his lessor royalty owner or overriding royalty owner, the proceeds
11 attributable to ~~his~~ the lessor royalty and overriding royalty burdens as described in
12 this Section.

13 (iv) Any owner of a well described in Subparagraph (a) of this
14 Paragraph who is conducting, intends to conduct, or has conducted a
15 subsequent unit operation on such well may notify all other owners in the unit
16 of the conducting or the intent to conduct such operation in the form and
17 manner of the risk charge notice described in Subparagraph (a) of this
18 Paragraph, and in that event, all of the provisions of this Paragraph shall be
19 applicable to that subsequent unit operation to the same extent, and in the same
20 manner, that they would apply to the drilling of a new well, subject to Items (v)
21 and (vi) of this Subparagraph.

22 (v) The risk charge for any subsequent unit operation shall be one
23 hundred percent of the tract's allocated share of the actual reasonable
24 expenditures incurred in conducting the subsequent unit operation, including
25 a charge for supervision, regardless of whether the wellbore on which such
26 operations were conducted is a unit well, alternate unit well, substitute unit well,
27 or cross-unit well.

28 (vi) The notice to be provided by the drilling owner to the other owners
29 in the unit pursuant to Item (iv) of this Subparagraph shall contain:

1 (aa) A detailed description identifying the well to which the subsequent
2 unit operation relates, the work associated therewith, and the new location and
3 objective depth of the well if changed as a result of such work.

4 (bb) A copy of the order of the commissioner creating the drilling unit
5 to which the subsequent unit operation relates.

6 (cc) An AFE that shall include a detailed estimate, or the actual amount,
7 of the cost of conducting the subsequent unit operation and that is dated within
8 one hundred twenty days of the date of the mailing of the notice.

9 (dd) An estimate of the notified owner's approximate percentage of well
10 participation.

11 (ee) A copy of all available logs, core analysis, production data, and well
12 test data with respect to the well that has not been made public.

13 (vii) If, on the date of the notice of the subsequent unit operation, there
14 are still amounts uncollected on a risk charge from a nonparticipating owner
15 for the drilling of, or a previous operation on, the wellbore for which the notice
16 is sent, the drilling owner may recoup a risk charge from that nonparticipating
17 owner on the costs of the noticed subsequent unit operation only if the drilling
18 owner sends that nonparticipating owner a notice of the subsequent unit
19 operation. The notice may offer that nonparticipating owner the opportunity to
20 participate in the subsequent unit operation upon payment to the drilling
21 owner, within sixty days of the date of receipt of the notice, of the
22 nonparticipating owner's entire outstanding balance due for all previous
23 operations on the wellbore, including any amounts uncollected on a risk charge.
24 If the drilling owner sends the nonparticipating owner the notice, the drilling
25 owner may, in addition to recouping the costs of a subsequent unit operation,
26 recoup a risk charge on the costs of the subsequent unit operation from the
27 production from the well attributable to the tract under lease to that
28 nonparticipating owner if it fails to elect timely to participate in the subsequent
29 unit operation, or if it fails to pay timely the entire outstanding balance due for

1 all previous operations on the wellbore, or if it fails to pay timely its share of the
2 estimated costs of the subsequent unit operation determined by the AFE.

3 * * *

4 (e)

5 * * *

6 (ii) Notwithstanding the provisions of Subparagraph (b) of this Paragraph, the
7 lessor royalty owner and overriding royalty owner shall receive that portion of
8 production proceeds due to them under the terms of the contract creating the royalty.

9 * * *

10 (h) The owners in the unit to whom the risk charge notice provided for
11 hereinabove in this Section may be sent, are the owners of record as of the date on
12 which the risk charge notice is sent.

13 (i) Failure of the drilling owner to provide ~~written~~ to an owner a risk charge
14 notice as required by Subparagraph (a) of this Paragraph ~~to an owner~~ shall not affect
15 the validity of the ~~written~~ risk charge notice properly provided to any other owner
16 in the unit.

17 (3) If there is included in any unit created by the commissioner of
18 conservation one or more unleased interests for which the party or parties entitled to
19 market production therefrom have not made arrangements to separately sell or
20 otherwise dispose of the share of such production attributable to such tract, and the
21 unit operator ~~proceeds with the sale of~~ sells or otherwise disposes of such unit
22 production, then the unit operator shall pay to such party or parties such tract's pro
23 rata share of the proceeds of the sale or other disposition of production within one
24 hundred eighty days of such sale or other disposition.

25 B. Should the owners of separate tracts embraced within a drilling unit fail
26 to agree upon the pooling of the tracts and the drilling of a well on the unit, and
27 should it be established by final and unappealable judgment of court that the
28 commissioner is without authority to require pooling as provided for in Subsection
29 A of this Section, then, subject to all other applicable provisions of this Chapter, the

1 owner of each tract embraced within the drilling unit may drill thereon. The
2 allowable production therefrom shall be such proportion of the allowable for the full
3 unit as the area of the separately owned tract bears to the full drilling unit.

4 **C. For purposes of this Section, the following definitions shall apply:**

5 **(1) "Deepening" means an operation whereby an existing wellbore**
6 **serving as a unit well, alternate unit well, substitute unit well, or cross-unit well**
7 **is extended to a point within the same unit and unitized interval beyond its**
8 **previously drilled total vertical depth.**

9 **(2) "Extension" means an operation related to a horizontal well whereby**
10 **a lateral is drilled in the same unitized interval to a greater total measured**
11 **depth or extent than the lateral was drilled pursuant to a previous proposal.**

12 **(3) "Recompletion" means an operation to attempt a completion in a**
13 **portion of the unitized interval in the existing wellbore different from the initial**
14 **completion in the unitized interval.**

15 **(4) "Rework" means an operation conducted in the wellbore after it is**
16 **initially completed in the unitized interval in a good faith effort to secure,**
17 **restore, or improve production in a stratum within the unitized interval that**
18 **was previously open to production in that wellbore, including re-perforating,**
19 **hydraulic fracturing and re-fracturing, tubing repair or replacement, casing**
20 **repair or replacement, squeeze cementing, setting bridge plugs, and any**
21 **essential preparatory steps. "Rework" does not include routine maintenance**
22 **such as acidizing, sand or paraffin removal, repair, or replacement of downhole**
23 **equipment such as rods, pumps, packers, or other mechanical devices.**

24 **(5) "Sidetrack" means the intentional deviation of an existing wellbore**
25 **serving as a unit well, alternate unit well, or substitute unit well from its actual**
26 **or permitted bottom hole location within that unit and unitized interval to a**
27 **different bottom hole location within the same unit and unitized interval or**
28 **done to drill around junk in the hole or to overcome other mechanical**
29 **difficulties in order to reach the permitted bottom hole location.**

1 **(6) "Subsequent unit operation" means a recompletion, rework,**
 2 **deepening, sidetrack, or extension conducted within the unitized interval for a**
 3 **unit or units created under R.S. 30:9(B).**

4 **(7) "Unitized interval" means the subsurface interval defined in the**
 5 **office of conservation order creating the unit or units that the existing wellbore**
 6 **is serving as a unit well, alternate unit well, substitute unit well, or cross-unit**
 7 **well.**

The original instrument was prepared by Tyler McCloud. The following digest, which does not constitute a part of the legislative instrument, was prepared by Thomas L. Tyler.

DIGEST

SB 38 Reengrossed

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))

Summary of Amendments Adopted by Senate

Senate Floor Amendments to engrossed bill

1. Technical amendments