
DIGEST

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Jim Morris

HB No. 564

Abstract: Provides for payments by drilling owners to nonparticipating owners for the benefit of royalty owners and overriding royalty owners.

Present law requires a drilling owner to report payment information in accordance with present law when paying a nonparticipating owner the share due his lessor royalty owner and overriding royalty owner. Proposed law retains present law.

Proposed law provides that if a nonparticipating owner has not previously paid its royalty and overriding royalty owners, then any share of production received by the nonparticipating owner from the drilling owner shall at all times be owned by the respective royalty and overriding royalty owners while in the possession of the nonparticipating owner.

Present law provides for judicial remedies for the lessor royalty owner and overriding royalty owner in the event the nonparticipating owner fails to pay the royalty and overriding royalties due, after providing written notice to the nonparticipating owner and drilling owner. Proposed law retains present law.

Present law provides that there is no cause of action against a drilling owner that provides sufficient proof of payment of the royalty and overriding royalty to the nonparticipating owner. Proposed law removes present law.

Proposed law provides that in an action against the nonparticipating owner, the lessor royalty owner or overriding royalty owner may seek a judgment directing the drilling owner to make any royalty and overriding royalty payments directly to the lessor royalty owner or overriding royalty owner or into the registry of the court upon a showing that such a judgment is necessary.

Present law provides for judicial remedies for the nonparticipating owner against the drilling owner in the event the drilling owner fails to pay the royalty or overriding royalty due, after providing written notice to the drilling owner and a 30 day opportunity to provide written cause for the failure. Proposed law retains present law.

Present law provides that the court may award the nonparticipating owner in an action against the drilling owner double the amount of royalties due, plus interest and a reasonable attorney fee.

Proposed law retains the interest and the attorney fee award in present law and replaces the damages of double the royalties due with an amount not to exceed the greater of: 50% the

amount due or an amount equal to that portion of the damages awarded by the court to the lessor royalty owner or overriding royalty owner in their action against the nonparticipating owner.

Proposed law provides that the drilling owner may be awarded a reasonable attorney fee if he successfully defends such a judicial demand by the nonparticipating owner.

Proposed law provided that during the recovery of the actual reasonable expenditures incurred in drilling, testing, completing, equipping, and operating the well, the charge for supervision, and the risk charge, the drilling owner shall provide the information required to be given to an unleased owners as provided in present law to any person subject to the risk charge and makes a written request for this information to the drilling owner.

Present law provides that owner that did not receive the notice of the opportunity to participate in the unit well, substitute unit well, alternate unit well, or cross-unit well is only responsible for the costs of the well which shall be recovered from the owner's share of production in favor of the drilling owner. Proposed law retains present law.

Present law provides that a participating owner shall deliver to the owner that has not been notified the proceeds attributable to his royalty and overriding royalty burdens. Proposed law changes participating owner to drilling owner.

(Amends R.S. 30:10(A)(2)(b)(ii)(cc), (ee), and (ff), and (iii); Adds R.S. 30:10(A)(2)(b) (ii)(gg))