

2016 Regular Session

SENATE BILL NO. 388

BY SENATOR CORTEZ

MINERALS. Provides relative to agreements for drilling units. (gov sig)

1 AN ACT

2 To amend and reenact the introductory paragraph of R.S. 30:10(A)(2)(a)(i), (b)(i), (c) and
3 (d)(i), and to enact R.S. 30:10(A)(2)(i), relative to the office of conservation; to
4 provide for agreements for drilling units; to provide for pooling interests; to provide
5 for notice requirements; to provide for the timely payment of drilling costs; to
6 provide terms and conditions; and to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. The introductory paragraph of R.S. 30:10(A)(2)(a)(i), (b)(i), (c) and (d)(i)
9 are hereby amended and reenacted and R.S. 30:10(A)(2)(i) is hereby enacted to read as
10 follows:

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

12 A. * * *

13 (2) * * *

14 (a)(i) Any owner drilling or intending to drill a unit well, a substitute unit
15 well, an alternate unit well, or a cross-unit well on any drilling unit heretofore or
16 hereafter created by the commissioner, may, by registered mail, return receipt
17 requested, or other form of guaranteed delivery and notification method, not

1 including electronic communication or mail, notify all other owners in the unit ~~prior~~
 2 ~~to the actual spudding of any such well~~ of the drilling or the intent to drill and give
 3 each owner an opportunity to elect to participate in the risk and expense of such well.

4 Such notice shall contain:

5 * * *

6 (b)(i) Should a notified owner elect not to participate in the risk and expense
 7 of the unit well, substitute unit well, alternate unit well, or cross-unit well or should
 8 such owner elect to participate in the risk and expense of the proposed well but then
 9 fail to pay his share of the **estimated** drilling costs determined by the AFE ~~within~~
 10 ~~sixty days of the spudding of the well~~ **timely** or fail to pay his share of ~~subsequent~~
 11 **actual reasonable** drilling, ~~completion,~~ **testing, completing, equipping,** and
 12 operating expenses within sixty days of receipt of ~~subsequent~~ detailed invoices, then
 13 such owner shall be deemed a nonparticipating owner, and the drilling owner shall,
 14 in addition to any other available legal remedies to enforce collection of such
 15 expenses, be entitled to own and recover out of production from such well allocable
 16 to the tract under lease to the nonparticipating owner such tract's allocated share of
 17 the actual reasonable expenditures incurred in drilling, testing, completing,
 18 equipping, and operating the well, including a charge for supervision, together with
 19 a risk charge. **For purposes of this Subparagraph, the payment of estimated**
 20 **drilling costs shall be deemed timely if received by the drilling owner within**
 21 **sixty days of the actual spudding of the well or the receipt by the notified owner**
 22 **of the notice required by this Subsection, whichever is later.** The risk charge for
 23 a unit well, substitute unit well, or cross-unit well that will serve as the unit well or
 24 substitute well for the unit shall be two hundred percent of such tract's allocated
 25 share of the cost of drilling, testing, and completing the well, exclusive of amounts
 26 the drilling owner remits to the nonparticipating owner for the benefit of the
 27 nonparticipating owner's royalty and overriding royalty owner. The risk charge for
 28 an alternate unit well or cross-unit well that will serve as an alternate unit well for
 29 the unit shall be one hundred percent of such tract's allocated share of the cost of

1 drilling, testing, and completing such well, exclusive of amounts the drilling owner
2 remits to the nonparticipating owner for the benefit of the nonparticipating owner's
3 royalty and overriding royalty owner.

4 * * *

5 (c) Should a drilling unit be created by order of the commissioner around a
6 well already drilled or drilling and including one or more tracts as to which the
7 owner or owners thereof had not participated in the risk and expense of drilling such
8 well, then ~~within sixty days of the date of the order creating such unit~~ the provisions
9 of this Subsection for notice, election, and participation shall be applicable as if a
10 well were being proposed by the owner who drilled or was drilling such well;
11 however, the cost of drilling, testing, completing, equipping, and operating the well
12 allocable to each tract included in the unit shall be reduced in the same proportion
13 as the recoverable reserves in the unitized pool have been recovered by prior
14 production, if any, in which said tract or tracts did not participate prior to
15 determining the share of cost allocable to such tract or tracts.

16 (d)(i) Should a drilling unit be revised by order of the commissioner so as to
17 include an additional tract or tracts, then ~~within sixty days of the date of the order~~
18 ~~revising such unit~~ the provisions of this Subsection for notice, election, and
19 participation shall be applicable to such added tract or tracts and the owner thereof
20 as if a well were being proposed by the owner who had drilled the well; however, the
21 cost of drilling, testing, completing, equipping, and operating the unit well shall be
22 reduced in the same proportion as the recoverable reserves in the unitized pool have
23 been recovered by prior production, if any, in which said tract or tracts did not
24 participate prior to determining the share of cost allocable to the subsequently
25 included tract or tracts.

26 * * *

27 **(i) Failure of the drilling owner to provide written notice as required by**
28 **Subparagraph (a) of this Paragraph to an owner shall not affect the validity of**
29 **the written notice properly provided to any other owner in the unit.**

1
2
3
4
5
6

* * *

Section 2. This Act shall become effective upon signature by the governor or, if not signed by the governor, upon expiration of the time for bills to become law without signature by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If vetoed by the governor and subsequently approved by the legislature, this Act shall become effective on the day following such approval.

The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Alan Miller.

DIGEST

SB 388 Engrossed

2016 Regular Session

Cortez

Present law authorizes an owner drilling or intending to drill a unit well, a substitute unit well, an alternate unit well, or a cross-unit well on any drilling unit heretofore or hereafter created by the commissioner, may, by registered mail, return receipt requested, or other form of guaranteed delivery and notification method, not including electronic communication or mail, to notify all other owners in the unit prior to the actual spudding of any such well of the drilling or the intent to drill and give each owner an opportunity to elect to participate in the risk and expense of such well.

Proposed law eliminates the notification provision to all other owners in the unit prior to the actual spudding of the well.

Proposed law requires the payment of estimated drilling costs be deemed timely if received by the drilling owner within 60 days of the spudding of the well or the receipt by the notified owner of the notice provided for in present law, whichever is later.

Present law provides for a drilling unit being created around certain wells and for a drilling unit being revised. The owners will have 60 days from the order creating the new or revised unit to participate in the well.

Proposed law removes the 60-day provision.

Proposed law provides that failure of the drilling owner to provide written notice as required by present law to an owner will not affect the validity of the written notice properly provided to any other owner in the unit.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Amends R.S. 30:10(A)(2)(a)(i)(intro para), (b)(i), (c) and (d)(i); adds R.S. 30:10(A)(2)(i))

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Natural Resources to the original bill

1. Technical changes.
2. Adds provision regarding failure of the drilling owner to provide written notice as required by present law to an owner will not affect the validity of the written notice properly provided to any other owner in the unit.