

SENATE BILL NO. 388

BY SENATOR CORTEZ

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AN ACT

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

Be it enacted by the Legislature of Louisiana:

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

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

- A. \* \* \*
- (2) \* \* \*

(a)(i) Any owner drilling ~~or~~, intending to drill, **or who has drilled** 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, 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. Such notice shall contain:

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

(bb) The proposed **or actual** location of the well; ~~;~~

1 (cc) The proposed or actual objective depth of the well; .

2 (dd) An estimate of ownership as a percentage of expected unit size or  
3 approximate percentage of well participation; .

4 (ee) In the event that the ~~proposed~~ well is being drilled or has been drilled  
5 at the time of the notice, then a copy of all available logs, core analysis, production  
6 data, and well test data from the well which has not been made public.

7 \* \* \*

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

1 the unit shall be one hundred percent of such tract's allocated share of the cost of  
 2 drilling, testing, and completing such well, exclusive of amounts the drilling owner  
 3 remits to the nonparticipating owner for the benefit of the nonparticipating owner's  
 4 royalty and overriding royalty owner.

5 \* \* \*

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

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

27 \* \* \*

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

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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.

\_\_\_\_\_  
PRESIDENT OF THE SENATE

\_\_\_\_\_  
SPEAKER OF THE HOUSE OF REPRESENTATIVES

\_\_\_\_\_  
GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: \_\_\_\_\_