

1 or mail, to the owner drilling or intending to drill the proposed well within thirty
 2 days after receipt of the initial risk charge notice. If required by the drilling owner
 3 in accordance with Subitem (i)(ff) of this Subparagraph, such an election to
 4 participate shall include payment of the notified owner's share of costs as set forth
 5 in the AFE. Failure to give timely written notice of the election to participate or, if
 6 required by the drilling owner in accordance with Subitem (i)(ff) of this
 7 Subparagraph, failure to make timely delivery of such payment of the notified
 8 owner's share of the costs as set forth in the AFE, shall be deemed to be an election
 9 not to participate and the owner shall be deemed a nonparticipating owner. An
 10 owner that elects to participate in the risk and expense of the proposed well but then
 11 fails to pay his share of actual reasonable drilling, testing, completing, equipping,
 12 and operating expenses within sixty days of receipt of detailed invoices shall also be
 13 deemed a nonparticipating owner. In cases where some or all of the AFE costs are
 14 estimated, financial adjustments shall be made between the drilling owner and the
 15 participating owners within sixty days of receipt of detailed invoices in order to
 16 account for the difference between any cost estimates and actual costs.

* * *

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

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

26 (ii)(aa) During the recovery of the actual reasonable expenditures incurred
27 in drilling, testing, completing, equipping, and operating the well, the charge for
28 supervision, and the risk charge, if the nonparticipating owner who has furnished the
29 information set forth in Subitem (gg) of this Item, the drilling owner shall remit to

1 against the drilling owner, the lessor royalty owner ~~and~~ or overriding royalty owner
2 shall provide written notice of such failure to the nonparticipating owner and drilling
3 owner. The lessor royalty owner and overriding royalty owner shall follow the same
4 procedure and have the same remedies against the drilling owner, except dissolution,
5 provided in Part 6 of Chapter 7 of Title 31 of the Louisiana Revised Statutes of 1950
6 or Part 2-A of Chapter 13 of Title 31 of the Louisiana Revised Statutes of 1950. The
7 written notice provided to the drilling owner by the lessor royalty owner or
8 overriding royalty owner shall include a true and complete, or redacted, copy of the
9 mineral lease or other agreement creating any lessor royalty or overriding royalty.
10 If the drilling owner provides sufficient proof of payment of the royalties ~~to the~~
11 ~~nonparticipating owner~~, then the lessor royalty owner and overriding royalty owner
12 shall have no cause of action against the drilling owner for nonpayment.

13 (ff) In the event of nonpayment by the drilling owner of the lessor royalty
14 ~~and~~ or overriding royalty due ~~to the nonparticipating owner for the benefit of the~~
15 ~~lessor royalty owner and overriding royalty owner~~, and payment by the
16 nonparticipating owner of a good faith estimate of the ~~lessor royalty and overriding~~
17 royalty due, ~~the nonparticipating owner shall provide written notice of such failure~~
18 ~~to pay to the drilling owner~~ as a prerequisite to a judicial demand for damages, the
19 nonparticipating owner shall provide the drilling owner written notice of the
20 nonparticipating owner's payment of a good faith estimate of the royalties. The
21 drilling owner shall have thirty days after receipt of the required notice within which
22 to reimburse the nonparticipating owner and pay the any remaining royalties due or
23 to respond in writing by stating a reasonable cause for nonpayment. If the drilling
24 owner fails to make payment of the royalties or fails to state a reasonable cause for
25 nonpayment within this period, the court may award to the nonparticipating owner
26 as damages double the amount of royalties due, interest on that sum from the date
27 due, and a reasonable attorney fee regardless of the cause for the original failure to
28 pay royalties. If the drilling owner provides sufficient proof of payment of the

1 royalties ~~to the nonparticipating owner~~, then the nonparticipating owner shall have
2 no cause of action against the drilling owner for nonpayment.

3 (gg) ~~Each nonparticipating owner entitled to receive a portion of the~~
4 ~~proceeds from the sale or other disposition of production as provided in Subitems~~
5 ~~(aa) and (bb) of this Item shall furnish to the drilling owner both of the following:~~
6 Any nonparticipating owner may elect to have royalty payments made by the drilling
7 owner from the proceeds of the sale or other disposition of production in accordance
8 with this Item by furnishing the drilling owner both of the following:

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

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

28 (hh) ~~Each nonparticipating owner who has received from the drilling owner~~
29 ~~a portion of the proceeds from the sale or other disposition of production for the~~

1 ~~benefit of a lessor royalty owner or overriding royalty owner, based only on the~~
2 ~~information furnished pursuant to Subitem (gg) of this Item, shall indemnify and~~
3 ~~hold harmless the drilling owner from and against any claims asserted against the~~
4 ~~drilling owner related to any amounts paid to the nonparticipating owner. A drilling~~
5 ~~owner making royalty payments consistent with the information furnished by the~~
6 ~~nonparticipating owner pursuant to Subitem (gg) of this Item shall be indemnified~~
7 ~~and held harmless by the nonparticipating owner from and against any claims~~
8 ~~asserted against the drilling owner related to the amount of any payment made to the~~
9 ~~lessor royalty or overriding royalty owner.~~ The nonparticipating owner shall also
10 restore to the drilling owner any amounts paid by the drilling owner to the
11 ~~nonparticipating owner~~ lessor royalty or overriding royalty owner in reliance on the
12 information furnished pursuant to Subitem (gg) of this Item, if and to the extent
13 determined to be incorrect.

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

the royalties due in accordance with the lease or other agreement creating the royalty interest.

Proposed law requires that, during the recoupment of costs and risk charge, the drilling owner must make these royalty payments directly to the lessor royalty owner and overriding royalty owner instead of through the nonparticipating owner.

Present law imposes a requirement that the nonparticipating owner provide certain information to the drilling owner regarding royalties. Proposed law retains present law.

Present law provides that 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 retains present law.

(Amends R.S. 30:10(A)(2)(a)(ii) and (b)(i), (ii)(aa) through (cc) and (ee) through (jj), and (iii))