
The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by J. W. Wiley.

DIGEST

Present law authorizes the commissioner of conservation to establish drilling units to prevent waste and to avoid drilling unnecessary wells. The cost of development and operation of the unit is chargeable to the tracts of land within the unit. The commissioner is required to send notice to the owners and an opportunity to elect to participate in the risk and expense of the unit. If an owner elects not to participate or elects to participate and fails to pay his share, the expenses of the unit, including drilling, testing, completing, equipping, and operating, and a risk charge are recoverable from that tract's share of production. The risk charge is equal to 200% of the nonparticipating or nonpaying tract's allocated share of the expenses.

Proposed law retains present law.

Proposed law provides that the notice must include each owner's estimated unit participation decimal interest.

Present law provides that the risk charge is not applicable to unleased oil, gas, and mineral interest. Proposed law retains present law.

Present law provides that royalty owners and overriding royalty owners receive their portion of production of the unit well as provided in the contract creating the royalty.

Proposed law provides that while the unit well costs and applicable risk charge are being recouped from the nonparticipating mineral interest owner, the royalty and overriding royalty owners of that tract shall be paid by the owners or operator drilling the unit well. Such payment shall be limited to 30% of the nonparticipating mineral interest owner's share of production.

Proposed law provides that if the royalty or overriding royalty exceeds the 30% limit, payments from the drilling owners or operator are prioritized as royalty interest shall be paid first, then overriding royalty interests in the order they were recorded. Such payments shall not exceed the 30% of the nonparticipating mineral interest owner's share of production.

Proposed law provides the nonparticipating owner shall pay the royalty and overriding royalty interests recorded after the commissioner's notice to participate is sent and those in excess of the 30% of the nonparticipating mineral interest owner's share of production.

Proposed law provides the owners drilling or their operator are not liable for payments to royalty or overriding royalty owners that exceed 30% of the nonparticipating mineral interest owner's share of production or were recorded after the commissioner's notice was sent. Likewise, they are not liable for errors in payments unless the error results from gross negligence or willful misconduct.

Proposed law provides the actual well costs and the applicable risk charge of the unit well attributable to a nonparticipating or nonpaying owner's interest shall be recouped out of the nonparticipating owner's "net revenue interest" attributable to the nonparticipating tract on the date on which commissioner's notice was sent. Proposed law defines "net revenue interest" as the leasehold's portion of the tract's allocated share of unit production less the leasehold's royalty and overriding royalty interests as limited by proposed law.

Effective August 15, 2011.

(Amends R.S. 30:10(A)(2)(a)(i)(cc) and (dd) and 10(A)(2)(e); adds R.S. 30:10(A)(2)(a)(i)(ee))