

Stricken language would be deleted from and underlined language would be added to present law.

State of Arkansas
95th General Assembly
Regular Session, 2025

As Engrossed: S3/19/25 S4/1/25

A Bill

HOUSE BILL 1656

By: Representative Beck

By: Senator B. Davis

For An Act To Be Entitled

AN ACT TO AMEND THE LAW REGARDING OIL AND GAS PRODUCTION AND CONSERVATION; TO CLARIFY THE ALLOCATION OF PRODUCTION AND COST FOLLOWING INTEGRATION ORDER BY DEFINING "NET PROCEEDS"; TO ADDRESS OBLIGATIONS OF OPERATORS AND WORKING INTEREST OWNERS TO MINERAL OWNERS; AND FOR OTHER PURPOSES.

Subtitle

TO AMEND THE LAW REGARDING OIL AND GAS PRODUCTION AND CONSERVATION.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code § 15-72-305, concerning the allocation of production and cost following integration order, is amended to add additional subsections to read as follows:

(c) As used in this section, "net proceeds" means the same as defined in § 15-72-325.

SECTION 2. Arkansas Code Title 15, Chapter 72, Subchapter 3, is amended to add an additional section to read as follows:

15-72-325. Obligation of operators and working interest owners to mineral owners – Definition.

(a) As used in this section, "net proceeds" means:

(1) If a mineral interest within a drilling unit is an integrated interest not covered by an executed lease, the gross proceeds from the sale of gas, including royalty gas, minus applicable taxes, assessments,



and true third-party costs or costs specifically allowed by the form lease adopted by the Oil and Gas Commission; and

(2) If a mineral interest within a drilling unit is covered by an executed lease, the gross proceeds from the sale of gas, including royalty gas, minus applicable tax, assessments, and charges or deductions specifically allowed by the terms of the lease.

(b)(1) Ownership of minerals, including the proceeds paid as royalty from the sale of the production of the mineral estate, is a property right.

(2) Subject to subsection (c) of this section, a mineral owner shall have the right to contract pertaining to their owned mineral interest.

(c)(1) The minimum royalty payable to royalty owners from the production of gas shall be one-eighth (1/8) of the net proceeds from the sale of the gas.

(2) A mineral owner may negotiate a higher royalty with a lessee by contract.

(d)(1) If a mineral interest within a drilling unit is covered by an executed lease, then the working interest owner or owners of the respective lease is or are responsible for ensuring the full amount of royalties are paid to a royalty owner in compliance with the terms of the lease regardless of whether the payments are made by the operator or, if applicable the nonoperating working interest owner or owners that is or are a party to the lease.

(2) If deductions or expenses are taken by the operator or the nonoperating working interest owner or owners that is or are a party to the lease that are not in accordance with the lease terms, including deductions and expenses pertaining to royalty gas, then the deductions or expenses not specifically allowed by the applicable lease shall be reimbursed to the royalty owner within thirty (30) days of the deduction being taken from the royalty payment of the royalty owner.

(3) This section and § 15-72-305 shall not excuse or relieve the obligation of a working interest owner as it pertains to the contractual lease obligations with the royalty owner.

(e) This section is not applicable to any producing unit or well that produces liquid hydrocarbons only, liquid hydrocarbons associated with the production of gas, or gas produced associated with the production of liquid hydrocarbons.

/s/Beck