

State of Arkansas *As Engrossed: S3/19/25 S4/1/25*

95th General Assembly

A Bill

Regular Session, 2025

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,



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

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

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

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

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

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

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

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

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

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

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/s/Beck

APPROVED: 4/22/25